

**AN ASSESSMENT OF THE IMPACT OF ORGANISATIONAL  
RESTRUCTURING ON THE MORALE OF EMPLOYEES AT  
A SELECTED FINANCIAL INSTITUTION**

**By**

**TEMBELA ZWENI**

Submitted in partial fulfillment of the requirements for the degree:

**MAGISTER IN BUSINESS ADMINISTRATION**

in the Faculty of Management

at the

Nelson Mandela Metropolitan University

**Promoter:**

**Prof. D.M. BERRY**

**November 2004**

## **DECLARATION**

This work has not been previously accepted in substance for a degree and is not being currently submitted in candidature for any degree.

Signed .....

Date .....

## **STATEMENT 1**

This dissertation is being submitted in partial fulfilment of the requirements for the degree of Masters in Business Administration.

Signed .....

Date .....

## **STATEMENT 2**

This dissertation is the result of my own independent work/investigation, except where otherwise stated.

Other sources are acknowledged by giving explicit references.

A reference list is appended.

Signed .....

Date .....

## **STATEMENT 3**

I hereby give consent for my dissertation, if accepted, to be available for photocopying and for interlibrary loan, and for the title and summary to be made available to outside organisations.

Signed .....

Date .....

## **ACKNOWLEDGMENTS**

The successful completion of this research would not have been possible without the support, guidance and encouragement of certain individuals. In particular, the assistance of the following is gratefully acknowledged:

- Professor Dave Berry, for his guidance, patience, support and motivation throughout the research period.
- All the Standard Bank staff who took time to complete the questionnaires, without which, this research document would not have materialised.
- My wife, for her sacrifice and enthusiastic support and motivation throughout the research period.

## **ABSTRACT**

Rising global competition, the influence of advances in information technology and the re-engineering of business processes are some of the imperatives that force organisations to restructure their businesses. In South Africa, the situation is even more compelling, with the recent democratisation of the country that requires companies to implement certain restructuring programmes designed to empower previously disadvantaged individuals. Organisational restructuring is therefore inevitable for any organisation.

These changes, however, do affect organisations and employees. Employees become insecure, confused about their jobs, and therefore less productive.

To the extent that change can adversely affect both organisations and employees, it becomes critical that organisations should implement it carefully, if they are to survive. To achieve this, requires managers to fully understand drivers of change, the possible consequences of change on both organisation and employees, and to take appropriate actions.

The main objective of this study was to identify possible approaches that organisations can pursue in implementing restructuring without adversely affecting the employees. The practical context chosen was an organisation that had recently implemented organisational restructuring.

The research methodology for this study entailed the conducting of an intensive study of the relevant literature, to determine what the theory reveals in respect of restructuring strategies that can assist organisations in effectively implementing the restructuring process. Dissertations, theses, research reports and journals were consulted, in an attempt to formulate a theoretical basis for this study. The contemporary literature reveals that there are various strategies that organisations can employ to effectively restructure their organisations with minimal adverse influence on employees. The restructuring organisations should ensure that employees are genuinely involved in the process at the

outset. The desired changes and the benefits thereof, should be clearly and consistently communicated to the employees at the beginning of the restructuring process.

An empirical study was then conducted at the chosen organisation that had recently embarked on an organisational restructuring. The focal point of the empirical study was to determine how this organisation had implemented its restructuring process. The main purpose was to establish the impact that this restructuring had on the morale and motivation of the employees.

The final step of this study included an assessment of the findings. This was done so that suitable conclusions could be drawn and appropriate recommendations made. The conclusions revolved around the effects of restructuring on the employees of this organisation. The focus of the recommendations was on what approaches the restructuring organisations should follow to successfully and effectively implement the restructuring process, without adversely affecting the employees.

## TABLE OF CONTENTS

	<b>PAGE</b>
DECLARATION	i
ACKNOWLEDGEMENTS	ii
ABSTRACT	iii
TABLE OF CONTENTS	v
LIST OF TABLES	x
LIST OF CHARTS	xi
LIST OF FIGURES	xii
LIST OF ANNEXURES	xiii
<b>CHAPTER 1</b>	<b>1</b>
<b>PROBLEM STATEMENT AND OUTLINE OF THE STUDY</b>	
1.1 INTRODUCTION	1
1.2 MAIN PROBLEM	2
1.3 SUB-PROBLEMS	2
1.4 OBJECTIVES	3
1.5 DEFINITION OF SELECTED CONCEPTS	3
1.5.1 Organisational restructuring	3
1.5.2 Morale	4
1.5.3 Motivation	5
1.5.4 Justice	5
1.6 DEMARCATION OF THE RESEARCH	5
1.6.1 Organisational restructuring	5
1.6.2 Staff levels	5
1.6.3 Geographical demarcation	6
1.7 THE SIGNIFICANCE OF THE RESEARCH	6
1.8 AN OVERVIEW OF THE RELATED LITERATURE	7
1.9 RESEARCH METHODOLOGY	11
1.9.1 Literature review	11

	<b>PAGE</b>
1.9.2 Empirical study	11
• Sample	11
1.10 KEY ASSUMPTIONS	12
1.11 OUTLINE OF THE STUDY	12
1.12 CONCLUDING REMARKS	12
 <b>CHAPTER 2</b>	 13
 <b>DESCRIPTION OF THE ORGANISATIONAL RESTRUCTURING PROCESS AT STANDARD BANK SA LTD</b>	
 2.1 INTRODUCTION	 13
2.2 BENEFITS OF THIS RESTRUCTURING	14
2.3 IMPLEMENTATION PROCESS	14
2.3.1 Process roll-out	15
2.3.1.1 Business banking integration into retail bank	15
2.3.1.1.1 Ultimate objectives	17
2.3.1.1.2 Activity timeline	18
2.3.1.1.3 Market analysis	18
2.3.1.1.4 Customer value proposition	19
2.3.1.1.5 Potential benefits of integration	19
2.3.1.1.6 Structural changes	21
2.4 INTEGRATION OF BUSINESS BANKING INTO SCMB	23
2.4.1 Business approval committee	24
2.4.2 Other Issues of restructuring	24
2.4.2.1 Achievements of the steering committee	25
2.4.2.2 Communication process	25
2.5 CONCLUDING REMARKS	28

	<b>PAGE</b>
<b>CHAPTER 3</b>	<b>29</b>
<b>THEORY OF ORGANISATIONAL RESTRUCTURING</b>	
3.1 INTRODUCTION	29
3.2 WHY ARE ORGANISATIONS RESTRUCTURING?	30
3.3 TYPES OF ORGANISATIONAL RESTRUCTURING	32
3.4 MODELS OF ORGANISATIONAL RESTRUCTURING	35
3.4.1 Structure of the change process model	38
3.5 COMMUNICATIONS AND RESTRUCTURING PROCESS	39
3.5.1 Communication role of the Chief Executive Officer	43
3.5.2 Communication strategy during restructuring process	44
3.6 ORGANISATIONAL CULTURE AND RESTRUCTURING PROCESS	45
3.7 ORGANISATIONAL JUSTICE AND RESTRUCTURING PROCESS	48
3.8 IMPLEMENTATION	48
3.8.1 Roles and responsibilities	48
3.8.1.1 Board of directors	49
3.8.1.2 Chief Executive Officer	49
3.8.1.3 Top management	50
3.8.1.4 Steering committee	50
3.8.1.5 Task force teams	51
3.8.1.6 Functional and special expertise	52
3.8.1.7 Management accountants	53
3.8.1.8 Structural options	53
• Departmentalisation options	54
3.8 FRAMEWORK FOR STRATEGIC CHANGE MANAGEMENT	55
3.9 MINIMISING RESISTANCE TO CHANGE	59
3.10 CONCLUDING REMARKS	60



	PAGE
<b>CHAPTER 4</b>	<b>62</b>
<b>RESEARCH METHODOLOGY AND ANALYSIS OF BIOGRAPHICAL DETAILS</b>	
4.1 INTRODUCTION	62
4.2 RESEARCH DESIGN	62
4.3 TREATMENT OF DATA	63
4.3.1 Data collection	64
4.3.2 Data analysis	65
4.4 QUESTIONNAIRE DESIGN	66
4.5 PILOT STUDY	67
4.6 THE SAMPLE POPULATION	68
4.7 RESPONSE RATE	69
4.8 ANALYSIS OF BIOGRAPHICAL INFORMATION	73
4.9 STATISTICAL TREATMENT OF DATA	78
4.10 CONCLUDING REMARKS	79
 <b>CHAPTER 5</b>	 <b>80</b>
 <b>ANALYSIS AND INTERPRETATION OF RESULTS</b>	
5.1 INTRODUCTION	80
5.2 EMPLOYEE INVOLVEMENT IN THE PROCESS	81
5.3 EMPLOYEE ATTITUDES AFTER THE RESTRUCTURING PROCESS	83
5.4 EMPLOYEE MORALE AND MOTIVATION AFTER RESTRUCTURING	85
5.5 COMMUNICATION PROCESS AND STRATEGY DURING RESTRUCTURING	86
5.5.1 Forms of communication used during restructuring	88
5.5.2 Stage at which employees were informed about restructuring	89

	PAGE
5.5.3 Frequency with which changes were communicated to employees	89
5.6 OTHER FINDINGS	90
5.7 CONCLUDING REMARKS	92
<b>CHAPTER 6</b>	<b>94</b>
<b>CONCLUSIONS AND RECOMMENDATIONS</b>	
6.1 INTRODUCTION	94
6.2 MAIN FINDINGS	94
6.2.1 Employee involvement in the restructuring process	95
6.2.2 Impact of restructuring on employee attitudes	95
6.2.3 Impact of restructuring on employee morale and motivation	96
6.2.4 Communication process and strategy during restructuring	96
6.3 PROBLEMS AND LIMITATIONS	99
6.4 RECOMMENDATIONS	99
6.5 OPPORTUNITIES FOR FURTHER RESEARCH	101
6.6 CONCLUDING REMARKS	102
<b>REFERENCES</b>	<b>103</b>

## LIST OF TABLES

	<b>PAGE</b>
Table 4.1 Overall response rate	70
Table 4.2 Responses according to division	71
Table 4.3 Responses according to offices	72
Table 4.4 Number of respondents according to positions	74
Table 4.5 Respondents by race	75
Table 4.6 Respondents by gender	75
Table 4.7 Responses by age	76
Table 4.8 Responses by number of years employed	77
Table 4.9 Responses by qualifications	78
Table 5.1 Employee involvement in the process	82
Table 5.2 Employee attitude after the restructuring	84
Table 5.3 Employee morale and motivation after restructuring	86
Table 5.4 Communication process and strategy during restructuring	87
Table 5.5 Forms of communication predominantly used during restructuring	88
Table 5.6 Stage at which employees were informed about restructuring	89
Table 5.7 Frequency with which changes were communicated to employees	90

## LIST OF CHARTS

	<b>PAGE</b>
Chart 4.1 Total response rate	70
Chart 4.2 Responses according to divisions	72
Chart 4.3 Responses according to offices	73

## LIST OF FIGURES

	<b>PAGE</b>
Figure 1 Integration activity timeline	18
Figure 2 Nine-Phase Change Process Model	38
Figure 3 Framework for managing strategic change	56

## LIST OF ANNEXURES

	<b>PAGE</b>
Annexure 1 Covering letter for survey	106
Annexure 2 Survey questionnaire	107

# CHAPTER 1

## PROBLEM STATEMENT AND OUTLINE OF THE STUDY

### 1.1 INTRODUCTION

In March 2003, Standard Bank SA Ltd announced that it was to embark on a serious process of restructuring the organisation. The rationale behind this, as the Chief Executive Officer (CEO) puts it, was to appropriately align the business processes with the needs of the customers. This must, accordingly, result in the improvement in the areas of focus and service to the customers. The group was initially divided into three business units namely, Retail Banking that catered for the lower end of the market, Business Banking that catered for medium businesses with an annual turnover of up to R100 million, and the Standard Corporate and Merchant Banking (SCMB) that looked after anything with an annual turnover of more than R100million. SCMB name was later changed and is currently known as Corporate and Investment Banking (CIB) (<http://intranet.sbic.co.za/grg/main/html:28/10/2003>).

After intense consultation with stakeholders, particularly the customers, the group came to the conclusion that the present model had to be changed since, they believed, it no longer lent itself to more effective customer service and focus. This was further reinforced by the outcome of the research that was done on the bank's customers to ascertain whether this model was better serving their needs. The bank then decided to collapse the business-banking unit and retain the other two units. This meant that the upper end business of the business banking had to be migrated to CIB and the rest migrated to the Retail banking with the respective personnel that were looking after those market segments (<http://intranet.sbic.co.za/grg/main/html:28/10/2003>).

This process, like many other restructuring processes, has had some casualties in terms of people, particularly at executive level of the business

banking, becoming redundant. Some have already left the organisation while others have been asked to pursue something else within the group. This has created a lot of uncertainty amongst many employees, particularly those that were from the business-banking unit. This has been the case despite the repeated assurances from the management that this was not a cost-cutting exercise, and therefore, staff should not be afraid that they may lose their jobs.

## **1.2. MAIN PROBLEM:**

**What strategies can an organisation use to effectively restructure its business without compromising the morale and motivation of its workforce?**

The choice of the research topic emanates out of the desire to find out if these changes have affected the morale and the motivation of the employees.

The above discussion offers the basis for the explanation of the main problem of this study.

## **1.3 SUB-PROBLEMS**

An analysis of the main problem allows identification of the following sub-problems:

*Sub-problem one:*

What are the restructuring strategies that the relevant literature has revealed which can assist organisations in effectively implementing the restructuring process?

*Sub-problem two:*

What restructuring strategies did the selected financial institution use?



*Sub-problem three:*

What were the effects of the organisational restructuring on employee morale and motivation at the selected financial institution?

#### **1.4 OBJECTIVES**

- To identify the organisational restructuring strategies revealed by contemporary literature;
- To explain the organisational restructuring process implemented by the chosen organisation;
- To assess the influence that the organisational restructuring process has had on the employees of the chosen organisation;
- To contrast the literary theory with the process followed by the chosen organisation in its restructuring process; and
- To recommend the most appropriate strategies that organizations can employ in implementing a restructuring process.

#### **1.5 DEFINITION OF SELECTED CONCEPTS**

##### **1.5.1 Organisational restructuring**

According to Greenberg and Baron (1995:627) organisational restructuring refers to the “altering of size and basic configuration of the organisational chart”. It may involve downsizing that entails reducing the number of employees needed for the organisation to function effectively, or rightsizing that includes adjusting the number of employees needed to work in newly designed

organisations. It can also include outsourcing, wherein a company hires the services of an outside firm to carry out its non-core business functions (Greenberg & Baron, 1995: 627).

Byars (1992:162) contends that the restructuring or reorganising of the organisation involves making strategic changes when the organisation faces environmental challenges. These organisational changes may take place during both good and bad times. Bad time restructuring may involve retrenchment of workers, disposing of assets, divestment of business units and major capital borrowings. Good times restructuring may involve changing the way in which the organisation is structured due to company expansion or diversification of products and customer profile. It may also involve major acquisitions in order to widen the production lines or strategic alliances in order to broaden the business horizons.

The following were found by Byars (1992:163) as reasons for restructuring by most organisations:

- To enhance productivity, profitability, growth rates and balance sheet ratios of the organisation,
- To refocus strategically, and
- To effectively encounter the competition.

### **1.5.2 Morale**

Gordon (1991:745) defines morale as the “predisposition in organisation members to put forth extra effort in achieving organisational goals and objectives. It includes feelings of commitment, goals communality, and feelings of belonging”. A certain amount of morale is found within working groups whilst a certain amount of motivation is found within individuals. Morale and motivation are some of the good measures of organisational effectiveness.

### **1.5.3 Motivation**

According to Bargain, (2003:52) motivation is a “force that directs and sustains our behaviour”. Erasmus, van Wyk and Schenk (2000:353) on the other hand, define motivation as “the willingness to do something, and is controlled by this action’s ability to satisfy some need of the individual”.

### **1.5.4 Justice**

Cascio (2002:91) defines justice as “maintenance or administration of what is fair, especially by the impartial adjustment of conflicting claims or the assignment of merited rewards or punishments”. Justice is one of cornerstones of working together in organisations. There are two types of justice, namely, procedural and distributive justice. Procedural justice deals with the fairness of the procedures followed in arriving at a decision. Distributive justice on the other hand, looks at the fairness of the results of the decision taken.

## **1.6 DEMARCATION OF THE RESEARCH**

### **1.6.1 Organisational restructuring**

The scope of this study will be limited to the recent restructuring process that the selected financial institution has embarked upon during the year 2003.

### **1.6.2 Staff levels**

The study will involve all staff levels from junior to senior staff members. Responses from various occupational levels will be compared to determine whether the impact of restructuring differs with levels of occupation within the organisation.

### **1.6.3 Geographical demarcation**

The empirical element of this study will be limited to the Eastern Cape geographical area. For the purpose of this study, only employees in the cities of East London and Port Elizabeth will be covered. The reason for this, is that the collapsed business unit under study had only two branches in the Eastern Cape that were situated in both cities.

### **1.7 THE SIGNIFICANCE OF THE RESEARCH**

As Gowing, Kraft and Quick (1998:21) put it, the rising global competition, the influence of advances in information technology, the re-engineering of business processes are some of the imperatives that force organisations to restructure their businesses. In South Africa, the situation is even more compelling with the recent democratisation of the country that requires companies to implement certain restructuring programmes designed to empower previously disadvantaged individuals. Organisational restructuring is therefore inevitable.

These changes do affect organisations and employees. Employees become insecure, confused about their jobs and therefore, less productive. According to Anderson and Anderson (2001:1) the success of 21<sup>st</sup> Century organisations will depend on how successful leaders are at leading and managing this change. They argue that most organisation leaders are found wanting when it comes to leading change successfully.

To the extent that change can adversely affect both organisation and employees, it becomes critical that organisations should implement it carefully, if they are to survive. To achieve this, requires managers to fully understand drivers of change, the possible consequences of change on both organisation and employees, and to take appropriate actions.

The outcomes of this study could give rise to the formulation of an appropriate strategic framework that could assist organisations in implementing

organisational restructuring. Moreover, the findings of the research could be used to develop new models for implementing organisational change that could be adapted to various change situations.

## **1.8 AN OVERVIEW OF THE RELATED LITERATURE**

Many studies have been undertaken, particularly in the United States, on the effects of organisational restructuring on both individuals and organisations as well as how best to manage this change. The research shows that individuals, groups and organisations tend to perceive change as a threat to their well-being and existence. Individuals associate change with loss of jobs, whilst organisations see change as carrying costs and risk to them. They subsequently respond to change in ways that are not suitable that eventually lead to counter productivity (Gowing, Kraft & Quick, 1997: 3).

Gowing et al., (1997: 21) describe three interrelated sources of organisational restructuring, namely, mergers and acquisitions, downsizing and privatisation. These sources have common attributes in that they are all induced by economic recession and by the endeavours by organisations to continue to exist, and also to enhance productivity. Moreover, they all have a serious impact on both individuals and organisations that may require psychological practice and intervention. According to Gowing et al., (1997:31) stressors and attendant symptoms of strain are some of the many consequences of organisational restructuring on individuals.

Rising global competition, the influence of information technology, reengineering of business processes, and the changing perception of a job as a constant collection of activities, are some of the factors that impact on work and organisations. These factors require leaner and meaner organisations that focus more on core abilities, thus inducing them to outsource all the non-core activities of their businesses. These changes invariably lead to some serious consequences for both employees and organisations (Gowing et al., 1997:21)

The research shows that during 1990's, the main feature of the total restructuring of the American organisations was a shift from traditionally more secured managerial and professional jobs to more insecure ones. It was reported (Gowing et al., 1997:22) that more than one million managerial and professional jobs were lost within a two-year period whenever the organisations restructured, merged, downsized and divested.

Hayes (2002:4) explains the origins of organisational restructuring in his concept of "future shock". He postulates that the change is a consequence of the existence of three related trends, namely, transience, novelty and diversity. Modern life is increasingly characterised by "impermanence and transience" due to the expanding scope and accelerated pace of change. This results in shorter duration of people's relationship with things, places, other people, organisations and ideas. This change in turn requires new levels of adaptation for individuals and organisations in order to continue to exist.

The individuals and organisations that are more adaptable are more likely to cope and vice versa. Novelty is the second trend where the accelerated pace of change leads to more unfamiliar situations that individuals and organisations must face. In the diversity trend people are faced with a wide variety of choices, particularly at work. This in turn makes decision making more complex. Hayes (2002:4) argues that when these trends come together at the same time, the society is propelled towards what he calls "historical crisis of adaptation". The end result of this becomes surroundings that are so short-lived, unfamiliar and complex, which threatens many people with adaptive collapse. This breakdown is in essence a future shock concept (Hayes, 2002:4-5).

Every industry is undergoing a consistent wave of evolution. Organisations go through periods of intermittent change with some degree of regularity that differs across industries. The last, probably most important finding for the managers was that industrial change is taking place at an increasing rate whilst the time between periods of discontinuous change, that involves what Hayes(2002:7) refers to as 'novelty', is declining. This implies that

organisations will ever be faced with the challenge of managing unfamiliar situations (Hayes, 2002:7).

Organisations adapt to change by restructuring. This includes transforming their structures, re-engineering business processes, and changing their cultures. In working environments, this means that individuals must either unlearn the old ways of doing things and develop new competencies or move out of their jobs. The idea is to make the organisation more flexible and competitive, but this unfortunately, tends to happen at the expense of employee security and career prospects. Workers begin to feel high levels of stress. These developments in turn do adversely impact on employee performance, commitment to work and their physical and psychological well-being. This also creates a huge burden for managers since their workload increases whilst they have to manage angry employees (Hayes, 2002:7).

Taylor (1998:11) identified the following key techniques of successfully managing organisational restructuring:

- Very strong project management with specific objectives and clear milestones.
- Good communication with everyone in the organisation to ensure that every member of the staff knows exactly what is happening in their company.
- Resolute leadership that is not only provided by the CEO, but also by a dedicated team of professional business people running the organisation. This team must be lean and mean, with selfless individuals who are excited about the corporate vision, supportive of each other and are willing to put the needs of the organisation before theirs.

According to Anderson & Anderson (2001:15) organisational change is set in motion by certain signals of change that take place in the organisation's environment or marketplace. Such warnings entail invention of new technology, changes in government regulations and adventurous actions by competitors.

The need for organisational change may also be triggered by the failures in the leader's own organisation. The organisations need to craft strategies to deal effectively with these events irrespective of what triggered them. The challenge is for management to be aware of and fully understand these signals and take action to respond appropriately. It is therefore crucial for management to be fully aware of drivers of change in their organisations.

In their "Drivers of Change Model", Anderson & Anderson (2001:16) show the triggers of change in sequence. For the purpose of this research, only the following will be considered:

- The critical success factors in the marketplace that requires a customer centric approach.
- The business commands that require organisations to be more competitive and customer focused.
- The organisational imperatives that involve, amongst other things, restructuring the company in line with marketplace demands.

There are basically ten principles for a successful organisational change, namely, wholeness, interconnectedness, multi-dimensional approach, continuous process through time, continuously learn and course correct, abundance, balance planning with attending to emerging dynamics, lead as if future is now, optimise human dynamics and evolve mindset. These are the operating principles that limit the adverse impact of organisational restructuring on both individuals and organisations (Anderson & Anderson, 2001:121).

According Bargrain, et al (2003: 249) organisational restructuring makes the workers feel powerless. Any change in the organisation is likely to cause uncertainty among workers as it challenges their sense of control and competence. This is so because most employees do not have strong self-esteem and inner recourses, and therefore do not see themselves as architects of their own destiny. The process of organisational change should therefore be



implemented in a more structured and professional way. It should not only focus on change management but also should ensure that individuals are empowered.

## **1.9 RESEARCH METHODOLOGY**

Information for this study was obtained through both primary and secondary sources. The following methodology was applied:

### **1.9.1 Literature review**

A relevant literature study of the latest possible sources was made to identify the restructuring strategies that can assist organisations in effectively implementing the restructuring process. Dissertations, theses, research reports and journals were also consulted in an attempt to formulate a theoretical basis for this study.

### **1.9.2 Empirical study**

A survey was conducted among former business banking division employees of all occupational levels. A questionnaire constructed by the researcher, was used to determine what impact the recent organisational restructuring has had on their morale and motivation. The reason for choosing former business banking division employees is because they are the ones who were seriously affected by the changes, as they had to migrate into other business divisions.

- **Sample**

All the 28 employees of the former business-banking unit in the Eastern Cape were used as a sample for the study.

### **1.10 KEY ASSUMPTIONS**

It is assumed that there are universal restructuring strategies that can assist any organisation in effectively implementing the restructuring process.

### **1.11 OUTLINE OF THE STUDY**

The study includes the following chapters:

Chapter 1: Problem statement and outline of the study

Chapter 2: Description of organisational restructuring at Standard Bank

Chapter 3: Theory of organisational restructuring

Chapter 4: Research methodology and analysis of biographical details

Chapter 5: Analysis and interpretation of results

Chapter 6: Summary, conclusions and recommendations

### **1.12 CONCLUDING REMARKS**

In this chapter, the main problem and sub-problems of the study were stated. Various selected concepts were defined, a review of the related literature was presented, and the outline of the study was highlighted. Chapter 2 explains the organisational restructuring process that took place at the Standard Bank SA Ltd.

## **CHAPTER 2**

### **DESCRIPTION OF THE ORGANISATIONAL RESTRUCTURING PROCESS AT STANDARD BANK**

#### **2.1. INTRODUCTION**

This chapter deals with the description of the organisational restructuring that took place at Standard Bank. The discussion focuses on the management of the process and how it was managed to ensure minimum disruptions and uncertainties, particularly on staff.

The information in this chapter was obtained and summarised from the following sources:

- Standard Bank Group Intranet where most of the information regarding the restructuring is stored;
- The Operations Communication Centre of the Bank through which restructuring updates were communicated to the general staff and;
- Mr Johan Mare, Senior Manager at the Group communications department.

On 20 February 2003, it was announced that a decision was taken to disband Business Banking as a division of Standard Bank. This decision was taken after vigorous discussions and debates were made within the Standard Bank group around the customer focus and the optimum structures for the various business segments comprising all the three divisions, namely, Standard Corporate and Merchant Bank (SCMB), Business Banking and Retail Banking. This major restructuring involved integrating part of the Business Banking with SCMB and the balance with Retail. The main aim of this exercise was the arrangement of the domestic bank into two logical business clusters, namely, Wholesale Banking and Retail Banking.

The communique of 20 February 2003 further stressed that the restructuring was designed to be a further enhancement of an already successful business model. Business Banking had enjoyed a highly successful year in 2002, a year just before the announcement, growing profits by 37.7 per cent whilst reducing the cost-to-income ratio to 36.2 per cent. The restructuring was designed to enable the Bank to achieve the best allocation of resources in meeting the needs of the customers. The main driver of the restructuring was to attain heightened customer segmentation and to focus on appropriate levels of client service within those various segments.

Management emphasised that this was not a cost cutting exercise, but rather an attempt to better service the customer needs.

## **2.2. BENEFITS OF THIS RESTRUCTURING**

The following were the benefits perceived by the Bank to be gained from the restructuring process:

- Improved customer focus;
- Better service delivery to the customers;
- Optimisation of key skills;
- Creation of common delivery platforms;
- Elimination of duplication in business structures;
- Extraction of operational synergies;
- Reduced system spend requirements; and
- Creation of better career opportunities and broader career paths for staff.

## **2.3. IMPLEMENTATION PROCESS**

A Steering committee was established to co-ordinate the implementation of this restructuring within the Bank. This committee was composed of nine executive members from all three divisions such as three from Standard Corporate and

Merchant Bank (SCMB); four from Business Banking and two from Retail Banking. The brief of this committee included dealing with the following issues:

- Key market segmentation issues;
- Key reporting structures;
- Migration of the sales and relationship areas of the business; and
- Migration of Business Banking staff to either SCMB division or Retail Bank division.

The steering committee was also mandated to draw on specific expertise, when necessary, from other areas of the broader Bank.

The project teams were also set up to work on the alignment of various business areas. These areas included Customer Service Centres, Credit, Human Resources, Business Support, Legal, Compliance, Operations Support and Administrations, and Stannic Structured Finance Administration.

### **2.3.1. Process roll-out**

The restructuring process at Standard Bank was divided into two processes that ran concurrently, namely:

- Business bank integration into retail bank; and
- Business bank integration into SCMB.

#### **2.3.1.1. Business banking integration into retail bank**

The initial intention was to re-position the business banking commercial suites that look after the lower end of the market segment (referred to as 551, 552 and part of 553) by merging them with the Retail's Small Medium Enterprise (SME) segment to form one business unit with Retail. Accordingly, an Executive Member was appointed on the 20 February 2003 to oversee and implement the merger of the relevant Business Banking segments and the Retail Bank SME's.

A comprehensive analysis, designed to give more insight into the integration of Business Banking into Retail Bank, was performed for some time to ensure that appropriate decisions are made. This analysis revolved around the following issues:

- Internal investigation of the Business Banking Model;
- Establishing customer forums with Business Banking and Small Medium Enterprise (SME) customers;
- Refinement of the Customer Value Proposition in conjunction with SME;
- Analysis of the SME, Agriculture, Regional Commercial and Priority Banking Model;
- Global best practice analysis of Business Banking;
- Local competitor analysis; and
- Two integration workshops with stakeholders from all parts of the Bank.

The following were the guiding principles of this process:

- Achievement of customer focus and a clear and optimally implemented value propositions;
- Competitive positioning that is informed by the offerings of rivals and competitive pressure;
- Economic reality and the understanding of the drivers of the business;
- Leverage existing infrastructure and remove duplication and inefficiencies; and
- Align personal and business banking to enhance customer experience as well as delivery.

The integration into the Retail Bank process was carried out in the following two phases of the migration processes:

Phase 1: Included the following activities:

- To position the integration with the Branch or Business Centre Team and handout first cut report centrally of the three identified elements of customer value proposition, namely 'optima', 'focus' and 'expert' (OFE) portfolios. The Bank used the OFE concept to segment its service offerings to the customer. This concept is explained in detail in point 2.3.1.1.4.
- Branch identifies potential movements based on the report as well as potential groups who should move across a customer value proposition (CVP);
- Business Centre identifies potential movements also based on the report;
- Discussion with manager/account executive regarding who should/should not move and why; and
- Creation of proposed final OFE portfolio.

Phase 2: Can be categorised as physical migration of relationships and entail the following:

- Profiling of the customer by existing portfolio owner;
- Meet with new portfolio owner to agree on value proposition;
- Arrange introductory meeting with customer;
- If customer is agreeable, migrate relationship across.

#### **2.3.1.1.1 Ultimate objective**

The following were identified as the ultimate objectives of the integration of Business Banking into Retail Bank:

- The formation of a single Retail Business Banking segment, fully integrated into the greater Retail Bank and servicing all business customers;
- Development of a strong segment or customer focus that will leverage on Group infrastructure;
- Development of a strategy for the business;

- Focused customer value propositions;
- Development of appropriate skills and resource allocation per proposition;
- Product and solution packaging and delivery;
- Appropriate credit models; and
- Assist distribution with the execution of the strategy and propositions.

### 2.3.1.1.2 Activity timeline

Figure 1 below reflects the activity timeline for the integration of Business Banking into Retail during the year 2003.

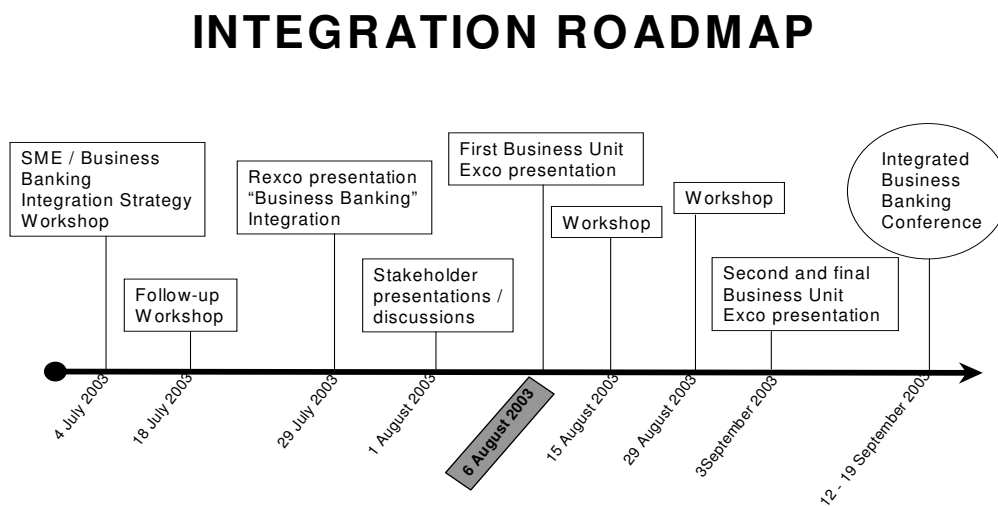


Figure 1: Timeline

Source: The Operations Communication Centre of Standard Bank

### 2.3.1.1.3 Market Analysis



The analysis of the Business Banking market revealed the following as the key drivers of this segment:

- Customer focus is more important than product focus;
- The relationship is the catalyst and customers prefer single point of contact;
- Customers prefer a holistic package offering, rather than individual product offerings;
- All channels of distribution and service delivery are used;
- There is a close link between personal and business banking. Customers display a “know me and my business” attitude; and
- Customers still require separate customer value propositions based on their contribution or potential to the Bank.

#### **2.3.1.1.4 Customer Value Proposition**

The customer value proposition contained the following elements:

- “Expert” that focuses on maximising the customer relationship;
- “Focus” that focuses on identifying the business potential; and
- “Optima” that focuses on efficient delivery with a human touch.

#### **2.3.1.1.5 Potential Benefits of Integration**

The following were identified as potential benefits in general:

- Migration of high touch customers (contribution greater than R30, 000) within the Branch to an appropriate service delivery channel that will add value to the customer’s needs;
- Improvement in the delivery of service to customers. With the introduction of a “single” or “known” point of contact a customer will

always be aware of who the first person is that they should contact when a discussion needs to occur on his/her banking needs;

- In the Optima CVP it is expected that there will be an increase in both sales and cross sales that the business banker will have to tend to a portfolio of customers as opposed to a “bucket” portfolio in Optima CVP; and
- The migration of high touch customers to the expert CVP will allow the business bankers to tend to a whole portfolio of business customers. The full value to a customer’s banking relation can thus be attained.

The aim of the integration was to ensure that in all areas of business a measure of consistency is applied and implemented. Customers would thus be in a position to experience the same level and value of service irrespective of where they are located. Where applicable, adjustments will be made so as to ensure that consistency is maintained from a customer’s perspective.

A key element of the strategy for business banking was the total integration of current structures into that of retail bank. This included customer service centres and accordingly the headcount of the respective units of the customer service centers (CSC's) were also incorporated into retail banking's provincial structures. In the light of the above, it was deemed appropriate that the current reporting lines for these centers also change, and all CSC managers had to report to the respective provincial service managers. The credit, marketing, sales and the business support and finance sections were also integrated into the retail bank structures.

The following major step was the integration of the metro business units into their respective provincial structures with each business unit head reporting to the provincial director. For example, in Gauteng, five metro business units report to one business unit head who, in turn, reports to the provincial director. In the Eastern Cape, the situation is the same, where the metro business unit reports to a business unit head who, in turn reports to the provincial director. It was believed that this would enhance relationships, increase synergies and

also improve sales opportunities in the provinces. As a consequence of these changes, all financial reporting including the budgets for 2004, were also incorporated into the provincial financial reporting processes.

In addition, one provincial business banking manager was appointed for each province to ensure a smooth integration of the business banking into the provinces. These managers were also tasked to play an integral role in the implementation of the business banking strategy and the on-going management of the business banking segments in their respective provinces.

#### **2.3.1.1.6 Structural changes**

The project team consisting of representatives from credit, marketing, small medium enterprise (SME), sales and service, product, business banking, finance, human resource and the distribution network was formed to actively assess the integration of business banking into retail banking. The project team consulted widely, both internally and externally, and considered options that would enhance the focus and service of the bank business customers. Consideration was given to competitive positioning in this market and, wherever possible, to ensure that existing retail bank infrastructure is utilised to maximise efficiencies and avoid duplication.

The outcome of this project was a business model that fully integrated the old business banking into retail banking and significantly enhanced the role of a business-banking segment. Included in the new business-banking segment were the previous segments of SME, business banking, regional commercial and agriculture. From a customer point of view, three value propositions covering the aforementioned segments were established which would determine service levels, size of customer portfolios, channel of distribution and product range for the respective offerings. The issue of providing a single point of contact for the customer's business and personal banking requirements was

also addressed in these value propositions. These value propositions were covered in the section 2.3.1.1.

From a segment point of view, the Business Banking segment within Retail will ensure that customer needs are suitably met through the bank's delivery capability and product set. The segment will also focus on driving business banking (BB) profitability and opportunities and initiatives like franchising and black SME development. The BB segment will also ensure the correct alignment of the respective customer value propositions and manage customer migration between these propositions, as well as with Corporate Banking Division in SCMB.

From a structural point of view the following were the most significant changes:

- A new business banking segment, headed by an Executive Director, was formed;
- The previous business banking units based in Johannesburg, Vereeniging, Pretoria, Durban, East London, Port Elizabeth and Cape Town were to report directly into the respective provincial directors. The intention was to fully integrate these business units into the provincial structures and align them closely with the SME teams;
- Provincial business banking managers were appointed in the Provinces. A key aspect of their role was to ensure that the segment strategy is consistently delivered throughout the bank's national distribution network;
- The reporting lines for the current SME centre managers, SME and agricultural teams in the provincial network remained unchanged;
- A business banking executive committee (Exco) and steering committee was established, drawing on broad skills from product, channel, distribution, sales support, credit, etcetera, to ensure that the segment is managed as a cohesive single segment; and
- An appropriate alignment of the credit structures was also done to support the migrated client portfolios. It was, however, decided that the credit functions of the two structures (business banking and retail

banking) would continue to operate on a ring-fenced basis for the time being, with an appropriate credit risk model to be implemented in due course for the respective market segments as defined.

The changes were tested first in a pilot project in KwaZulu-Natal (KZN), thereafter rolled out to other Provinces on a phased basis. Key areas of testing focus was testing the structures in the distribution network, ensuring optimal portfolio sizes, alignment of credit processes and product offerings, and standardisation of performance measurements for the segment. It was expected that the BB pilot project would commence in KZN in early October 2003 and run until March 2004. Decisions would then be taken on the further rollout of the process into other provinces in due course.

According to Mr Peter Wharton-Hood, managing director of retail, the objective of the business banking integration into the retail's SME was "to invest and grow this critically important segment that contributes substantially to the group's profitability. The heightened focus on our business banking customers should help us to continue to build on our market dominance of this segment"  
<http://intranet.sbic.co.za/grg/main/html:28/10/2003>.

## **2.4. INTEGRATION OF BUSINESS BANKING INTO SCMB**

The business banking commercial suites looking after the higher end of the market segment (referred to as 554; 555 and part of 553) were accommodated within the corporate banking division of the Standard Corporate and Merchant Bank (SCMB).

The alignment of credit structures into SCMB necessitated that the former director of credit business banking, who was looking after the credit assessment for the upper end of the business banking market, and his credit evaluation managers be transferred to SCMB. This team assumed the responsibility for the credit management of the wholesale component of the former business banking client base.

### **2.4.1 Business approval committee**

The business approval committees were reduced to what is effectively retail and wholesale committees. All new business originated at a retail level is required to be submitted to the retail committee for prior vetting and additionally to the wholesale committee where total limits in aggregate exceed R20 million. All other new business initiatives out of the SCMB environment will also require a submission to the wholesale committee.

### **2.4.2 Other issues of restructuring**

The existing business banking customers were not to be affected in any way by the restructuring unless that customer had in fact been so informed by their current relationship manager.

Should staff receive any queries regarding any aspect of Business Banking Customer's relationship with the bank, they are requested to please refer such queries directly to the current relationship manager.

The new business banking segment in retail banking would continue to operate as it did prior to the announcement of the business banking restructure, other than the new reporting lines previously announced on 24 March 2003.

The current SME segment in retail banking would continue to operate as it did prior to the announcement of the business banking restructure.

The cost center numbers for all the provinces for both retail business banking centers and customer service centers were also changed.

Any amendments or updates to the retail business banking procedures and special arrangements with companies and firms were to be advised through e-mail or telephonically.

#### **2.4.2.1. Achievements of the steering committee**

The following are what this committee was said to have achieved:

- Completion of the initial phase of the business banking restructuring, being the appropriate alignment of business banking into the retail and wholesale banking businesses;
- Timeous communication of a broad overview and various updates of the alignment process since the announcement of the restructure on 20 February 2003;
- Facilitation of a seamless integration both internally and from a client's perspective;
- Successful migration of the business banking sales, specialist support and back office functions into either the retail or wholesale banking businesses; and
- Transferring of staff to their respective areas as of 1 May 2003. The management of the physical movement of people is still underway and all affected staff are being notified timeously.

The Steering committee was disbanded on 19 June 2003, after it was felt that it had completed its task.

#### **2.4.2.2 Communication process**

Communication containing updates on the restructuring was done through sending out electronic circulars to all staff whenever there was substantial change. This communication was largely sent through the Group Operations Communication Centre in Johannesburg. The frequency of communication depended on the pace of the progress and the following is a chronological list of dates of all the restructuring updates done during the restructuring process.

- On 20 February 2003, the Operations Communication Centre issued a circular, for the first time, informing the staff about the decision to restructure. It was also on this same communique that the steering committee, that was going to manage and implement the change, was announced to the general staff. On the same date, a second circular was sent in the afternoon informing the staff about the appointment of the executive director who was going to oversee and implement the merger of the relevant business banking segments and the retail SME's.
- On 21 February 2003, another circular was sent informing the staff that the steering committee announced the previous day had already met for the first time. It was also in this communique that the tasks of each committee member were mentioned.
- On 3 March 2003 the steering committee announced the alignment of corporate banking regions, resources, electronic banking, business support functions, credit and risk management, foreign exchange and the business banking lower end market segments (i.e. 551 and 552 market segments). It was also in this communique that new organograms for Corporate Banking Division and the Retail Business Banking division were also communicated.
- On 20 March 2003, another communique detailing the new suite structures that reflect on the migration of accounts and relevant staff



members to either corporate or retail in the regions, the alignment of the vehicle finance division (stannic) going forward and the new positions for some executives who were serving on the steering committee was distributed.

- On 4 April 2003 a circular was electronically distributed reiterating certain important issues that were communicated in the past. The steering committee was responding to the feedback received from the staff.
- On 10 April 2003 another electronic circular was distributed informing the staff about the alignment of the credit structures to support the migrated client portfolios. It was also in this communique that the organogram of the standard corporate and merchant bank (SCMB) credit risk management incorporating business banking credit was divulged to the staff.
- On 11 April 2003, operations communication centre sent out an electronic circular announcing the changes to be made by the international banking division of SCMB owing to the restructuring of business banking.
- On 19 June 2003, operations communication center again issued an electronic circular updating the staff about the progress of the restructuring. The following aspects were announced:
  - That the initial phase of the business banking restructuring, being the appropriate alignment of business banking into the retail and wholesale banking businesses, was almost complete;
  - That in the light of the above, the steering committee was no longer deemed necessary and therefore was disbanded. Consequently, whilst the communication between various stakeholders will still take place, relevant communications to staff will then be made by the various business units themselves; and
  - It was also in this circular that a special thanks was made to the Steering committee members for a job well done.
- On 8 July 2003, amendments that may affect retail business banking customers and staff were communicated through an electronic circular.

These included systems updates, operational matters, and reports as well as cost center numbers in different regions.

- On 12 September 2003, staff were also informed of the formation of the project team consisting of representatives from credit, marketing, SME, sales and service, product, business banking, finance, HR and the distribution network. The task of this team was to actively assess the integration of business banking into retail banking. The outcomes of this project were also announced in this circular.
- On 9 January 2004, lessons learnt from the Kwazulu-Natal pilot program were communicated to the staff through electronic circular from the operations communication center. The intentions to fully integrate business banking into the retail bank's structures in all provinces was also communicated. This circular also contained information about the alignment of metro business units into the respective provinces. The names of the provincial business banking managers under the new structure were also announced. The role of these managers was to implement the business banking strategy and to manage the business banking segments in their respective provinces.
- On 10 March 2004, the last formal communication to the staff was made, updating on the progress of the restructuring. This came from the coordinator of the integration of business banking into the retail banking via the operations communication center. The content was the alignment of the customer service centers (CSC) into the provincial customer service structures.

## **2.5 CONCLUDING REMARKS**

In this chapter, the organisational restructuring process that took place at Standard Bank was described. At the time of this study, the restructuring process with regard to business processes and procedures had not been fully completed. The structural changes were, however, fully completed. It appears that all the formal communication, from various relevant executives to the staff, was done through electronic circulars that were centrally distributed from the

operations communication center. It was only when changes specifically affected a particular individual that one-on-one discussion took place. More work was done in integrating business banking into retail banking than into standard corporate and merchant banking. In total, in the space of twelve months, twelve circulars were sent to staff in order to update them on the restructuring. It appears that communication was more frequent during the first three months of the restructuring. Communication was also not a two-way process that would also take into account the views of managers and general staff.

In the next chapter, the theory of organisational restructuring will be discussed.

## **CHAPTER 3**

### **THEORY OF ORGANISATIONAL RESTRUCTURING**

#### **3.1 INTRODUCTION**

Different definitions have been coined for organisational restructuring by various authors. Cascio (2002:4) defines organisational restructuring as “planned changes in a firm’s organisational structure that affect its use of people”. Greenberg and Baron (1995:627), on the other hand, define organisational restructuring as the “altering of size and basic configuration of the organisational chart”. Organisational restructuring can also be defined as “fundamental rethinking and radical redesigning of organisational structures, business processes and procedures and functional structures” (<http://www.bankingindiaupdate.com/features.html:04/08/2004>). It is clear from

all these definitions that organisational restructuring is a process that involves fundamental structural changes in an organisation that may have serious implications for its employees. It is therefore important to manage this change effectively for organisational restructuring to be successful.

Many organisations nowadays are constantly involved in activities that are designed to enhance their organisational effectiveness. This phenomenon invariably creates a need for the organisations to restructure. Organisational restructuring may assume different forms ranging from mergers, acquisitions, the addition of new product lines or markets, to cost reduction exercises. The most common challenge of these various forms of restructuring is that they require workflows to be reorganized and appropriately aligned. They also require staffing levels to be altered so that an appropriate level of resources can be maintained in a corporate structure capable of rapid response to changes in the marketplace ([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

Organisations today are also increasingly encountering fierce competition from competitors, customers that are more demanding, economic pressures and financial crises. They need to devise strategies to effectively counteract the potentially negative effects of these situations. They need to, amongst other things, decrease operating costs, enhance the quality of both products and services as well as increase their reactive capacity to respond to new opportunities in the market place. Consequently most organisations find themselves having to restructure so they can deal effectively with these challenges. The restructuring process itself poses serious challenges for these companies as it has the potential to create a lot of uncertainty amongst staff if it is not properly managed. Organisational restructuring, by definition, involves fundamental changes in the organisation and naturally leads to suspicions and uncertainty amongst workers. Companies need to manage this process very carefully with minimum pain and disruptions that may adversely affect the business ([http://www.aicpa.org/cefm/changemanagement\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/changemanagement_07.asp:24/06/2004)).

Organisational restructuring is inevitable and organisations need to learn how to appropriately manage this process. Various ways in which organisations can effectively manage restructuring is the subject of this chapter. The different theoretical and practical approaches and strategies that organisations can apply when restructuring are addressed. The common practices and identification of various issues in implementing organisational restructuring will also be addressed.

### **3.2. WHY ARE ORGANISATIONS RESTRUCTURING?**

Contemporary literature reveals various reasons for organisations to re-organise their operations through a restructuring process. These range from business and economic factors, changes in the environment, and political factors to globalisation, to name just a few. The American Institute of Certified Public Accountants believes that the reasons for restructuring include entry into new market regions, the addition of new product lines and production facilities, service outlets (i.e. through a merger, acquisition, or internal expansion), and the decision to reach new customer groups. The fundamental objective of the organisation, in these instances, is to retain the suitable level of resources within a structure that will boost both the proactive and reactive capacity of the organisation to new demands. The restructuring process therefore can lead to either downsizing or upsizing the staffing levels. In either case, the outcome will entail the rightsizing of the organisation and the reorganisation and realignment of workflows and reporting relationships. In particular, lines of responsibility and authority must be structured to facilitate the productive and effective use of resources

[http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

The key strategic objectives of restructuring the organisation include the following:

- Improve profits;
- Refocus efforts on changing markets and strategic directions;
- Incorporate new markets, products, services, and production facilities;
- Accommodate new growth areas and opportunities;

- Enhance communication and cooperation within the organisation;
- Redistribute management skills;
- Enhance customer service;
- Make better use of limited resources;
- Streamline operations and reduce costs; and
- Focus effort by grouping related tasks into organisational units, thus replacing duplication with synergy.

Organisations should set relevant objectives that will measure the success of the restructuring process. These objectives should always be in sync with the goals of the other parts of the corporate strategic plan.

([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

Byars (1992:163) contends that an organisation can restructure during both good and bad times. The need to restructure may be triggered by various forces such as the business expansion of the organisation, products or customer base diversity, expansion of product lines through acquisitions, or entering into a joint venture with another company in a bid to access bigger markets. The following are the reasons generally given by most organisations for reorganising:

- To enhance profitability of the company;
- To enhance productivity;
- To compete effectively in the market;
- To enhance the ratios of the balance sheet;
- To improve growth rates; and
- To strategically change the direction and focus.

Byars (1992:163) further postulates that there are many factors that affect the structure of the organisation, but the structure of the organisation cannot be altered every time one of these factors changes. Perpetual restructuring will engender a state of chaos and confusion within the organisation. The organisational restructuring is also not a panacea to poor product offering, bad strategy or filling of positions with unsuitable individuals.

### 3.3. TYPES OF ORGANISATIONAL RESTRUCTURING

Cascio (2002:4) adds a different dimension to the understanding of organisational restructuring. He contends that restructuring does not necessarily have to result in the retrenchment of employees with all the painful consequences that follow. There is an alternative approach, which he refers to as 'responsible restructuring'. Whether the company will follow the traditional way of restructuring that involves retrenchments or what he terms 'responsible restructuring' depends on the management view of employees. Management who view their employees, as costs to be reduced are more likely to reduce their workforce when restructuring. They always look at an irreducible core of workers that the business requires to ensure that minimum number of employees is maintained. Management who view their employees as assets to be nurtured and developed, on the other hand, are more likely to be responsible restructurers. They constantly seek new ways of doing business that will ensure that employees are utilised more efficiently and effectively. The downsizers view workers as commodities that can be changeable and substituted for one another. The responsible restructurers, on the other hand, view employees as sources of creativity and renewal as well as having potential to grow the business.

Organisations that follow a pure employment downsizing approach tend to focus on altering the number of employees without altering the manner in which the work is done. This approach tends not to bring about long-term effects that management had been looking for. The organisations that pursue a 'responsible restructuring' approach, on the other hand, tend to depend on their employees to offer continuous competitive advantage and embrace a variety of practices. The following are some of such practices:

- Adopting skills training and sustained learning programmes for employees;
- Sharing of information;
- Encouraging their employees to take part in the design and execution of work processes;

- Adopting organisational structures that are flattened;
- Promoting partnerships between employees and management;
- Adopting a customer centric approach in their design and delivery of products and services; and
- Remunerate employees according to their skills and organisational performance.

These practices must be applied together as a system in order to bring about good results. This approach to restructuring does give rise to enhanced performance and productivity amongst workers as well as longer-term financial performance for the organisation (Cascio, 2002:37).

It is important to note that employees in the organisation do require some help to effectively deal with the process of organisational restructuring. Restructuring must be viewed as an ongoing process rather than a project. The successful implementation of change requires organisations to change their mindset and this does not happen overnight. Employees must not only be given both intellectual and financial tools needed to cope with future business challenges, but be assisted in starting to see the business environment differently. This will help them to comprehend the need for change in their organisation and this will naturally make them more supportive of change. (Senge, Kleiner, Roberts, Ross, Roth and Smith, 1999: 526).

Organisational restructuring may also involve changing the size and the basic arrangement of the organisational chart. It may involve downsizing which is a process of reducing the number of employees required to perform effectively. This process is not directed only at retrenching workers, but also at ensuring that the newly designed structure absorbs only the number of employees required, nothing more and nothing less. It is therefore also referred to as rightsizing. As Greenberg and Baron (1995: 627) put it, most of today's organisations require far lesser people to function than in the past. Many South African companies have also been shedding off workers for the past few years as part of the restructuring process. For example, Telkom, one of the South African biggest employer parastatals, has laid off 24 453 workers since 1997.



They are now planning to retrench 4181 workers in 2004 to reduce what they consider to be a very high wage bill which stands currently at R6.7 billion ([http://www.southafrica.info/doing\\_business/business/businesstoday/businessnews/336925.htm:07/25/2004](http://www.southafrica.info/doing_business/business/businesstoday/businessnews/336925.htm:07/25/2004)).

Organisations can also restructure through outsourcing of the non-core parts of their business to another company. This helps to free the organisation to focus all its attention on core business functions that are enshrined in its mission. Depending on the outsourcing agreement, the company to which the business is outsourced may employ the same workers who were manufacturing the products or services from the outsourcing company and vice versa. This form of restructuring may not necessarily lead to the loss of jobs (Greenberg and Baron, 1995: 627).

The structure of the organisation does affect the information it gathers from its surroundings and the way it integrates and processes the information to craft future strategies. Structural changes therefore, do give rise to alterations in the flow of information. This, in turn, gives rise to changes in the strategic opportunities that are being thought carefully about and followed up. Structural changes are also necessary to put an end to power bases that may block the required changes in strategy in trying to shield the vested interest of some top managers. It is therefore, not a bad idea for an organisation to have constant reorganisation. Changes in the structure may be carried out by an organisation in response to a need for a change. It is one form of carrying out an organisational change in response to a problem. These changes may take different forms such as alterations in the organisation's span of control and changing the number of workers under the control of supervisors. Structural changes may also be carried out through revising the principles for creating departments, such as from product-based departments to functional departments. Other structural changes may take simpler forms such as making someone clearly understand his/her job description or written policies and procedures to be followed. (Greenberg and Baron, 1995:635, Peters, 1992: 181).

### **3.4. MODELS OF ORGANISATIONAL RESTRUCTURING**

It is clear from the definitions in Section 3.1 that organisational restructuring is a process that involves structural changes in an organisation that may have serious implications for its employees. It is, therefore, important to manage this change effectively for organisational restructuring to be successful.

Contemporary literature reveals various change models that management can use to implement changes in their organisations. These models can assist not only in managing the changes happening in an organisation, but can also help in anticipating and identifying possible key issues that are critical in managing change process. The open systems models such as the Burke-Litwin model, for instance, can help in understanding the interaction between the organisation and factors in the external environment and how they influence each other. This model is particularly helpful when restructuring is brought about by the serious changes in the market place. The Burke-Litwin model also entails other aspects such as structure, systems, management practices, climate, individual skills, and motivation that are critical in understanding and simulating transition. The Nadler-Tushman model, on the other hand, stresses the need for aligning all the elements of the organisation (Gowing, Kraft and Quick, 1998:92).

Gowing, et al., (1998:92) contend that change models can help management with the diagnostic framework for identifying the requirements for change, by asking the following questions:

- What are the factors in the environment that require the organisation to change, and how will the actions of the organisation influence the market?
- Does the management have enough capacity and skills to manage the envisaged change?
- How must the culture of the organisation change and what are the challenges associated with those cultural changes?
- To what extent is the organisational structure well understood and aligned with the requirements of the business?

- Are there enough support systems, such as management, information, compensation etcetera, that will help employees affected by the restructuring?
- Is there a good match between skills and competencies within the organisation and the current and future needs of the business?

These questions can assist management in not only understanding the state of the organisation, but also in discovering those critical actions that are necessary to successfully execute change.









The most comprehensive model of organisational change is a Nine-Phase Change Process Model developed by Anderson and Anderson (2001:169). The authors of this model believe that this model “represents a full stream roadmap for getting your organisation from where it is to where it wants to be”. This model combines into one, the change strategy components of what, who and how, and also deals with twenty-one aspects of change activities.

The nine-phase change model divides the change process into nine phases that do not necessarily flow in sequence. Restructuring does not happen in a linear fashion and the organisation may therefore, at any given time, be in more than one phase at the same time.

Figure 2 shows the structure of the Nine- Phase Change Process Model. As shown in the model, each phase of change contains major activities that are attained through focused tasks. All the tasks of each activity have deliverables that are achieved through a series of suggested work steps. This model contains various levels of guidance, from abstract to comprehensive detail. The application of this model can be modified to any level of detail to suit specific requirements of the organisation.

### 3.4.1 Structure of the Change Process Model

Figure 2: Nine- Phase Change Process Model adapted from Change Process Model - Activity Level Graph.

Phase	Activities
1. Prepare to lead the change 	<ul style="list-style-type: none"> <li>• Start up and staff the change effort</li> <li>• Create the case for change and determine the initial desired outcome</li> <li>• Assess the organisation's readiness and capacity to succeed in the change</li> <li>• Build leader's capacity to lead the change</li> <li>• Identify and build the infrastructure and conditions to support the change effort</li> <li>• Clarify the overall change strategy</li> </ul>
2. Create organisational vision, commitment 	<ul style="list-style-type: none"> <li>• Build organisational understanding of the case for change and the change strategy</li> <li>• Create shared vision and commitment</li> <li>• Increase organisation's readiness and capacity to succeed in the change</li> <li>• Demonstrate that the old way of operating is gone</li> </ul>
3. Assess the situation to determine design requirements 	<ul style="list-style-type: none"> <li>• Assess the situation to determine design requirements</li> </ul>
4. Design the desired state 	<ul style="list-style-type: none"> <li>• Design the desired state</li> </ul>
5. Analyse the impact 	<ul style="list-style-type: none"> <li>• Analyse the impacts of the desired state</li> </ul>
6. Plan and organise for implementation 	<ul style="list-style-type: none"> <li>• Identify the actions required to implement the desired state and develop the implementation master plan</li> <li>• Prepare the organisation to support implementation</li> </ul>
7. Implement the change 	<ul style="list-style-type: none"> <li>• Implement the change</li> </ul>
8. Celebrate and integrate the new state 	<ul style="list-style-type: none"> <li>• Declare, celebrate, and reward the achievement of the desired state</li> <li>• Support integration and mastery of the new state</li> </ul>
9. Learn and course correct	<ul style="list-style-type: none"> <li>• Build system to refine and continuously improve the new state</li> <li>• Learn from the change process and establish best practices of change</li> <li>• Dismantle the temporary change support structures, management systems, policies, and roles</li> </ul>

**Source:** Anderson and Anderson (2001:173)

### **3.5. COMMUNICATION AND RESTRUCTURING PROCESS**

Organisational restructuring is a process that requires a great deal of change management. It is for that reason that communication becomes one of the cornerstones of a successful organisational restructuring. Effective communication with employees plays a vital role during the restructuring period of any organisation as it helps to properly inform the employees about the changes. This helps to remove the uncertainty and allay fears amongst employees and therefore may overcome any resistance that may result thereof. Casio (2002:96) believes that “open and ongoing communication is critical to a successful restructuring effort”. Paton and James (2000:45) believe that “effective communication that is designed to inform, consult and promote action will help in overcoming both resistance and ignorance amongst employees”. They argue that for the communication to be effective in communicating change events, the following guidelines have to be followed:

- The message has to be modified according to the skills and knowledge of the employees. This will help in ensuring that the message is well understood by the employees and therefore remove any ambiguities;
- The content and the tone of the message should also be suitable for the audience. There should be congruency between verbal and non-verbal communication;
- Communication must always be a two-way process that makes allowance for feedback from employees. This will help management in not only ensuring that the message is well received and understood by the employees, but also help them to understand how employees feel about the change;
- Management should set the example in communicating in a consistent manner and ensure that they practice what they preach; and
- Management should also ensure that the medium of communication chosen does indeed attain the required penetration within the organisation. This will ensure that the message does reach target audiences (Paton and McCalman: 2000: 45).

In their analysis of the lessons learnt from the restructuring of AT&T, a United States company that manufactures and sells telecommunications products, Gowing, Kraft and Quick, (1998:93) found that open communication with employees during restructuring is vital for a successful restructuring in an organisation. They highlighted the following as the key restructuring lessons that are related to communication:

- Open and honest communication is more important and desirable than hiding changes from the employees. Paton and McCalman (2000: 47) argue, “If organisations do not manage their communications, others will. The media, the unions, the ‘rumour mill’ and the competitors are only too willing to assist the ‘silent’ corporation in its time of need’. The conventional wisdom is that ‘it is always better to hear it from the horses mouth’;
- Important messages should be repeated again and again as the employees’ understanding of whatever is communicated to them tends to be adversely affected by the anxiety during the restructuring period. Management should therefore not assume that employees have properly heard and understood what was communicated to them;
- Different people have different preferences of methods of communication between newsletters, e-mails, memos, and etcetera. It is therefore advisable to use multiple methods of communication to the employees so as to cater for every worker’s preferences. They, however, contend that face-to-face communication between management and employees is the most effective form of communicating changes within the organisation;
- Communication messages have to be consistent throughout the organisation. They found that this alignment of messages across the organisation helped to unequivocally clarify issues as well as enhance the confidence of employees in management. Different messages for different parts of the organisation have a propensity to confuse employees and leave them with a sense of being treated unfairly; and

- The size of change or level of ambiguity that the employees are experiencing should determine the frequency of communication with employees. The comment by one of the AT&T leaders, reflecting on their restructuring, that “the amount of communication should be directly proportional to the magnitude of change or uncertainty that people are experiencing, not the amount of information available to share” (Gowing, et al. 1998:94), attest to this.

Gowing, et al. (1998:94) found some interesting observations with regard to the kind of support that can be given to management and non-managerial employees during the transition period. The lesson learnt here was that it is always important for the supervisors to relay accurate information about changes to the employees timeously. They also found that setting strict timeframes for the restructuring process has both advantages and disadvantages. The advantages entail projecting a sense of urgency, quick decision-making and shortening the ambiguity period for the employees. The disadvantage, though, is that a pressed timeframe does reduce the desired amount of time needed to engage employees about the restructuring process. It appears therefore, that the advantages of setting aggressive timeframes far outweigh the disadvantages.

The importance of communication in restructuring was also illustrated by the results of a study that was undertaken in two merging manufacturing plants that belonged to Fortune 500 companies. The aim of this study was to assess the perception of the employees of the company during and after merger. One plant was named control plant and the other one experimental plant. Communication with the experimental plant was open and continuous whilst there was poor communication in the control plant. Research was then conducted on both groups to assess changes in the employees’ perceptions of the company after the merger. This study revealed the following findings:

- Employees in the experimental plant experienced no change in the levels of stress compared to the 9 per cent increase in the level of stress of the control plant;
- The level of ambiguity increased by 24 per cent amongst the employees in the control plant compared to only 2 per cent increase in the experimental plant;
- Job satisfaction decreased by 21 per cent in the control plant whilst a 7 per cent increase was recorded amongst the experimental plant;
- The level of commitment decreased by 11 per cent in the control plant whilst no change in commitment was recorded amongst the experimental plant;
- With regards to the perception of the company as caring, trustworthy and an honest organisation, there was a 25 per cent decrease amongst the control plant compared to 14 per cent increase amongst the experimental plant employees;
- The performance of employees in the control plant decrease by a whole 20 per cent whilst no change was detected amongst the experimental plant employees; and
- There was a 12 per cent decrease amongst the control plant employees when asked whether they intend to continue working for the organisation compared to only 6 per cent decrease amongst the experimental plant employees (Cascio, 2002:94-96).

The results shown by the study above vindicates the view that open and continuous communication with employees is critical for the restructuring to be successful. It is therefore desirable to put in place a systematic communications strategy at the beginning. Cascio (2002:97) summarises the following points as important in communicating with employees during the restructuring process, namely:

- Management must always get their employees to understand and accept the restructuring of the organisation;
- They must drum up support from all the stakeholders;
- The negative effects of ambiguity must be kept to the minimum;



- Employees must be kept focused, energised and committed to the company;
- The behaviour of employees must be changed as needed;
- The performance of the organisation must be sustained at all times;
- It is important to also use face-to-face communication and not only communications such as intranet, e-mail, memoranda, or newsletters;
- Management must also try not to use only one-way communication. Two-way communication is also important as it enables management to ascertain the aspirations as well as feedback of the employees about the restructuring; and
- The Chief Executive Officer (CEO) of the organisation must be the one to break the news to the employees. Employees always prefer to hear from the CEO about the future direction of the organisation.

### **3.5.1 Communication role of the CEO**

It is always important to understand the key issues of the firm's stakeholders (i.e. employees, suppliers, customers, and local communities) when planning the communication strategy. This will make it possible for the communication to deal with those issues. It is also important to communicate with stakeholders with medium that they trust and in terms that they understand. The following are roles of the CEO in communicating restructuring to the stakeholders:

- Ensure the story is real, consistent, and will work;
- Make sure that the vision is understood, even if details are not clear;
- Ensure that managers and supervisors are kept informed of what is happening all the time;
- Ensure the availability of tested support materials; and
- Make sure that most basic communication is done face-to-face (Cascio, 2002:97).

### **3.5.2 Communication strategy during restructuring process**

It is often difficult to communicate with staff during any organisational restructuring. Management may be scared to communicate with staff until they have all the answers whilst staff will be preoccupied with their future in the organisation. They would be expecting management to give them straight answers instead of vague messages. If this process is not managed properly, the credibility and integrity of management, in their execution of change, can be seriously undermined. This process can be properly managed through developing and implementing a suitable communication strategy that will make sure that staff awareness, understanding, acceptance, motivation, commitment, loyalty and trust is being built. Available literature identifies the following ten steps as key to putting together a successful communication strategy during times of any restructuring programme:

- Obvious things about the change have to be agreed at the outset. This refers to the change content and the process to be followed to achieve it. Potential benefits must be identified and the process of communicating them is determined at this stage;
- Senior management must be involved all the way in the development process of the communication strategy to make sure that they not only understand and embrace the change, but also that they own it;
- Develop a 'story' that addresses pertinent questions relating to the nature of change, reasons for change, way forward and implications for staff members. Management must ensure that the story deals with concerns of staff and also depicts what management want to say in a simple and credible way;
- Continuous open and honest updates upfront of every step of restructuring process;
- Understand and listen to the real concerns of staff by constantly collecting information form managers and staff early enough;
- Measure the process and performance to find out whether the communication process is effective and the performance results are achieved. This can achieved be through assessing change awareness in various parts of the business and by counting the number of people

briefed and by measuring productivity, time lost, market share etcetera. Communication approach should be changed if adverse effects are detected;

- Establish new communication systems such as a communications team comprising members across functions and network across business. This team should drive communication of change within the organisation. Emphasis should be more on two-way, face-to-face communication (80 per cent) and use other communication channels (20 per cent) sparingly as support;
- Observe closely what staff members are saying and thinking about this change and quickly remove any adverse signals. It is always advisable to develop a signalling plan for the top management that enables them to manage signals effectively;
- Senior managers should be the ones to communicate 'the big picture' and any bad news, whilst other managers should communicate detail and follow-up. This will help to put some credibility into the process. It is also important for senior managers to play a mentoring role for 'hot spots' in the organisation; and
- Communication process needs to be managed very well. It is always important to closely monitor the situation and revisit the communication strategy as the restructuring process carries on. Lastly, communication during change should be honest, frequent and unassuming

(<http://australianbusiness.com.au/abl/bustips.nsf/0/5af4596d8024713b4a256e4b0:23/06/2004>).

### **3.6. ORGANISATIONAL CULTURE AND RESTRUCTURING PROCESS**

Organisational restructuring necessitates changes in the culture of the organisation as well. When two or more organisations merge, they come into the merger with different dominant cultures. The organisation cannot function properly with two dominant cultures. One dominant culture will therefore have to be adopted for the new organisation. The culture that will be adopted in a merger will depend on the nature of the merger. The new organisation may

adopt more cultural features of the bigger party in the merger or a combination of all the merging parties as its dominant culture. This process of cultural change needs to be managed very carefully. Culture does play a valuable role in managing change. Paton and McCalman (2000: 45) contend that every organisation has a very special cultural design plan. This unique blueprint determines the way in which the organisation interacts with its surroundings and also how it manages its people. For the organisation to manage its change effectively, it needs to understand the way in which its cultural web and a changing environment are connected.

In power-cultured organisations, for example, power is vested in the top executives and restructuring gets imposed from above, although management may consult with general staff to get buy-in. Restructuring in these organisations may result in power conflict amongst individuals. As a new organisational configuration is selected, those that do not fit the profile of the new structure will either be retrenched, replaced or re-skilled and transferred to other divisions. In most cases, restructuring is associated with mergers that ultimately result in loss of jobs owing to redundancy due to the duplication of certain jobs. Even when there is no merger, the organisational restructuring does change the size of divisions or departments and the power of certain individual managers. Those whose feel threatened that restructuring will erode their power base are more likely to resist restructuring. In a power culture, it is the responsibility of top executives with highest authority to stop the bitter disagreement at lower levels resulting from the restructuring process. It is therefore imperative for those executives to equip themselves with conflict handling techniques to enable them to effectively manage the change process. It is also the duty of the top management to ensure that the new structure of the organisation does not make the skilled employees who are vital for the survival of the organisation feel isolated. Indeed, it might help them to acquire the services of an outside organisational development consultant to deal with the power conflict triggered by restructuring. (Pheysey, 1993:180).

Pheysey (1993:181) provides the following guidelines on how to involve an outside consultant to deal with power conflict during restructuring:

- The consultant must be quite conversant about the issues to be influenced;
- He/she must know the power figure or group to be worked with, worked through, worked against or worked around;
- He/she must be clear about how to access this powerful individual or group;
- The consultant must know the kinds of activities that may impact on the chosen issue;
- He/she must be aware about the decisions that the powerful individual or group need to make; and
- He/she must be clear about whether the starting date for the preliminary activities are realistic.

In his argument for cultural change strategy, Bate (1994:119) contends that initiating change requires stability. In any restructuring effort, management must ensure that the organisation does not lose employees with valuable skills and knowledge. Changing the structure of the organisation must not be done for the sake of change. There must be a very compelling reason for change. He identifies four generic approaches to carry out cultural changes namely, aggressive, conciliative, corrosive and indoctrinative approaches. These approaches are not cultural specific, but can also be used to change technology, structure, operational systems or any other dimension of the organisation. Aggressive approaches tend to use more power and coercion, conflict centered, non-collaborative, win-lose and unilateral change tactics. Conciliative approaches focus on group problem solving, win-win, and collaborative, emergent and integrative tactics. Corrosive approaches focus on political, coalitional, unplanned, evolutionary, networking and informal ways of cultural change. Indoctrinative approaches use normative-re-educative and the training tactics to implement cultural change. The approach used depends on the preference of the particular organisation. The important point to remember in cultural change is that it is not an event, but rather a continuous sequence of change processes, 'a journey and not a destination'.

### **3.7 ORGANISATIONAL JUSTICE AND RESTRUCTURING PROCESS**

Organisational justice is one of the key considerations in any restructuring process, particularly when job losses are inevitable. Employees will always make their own judgements about the fairness of the decisions taken during a restructuring process. Such perceptions do have serious impact on the behaviour and attitudes of employees. When employees feel that they were not treated fairly, they may sabotage the restructuring process and vice versa. Research has shown that the employees will regard their workplace as fair when trust, openness and respect exist. Fairness also decreases the levels of stress amongst employees, enhances performance, job satisfaction and commitment to an organisation. It also promotes organisational citizenship behaviours that help in assisting fellow employees to carry out their jobs as well as positive attitude towards the organisation. Top management must always bear in mind that, when it comes to restructuring, the first concern that employees raise is whether the process was fair to them. Every effort must be made to ensure that all the elements of fairness such as trust, openness and respect do exist during restructuring (Cascio, 2002:92).

### **3.8. IMPLEMENTATION**

The organisational restructuring process must be carried out in a manner that ensures minimum business disruptions to avoid unnecessary customer irritations. The following are some of the basic guidelines that an organisation can follow.

#### **3.8.1 Roles and responsibilities**

Various structures within the organisation have to assume various tasks in carrying out the restructuring process. The following are organisational structures that should be involved in the restructuring process:

### **3.8.1.1 Board of directors**

It is normally the task of the Board of Directors of any organisation to carry out the long-term planning and to make sure that the organisation carries out its business in a fiscally responsible manner. It is therefore critical for the board to unequivocally state the direction of the organisation, and then collaborate with senior management to craft policies that gravitate the organisation in the desired direction. Management should also give the board regular feedback on the restructuring progress. As the restructuring process progresses, management may identify new policy requirements that may require budget approvals for new staff and facilities. The board should consider these requests in light of the overall direction of the organisation and the costs and benefits of the proposed changes ([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

.

### **3.8.1.2 Chief Executive Officer (CEO)**

The Chief Executive Officer (CEO) is another key person in the whole restructuring process owing to the fact that he/she is a key decision maker in the organisation. The CEO is the one who drives the strategic direction of the organisation. His/Her vision in support of the need to restructure should be clearly articulated at the outset. The CEO should, at the beginning of the restructuring process, identify people who will carry out various tasks to be accomplished and give them responsibility and authority. As a member of the senior management team, he or she is primarily an influencer and co-ordinator, ensuring that members of the team have equal opportunities to voice their beliefs and influence decisions ([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

### **3.8.1.3 Top management**

The following activities were identified by Byars (1992:163) as steps that top management is required to take in restructuring an organisation:

- Firstly, top management must take a decision on what it is attempting to accomplish with the new structure. The need to restructure may be necessitated by the organisation's desire to meet certain objectives that may vary from one organisation to another;
- Secondly, top management must also take a decision on which organisational structure is to be used. A careful examination of each of the existing different kinds of structures, in terms of strengths and weaknesses, must be undertaken. The outcome of this critical evaluation must inform the choice of the structure to be used for the organisation; and
- Thirdly, top management must set up a timetable for the execution of the planned changes and all levels of management should be informed of this timetable.

It is always important to encourage all levels of management to actively take part throughout the restructuring process. This will help to generate a sense of ownership amongst all managers, and therefore, makes it easy for them to embrace the new structure. Furthermore, top management should ensure that the reasons for restructuring are communicated to all levels of management and also that open debate of these reasons are promoted within the organisation. The message relayed to employees should focus not only on how the organisation will benefit, but also on how the aspirations of the individuals involved will benefit.

### **3.8.1.4 Steering committee**

It is also the responsibility of the CEO to set up a steering committee representing the management of the organisation. This steering committee



should meet regularly to steer the restructuring process as well as endorse the efforts of those implementing the restructuring. The composition of the steering committee normally involves the CEO, functional leaders, and specialists, including the organisation's legal advisor and manager of communications. If the organisation has an executive specifically responsible for strategic planning, he or she should be included. In an unionised organisation, it may be appropriate to include a union representative and labour relations officer. The steering committee should take cognisance of the importance of leadership throughout the restructuring process. It should realise the need for high levels of communication and the sensitivity required in dealing with people who may feel threatened by the changes being mooted. The CEO alone may, however, take of the role described for the steering committee. In such case, he/she should keep the rest of senior management well informed about the changes. Without a full steering committee, though, it is more difficult to identify and resolve interdepartmental issues and to achieve the creative synergy that team decision making can generate

[http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

#### **3.8.1.5 Task force teams**

Management should set up task force teams to do a comprehensive assessment and evaluation of the current structure and a detailed comprehensive needs assessment of what is required to improve it. The following tasks should be carried out:

- Collection of relevant data;
- Analysis of process flows and tasks;
- Analysis of the staffing needs;
- Analysis of the span of control; and
- Development of recommendations for presentation to the steering committee.

A specific mandate must be given to each task force. This mandate could be something like planning for a new structure in a particular area of the organisation. Each team must also be given objectives that can be measured, a

timetable, and a budget. The various task forces should be composed of objective individuals who have communication and analytical skills and who know the area under study. Each task force team must have a leader who manages the activities of the team as a discrete project. Furthermore, this leader should communicate and interact with other task force leaders to make sure that interdepartmental issues are all covered in the analysis. The task force leaders are accountable for the success of their analysis and should report on a regular basis to the steering committee. It must be mentioned, however, that task force leaders are not necessarily functional leaders within the existing organisation, but should rather be chosen for their leadership abilities and project management skills

[http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

#### **3.8.1.6 Functional and special expertise**

The steering committee members should include all the functional leaders in the organization. These entail leaders in charge of areas such as finance, human resources, marketing, and production. These functional leaders should examine the impact that the recommendations made by the task force teams have on their particular areas of responsibility. Furthermore, they should plan for, monitor, and minimize the disruptions created by the restructuring process. These disruptions are likely to include higher attrition and significantly lower productivity.

The steering committee and task forces must, where necessary, seek advice from specialists. These specialists may be drawn from within the organisation such as the organisation's management accountants and internal auditors. They may also be invited from outside the organisation. These may include outside professionals such as lawyers, human resource specialists, and consultants. The special experts may bring special skills in the restructuring process such as updating work methods, forecasting demand levels, improving internal communications, training, offering relocation counselling, developing internal control systems, designing information and reward systems, and writing procedures, manuals and job descriptions. Furthermore these external experts

are more likely to act as catalysts in the process and at the same time offer independent objective input. They are also likely to reduce the ambiguity linked with the restructuring process by making sure that it proceeds as quickly as possible ([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

#### **3.8.1.7 Management accountants**

Management accountants may be very useful in both advisory and functional activities. Their role may entail the following:

- Provision of advice to senior management;
- Taking part in data collection and analysis thereof;
- Assimilation of the information in order to provide an organisation-wide perspective;
- Analyses of the costs and benefits of the restructuring project during the planning phase;
- Development of the project budget;
- Estimation of the accrued liability for the costs of restructuring and monitoring actual costs as they are incurred;
- Provision of the cost data to the project teams for analysis of options before the development of final recommendations;
- Revision of the budget and reporting systems for the restructured work units; and
- Assisting in the analysis of accounting job functions, workflows, and spans of control.

([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

#### **3.8.1.8 Structural options**

One of the objectives of restructuring organisations is to focus effort by grouping related tasks into organisational units. Departmentalisation is the horizontal division of labour by function, process or equipment, geographic area, product or service, customer, or a combination of these, as in the matrix or project organisation. Departmentalisation allows tasks to be performed in a

more efficient way since individuals can specialise in certain specific tasks. Although the management principles that underpin restructuring apply to all businesses, the following process is particularly relevant to large, multilayered and hierarchical organisations, where co-ordination between departments is often difficult and time consuming. In small businesses, communications between the owner of the firm and employees tend to be easier, and employees can co-ordinate their own efforts easily because they are involved in many phases of the business. As part of the strategic planning process, management must define the corporate mission and the strategic path that the corporation wishes to follow. The structure of the organisation must be in line with the goals and objectives identified and reflect their relative importance. For example, questions should be asked on whether the primary emphasis should be on short-term gains, long-term goals, customer services, product cost, or other priorities? The departmentalisation structure chosen for a particular organisational unit, whether a department, division, plant, or the total company, will include trade-offs between greater control and responsiveness to one set of demands at the expense of another

([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

In choosing a new structure, the organisation should take into consideration the importance of different supporting systems. When the organisation changes, so too will the information systems, the internal control mechanisms, and the policies and procedures. The management accountant should give direction in the redesign of all affected accounting systems as part of this realignment

([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

- **Departmentalisation options**

There are various types of departmentalisation options that an organisation can choose from. These are departmentalisation by function, departmentalisation by process, geographic departmentalisation, departmentalisation by product and departmentalisation by customer. Departmentalisation by function refers to the grouping of activities into the primary tasks to be carried out, such as finance, production, or marketing. Functions also entail any aspect of

operations or management that requires technical knowledge or skill, such as legal work, consumer affairs, or industrial engineering. Departmentalisation by process on the other hand is the grouping of activities at the operating level according to specialised equipment or techniques. The geographic departmentalisation involves the bringing together of all the activities required to serve the customers in a particular region and integrate them into a single unit. A fourth option is departmentalisation by product that is often used by organisations that produce or deliver two or more major products or services. This kind of departmentalisation enables large organisations to maximize the growth and development of each product or service. Departmentalisation by customer is often found in operations with very large customers, whose special needs require that they be treated differently from other customers ([http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)).

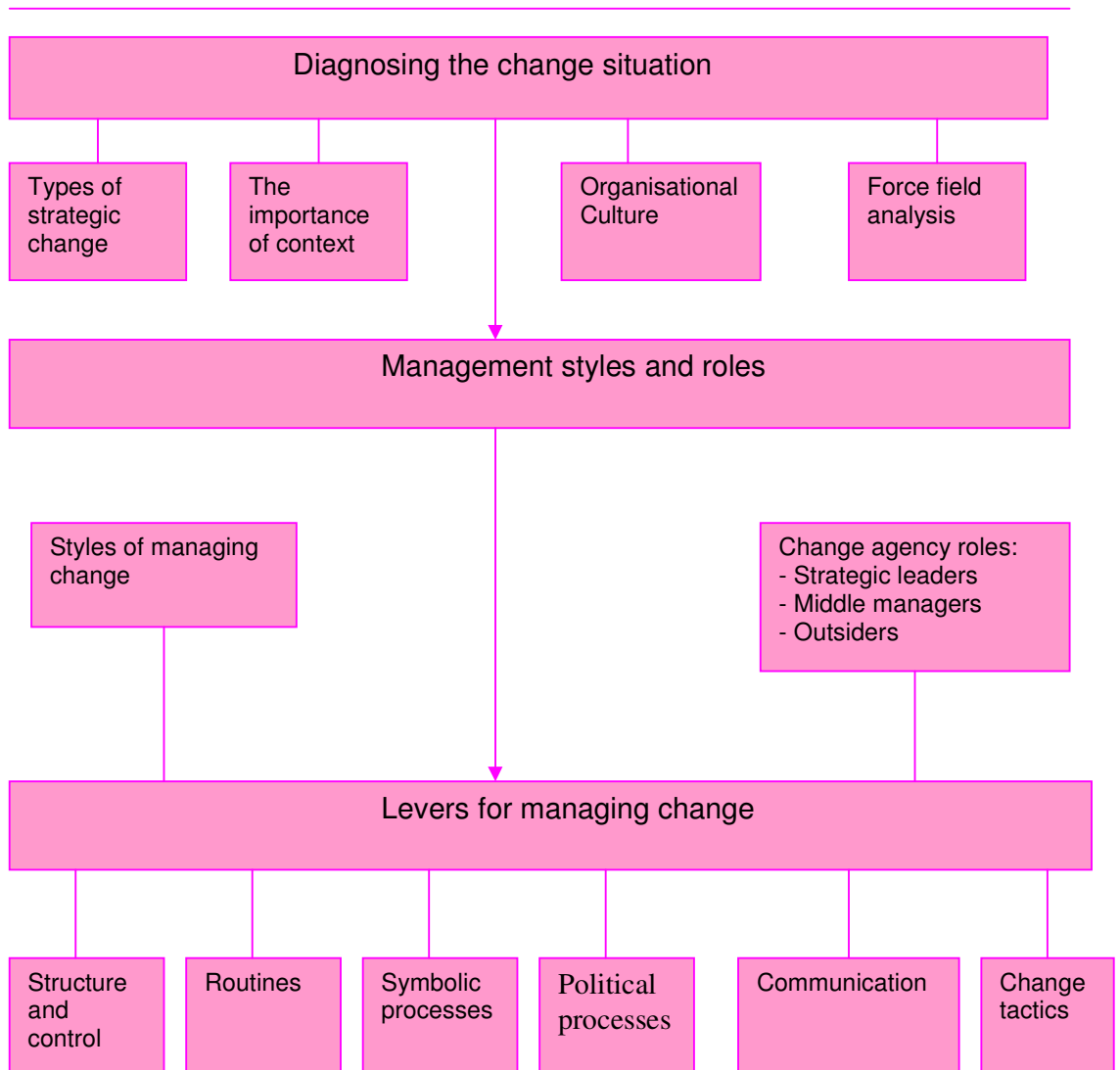
It is also important to understand that the successful and effective execution of organisational restructuring requires time and concerted effort throughout the organisation. The pending timeframes have still to be met whilst the restructuring process is continuing, and managers must still be made accountable. The fact that the organisation is busy restructuring does not mean that everything else must stop until the process is finished. Effective implementation gives a sense of decisiveness and commitment. The restructuring process will be sustainable only if it enables changes in compensation, career path, employee expectations and new skill requirements ([http://www.themanagementor.com/enlightenmentareas/hr/OB/ob\\_orgnstnalc\\_hng\\_5.htm:04/08/2004](http://www.themanagementor.com/enlightenmentareas/hr/OB/ob_orgnstnalc_hng_5.htm:04/08/2004)).

### **3.9. FRAMEWORK FOR STRATEGIC CHANGE MANAGEMENT**

An organisational restructuring process will only be successful if it aligns all the aspects of the organisation. Johnson and Scholes (2002:534) argue, "If change is to be successful, it also has to link the strategic, operational and everyday aspects of the organisation". This implies going beyond translating strategic change into resource plans, critical success factors and key tasks, and the

general manner in which the organisation is managed, into the manner in which the change is communicated through daily dimensions of the organisation.

**Figure 3: Framework for managing strategic change**



Source: Johnson and Scholes (2002:535)

Figure 3 depicts a framework that an organisation can use as a guide to managing strategic change. The framework starts with identifying the nature of the change situation. This involves identifying the need for embarking on

strategic change, possible strategic direction and method, seeing whether this change is in sync with the deliberate strategy, and identifying possible alteration in structures, processes, relationships and activities that are necessary to gravitate from strategic thinking into action.

The following are the important issues that need to be considered in diagnosing the situation that an organisation confronts when implementing change.

- Type of strategic change that the organisation wants to pursue. Johnson and Scholes (2002:536) identified four kinds of strategic change that any organisation can choose from, namely, adaptation, evolution, reconstruction and revolution. The suitability of each type of change depends on the drivers of change and the choice of each will determine the manner in which change will be managed.
- Understanding that the context in which change is happening is also important in successfully managing change. For example, managing change in a big corporation will require a different approach from managing change in a small company. Issues like diversity of the workforce, power relations, readiness of the employees to change, required scope of change, etcetera, all provide important context for the approach to be used in managing change.
- Understanding that the organisational culture does provide useful context for change management. A cultural web is a helpful way of taking into account the cultural context for change since it makes it possible to understand the present organisational culture and the desired future culture.
- Another issue to be taken into account is a force-field analysis that helps to identify those forces that are pro-change and anti-change. This can assist management to get an initial view of the problems they may encounter during the change process. A force-field analysis helps to find out those dimensions of current culture that will promote the desired change and the ways to strengthen those dimensions. It also helps to pinpoint those dimensions of the prevailing culture that would work against change and the ways to overcome them. It also makes it

possible to identify things that need to be brought in to assist the process of change.

The framework also gives guidance on various styles of management and roles of strategic leaders, middle managers and other change agencies in change management. Johnson and Scholes (2002:545) outline the following different approaches of managing strategic change:

- Education and communication approaches that include the explanation of the reasons for and means of change;
- Collaboration or participation in the process of change by involving all those that the change will affect. They become involved in areas such as identifying strategic issues in the determination of the strategic agenda and in the planning process of change;
- Intervention approach where a change agent is given the responsibility of co-ordinating the change process, authority over the change process and also delegate components of change;
- Direction style that entails the use of managerial authority to give strategic direction and how change will take place; and
- The coercion approach where change is imposed upon employees through the use of explicit power.

There are also various roles played by various individuals or groupings in managing change. For example, strategic leaders are normally regarded as playing a role of initiating the change or strategic direction of the organisation whilst middle managers help to implement those changes. A change agent may also be brought in to facilitate the change process.

The last portion of the framework deals with the means that management can utilise to manage change. These include the following;

- Altering the organisational structure and control, including the reward systems;
- Organisational routines that help to guide employees' behaviours;
- Management of symbolic processes to signal change;



- Power and political processes that assist in identifying the most suitable and powerful person in the organisation that will play the advocacy role in change management. This person may be a CEO or a powerful influential board member who commands respect and clout amongst employees;
- Effective communication of change to all those affected by it. Johnson and Scholes (2002:564) contend that for the communication of change to be effective, routine communication should be used for routine change whilst rich communication should be used for complex changes. The organisation can choose between various media of communication. These include face-to-face, interactive, personal memorandums and general bulletins. Face-to-face has been proven to be the most effective media of communicating change; and
- Specific tactics that can be used to manage change. These include timing in which appropriate time is chosen tactically to promote change, job losses and de-layering that must also be tactically carried out at an appropriate time, and demonstrating visible short-term wins to encourage buy-in and commitment to the change process.

### **3.10 MINIMISING RESISTANCE TO CHANGE**

Organisational restructuring invariably leads to fundamental changes in an organisation that may have serious implications for the employees. This may create uncertainty that may cause employees to oppose the changes created by this restructuring. Employees will always try to oppose a change programme because of the fear of the unknown. Tomasko (1993:6) supports this view when he draws a parallel between the organisation's strong and self-reinforcing desire for social equilibrium and the biological view on what keeps organisms cohesive. As he puts it "any tendency towards change is automatically met by increased effectiveness of the factors that resist change". The challenge for top management is how to minimise the employee resistance to these changes.

Bagram, et al. (2003:259), identified the following as guidelines to reduce such possible resistance:

- Employees should be allowed to take part right from the beginning of restructuring process. Employees are more likely to be supportive of any changes if they are allowed to genuinely take part in meetings and workshops where the envisaged changes are discussed at the outset;
- Every attempt should be made by top management to share all the necessary information with employees accurately and at appropriate times. This will create an atmosphere of trust and commitment amongst employees and will also enhance the integrity and credibility of management and their intentions;
- Employees must always see some benefits coming out of the change process and management must ensure that these gains are clearly understood by all the relevant employees. Reward structures that are clearly understood by employees must be reconsidered as important elements of the restructuring process; and
- A strategic human resource blueprint for retention, re-skilling and movement of employees to new roles and functions must be developed and be made known to all relevant parties. A just and equitable social plan must also be negotiated with all concerned if the restructuring process results into loss of jobs.

### **3.11 CONCLUDING REMARKS**

The purpose of this chapter was to discuss the theory of organisational restructuring that the contemporary literature reveals. Various types and models of restructuring were discussed. The various approaches and strategies that the organisations can use to effectively execute change were also highlighted.

The following conclusions can be drawn from the discussions in this chapter:

Organisational restructuring involves fundamental changes that may have serious implications for employees. This process needs to be managed carefully to minimise employee dissatisfaction that may lead to undesirable disruptions. This includes encouraging employees to genuinely take part in the

change process to make it easy for them to embrace it. These changes may create uncertainty amongst employees that may lead to resistance. There are guidelines that organisations can follow to minimise the employee resistance to change. A good communication strategy during the restructuring period is one of the key elements of ensuring a smooth transition process. There are guidelines that organisations can follow to put together a good communication strategy during the transition stage. It is also clear that organisational restructuring does not necessarily lead to job cuts. In what is termed as 'responsible restructuring', employment cuts can be minimised by retraining and re-skilling employees to do other jobs within the organisation. In cases where downsizing is inevitable, a just and equitable negotiation should take place between all parties involved. There are also various strategies that an organisation can use to minimise resistance to change. It is important to make sure that changes resulting from an organisational restructuring process are properly managed. This will ensure that the good intentions of this process are realised.

The following chapter (Chapter 4) deals with the research methodology and analysis of biographical details of this study.

## **CHAPTER 4**

### **RESEARCH METHODOLOGY AND ANALYSIS OF BIOGRAPHICAL DETAILS.**

#### **4.1. INTRODUCTION**

A research study where the research methodology is based on sound research principles, will produce findings that make more sense. It is important therefore, that the research methodology followed in any research study must comply with the conventional standards. This will ensure that the research study is carefully planned, systematically carried out, and is able to offer compelling data on which suitable conclusions are founded. The purpose of this chapter is to explain briefly the research methodology pursued for this study, as well as the theoretical background on which the choice of the methodology was based. An analysis of the biographical details of the respondents will also be presented in this chapter.

#### **4.2. RESEARCH DESIGN**

Leedy (2001:91) describes research design as the “complete strategy of attack on the central research problem”. It provides the researchers with the overall structure that contain the established ways that they must follow in conducting research. These include procedures for both gathering and the analysis of data. Research design therefore is planning the research process. For any research effort to be successful, its overall design has to be carefully planned with a clear set of ideas and procedures. Researchers are more likely to be successful in their research efforts if they identify their resources, procedures and data at the start of the research project. It is also important to differentiate between research planning and research methodology. The general approach to planning a research study may be the same in all academic disciplines. The particular methods of gathering and analysing data, on the other hand, may differ from one particular discipline to another due to the markedly differing nature of data. Leedy (2001:93) contends that it is therefore critical for “the

researcher to not only choose a viable research problem when planning a research design, but also to consider the kinds of data an investigation of the problem will require". The researcher must also take into account the means of gathering and interpreting those data.

The historical research method was considered to be the most suitable design structure for this study. This is because of the qualitative nature of data that is required to assess the main research problem and sub-problems. This assisted the researcher in developing a logical detailed description for the sequence and causes of events. This also enabled the researcher to make some inferences about how particular events or processes influence individuals. In this case it enabled the researcher to make inferences about the impact of organisational restructuring on the morale and motivation of the individual employees of the selected financial institution.

The main problem investigated was:

'What strategies can an organisation use to effectively restructure its business without compromising the morale and motivation of its workforce?'

This study focuses on the recent restructuring process embarked upon by Standard Bank and the influence that those changes had on employees.

### **4.3. TREATMENT OF DATA**

The research data has to be prepared before it gets analysed. Greenfield (1996:122) argues that various stages exist between gathering data and analysing data. These stages include data coding, data editing and data preparation for analysis. These stages must be planned beforehand and be part of the documents and procedural designs. Coding refers to the "conversion of verbatim answers to categorised data" (Greenfield, 1996:122). Data editing involves checking and correcting mistakes in the data collected. Greenfield (1996:123) believes that mistakes in the data are a reflection on the quality of data. It is always important to edit data because edit mistakes that are not

corrected may lead to difficulties and confusion in the research process. Preparing the data for analysis happens only after data have been coded and edited. Data can either be entered into the computer or assessed by way of a hand analysis.

#### **4.3.1 Data Collection**

There are various ways in which data can be gathered for research purposes. According to Leedy (2001:111), the researcher must make a decision on how the required data will be gathered and interpreted before the research proposal is written. The means by which the information is produced and recorded is what Greenfield (1996:119) refers to as the 'mode of data collection'. These include, inter-alia, face-to-face interviews, telephone interviews, observation of behaviour, postal or other self-completion questionnaire and etcetera. These various modes of data collection differ in terms of costs and resources required for gathering data. They also differ in terms of the level of detail and complexity of data that can be gathered successfully. A researcher with a limited research budget will always attempt to keep unit costs low so as to attain sample sizes that are worthwhile. Self-completion modes are more suitable for such purposes (Greenfield, 1996:119).

The straightforward answers to the four questions below are, according to Leedy (2001:111), fundamental to the data collection planning. The following are such questions:

- What data are required?
- Where are the data placed?
- How will the data be secured?
- How will the data be interpreted?

Data gathering for this study was done through two basic methods. The one was desktop research. This was done through the review of the contemporary literature where secondary sources from library, Internet and journals were consulted in order to develop an appropriate theoretical framework for the

research. As Matthews and Taylor (1998:13) put it “a good research project always includes a thorough ..... literature study”. The other method was through self-completion questionnaires that were used to empirically collect data. These questionnaires were sent out to the respondents via e-mails and were also physically distributed. Each questionnaire had a covering letter that clearly explained what the respondent needed to do. (*Annexure 1 shows the covering letter*).

#### **4.3.2 Data Analysis**

Data analysis, together with data collection form a central part of any research process. Birley and Moreland (1998: 58) identify three dimensions of data analysis namely coding, presentation and analysis. Coding refers to the rearranging of data into a more analysable form. The objective is to arrange the data in a way that will make it possible to present and analyse data. Data must also be clearly presented to make it easy for others to analyse it. This must be done without compromising anonymity of the respondents. The third aspect is the analysis of data that involves, according to Birley and Moreland (1998: 59), arranging data into “ broader themes and outcomes that relate to the research questions, literature survey outcomes, theories and models that have been projected”. It is also important to mention that there are various approaches and techniques that the researcher may use to analyse data. Birley and Moreland (1998:79) argue that it is always advisable for the researcher to think carefully and to take into account at the outset the most appropriate approach that they will follow for any specific research project.

The process of data analysis has become easy to manage nowadays, due to the availability of more advanced computer software technologies. According to Saunders, Lewis and Thornhill (2000:326), ‘Minitab and ‘Statview’ are available sophisticated software packages that can be used to analyse and verify data. These packages were, however, not used for this study owing to the relatively small size of the sample. Coding and analysis were therefore done manually.

#### 4.4. QUESTIONNAIRE DESIGN

A questionnaire, according to Greenfield (1996:121) should be short and easily understood. This will ensure that the right answers are elicited for the questions posed. He, however, argues that it is better to design a questionnaire that has more pages that have a clear and user-friendly design than the one with fewer pages that have crowded and unfriendly layout. It must, however, be mentioned that it is not always easy to design a questionnaire that is simple. The simplicity of the questionnaire is determined by the nature of research problem at hand.

The following are the guidelines suggested by Melville and Goddard (1996:43) for the structuring of a good questionnaire. A good questionnaire has to:

- Have clear and comprehensible questions;
- Contain mainly closed questions with a four- point scale to avoid middle-of-the-road responses;
- Contain suitable questions in relation to the research;
- Be concise and should not take much time to complete;
- Provide unambiguous instructions;
- Locate sensitive questions at the end of the questionnaire;
- Ask only those questions that are pertinent to the research;
- Contain objective questions that do not recommend answers; and
- Acquire all the necessary data wanted by the researcher.

The questionnaire design of this study was very simple and easy to understand. It contained closed questions with a five-point scale. Statements in the questionnaires were short and easy to understand. Simple, plain language was used in all questions and statements. Respondents were asked to tick all the boxes that apply to them. This approach made it easy for them to understand how to answer. Consequently, not a single respondent asked for clarity in any part of the questionnaire. (*Annexure 2 shows the complete questionnaire*)



## 4.5 PILOT STUDY

It is important, if time permits, to organise and carry out a pilot study to pre-test the questionnaire on a small population. This will enable the researcher to ascertain whether there are gaps in the questionnaire that may compromise the desired quality of information obtained. According to Greenfield (1996:122), a pilot study fulfils two purposes: the first is to develop the “instruments and procedures where the pilot is a step on the way towards the final design”. The second purpose is the “rehearsal of instruments and procedures, where the aim is to fine-tune a design”.

Saunders, Lewis and Thornhill (2000:305) believe that pilot testing helps to “refine the questionnaire so that respondents will have no problems in answering the questions and there will be no problem in recording the data”. They further argue that it will allow the researcher to evaluate the strength and dependability of the data gathered through the questionnaire. The researcher can also involve experts to look into the appropriateness of the questions as well as the composition of the questionnaire before pilot testing. This will assist the researcher to make the necessary changes as well as ascertain the dependability of the questionnaire theme before pilot testing. This pilot testing could be administered to the group of individuals that are more like the final population in the sample. The number of people selected for pilot testing must be enough to capture any serious changes that may influence the responses. The researcher that is faced with time constraints can utilise friends or family in pilot testing to establish the questionnaire’s dependability and understandability.

Saunders, et al. (2000:306) further contend that for self-administered questionnaires, respondents can be given additional short questionnaires to extract extra information. This will help to ascertain the following:

- The time it will take to complete the questionnaire;
- The clearness of instructions as well as identifying those questions, if any, which are not clear;

- Those questions, if any, that the respondents feel uncomfortable answering them;
- Whether there was any serious topic that was left out;
- Whether the design was understandable and eye-catching; and
- Any other possible observations.

According to Saunders, et al. (2000:307) questionnaires can also be pilot tested with interviewers to find out whether:

- Some questions require the use of visual aids for clarity;
- The interviewers accurately document the answers; and
- The interviewers are experiencing problems in finding their way through the questionnaire.

Finally the respondents should be thanked for participating in the pilot testing.

The pilot study in this study was conducted on two colleagues, a junior manager and a general staff member, to check for spelling and grammatical errors as well as to see whether the questionnaire was understandable. They both clearly understood the questions posed in the questionnaire. There was therefore no need to make any amendments to the questionnaire. Subsequently the questionnaires were distributed to all the respondents.

E-mail medium was chosen for distributing the questionnaires to the East London respondents whilst those in Port Elizabeth received their questionnaires largely through personal distribution. Very few of the Port Elizabeth respondents requested that the questionnaires be e-mailed to them.

#### **4.6 THE SAMPLE POPULATION**

In conducting a research project, it is not always possible to cover the entire population. In such cases, a subsection of the population is used and the findings thereof get extrapolated to the entire population. Birley and Moreland (1998: 45) identify three types of sampling that a researcher may choose from, namely, random, stratified and cluster. Random sampling refers to a situation where every subject within the population has an equal chance of being selected to participate in the research project. In stratified sampling, visibly

diverse groups within a population are represented. Clustering involves dividing the population geographically or according to such traits as age, sex and occupation, on the belief that those sampled are representative of the bigger population.

Birley and Moreland (1998:44) further point out that the size of the sample should be able to provide sufficient data that could be extrapolated to the entire population. The other critical thing about the sample size is that it must not be extremely time consuming and unpleasant. The researcher should always take into account the many scientific factors when selecting the sample population, particularly in large surveys. It is also important to avoid errors of bias.

The sample universe of this study was so big that it could not be covered in its entirety. It was therefore necessary to select a representative sample that was more manageable. The representative sample consisted of all of the 28 former business-banking employees in the Eastern Cape region from management to the general workers. The representative sample was therefore geographically selected, hence a clustering sampling approach was used. The representative sample was divided into two categories: Those migrated to Corporate and Investment Banking (CIB) and those migrated to the Retail Banking.

#### **4.7 RESPONSE RATE**

Of the total representative sample of 28 respondents, 25 responses were attained, thus translating into 89 per cent response rate. The responses that were not received therefore constituted only 11 per cent of the sample. The overall response rate is depicted in Table 4.1 and Chart 4.1 below.

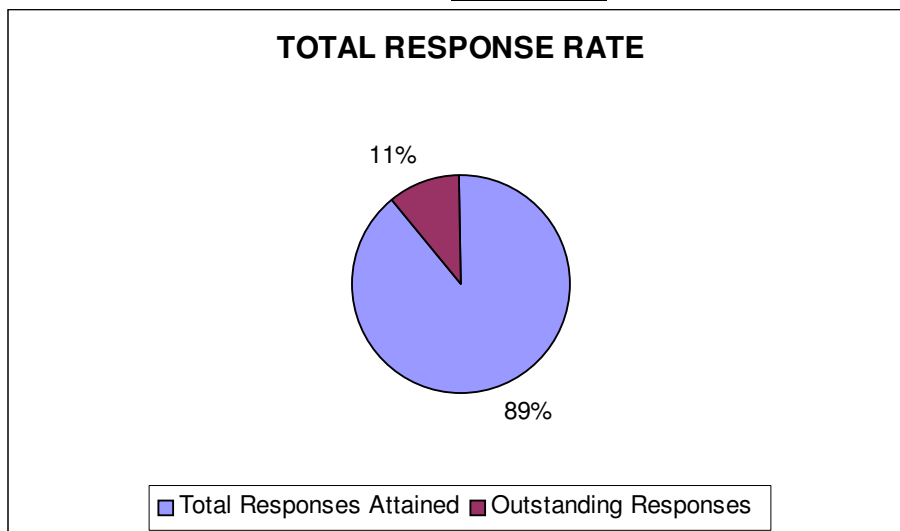
**TABLE 4.1**

**OVERALL RESPONSE RATE**

<b>RESPONSES</b>	<b>RESPONSE FREQUENCY</b>	<b>PERCENTAGE</b>
Attained Responses	25	89%
Outstanding Responses	3	11%
<b>TOTAL</b>	<b>28</b>	<b>100%</b>

**Source: Results obtained from overall analysis of survey responses**

**CHART 4.1**



**Source: Table 4.1 converted to a Pie Chart**

The questionnaires were sent out on 10<sup>th</sup> August 2004 to the respondents and they were asked to return them on 20<sup>th</sup> August 2004. A total of ten out of ten responses were obtained from corporate and investment banking (CIB), thus translating into a 100 per cent response rate. On the other hand a total of fifteen out of eighteen responses were obtained from the retail bank, translating into an 83 per cent response rate. If each office is viewed separately, responses obtained from the East London office were four out of six, translating into a 67 per cent response rate. The Port Elizabeth office on the other hand

recorded twenty-one out of twenty-two responses representing a response rate of 95 per cent. The lethargic response rate in East London could possibly be attributed to the fact that questionnaires had to be e-mailed to the respondents. The questionnaires were then completed and re-emailed to the researcher in Port Elizabeth. In Port Elizabeth, questionnaires were distributed physically by hand to the respondents. There were also face-to-face interactions with the respondents. They were therefore reminded of the need to complete the questionnaires because of the daily interactions with the researcher.

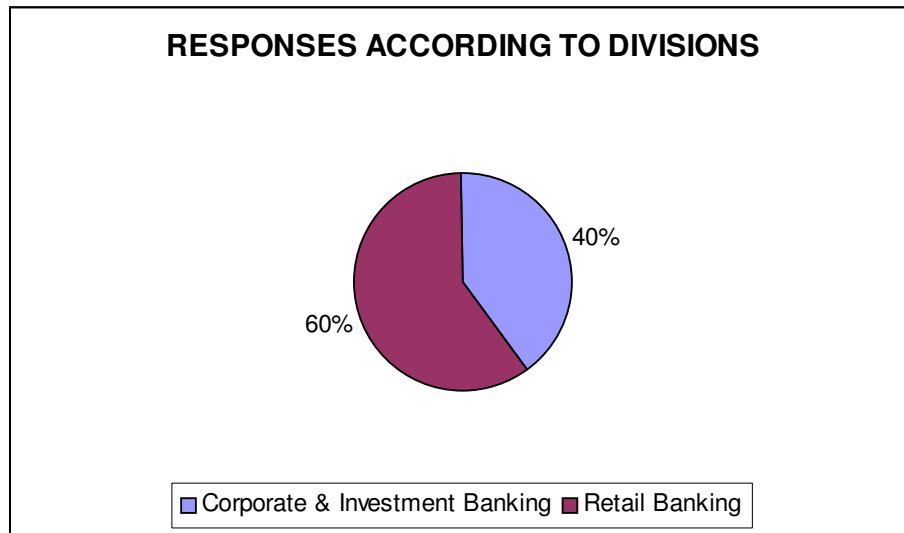
Although a 100 per cent response rate was recorded for CIB division, that figure translates into 40 per cent of the total representative sample. Retail Bank division recorded 83 per cent response rate that translates into 60 per cent of the total representative sample. This is illustrated in both Table 4.2 and Chart 4.2 below.

**TABLE 4.2**  
**RESPONSES ACCORDING TO DIVISION**

<b>DIVISION</b>	<b>RESPONSE FREQUENCY</b>	<b>PERCENTAGE</b>
Corporate & Investment Banking	10	40%
Retail Banking	15	60%
<b>TOTAL</b>	25	100%

**Source: Results obtained from analysis respondents by office**

**CHART 4.2**



**Source: Table 4.2 converted to a Pie Chart**

The response levels were also compared according to offices where respondents were working. Although Port Elizabeth office recorded 95 per cent response rate, this figure translates into 84 per cent of the total representative sample. The East London office on the other hand recorded a 67 per cent response rate that translates into 16 per cent of the total representative sample. Table 4.3 and Chart 4.3 below illustrate this.

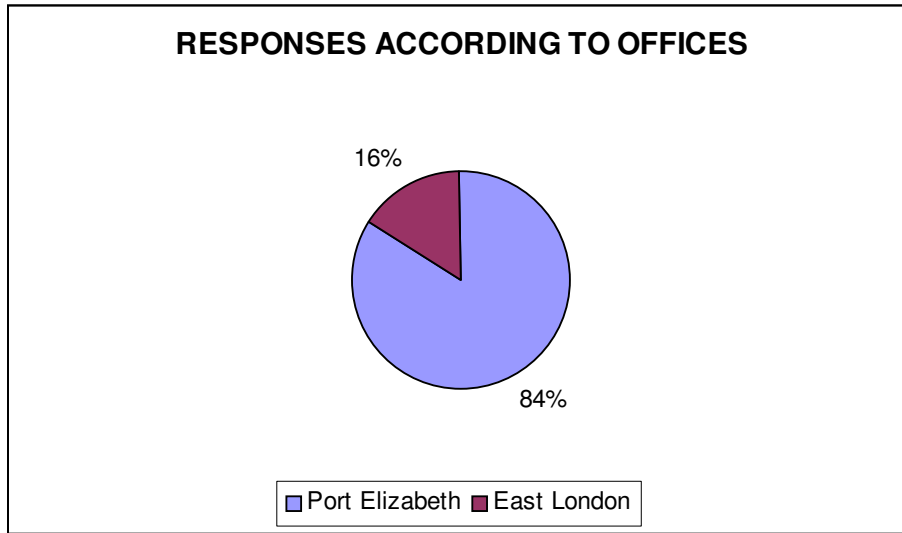
**TABLE 4.3**

**RESPONSES ACCORDING TO OFFICES**

<b>OFFICE</b>	<b>RESPONSE FREQUENCY</b>	<b>PERCENTAGE</b>
<b>Port Elizabeth Office</b>	<b>21</b>	<b>84%</b>
<b>East London Office</b>	<b>4</b>	<b>16%</b>
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis by office**

### **CHART 4.3**



**Source: Table 4.3 converted to a Pie Chart**

The response rate shown by the above tables and charts should verify the strength and reliability of the survey outcomes. The findings from the 89 per cent total response rate can be confidently extrapolated to the entire population with a high degree of validity and reliability.

The outstanding respondents were reminded on 17<sup>th</sup> August 2004 to complete the questionnaires. Despite the face-to-face and telephonic appeals, those respondents did not return their questionnaires. It was therefore decided to exclude these individuals. Although the target was 100 per cent response rate, the achieved 89 per cent rate was more than acceptable to the researcher.

### **4.8 ANALYSIS OF BIOGRAPHICAL INFORMATION**

All the respondents that took part in this project were former business banking employees who were transferred to either CIB or retail bank divisions during restructuring. Respondents were asked to indicate which division of the bank they were currently working in. Table 4.3 above indicates that the majority of the respondents (60 per cent) were currently working for the Retail Bank

division whilst 40 per cent worked for CIB. Respondents were also asked to indicate in which region/area were they situated. The geographical distribution of respondents is shown in Table 4.3. This table indicates that the great majority of respondents were currently working in Port Elizabeth (84 per cents) whilst 16 per cent worked in East London.

The respondents were then asked to indicate their positions within the organisation. The distribution of these positions is indicated in Table 4.4. The table indicates that the respondents who took part in the survey comprised of 4 per cent top management, 28 per cent middle management, 16 per cent junior management and 52 per cent of general staff.

**TABLE 4.4**

**NUMBER OF RESPONDENTS ACCORDING TO POSITIONS**

<b>POSITION</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
Top Management	1	4%
Middle Management	7	28%
Junior Management	4	16%
General Staff	13	52%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis by positions**

Table 4.5 below illustrates the composition of the respondents by race. More than half (64 per cent) of the respondents who participated in the survey were Whites. 8 per cent were Coloureds, 4 per cent Indians whilst Africans constituted 24 per cent of respondents.



**TABLE 4.5**

**RESPONDENTS BY RACE**

<b>RACE</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
Coloured	2	8%
Indian	1	4%
White	16	64%
African	6	24%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis by race**

Table 4.6 shows the composition of the respondents by gender. From this table, it can be seen that 60 per cent of the respondents who took part in the survey were females whilst 40 per cent were males.

**TABLE 4.6**

**RESPONDENTS BY GENDER**

<b>GENDER</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
Male	10	40%
Female	15	60%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis by gender**

The respondents were also asked to indicate their age. Table 4.7 shows that the majority of respondents (64 per cent) who participated in the survey were between the ages of 31-40 and 42-50 years. Twenty per cent were between

ages 21 to 30 whilst 16 per cent were between ages 51 to 60 years. There were no respondents whose age was below 21 years.

**TABLE 4.7**  
**RESPONSES BY AGE**

<b>AGE</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
Below 21 years	0	0%
21-30 years	5	20%
31-40 years	8	32%
41-50 years	8	32%
51-60 years	4	16%
Above 60 years	0	0%
<b>TOTAL</b>	25	100%

**Source: Results obtained from respondents' analysis by age**

Respondents were requested to indicate years of service. Table 4.8 illustrates that 24 per cent of the respondents had been with the Bank for less than five years at the time of the change process. Twenty per cent had been with the Bank for a period of between 5 to 10 years, 24 per cent between 11 to 20 years, 16 per cent between 21 to 30 years whilst 16 per cent had been with the Bank for a period exceeding 30 years of service. There were a few individuals who had been with the Bank for a period of less than a month at the time of the restructuring process. These individuals felt that they should have been informed of the impending restructuring before joining the company. A few of these individuals indicated to the researcher that, had they known about the merger, they would not have joined the Bank.

**TABLE 4.8**

**RESPONSES BY NUMBER OF YEARS EMPLOYED**

<b>NUMBER OF YEARS</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
<5 years	6	24%
5-10 years	5	20%
11-20 years	6	24%
21-30 years	4	16%
>30 years	4	16%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis by years of employment**

Respondents were requested to indicate their qualifications. Table 4.9 shows that 8 per cent of the respondents had education levels below matric. The majority had matric at 36 per cent, 32 per cent had a diploma mostly related to banking, 12 per cent had a degree whilst another 12 per cent had post graduate qualification.

**TABLE 4.9**

**RESPONSES BY QUALIFICATIONS**

<b>QUALIFICATION</b>	<b>NUMBER OF RESPONDENTS</b>	<b>PERCENTAGE OF RESPONDENTS</b>
Below Matric	2	8%
Matric	9	36%
Diploma	8	32%
Degree	3	12%
Post Graduate	3	12%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis by qualifications**

The biographical information shown above indicates that an attempt has been made to ensure that all the elements that may influence the respondents' perception of the restructuring are fairly covered in the research.

**4.9 STATISTICAL TREATMENT OF DATA**

According to Greenfield (1996:181), "statistics has long suffered from bad press in two regards. One is the view that it...can bend the facts to suit any purpose. And the second is that it is a tedious and boring subject". The first criticism stems from the fact that facts can be manipulated to mislead people who are statistically inexperienced. This will invariably lead to the distorted findings of the research due to improper use of the statistical methods. It is therefore important to be ethical and not manipulate the facts, for this could distort the findings of the study. The second criticism had a gem of truth in the olden days when mechanical numerical manipulations were carried out by hand. With the advanced information technology available nowadays, this criticism is no longer valid.

#### **4.10 CONCLUDING REMARKS**

In this chapter, a brief explanation of the theoretical background of the research methodology followed in this study was made. This chapter also discussed briefly the practical details of the research process carried out in the study. The biographical details of the respondents who participated in the study were also highlighted. This will help in establishing whether there is, indeed, some link between the respondents' perception and experience of change and some elements of biographical information analysed in this chapter. This analysis, together with the findings and interpretation of survey results will be the subject of Chapter 5.

## **CHAPTER 5**

### **ANALYSIS AND INTERPRETATION OF RESULTS**

#### **5.1 INTRODUCTION**

In Chapter 4 the research methodology used for this study was described. The analysis of the biographical information was also presented. Chapter 5 presents the outcomes of the empirical study that was conducted to assess the impact that the organisational restructuring carried out by the selected organisation, Standard Bank SA Ltd, had on the morale and motivation of its employees. The empirical study was analysed to reveal the following:

- The extent to which the employees were involved in the restructuring process;
- The extent to which employees attitudes changed after restructuring process;
- The extent to which employee morale and motivation changed after restructuring; and
- The communication process and strategy used during restructuring.

The data was analysed and interpreted following the questionnaire structure in section B as follows:

- B.1: Employee involvement
- B.2: Employee attitude after restructuring
- B.3: Employee morale and motivation after restructuring
- B.4: Communication process and strategy during restructuring

The survey questionnaire that was designed to collect the data for this empirical study can be found in Appendix 2.

## **5.2 EMPLOYEE INVOLVEMENT IN THE PROCESS**

Table 5.1 shows that 52 per cent of the respondents were encouraged by their managers to become more involved and committed to the restructuring process. 48 per cent of the respondents indicated that they clearly understood the reasons for restructuring. Table 5.1 also reveals that 80 per cent of the respondents were not given the opportunity to give input into the restructuring process whilst 60 per cent felt that the benefits of the process were not personally discussed with them. An assessment of Table 5.1 also shows a high number of 'uncertain' responses by employees regarding their involvement in the restructuring process. This might indicate that some individuals were not informed about the changes that were taking place in the organisation. This is further vindicated by Table 5.6 where it is shown that 19 per cent of the respondents felt that the restructuring process was never communicated to them.

**TABLE 5.1**

**EMPLOYEE INVOLVEMENT IN THE PROCESS**

<b>EMPLOYEE INVOLVEMENT IN THE RESTRUCTURING PROCESS N=25</b>		<b>Strongly Agree/ Agree</b>	<b>Uncertain</b>	<b>Disagree/ Strongly Disagree</b>	<b>TOTAL</b>
My manager recognised and managed the impact of change on me	No	9	8	8	25
	%	36%	32%	32%	100%
All affected employees were consulted before change was implemented	No	9	5	11	25
	%	36%	20%	44%	100%
I was encouraged to become involved and committed to the restructuring process by my manager	No	13	4	8	25
	%	52%	16%	32%	100%
Benefits of restructuring were discussed with me personally	No	4	6	15	25
	%	16%	24%	60%	100%
I clearly understood the reasons for the recent restructuring	No	12	7	6	25
	%	48%	28%	24%	100%
I was given an opportunity to give input into the restructuring process	No	4	1	20	25
	%	16%	4%	80%	100%

**Source: Results obtained from respondents' analysis by their involvement in the restructuring process**

The information depicted in Table 5.1 might indicate that whilst most respondents clearly understood the rationale for restructuring, they did not see individual benefits for themselves in the process. The fact that 80 per cent of the respondents did not make input might also have negatively affected their buy-in to the process. An overall assessment of Table 5.1 indicates that most respondents were not involved in the restructuring process. According to Bagram, et al. (2003:259) employees should be allowed to take part right from beginning of the restructuring process. Employees are more likely to be supportive of any changes if they are allowed to genuinely take part in meetings and workshops at the outset where the envisaged changes are discussed.



### **5.3 EMPLOYEE ATTITUDES AFTER THE RESTRUCTURING PROCESS**

Table 5.2 measures the attitude of the employees after the restructuring process. An examination of this table reveals that 56 per cent of the respondents believed that, through the restructuring process, the Bank had actually changed for the better. This view is further reinforced by the fact that 64 per cent also believed that the restructuring process had positive results for the Bank. 44 per cent indicated that they do trust top management and 52 per cent showed that they still have confidence in top management and the organisation. 44 per cent indicated that they still intend working for the Bank for a long period to come.

Table 5.2 also shows a high degree of uncertainty among those who participated in the survey. 44 per cent indicated that they were not sure about their future in the organisation. There was also a high degree of scepticism towards top management. This is illustrated by the fact that 48 per cent of the respondents were uncertain whether top management was honest and caring during the process. 48 per cent were also not certain about their intention to work for the Bank for a long time to come. This feeling could stem from the fact they were not sure about their future within the organisation.

This relatively high degree of uncertainty might be caused by the fact that most of the respondents were not involved in the restructuring process. This was also revealed in Table 5.1.

**TABLE 5.2**

**EMPLOYEE ATTITUDE AFTER THE RESTRUCTURING**

<b>EMPLOYEE ATTITUDES AFTER THE RESTRUCTURING PROCESS N=25</b>		<b>Strongly Agree/ Agree</b>	<b>Uncertain</b>	<b>Disagree / Strongly Disagree</b>	<b>TOTAL</b>
Top Management effectively implemented the restructuring process	No	10	9	6	25
	%	40%	36%	24%	100%
The organisation has changed for the better	No	14	8	3	25
	%	56%	32%	12%	100%
I feel positive and certain about my future in this organisation	No	8	11	6	25
	%	32%	44%	24%	100%
I trust top management of this organisation	No	11	10	4	25
	%	44%	40%	16%	100%
Top management was honest and caring	No	5	12	8	25
	%	20%	48%	32%	100%
Recent restructuring process was well planned	No	8	9	8	25
	%	32%	36%	32%	100%
Recent restructuring resulted in positive outcomes for the Bank	No	16	6	3	25
	%	64%	24%	12%	100%
I intend working for this organisation for a long time to come	No	11	12	2	25
	%	44%	48%	8	100%
I still have confidence in top management and this organisation.	No	13	9	3	25
	%	52%	36%	12%	100%

**Source: Results obtained from respondents' analysis by their attitudes after restructuring**

An overall assessment of Table 5.2 shows that the majority of the respondents were still positive about the Bank after the restructuring process. However, there were a significant number of respondents who had negative attitudes towards the Bank after restructuring. The negative perceptions were glaring in

the areas of top managements' honesty and caring as well as whether the change process was well planned.

#### **5.4 EMPLOYEE MORALE AND MOTIVATION AFTER RESTRUCTURING**

Table 5.3 shows that greater majority (80 per cent) of the respondents still enjoy their jobs in the Bank. 88 per cent indicated that they still put that extra effort into their work environments to ensure that the goals and objectives of the Bank are achieved. 72 per cent also showed that they are still very committed to the goals and objectives of the Bank. 56 per cent believed that the restructuring has created more opportunities for employees, that they want to continue working for the Bank in future, and that they always look forward to going to work every morning. There was, however, a significant percentage of those who were uncertain. For instance, 52 per cent of the respondents were not sure whether the restructuring was good for the employees whilst 44 per cent were convinced that the restructuring process did not improve their working conditions.

The overall assessment of Table 5.3 indicates the restructuring process did not adversely affect the morale and motivation of the majority of the respondents. However, there was a significant number of respondents who were negatively affected particularly regarding matters relating to their working conditions. This is probably why a significant number (40 per cent) of them were also not sure whether they do want to continue working for the Bank.

**TABLE 5.3****EMPLOYEE MORALE AND MOTIVATION AFTER RESTRUCTURING**

<b>EMPLOYEE MORALE AND MOTIVATION AFTER RESTRUCTURING N=25</b>		<b>Strongly Agree/ Agree</b>	<b>Uncertain</b>	<b>Disagree / Strongly Disagree</b>	<b>TOTAL</b>
Recent restructuring was good for employees	No	6	13	6	25
	%	24%	52%	24%	100%
I look forward to going to work every morning	No	14	8	3	25
	%	56%	32%	12%	100%
Recent restructuring has created more opportunities for employees	No	14	9	2	25
	%	56%	36%	8%	100%
Recent restructuring has improved my working conditions	No	8	6	11	25
	%	32%	24%	44%	100%
I want to continue working for this organisation in the future	No	14	10	1	25
	%	56%	40%	4%	100%
I still enjoy doing my work	No	20	2	3	25
	%	80%	8%	12%	100%
I still feel very committed to the goals and objectives of this organisation	No	18	5	2	25
	%	72%	20%	8%	100%
I still feel a sense of belonging to this organisation	No	11	10	4	25
	%	44%	40%	16%	100%
I still put in extra effort to ensure that goals and objectives of this organisation are achieved	No	22	2	1	25
	%	88%	8%	4%	100%

**Source: Results obtained from respondents' analysis by their morale and motivation after restructuring**

### **5.5 COMMUNICATION PROCESS AND STRATEGY DURING RESTRUCTURING**

An examination of Table 5.4 indicates that changes were not properly communicated to every staff member. A high degree of 'uncertain' responses and a significant number of negative responses shown in the table attest to this. 32 per cent of the respondents did not agree with the statement 'Top

management communicated all the relevant information accurately and timeously with staff'. 36 per cent were uncertain whilst only 32 per cent agreed with the statement. 44 per cent of the respondents however, believed that there was consistent communication throughout the process whilst 20 per cent did not agree. There was a fair amount of satisfaction with the communication medium used during the restructuring process. 48 per cent of the respondents were happy with the medium used compared to only 16 per cent who were unhappy.

**TABLE 5.4**

**COMMUNICATION PROCESS AND STRATEGY DURING RESTRUCTURING**

<b>COMMUNICATION DURING RESTRUCTURING PROCESS N=25</b>		<b>Strongly Agree/ Agree</b>	<b>Uncertain</b>	<b>Disagree/ Strongly Disagree</b>	<b>TOTAL</b>
The vision and objectives of restructuring were clearly communicated to me	No	10	8	7	25
	%	40%	32%	28%	100%
There was enough communication with staff during restructuring	No	9	9	7	25
	%	36%	36%	28%	100%
Top management communicated all the relevant information accurately and timeously with staff	No	8	9	8	25
	%	32%	36%	32%	100
All affected employees were informed about restructuring right at the outset	No	8	10	7	25
	%	32%	40%	28%	100%
There was consistent communication throughout the process	No	11	9	5	25
	%	44%	36%	20	100%
The medium of communicating changes to me was appropriate	No	12	9	4	25
	%	48%	36%	16%	100%
Managers and supervisors were kept informed about restructuring at all times	No	9	13	3	25
	%	36%	52%	12	100%
Open and honest communication was used at all times	No	6	15	4	25
	%	24%	60%	16	100%

**Source: Results obtained from respondents' analysis of their responses regarding the communication process and strategy during restructuring**

Table 5.4 also indicates that 40 per cent of the respondents agreed that the vision and objectives of restructuring were clearly communicated to staff members compared to 28 per cent who did not agree. Only 24 per cent believed that 'open and honest communication was used at all times' during restructuring period whilst 60 per cent were not sure. This is not in line with views espoused by Gowing, Kraft and Quick, (1998:93) who believed that open and honest communication with employees during restructuring is vital for a successful restructuring in an organisation

### 5.5.1 FORMS OF COMMUNICATION USED DURING RESTRUCTURING

An assessment of Table 5.5 below reveals that 47 per cent of the communication with staff was done through e-mail. 21 per cent was done through face-to-face whilst 24 per cent was done through video conferencing. 9 per cent of the respondents indicated that changes were never communicated to them. Gowing, et al. (1998:93) contend that face-to-face communication between management and employees is the most effective form of communicating changes within the organisation. At Standard Bank however, changes were communicated through the predominantly e-mail medium.

**TABLE 5.5**

#### **FORMS OF COMMUNICATION PREDOMINANTLY USED DURING RESTRUCTURING**

<b>TYPE OF COMMUNICATION</b>	<b>RESPONSE FREQUENCY</b>	<b>PERCENTAGE OF RESPONSES</b>
Face-to-face	7	21%
E-mail	16	47%
Telephonically	0	0%
Video-Conferencing	8	24%
Other <i>[please specify]</i>	0	0%
Never	3	9%
<b>TOTAL</b>	<b>34</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis of their responses regarding forms of communication predominantly used during restructuring**

### **5.5.2 STAGE AT WHICH EMPLOYEES WERE INFORMED ABOUT RESTRUCTURING**

Table 5.6 shows that 54 per cent of the respondents were informed about the restructuring only when changes were being carried out. 19 per cent were informed at the planning stage whilst 8 per cent were informed only after restructuring was already implemented. Worst of all, was that 19 per cent of the respondents were not informed at any stage at all about changes that were taking place in the organisation. Bagram, et al. (2003:259-160), believe that every attempt should be made by top management to share all the necessary information with all employees accurately and at appropriate times. This will create an atmosphere of trust and commitment amongst employees and will also enhance the integrity and credibility of management and their intentions.

**TABLE 5.6**

#### **STAGE AT WHICH EMPLOYEES WERE INFORMED ABOUT RESTRUCTURING**

<b>STAGE</b>	<b>NUMBER OF RESPONSES</b>	<b>PERCENTAGE OF RESPONSES</b>
Planning stage	5	19%
Implementation stage	14	54%
After implementation	2	8%
Never	5	19%
<b>TOTAL</b>	<b>26</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis of their responses regarding the stage at which employees were informed about restructuring**

### **5.5.3 FREQUENCY WITH WHICH CHANGES WERE COMMUNICATED TO EMPLOYEES**

Table 5.7 shows that changes were communicated regularly to only 52 per cent of the respondents. 32 per cent of the respondents indicated that changes were seldom communicated to them whilst 16 percent believed that changes were never communicated to them. Cascio (2002:97) suggests that management

must always get all their employees to understand and accept the restructuring process of their organisation. An assessment of Table 5.7 reveals that changes were not effectively communicated to all the respondents.

**TABLE 5.7**

**FREQUENCY WITH WHICH CHANGES WERE COMMUNICATED TO EMPLOYEES**

<b>FREQUENCY</b>	<b>NUMBER OF RESPONSES</b>	<b>PERCENTAGE OF RESPONSES</b>
Regularly	13	52%
Seldom	8	32%
Never	4	16%
<b>TOTAL</b>	<b>25</b>	<b>100%</b>

**Source: Results obtained from respondents' analysis of their responses regarding the frequency at which changes were communicated to them during the restructuring process**

**5.6 OTHER FINDINGS**

At the end of the questionnaire (sub-section B.5) the respondents were asked to indicate what they would have done differently, had they been personally in charge of the restructuring process.

The following were their individual responses to the question:

- Communicate with staff reasons and objectives before implementation. Get input and ideas from staff as they are the engines of the ship. Captains can't steer the ship if its engineers are not doing their job properly. All parties concerned must be consulted before any change is implemented.
- Get more input from the general staff. Changes at Standard Bank were made without thinking about the people who actually do the work.
- See that everybody understands and knows what this restructuring process is.
- Give closer attention to the operational issues and systems synergies.



- Inform new recruits well in advance about restructuring in order for them to make prior decisions before accepting the job.
- Inform all staff about restructuring and make sure that every staff member knows what it is all about because so far the respondent never heard a word about restructuring from management.
- Talk to the staff at the coalface i.e. frontline staff and listen with both ears to what they have to say.
- Improve communication and demonstrate a more caring attitude.
- More open discussions from planning to implementation, but also after implementation. Face-to-face communication is much better than e-mail or video-conferencing.
- Conduct road shows to all 9 Provinces in order to gather information with regard to the client base and staff feelings. Consult with employees' union-SASBO, and appoint a committee in each province.
- Implement restructuring at the end of the financial year. This would help remove any uncertainties regarding individual staff results for the year versus the budget previously accorded.
- Adopt a more open and clear communication and also interact with staff at a more personal level.
- Involve staff in the planning process right from the outset so as to obtain buy-in and not ram it down staffs' throats in a manner that appears to follow the "First-In-First-Out" (FIFO) principle. Make sure that the flow of restructuring follows a logical pattern and that all bases are covered. There was lot of hit and miss going on which seems to suggest a lack of accurate planning, caused by mainly because the operational level was not involved in the planning phase. Make sure that all the divisions of the Bank are involved in the process so as to ensure that cross-functional issues could easily be sorted out at the coalface and not have to be referred back up to director level, who will not sort out the problem anyway.
- Inform the staff of the implementation date beforehand and keep the staff informed of the process step by step.

- Top management to address the affected department together regarding the reasons why restructuring is necessary. Ask top management to adopt a more transparent approach and not only on a need to know basis.
- Inform staff about changes at the outset, set up workshops for staff to air their views and get feedback from them.
- Inform all the affected employees at the onset. Clarify the objectives and take into account different suggestions. Be honest and not manipulate the process in order to place friends and relatives in advantageous posts. Communicate with everyone at all times and strongly avoid hidden agendas.

The above responses can be broadly grouped as follows:

- The need for employee involvement at the beginning of the restructuring process;
- The need for consistently communicating changes to all staff members at the beginning to the end of the process;
- The need for soliciting constant feedback from staff throughout the process and take their views into account when restructuring; and
- The need for careful planning of the restructuring process prior the implementation.

## **5.7 CONCLUDING REMARKS**

The purpose of this Chapter was to highlight the outcomes of the empirical study. Comments were also made on how these results relate to the views revealed by the contemporary literature on organisational restructuring. The results revealed some gaps between the way that Standard Bank carried out their restructuring process and what the literature reveals. It is, however, interesting to note that the restructuring process did not appear to have adversely affected the morale and motivation of the majority of the respondents.

Chapter 6 will further assess the implication of the findings discussed in this chapter. Final conclusions will be drawn as to the significance of the findings. In addition, recommendations will be made in respect of the future challenges confronting organisations planning to restructure. Finally, the chapter will highlight some challenges and confines that were stumbled upon during the research process.

## **CHAPTER 6**

### **CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

In Chapter 5, the results of the research were interpreted with the intention of presenting the findings of the study. The research results were also contrasted with what the contemporary literature reveals as discussed in Chapter 3. This was done with a view to determine whether the research results concurred or differed with the literature findings.

In this final chapter, the main findings will be summarised and contrasted with the main problem and sub-problems as defined in Chapter 1.

This chapter will also highlight the challenges and limitations that were met during the research. Finally, the opportunities for further research and proposals for the application of the research findings will be introduced.

#### **6.2 MAIN FINDINGS**

After assessing the restructuring process at the chosen organisation, the main findings regarding the impact of restructuring on the morale and motivation of employees were divided into the following sections:

- Employee involvement
- Employee attitudes after restructuring
- Employee morale and motivation after restructuring
- Communication process and strategy during restructuring

### **6.2.1 Employee involvement in the restructuring process**

- Most respondents were not involved in the restructuring process although they clearly understood the rationale behind restructuring.
- A great majority of respondents (80 per cent) were not given the opportunity to give input into the restructuring process although they were encouraged by their immediate managers to become involved and committed to the restructuring process.
- Management did not discuss the benefits of restructuring personally with individuals according to a greater majority (60 per cent) of the respondents.
- The majority of the respondents (64 per cent) were not consulted before changes were implemented.

### **6.2.2 Impact of restructuring on employee attitudes**

- The majority of respondents (56 per cent) believed that, through restructuring, the chosen organisation has changed for the better.
- Most respondents (48 per cent) indicated that they still have trust and confidence in top management and the organisation
- Most respondents (44 per cent) also indicated that they intend working for the chosen organisation for a long period to come.

- The majority of respondents (40 per cent) also believed that top management had effectively implemented the restructuring process.
- The majority of the respondents (64 per cent) were still positive about their organisation after restructuring although many of them (44 per cent) were uncertain about their future in the organisation.

### **6.2.3 The impact of restructuring on employee morale and motivation**

- The restructuring process did not adversely affect the morale and motivation of the majority (72 per cent) of the respondents.
- The greater majority of respondents (80 per cent) still enjoys their work and still put in that extra effort to ensure that the objectives of their organisation are met.
- Most respondents (52 per cent) were uncertain on whether the restructuring process was good for them. This was probably due to the fact that management did not discuss the benefits of restructuring to the affected individual employees. (see section 6.2.1)
- The majority of the respondents (44 per cent) did not believe that the change has improved their working conditions.

### **6.2.4 Communication process and strategy during restructuring**

- The communication process and strategy were not properly managed and executed during the restructuring.
- The changes were not communicated to every affected employee in the organisation albeit regular and consistent communication.

- Most respondents (60 per cent) were uncertain on whether the management communication of changes to them was honest and open.
- The changes brought about by restructuring were communicated to employees largely through the medium of e-mail medium.
- Most respondents (54 per cent) were largely informed about restructuring only during the implementation stage.

To assess whether the research data helped in solving the main and sub-problems outlined in Chapter 1, the problems will be looked at against the background of the findings listed above.

- **Main Problem**

What strategies can an organisation use to effectively restructure its business without compromising the morale and motivation of its workforce?

- **Statement of Sub-problems**

An analysis of the main problem allows identification of the following sub-problems:

*Sub-problem one:*

What are the restructuring strategies that the relevant literature has revealed which can assist organisations in effectively implementing the restructuring process?

*Sub-problem two:*

What restructuring strategies did the selected financial institution use?

*Sub-problem three:*

What were the effects of the organisational restructuring on employee morale and motivation at the selected financial institution?

In Chapter 3 sub-problem one was dealt with, in that a relevant literature study of the latest possible sources was made to identify literary theories in respect of the restructuring strategies that can assist organisations in effectively implementing the restructuring process.

As deduced at the end of Chapter 3, there is general support for the view that the organisational restructuring process needs to be managed carefully to minimise employee dissatisfaction that may lead to undesirable resistance. Restructuring organisations need to involve employees in the change process right at the outset. They need to put together a good communication strategy to ensure that effective communication takes place with employees during restructuring.

In Chapter 2, a description of the organisational restructuring process at the chosen organisation was given. The research results in Chapter 5 also gave an indication of how this organisation implemented the restructuring process. This provided a solution for sub-problem two. As pointed out earlier, the organisational restructuring at the chosen organisation involved merging one division into the other two divisions. This process was guided by a steering committee that sat at the head office. Employees were seldom involved or consulted about the restructuring process. They were, more often than not, merely informed about it. Communication was done largely through the medium of e-mail and did not reach every affected employee in the organisation, albeit regular and consistent.

In Chapter 5, the research findings gave an indication of the impact that the organisational restructuring had on the morale and the motivation of the employees of the chosen organisation. Thus, sub-problem three was resolved. The attitudes of the employees after restructuring were also assessed. The



research indicated that the morale and motivation of the majority of employees was not adversely affected by the organisational restructuring. The attitudes of employees remained positive even after restructuring. However, a significant number of respondents were either uncertain or negative about their future with the organisation after restructuring.

### **6.3 PROBLEMS AND LIMITATIONS**

There were no problems encountered in the research. All respondents were accessible either physically or via e-mail. However, a small number of respondents (11 per cent) did not respond, despite numerous reminders and this presented a likelihood of a problem of prejudice. According to Leedy (1997:219) if a response rate of the respondents in a research project is recorded at less than 100 per cent, the findings of the research will be based on the rate achieved, thereby extrapolating the research results from the respondents to non-respondents. Taking into account the fact that the response rate in this study was high, at 89 per cent, this prejudice is unlikely to exist. A sufficient number of respondents assisted in completing the questionnaire, ensuring that the data presented is legitimate.

Data analysis was done smoothly, with both qualitative and historical data giving validity to the findings.

The respondents who took part in the survey represented both divisions to which the employees of the collapsed division migrated. This presented a good balance of views thereby preventing any possible prejudice.

### **6.4 RECOMMENDATIONS**

In Chapter 1, the main objectives of this research project were identified as follows:

- To identify the organisational restructuring strategies revealed by the contemporary literature;

- To explain the organisational restructuring process implemented by the chosen organisation;
- To assess the influence that the organisational restructuring process had on the employees of the chosen organisation; and
- To contrast the literary theory with the process followed by the chosen organisation in its restructuring process.

Since these objectives have been met, the focal point will now be on making recommendations based on the research findings. For future mergers the following strategies can be recommended.

- Regular and consistent communication with all affected employees needs to happen at the outset through a well co-coordinated communication strategy. The research shows that there was regular communication with the majority of the respondents but there was clearly no strategic approach to communication. It is probably the reason some affected employees were not informed about the restructuring process.
- The changes resulting from the restructuring process must be communicated through face-to-face communication with all affected employees. While the research shows that communication with employees did take place during restructuring, it was done predominantly via e-mail.
- Employees need to be allowed to actively take part in meetings and workshops at the outset where the envisaged changes are discussed. This will make them more supportive of the restructuring process and therefore prevent any possible resistance to change. The research findings indicate that employees were not involved in the restructuring process and this explains why a significant number

of them did not feel positive and certain about their future in the organisation. There was also an element of scepticism towards top management in the way they implemented the restructuring process.

- The possible benefits of restructuring to employees need to be personally discussed with individuals. The research shows that this was not done with the greater majority of the respondents and this probably explains why the majority of respondents either did not believe or were uncertain that the restructuring process benefited them. In fact the majority of the respondents believed that their working conditions did not improve after restructuring.
- Management needs to solicit constant feedback from staff throughout the process and take their views into account when restructuring. The research shows that the majority of respondents were only informed about restructuring and none of their opinions were considered.
- The restructuring process needs to be carefully planned prior to implementation. Although the research indicates that planning was done, the timing of the restructuring was not perfect. Most respondents felt that changes should have been implemented at the beginning of the financial year to avoid confusion in respect of the budget targets.

## **6.5 OPPORTUNITIES FOR FURTHER RESEARCH**

Since it is the nature of research to often lead to more unanswered questions, it is therefore necessary to make recommendations for future research. The areas requiring further research that are closely linked to the research problem were acknowledged during the course of the research. Since the research was geographically confined to the Eastern Cape area, further research surveys in other geographical areas such as Gauteng, Cape Town, Kwazulu Natal need to be conducted on the same topic. Data from such areas should be contrasted

with the findings achieved in the Eastern Cape. The research findings in these areas may not necessarily be the same as those obtained in the Eastern Cape. For instance, the perceptions of the Gauteng employees regarding how changes were communicated to employees during restructuring might be different. Their experiences may be different owing to their proximity to the head office where the steering committee that drove the restructuring process was located.

## **6.6 CONCLUDING REMARKS**

This purpose of this chapter was to conclude the study by re-looking at and resolving the sub-problems stated in Chapter 1. Listing the main findings of the research and relating these to the sub-problems attained this. Because all the sub-problems were resolved, it was then possible to make relevant recommendations based on the findings.

Another aim of this chapter was to discover further possible research opportunities. While there are a number of possibilities, extending research surveys to other geographical areas was highlighted as one area for further research.

Finally, the organisational restructuring strategies identified in this research project are pertinent to any restructuring organisation. A careful application of these strategies will enhance the chances of implementing the organisational restructuring process without compromising the morale and motivation of the employees.

## REFERENCES

- Anderson, D. and Anderson, L.A. 2001. *Beyond Change Management: Advanced Strategies for Today's Transformational Leaders*, USA, Jossey-Bass/Pfeiffer.
- Bagraim, J. Potgieter, T. Viedge, C. and Werner, A. 2003. *Organisational Behaviour: A Contemporary South African Perspective*, 1<sup>st</sup> ed, Pretoria, Van Schaik Publishers.
- Bate, S. P. 1994. *Strategies for Cultural Change*, Great Britain, Butterworth Heinemann Ltd.
- Birley, G. and Moreland, N. 1998. *A Practical Guide to Academic Research*, London, Kogan Page Ltd.
- Byars, L.L. 1992. *Concepts of Strategic Management: Formulation and Implementation*, 3<sup>rd</sup> ed, New York, Harper Collins Publishers.
- Cascio, W.F. 2002. *Responsible Restructuring: Creative and Profitable Alternatives to Layoffs*, USA, Berrett-Koehler Publishers, Inc.
- Erasmus, B. Van Wyk, M. and Schenk, H. 2000. *South African Human Resource Management: Theory and Practice*, 2<sup>nd</sup> ed, Cape Town, Juta & Co Ltd.
- Gordon, J.R. 1991. *A Diagnostic Approach to Organisational Behaviour*, 3<sup>rd</sup> ed, USA: Boston College.
- Gowing, M.K. Kraft, J.D. and Quick, J.C. 1998. *The New Organisational Reality: Downsizing, Restructuring and Revitalisation*, USA, American Psychological Association.
- Greenberg, J. and Baron, R.A. 1995. *Behaviour in Organisations: Understanding and Managing the Human Side of Work*, New Jersey, Prentice Hall, Inc.
- Greenfield, T. 1996. *Research Methods: Guidance for Post Graduates*, Great Britain, Arnold.
- Hayes, J. 2002. *The Theory and Practice of Change Management*, New York, Palgrave.
- Johnson, J. and Scholes, K. 2002. *Exploring Corporate Strategy*, 6<sup>th</sup> ed, London, Prentice Hall.
- Leedy, P.D. 1997. *Practical Research: Planning and Design*, 6<sup>th</sup> ed, New York, Macmillan.

Leedy, P.D. 2001. Practical Research: Planning and Design, 7<sup>th</sup> ed, Upper Saddle River, New Jersey, Prentice Hall.

Matthews, E.H. and Taylor, P.B. 1998. Making the Researcher's Life Easier with Research Toolbox, USA, MCI (Pty) Ltd.

Melville, G. and Goddard, W.K. 1996. Research Methodology: An Introduction for Science and Engineering Students, Kenwyn, Juta and Co. Ltd.

Paton, R.A and McCalman, J. 2000. Change Management: A Guide to Effective Implementation, 2<sup>nd</sup> ed, London, Sage Publications Ltd.

Peters, T.1992. Liberation Management: Necessary Disorganisation for the Nanosecond Nineties, New York, Alfred A Knopf, Inc.

Pheysey, D.C. 1993. Organisational Cultures: Types and Transformations, London, Routledge.

Saunders, M., Lewis, P. and Thornhill, A. 2000. Research Methods for Business Students, 2<sup>nd</sup> ed. Great Britain, Pearson Education.

Senge, P. Kleiner, A. Roberts, C. Ross, R. Roth G, and Smith, B. 1999. The Dance of Change, New York, Random House, Inc.

Taylor, B. 1998. Successful Change Strategies: Chief Executives in Action, Great Britain, Direct Books.

Tomasko, R.M. 1993. Rethinking the Corporation: The Architecture of Change, New York, Amacom.

### **Internet Sources**

[http://www.aicpa.org/cefm/change\\_management\\_07.asp:24/06/2004](http://www.aicpa.org/cefm/change_management_07.asp:24/06/2004)

<http://australianbusiness.com.au/abl/bustips.nsf/0/5af4596d8024713b4a256e:23/06/2004>.

<http://www.bankingindiaupdate.com/features.html:04/08/2004>

[http://www.southafrica.info/doing\\_business/businessstoday/businessnews/336925.htm:07/25/2004](http://www.southafrica.info/doing_business/businessstoday/businessnews/336925.htm:07/25/2004)

[http://www.themanagementor.com/enlightenmentareas/hr/OB/ob\\_orgnstrn\\_alchnng\\_5.htm:04/08/2004](http://www.themanagementor.com/enlightenmentareas/hr/OB/ob_orgnstrn_alchnng_5.htm:04/08/2004)

### **Other Sources**

<http://intranet.sbic.co.za/grg/main/html:28/10/2003>

Mare, J. Senior Manager, Group Communications Department, Johannesburg.

Standard Bank Group Operations Communication Centre, Johannesburg.

**ANNEXURE 1**

**QUESTIONNAIRE COVERING LETTER**

10/08/2004

Dear Respondent

**ASSESSMENT OF THE IMPACT OF ORGANISATIONAL RESTRUCTURING  
ON THE MORALE OF EMPLOYEES**

Your assistance in completing and returning the attached questionnaire relating to the above will be greatly appreciated. It should take very few minutes of your time.

This information is needed for the completion of my Masters in Business Administration (MBA) studies that I have enrolled with Port Elizabeth Technikon.

It would be appreciated if you could complete the questionnaire and return it to me by 20 August 2004.

If you wish to receive a copy of the summary of the findings, please inform me.

Yours sincerely

Tembela Zweni  
Researcher



**RESEARCH QUESTIONNAIRE**

**SECTION A: BIOGRAPHICAL DATA**

Please supply the following information by indicating with an 'X' in the appropriate box.

**A.1. Which division do you work for?**

Corporate and Investment Banking	
Retail	

**A.2. In which region is the suite in which you are employed situated?**

Port Elizabeth	
East London	

**A.3. Please indicate your position/level in the organisation**

Top Management	
Middle Management	
Junior Management	
General Staff	

**A.4. Historically, in which of these groups would you be classified?**

Coloured	
Indian	
White	
African	

**A.5. Please indicate your gender**

Male	
Female	

**A.6. Please indicate your age**

Below 21 years	
21-30 years	
31-40 years	
41-50 years	
51-60 years	
Above 60 years	

**A.7. How long had you been working at Standard Bank when restructuring was implemented?**

Years	
Months	

**A.8. Please indicate your highest level of qualifications (both formal & informal)**

Matric	
Diploma	
Degree	
Post Graduate	
Other(s) <i>[please specify]</i> .....	
.....	

**SECTION B: ORGANISATIONAL RESTRUCTURING AT STANDARD BANK**

**B.1. Employee involvement in the process**

Please indicate the degree to which you agree with the following statements regarding the involvement of employees in the restructuring process.

<b>EMPLOYEE INVOLVEMENT IN THE RESTRUCTURING PROCESS</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Disagree</b>	<b>Strongly disagree</b>
My manager recognised and managed the impact of change on me					
All affected employees were consulted before change was implemented					
I was encouraged to become involved and committed to the restructuring process by my manager					
Benefits of restructuring were discussed with me personally					
I clearly understood the reasons for the recent restructuring					
I was given an opportunity to give input into the restructuring process					

### B.2 Employee attitude after the restructuring

Please indicate the degree to which you agree with the following statements regarding employee attitude after the restructuring process

<b>EMPLOYEE ATTITUDES AFTER THE RESTRUCTURING PROCESS</b>	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Top management effectively implemented the restructuring process					
The organisation has changed for the better					
I feel positive and certain about my future in this organisation					
I trust top management of this organisation					
Top management was honest and caring					
Recent restructuring process was well planned					
Recent restructuring resulted in positive outcomes for the Bank					
I intend working for this organisation for a long time to come					
I still have confidence in Top management and this organisation.					

### B.3. Employee morale and motivation after restructuring

Please indicate the degree to which you agree with the following statements regarding the employee morale and motivation after restructuring.

<b>EMPLOYEE MORALE AND MOTIVATION AFTER RESTRUCTURING</b>	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Recent restructuring was good for employees					
I look forward to going to work every morning					
Recent restructuring has created more opportunities for employees					
Recent restructuring has improved my working conditions					
I want to continue working for this organisation in the future					
I still enjoy doing my work					
I still feel very committed to the goals and objectives of this organisation					

I still feel a sense of belonging to this organisation					
I still put in extra effort to ensure that goals and objectives of this organisation are achieved					

#### B.4. Communication process and strategy during restructuring

Please indicate the degree to which you agree with the following statements regarding the communication process and strategy during restructuring.

<b>COMMUNICATION DURING RESTRUCTURING PROCESS</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Uncertain</b>	<b>Disagree</b>	<b>Strongly disagree</b>
The vision and objectives of restructuring were clearly communicated to me					
There was enough communication with staff during restructuring					
Top management communicated all the relevant information accurately and timeously with staff					
All affected employees were informed about restructuring right at the outset					
There was consistent communication throughout the process					
The medium of communicating changes to me was appropriate					
Managers and supervisors were kept informed about restructuring at all times					
Open and honest communication was used at all times					

#### B.4.1. Please indicate which forms of communication were predominantly used during restructuring

Face-to-face	
E-mail	
Telephonically	
Video-Conferencing	
Other <i>[please specify]</i>	

#### B.4.2. Please indicate the stage at which you were informed about restructuring

Planning stage	
Implementation stage	
After implementation	
Never	

**B.4.3. Please indicate the frequency with which changes were communicated to you**

Regularly	
Seldom	
Never	

B.5. If you had been in charge of the restructuring process, what would you have done differently?.....

.....

.....

.....

.....

.....

.....

.....

.....

**Many thanks for participating in this project. Your time and input are greatly appreciated.**