



A CUT TOO DEEP? A QUALITATIVE ENQUIRY INTO THE EXPERIENCE  
OF MULTIPLE ORGANISATIONAL RESTRUCTURINGS IN THE SOUTH  
AFRICAN OIL INDUSTRY: A CASE STUDY.

By

Janet Tooke

THESIS

Presented in fulfilment of the requirements for the degree of

Master of Commerce

In the Department of Management Studies

Faculty of Commerce

UNIVERSITY OF CAPE TOWN

August 2017

The copyright of this thesis vests in the author. No quotation from it or information derived from it is to be published without full acknowledgement of the source. The thesis is to be used for private study or non-commercial research purposes only.

Published by the University of Cape Town (UCT) in terms of the non-exclusive license granted to UCT by the author.

**COMPULSORY DECLARATION:**

This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in, this document from the work, or works of other people has been attributed, cited and referenced.

Signature:

Signed by candidate

Date: 13 July 2017

## ACKNOWLEDGEMENTS

I wish to acknowledge and convey my gratitude to my supervisors, Associate Professor Suki Goodman and Professor Anton Schlechter, for their unwavering support, patience and enthusiasm. It would not have been possible for me to complete this dissertation without their academic guidance, positive feedback and continual encouragement.

My thanks go also to the six research participants as well as the two management executives who gave their time, shared their experiences unstintingly and provided the rich personal insights necessary for this study.

## ABSTRACT

This dissertation reports the findings of a study which sought to investigate the experiences of people who were exposed to multiple restructurings in the South African oil industry. Although there is a substantial amount of research on restructurings worldwide, an extensive review of available literature highlighted a dearth of research on multiple restructurings. Investigation of this research question was undertaken using a case study and qualitative research method. In-depth interviews of six employees of an oil company in South Africa were undertaken. Through these interviews, the personal experiences of employees who had been exposed to multiple restructurings were analysed. Similarly, interviews were undertaken with two members of senior management responsible for the implementation of a number of the restructurings. Their interview responses provided insight into the company's rationale for undertaking multiple restructurings. The results of the research indicated that distrust and cynicism grew amongst employees with repeated exposure to restructurings. The interview participants perceived that many remaining employees suffered from feelings of survivor's guilt and low morale and results indicated that the company did little to assist these employees to cope with these feelings. The research findings indicated that loss of corporate memory created role ambiguity and tension between departments as portfolios were redistributed amongst employees. Employee workloads were dramatically increased resulting in further stress and stress-related health problems, absenteeism and resignation. Participants of the research believed that the senior leadership team were ill-equipped to run a restructuring process and the employee consultation process appeared to do nothing to improve employees' trust in management. The results of this research highlighted the perception of the participants that repeated restructurings fail to achieve performance improvement at companies. Instead, the results indicated that repeated restructurings appear to lead to poor employee morale, resultant poor productivity and a high level of intention to quit. Companies should explore alternatives before embarking on a restructuring process as a first choice to alleviate cost pressures (Burke and Nelson, 1997; Von Krogh & Kameny, 2002). Where restructuring is inevitable, it is a recommendation of this research that training and counselling of remaining employees be given priority to assist with the management of stress and other symptoms of survivor sickness.

# TABLE OF CONTENTS

<b>COMPULSORY DECLARATION:</b> .....	1
<b>ACKNOWLEDGEMENTS</b> .....	2
<b>ABSTRACT</b> .....	3
<b>TABLE OF CONTENTS</b> .....	4
<b>LIST OF TABLES</b> .....	8
<b>LIST OF FIGURES</b> .....	9
<b>CHAPTER 1: INTRODUCTION</b> .....	10
<b>CHAPTER 2: LITERATURE REVIEW</b> .....	13
<b>Restructuring rationale</b> .....	13
<b>Restructuring and downsizing in the South African context</b> .....	14
<b>Consequences to the organisation of restructuring and downsizing</b> .....	16
<b>Effect of restructuring and downsizing on organisation financial performance</b> .....	16
<b>Consequences of restructuring and downsizing on knowledge retention</b> .....	19
<b>Effect of restructuring and downsizing on remaining employees</b> .....	20
<b>Survivor syndrome</b> .....	21
<b>Multiple restructuring and downsizing</b> .....	22
<b>Sickness presenteeism</b> .....	22
<b>Psychological contract</b> .....	23
<b>Organisational commitment</b> .....	25
<b>Leadership through transition</b> .....	26
<b>Facilitating adaptation to change</b> .....	28
<b>Alternatives to restructuring and downsizing</b> .....	29
<b>Communication during restructuring and downsizing initiatives</b> .....	30
<b>Conclusion</b> .....	31
<b>CHAPTER 3: RESEARCH METHOD</b> .....	32
<b>Aim of the Research</b> .....	32
<b>Research design</b> .....	32
<b>Rationale for qualitative design</b> .....	33
<b>Sampling procedure</b> .....	33
<b>Target Sample</b> .....	34
<b>Case Study Interviews: Senior Executives:</b> .....	34
<b>Data collection and procedure</b> .....	35

Data collection tools.....	35
Interview process .....	36
Transcription.....	36
Ethical considerations .....	37
Data Analysis .....	37
Data reduction.....	38
Data Display.....	38
Tackling questions of trustworthiness and quality .....	39
Researcher bias .....	39
Research trustworthiness and data integrity.....	39
Limitations of research method.....	40
<b>CHAPTER 4: CASE STUDY CONTEXT .....</b>	<b>41</b>
The South African Oil Industry.....	41
Oil Industry historical context.....	42
Government intervention in South African Oil Industry.....	42
Summary of impact of regulatory interventions on oil industry .....	46
Economic pressure on Oil Industry .....	47
Summary of the impact of economic environment on the oil industry in South Africa.....	50
Summary of the South African oil industry historical, political and economic context .....	50
Context and rationale for multiple restructurings within the case study oil company.....	51
Rationale underpinning the restructuring need .....	52
Views of the restructuring processes .....	53
Outcomes observed after the restructurings.....	54
Summary of context and rationale for multiple restructurings within the case study .....	56
<b>CHAPTER 5: RESULTS .....</b>	<b>58</b>
<b>Theme 1: Employee distrust of company justification and context.....</b>	<b>59</b>
Distrust by employees in management rationale for restructuring.....	60
Perception that company controlled by overseas Head Office .....	61
Employees perceptions that economic/financial pressure were causes of restructuring .....	61
Employee perceptions that legislative pressure was a cause of company restructuring.....	62
The impact of BEE and 1994 democratic elections on company actions .....	63
<b>Theme 2: Company processes and leadership performance.....</b>	<b>64</b>
Senior management lack of understanding of restructuring process .....	64
Employees perception of leadership performance through transition.....	65

Experience of internal communications and the consultation process .....	67
Restructuring described as a lengthy process .....	68
Assessment of the treatment of employees who left the company .....	69
Employees remaining behind poorly treated.....	69
References to brutality and ruthlessness during the restructuring process .....	71
<b>Theme 3: Emotional Responses by employees to restructuring process.....</b>	<b>72</b>
Anger as an employee response to multiple restructuring processes .....	72
Anxiety felt by employees during the restructuring process.....	73
Increased feelings of job insecurity during and after restructuring processes .....	75
Multiple restructurings and the negative effect on employee morale .....	77
Management stress resulting from implementation of restructuring. ....	79
Employee expressions of unhappiness during restructuring.....	81
<b>Theme 4: Behavioural responses: employee reactions to restructuring .....</b>	<b>83</b>
Negative employee response to restructuring: poor employee productivity .....	83
Positive employee response to restructuring: employee job enrichment.....	85
Reaction of remaining employees: survivor syndrome .....	86
Outcome of restructuring on employees: Them vs us behaviour .....	88
Feelings of survivor guilt amongst remaining employees. ....	90
Employee distrust of leadership team.....	91
Employee cynicism resulting from exposure to multiple restructurings .....	92
Employee intention to quit resulting from exposure to multiple restructurings .....	92
<b>Theme 5: Multiple restructurings consequences for employee and company performance .....</b>	<b>93</b>
Positive performance improvement resulting from restructuring.....	94
Negative performance outcomes resulting from restructuring .....	95
Loss of corporate memory resulting from restructuring and downsizing.....	98
Multiple restructurings: ramifications for employee absenteeism and health .....	99
<b>Conclusion .....</b>	<b>99</b>
<b>CHAPTER 6: DISCUSSION .....</b>	<b>100</b>
Perceptions of rationale for restructuring .....	100
Lack of confidence in leadership and company processes .....	101
Perceived leadership performance during restructurings .....	101
Experience of internal communications and the consultation process .....	103
Reactions to treatment of employees.....	104
Emotional responses by employees to the restructuring process .....	106

<b>Anger as a common response</b> .....	106
Widespread anxiety .....	107
Increased feelings of job Insecurity .....	107
Multiple restructurings and declining morale.....	109
Management stress – ramifications of restructuring.....	111
<b>Survivor guilt, distrust of leadership and intention to quit amongst remaining employees. ....</b>	<b>112</b>
Negative organisational behaviours .....	113
Positive organisational behaviours .....	113
Confirming the experience of survivor syndrome.....	114
<b>Declining morale and organisational performance .....</b>	<b>116</b>
Negative performance outcomes.....	117
Positive performance improvements: contrary results.....	118
<b>Summary of discussion</b> .....	<b>118</b>
<b>CHAPTER 7: RECOMMENDATIONS FOR FUTURE RESEARCH AND CONCLUSION .....</b>	<b>122</b>
<b>REFERENCES.....</b>	<b>126</b>
<b>APPENDICES.....</b>	<b>138</b>
<b>Appendix 1: Database searches for literature on multiple restructuring</b> .....	<b>138</b>
<b>Appendix 2: Interview schedule for employee representatives</b> .....	<b>139</b>
<b>Appendix 3: Interview schedule for senior executive representative</b> .....	<b>141</b>
<b>Appendix 4: Participant consent form.....</b>	<b>143</b>
<b>Appendix 5: Ethics in Research approval form.....</b>	<b>144</b>
<b>Appendix 6: Example of field notes taken after each interview</b> .....	<b>145</b>
<b>Appendix 7: Diagrammatic representation of the qualitative data analysis results</b> .....	<b>146</b>

## LIST OF TABLES

<i>Table 1 Demographic details of research participants.....</i>	<i>34</i>
<i>Table 2 Senior executives interviewed for case study context.....</i>	<i>35</i>

## LIST OF FIGURES

<i>Figure 1 Oil Price Fluctuations 1990 -2017.....</i>	<i>48</i>
<i>Figure 2 South Africa year on year GDP 1990 – 2017.....</i>	<i>49</i>
<i>Figure 3 Rand/Dollar exchange rate 1994 – 2017 .....</i>	<i>50</i>
<i>Figure 4 Diagrammatic representation of the qualitative data analysis results.....</i>	<i>59</i>
<i>Figure 5 Diagrammatic representation of Theme 1 results .....</i>	<i>59</i>
<i>Figure 6 Diagrammatic representation of Theme 2 results .....</i>	<i>64</i>
<i>Figure 7 Diagrammatic representation of Theme 3 results .....</i>	<i>72</i>
<i>Figure 8 Diagrammatic representation of Theme 4 results .....</i>	<i>83</i>
<i>Figure 9 Diagrammatic representation of Theme 5 results .....</i>	<i>94</i>

## CHAPTER 1: INTRODUCTION

Multiple restructurings that occur as often as every two years, and sometimes more frequently, can create an environment of high job insecurity, breaching the psychological contract between employer and employee and creating an environment conducive to employee cynicism and negative behavioural outcomes (Marques et al., 2014). Organisational commitment is challenging in an environment in which employees are wondering when the next round of restructuring will begin and what it will mean for them (Heidari-Robinson & Heywood, 2016). One of the inherent assumptions in the restructuring decision is that operational efficiency is maximised by reducing costs. Human resource costs are often the target of cost reduction exercises resulting in organisational downsizing. Empirical evidence provides inconsistent results in the relationship between downsizing and organisational financial performance (Chhinzer & Currie, 2014). Heidari-Robinson and Heywood (2016) describe how in their experience of assisting companies with restructurings, they have seen the debilitating consequences of poorly planned restructuring processes that have led to poor designs or poor implementation processes (and sometimes both) which cause employee stress and cost shareholders value. Marques et al. (2014) comment that restructuring has become a common global strategy and yet the benefits are often assessed in terms of short or medium term impact on financial indicators. They argue that future performance downsides may emerge as companies find themselves unable to recover from austerity as they lose the trust, commitment and effort of their employees.

This study sought to investigate the experiences of employees who had been exposed to multiple restructurings and their perceptions of how these continual disruptions affected remaining employee morale, loyalty and performance and consequently, the company's performance. The emphasis was on understanding the consequences of multiple restructuring on remaining employees who had experienced restructurings on numerous occasions, often having to re-apply for their current positions year after year. Employees from a South African oil company made up the participants of this study. The oil company presents a typical case of multiple restructuring as it has undergone restructurings on an almost two yearly basis since 1994.

Since the abolition of Apartheid in South Africa and the first free democratic election in 1994, pressure on oil companies to improve financial performance to justify continued investment in South Africa has increased. Political and economic change caused multi-national oil companies to consider carefully whether to disinvest from South Africa or not (Denton & Vloeberghs, 2003). Furthermore, multi-national oil companies have been under pressure to provide evidence to government that their employee profile reflects the demographic profile of the country across all levels of the company. Restructuring and downsizing is one of the tools consistently used by oil companies to address these pressures (Ryan, 1997).

Despite the prevalence and disruptive nature of multiple restructuring and downsizing, research into the impact on employees working in these environments is limited. An extensive search of literature through multiple online databases resulted in finding few publications in the last five years. Research specifically into the effect of multiple restructuring on employees and company performance is even less available with no specific study on multiple restructuring found in a search of literature on the subject (Appendix 1). Burden and Roodt (2008), in their research in the South African context, describe that it is astonishing how little scientific work has been undertaken on the practice of restructuring and downsizing in South Africa given the urgent need to meet global demands, the extreme complexity of organisational restructuring in South Africa, and the frequency and haphazardness of downsizing initiatives.

In the context of economic uncertainty, multiple restructurings may become a reality for many different kinds of organisations in the future. This research sought to provide learnings for management on the complexity and outcomes of multiple restructuring with the aim of guiding companies to consider carefully the process followed to achieve their performance objectives and strategy. Marques et al. (2014) summarise in their implications of their study into restructuring that it is important to understand the true impact on employee morale of downsizing strategies, as well as to devise alternative courses of action. They specifically ask that additional research be undertaken on the emotions that go on in downsizing environments. Research into restructuring and downsizing in South Africa is limited and yet more and more companies are retrenching employees in reaction to the difficult economic environment (Burden & Roodt, 2008). It is hoped that this study will contribute to South

African research on the consequences of multiple restructuring on remaining employee morale and company performance. By contributing to the current body of knowledge on this subject, the intention of this study is to highlight the potential negative consequences to employee morale and company performance of restructuring an organisation multiple times. Greater understanding of the negative consequences of restructuring will provide guidance to companies such that they consider carefully the process followed to achieve their objectives and strategy.

In the following chapters, a review of literature on organisational restructuring is undertaken followed by a chapter describing the research method utilised for the study. As the research is based on a case study, a chapter is included to provide context for the study. Results are then discussed followed by a chapter covering discussion, recommendations for future research, recommendations for change managers and conclusion.

## CHAPTER 2: LITERATURE REVIEW

The following chapter reviews research and writing around the concept of organisational restructure and downsizing. The chapter begins with an explanation of the term organisational restructuring and explores a company's rationale for undertaking this process. The South African context is discussed within this section. This is followed by sections reviewing literature on some of the key consequences of restructuring for an organisation and for remaining employees. The section reviewing literature on consequences for the organisation covers subsections on financial performance and knowledge retention. The section reviewing consequences for employees remaining in the organisation includes subsections reviewing literature on survivor syndrome, the effect on employees experiencing multiple restructurings, sickness presenteeism, the psychological contract and organisational commitment. It is followed by a literature review of the role of leadership through transition and, lastly, a review of literature and research on suggested alternatives to restructuring.

### **Restructuring rationale**

Organisational restructuring as a phenomenon began predominantly in the United States in the 1960's. Companies that had once diversified began to slim down and narrowed their focus to concentrate on core competencies (Liao, 2005). According Liao, Grant and Soenen (1994) studied restructuring in the oil industry over a ten year period (1979 – 1988) and described restructuring broadly to include both asset restructuring and internal management changes. Liao describes that nearly half of large US corporations restructured in 1980's and nearly 50 percent failed in their restructuring efforts. Despite the high rate of failure described above, restructuring as a tool to improve company performance remains prevalent globally (Brauer & Zimmerman, 2017).

Organisational restructuring, in many cases, results in employee downsizing. Downsizing describes the variety of ways leaders reduce employee ranks to achieve business objectives (Datta, Guthrie, Basuil, & Pandey, 2010; de Waal & Heijtel, 2017; Marks & de Meuse, 2005). In most instances the reason for downsizing is to improve financial performance of the company as reducing human resource costs is seen as a quick win, however, the long-term effects of downsizing on company performance are often not well understood and the results are not

necessarily achieving the performance improvement goals of the company. The rationale underlying an organisation's decision to downsize is that by reducing costs, executives hope to improve profitability.

Studies have shown that the effect of restructurings and subsequent employee downsizing on organisational performance often fail to produce the desired improvements (Appelbaum, Lavigne-Schmidt, Peytchev, & Shapiro, 1999; Brockner et al., 2004; Burke & Nelson, 1997; Chhinzer & Currie, 2014; Gilliland & Schepers, 2003, Schenkel & Teigland, 2016). This position is supported by Burden and Roodt (2008, p.22) who comment that companies restructure and downsize to increase efficiency or economies of scale but continue that these "cut-and-slash tactics do not necessarily result in high performance, and the productivity-enhancing role of downsizing has been exaggerated".

#### **Restructuring and downsizing in the South African context**

In South Africa, the period around 1994 was earmarked by political, social and economic changes which have deeply influenced the corporate environment (Denton & Vloeberghs, 2003). Organisations in the post 1994 election period had to become more competitive to retain and protect local markets against international competitors and, at the same time, adhere to newly introduced labour legislation (Denton & Vloeberghs, 2003). As a result of these pressures, South African chief executives were required to understand and implement new initiatives such as restructuring, transformation, downsizing and right sizing. (Ryan, 1997).

Burden and Roodt (2008) describe that South African organisations tend not to understand the process of organisational restructuring and downsizing very well. This results in many of these organisations making mistakes during their interventions which, in turn, cost them dearly from an economic and legislative perspective. They comment that it is astonishing how little scientific work has been undertaken on the practice of restructuring and downsizing given South Africa's urgent need to meet global demands, the extreme complexity of its organisational restructuring, and the frequency and haphazardness of restructuring initiatives.

There are a significant number of South African companies restructuring and downsizing and whilst the intent to remain globally competitive is laudable, Denton and Vloeberghs (2003) argue that the intervention itself contains as many psychological risks as maintaining the status quo. They continue that corporate downsizing can extract heavy losses through declining employee productivity, deflated spirit of innovation and risk-avoidance behaviour, all of which paralyse the organisation over a period of time. They claim that even newly appointed employees with new skills brought into the organisation will be affected by the “uneasiness in the organisation” (p. 91).

Restructuring and subsequent downsizing has become common practice in South Africa, however, it brings with it a concern regarding the quality of employees who remain. Employees who remain are likely to be affected by feelings of frustration, anxiety, resistance and a wait-and-see attitude with negative consequences for increased productivity and long-term growth in company performance (Chipunza, Crispen, Berry, & David, 2010).

Restructuring impacts negatively on the attitudes and behaviours of those who survive resulting in decreased productivity, job satisfaction and organisational commitment as well as increased turnover and even sabotage (Gilliland & Schepers, 2003). Studies consistently show that post downsizing, employees that remain in the organisation report less job involvement, organisational commitment and intention to remain with the organisation (Appelbaum, Bethune, & Tannenbaum, 1999; Burke & Nelson, 1997; Chipunza, Crispen, Berry, David, 2010; Denton & Vloeberghs, 2003; Marks, 2007; Noer, 1995).

Restructuring and downsizing have become an integral part of organisational life. In South Africa, the economic downturn has resulted in major industries, such as the mining, textile and oil industries, shedding employees by the thousands, as is evident by the regular news articles in the popular press to this effect (Bloomberg, 2015). Global competitive pressures coupled with ever-changing demand conditions have caused companies to examine their cost structures, including those associated with human resources (Datta et al., 2010).

Restructuring and downsizing are by no means a South African phenomenon. As described by Datta et al. (2010) employee downsizing, once confined to the United States, has become

the norm in many other countries and the extent of job losses has been considerable. They note that “indeed, given its magnitude and impact, employee downsizing can legitimately be viewed as one of the most far-reaching and significant management issues of the current era” (Datta et al., 2010, p. 282). A similar view is held by Marks and De Meuse (2005) as they note that retrenchments, divestitures, and closings were once infrequent and, in some cases, unheard of occurrences in many work organisations but have now become regularly occurring actions.

### Consequences to the organisation of restructuring and downsizing

In the following subsections, a review is undertaken of the literature and research on the effects and consequences of restructuring and downsizing on company financial performance and knowledge retention in the organisation.

#### Effect of restructuring and downsizing on organisation financial performance

One of the underlying objectives of downsizing is described as being the one-time reduction in costs to contribute to the achievement of short-term financial objectives. In numerous studies, it has been questioned whether this objective is achieved (Brauer & Zimmerman, 2017; Marks & De Meuse, 2005). Experts in the field of restructuring have questioned whether employee downsizing produces intended benefits in the form of lower costs and improved productivity. Although companies often view downsizing as a quick way of improving performance, downsizing efforts often fail to achieve desired economic objectives (Datta et al., 2010). Burke and Nelson (1997) describe how restructuring and downsizing constitute major efforts to revitalise organisations, yet in many cases such efforts are unsuccessful. “Goals of such organizational changes were rarely, if ever, realized” (Burke & Nelson, 1997, p. 325)

An inherent assumption in the restructuring decision is that companies aim to maximise operational efficiency by reducing costs and thus choose to downsize in an effort to decrease human resource costs. Empirical evidence provides inconsistent results in the relationship between downsizing and organisational financial performance (Brauer & Zimmerman, 2017; Chhinzer & Currie, 2014). Heidari-Robinson and Heywood (2016) describe how in their experience of assisting companies with restructurings, they have seen the debilitating

consequences of bad restructuring processes that have led to poor designs or poor implementation processes which cause human stress and cost shareholders value.

The target of cost reduction measures in order to remain competitive, is invariably to reduce expenditure on human resources. The result of this is that more work is done by less employees causing high levels of stress and inability to perform effectively (Chipunza et al. 2010). Marks and De Meuse (2005) argue that one-time only cost reductions do little to sustain momentum for future revenue and growth. "As resizing becomes increasingly commonplace, Wall Street is becoming increasingly unimpressed with non-strategic, cost-cutting manoeuvres" (Marks and De Meuse, 2005, p. 21). Appelbaum et al. (1999) note that "while the lure of using downsizing to improve productivity is strong, the positive correlation of downsizing to productivity only appears when management is effective in implementing significant operational changes, such as through business process reengineering" (Appelbaum et al., 1999, p. 441).

Increased short-term profits from downsizing more often than not come at a higher long-term price. Repeated downsizing is "a sure way to gut the soul of any business and significantly increases its chances of failure" (Wocke 2009, p.1). The costs and benefits of retrenchments need to be carefully defined and not limited to improved financial performance alone as it has been shown that when companies lay off employees, the stock price, in general, declines (von Krogh & Kameny, 2002). Unintended consequences of restructuring include the need for retraining, more use of temporary workers, more overtime, an increase in retiree health costs, the loss of the wrong people due to contracting out, severance costs greater than anticipated, and the loss of accessible forward thinking, aggressive leaders (Burke & Nelson, 1997).

According to data collected by Heidari-Robinson and Heywood (2016), 70% of restructurings deliver some value but only 16% of restructurings deliver value in the time they are supposed to (i.e. they are an unqualified success). That means that over 80% of restructurings fail to deliver their full objectives. Nearly half the executives declared victory before the full changes were implemented and in 9% of cases the restructuring actually damaged the organisation.

According to Noer (1995) restructuring survivor sickness is probably the primary reason that restructuring and downsizing has seldom resulted in increased productivity when the costs of retrenchments and divestitures is measured in financial as well as human terms. Executives frequently underestimate the costs required to cover tasks that had been performed by former employees, as well as the expense of retraining remaining workers (Marks & De Meuse, 2005). Companies tend to increase their reliance on temporary workers and consultants, often at a higher cost than the previous employees (Schmitt et al., 2011).

Healthcare costs incurred by organisations rise for both the victims and survivors of restructurings (Marks & De Meuse, 2005). They comment that “not so obvious, but equally costly are increased health care costs for the survivors, who are subjected to psychosomatic effects of intense stress on the job” (p. 24). The typical post-downsizing consequences including decreased morale, increased absenteeism, and increased turnover have a significant financial impact (Appelbaum et al., 1999). A British study found that employees in work groups experiencing job cuts were more than twice as likely to take sick leave as those employees in a cohort work group (Marks & De Meuse, 2005). A study of women in the public sector revealed that the main sources of strain leading to greater sickness absence were lack of participation in change processes, unclear work tasks, the humiliation of powerlessness and low status (Smollan, 2015). Heidari-Robinson and Heywood (2016) refer to a study by Bugard, Kalousova and Seefeldt, “Perceived Job Insecurity and Health: The Michigan Recession and Recovery Study” that indicated that employees anxious about their jobs have significantly worse physical and mental health than those in secure work. Almost half experienced minor to major depression.

A consequence of restructuring and downsizing is the disruption or damage to an organisation’s ability to learn and adapt to the changing environment. There is a loss of corporate memory and organisational heritage as long-term employees are terminated. Unless carefully managed, many of the more skilled and valuable employees will choose to leave. Furthermore, organisation’s informal communications networks are distorted and the overall knowledge base in an organisation can be lowered (Marks & De Meuse, 2005).

Datta et al. (2010) emphasise the need for additional research to gain further insights into the phenomenon of voluntary turnover as it has been confirmed by research that this harms organisational performance. They specifically propose that research identifies the performance categories of those electing to leave to establish whether higher performers are leaving as they have the best market mobility or whether poor performers are leaving as they see themselves as future targets for restructuring by an organisation.

Traditionally, employees remaining in the company post restructuring and downsizing were thought to be grateful to keep their jobs and, therefore, were expected to be more productive (Marks & De Meuse, 2005). In the wake of restructuring and downsizing, however, the remaining employees fear for their jobs, have growing mistrust of the company, have little understanding of what management is doing, or what their role will be in the company's future (Appelbaum et al., 1999).

#### Consequences of restructuring and downsizing on knowledge retention

A study by Bain (August 2000 – 2001) reported that unless the eliminated jobs remain unreplaced for at least six to twelve months, and sometimes for longer than eighteen months in knowledge-based business, a company will fail to earn financial payback. Knowledge-based firms have become ever more competitive on the knowledge of their employees (von Krogh & Kameny, 2002). Many restructuring and downsizing initiatives fail to retain critical skills, capabilities, experience and knowledge. This results in deteriorating quality, productivity and effectiveness (Serenko & Bontis, 2016; Schmitt, Borzillo, & Probst, 2011).

Employee downsizing has been called into question as a strategy to improve a company's long-term performance. It carries the risk that the information held in an employee's memory as well as its value will be lost if this is not retained elsewhere in the organisation. Restructuring and downsizing also affects organisational factors such as organisational routines, procedures and culture (Schmitt, 2001).

Cascio (1993) identified that underestimating organisation restructuring and employee downsizing on work processes and structures was the main source of negative performance outcomes. Burke and Nelson (1997) argue that it is not so much whether restructuring and

downsizing should be done or not but how this strategy should be implemented. When respondents in an AMA (American Management Association) survey conducted in 1994 were asked why the goals of organisational change were not realised, they attributed the failure to senior managements' lack of understanding of the implications of change. One out of three CEO's admitted that the lack of managerial understanding handicapped the change efforts (Burke & Nelson, 1997).

Implementation of organisational restructuring is even more important than why it is done according to research by Heidari-Robinson and Heyward (2016). Responses to their McKinsey's 2014 survey suggested that more restructurings go wrong during detailed design and implementation phase than during the design of the initial concept. Executives tend to focus on the concept design (the boxes and lines) and pay less attention to the phase when they need to get people to work differently and deliver more value.

Inefficiencies or failure to implement restructuring strategies successfully has negative consequences for an organisation. One of these consequences is the loss of vital corporate memory. Individual's tacit knowledge that forms part of this corporate memory includes subject matter expertise, memories of why certain key decisions were made, or knowledge of prior projects' undocumented results (Serenko & Bontis, 2016; Schmitt et al., 2011). It is important that company leaders understand that employees are the most important asset of any organisation, and that they hold the intellectual capital which can place the organisation at the forefront of the market (Denton and Vloeberghs, 2003). Von Krogh and Kameny (2002) note that knowledge is now being considered a company's source of competitive advantage. Marks and De Meuse (2005) warn that unless organisational restructuring is carefully managed, many more skilled and valuable employees will choose to leave the company with negative consequences on the retention of corporate memory and thus potential negative consequences on company performance.

### **Effect of restructuring and downsizing on remaining employees**

Literature consistently describes how remaining employees post restructuring and downsizing report less job involvement, organisational commitment and intention to remain with the organisation (Appelbaum, Lavigne-Schmidt, Peytchev, & Shapiro, 1999; Chipunza &

Berry, 2009; Marks, 2007; Marques et al., 2012; Newell & Dopson, 1996; Smollan, 2015; Ugboro, 2006). Organisational communication deteriorates and managerial rigidity increases. Remaining employees report a lack of direction in prioritizing work, risk avoidance and increases in role ambiguity, political behaviour and work team dysfunction (Marks, 2007). They describe feelings of job insecurity, intent to quit, decline in organisational commitment, loyalty and trust (Ugboro, 2006). "Intent to quit poses the most serious threat to the effectiveness of the restructuring and downsizing strategy because, if unchecked, with appropriate organisational interventions, it leads to voluntary turnover of high performing survivors" (Ugboro, 2006, p. 232).

While organisations are usually prepared to meet the needs of those being retrenched, they are often unprepared for the strong emotions, lengthy adjustment period, diminished morale and lower productivity often experienced and expressed by remaining employees (Denton and Vloeberghs, 2003). Employees often deny survivor symptoms. The term used by Noer (1995) for this is psychic numbing which is stronger the higher the organisational level and among those who plan and implement restructuring and downsizing (HR specialists).

### Survivor syndrome

The term survivor syndrome is often used by authors to describe the stress felt by employees who remain in the organisation post restructuring and downsizing. Typical symptoms of survivor syndrome described by these authors include fear, insecurity, uncertainty, frustration, resentment, anger, sadness, depression, guilt, a sense of injustice, feelings of betrayal and distrust. In addition, they describe how remaining employees adopt coping mechanisms such as reduced risk-taking and thus becoming more conservative. Not only does this limit their potential for growth but can lead to a stagnant organisation (Appelbaum, Delage, Labib, & Gault, 1997; Chipunza et al.; Datta et al.; Doherty, Bank & Vinnicombe, 1996; Marks, 2007; Nelissen & Martine, 2008; Noer, 1995; Spreitzer & Mishra, 2002; Ugboro, 2006)

Post-restructuring and downsizing consequences include decreased morale, increased absenteeism and increased turnover. It is precisely when restructuring organisations depend on their remaining employees to focus on meeting organisational objectives, that the high

stress that accompanies retrenchments make it more difficult for these remaining employees to do so (Appelbaum et al., 1999; Brockner et al., 2004).

#### Multiple restructuring and downsizing

Repeated restructuring and downsizing is becoming increasingly common and while attention is paid to terminated employees, the emotional strain on employees remaining in the organisation is overlooked (Appelbaum & Donia, 2000). Restructuring and downsizing tends to perpetuate itself: two thirds of organisations that reduce the workforce repeat the restructuring and downsizing the following year (Burke & Nelson, 1997; Carriger, 2016). Employees become paralysed by the cumulative effects of what in many organisations has become a pattern of one stress-inducing event after another (Marks & De Meuse, 2005). Marques et al (2014) argue that it is reasonable to suggest that when an individual expects to be retrenched in the future, living in an insecure job environment will diminish commitment to the organisation.

The duration of the restructuring process and the frequency with which organisations engage in downsizing are two crucial strategic issues which organisations need to address (Appelbaum & Donia, 2000). Repeated restructuring is becoming an increasingly common practice. Companies are increasingly viewing downsizing as a normal option rather than a measure of last resort (Appelbaum & Donia, 2000). In many organisations, discontinuous transitions have become a way of life: an acquisition, followed by a downsizing, a restructuring, a change in strategy, a subsequent restructuring, another wave of downsizing and so on (Marks, 2006). Repeated retrenchments create morale and productivity problems, making it difficult for organisations to achieve their goals (Wocke, 2009). In an environment of constant change, employees may neither be ready nor willing to perform at their best. Their vision will be obscured by the emotional residue of anger, distrust and depression built up during a mismanaged transition or series of transitions (Marks, 2006).

#### Sickness presenteeism

Prolonged worry over the threat of future retrenchments may lead to depression, poorer work performance, absenteeism, alcoholism and drug abuse as well as reducing motivation. Anxiety about future retrenchment elicits inappropriate behaviour with employees working long hours merely to be seen at work. Increasing hours of work are associated with increased

stress levels among managers (Newell & Dopson, 1996). Beyond absenteeism, organisations are beginning to heighten their awareness of sickness presenteeism, where employees are working less productively due to health or medical problems. Ailments commonly associated with sickness presenteeism include tension headaches, migraines, allergies, depression, gastrointestinal problems and asthma/breathing problems. Restructuring and resultant job insecurity amongst remaining employees is associated with higher levels of sickness presenteeism (Caverley, 2007).

Newell and Dopson (1996) refer to a survey by Doherty and Horsted in which it was revealed that whilst most organisations offered some help to remaining employees, the majority failed to evaluate the impact of changes on their employees and less than half took any steps toward helping remaining employees to understand their current place in the new organisation. The fear of losing one's job in a future round of retrenchments was highlighted by interviewees in a study by Newell and Dopson (1996). In their study, the symptoms of survivor syndrome were evident amongst the managers. They found that following prolonged retrenchment and rationalisation, managers felt demotivated about their role in the organisation and were experiencing feelings of lack of control. There was a feeling amongst many managers, particularly those who had been with the organisation for more than five years, that the psychological contract and particularly the promises made about careers in exchange for hard work and loyalty had not been kept. All but two of the sample expressed an intention to leave should an attractive alternative present itself.

The problem, according to Appelbaum et al. (1999) is that companies were simply reducing head count, indifferent to how they were going to move forward with their new organisation structure and ignoring the most important element of restructuring and downsizing – the remaining employees.

### **Psychological contract**

The root cause of survivor sickness can be traced to a profound shift in the psychological employment contract that binds individual and organisation (Appelbaum & Donia, 2000). The psychological contract defines what employees are prepared to give by way of effort and contribution in exchange for something they value from their employer (Newell & Dopson,

1996). It has traditionally been based on loyalty and commitment to the organisation in exchange for employment security and career progression, linked to increases in status and rewards.

Employees who remain in the company after an exercise of restructuring and downsizing feel that the rules have changed and the trust toward their employer is thus often compromised. They believe a betrayal and injustice has been done to them and the psychological contract is seen to be broken (Appelbaum & Donia 2000). Given that contracts are fundamental to employees' beliefs and experiences, violations of such contracts have important consequences for employees work attitudes and behaviours. Remaining employees may withdraw psychologically (e.g. reduced trust and loyalty, withholding of effort, and reduced involvement) or physically (increased absences or voluntary turnover) with negative consequences for the company (Datta et al., 2010).

Breaking the psychological contract between the employer and employee makes employees more mobile. High attrition by employees who survive retrenchment is common and expensive. Instead of poor performers, the organisations best people tend to leave (Newell & Dobson, 1996). This causes organisational amnesia, because an experienced generation of employees is gone (Wocke, 2009). Violation or breach of a psychological contract, according to Newell and Dopson (1996), could lead to serious consequences such as low job satisfaction, lower performance levels and intention to leave the organisation. It can also elicit feelings amongst employees of anger and betrayal and erode their trust. Remaining employees after a restructuring and downsizing tend to harbour great distrust (Appelbaum & Donia, 2000).

According to Datta et al. (2010) restructuring and downsizing has a significant potential to affect group and individual attitudes and behaviours, disrupt relationship networks and destroy the trust and loyalty that binds employees and their employers. With the breach of the psychological contract, over time employees are likely to feel increasingly less confident in their ability to manage their own careers and feel great insecurity about their future. When this is coupled with helplessness and a bleak vision of the future, a common response is cynicism. When remaining employees become cynical over the retrenchment process and

view downsizing as unfair, negative behavioural outcomes often ensue (Appelbaum & Donia, 2000).

Multiple restructurings that occur as often as every two years, and sometimes more frequently, can create an environment of high job insecurity, breaching the psychological contract and creating an environment conducive to cynicism and negative behavioural outcomes. Organisational commitment is challenging in this kind of environment as employees are constantly wondering when the next round of restructuring will begin and what it will mean for them (Heidari-Robinson & Heywood, 2016).

### **Organisational commitment**

Organisational commitment reflects the psychological attachment of an employee to his or her organisation. Research has shown that remaining employees' organisational commitment may be accounted for by a host of factors, such as a trust in management, perceptions of fairness and perceived control. Perceived control is described as self-determination i.e. the extent to which employees judge themselves to have autonomy in their expression of behaviour. It is also described as impact i.e. the extent to which people believe their actions influence important outcomes (Brockner et al., 2004).

Perceived control was identified in a study by Brockner et al. (2004) to interact with the presence or absence of retrenchments with a resultant influence on employees' organisational commitment. Their findings suggest that managers need to take action steps after retrenchments have occurred to elicit the least negative reactions amongst remaining employees. Given that remaining employees are susceptible to experiencing high levels of threat in the aftermath of retrenchments, it is important that management of organisational restructuring and downsizings include steps that heighten remaining employees' perceived control e.g. giving voice to remaining employees, either in setting the direction in which they should be moving or in formulating plans on how to get there.

Ensuring remaining employees work on certain activities in which they are likely to succeed may serve to alleviate the perception of loss of control that they are likely to experience in the aftermath of retrenchments, according to Newell and Dobson (1996). In order to be

committed to an organisation, its employees must share the organisation's goals and values. This is known as affective commitment. A second type of commitment, continuance commitment, concerns investments made by an individual in their present organisation over time and the lack of attractive alternatives to their existing job. Individuals who are committed to their organisations in this way may remain with the organisation over time but they do not necessarily share the goals and values of the organisation nor do they display a willingness to exert considerable effort on its behalf. In times of recession and rationalisation many managers suffer variations to their psychological contracts which result in a move away from affective commitment to continuance commitment (Newell & Dopson, 1996).

According to Brockner et al. (2004), several studies have shown that the organisational commitment of remaining employees is positively related to their trust in management and perception of fairness. The role and quality of leadership is critical to the success of restructuring and is discussed in the following section.

#### Leadership through transition.

According to Noer (1995) restructuring and downsizing survivor syndrome is serious and complex and does not lend itself to a simple solution. "To be cured of it, people must let go of the familiar old and venture into the untested new" (Noer, 1995, p. 31). He suggests that creating organisational systems that will prevent the recurrence of survivor syndrome ought to be one of the fundamental priorities of organisational leaders. He continues by describing that very little has been done for those who stay behind, the remaining employees who have the task of revitalising the organisation.

Remaining employees' perception of their level of control over their environment plays an important role in employees' commitment to an organisation post restructuring. Managers need to be attuned to what extent restructuring and downsizing is experienced by employees as a threat to their well-being. Where this is significant, managers need to take action to restore employees' perceived control by creating an environment in which employees believe that their actions make a difference (Brockner et al., 2004).

Employee downsizing requires adequate leadership structure, as leaders have a key role in reinforcing or challenging established routines. Supervisors affect their subordinates' perceptions of tasks and feelings of safety. By providing psychological safety, described as the shared belief that well-intentioned experimentation will not be punished, supervisors provide scope for employees to seek and introduce improvements in established routines without fear that expansion of these routines may affect their careers negatively (Schmitt et al., 2011). Marks (2007) describes that to facilitate ending the old organisation and processes, certain aspects of the organisation should be abandoned, or at least made less prominent. He comments that employees need to have sufficient intellectual understanding of the new organisation and how the changes will contribute not only to business but personal success.

Schmitt et al. (2011) describe that maintaining and engaging key, trusted leaders early during organisational restructuring and employee downsizing is crucial to providing managerial support throughout the organisation and providing subordinates with emotional stability resulting in the maintenance of desirable behaviours. They emphasise the importance of how restructuring and downsizing is approached and describe that the way in which this is done affects an organisation's ability to use organisational memory. "Creating a climate of fear, intimidation and hostility by incorrectly communicating the rationale and scope of organisational downsizing will not only cause the side effects of decreased levels of morale and employee involvement, but will also impede effective knowledge retention" (Schmitt, 2011, p. 69). They continue by commenting that managers need to be seen to be fair during the retrenchment procedures by carefully following and constantly communicating the overall goals, and by doing so, avoiding contradiction and multiple rounds of organisational restructuring and downsizing. They also suggest that critical employees' involvement in certain situations creates commitment to and trust in the organisation.

Leaders who manage transition effectively rely on and cope with employee emotions by bringing them to the surface and understanding how they affect work activities and relationships as groups face challenges and organisational changes (Marks, 2007). Transformational leaders are described by Denton and Vloeberghs (2001) as those that define themselves as change agents who assume responsibility for wanting to change their organisation and lead them through transformation. They are professional managers who

develop a strong organisation with improved and sustainable outputs. They continue by describing these leaders as risk-takers, outspoken but also tactful. They courageously advocate their position against the status quo but act within the larger good of the organisation. They note that this is a pragmatic position that requires both emotional stability and sharp intellect. They are powerful but sensitive of other people and ultimately work towards empowering others.

Denton and Vloeberghs (2001) describe how transformational leaders are able to speak openly about their own mistakes and can articulate lessons learned from these mistakes. They argue that in South Africa, there is a need for more, better trained and diverse managers. Von Krogh and Kameny (2002) emphasise the importance of the role of the Chief Executive Officer (CEO) in addressing the current challenges of coping with a downturn and an organisations reactions to reducing headcount. They note that not only is communicating by the CEO important, but what is communicated is just as important.

#### **Facilitating adaptation to change**

People are saturated with change and transition, according to Marks (2004), and efforts must be made to help them deal with the pain of the past before they can move on to accept future changes. To facilitate adaptation to change Marks (2007) describes a framework comprising four elements: empathy, engagement, energy and enforcement. Empathy covers the need for leadership to acknowledge that things have been difficult and will continue to be difficult for a while. Engagement is creating an understanding of the need to give up the old and embrace the new organisational realities. Energy describes the need to get people excited about the new organisational realities and enforcement describes the solidifying of a fresh set of perceptions, expectations and behaviours.

If organisations are concerned to improve morale, commitment and work performance of their post restructuring remaining employees they need to ensure that policies that exist on paper also operate in practice. Human resource management, in particular, need to appreciate the importance of focussing on remaining employees and the issues relevant to them, particularly their needs for more relevant information and inclusion in the decision-making processes (Newell & Dopson, 1996). Remaining employees need to be given a reason

to stay. Investment in the retraining and development of remaining employees is important to ensure the required levels of employee performance are achieved (Burke & Nelson, 1997)

Changes in job expectations, performance appraisal systems and compensation policies can help to foster a new culture. Rebuilding of morale and commitment initiatives could include such activities as employee meetings or focus groups, re-evaluated jobs, training programmes, employee satisfaction surveys, counselling and stress management programmes and morale boosting events (Burk & Nelson, 1997).

### **Alternatives to restructuring and downsizing**

Wocke (2009) describes that the best way for companies to weather turbulent economic times is with the willing engagement of a focused, motivated and capably led workforce. He argues that companies cannot expect to retain highly productive, committed employees when, at the first sign of trouble, managers show employees how expendable they are by letting them go.

According to Von Krogh and Kameny (2002), CEO's should first explore alternatives to downsizing and, when alternatives are decided upon, they suggest that it would be wise for the CEO to focus on and address the subject of loyalty, from both the perspective of the organisation to the employee and vice versa before communicating with employees. "Before implementing, or even considering retrenchment alternatives, companies should not forget to bear in mind the employer-employee relationship" (Von Krogh & Kameny, 2002, p. 669). They comment that if employers show, especially in turbulent times, that they are thinking beyond normal parameters when it comes to the issue of their employees, the employees will be more inclined to respond in kind and give back in the long run.

Burke and Nelson (1997) describe ways to produce organisation revitalisation through alternatives to restructuring and downsizing such as normal attrition, hiring freeze, wage options such as job sharing, reduced percentage pay raises, reduced benefits, pay cuts to keep jobs, altering work hours, voluntary leave without pay, voluntary retirements, stopping temporary employment and limited employment programmes. Von Krogh and Kameny (2002) discuss alternatives to downsizing such as offering employees sabbaticals or flexible

leave programmes. The programmes could last for between 6 and 12 months where employees earn 20% of their salary and continued benefits, with a guarantee to return to the same full-time job. At the same time they propose that they be allowed to work for non-competitors. Another alternative Burke and Nelson suggest is financing further education of employees. In this way, the company saves on salaries and benefits and the employee gains additional education such as an MBA for example, enabling them to better adjust to the downturn in the economy.

Burke and Nelson (1997) conclude that they believe that the realities of transition, restructuring and downsizing continue to take their toll on employees at all levels. This is evidenced, they say, by the widespread malaise in these organisations. This, they claim, results in both “individuals and organisations being less effective than they want, and need to be to remain vibrant and competitive in an increasingly demanding global economy” (Burke & Nelson, 1997, p. 333).

Communication during restructuring and downsizing initiatives

Heidari-Robinson and Heywood (2016) comment that the implementation of restructuring and downsizing as a process to achieve a variety of company strategic imperatives will continue to be adopted by companies. They suggest, however, that the process can be managed better. They argue that in addition to delivering business results, the restructuring approach needs to be designed to be as caring as possible to employees, both those who leave and those who stay. They describe how it is critical to communicate through the process. In their experience of assisting companies with restructuring exercises, they have noted that secrecy causes employee uncertainty and distress. Furthermore, they emphasise that the speed of the restructuring implementation is crucial to success.

Iain Conn, former CEO of BP, who has led three major restructurings whilst in the oil industry told Heidari-Robinson and Heywood (2016) that “you need to treat people with respect and dignity, being transparent and telling them what is happening and when. You need to keep communicating with people. The biggest mistake is to communicate once and think you are done. You should also never forget that you should be communicating to both employees

whose jobs may be at risk and the vast number of employees who will stay with your company and make it successful.” (Heidari-Robinson & Heywood, 2016, p. 28).

## Conclusion

In the above literature review, restructuring and downsizing is defined and reference is made to restructuring in the South African context. This is followed by a review of literature regarding the consequences of restructuring and downsizing for the organisation from a financial performance perspective and the perspective of the loss of corporate memory and knowledge retention through attrition of employees. Literature on the effect of restructuring on employees who remain in the company is then reviewed and covers survivor’s syndrome, multiple restructuring, sickness presenteeism, psychological contract and organisational commitment. The importance of leadership through organisational transition is then reviewed including facilitating adaptation to change. Lastly, a review of literature on alternatives to restructuring and downsizing is presented.

## CHAPTER 3: RESEARCH METHOD

This chapter describes the reasons for the use of a qualitative research methodology in addressing the research question and clarifies the research method, sampling procedure, data collection and data analysis processes followed.

### Aim of the Research

This research sought to gain insights into the experiences of employees who have been exposed to multiple restructuring and downsizing and to understand the ramifications with regard to employee morale, loyalty and performance effectiveness. The ramifications for an organisation's productivity and long-term performance improvement is reviewed.

### Research design

A case study research design and qualitative approach is used as the research method for this study. Qualitative case study methodology provides tools for researchers to study complex phenomena within their context. It enables the researcher to answer how and why type questions while taking into consideration how a phenomenon is influenced by the context within which it is situated (Baxter & Jack, 2008). Miles and Huberman (1984) define a case as a phenomenon of some sort in a bounded context. The case becomes the unit of analysis. It became clear that using a case study research design would best suit the research question.

The case selected for research is a South African oil company. A single oil company was chosen for the case study as this company had undertaken multiple restructuring over a twenty-five year period in response to a number of pressures, making it a valuable source of research material.

In preparation for the empirical research, an in-depth analysis of various sources of documentation was undertaken of the Oil Industry's historical context in South Africa to understand the rationale behind multiple restructurings in the industry at large. These sources included newspaper articles, journal publications and materials from the petroleum industry association's website. In addition to this document analysis, interviews were held with two senior executives responsible for implementation of many of the restructuring

exercises at the oil company selected for the case study. These preliminary interviews provided background and contextual data to understand the rationale for these restructurings from the company's perspective. (A review of the historical context and the senior executive interviews can be found in the following chapter, Chapter 4: Case Study Context p. 40). The research design includes six in-depth interviews with past employees of the oil company who had experienced multiple restructurings before leaving the company for various reasons. (The results of the past employee interviews are described in detail in Chapter 5: Results p.56).

#### **Rationale for qualitative design**

Qualitative research is viewed as studying phenomena in their natural settings or context (Miles & Huberman, 1984). The goal of the qualitative approach is to arrive at an understanding of a particular phenomenon from the perspective of those experiencing it (Vaismoradi, Turunen, & Bondas, 2013). Qualitative researchers desire to prioritise the experiences of the participants in the research and report the research from their perspectives. This form of research becomes a process of collecting such information, organising and creating an interpretive framework around what is expressed in the data (Braun & Clarke, 2013).

When first assessing how best to collect data for this study, both quantitative and qualitative research methods were considered. It became clear that a qualitative research method was more suited to the nature of the research and data collection required by this study. Qualitative research allows for the exploration of the personal experiences of the participants to gain an in-depth understanding of their responses to the questions asked in the research interview. The research method used in this study to obtain answers to the research question was by means of qualitative in-depth interviews with semi-structured, open-ended questions which allowed participants to provide personal descriptions of their experiences of multiple restructuring bringing their own language and their own context to the discussion.

#### **Sampling procedure**

The sample chosen for the research was selected using the purposive approach as the research required participants to have experienced multiple restructuring and downsizing in

the oil industry in South Africa. This approach was necessary to gain the insight and an in-depth understanding of the experience of multiple restructuring of employees remaining in the company (Braun & Clarke, 2013). The sampling procedure used was convenience sampling of past employees in the South African oil industry who had experienced restructuring and downsizing on multiple occasions.

### Target Sample

The sample group comprised past employees of the company who, during their service at the company, had experienced multiple restructuring and downsizing initiatives. Numbers are used to identify participants in the study to protect the anonymity of the participant. The sample was made up of six participants with the following profile:

Table 1

#### ***Demographic details of research participants***

Participant	Level*	Years in Company	Reason for leaving	Sex	Race	Age when leaving Company	Year left the Company	Number of restructurings experienced
1	E	26	Retrenched	M	W	54	2008	10
2	F	20	Retrenched	M	W	46	2008	9
3	H	11	Resigned	F	C	33	2016	3
4	G	22	Resigned	M	W	48	2008	9
5	E	20	Retrenched	F	W	43	2008	9
6	E	27	Retired	M	W	60	2004	9

\* Grading system called JE Manager

All the participants except one had over twenty years' experience in the company and, as a result, had a wealth of knowledge and memories surrounding restructuring and downsizing during their careers at the company. Even the employee with eleven years' service before she resigned had experienced three restructuring exercises. The reasons for employees leaving the company included retrenchment, resignation and retirement. This mixture of reasons for leaving the company meant that different perspectives on the restructuring exercises could be explored. All participants had left the company as the company would not allow access to currently employed employees.

### Case Study Interviews: Senior Executives:

To provide a deeper understanding of the context of the restructurings undertaken at the company from which the sample group were selected, in-depth interviews were held with

members of the management team responsible for the institution and implementation of these organisational restructurings. These interviews were held with the previous Chief Executive Officer (CEO) responsible for leading a number of the restructurings at the major international oil company and with the now retired Human Resources Director who was responsible for the implementation of many of these restructurings at the same company. Both interviews provided valuable insight into management’s perspective on the restructuring and downsizing processes.

Table 2

***Senior executives interviewed for case study context***

Participant	Level	Years in Company	Reason for leaving	Sex	Race	Age when leaving Coy	Year	Number of restructurings experienced
A	D	35	Retired	F	W	60	2015	10
B	C	28	Retired	M	W	55	2008	10

\*In-house grading system called JE Manager

**Data collection and procedure**

The method of data collection for this research was through semi-structured interviews with the participants and the two senior executives interviewed for context. The design of the interviews, the interview process and transcription of the interviews are described below.

**Data collection tools**

Interview guides were designed to assist in collecting the data required. The interviews were structured to allow additional information to be collected outside of the set questions. The questions were therefore semi-structured and open-ended. In this approach, although an interview guide has been prepared before the interview, it is not necessary to adhere rigidly to it either in terms of precise wording or in terms of order of questions asked (Braun & Clarke, 2013). Interviews of this nature were designed for this study because of the nature of the information that was being discussed and the very different experiences that each respondent had gone through which lead to different paths of discussion.

The interview schedules were designed to elicit responses regarding the participants' experiences of multiple restructurings during their career at the company (Appendix 2) and the senior executives' views regarding the company context for the restructurings (Appendix 3). The interview questions for the participants followed a timeline covering their responses to the initial restructuring they experienced, the period post the initial restructuring, followed by their responses to multiple restructurings thereafter. Questions were included at the end of the interview to probe the participant's feelings about the company after their departure.

#### Interview process

The interview process commenced with a pilot interview with one of the participants. The pilot was undertaken to test the participant's understanding of the questions, the flow of the interview schedule and the time that was required to cover all the interview questions whilst allowing the participant time to expand beyond the set questions and explain their personal experiences. The interview went well and the participant had no concerns regarding the interview process. The pilot interview has been included in the results.

Each participant, on agreeing to take part in the interview, was sent a consent form to read and sign (Appendix 4) as well as a copy of the questions so that they had time to think about the questions prior to the meeting. It was evident during the interviews that the participants had thought about the topic and had prepared their responses to a certain extent. The interviews were held at a venue suggested by the participant and were, in most instances, at the participant's home. Each interview was between an hour and an hour and a half long. Probing and clarifying questions were asked throughout the interview but otherwise participants were allowed to speak at will.

All the interviews, both with the participants and senior executives, were audiotaped and personal notes were written immediately after the interview to reflect on how the interview had gone and the high-level messages from the participant.

#### Transcription

Once all interviews were completed, the interviews were transcribed verbatim by a third party transcriber. These were checked and edited. All references to the Oil Company and employees at the company were removed. As there was a common theme across the

interviews with regards to employees and events that were referred to, consistent codes were carefully applied to people and events so that they remained anonymous but were still recognisable across the transcripts. Due to the sensitivity of some of the information in the transcripts and the possibility that the events described may unwittingly disclose the name of the company or the participant, the transcripts have not been included in the dissertation report. Copies of the transcripts have been filed in a safe place.

### **Ethical considerations**

In terms of ethical considerations it was important to ensure that participants were not harmed during the research. The purpose of the research study and the process to be followed were kept transparent. Each participant was clearly informed, prior to their giving consent to participate, of the research question, the proposed length of the interview and the assurance of their anonymity as well as that of the company. The participants were advised that the interview would be recorded and that certain verbatim extracts may be included in the dissertation report. They were advised that they could stop participating at any time during the research study without penalty. The participants signed consent forms prior to the research accepting the above conditions (Appendix 4). Permission to undertake the research was obtained from the University of Cape Town's Commerce Ethics in Research Committee (Appendix 5).

### **Data Analysis**

Once all interviews had been transcribed, analysis of the interviews was begun using a systematic coding and categorizing approach. This is described as Thematic Analysis which uses a descriptive approach in both coding of the data and its interpretation (Vaismoradi et al., 2013).

The process began with complete immersion in the data by reading and re-reading of the transcripts to become familiar with and to begin to notice things that might be relevant to the research question (Braun & Clarke, 2013). This was done by highlighting in different colour highlighter pens, to signify different broad themes, any text that was of interest. "After data gathering and transcribing and paying particular attention to respondents' emotions besides their behaviours, it is recommended that the data analysts immerses himself/herself in data

in order to obtain the sense of the whole through reading and rereading” (Vaismordi et al., 2013, p. 402)

### **Data reduction**

Data reduction is the process by which text and quotes are associated with specific codes and in this way organised and managed (Miles & Huberman, 1984). After reading and highlighting initial codes in the transcripts, themes were defined and named, codes were grouped into themes and tested for validity. A theme is defined as a coherent integration of the disparate pieces of data that constitute the findings (Vaismoradi et al., 2013).

It became apparent that using a qualitative data analysis tool would make sorting and extracting codes and themes much more efficient. The qualitative data analysis software tool ATLAS.ti 7.5.17 was acquired for this purpose and, using the online help manual, the researcher learnt how to use the model. The transcripts were then imported into the qualitative data analysis software and the manual coding was reviewed and recorded in the ATLAS.ti model. Similarly, the identified themes were reviewed by mapping to test relationships and to correct sub-theme and main theme relationships. This was undertaken as it is important according to Braun and Clarke (2013) to consider themes on their own, and the relationship between themes. Good themes are distinctive and need to make sense on their own but at the same time good themes need to fit together to form the overall analysis.

### **Data Display**

Data display is the organised assembly of information that permits conclusion drawing and action taking. Miles and Huberman (1984) in the course of their work have become convinced that data displays are a major avenue to qualitative analysis. As with data reduction, the creation of the displays e.g. graphs, networks and charts and use of the displays is not something separate from analysis, it is a part of analysis.

Visual mapping is a useful aid for exploring the relationship between codes and themes, subthemes and overarching themes. It can be a vital tool for developing the final form of analysis in that it shifts the developing analysis into a different visual framework and gives an

alternative view of potential relationships between themes and subthemes (Braun & Clarke, 2013).

Several mapped versions of the codes and themes were produced as part of the analysis process. The categorisation and mapping of the coding and mapping was facilitated by the use of the qualitative data analysis software, ATLAS.ti.

### **Tackling questions of trustworthiness and quality**

In order to assess the rigour of the qualitative research, researcher bias, trustworthiness and integrity of the data is discussed.

#### **Researcher bias**

It is acknowledged that qualitative research brings with it the potential for researcher bias. In order to mitigate researcher bias during the study, the researcher kept a research diary and field notes (Appendix 6) as proposed by Braun and Clarke (2013). After each interview was completed, the researcher reflected on the responses of the participant and made notes summarising the key messages and feelings conveyed by the participant during the interview. The interviews were structured in such a way to ensure that the researcher's opinion was kept unknown to the participant as far as possible. All interview recordings were transcribed verbatim by a third party. The transcripts were sent to the participants to read through to ensure accuracy. Responses from the participants confirmed that they were satisfied that the transcriptions were an accurate reflection of their responses.

#### **Research trustworthiness and data integrity**

Validity can be defined very broadly as a piece of research showing what it claims to show (Braun & Clarke, 2013). Efforts were made to reflect an accurate representation of the participant's responses to the questions and to reflect an authentic and valid representation of their views. This was done through interview recordings, third party transcription of these recordings and through inviting participants to acknowledge the accuracy of the transcripts.

### Limitations of research method

Participants of this research are past employees of an oil company who have left the company either due to retrenchment, retirement or resignation. A limitation of this study is that participants' responses may be negatively influenced by the fact that they have left the company, particularly as five of the six participants had twenty or more years' service before leaving whilst the sixth participant had eleven years' service before resigning. Attempts were made to interview current employees within the organisation but permission to do so was declined by the company due to the sensitivity of the subject matter. Of the interviewed participants, not all left because of retrenchment which mediates some of the bias.

The results of this research address multiple restructuring in one oil company in South Africa as described by six participants. There is no specific correct number of participants to be interviewed in qualitative research. The researcher should be guided by the output of the interviews and assess when saturation has been reached in terms of the similarity in the responses of participants (Boddy, 2016; Miles & Huberman, 1994). The six interviews in this study were in-depth and long and saturation was reached by the fifth and sixth interview.

Although the results cannot be generalised, it is hoped that some themes will emerge that will assist in how we think about and manage multiple restructurings in the future.

## CHAPTER 4: CASE STUDY CONTEXT

In order to understand the rationale and the context for multiple restructurings in the oil industry in South Africa, an in-depth review was undertaken of the socio-political and economic pressures brought to bear on the industry over the past twenty-five years.

In addition to the review of the socio-political and economic context of the oil industry in South Africa, in-depth interviews were undertaken with the CEO and Human Resources Director who were responsible for the implementation of many of the restructurings at the company selected for this case study. The purpose of these interviews was to provide a detailed account of the specific context and rationale for restructuring within the oil company selected for this case study.

### The South African Oil Industry

The effects on the South African oil industry of changes to the socio-political and economic environment from 1994 to date are described below.

There has been considerable upheaval in the oil industry in South Africa since 1994 resulting partly from changes to the socio-political environment and partly from global economic pressures (Denton & Vloeberghs, 2003). Prior to 1994, international oil companies operating in South Africa during the Apartheid years were offered incentives to remain invested in the country due to the key strategic importance of oil supply to the country. Oil embargoes by the Organisation of Petroleum Exporting Countries (OPEC) in 1973 meant that South Africa relied on international oil company investment in South Africa to ensure security of supply. Incentives included a guaranteed 15% return on investment through a system called Marketing of Petroleum Activities Return (MPAR) and the Rationalisation Plan (RatPlan) that limited the number of service stations in each geographical area, restricting access to new entrants to the retail market (HSRC, 2002; Mokoena & Lloyd, 2005). This resulted in the multi-national oil companies in South Africa becoming “powerful and highly resourced centres of strategic thinking, institutional know-how, international experience and raw economic strength” (HSRC, 2002, p. 8).

Restructuring and downsizing in the South African oil industry is integrally linked to the changing political and economic landscape in South Africa. A brief overview of the history of

oil industry investment in South Africa provides context and helps to explain the pressures oil companies are currently facing as a result of a number of factors including the erosion of their power base.

#### Oil Industry historical context

Prior to 1954 all fuel was imported into South Africa in refined form and distributed by the four international oil companies that operated at the time, namely BP, Shell, Mobil and Caltex. In the decade post World War 2, fuel demand increased to such an extent that it became viable for refining to take place in South Africa. Genref was the first refinery to be established by Mobil (now Engen) in 1954, followed by Sapref (Shell and BP) in 1964, both in Durban, and Calref (Caltex) in 1966 in Cape Town. In 1971/72 Natref (Sasol and Total) was built in Sasolburg (Department of Minerals and Energy, 2008).

With the first democratic elections in South Africa in 1994 and the abolition of Apartheid, international sanctions against the country were eased. This reduced the country's oil supply risk and thus dependence on international oil companies, opening the door for government to put pressure on Industry to address their employee profiles to better reflect the demographics of the country i.e. government began a process of increasing pressure on the oil industry to introduce Black Economic Empowerment in a number of ways.

#### Government intervention in South African Oil Industry

In order to achieve the desired changes to oil industry employee profiles and to reduce barriers to entry in the industry, there has been a significant degree of government involvement in the industry and it is characterised by a unique regulatory framework.

#### *White Paper on the Energy Policy of the Republic of South Africa*

The government's White Paper on the Energy Policy of the Republic of South Africa, December 1998, remains the most significant and influential document defining the regulatory framework of the oil industry to date (Mondliwa & Roberts, 2014).

In the White Paper, the Department of Minerals and Energy (1998), currently known as the Department of Energy (DOE), stated that policy changes for the South African liquid fuel industry included the need to achieve "an industry supportive of government's broader social

and economic goals, a restructuring of the state's involvement in the industry to one more appropriate to South Africa's changed political and economic circumstances and the meaningful inclusion of those interests which have been historically disadvantaged" (Department of Energy, 1998, p. 65).

The White Paper states that South African Black interests will assume their rightful place in the affairs of the industry. This sent a powerful message to the international oil companies that their continued investment in South Africa depended on their acceptance of Black Economic Empowerment and the necessary changes to their organisations to reflect the racial demographics of the country across all levels of the organisation.

It was with the above desired outcomes in mind that the Government passed the Petroleum Products Amendment Act No.2 of 2005, the main legislation governing regulation of petroleum products with the key objectives identified as promoting an efficient manufacturing, wholesaling and retailing petroleum industry, the creation of employment opportunities and the development of small business in the petroleum sector. (Mondliwa & Roberts, 2014).

Mondliwa and Roberts (2014) describe three regulatory changes which have significance in terms of their impact on the profile of the South African oil industry and the emergence of new entrants. Each of these three regulations described below have had a negative impact on the profitability of the major oil companies in South Africa resulting in their need to seek ways of reducing costs and at the same time changing their racial profile to reflect the racial demographics of the country leading to organisational restructuring and downsizing.

#### 1. Licensing of petroleum activities

In terms of licencing, the Petroleum Products Amendment Act No.2 of 2005 prescribes the requirements for new investment in the industry favouring Broad Based Black Economic Empowerment (BBBEE) thus influencing the racial profile of entrepreneurial investments in the future.

Licensing is designed to ensure that companies are prevented from holding licences in more than one level of the value chain. The licensing regime has created opportunities for participation by independent wholesalers (Mondliwa & Roberts, 2014).

## 2. Import Export Control

Limitation of importation of finished petroleum products has been justified on the basis of the need to support local refining to promote security of supply (Mondliwa & Roberts, 2014). With recent local refining deficit, the need for imported products has created an opportunity for involvement of BBBEE companies as required by the Liquid Fuels Charter but highlights issues around access to port and transport infrastructure by independents. This is one of the key barriers to entry still challenging new entrants in the oil industry.

In response to this problem of shortage of storage infrastructure, in late 2014 Burgan Cape Terminals announced R650m investment to expand oil and fuel storage facilities in Cape Town Harbour (Vecchiato, 2014). Transnet Port Authority granted the company a 20 year lease of the facility. Burgan is a joint venture company with its majority stake of 70% held by Dutch-based group VTTI and 15% each held by Thebe Investments and Jicaro - both fully-owned Black Economic Empowerment companies.

Chevron, objected to this development as it saw this as a competitive threat to its ageing Cape Town refinery. According to Bryer (2015, p.18) their objection is not surprising as it is a “fundamental threat to the cosy relationship it and the other major oil refiners have enjoyed during decades of operating in a regulated, profit guaranteeing market”. Chevron comment that allowing Burgan to import fuels would threaten the viability of its refinery, South Africa’s energy security and about 13 000 jobs.

The example described above highlights the pressure exerted on the government to, on the one hand, encourage new entrants into the industry, particularly those who qualify as BBBEE companies, whilst on the other hand, protecting security of supply and jobs by encouraging multinational oil companies to remain invested in refineries in South Africa. New entrants importing refined product into the country and threatening the viability of oil refineries may

be the final straw that results in the international oil companies disinvesting in South Africa, which in turn could result in the loss of thousands of jobs.

### 3. Fuel Price Administration

The DOE regulates the price of fuels in South Africa. Prior to 2010, wholesale and retail margins in the pump price were calculated on a rate of return basis. The methodology applied to the regulated wholesale margin was the Marketing Petroleum Activities Return (MPAR) and applied the 15% overall return on assets on the basis of a managed benchmark that was applied to the industry (Mondliwa & Roberts, 2014).

Rate of return regulation is generally criticised for inducing over-spending on assets known as gold-plating i.e. spending more capital on assets than absolutely necessary to increase capital employed in the company's financial statements and reduce return on investment (ROI). This triggered a margin review by government if ROI for Industry fell below 15% (Mondliwa & Roberts, 2014). There were issues regarding the lack of transparency with regard to the calculation of the wholesale margin. The MPAR methodology located the majority of the profits in the wholesale margin. This meant that independent site developers could not access a return on retail assets as it was captured in the wholesale margin for the supplier (Mondliwa & Roberts, 2014).

In 2010 RAS was introduced (Regulatory Accounts System) with potential negative consequences for oil company profitability. Whereas before, oil companies enjoyed guaranteed returns on investment through a regulated wholesale margin that made it virtually impossible to make a loss, RAS more fairly distributed the margin across the wholesale and retail portions of the supply chain meaning that the service station operator benefited more and oil companies less. In South Africa, oil companies may not operate service stations themselves (vertical integration) and as a result, they do not benefit from a transfer of margin from the wholesale portion to the retail portion. With the introduction of RAS, the wholesale margin reduced by 53% and this portion of the margin reflected under retail margin (Mondliwa & Roberts, 2014).

The introduction of RAS was an important step toward development of Small and Medium-sized Enterprises (SME's) in this retail sector as it made service station operation more profitable and attractive. The significant drop in margins for oil companies as a result of RAS implementation has resulted in some of the smaller, costly service stations becoming uneconomical and likely divestment candidates. The knock-on effect of this is a reduction in service station network size, reduced volume throughput and subsequent pressure on oil companies to reduce overhead costs, the largest contributor being human resources costs.

#### *Liquid Fuels Charter 2000*

In addition to the three regulations described above, the Liquid Fuels Charter (LFC) developed in 2000 played a significant role in terms of the impact it had on the profile of the South African oil industry and the emergence of new entrants. All the major oil companies signed the Charter in which they committed to changes to their organisations to transfer ownership and control of 25% of their equity to previously disadvantaged South Africans as well as committing to organisation racial profile targets. This added further pressure on the industry to reorganise their human resources structures (Department of Energy, 2000).

#### **Summary of impact of regulatory interventions on oil industry**

The political/regulatory interventions described above have caused extensive upheaval in the oil industry (Matsho, 2010). International oil companies (oil majors) in South Africa have reacted through measures such as restructuring and downsizing to reduce employee numbers and costs whilst at the same time, changing the organisation profile to reflect the demographic profile of the country. They have divested parts of their business to BBBEE companies to comply with government's requirement that they are sharing a minimum of 25% equity with black shareholders (SAPIA, 2016).

At the same time that oil companies in South Africa were being pressurised to change their demographic profile, oil price volatility and global recession squeezed oil company margins and profits, putting pressure on them to reduce employees in an effort to reduce costs (HSRC, 2002; Matsho, 2010; Nkomo, 2006). The following section describes the economic environment within which the oil industry has operated over the past twenty five years and how this has contributed to oil company difficulties. Challenges such as global recession and

oil price volatility resulted in a further squeeze on margins and profits and thus put additional pressure on the industry to reduce employee numbers in an effort to reduce costs.

### Economic pressure on Oil Industry

South Africa is dependent on imported crude oil for over 90% of its demand (Nkomo, 2009). This exposes the country to fluctuations in the international price of crude oil. Crude oil prices have fluctuated considerably in the past twenty five years as evident in Figure 1 below. International oil companies in South Africa who import crude oil and refine it locally have been protected, to a large extent, from these fluctuations through the Basic Fuel Price (BFP) mechanism and guaranteed margins. The impact of these fluctuations is passed directly onto the consumer (Nkomo, 2006).

Upward increases in the crude oil price partly account for escalation in domestic inflation, with the impact of this on the strength of the rand (Nkomo, 2006). In the absence of a strong rand, increasing oil prices may lead to higher interest rates, limit consumer spending, and retard real disposable income growth (Nkomo, 2006). This has an impact on fuel demand which reduces oil company sales and thus financial performance. High crude oil prices are therefore not good for oil company financial performance.

On the other hand, exceptionally low crude oil prices are not good for oil company financial performance either. For Sasol's oil from coal business, the current reduction in the crude oil price is damaging their performance. Whereas international oil companies benefit from the lower crude price in the cost of product, Sasol does not. This results in the reduction in margins calculated in the BFP mechanism not being compensated by reduction in product cost. In the Cape Times Business Report (Bloomberg, 2015) Sasol is reported to be introducing plans to conserve \$4.2 billion as an oil drop drags down prices of its products. By December 31, 2014 Sasol had cut almost 1500 jobs through voluntary separation and early retirements in reaction to the negative impact of international crude oil prices on gross margin.

Although the international oil companies in South Africa are protected, to some extent, from oil price fluctuations, their international parents are not. As these international oil companies are primarily involved in the upstream exploration of oil and gas, low oil prices have a negative

impact on their performance. The repercussions of this are felt by the local arms of these companies in the form of additional cost saving drives.

Shell pulled back from its shale projects in South Africa due to lower energy prices. Bonang Mohale, stated that Shell was going to a low cost holding position (Reuters, 2015). Chevron abandoned its Australian shale exploration and stated that it would sell a 50% stake in that nation's largest oil refiner (Paton, Foley, & Carroll, 2015). BP announced in January 2015 that it was cutting 200 jobs and 100 contractor roles in the North Sea following a review of its operations (BP announces North Sea job cuts. 2015). BP announced a major restructuring in December 2014 in response to the fall in the world oil price. BP said it needed to respond to toughening conditions. The company has been downsizing since the Deepwater Horizon oil spill in the Gulf of Mexico in 2010 (BP announces North Sea job cuts. 2015).

The impact of BP's response to toughening conditions was felt in BP Southern Africa in 2015. Employees were notified that they would not receive annual salary increases.



Figure 1. Oil Price Fluctuations 1990 -2017. Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

Linked to oil price impact on oil company performance in South Africa is the impact of gross domestic product (GDP) and the Rand/Dollar exchange rate. Fuel demand is directly linked to GDP. As real income falls, consumers revise their purchases of goods and services downwards, and aggregate demand falls (Nkomo, 2006). Figure 2 reflects the steady decline in South

Africa's GDP over the past 8 years with a significant drop in 2008 as a result of the major international economic crisis in this year.

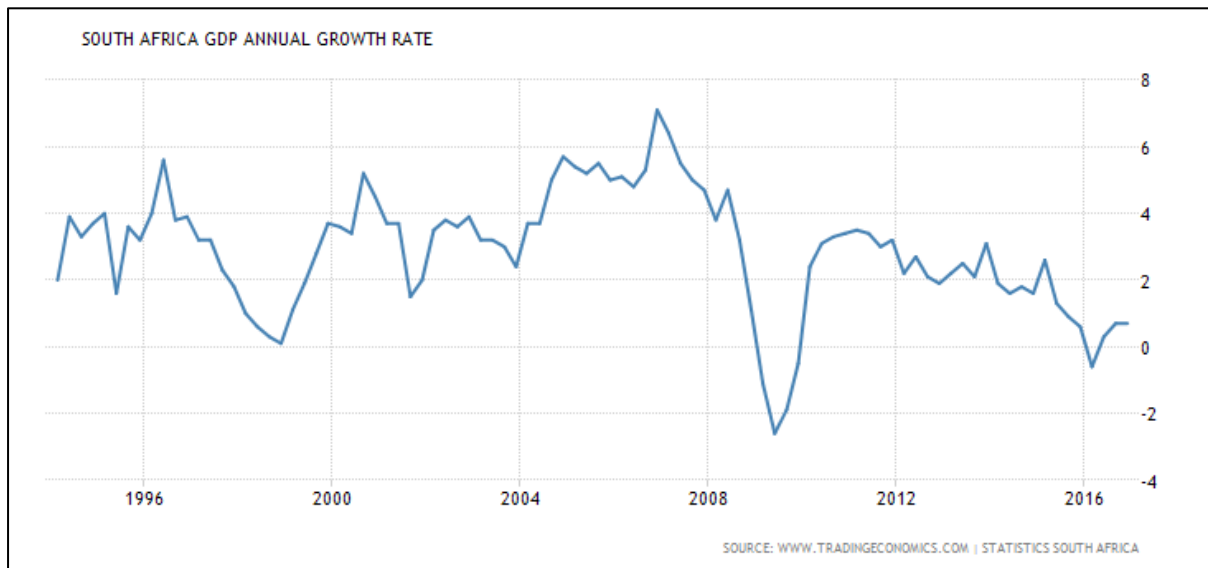


Figure 2. South Africa year on year GDP 1990 – 2017. Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

Rand/dollar exchange rate impacts on oil industry performance as earnings are in South African rand but international oil companies report profits to their parent companies in dollars. In Figure 3 it can be seen that the rand weakens against the dollar from a position of less than R4 to the dollar in 1994 to R14 to the dollar by the end of 2016. A weaker rand results in poorer company financial performance in dollar terms. To reach financial targets set by global head offices, international oil companies in South Africa need to increase income or cut costs. In addition, crude oil is purchased in dollars, meaning that a weaker rand results in more money required to purchase crude oil leading, in turn, to higher fuel prices which in turn leads to reduced fuel demand and poorer company performance (Nkomo, 2009).



Figure 3. Rand/Dollar exchange rate 1994 – 2017 Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

#### Summary of the impact of economic environment on the oil industry in South Africa

The economic environment in which the oil industry in South Africa operates is volatile (Matsho, 2010). As described by Matsho (2010), the petroleum retail business is changing every year. It is affected by many factors such as human resources, logistics, international oil supply, rand/dollar exchange rate etc. The sector is characterised by extremely tough competitive environment, relatively low margins and high stock turnover rates. It is both highly capital intensive from the point of view of the oil companies and highly labour intensive for the sector as a whole. The entrance of Sasol into the market, the abolition of the service station Rationalisation Plan (RatPlan), empowerment initiatives as well as possible future deregulation could have far-reaching consequences for existing service stations, including the likely demise of many marginal outlets (HSRC, 2002).

#### Summary of the South African oil industry historical, political and economic context

The regulatory, political and economic conditions in South Africa over the past twenty five years have, at times, placed pressure on oil companies to address their financial performance as a result of squeezed margins, reduction in consumer demand and lower profitability due to, amongst other things, oil price fluctuations, unfavourable exchange rates and poor economic growth in the country. Furthermore, they have been required to address their organisational demographic profile and BBBEE compliance as a result of changes to the regulatory environment. The reaction to these pressures by some of the oil companies is

highlighted in the discussion above, and include measures such as the cancelling of major capital investment projects, organisation downsizing and employee retrenchment, salary reductions and divestment from marginal investment areas.

The repetitive use of restructuring and downsizing in oil companies as a measure to reduce costs to address falling profitability is the focus area of the present study. In some cases, oil companies have repeatedly restructured up to every second year over a period of twenty years. The research question informing this research is whether this use of repetitive restructuring and downsizing, rather than improving performance, negatively affects employee loyalty, morale and effectiveness and thus company performance and profitability.

#### **Context and rationale for multiple restructurings within the case study oil company**

In the following section, a summary is provided of in-depth interviews undertaken with two senior executives of the case study company. The purpose of these interviews was to provide a detailed account of the context and rationale for the multiple restructurings at the company. These in-depth interviews were held with the retired Chief Executive Officer (CEO) responsible for leading a number of the restructurings and with the retired Human Resources (HR) Director responsible for implementation of many of these. The summary provides a description of the rationale and pressures that the company experienced during the period from 1990 to 2015 from their perspective. Their responses confirm a number of the pressures described in the Oil Industry Context section above.

Both executives were given copies of the semi-structured questionnaire prior to the meeting (Appendix 3). The interview schedule was designed to elicit responses regarding their involvement in implementing the restructurings. The CEO made copious notes along the sides of the questionnaire. He had undertaken some research prior to the interview and had printed documents providing historical background to the company and the strategic rationale for many of the international restructurings that took place during his tenure at the company.

By interviewing the CEO of the company responsible for the decision to undertake multiple restructurings and the HR Director responsible for the implementation of these interventions,

the context within which the research participants' experiences are founded were examined. Understanding the context influencing the responses of the participants helps provide a wider understanding of what was going on in the company (Downe-Wamboldt, 1992).

The next section highlights three main themes emanating from these interviews

#### **Rationale underpinning the restructuring need**

It became evident from the responses of both the CEO and the HR Director that there were many pressures, both economic and political that led to the need to restructure the organisation repeatedly. The HR Director described how in order to understand the rationale for the restructurings at the company, it was necessary to bear in mind that the company was capitalist with shareholders who expect a return on their investment.

The CEO discussed the changing political dispensation in South Africa and how the way the government treated oil companies, pre and post the 1994 democratic elections, played a significant role in the decision to restructure the company. In support of the literature on the subject (Mondliwa & Roberts, 2014), the CEO described how prior to the 1994 elections and during the Apartheid years, oil companies were encouraged to remain invested in South Africa through high margins and guaranteed returns on their investments. This led to bloated companies with little concern for cost efficiency. After the 1994 elections, the new government started to reduce the substantial subsidisation of the oil industry. The leadership team of the case study company had predicted these changes and started restructuring the organisation and eliminating inefficiencies in the early 1990's.

The CEO explained how the restructuring exercises in the early 1990's were justified on the basis that the company was out of kilter with the rest of the world in terms of practices and performance was poor when bench-marked against the global standards for the company. The company leaders were aware that there was going to be change in the political landscape with pressure on margins and that in order to survive this, the company had to become more efficient.

The HR Director described how post 2000 the company was under pressure from government to conform to the Oil Industry Charter in terms of ensuring that the demographic profile of the company reflected the demographic profile of the country.

Both the CEO and the HR Director confirmed that economic pressures added to the need to restructure in order to reduce costs in the company. Oil price dropped in the late 1990's, exchange rate fluctuations negatively affected profits as all financial statements were reported in dollars. They described that pressure from the global Head Office was unrelenting in terms of financial targets that had to be met despite low oil prices and unfavourable exchange rates. The CEO explained that in a regulated fuel price environment, as is the case in South Africa, to create additional revenue one had to either increase volumes or reduce costs. He explained that the South African economy did not grow post the 1994 democratic elections as fast as was hoped and that this meant that volume growth was challenging. The only remaining lever to satisfy the global Head Office performance targets was to cut costs. Human resource costs were seen as the biggest cost item in the company and this was the target area for cost reduction by reducing employee numbers.

The CEO described the financial pressure from 2000 to 2008 that led to the series of restructurings during this period.

*“The businesses was under margin pressure, market share pressure – South Africa wasn't proving to be the growth bonanza that everybody thought it might be; the world slowing down; all the bloody financial crises that were approaching and growing. So our performance wasn't going anywhere. So it became a pretty tough time of individual departments reorganising themselves because they were under pressure there– constant pressure on costs down, down, down” (Participant A).*

#### Views of the restructuring processes

This theme summarises the responses of the two senior executives regarding their views of the restructuring process. Both participants focused on the rationale and justification for the restructurings and not on their own nor on employee feelings or emotions.

When the CEO described his experience of the restructurings in the 1990's, which had been extensive in the Support Services of the company, he commented that it had not bothered him too much as he was head of the Retail function at the time. Retail was not affected by the restructurings and was successfully growing profits for the company during this period. The CEO described the Retail function as the gods in the company during the 1990's and the

Support services being there to provide a service to them. He described that restructuring was a brutal process but that he didn't see a nice way of doing the exercise.

Later, in the post 2000 period, the situation changed dramatically and the Sales functions were under pressure to drive costs down whilst the Support functions started expanding again. The company had changed the reporting structures so that the Support functions did not report into the local company but to the global Head Office but their costs were apportioned back to the company. At this stage the CEO was leading the company and the expanding Support functions were a major concern to him as he had little control over their costs.

When asked a question regarding the effect of the restructurings on employees, the HR Director described that in a capitalist model the company does not care about employee morale, it only cares about profitability.

The HR Director described how she believed that the Labour Law in South Africa benefitted the company in the restructuring process as it provided a structure to work with in terms of the consultation process. She continued by describing that the communication process was vital to prevent rumour mongering and to ensure that employees were well informed.

With reference to the length of time that the restructuring process took, the HR Director described the fine balance between making the time of uncertainty during the restructuring process as short as possible and, at the same time, allowing employees to feel engaged and part of the process. She described how despite the efforts to include employees in the restructuring process, there was cynicism and distrust.

#### Outcomes observed after the restructurings

The HR Director described the outcomes of the restructuring process and the reason there continued to be an endless cycle of restructuring. A key concern of hers was the poor adherence by the leadership team to the strategy of the company. She explained that leaders would push their own pet projects and add more employees to their teams for these projects despite this going against the defined and agreed strategy of the company. This led to the

expansion in the number of employees with the result that the organisation had high human resource costs and needed to downsize to meet performance targets.

The CEO had a similar view and took responsibility for not managing the growth of human resource numbers in the organisation.

*“I made a massive error of judgment, massive error of judgment. And so be much tougher on every job you bring into the company rather than then have to go back and cut it out. So the pressures on me to perform and to get my business to perform were unbelievably real. And the mistake I made was building too big an organisation in 2000 and then I think I paid the price for 8 years trying to get it right and during that 8 years quite a lot of things conspired against me.” (Participant A)*

When asked how he would have done things differently in hindsight, the CEO commented that he would have been a lot more careful about the number of employees brought into the organisation.

The CEO believed that employees did not have respect for the leadership team of the company and he understood that they felt that the leaders were brutal in their implementation of restructuring and downsizing. He argued that restructuring and downsizing is inevitably going to create unhappiness amongst employees and that there is no nice way of undertaking this process.

The HR Director described the leadership quality of the company during restructurings. She argued that one of the main reasons that the company undertook so many restructuring exercises was due to poor leadership. The company constantly grew in employee numbers due to leaders not adhering to company strategy. Over time, leadership performance in the company deteriorated and there was a breakdown in confidence in the leadership team. Many of the senior leaders of the company resigned.

The company sent out employee satisfaction surveys regularly and the HR Director described how survey results had deteriorated over time. The HR Director believed that the deterioration of the Satisfaction Index was directly related to the organisation restructurings.

When asked what the company did to improve morale of remaining employees after a restructuring, the HR Director described the importance of communication and that the company used town halls on a regular basis to include all employees in the information sharing in the company.

*“It doesn’t mean that people who remained in the organization didn’t suffer from survivor syndrome and we worked very hard in terms rebuilding them into that type of process and what we now have is incredibly well-structured monthly town halls.”*  
(Participant B)

### Summary of context and rationale for multiple restructurings within the case study oil company

The rationale behind the repetitive restructurings is described as numerous by the two senior executives who were directly involved in their implementation. They described that the political and subsequent legislative changes in South Africa after 1994 and the abolition of Apartheid were responsible for many of the restructurings as government pressurised oil companies to change the demographic profile of their companies to reflect the profile of the country. In addition, government changed the margin calculation removing the highly rewarding pricing mechanism. The two senior executives both explained that added to the socio-political pressures were economic pressures as the rand/dollar exchange rate deteriorated resulting in financial performance in dollar terms looking poor. The South African economy did not grow as expected post 1994 and market share remained static whilst costs grew. The effects of the global economic crises were felt in the South African economy and oil companies reacted to their poor financial performance through cost cutting. Human resource costs was the lever they pulled to reduce costs.

Besides the socio-political and economic pressures, there were pressures from the global Head Office to change the functional structure of the organisation to align with the rest of the world-wide group. These restructurings reduced the span of control of the local leadership and their ability to manage costs. To counter the spiralling costs of the departments outside of the local CEO’s control, it was necessary to cut costs from those areas that the CEO had

control over to meet the persistent demands of the global Head Office to improve profitability. This led to further restructuring and downsizing of employees.

In discussing their experiences of the restructuring exercises, both executives described how they felt removed from the experiences of the people affected. Both agreed that the process may have been seen as brutal but they gave the impression that this was inevitable. They described that the morale of employees is not as relevant as the financial performance of the company.

It was agreed by both executives that the process had its faults such as the lengthy consultation period and the lack of leadership discipline to adhere to company strategy. The CEO admitted making a serious blunder in one of the larger restructuring exercises.

The quality of the leadership of the company is discussed in detail and described as a reason why the restructurings were unsuccessful by the HR Director whilst the CEO admitted to making some poor decisions that resulted in repetitive restructurings over 8 years.

In the following chapter, the results of the interviews with the research participants are presented, following a thematic data analysis process. The chapter describes each theme and sub theme. In presenting the results, a selection of quotes from the interview transcripts are used to support the analysis and enrich understanding by providing clearer insight into the research participants' views and experiences.

## CHAPTER 5: RESULTS

The following chapter presents a thematic analysis of the results of the participants' interviews. The chapter begins with a thematic map (Figure 4) representing the major themes and sub-themes identified through the process of qualitative data analysis of the interview transcripts. (For a full page representation of the diagram, please refer to Appendix 7.) ATLAS.ti 7.5.17 Qualitative Data Analysis software was used to assist in the coding and identification of themes following the seven step thematic data analysis process recommended by Braun and Clarke (2006).

Five themes were identified under which a series of sub-themes emerged. The five major themes were discussed in detail by all participants. For a sub-theme to be included in the analysis it had to have been experienced or mentioned by at least five out of the six participants. This is significantly more than recommended by Miles and Huberman (1984) who describe that where six or seven people have reported on fairly clearly defined changes (experiences), it seems reasonable to apply a decision rule that if a reported change is confirmed by at least one other person and not disconfirmed by anyone else, that this should be entered into the matrix. The number of times a sub-theme is mentioned by participants is depicted in brackets next to the sub-theme in Figures 5 – 9 below. The first figure in the brackets is the number of incidents, the second number is the number of links. Links were not used for this analysis. It became apparent after further analysis of the data that the participants' responses differed according to the specific period in the multi-structuring timeframe being discussed. All the participants referred to their feelings and experiences in relation to three distinct periods of time. Each period had multiple restructurings occurring in them. These time periods are mapped in Figure 4.

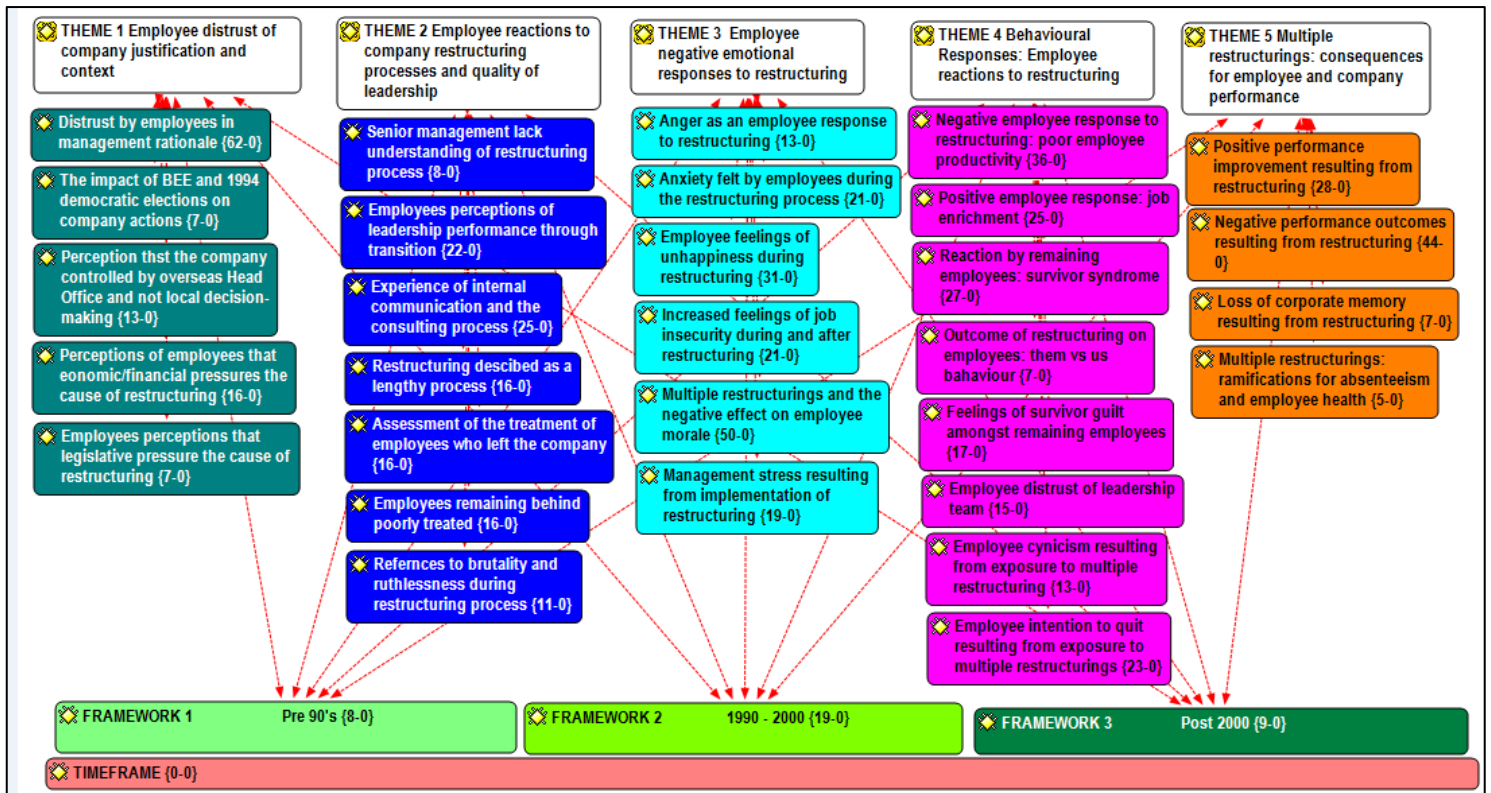


Figure 4: Diagrammatic representation of the qualitative data analysis results

### Theme 1: Employee distrust of company justification and context

The participants were asked in their interviews to describe their understanding of the reasons for the multiple restructurings. This served to gauge how well the company was communicating with employees regarding the rationale behind the exercises. The following sub-themes were identified: 1. Distrust by employees in management rationale 2. Perception that company controlled by overseas Head Office and not local decision-making 3. Employee perceptions that economic and financial pressure were causes of restructuring 4. Employee perceptions that employees that legislative pressure a cause of restructuring 5. The impact of BEE and 1994 democratic elections on company actions.

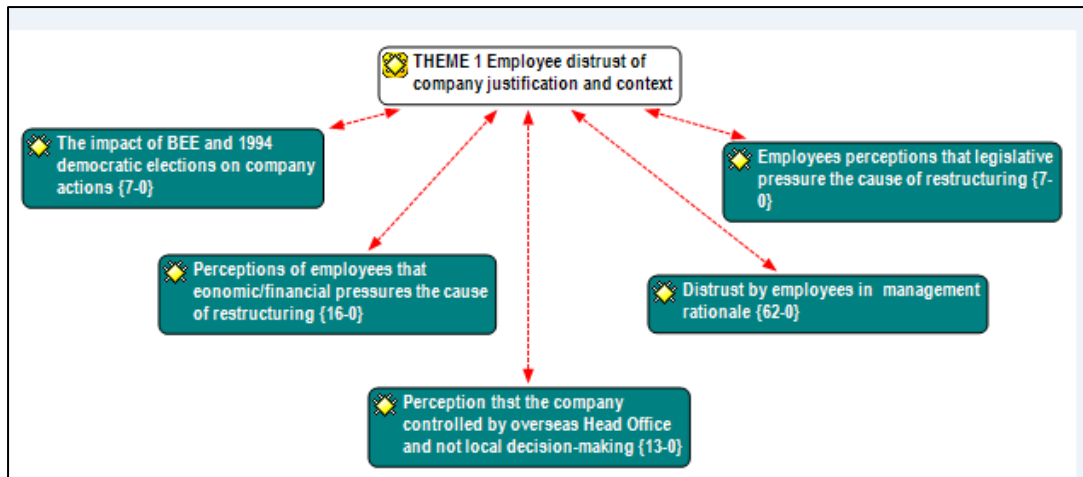


Figure 5: Diagrammatic representation of Theme 1 results

### Distrust by employees in management rationale for restructuring

This sub-theme explores some of the perceptions of the participants regarding why management implemented the restructurings.

Some participants believed that the leaders responsible for the restructuring exercises had not thought through the reasons for the restructurings well. There were participants who, as new joiners to the company, were exposed to their first restructuring. It surprised them that the company would be recruiting employees at a time when they were restructuring and down-sizing. There was a fear that the company would apply a last in, first out rule putting their jobs at risk. Participants were confused by the repetitive nature of the restructurings. The company was restructuring almost every two years over a twenty five year period. Participants felt that the company was restructuring as a knee-jerk reaction to various pressures. The view was that the leadership team had not thought through the process very well.

*“And it was a much talked about thing at the time that we were there, because it was just deemed to have been a bizarre thing by myself and my peers; that we said that, on average the company had gone through restructuring between one and one-and-a-half years.” (Participant 2)*

Participant 4 described that it began to feel that the company was organising just for the sake of organising. There was a view that external consultants were driving some of the later (post 2000) restructuring processes and management were being drawn into these exercises with little say of their own.

*“This is interesting, because I think that the company could have stopped itself. But I, to my view, I think the company got suckered into this; by placing too much credence on what the consultants, external consultants, told them to do.”(Participant 2)*

Participant 5 discussed that although economic pressure means that companies do need to restructure, these were not thought through particularly well at this particular company.

*“I think the number of them was a mistake, I mean the sheer quantity of them. I think that one or two of them were particularly misguided, particularly the one that tried to combine the whole of Africa. That was a colossal strategic blunder.”(Participant 5)*

Perception that company controlled by overseas Head Office and not local decision-making  
Participants described that a number of the restructuring exercises undertaken in the company in South Africa were dictated by the global Head Office based overseas. It was felt that the global Head Office played a significant role in pressurising the South African organisation to get in line with international standards in terms of productivity and performance. Participants highlight the pressure of the global Head Office on the South African organisation.

*“The key indicators that South Africa was producing were way out of line with what the rest of the Company A group was experiencing, and that there needed to be quite a dramatic change to actually bring South Africa into line with the rest of the group.”(Participant 1)*

Employees perceptions that economic and financial pressure were causes of restructuring  
All the participants commented that many of the restructuring exercises were justified by the company in terms of financial pressure and cost-cutting. They described that some of the restructurings that took place in the period from 1990 to 2000 were necessary as the company had become fat and not fit for purpose. They understood that these restructurings addressed the value that each position in the company contributed to company performance and profitability.

*“And some of the other restructuring that took place, say between 1991 and 1998, again I understood that there were economic pressures and financial pressures to make the company more and more profitable” (Participant 1)*

*“The motivation was good in the sense that you were getting rid of unprofitable bodies if you like. Suddenly it was all about profit, not about volume only.”(Participant 6)*

Participant 4 questioned whether these performance-driven restructurings resulting from economic pressure were thought through carefully enough and suggests that they were knee-jerk reactions to external pressures.

*“But I think you can probably plan for those better than, what appeared to be almost like ad-hoc “whoops! We need to change now; we need to cut costs. We’ve got to cut costs so let’s get rid of half of this department, or let’s outsource that entire department.”(Participant 4)*

Employee perceptions that legislative pressure was a cause of company restructuring Participants explained that not only were there economic pressures to improve performance and profitability in line with global benchmarks, but legal transformation in South Africa created further pressure to change the way the company operated as well as setting rules governing the processes followed by companies during a restructuring.

Participant 2 described how the 1994 democratic elections changed South Africa’s position in the global community allowing the company to amalgamate its South African and other African organisations into one unit.

*“What happened in 2001, one of the things that drove this was the reintegration of South Africa, as a political entity, into the global entity, for example, Company A moved its Africa Head Office to South Africa only in 1992, where it had for probably the previous fifteen years, had sat outside of South Africa. So the political dispensation changes in South Africa allowed for companies to do different things.”(Participant 2)*

Participant 2 described how labour law changes in 1995 resulted in the restructuring process becoming more consultative. This allowed employees more say in the outcomes of the restructuring but lengthened the time that the restructuring took quite significantly. There was also a feeling that the company did not consult with employees in good faith but had already made up their minds as to the new structure.

*“But the labour law, I think, maybe complicated this subsequently, in that when you start doing these massive federal inputs, the process becomes a lot longer because*

*that's what the law requires. And to an extent, if you do input into these processes, and your inputs are not accepted, people feel disenfranchised.”(Participant 2)*

#### The impact of BEE and 1994 democratic elections on company actions

This sub-theme highlights specific reference in the interviews to the effect of the 1994 democratic changes in South Africa and subsequent to that, the pressure on the company through the government's White Paper on Energy in the Republic of South Africa 1998 to implement affirmative action to address the demographic profile of the company. Participants comment on how the company was led by a disproportionate number of White employees at the expense of Blacks and this had to change to reflect the demographic profile of the country.

*“But then it also started getting driven by environmental requirements in South Africa, and particularly Black Economic Empowerment interventions. We'd gone through a process over the whole period from 1994, but particularly in the mid-2000's, whereby things like the shareholding in your company, affirmative action, employment equity targets, became a big stress factor in South Africa. And it is a view that I hold that part of what became an outcome of the 2008 restructuring...there was a deliberate move to get the first-level leadership group which was in a South African context, probably 60% white, a planned outcome from that was to change that make-up and in fact get rid of that grouping of people. It was a definite decision that was made prior to this restructuring being put into place within organisation.”(Participant 2)*

Participant 6 described how the company tried to address the Black Economic Empowerment (BEE) requirement by amalgamating its' South African and rest of Africa organisations but this failed due to the employees from the African countries having too little experience at running the larger, more complex roles they were placed in when they moved over to South Africa.

*“So, then of course 1994 arrived and suddenly the urgency to produce Black people in corporation according to BEE. Then the company did a very naughty thing, first of all they coalesced the Africa organisation which up until '94 was kept very separate from South Africa and brought the whole lot into Company A. They plucked people out of Zambia, Malawi, Tanzania even Kenya, Botswana, Namibia and they brought these guys in and they really – it was a mess, it was a total mess” (Participant 6)*

Participant 2 explained how the restructuring process consciously focused on placing Black employees into positions of leadership to respond to the government’s BEE requirement.

*“Best-qualified covered your educational background, your experience, but it also looked at requirements in terms of putting more senior people into roles, so very specifically around Black Economic Empowerment. So it was a...it was a very intense process of repopulating this new organisation.”(Participant 2)*

## Theme 2: Company processes and leadership performance

This theme explores the responses of the research participants to questions relating to how they felt the leaders of the company managed the restructuring processes as well as exploring the participants’ views regarding how well the processes were implemented from various perspectives. The sub-themes identified to address this are 1. Senior management lack of understanding of restructuring process 2. Employees’ perception of leadership performance through transition 3. Experience of internal communication and the consulting process 4. Restructuring described as a lengthy process 5. Assessment of the treatment of employees who left the company 6. Employees remaining behind poorly treated 6. References to brutality during restructuring.

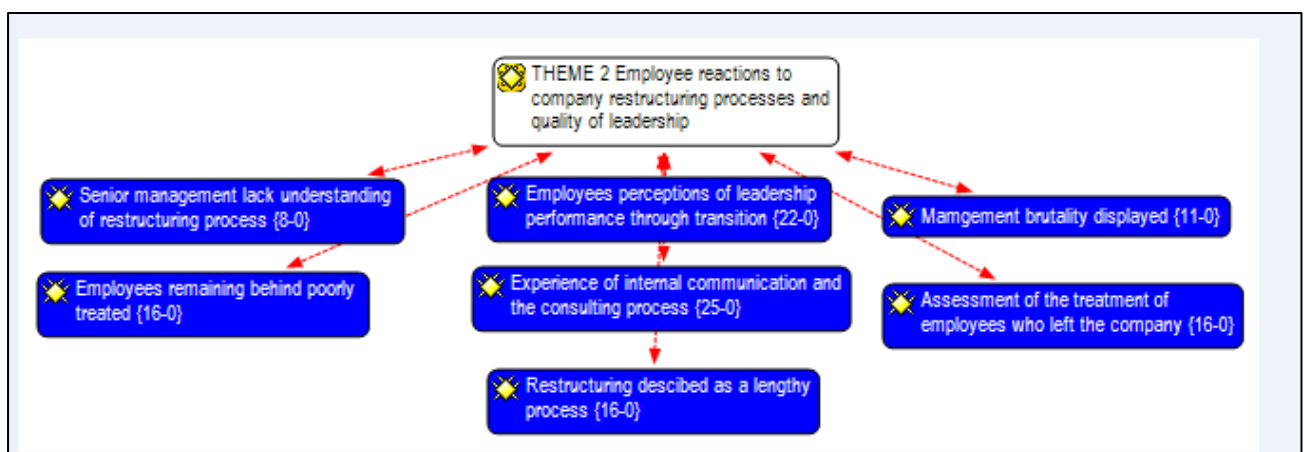


Figure 6: Diagrammatic representation of Theme 2 results

### Senior management lack of understanding of restructuring process

When participants explained their experiences of restructuring, five of them refer to the role played by senior management. There is a view that senior management did not understand what they were doing when implementing the restructuring and made mistakes.

Referring to the 1991 and 1993 restructurings, Participant 4 described that senior management were not well prepared.

*“So I don’t think anybody within senior management had ever gone through an exercise of that magnitude, and I think they were very ill-prepared. So from a people point of view, I don’t think it was particularly successful.” (Participant 4)*

Participant 1 described the 2000 consolidation of the South African organisation with the rest of the African businesses and how he believed that the management team who were responsible for this restructuring had failed.

*“I think that there were mistakes made in this restructuring, for example, and having to go through it again, I felt well, senior management needed to take some responsibility for having not done it properly.” (Participant 1)*

#### Employees perception of leadership performance through transition

The participants commented on how leaders play a crucial role in the development and implementation of a restructuring exercise. They described examples of different leadership styles and how this affected the performance of the company. There was a view that consultation with employees was insincere as management had already made up their minds regarding the new structure of the company.

The participants commented on the company’s actions to change the leadership demographic profile to reflect the demographic profile of the country, resulting in a reduction in long-service White leaders and the inclusion of less experienced Black leaders. They describe how the remaining long-service and more experienced leaders in the executive team were subjected to high levels of stress as they carried the burden of ensuring the company performed to expected global standards.

There was discussion regarding the loss of high potential future leaders resulting from restructuring. Highly marketable individuals started looking for alternative employment rather than staying in a company where their futures were uncertain.

*“And I think that you would argue also that they’re the potential leaders of the organisation and they’re the future, so this does damage to that kind of career curve*

*for them as well. They're suddenly thinking, well do I want to be a leader in this organisation if this is what they do?" (Participant 5)*

Participant 5 suggested that strong leadership is required to manage the period post a restructuring to ensure that remaining employees understand their roles and responsibilities and work left by retrenched employees is distributed in an efficient way.

*"If those people were doing a good job, then it's relatively easy to find a home for the work that they were doing. If they were doing a bad job, it's quite hard to place that work because whoever's going to be doing it suddenly has to sort out issues and re-establish relationships and all of that sort of thing, and people are generally quite unwilling to do all that work on somebody else's portfolio. Again not great for productivity, is my general experience. You need a very strong leader." (Participant 5)*

Participant 5 gave an example of one successful leader whose area of responsibility performed well post restructuring. This leader instilled a sense of pride amongst remaining employees in her team by highlighting that they were chosen because of their talent.

*"She instilled, very consciously and very overtly, a sense of pride in the people who were in the business unit. She often said, this is the best of the best, you know? Because you're in this team, it's a real recognition of your skills, and we wanted you and only you. So it was one of the times when I saw a reorganisation work, in the sense that people felt a sense of pride to be part of the new organisation." (Participant 5)*

When asked how they would do things differently the participants emphasised the role of the leadership team in re-motivating remaining employees and building a sense of pride. They emphasised the need for the leadership team to be frank and honest. Voluntary retrenchment was proposed as an option to reduce the need to retrench employees who do not want to leave.

*"So even during the reorganising process, make it clear that what's coming is better: it's going to be exciting, it's going to be innovative, and it's going to be the kind of thing that you really, really want. So paint the new organisation in a, sort of a slightly "Promised Land" kind of way, maybe." (Participant 5)*

### Experience of internal communications and the consultation process

The participants commented on how the earlier restructurings did not include an employee consultation process but were driven by management in what they describe as a top down exercise. They explained that employees had little say in the proposed organisation structure and were kept uninformed of the plans until the new organisation was announced and their jobs were either still on the organisation chart or not. It was viewed by some participants as a better process as they felt that the lengthy consultation process created more stress and gave employees false hope that they had a say in the new organisation structure when this had actually been decided upon by management.

*“Because it was a top-down kind of process, with, of course, with bringing the organisation along, it was more readily accepted by the company and people didn’t have this negative pushback: oh, I’m doing suggestions and you’re telling me to get knotted in the process.” (Participant 2)*

The participants explained that from the mid 1990’s onwards, the company introduced employee consultation during the restructuring process. The company announced the new organisational design and employees were given an opportunity to respond to management via official channels with their proposed alternative organisation structure. The company then responded and announced the final organisation structure, having taken the employees alternative suggestions into account. The impression amongst the participants is that the consultation process resulted in more transparency but there was cynicism regarding whether the feedback from employees during this process was taken seriously.

*“There was certainly a lot more consultation with the people who were going to be affected. So yes; a bit more consultation, a bit more openness and a bit more transparency; but still, I’m not sure that there was any change to the level of anger, frustration from those people that were going to be affected.” (Participant 4)*

*“I think the consultation process, we almost over-consulted, and people...which almost gave people a feeling that they had a, that they were more empowered than they really were, and when their views weren’t taken into account, well why did you bother talking to me in the first place?” (Participant 1)*

Participants described that not only does the consultation process create cynicism but also resentment and suspicion amongst employees who do not know certain pieces of information that management do know.

Participant 5 described this imbalance of power during the consultation process.

*“So it’s the imbalance of information during the consultation process. It’s particularly destructive, I think. I don’t know how you solve that, because I mean any consultation process you can’t tell everybody everything at the same time, it’s a power shift; as we know information is power and I think that’s a very destructive time.” (Participant 5)*

Restructuring described as a lengthy process

Participants were asked how long the restructurings took from beginning to end. They commented that with the introduction of the consultation process, the period of time to implement a restructuring exercise was significantly increased resulting in an unsettled, unfocused organisation for many months.

*“The people are affected more by it over a longer period because there’s more uncertainty associated with this. And to an extent, if you do input into these processes, and your inputs are not accepted, people feel disenfranchised.” (Participant 2)*

Participant 2 explained how the process post 2000 to combine the organisations in Africa took nearly a year to complete. Participant 5 explained that calculating the time the whole restructuring process takes must include the period that it takes the organisation to get fully operational to the level that it was prior to the restructuring.

*“In the other restructurings that I’ve been part of, there is a period (and it varies: at least three months and sometimes as long as six or nine) before portfolios settle back down again, and people genuinely start owning what they’re doing. Quite often people are doing new stuff and so there’s a learning curve as well. So even just getting the organisation back up to the level at which it was previously operating can take, in my view, as long as six to nine months.” (Participant 5)*

In order to avoid the downsides of a lengthy restructuring, Participant 6 suggested that these are completed as fast as possible.

### Assessment of the treatment of employees who left the company

This sub-theme explores the participants' views regarding how the company treated employees who had been retrenched. In general the view is that the company treated departing employees well, particularly from a financial perspective. They explained that the retrenchment package at one month for every year of service was well above legal requirements of one week per year of service. Furthermore, they explained that the company provided counselling and financial support to assist retrenched employees to re-skill.

*"The severance package for people was very, very generous. So I don't think it was too badly handled in terms of the exit process. I just think that the management of dealing with individuals...so the practical side of their exit was handled, I thought, fine."*

*(Participant 2)*

Although the company seemed to treat employees leaving the company well from a financial point of view, there were views amongst participants that the handling of the emotional side of departing employees could have been better. They describe a lack of consistency in the way leaving employees were bid farewell by the company with some having farewell parties laid on whilst others had nothing and just packed their bags and left.

*"So some people got elaborate farewells and others got nothing at all so it wasn't a great corporate message at all."*(Participant 5)

### Employees remaining behind poorly treated

The participants were asked how they felt the company treated employees who remained in the company after the restructuring exercise had been completed. All participants believed that this was an area of weakness in the company. They believed that the company expected employees to be grateful that they still had jobs and to get on with their work with a business as usual attitude. The concept of survivor's guilt amongst remaining employees was described by participants. Workloads were increased significantly for remaining employees resulting in an increase in stress-related health problems amongst some employees. They described how the company attempted to improve morale for remaining employees after one restructuring had been completed by holding celebratory lunches but that this failed as leaders were seen by employees as callous.

Participant 1 described the lack of assistance to remaining employees, including himself, to cope with the stress of restructuring.

*“That to me was a major flaw in the actual programme, because, for example, I had to make a lot of people redundant and it was probably one of the worst times that I ever experienced in Company A. I got the impression that there was an element of survivor’s guilt, actually, that occurred. So I think there was a huge effort put into the people departing, but I do think there could’ve been something put in place for the people who were staying behind, and particularly those that actually had to handle the downsizing themselves.” (Participant 1)*

*“Maybe giving some help to the survivors, and not just looking at them and going, well you should consider yourself lucky to be here, and now carry on with your seventeen times more work than you had before. So maybe some help around how to deal with colleagues and how to deal with those who’ve left and so on; that might’ve been nice.” (Participant 5)*

Participant 6 described how the company’s attempt to improve morale amongst employees after the restructuring had been completed was to have a celebratory dinner. The outcome for him was to reduce his respect for management rather than improve it.

*“So when the guy next to you got shot dead there’s a period of mourning, suddenly he’s not there. They decided to get round that by having a kind of celebration dinner, lunch. I remember going to the celebratory lunch in Cape Town sitting next to a member of the board and actually talking like I’m talking now you know it’s really sad like someone’s died you know. And his response was so cold-blooded I’ve never forgotten. He basically laughed in my face and said ‘ag, get over it, after about a couple of weeks you won’t even remember it.’ Which I thought was pretty shocking. But of course one had come from this wonderfully benevolent corporation which is suddenly behaving ruthlessly. So that was all a real shock, a loss of corporate memory, a loss of friends, the fact that you had to work hard – harder – and some jobs actually went down a rank and that hurt like hell.” (Participant 6)*

Participant 2 described the stress that remaining employees felt in the post 2000 restructurings due to the additional workloads that they were expected to carry because portfolios had been left by employees who had been retrenched.

*"I think left people under massive stress, partly because they had to do bigger jobs. And people were getting bigger jobs, stricter targets, higher performance measuring; and that's the first time that you then started seeing people sweat daily. And we were starting to go into these post organisational change downsides." (Participant 2)*

#### References to brutality and ruthlessness during the restructuring process

There were many references by participants to management's ruthlessness and brutal behaviour. The analogy of war, violence and bloodshed is described frequently by participants.

References to death were numerous.

*"And that in a sense was the final nail in the coffin for me because I thought, we made a mistake in the Africa restructuring. I think a number of us had pointed out some concerns about the way the Africa restructuring was working." (Participant 1)*

*"Ongoing performance stresses, then kind of trying to hit the organisation with a massive restructuring again... I think that was the death knell of what could potentially have been a very good company within the Africa context." (Participant 2)*

*"It's really sad like someone's died you know." (Participant 6)*

There were references to brutality and violence.

*"Let me put it this way: it was a first blood-letting." (Participant 2)*

*"Because successive ones only...it's building scar tissue on scar tissue." (Participant 5)*

*"I suspect it was mostly lower level staff that got the boot as opposed to management" (Participant 4)*

*"To stop a riot I suppose and a huge dent in morale there was an attempt to get participation. And it was a very clever thing." (Participant 6)*

*“Some people wanted to take the package and leave the company because working conditions/atmosphere became toxic over the years.” (Participant 3)*

*“It was like a war. You know you go into the trenches and you have a company where you, company being ten/a hundred people, you knew everybody. So when the guy next to you got shot dead there’s a period of mourning, suddenly he’s not there.” (Participant 6)*

### Theme 3: Emotional Responses by employees to restructuring process.

This theme reviews the emotions and feelings expressed by the research participants to the restructuring exercises they experienced during their career at the oil company. Common emotions/feelings were grouped into sub-themes, namely 1. Anger as an employee response to multiple restructuring processes 2. Anxiety felt by employees during the restructuring process 3. Increased feelings of job insecurity during and after the restructuring processes 4. Multiple restructurings and the negative effect on employee morale 5. Management stress resulting from implementation of restructuring and 6. Employee unhappiness during restructuring (a catch-all for a number of expressions or feelings of employee unhappiness described in numerous different ways).

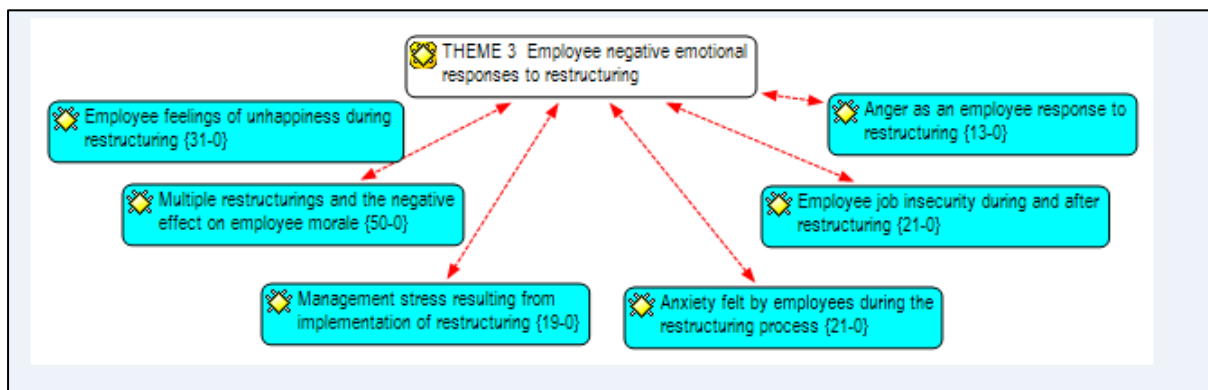


Figure 7: Diagrammatic representation of Theme 3 results

#### Anger as an employee response to multiple restructuring processes

Anger is discussed in the interviews as a commonly felt response amongst the participants. Four of the six participants comment about anger in the organisation at various stages of the restructuring process and due to the multiple restructuring processes.

*“Most people were fed up and resigned to the fact that restructuring was just a norm at the company and they were never really safe and secure in their role. We were under enough pressure at work, and to deal with the restructuring caused more anxiety, frustration and anger amongst the staff.” (Participant 3)*

Participant 3 resigned from the company after eleven years' service and experiencing three restructuring exercises as she could not carry on living with the insecurity, workload and stress. Feelings of anger amongst employees were also described by other participants.

*“I think there was a lot of anger. I think people felt that they were not being treated as valued employees.” (Participant 4)*

Participants described how, as part of the restructuring exercise, some employees were offered alternative roles that were a lower job grade than the role they currently held. This was known as grand-fathering. Participant 2 described his anger at being offered a lower level role in the company. He refused this offer and chose to take the retrenchment package instead. The participants reflected on how anger amongst employees during and after the restructuring process was not conducive to productivity.

*“Also, there's always a degree of anger at management, that amorphous group who've made this decision to reorganise you and, ja. So you're feeling guilty and angry which is not a great combination for getting things done, I guess.” (Participant 5)*

*“Those who survived are doing twice as much work and pissed off”. (Participant 6)*

#### **Anxiety felt by employees during the restructuring process**

Anxiety and stress were raised as having been experienced during the restructuring processes by each of the six participants of the research, either by themselves or by their colleagues. In the analysis of the interview transcripts it became apparent that all participants reported that anxiety and stress was felt across the board in the company, including employees who left the organisation, employees who remained after the restructuring and management who were responsible for implementing the restructuring.

From the responses of the participants, the stress levels appear to have been lower during the pre-90's restructurings. They explained that at this stage, restructurings were not company-wide but rather departmental, they were a relatively new concept to the company and the number of employees who lost their jobs was low. They described that, in general, those that left the company went amicably as they were close to retirement. They noted that there was even a sense amongst employees that it was a justifiable and reasonable decision to restructure and that the company needed to do so.

*"I mean, for me it was very much like going to the dentist: you know it's going to hurt but you know it's got to be done. So, I mean, I think I had a very clear view that there needed to be drastic steps taken, but, you know, there was the nervousness: who was it going to affect, was it going to affect me?" (Participant 1)*

Participant 2 also described the earlier restructurings (pre 90's) as being seen as justifiable and not causing that much unhappiness in the company. He described that there was a positive outcome for some employees as they were offered promotion as a result of this exercise. At this stage of his career, Participant 2 was young and ambitious. The restructuring benefited him and it is interesting to see how his attitude to these restructurings is positive as a result.

*"No I think generally it was viewed quite positive. It was viewed generally as a positive change within the organisation, and the amount of people that were affected weren't so great, and they left generally quite amicably."(Participant 2)*

The participants explained that when it came to the next phase of restructurings (1990 – 2000) when the Support Services were being reviewed, there was significant anxiety amongst employees in these departments.

*"I think there was huge nervousness, particularly because it was very obvious that it was support services that were being looked at very carefully. Value Added Programme was*

*one which I recognised as having created a huge amount of anxiety in the organisation, but I actually felt was the right thing to do.” (Participant 1)*

The participants described that the level of anxiety was even higher during the post 2000 period of restructurings. Speaking about the period after 2000 when the entire company had undergone a very large restructuring that resulted in many job losses, Participant 2 commented

*“I think it left people under massive stress, partly because they had to do bigger jobs.”(Participant 2)*

Participant 5 described that the anxiety experienced by employees during a restructuring process makes it difficult for employees to continue to work at their usual level of performance effectiveness. She explained how this jeopardises the company’s ability to achieve its’ performance targets during this period of uncertainty. She warned against any strategic product launch or new market opening during a restructuring exercise.

*“The people who are involved in the organisation are stressed beyond speech. And, without a question, if there is a big strategic push it stalls during a reorganisation. So I mean if I were to plan a reorganisation, I would consciously plan a hiatus in this, in the sort of big strategic thrusts of an organisation.” (Participant 5)*

#### Increased feelings of job insecurity during and after restructuring processes

All six participants referred to feelings of job insecurity resulting from restructuring and downsizing exercises at the company. Job insecurity was described at different stages of the restructuring process. They explained that the length of time an employee had been with the company did not change the intensity of feelings of insecurity. New joiners felt vulnerable as they thought they would be the first to be retrenched. Employees that had gone through multiple restructurings felt insecure as they were never sure when the next round would be and whether they would survive the next restructuring or be retrenched. Employees closer to retirement felt vulnerable to losing their jobs as the company had a policy of early retirement that they applied during the restructuring process. Those responsible for implementing the

restructuring were also feeling insecure as they were not given any assurance during the period of consultation that their own jobs were safe.

Participant 1 explained the insecurity that he felt in his position as part of the management team that had to implement a restructuring exercise. He was never given any assurance during this process that his own job was safe.

*“But not once during the whole process was I ever given assurance that I would be ok, so I was very aware that, say, the position that I’d been occupying was one I was saying maybe needed to be done away with. Which kind of...made me very nervous at the time”*  
(Participant 1)

Participant 1 expressed how the multiple restructuring exercises had resulted in his eventual voluntary retrenchment as the stress of his role in the implementation of these exercises became excessive. This period that he referred to was the post 2000 period of restructuring.

*“I just felt deeply embarrassed that we would treat people in that way. I just did not enjoy it, and if I had to say a point in my mind when I just said I really don’t think this is right, that was it. And I, you know, I just felt at that stage, well at some point I’m going to be one of those people. It was quite an emotional, for me, in the sense that I was deeply involved in it, and I was often being asked to do things I didn’t totally believe in. I didn’t enjoy that.”*(Participant 1)

He eventually took voluntary retrenchment at the age of 54 years after twenty years’ service and having reached a senior management level. He explained that being in this role was demanding and stressful and that he did not want to do it anymore.

*“I found it incredibly stressful, because we had gone through...by consolidating Africa, we had to rapidly improve performance in Africa. And I have to say that by 2006, I kind of thought I want to get out of here, I just need to get away from this.”* (Participant 1)

Participant 5 described the insecurity that she felt when experiencing her first restructuring at the company and then discussed how this affected productivity amongst employees not only on this occasion but in all subsequent restructuring exercises that she experienced. With reference to the effect of multiple restructuring on feelings of security and productivity Participant 4 reflected that he had a continual worry at the back of his mind that there was going to be another round of restructuring and how that was going to affect him. He explains that this made it difficult to concentrate on his job.

*“So for an individual, and I talk for myself here, there’s this continual, little bit of worry that there’s going to be another upheaval and I’m not going to be able to focus on my job one hundred percent. Which is obviously going to be a detriment to performance and to delivering improved performance as we go along.” (Participant 4)*

Participant 3, similarly, commented on the constant feelings of insecurity and worry that there would be another round of restructuring and how this negatively affected her attitude to her work.

*“My challenge was dealing with the emotional side effects caused by the restructuring. I felt that I had to constantly prove my value to the company so that they would not retrench me in the event of another restructuring. I felt stressed and insecure. I adopted a negative attitude towards work.” (Participant 3)*

#### **Multiple restructurings and the negative effect on employee morale**

All six participants discussed morale in their interviews with more than fifty coded occurrences recorded in ATLAS.ti. The effect on employee morale was described as being less negative during the early, pre 1990, restructuring exercises mostly due to these being smaller departmental activities and having limited effect on the entire company. The view of the participants is that morale became progressively worse as the company initiated repeated restructurings. Employees began to feel increasingly unhappy as they saw colleagues and friends leave the company and the resultant increase on their workload.

There was a difference in the opinion of participants regarding the effect on employee morale during the period from 1990 to 2000. This appears to reflect their position in the company and how it affected them personally. A participant who was in the revenue-generating Sales function of the business, which was less severely affected by the restructurings during this period, felt that these restructurings were viewed positively by employees. It is only during the later restructurings when his department was directly affected by restructurings that he described the negative effect on employee morale.

Participant 2 referred to the period from 1990 to 2000 as the Golden Years or the Sunshine Years when the company was performing well and he believed the reason for this was that the restructuring was quick and didn't affect his area of the company.

*“So when I call it Company A’s Golden Years; the feeling in the organisation – people were massively positive, from a personal perspective. I mean, I was like, a corporate guy, you know. I was massively positive about this company: I saw that there was a future for me; I saw that there was a future for people around me. So any restructuring changes that you had was a very short term blip and the company kept on going from strength to strength” (Participant 2)*

Participant 4, who was in the Human Resource department and part of implementing the Support function restructuring had a different view of this period between 1990 and 2000. He recalls anxiety and anger amongst the employees in the Support functions.

*“Well I think people were first of all... obviously there’s worry and then I think there was a lot of anger. I think people felt that they were not being treated as valued employees. I don’t think too many people were offered alternative jobs. It was, we’re no longer going to have office printing services, so those people who were in the printing room, they knew they didn’t have a job and that they weren’t going to get redeployed elsewhere”(Participant 4)*

When asked about how this had affected morale of remaining employees and whether there had been positive productivity improvements associated with restructuring and downsizing,

Participant 4's response was that remaining employees felt overloaded with more work with negative effects on morale and job commitment.

Participant 6 described the loss of friends as a result of the restructuring exercise and how this negatively affected morale. He also described the loss of valuable knowledge as older, more experienced employees left the company taking with them corporate memory. This he believed affected remaining employee morale as not only had they lost friends but they were also left with a gap in knowledge and understanding of processes. New, inexperienced young people were being hired to take some of the roles. He described that new employees had little understanding of the business and processes, leaving the more experienced employees to carry the load.

It is interesting that in the more recent restructurings (between 2011 and 2016) the company has undertaken restructuring on a piecemeal basis i.e. tackling individual department's one at a time rather than a company-wide initiative. According to Participant 3, the company made it a rule in 2014 and onwards that employees affected by a departmental restructuring were not allowed to disclose the restructuring exercise to other employees outside the department. She felt that this was perhaps a ploy to reduce the negative impact on employee morale across the company.

#### **Management stress resulting from implementation of restructuring.**

Participants explained how employees in management positions and responsible for implementing restructuring were subjected to considerable stress, making it difficult for them to carry out their day to day duties at optimal performance levels. They commented that often the managers of a team were part of the process of restructuring their departments but at the same time unsure whether their own jobs were secure or not. They were having to provide support to their teams whilst feeling vulnerable about losing their own jobs. They explained that being involved in the decisions regarding whose job will be made redundant in their department and at the same time trying to keep the morale of their teams positive in order to ensure productivity remained on track, resulted in high levels of stress for these managers. According to the participants, in the later restructurings, post 2000, many of these managers were suffering health problems related to the stress they experienced during the

restructuring process and afterwards when they were burdened with greater workload and the responsibility of improving performance in their departments.

Participant 5 described the stress felt by managers who implement restructuring. She described how these managers alienate friends and colleagues at work because they are withholding information that may relate to their colleagues' future in the company but they are unable to share this information.

*"I mean I've actually been on the other side of the fence as well and I have to tell you it is a completely disgusting thing to have to do, because you perpetually have the organisation looking at you and going, "ok so am I in, am I out, when will we hear?" So you feel under a great deal of, kind of, personal stress because most times you know the people who're looking at you like that. I mean, that was when I didn't sleep. And when you looked around the room you could see that people weren't sleeping. So ja, I lost a lot more sleep with being on the organiser side of the fence."(Participant 5)*

Participant 6 shared his feelings of unease at being part of the team that had to implement the new organisation structure. He understood its rationale but felt guilty about the outcome for some employees.

*"I thought it was traumatic, it was traumatic to be part of that team knowing you were going to basically contribute to the bugger leaving" (Participant 6)*

The effect on performance post-restructuring and the pressure that was felt by the leadership team is described by Participant 2. The company demanded improvement in performance and if this was not forthcoming, there was pressure on management to correct this and produce the results demanded.

*"And you could see that through subsequent performance meetings, and quarterly reviews. Quarter on quarter on quarter on quarter you had to improve your performance, else the shareholders and the market would punish you. And that, again, had a negative impact. So this was not a restructuring impact; it was a post-restructuring, but also then*

*functionalization, but market performance driven tsunami that came together”*  
(Participant 2)

Participant 2 described how repeated restructurings increased management stress as they were expected to deliver better results, often with fewer, less experienced employees. He described how, as the leadership teams were transformed and new leaders were appointed, the leaders who were more experienced and had grown through the company to the position of leadership, felt the pressure and responsibility to achieve the demanded performance improvements.

*“They were massively under pressure, then, and they became massively stressed, and you could see this. But you also started seeing an impact on people’s health; in mental fatigue, in just general health...health downsides. The group leadership probably felt most of the weight of this third phase in my career, from 2001 to 2008. And they were starting to meltdown, one after the other, mentally and physically, to such an extent that some of the people in the executive leadership lost their jobs because of ill-health.”*  
(Participant 2)

According to Participant 4, Human Resource (HR) department employees who were involved in the implementing of the restructuring were, similarly, deeply stressed by these processes. They were not well equipped to deal with the emotions of employees affected by the restructuring process, both those who were made redundant and those that remained in the company afterwards. Participant 4 described the stress he felt as a junior HR officer responsible for communicating with employees about the restructuring process and how poorly prepared he had been. The company had provided a script but this had not prepared him adequately for the conversations that he had to have with employees.

#### **Employee expressions of unhappiness during restructuring**

Participants described feelings of unhappiness resulting from the restructuring process that do not fall neatly into the above categories of anger, anxiety, insecurity, negative effect on morale, and management stress but are, nevertheless, worth capturing.

There were feelings of irritation due to the continual use by the company of restructurings and downsizing to address profitability.

*“And I just began to get irritated that actually, every response to a need to improve profits had to involve head-cutting, rather than looking at more ways of generating revenue.” (Participant 1)*

Participants described that there is a sense of helplessness and lack of control. It was felt by some employees that the restructuring exercises, particularly the later ones, post 2000, were being forced upon the organisation by company leaders overseas and that the local team had no influence on the decisions.

*“I knew that it wasn’t necessarily local management that drove it. So to a large extent, I began to feel more of a victim of forces that I had no control over, with some of the subsequent ones that happened.” (Participant 1)*

Participant 3 described a similar feeling of helplessness and lack of control whilst the restructuring exercises were taking place. When asked how she felt after leaving the company, her response was

*“I felt a sense of control, relief and freedom.” (Participant 3)*

Participant 2 described his feelings when he left the company after twenty years of service. He explained that the company was no longer the same as it had been before and that there is a sense of loss. He had spent twenty years of his career and life in this company and he was now seeing the things that he was familiar with and the people that he had become friends with, disappear.

*“I also left sadly because what the company had become by the time that I left, was not the same place that I’d worked at for twenty years. I think ongoing changes, ongoing performance stresses, then kind of trying to hit the organisation with a massive restructuring again...it’s not because I left, but I think that was the death knell of what could potentially have been a very good company.” (Participant 2)*

The sense that the company had changed and become a less pleasant place to work is also described by Participant 6.

*“It is distrust, and it’s as I said that collegiate feeling just dripped away until, until 2000 it didn’t exist at all. It was a completely different company” (Participant 6)*

#### Theme 4: Behavioural responses: employee reactions to restructuring

In this theme, I have grouped codes that describe how employees responded in their actions and reactions to the multiple restructurings that they were exposed to during their career at the company. The sub themes are 1. Negative employee response to restructuring: poor employee productivity 2. Positive employee response: employee job enrichment 3. Reaction of remaining employees: survivor syndrome 4. Outcome of restructuring on employees: them vs us behaviour 5. Feelings of survivor guilt amongst remaining employees 6. Employee distrust of leadership team 7. Employee cynicism resulting from exposure to multiple restructurings 8. Employee intention to quit as a result of exposure to multiple restructurings

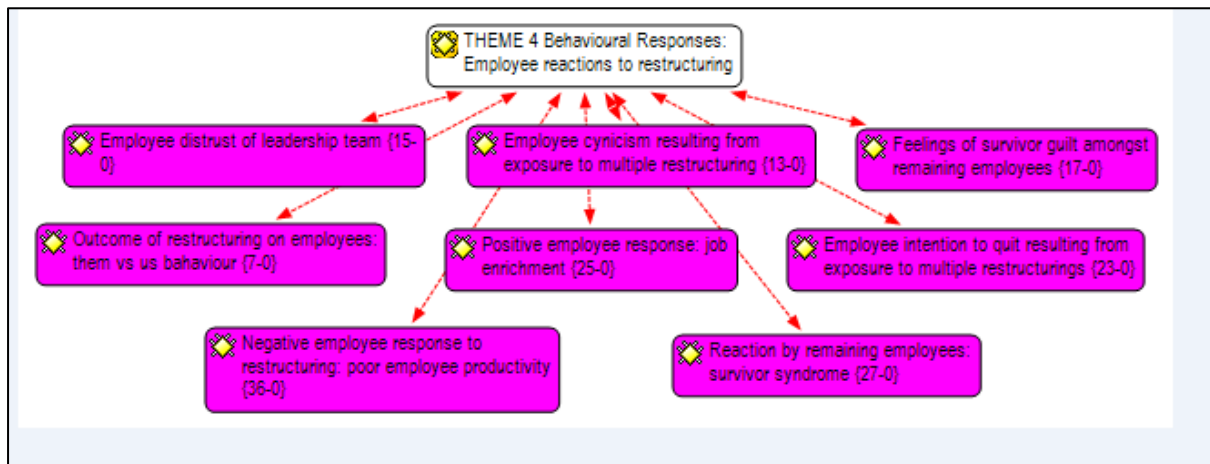


Figure 8: Diagrammatic representation of Theme 3 results

#### Negative employee response to restructuring: poor employee productivity

There were many examples given by participants of negative reactions of employees to the announcement that another restructuring was going to take place. Participants described how the intensity of negative responses increased as the number of restructurings experienced by employees increased and the most recent restructurings, post 2000, seemed to create the greatest negative reactions.

Participant 3 described how people felt when a restructuring exercise was announced in the company. Her first exposure to one of these exercises was in 2008. She described that the announcement created fear and anxiety amongst employees, that daily tasks were difficult to

complete and that there were employees, on hearing of the restructuring exercise, who spent a lot of time talking at the tea area about what this meant to them.

Many participants commented that productivity is negatively affected during a restructuring process as employees spend large amounts of time speaking to each other about what the restructuring means to them instead of getting on with their daily tasks. Participant 5 described the significant amount of time that people spend talking to each other informally during the restructuring period to find out more information and how this negatively affects work performance.

*“So the people who’re at risk are resentful and not working, and spending a lot of time talking and trying to gather information from each other, which is generally counter-productive.”(Participant 5)*

The participants described how multiple restructurings that took place almost every two years resulted in a continual sense of threat and unease amongst employees. They explained that this affected employees’ enthusiasm for showing initiative, for risk-taking and quick decision-making as these actions, if unsuccessful, could expose the risk-taker to losing their job in the next round of restructuring. They believe that this resulted in a company that became stagnant.

Some of the participants described that the reaction amongst some employees to a restructuring announcement was to start working on their Curriculum Vitae (CV) and preparing for job interviews outside the company. They commented that this often included the brightest, high-performing employees, the very employees that the company wants to keep to help drive performance after a restructuring. They know they are marketable and they start to seek alternative employment in a more stable environment.

*“The best and brightest of your staff are all busily updating their CVs and out there looking for jobs so even though they are traditionally the most productive of your staff, even if they aren’t frightened and unsure, they’re not focused on their job because they’re busy covering their options and looking outside and looking for other things to do in case they’re part of the restructuring process.”(Participant 5)*

### Positive employee response to restructuring: employee job enrichment

According to the participants, employee responses to restructuring were not all negative. Some employees saw the exercise as an opportunity to advance their careers. Some employees benefitted by being placed in more meaningful roles.

*“So the positive outcome was just probably the people that were redeployed and they were probably put into more meaningful jobs than they had been.” (Participant 1)*

For Participant 2, the first restructuring that he encountered at the company was very beneficial for him as it allowed him to move in the career direction he was pursuing. There was also a sense amongst participants that the earlier restructurings were necessary as the company had become too large with roles that were unnecessary. The Value Improvement Project and Value Added Project in the 1990's resulted in the detailed review of many of the jobs in the company in terms of their output and the value they added to the company. If the position did not add value, it was removed.

*“I think it was necessary, however one was affected in the way I've been describing personally and so on, you couldn't argue with the fact that the corporation was vastly overgrown. So it made a lot of sense, painful though it was” (Participant 6)*

Participants commented that restructuring gave the company the opportunity to redesign the department structures in line with international trends in the company group and introduced a flatter organisation and Peer Group leadership style. They described that the Peer Group concept worked on the basis that department heads benchmarked their performance across the world with their peers. The company became increasingly flatter with fewer levels of management, increasing the range of responsibility of managers significantly. The rationale for flattening the organisation structure, according to the participants, was that this would decrease the approval layers required for any decision-making. The intention was to make the company leaner and faster in its response to business needs.

New skills were required as a result of restructuring and, according to the participants, this allowed the company to bring in people with new skills and fresh ideas. These skills were then transferred to employees who had been in the company a long time. Participant 2 described the increase in the size of jobs due to the flatter organisation and how this opened up opportunities for some people.

Participant 1 felt that he grew in his knowledge and skills as a result of the restructuring during the 1990's due to the introduction during this period of centres of expertise.

Some participants commented that certain people responded to the restructuring positively as they were being offered an opportunity to leave the company with a very good retrenchment package.

*"Some of the people in middle management were only too pleased to look forward to a package and a jolly good pension thank you forever. So those people went hallelujah and took up...went to new jobs or just simply retired and sat on a beach somewhere."  
(Participant 6)*

#### Reaction of remaining employees: survivor syndrome

This sub theme explores specifically the reaction of employees who remain in the company after a restructure has been completed. This ties directly into the research question regarding how restructuring affects the employees that remain behind but focusses less on their emotional responses and more on how they behave. One of the areas explored is how remaining employees react to employees who have lost their jobs and are about to leave or have already left the company. The participants described that there is a period between announcement of new roles and the identification of who will be retrenched and the final day that these employees leave the company which created discomfort for remaining employees. They needed to approach employees leaving the company with sympathy and yet personally felt relief at having kept their jobs.

*"I think probably like most of the rest of the organisation, you avoid them. You avoid both casual social interaction with them, and if you can work around whatever they would normally do for you and do it yourself, or get somebody else to do it, you would do that too. You are so uncomfortable" (Participant 5)*

Other behavioural responses explored amongst remaining employees included their reaction to the change in their roles which had often become larger. Participants described the negative effect on remaining employees of bigger workloads and the tension between teams as to who does what and amongst leaders as to who has the bigger role and more status.

*“So my sense is that a lot of people got loaded with extra work, which wouldn’t have...didn’t make them very happy. So I think the people who remained probably ended up with, in some cases, with a bigger workload.” (Participant 4)*

Participant 5 commented on the significant learning curve to be accomplished after a restructuring as employees and heads of departments learn their new roles and responsibilities.

*“There is a period (and it varies: at least three months and sometimes as long as six or nine) before portfolios settle back down again, and people genuinely start owning what they’re doing. Quite often people are doing new stuff and so there’s a learning curve as well” (Participant 5)*

Participant 4 explained that the size of the additional workload passed on to remaining employees is often underestimated during the restructuring process and often jobs get added back or contractors are hired to pick up the slack.

*“I think there was still an element of resentment of the additional work, and I remain unconvinced, even now as we speak, that over a period of time we didn’t start adding jobs back into the organisation as a result of workload not diminishing and people being overstretched.” (Participant 4)*

Participants described how remaining employees after undergoing multiple restructurings become demoralised and demotivated. Participant 2 described the mood of remaining employees in the company when he returned as a contractor in 2012. He described that there was no team spirit.

*“Being back there but independently from them also allowed me to have a fantastic insight into the morale of the people that had stayed behind – there was no team spirit. It felt like people were doing their own thing. Some of the staff would say to us specifically, ‘I work here, but I do my own thing and I don’t care what happens to the rest of this organisation.’” (Participant 2)*

### Outcome of restructuring on employees: Them vs us behaviour

The concept of them vs us was described in a number of scenarios by the participants. Divisions were drawn between those parts of the organisation which were currently in the process of being restructured and the rest of the company. An example of this was described by Participant 4 during the restructurings in the 1990's where the Support functions were being reviewed and downsized, whilst the Sales functions were being left alone as they were seen as the revenue-generating part of the business. There seemed to be little sympathy in the Sales functions for what was happening in the Support functions.

*"I suspect in many cases people still felt, in the Services area in Company A, probably felt a bit undervalued as compared to those people who were at the forefront of the money-making businesses." (Participant 4)*

Participant 2 described the competition between Sales divisions that created a sense of them vs us. This was not specifically related to restructuring but creates the tension that is amplified in a restructuring exercise as employees jostle for positions and protect their areas of responsibility.

*"There was a lot of competition between the leadership and between staff, between the businesses themselves, whereas...retail and commercial, for example, were very competitive: you belong to commercial, I belong to retail, we're better than you, blah, blah, blah." (Participant 2)*

A number of participants referred to the restructuring exercise that took place in 2000 when the company's organisations outside of South Africa in other African countries were amalgamated with the South African organisation. This created tension between South African employees and other African employees.

*"One, there was a "thank God I'm staying with the company" by the survivors' lot, but roughly over this period of a thousand people leaving this organisation, people were very worried because here, I could've been an employee with an international company, now I'm thrown back into the African wilderness" (Participant 2)*

This division between employees outside of South Africa and from within the South African organisation is described along racial lines by Participant 6. According to many participants,

this amalgamation of the African organisations in 2000 with South Africa was a failure with disastrous effects for expatriates from Africa who were subsequently repatriated to their original countries and, in some cases, lost their jobs. They described that the upheaval to families was substantial. The them vs us in this restructuring exercise is described by Participant 6 as being expatriate Blacks vs South African Blacks as well as South African Whites vs South African Blacks. Whites were feeling threatened and side-lined by local South African Blacks who were being given opportunities to develop and grow in the organisation ahead of their White counterparts in line with the company's affirmative action drive.

*“That was a mistake and then they had to reorganise that and they reorganised that with a huge problem in terms of morale frankly, although this time amongst the Black people from outside the country. Black inside the country – thrilled! Thrilled to bits, get rid of them, get rid of them, more space for us. And what it left was, meanwhile the skillset amongst the White population had been decimated and suddenly the guys that were left were working three jobs, sometimes four. And the Black people, the South African’s tended to just spend their time studying at computers, most of them were doing degrees or post-graduate business diplomas” (Participant 6)*

Participant 2 described the racial tension during this period

*“There was some concern that I think started manifesting itself by the Whites in South Africa, because they started then believing they were potentially being side-lined.” (Participant 2)*

Participants discussed the division between the leadership team responsible for the restructurings and the employees affected by them. The implementers of the exercise are commonly referred to as they or them. The participants described that often it is not clearly understood who the people are who make up this team.

*“And also, there’s always a degree of anger at management, that amorphous group who’ve made this decision to reorganise you.” (Participant 5)*

*“Company loyalty – buggar that, it’s us and them. And I was happy to retire.” (Participant 6)*

Feelings of survivor guilt amongst remaining employees.

The theme survivor guilt encompasses the negative emotions felt and expressed by the employees that remain in the organisation after a restructuring has been completed. Employee emotional responses have been described in some detail in the theme Emotional Responses but this sub theme, Survivor Guilt, captures some specific references to the term described by participants.

Participants described how the company did a considerable amount to assist retrenched employees but less was done to address the negative emotions felt by employees who remained in the company.

*“And my discussions with people who stayed on afterwards also...you know, I got the impression that there was an element of survivor’s guilt, actually, that occurred. So I think there was a huge effort put into the people departing, and I think it was appropriate, but I do think there could’ve been something put in place for the people who were staying behind, and particularly those that actually had to handle the downsizing themselves.” (Participant 1)*

*“I say maybe in a reorganisation process you should provide some help for the people who’re staying, and say this is, it would be helpful to know, this is maybe, a little bit of guidelines on how to deal with the people who are leaving.” (Participant 5)*

Participants described how feelings of survivor guilt amongst remaining employees continued well after the restructurings were completed and the retrenched employees had left. They commented that the company focused its attention on the employees who were leaving and appear to have managed this relatively well but nothing seems to have been done to address the morale of remaining employees.

*“The thing I remember most is like this ongoing survivor’s guilt for a long time, even after they weren’t around to remind you.” (Participant 5)*

When asked how she would have done things differently, Participant 5 explained that the company could have done more to assist remaining employees in dealing with colleagues and those who were leaving.

*“Maybe giving some help to the survivors, and not just looking at them and going, well you should consider yourself lucky to be here, and now carry on with your seventeen times more work than you had before. So maybe some help around how to deal with colleagues and how to deal with those who’ve left and so on; that might’ve been nice”*  
(Participant 5)

#### Employee distrust of leadership team

Participants described how repeatedly carrying out restructurings broke down employee trust in the leadership of the company as they began to question why the company was going through the process repeatedly. There was the feeling that the leadership team were not getting it right the first time and this was the reason for multiple restructurings. Confidence in the company’s leaders’ abilities is questioned.

*“You know that management isn’t playing open cards, or that this could come again at any time (which in our case was completely true). It’s building scar tissue on scar tissue. So your lingering suspicion increases, your distrust of management increases, because you’re thinking ‘they said they got it right last time; who says they’re getting it right this time?’ And they sure as hell aren’t getting it right so it’s coming down the pike again; so everything they’re telling us now is, can be queried.”* (Participant 5)

The participants described that when employees had been asked to submit their proposed solutions to the restructuring exercise and came up with alternatives, these were ignored. Employees felt that their contributions were not being seriously considered.

The breakdown of the relationship between management and employees and the sense of betrayal is described by Participant 5.

*“I still think that the main negative outcome of any restructuring is the lingering distrust it leaves in an organisation. It is impossible to do that without staff feeling betrayed at a personal level. Staff feel betrayed because work is about relationships.”*  
(Participant 5)

Not only did the participants speak of the distrust that employees have of management due to a perceived dishonesty and betrayal but also about a further breakdown in the confidence

that employees have in the leadership abilities of the company. They describe that constant restructurings every two years points to incompetent leadership.

*“And then at a more intellectual level there’s distrust about managerial decision-making, particularly in a series of repeated restructurings because you eventually start thinking, what is the matter with these people?” (Participant 5)*

#### **Employee cynicism resulting from exposure to multiple restructurings**

Linked to distrust is cynicism. Participants explained that when employees are told one thing only to see another thing happen, they begin to disbelieve any communication from management. They described how this results in cynicism.

*“There was just a general disbelief that it was actually going to work.” (Participant 1)*

*“I understood that there were economic pressures and financial pressures to make the company more and more profitable, but there was an element of cynicism, that started to creep in.” (Participant 1)*

#### **Employee intention to quit resulting from exposure to multiple restructurings**

Participants were asked whether they would have left the company had they been offered an equal role in another company after the first restructuring exercise that they experienced. The same question is asked after the participant has experienced multiple restructurings. It was consistently found that the participants did not consider quitting after their first restructuring experience but would have considered quitting after experiencing multiple restructurings.

Participant 1 described how he was just waiting until he turned fifty five years old so that he could retire but actually couldn’t hang on that long and chose voluntary retrenchment.

*“My reason was I recognised that at some point I would be a victim and I would be targeted and I would be out the company. So mentally I had put myself in the place that just simply said, I’ve got to find something else to do, and let me put a line in the sand and say, when I turn 55 (because of pension fund rules and that, it was a convenient age to take early retirement) I think I will do it.” (Participant 1)*

Participant 2 described how in the early years when restructuring did not affect his department (Sales) directly, he had no intention to quit. He was a loyal employee. However, when he is retrenched in 2008 his view about staying in the company, had he been given the choice, is very different.

*“No, I was pleased to have left. I was also in the space that, thank God I’ve got a breather, and thank God I had a safety net. I left knowing that I had to go. There was no staying behind.” (Participant 2)*

Participant 3 had already started looking for a role outside the company before the third restructuring took place. This was after eleven years at the company and being in a role that she had loved.

Participant 4 had sensed that he would not be employed for much longer and had started looking elsewhere for a job before the next restructuring took place.

*“But because I’d seen writing on the wall I’d rushed out and I’d done a few interviews and I got offered a job virtually to start immediately, so I really didn’t have time to sit down and start negotiating. In 2008 I was ready to go.”(Participant 4)*

Not only were vulnerable employees looking for jobs elsewhere, Participant 6 described that highly qualified young Black employees who had survived a restructuring and who should have been feeling secure because of the company’s BEE policy, were also looking for alternative employment.

*“The Black South Africans, were busy jacking up their CV’s, their qualifications, and most of them when they’d done that, buggered off. They got poached by other companies.”(Participant 6)*

### **Theme 5: Multiple restructurings consequences for employee and company performance**

This theme explores the ramifications of multiple restructurings on employee performance and therefore on company performance. The participants described how companies restructure for a number of reasons e.g. change in strategic direction, merging businesses, changing the demographic profile of the company and, most commonly, to reduce costs and improve profitability. They commented that ultimately, the end goal is improved company

performance. This theme looks at whether this aspiration is achieved. If this is achieved, the theme looks at why the company continued to restructure on a repetitive basis every two years. The following sub-themes were identified: 1. Positive performance improvement resulting from restructuring 2. Negative performance outcomes resulting from restructuring 3. Loss of Corporate Memory resulting from restructuring and downsizing 4. Multiple restructurings: ramifications for employee absenteeism and health.

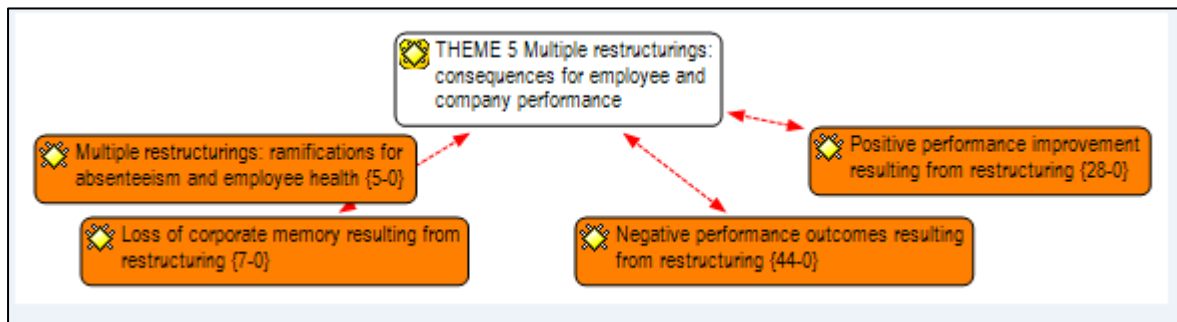


Figure 9: Diagrammatic representation of Theme 3 results

#### Positive performance improvement resulting from restructuring

This sub-theme looks at the positive performance improvements resulting from restructuring. The key positive improvements described by the participants included the introduction of new skills and expertise in the company, the reduction of layers of management resulting in a faster approval process for projects. An example was given of one successful restructuring exercise due to the skilled leadership of the newly restructured team.

Participant 1 described the improvements achieved as a result of restructurings that took place between 1990 and 2000. These were the restructurings which focussed on addressing the value that each role in the company contributed to the business.

Participant 2 described the improvement of skills during the same period of 1990 to 2000. Participant 5, similarly, described improved skills and expertise as a positive improvement resulting from restructuring during the period 1990 to 2000.

*“I think that, because of the reorganisation, there was a real willingness to take in external expertise in that a reorganisation opened them up to the possibility of buying in some expertise, and that was incredibly constructive” (Participant 5)*

Participant 5 described how restructuring can achieve positive outcomes with the correct leadership style and the careful and conscious management of the post-restructuring period.

#### Negative performance outcomes resulting from restructuring

Negative performance outcomes as a result of restructuring were discussed many times by participants and 44 quotes describing the negative outcomes were captured in ATLAS.ti. Some of the reasons given by the participants for poor performance after a restructuring include incompetent leadership, the decimation of skilled and experienced employees at middle management level particularly in the post 2000 restructuring period, the promotion of inexperienced employees to positions of leadership, and poor follow-through after a restructuring to ensure that employees understood their roles and responsibilities. The damage to employee morale and the resultant effect this had on company performance was frequently raised by participants as a negative outcome of restructuring.

There was the feeling that management responsible for the restructurings did not know what they were doing.

*"I have found with every single restructuring, people always say, "well the people who did it didn't know what they were doing" and there was always, sort of, grumblings. I don't think that there was a performance improvement; in fact I know there wasn't."(Participant 1)*

In the restructurings that took place post 2000, participants suggest that too many layers were removed and critical skills and expertise was lost.

*"I think that the restructuring that took place at the time that I left in 2008, I think actually emasculated the company quite badly in terms of taking out a lot of skill and a lot of knowledge. And I don't think the company's ever recovered from that. The professionalism that I felt existed in the '90's and the noughties just is not there anymore."(Participant 1)*

Participant 2 described how restructuring in the post 2000 period resulted in poorly qualified employees being promoted to roles that they were not equipped to do. He gave an example of a serious accounting error that cost the company millions of dollars. He believes that restructuring was, if not wholly, then partly to blame for this

*“So I can give you a number: they went from a \$201 million profit organisation to \$6 million the following year. They found out that these were accounting errors, and they were induced accounting errors. The accounting error was not picked up by either the senior management, or by people in senior accounting positions that did not understand the business. So they ended up in roles (so this is one of the big downsides); they ended up in roles where they were not qualified to do this and they did not understand the business. The uncertainty and the focus on the organisational change allowed for this, probably directly, to happen.”(Participant 2)*

Post 2000, one of the restructuring exercises focused on changing the functional reporting lines and responsibilities. The new organisational structure resulted in management decisions being removed from local management and controlled from the central global Head Office with negative consequences. The removal of local delegation of authority meant that the local leadership team had lost control of a large portion of their business. Participant 2 describes how functionalisation, rather than improving financial performance of the company had the opposite effect.

*“It just took a dip. Costs just went completely out of kilter. Where we would normally be in a process that we could very severely challenge costs, that kind of decision-making was partly taken out of our hands. So it caused an organisational disconnect, a complete organisational disconnect.”(Participant 2)*

Participants described how poor leadership resulted from the restructuring and the outcome of this was that strategies were not implemented when they should have been.

*“And when I say it had an implosion, it’s because that strategy was never implemented, because they had so decimated the leadership group in South Africa in 2008 that they were not able to do the strategy implementation. (Participant 2)*

Participant 4 described that senior management were ill-equipped to deal with restructuring with negative consequences from a people management point of view. Participants commented on how poor follow-through post restructuring resulted in remaining employees being unsure of what was expected of them and what their job descriptions were.

*“I don’t think they looked very hard at how do we work; how do we get rid of stuff that is not that important. So I think a lot of people, the people who’re left behind – once again, had an additional workload and I think there was an element of resentment as a result of that. I’m not sure that the service delivery improved demonstrably as a result of people leaving. Were we delivering better? I’m not convinced that we were.”*  
(Participant 4)

Participants discussed that company processes were incorrectly followed post-restructuring which opened the company to financial risk. Participant 2 described how he went back to work as a consultant for 18 months post 2008 and discovered that processes that he had put in place previously were no longer followed.

*“...decision-making around things which I had controlled before like the capital investment – this stuff had disappeared. They were opening up risks within this company which as an outsider coming back into this company I couldn’t believe what they were doing”*(Participant 2)

All participants described that morale was negatively affected amongst those who remained post restructuring resulting in a drop in their performance. Furthermore, they described employee resentment at the additional workload that they had to take on.

*“And then, of course, they leave a huge hole because you haven’t a reorganised organisation to pick up the work that they’ve left, so now you’ve got to dole out their portfolios amongst demoralised staff who don’t know if they’re going to be there in six months’ time. So it’s a real mess. It’s a very unhappy time.”* (Participant 5)

Participant 5 described how during the restructuring process, some people know what is happening and some don’t. This, she claims, creates suspicion and distrust. She continued by describing how repetitive restructuring exacerbates poor performance amongst employees.

*“It was always about cutting costs, streamlining, making us industry-competitive. Those were always...and sometimes, a little bit of: “and Head Office tells us we must.” And sometimes it was about synergy. Productivity during the consultation period was appalling, absolutely appalling.”*(Participant 5)

When describing the multiple restructurings that took place from 2000 onwards, Participant 1 described that he believed that the company was not being sufficiently creative in its assessment of alternatives to restructuring to improve profitability. He felt the company was being lazy and implementing restructuring and downsizing as the easy option to cut costs.

*“Ja, I think it wasn’t achieving the results, but I think it was a fairly lazy response to a need to improve profitability. I think they could’ve been a little bit more creative in the way in which they went about it.”(Participant 1)*

#### Loss of corporate memory resulting from restructuring and downsizing

The participants described how in a restructuring exercise, employees often leave the company without completing a handover to the new incumbent for various reasons. One of the reasons given by the participants for the lack of handover is due to the deliberate withholding of information by dissatisfied employees who are leaving the company. A different reason for the poor handover of information, according to the participants, is due to new appointees not being in place in time before a retrenched employee leaves. Participants described how, in many cases, the retrenched employee has been with the company for a long period of time and their experience and understanding of the business is substantial. When they leave, if no adequate handover has taken place, vast amounts of important information, key relationships and contacts are lost.

Participant 2 described the loss of long-term employees in the restructurings and the effect this had on the company’s average years of experience per employee which, according to him, reduced from 16 years average service per employee down 7 years.

Because of their knowledge and experience in the company, some employees had high value to the company and knew they could not easily be replaced, according to Participant 2. These individuals had bargaining power.

*“He was told round about 2008, your job is relocated to Joburg and he said, well that’s great but I’m not going. Because he had enormous knowledge of the whole industry and they couldn’t really just let that knowledge walk out the door, while they kept on telling him you’ve got to relocate to Joburg, he just said no” (Participant 2)*

### Multiple restructurings: ramifications for employee absenteeism and health

Multiple restructurings create an environment of stress and anxiety as described under the Emotional Responses sub themes of Anxiety and Management stress. This sub-theme highlights participant's feedback regarding how anxiety and stress resulting from restructuring had consequences for health and absenteeism levels in the organisation.

Participant 2 described the results of the 2008 restructuring on employee health. He noted that after restructuring, employees had higher workloads and were put under pressure to meet demanding deadlines. He described how this negatively affected employees' health through mental fatigue, for example. As a result of the stress and fatigue they were experiencing, there was an increase in employee absenteeism.

*"It was like, late nights and weekends and things, particularly around quarter ends for our part of the business. But you also started seeing an increase in people's health; in mental fatigue, in just general health...health downsides. And then you started to see absenteeism starting to go up and all that." (Participant 2)*

A number of participants described how team leaders were under more pressure during and after the restructurings post 2000.

*"And they were starting to meltdown, one after the other, mentally and physically, to such an extent that some of the people in the executive leadership lost their jobs because of ill-health." (Participant 2)*

### Conclusion

In this chapter the results of the in-depth semi-structured interviews with the participants are presented. The participants reflected on their experience of multiple restructurings during their employment at the company. They have all subsequently left the company due to retrenchment, resignation or retirement. It is interesting to note the many similarities in the responses to the interview questions. In the following discussion chapter, Chapter 6, these results are discussed in relation to the literature reviewed in Chapter 2 and the context, where applicable.

## CHAPTER 6: DISCUSSION

In the results chapter the views and perceptions of the six research participants are described in detail. Qualitative research explores the subjective, personal feelings and opinions of individuals and the findings discussed in this discussion chapter are based on an interpretation of these.

There is consistency in terms of the participants' responses regarding the negative effect on remaining employee morale, job security and performance effectiveness as a result of exposure to multiple restructurings. From the responses of the participants, it appears that employees were less likely to consider leaving their jobs for another company after a single exposure to restructuring, however, this changed after experiencing more than one restructuring occurrence. The lack of strong leadership due, to some extent, to the appointment of inexperienced managers to these roles, and the loss of corporate memory due to repetitive restructuring and downsizing are further common responses from the participants.

The discussion follows the five themes identified in the results, linking these to the relevant literature and the context, where applicable.

### **Perceptions of rationale for restructuring**

In Theme 1 the participants' perceptions of the company's justification for restructuring was explored. It is apparent from the participants' feedback, as well as the views of the two company executives interviewed, that political and economic pressures were key factors driving many of the restructuring exercises from 1990 to 2015. The perception of the participants, however, is that the company did not always communicate this rationale clearly to employees. The rationale for the earlier restructurings, in the early 1990's, appears to have been understood better than in later restructuring exercises. Participants described that in the early 1990's they understood that the company needed to streamline operations in order to become more internationally competitive. The description of the company's need to become more internationally competitive aligns with the view of Denton and Vloeberghs (2003) who describe that South Africa post 1994 had to become more competitive to retain and protect local markets against international competitors. During the period from 2000

onwards, the participants' responses reflect less understanding of the rationale behind the restructurings and describe these interventions as a knee-jerk reaction by the company to cost and BEE pressures. According to the participants, the effect of the decline in employees' understanding and acceptance of the company's rationale for restructuring was an increase in cynicism and decrease in morale. Research by Gilliland and Schepers (2003) found that employees who had experienced multiple restructurings felt that the first couple were not bad since they helped the company to trim the fat, in other words, to remove unproductive employees. However, with successive rounds of retrenchments that cut deeper into the organisation, capable and productive employees were retrenched. Employees saw these later restructurings as cutting the muscle of the organisation with negative consequences for remaining employee morale. A key area of discussion amongst the participants was the declining quality of company leadership with regard to managing the restructuring processes. This is discussed in the following theme.

#### **Lack of confidence in leadership and company processes**

In Theme 2, the participants described their lack of confidence in the leadership of the company over time. They also described their perceptions regarding company processes in terms of communication and employee consultation during and after restructurings. Research findings regarding how the company treated employees who departed and remained in the company are also discussed in the findings of Theme 2.

#### **Perceived leadership performance during restructurings**

The results indicate that the perception of the participants was that, in the post 2000 period, confidence in leadership of the company declined. The results highlight that the participants felt that management were ill-equipped to run the restructuring processes. They described that changes to the team leadership brought inexperienced new people into the team. This, according to the participants, resulted in more experienced leaders suffering considerable stress as they had to carry additional workload and take responsibility for performance when reporting to the global Head Office. It is apparent from the findings that the loss of confidence amongst employees due to the lack of unification amongst the leaders of the company resulted in employee insecurity and cynicism as the company embarked on one restructuring exercise after another.

The findings of the research with respect to poor leadership during the restructuring exercises can be explained by the view of Burden and Roodt (2008) who describe that South African organisations do not understand restructuring and downsizing too well, resulting in many organisations making mistakes during their interventions which, in turn, cost them from an economic and legislative perspective. In an AMA survey undertaken in 1994, respondents attributed failure to achieve organisational change goals to senior management's lack of understanding of the implications of change. One out of three CEO's admitted that the lack of managerial understanding handicapped change efforts (Burke & Nelson, 1997).

Supervisors affect their subordinates' perceptions of tasks and feelings of safety. By providing psychological safety, described as the shared belief that well-intentioned experimentation will not be punished, supervisors provide scope for employees to seek and introduce improvements in established routines without fear that expansion of these routines may affect their careers negatively (Schmitt et al., 2011). One of the fundamental priorities of organisational leaders is to prevent survivor sickness. Often little is done for those who are left behind, the remaining employees who have the task of revitalising the organisation (Noer, 1995). Leaders need to get people excited about the new organisational realities (Marks, 2007).

Leadership honesty and openness were described as key requirements by participants. It was the participants' perceptions that there was doubt amongst employees that management were always being entirely honest during a restructuring. According to the findings, the consultation process did not improve the perception in the minds of employees. They still believed that the company was hiding information from them. According to the participants, employees believed that the new organisation charts were already cast in stone and requests for employee comment were thus insincere.

The participants described feelings of distrust in management during and after a restructuring. Their view was that the continual restructurings year after year created "scar tissue on scar tissue". There is little credibility left, in their opinion, with respect to the company leaderships' abilities. They see the need for the company to restructure repeatedly as a sign that the leadership team are not getting it right and that this means that they do not know what they are doing.

Noer (1995) describes the importance of leadership's role in communication. He argues that it is impossible for managers to over-communicate during restructuring. He describes that written communication is not enough, organisational leaders must be visible and authentic. Managers need to be seen as fair during restructuring and downsizing procedures by carefully following and constantly communicating the overall goals, and by doing so, avoiding contradiction and multiple rounds of organisational downsizing (Schmitt, 2011)

Engaging key, trusted leaders early during the employee downsizing is crucial (Schmitt et al., 2011). Leaders who manage transition effectively understand how emotions affect work activities and relationships as the company faces organisational changes (Marks, 2007). Transformational leaders are risk-takers who are outspoken but also tactful. They possess both emotional stability and sharp intellect. They are powerful leaders but are sensitive to the needs of people and ultimately work towards empowering others (Denton & Vloeberghs, 2001).

Leaders need to communicate openly and honestly with employees throughout restructuring and admit when they have made mistakes. Transformational leaders speak openly about their mistakes and can articulate lessons learned from these (Denton & Vloeberghs, 2001).

#### Experience of internal communications and the consultation process

The participants in this research indicated that the company managed the communications process with employees during restructuring reasonably well, however, there remained suspicion amongst employees regarding the company's honesty and rationale for doing so. The finding that participants perceived an imbalance of power during the consultation process, as a result of some people in the organisation knowing what is going on whilst others not, is a strong incentive to complete the exercise as swiftly as possible (Heidari-Robinson & Heywood, 2016). Participants described that the processes were taking anywhere between three months and a year and, in addition, the post restructuring period when portfolios were redistributed and the new organisation was trying to settle down was taking an additional six to nine months.

According to the participants, the restructuring period was unproductive as employees were gathering information informally in tea areas about who is affected. The duration of the downsizing process and the frequency with which organisations engage in downsizing are two

crucial strategic issues which organisations need to address. They argue that completing a restructuring as quickly as possible is important as tension in an organisation during a restructuring negatively affects productivity (Appelbaum & Donia, 2000; Heidari-Robinson & Heywood, 2016)

Iain Conn, former CEO of BP's global downstream business told Heidari-Robinson and Heywood (2016) that management needed to treat employees with respect and dignity during restructuring by being transparent and telling them what was happening and when. He emphasised that it was critical to keep communicating with people. He claimed that the biggest mistake management can make is to communicate once and think that is sufficient.

#### Reactions to treatment of employees

The participants' perceptions of the company's treatment of employees who were retrenched were consistent. They felt that, from a financial point of view, employees leaving the company were treated well with retrenchment packages well above legal requirements. Retrenched employees were assisted with re-skilling and counselling. An area of weakness, according to the participants, was the inconsistency in the manner in which these employees were bid farewell by the company. There appeared to be no standard applied, with some employees packing their bags and leaving whilst others were given a farewell lunch/dinner.

The company's treatment of employees remaining in the organisation after a restructuring exercise was described as an area of weakness by the participants. There is the impression by participants that the company expected remaining employees to be grateful that they have a job and to get back to business as usual. In reality, the participants described that remaining employees suffered from survivor syndrome, were overloaded with work as they had to take over the responsibilities of departing employees, and showed signs of stress and related health problems. They described how some high-performing employees started looking for employment outside the company due to the uncertainty of their future in the company and thus the company lost the valuable employees it was depending on to achieve the desired performance targets.

These findings are similar to those of Noer (1995) who explains that organisations are usually prepared to meet the needs of those being retrenched, but they are unprepared for the

strong emotions, lengthy adjustment period, diminished morale and lower productivity often experienced and expressed by remaining employees.

The findings of high stress and work overload amongst remaining employees accord with the findings of Chipunza and Berry (2010) who discuss that the result of restructuring and downsizing is that more work is done by less employees causing high levels of stress and inability to perform effectively. There are unintended consequences of restructuring that result from work overload such as the need for more training, more use of temporary workers and more overtime. By contracting out work to reduce employee numbers, companies can lose valuable manpower and corporate memory, and potentially lose forward thinking, strong leaders (Burke & Nelson, 1997).

A number of participants described poor health and stress amongst employees remaining after a restructuring. This they believe was due to increased workload and pressure to meet deadlines which resulted in employees working long hours. According to the findings, participants believed that the fear of another restructuring in the near future meant that employees were feeling insecure and stressed. Increased healthcare costs amongst remaining employees are less obvious consequences of restructuring and downsizing resulting from intense stress on the job. Unless carefully managed, this intense stress and work overload felt by remaining employees could result in skilled and valuable employees choosing to leave the company (Marks & De Meuse, 2005). Increased turnover, absenteeism and poor morale are described by Appelbaum et al. (1999) and Brockner et al. (2004) as some post-downsizing consequences. They argue that it is precisely when organisations depend on their remaining employees to focus on meeting organisational objectives, that the high stress that accompanies retrenchments make it more difficult for these remaining employees to do so.

A number of participants described how high performers at the company started looking for alternative employment during and after a restructuring exercise. Amongst the participants themselves, two actively resigned to take up alternative positions in other companies as they did not want to continue to work in the stressful environment with low job security and high workload pressure.

The response of the executive managers during their interviews when asked how they felt organisational restructuring affected remaining employee morale, was one of indifference. Noer (1995) describes this response as “psychic numbing” which is stronger the higher the organisational level and among those who plan and implement the downsizing.

The description of the company processes and leadership was often described as brutal, ruthless and uncaring. The HR Director described that, as brutal as it sounded, it was irrelevant whether employee morale was affected or not. She commented that the only thing that was relevant after a restructuring was that the employees delivered the performance required.

In the above theme, Company Processes and Leadership, the performance of leadership during restructuring is discussed. The company processes in terms of employee consultation as well as how the company treated employees who departed and remained are also discussed. Morale, stress and employee health of remaining employees is touched on. The next theme discusses, in more detail, the findings of the research regarding the experience of restructuring on employee morale.

### **Emotional responses by employees to the restructuring process**

Theme 3 summarises the research findings in terms of the participants’ emotional responses to repeated restructuring exercises. As time progressed and it became evident amongst employees that restructuring was the new normal and an organisational reality, a set of emotional responses settled in amongst employees. Key findings of the research include the emotional responses of anger, anxiety and job insecurity. Exposure by employees to multiple restructurings and the stress felt by managers who are part of the implementation team and at risk of retrenchment themselves are discussed.

### **Anger as a common response**

Anger is described by participants as a commonly felt response to restructurings amongst employees. Four of the six participants described anger in the organisation at various stages of the restructuring process and particularly as a result of exposure to multiple restructurings. Anger, distrust and depression build up during a mismanaged transition or series of transitions. These emotions make it difficult for employees to be ready or willing to be productive (Marks, 2006). The description by participants of being fed up, of feeling insecure, and some participants’ subsequent resignation from the company can be explained by Newell

and Dobson (1996) when they comment that violation or breach of the psychological contract could lead to serious consequences such as low job satisfaction and intention to leave the organisation as well as eliciting feelings of anger and betrayal and the eroding of employee trust.

#### **Widespread anxiety**

All participants reported that anxiety was felt amongst employees during a restructuring exercise. This included employees leaving the organisation, employees who remained after the restructuring and management who were responsible for implementing the restructuring. The participants believed that employees who experienced multiple restructurings at the company struggled with feelings of fear and anxiety on an almost constant basis. Employees, they described, were anxious about when the next restructuring may take place and whether this would affect them. According to Appelbaum and Donia (2000) remaining employees are increasingly living under fear of being retrenched. Prolonged worry over the threat of future retrenchments leads to depression, poorer work performance, absenteeism, alcoholism, drug-abuse as well as reducing motivation amongst employees (Newell & Dopson, 1996). Smollan (2015) describes that the strain of uncertainty is a common outcome for remaining employees who think they may be next in line.

Restructuring is a stressful event for everyone involved, both the implementers of the exercise and the recipients. No other management practice, according to Heidari-Robinson and Heywood (2016), consumes more time and attention or creates more fear and anxiety among employees than a restructuring. They emphasise that it is critical to communicate through the process as secrecy causes distress. They also argue that speed in a restructuring exercise is crucial.

#### **Increased feelings of job Insecurity**

It is apparent from the participants' responses that exposure to repeated restructurings leads to feelings of job insecurity. They described that job insecurity was felt both by new joiners who were concerned that they would be the first to be retrenched as well as employees close to retirement who believed they would be told to take early retirement. They described feelings of continual worry at the back of their minds that made it difficult for them to focus adequately on their jobs.

The participants explained that job insecurity led to a number of employees, including some of the participants themselves, looking for alternative employment outside the company. Feelings of insecurity, intent to quit, a decline in organisational commitment, loyalty and trust are commonly found amongst remaining employees after a restructuring exercise. When an individual expects to be laid off in the future, living in an insecure environment diminishes commitment to the organisation (Marques et al., 2014; Ugboro, 2006). Insecurity, like anger and anxiety, is a symptom of survivor syndrome (Noer, 2005).

It is interesting to note that four of the six participants left the organisation voluntarily and before retirement age. All had expressed feelings of anger, anxiety and job insecurity as a result of exposure to repeated restructuring exercises. Participant 1 had decided that he would take early retirement at fifty-five years old as he did not want to continue in his high-stress position in the company. He ended up choosing to take voluntary retrenchment at fifty-four years old after a career of twenty-six years' service. Participant 2 chose voluntary retrenchment as he was angry at the offer made to him of a position downgrade or what the company called grand-fathering. He had been in the company for twenty years and left at the age of forty-six. Participant 3 resigned from the company after eleven years' service at the age of thirty-three. She described that she could not continue to cope with the stress of work overload and the uncertainty of when the next round of restructuring was going to take place. Participant 4 resigned at the age of forty-eight after twenty-two years' service as he predicted that he would be retrenched in the next round of restructurings and sought and found alternative employment.

All the above participants had long service with the company and it is indicative of the level of job insecurity and uncertainty felt in the organisation that they chose to leave voluntarily. These findings concur with the study undertaken by Newell and Dobson (1996) who describe a feeling amongst managers, particularly those who had been with the organisation for more than five years that the psychological contract and particularly the promises made about careers in exchange for hard work and loyalty had not been kept. All but two of Newell and Dobson's sample expressed an intention to leave the company should an attractive alternative present itself. Datta et al. (2010) describe how additional research is needed to gain further insights into voluntary turnover as this harms organisational performance.

The consequence of restructuring and downsizing is the disruption to the organisation's ability to learn and adapt to the changing environment. There is a loss of corporate memory and organisational heritage as long-term employees are terminated (Marks and De Meuse 2005). The loss of corporate memory is described by participant 6 whilst participant 5 described the loss of high performing employees to jobs outside the company. When a company repeatedly restructures, the loss of corporate memory and job continuity is exacerbated.

#### **Multiple restructurings and declining morale**

Post restructuring and downsizing consequences include decreased morale, increased absenteeism and increased turnover according to the findings of Brockner et al. (2004). This is exacerbated in the case where restructurings are undertaken on a repetitive basis over a prolonged period of time (Marks, 2006). From the research findings, it appears as if the earlier restructurings in the pre-1990 period were not seen to be as damaging to employee morale as the later restructuring exercises, possibly because they were a new phenomenon in the company, they were only affecting small pockets of the company and only a few employees were being affected through job losses. The view held by participants was that many of the employees losing their jobs during the earlier restructurings did not feel that this was a negative outcome as they were close to retirement and seemed to leave the company amicably. It was suggested by one of the participants that during this period in South Africa, the economy was stronger than it was after 1990 and the cost of living did not make early retirement an untenable option. The later restructurings, particularly post 2000, were more widespread and resulted in a higher number of job losses across all functions in the company. With the economic downturn in the country during this period, alternative employment opportunities were fewer, increasing the anxiety amongst employees at risk of retrenchment in the organisation.

According to the participants, the result of the high job losses during the later restructurings was the loss of skills and knowledge in the organisation. They described that there were gaps in the organisation and work had to be redistributed amongst demoralised employees who were anxious about their long-term job prospects at the company. The participants described how many employees were overloaded with work, fearful of making decisions and protective

of their roles and responsibilities. This compromised teamwork and productivity as tasks and best practices were not being shared amongst employees. The result was low employee morale and poor motivation to perform well with negative consequences for company performance.

All participants acknowledged that they would have quit their jobs should an attractive alternative have been offered to them and four of the six participants eventually did quit. Morale continued to decline in the company over time with each subsequent restructuring according to the participants. This is supported by the HR Director who commented during her interview that the Employee Satisfaction Index, which measures employee morale through an annual employee survey, declined steadily over a period from the late 1990's to 2012.

The above findings align with the findings of Datta et al. (2010) who describe how restructuring and downsizing negatively affects group and individual attitudes and behaviours, disrupts relationship networks and destroys the trust and loyalty that binds employees and their employers. With the breach of the psychological contract, over time employees are likely to feel increasingly less confident in their ability to manage their own careers and feel insecurity about their future. When this is coupled with helplessness and a bleak vision of the future, a common response, according to Datta et al., is cynicism. When remaining employees become cynical over the restructuring process and view downsizing as unfair, negative behavioural outcomes often ensue (Appelbaum & Donia, 2000).

The scarcity of alternative jobs outside the company can mean that employees remain with the company despite their unhappiness. This is described by Newell and Dobson (1996) as continuance commitment to the company. Employees who are committed to the company in this way may remain in the organisation but do not necessarily share its goals and values nor do they display a willingness to exert considerable effort on its behalf. It appears from an assessment of the participants' responses that continuance commitment was prevalent in the company with potential negative effects on company performance.

### Management stress – ramifications of restructuring for team supervisors

The final sub-theme addressed under the main theme of emotional responses is management stress. This sub-theme describes the participants' responses relating to the stress felt by managers who were responsible for implementing the restructuring exercises. According to the participants, in many cases, managers were at risk of losing their own jobs whilst at the same time coaching and counselling subordinates during a restructuring exercise. They were expected to communicate with their subordinates regarding the restructuring process, motivate them and ensure that departmental performance remained robust. This, they described, created additional stress as they were concerned for their own well-being as well as that of their subordinates.

Participant 1 described how, with each subsequent restructuring, he felt a "victim of forces that I have no control over". He chose voluntary retrenchment as he could no longer cope with the stress associated with implementing restructuring as well as the anxiety of being made redundant sometime in the future. This response aligns with the views of Chipunza and Berry (2009) and Smollan (2015) who describe that when members of an organisation believe they have little control over work outcomes, including change outcomes, strain develops. This is partly due to increased negative outcomes such as workload and inferior working conditions but also because of socio-emotional outcomes such as lower status, lack of participation in decision making and deficient organisational support.

According to the participants, managers were suffering health-related problems due to the stress they felt during the restructuring process, and afterwards, when they were burdened with greater workload and responsibility. They described how repeated restructurings increased management stress as they were expected to deliver better results, often with fewer, less experienced employees. New leaders were appointed, but were inexperienced, creating further pressure and responsibility for those leaders who had grown through the company to deliver performance improvements. Newell and Dopson (1996) describe how the pressures causing changes to the role and numbers of middle managers mean that organisational goals, such as increasing profit and organisational survival, are dependent upon the innovation, creativity and commitment of these same managers.

Newell and Dopson (1996) highlight in their study that symptoms of survivor syndrome were evident amongst managers in that following prolonged redundancy and rationalisation, managers felt demotivated about their role in the organisation and experienced feelings of lack of control. There was a feeling amongst many managers, particularly those who had been with the organisation for more than five years, that the psychological contract and particularly the promises made about careers in exchange for hard work and loyalty had not been kept. Burke and Nelson (1997) describe how employees who have experienced multiple restructuring see no end to the changes and feel powerless to change them.

Remaining employees' organisational commitment may be accounted for by a host of factors, such as trust in management, perceptions of fairness and perceived control. Perceived control is described as impact i.e. the extent to which people believe their actions influenced important outcomes (Brockner et al., 2004). It is apparent from the responses of the participants that feelings of lack of control and reduced trust in management were prevalent amongst employees, both supervisors and subordinates, who were exposed to repeated restructuring exercises.

In this theme, the research findings regarding employees' emotional responses to restructuring is discussed. The participants in the study described feelings of anger and anxiety amongst employees. They explained that employees felt insecure in their jobs. Job insecurity was compounded by the company repeating the restructuring exercise almost every two years. Multiple restructurings created further anxiety and insecurity, declining morale and increased employees' intention to quit. Management stress is discussed. The consequence of stress and job insecurity from repeated restructurings is declining morale and lack of motivation to perform with negative consequences on company performance.

#### **Survivor guilt, distrust of leadership and intention to quit amongst remaining employees.**

In Theme 4 of the results, Behavioural Responses: employees' reactions to restructuring, the participants' perceptions with regard to remaining employees' behavioural responses to restructuring were described. The reaction of remaining employees, once the new

organisation structure was announced, is discussed below, as well as specific references to survivor guilt, distrust of leadership and intention to quit.

#### **Negative organisational behaviours**

There were many examples given by participants of negative reactions of employees to the announcement that another restructuring was going to take place. It became clear from the interviews that the intensity of negative employee responses increased with the number of restructurings experienced.

The decline in productivity described by participants due to employees spending time speculating over the restructuring process amongst themselves, slow decision-making and the lack of risk-taking is explained by Denton and Vloeberghs (2003) and Noer (1995) who describe how corporate cutbacks can extract heavy losses through declining employee productivity, deflated spirit of innovation and risk-avoidance behaviour. Burke and Nelson (1997) describe that studies consistently show that after downsizing, survivors become narrow-minded, self-absorbed and risk-averse. The participants described how the organisation became stagnant and introspective as employees feared taking initiative in case their actions failed with negative consequences for their careers. Chipunza et al. (2010) note that employees who remain after a restructuring are likely to be affected by feelings of frustration, anxiety, resistance and a wait and see attitude with negative consequences for increased productivity and long-term growth in company performance.

#### **Positive organisational behaviours**

There were some positive responses amongst participants to the restructuring exercises. The participants acknowledged that for some employees the restructurings provided an opportunity to advance. It was also acknowledged by the participants that some of the earlier restructurings were necessary to improve the efficiency of the organisation. Burke and Nelson (1997) describe that there can be a healthy side to restructuring as some organisations were bloated. They needed to restructure to eliminate unnecessary work and people. They argue that restructuring can re-energise tired employees and shift an organisation's focus to future possibilities. In order to achieve these positive results, however, requires responsible restructuring focusing on how to use the current people more effectively and following a

three-stage framework of initiation, implementation and institutionalisation. Institutionalisation, according to Burke and Nelson, includes giving survivors a reason to stay, providing support groups, being honest about the future, anticipating disruptions in productivity and constantly evaluating the effectiveness of the restructuring exercise.

If restructuring and downsizing targets the wrong resources, any cost reductions can be overshadowed by the loss of knowledge critical to the business's success. In this case, although there can be some positive outcomes to restructuring and downsizing, in the final analysis, the negative outcomes outweigh the positive (Appelbaum et al., 1999).

#### Confirming the experience of survivor syndrome

Survivor syndrome is identified in the literature as a phenomenon resulting from restructurings. Although people are critical of this term because it is associated with deep trauma, it is apparent in the literature and from what has emerged in the results, that people who have experienced multiple restructurings consider themselves survivors and with that comes a host of symptoms that are described by the participants. A sub-theme explored was the reaction of remaining employees after an organisation restructuring had been completed. One of the areas explored was how remaining employees reacted to employees who had been retrenched. The participants indicated that remaining employees felt uncomfortable around those employees who were leaving the company. They felt a mixture of sadness for the departing colleagues but, at the same time, relief that their own jobs were safe.

It is important for organisations to make remaining employees aware of the help being extended to retrenched employees as they will have developed bonds with retrenched employees and judge the company's commitment and concern for terminated employees as a reflection of how they will be treated. Remaining employees mourn the loss of their co-workers but also often experience a nagging guilt for surviving (Appelbaum & Donia, 2000).

A significant increase in workload was experienced by remaining employees, according to participants. It is this increase in workload that ultimately resulted in two of the participants choosing to leave the company. They described tension between teams as portfolios got redistributed and there was confusion and uncertainty about the work that needed to be

adopted. They noted that one of the reasons for the confusion and uncertainty was due to experienced employees departing the company leaving gaps in knowledge and expertise. Marks (2007) describes that remaining employees report a lack of direction in prioritizing work, they display risk avoidance behaviour and experience an increase in role ambiguity.

The participants described how remaining employees experienced a steep learning curve as they grappled with procedures and processes that they did not fully understand with negative consequences for company performance. Workloads were dramatically increased for remaining employees which the participants believed resulted in high levels of stress. A specific example of considerable financial loss to the company was described as being due, to a large extent, to a lack of understanding of processes and poor leadership. These findings can be explained by the results of research by Schmitt (2001) who describes that downsizing may profoundly affect organisational factors such as organisational routines, procedures and culture. Companies often underestimate the impact of employee downsizing on work processes and structures and comments that this is a main source of negative performance outcomes (Cascio, 1993).

Traditionally, remaining employees were thought to be grateful to keep their jobs and therefore were expected to be more productive. However, remaining employees actually fear for their jobs, with growing mistrust of the company, little understanding of what management is doing or what their role will be in the company's future (Marks & De Meuse, 2005)

According to the participants, repetitive restructurings broke down the trust of employees in company leaders. They questioned why the company needed to continually restructure. They claimed that the consultation process, introduced in the late 1990's, rather than improving the employees' trust in management, reduced this as they saw no correlation between employees' participation in the exercise and a change in the outcome.

Downsizing survivors feel that the rules have changed and the trust towards their employer is often compromised. They believe a betrayal and injustice has been done to them and the psychological contract is seen to be broken. Breaking of the psychological contract results in

employees who are likely to feel increasingly less confident in their ability to manage their future and makes employees more mobile (Appelbaum & Donia, 2000; Datta et al., 2010).

High attrition by employees who survive retrenchment is common and expensive (Newell and Dobson, 1996). Surviving employees may withdraw psychologically e.g. reduced trust and loyalty, withholding of effort and reduced involvement or physically e.g. increased absences or voluntary turnover (Datta et al., 2010). Both have negative consequences for the company.

Not only vulnerable employees, but young, high potential employees, including highly qualified Black graduates with good career prospects, were leaving the company post restructuring, according to the participants. Marks and De Meuse (2005) warn that unless carefully managed, many skilled and valuable employees will choose to leave after a restructuring exercise. Intent to quit poses a serious threat to the effectiveness of the restructuring and downsizing strategy because, if unchecked, it leads to voluntary turnover of high performing survivors (Ugboro, 2006).

In the above section under the theme, Behavioural Responses: employees reactions to restructuring, both positive and negative reactions to restructuring are discussed as well as the feelings of survivor guilt by remaining employees. According to the participants, together with feelings of survivor guilt, employees felt overloaded with work, they had a poor understanding of their roles and responsibilities and felt a lack of control over their future. The loss of long-serving employees meant that a knowledge and experience was lost. All these factors had negative ramifications for employee and thus company performance.

In the following theme, the effect of multiple restructurings on employee performance is addressed.

#### **Declining morale and organisational performance: cumulative consequences of the experiences and perceptions**

In Theme 5, the consequences of multiple restructuring on employee and company performance is discussed. According to the participants, despite the company being less than transparent regarding the rationale for restructuring, they understood that the ultimate goal

of the company was to improve financial performance. This theme looks at whether this aspiration was achieved by the company and, if so, why the company needed to restructure roughly every two years. The sub-themes discussed are: 1. Negative performance improvement and 2. Positive performance improvement.

#### **Negative performance outcomes**

Descriptions of the many negative outcomes resulting from restructuring, as perceived by the participants, have been discussed in the above four themes. These include lack of trust in company leadership, emotional responses such as anger and anxiety, feelings of job insecurity, lack of understanding of roles and responsibilities, gaps in skills and knowledge, a reluctance to make decisions, a reluctance to take risks, and increased levels of intention to quit. As a result, employee morale declined. Restructuring every two years exacerbated these outcomes as employees felt they were in a never-ending cycle of restructurings creating feelings of continual anxiety. The decline in employee morale was confirmed by the HR Director when she revealed that the Staff Satisfaction Index declined steadily over a twelve year period.

These findings can be explained by Marks and De Meuse (2005) who describe that employees become paralysed by the cumulative effects of what in many organisations has become one stress-inducing event after another. Schmitt et al (2011) describe that there are unequivocal findings in literature that many downsizing initiatives fail to retain critical skills, capabilities, experience and knowledge. This, they say, results in deteriorating quality, productivity and effectiveness.

Participants described that after a series of restructurings post 2000, they started seeing an increase in health problems amongst employees including mental fatigue. There was evidence of increased absenteeism as a result of this. Some of the leadership team lost their jobs due to ill-health. Beyond absenteeism, organisations are beginning to become aware of sickness presenteeism, where employees are working less productively due to health problems. Ailments commonly associated with sickness presenteeism include tension headaches, migraines, allergies, depression, gastrointestinal problems and asthma/breathing problems. Restructuring, downsizing and resultant job insecurity amongst remaining

employees is associated with higher levels of sickness presenteeism (Caverley, 2007). Increased absenteeism and sickness presenteeism contribute to poor company performance.

It is apparent from the responses of the senior executives interviewed that the organisation restructurings were not achieving their performance targets resulting in further restructurings being implemented. The HR Director described poor leadership as a key reason for deviation from company strategy which resulted in increases in employee numbers and the need to restructure once again to reduce costs. The CEO described how, during the period from 2000 to 2008, he was under severe pressure from the global Head Office to reduce costs and that he made a massive restructuring error in 2000 which took him eight years to correct.

#### **Positive performance improvements: contrary results**

Positive improvements as a result of restructuring were described by the participants as the introduction of new skills and expertise into the company and the reduction of layers of management which resulted in a faster approval process for projects. The participants' perception of the early restructurings pre 1990 and early 1990 was that these were beneficial for the company as the organisation was bloated and inefficient.

Von Kroch and Kameny (2002) describe a study by Bain (2000 – 2001) which cautioned that unless the eliminated jobs remain unplaced for at least six to twelve months, a company will fail to earn financial payback. From the feedback of the HR Director, it seems that the company was unable to prevent the organisation from expanding employee numbers between restructuring exercises and this was partly to blame for the continual cycle of restructuring. The need to restructure every two years appears to indicate that the restructurings were unsuccessful in achieving the financial performance improvements required.

In this section, the consequence of restructuring on company performance is discussed. According to the senior executives, the rationale for restructuring was ultimately to improve financial performance of the company. It is not evident from the responses of the participants that the company was successful in achieving this aim.

#### **Summary of discussion**

Although the participants described the rationale for the repeated restructurings and downsizing as multi-faceted, it is clear from their responses that cost reduction was a large

element of many of these exercises. Other reasons given included the need to change the demographic profile of the company to meet legislative requirements as well as strategic merging of geographic regions of the company. The performance goal of cost reduction appears not to have been achieved as indicated by both the participants and the senior executives interviewed for context.

According to the participants, repeated restructurings led employees to become distrustful regarding the messaging and to become suspicious of management's stated rationale. The leadership team were described by the participants as being ill-equipped to manage the restructuring processes. Leaders were criticised by participants for being ill-disciplined with regard to adhering to strategic goals. They described how this led to the continual cycle of restructuring every two years which the participants believe resulted in negative responses from employees remaining in the company including distrust, cynicism, anxiety, job insecurity which, in turn, negatively affected morale and employee productivity.

Survivor sickness is serious and complex, and creating organisational systems that will prevent the recurrence of survivor sickness should be a key priority of organisation leaders (Noer, 1995). Organisational commitment of remaining employees after a restructuring exercise is positively related to their trust in management and their perception of fairness. Remaining employees need to feel that they have a sense of control and that their actions make a difference (Brockner et al., 2004).

Leaders need to get people excited about new organisational realities and to solidify a fresh set of perceptions, expectations and behaviours (Marks, 2004). The role of the CEO is crucial in leading a company through a restructuring exercise. A transformational leader needs emotional stability and sharp intellect (Denton & Vloeberghs, 2001).

Remaining employees should be given a reason to stay. Changes to job expectations, performance appraisal systems and compensation policies are some ways to foster a new culture. Rebuilding morale and commitment initiatives could include such activities as employee meetings or focus groups, re-evaluated jobs, training programmes, employee satisfaction surveys, counselling and stress management programmes, and morale boosting events (Burke & Nelson, 1997).

It appears, from the responses of the participants, that the company did little to rebuild morale of remaining employees after a restructuring had taken place. The only activities undertaken were the Staff Satisfaction Survey and the occasional morale boosting event in the form of a celebratory dinner. The celebratory dinners appeared not to have achieved their goal of boosting morale, according to participants, as the leaders at these events were callous and dismissive about the employees who had left the company. Remaining employees were not offered counselling, nor stress management programmes and yet these were acknowledged by participants as needed. It is proposed that, in line with recommendations by Burke and Nelson (1997), the company consider implementation of these measures to mitigate survivor syndrome and employee attrition.

Other ways to revitalise a company besides restructuring should be explored through alternatives such as normal attrition, hiring freeze, job sharing, reducing pay raises, pay cuts to keep jobs, altering work hours and leave without pay (Burke & Nelson 1997). If employers show that they are thinking beyond normal parameters when it comes to the issue of their employees, the employees will be more inclined to respond in kind and give back in the long run (Von Krogh & Kemeny, 2002). An attempt at an alternative to restructuring was undertaken by the company in 2015 as they did not offer annual salary adjustments to any employees.

If restructuring and downsizing continues to be used by the company as a tool to reduce costs or meet new strategic objectives, it needs to be managed better. The process needs to be as caring and transparent as possible to employees, both those who leave and those who stay. Communication is critical to the success of the restructuring process. This is emphasised by Iain Conn, former CEO of BP's global downstream organisation, who describes that leaders need to communicate regularly to reinforce the message. He explains that it is important to communicate with both employees whose jobs are at risk and the employees who will stay with the company and who the company rely on to make it successful (Heidari-Robinson & Heywood, 2016).

Participants described that the company continues to undertake restructuring on a regular basis but has changed its' modus operandi in the last few years. The company has started restructuring exercises that address one department at a time. It is assumed that this is a

strategy to reduce the level of employee anxiety in the company by limiting the scope of the exercise. According to participants, this has meant that the company is perpetually in a state of restructuring. Participants described that employees in the department currently being restructured have had to sign confidentiality agreements stating that they will not discuss the restructuring exercise with other employees outside the department.

Heidari-Robinson and Heywood (2016) specify that it is critical to communicate through the process as secrecy causes distress. This is supported by the HR Director who emphasised the need to communicate regularly to prevent employees coming to their own conclusions regarding the restructuring process. The current process being followed at the company is potentially perpetuating employee distrust and suspicion in management's intentions and does not indicate an environment of employee engagement and inclusion. This practice is potentially harmful to employee's morale with negative consequences for company performance.

## CHAPTER 7: RECOMMENDATIONS FOR FUTURE RESEARCH, RECOMMENDATIONS FOR CHANGE MANAGERS AND CONCLUSION

A review of literature indicates limited research, globally, on the effect on employee morale and performance of companies undertaking multiple restructurings. In addition, there is little research on the effect of restructuring and downsizing on employees in South Africa. It is recommended that further research on multiple restructurings in the South African context is undertaken, both in the oil industry context and other industries to validate the results of this research.

It would be interesting to assess whether the findings in the South African oil industry are similar to the experiences in oil companies across the world. A research project that assesses the effect on oil company employees and company performance in countries other than South Africa would be a recommended area of future research. Further research could extend into the non-oil industry globally.

If it was possible to gain permission from an oil company, it would be valuable to compare the findings of this research project to the responses of employees who are still currently employed in a company that had restructured on multiple occasions. In addition, with permission from the company, it would be valuable to compare absenteeism rates and levels of employee resignation with periods of restructuring to validate whether there is a spike in these statistics during restructuring. Lastly, it would be valuable to study the financial performance of a company pre and post a restructuring exercise to assess whether predicted cost reduction targets are achieved and for how long these cost savings remain reflected in the company's financial performance.

It is a recommendation of this research that Change Managers consider exploring alternative actions before embarking on a restructuring process as a first choice to alleviate cost pressures. Some examples of alternatives given in literature include freezing empty positions where possible, reducing employee numbers through natural attrition, reducing pay in exchange for keeping jobs, offering unpaid leave, job sharing and withholding salary increases.

For various reasons, restructurings are sometimes inevitable. Strong, transformational leadership is required to successfully implement a restructuring. Care should be taken by companies to appoint a leader with the charisma, emotional maturity and intellect to build trust amongst employees. Furthermore, honesty and openness in communication is key to building that trust. It is imperative, therefore, to ensure that company leaders are appointed with great consideration to ensure that they are adequately qualified for the role and have the ability to undertake transformation and performance improvement in line with company strategy without alienating and demoralising employees.

Where restructuring is inevitable, it is a recommendation of this research that training and counselling of remaining employees be given priority to assist with stress management and other symptoms of survivor syndrome.

In conclusion, the aim of this study was to investigate the experience of multiple restructuring on people and organisations in the South African oil industry. Investigation of this research question was undertaken using a case study and qualitative research method. In-depth interviews of employees of an oil company in South Africa were undertaken. Through these interviews, the personal experiences of employees who had been exposed to multiple restructurings were analysed. Similarly, two members of senior management responsible for the implementation of a number of these restructurings were interviewed and their responses provide context.

Organisational restructurings took place almost every two years from 1990 to 2015 at the oil company that is the subject of this research. Participants of the research described the reasons for these restructurings as numerous, including the need to respond to political pressure to change the demographic profile of the company, economic pressure to reduce costs, poor adherence to company strategy, poor leadership discipline and pressure from the global Head Office overseas.

The results of the research indicate that distrust and cynicism grew amongst employees with repeated exposure to restructurings. Furthermore, participants of the research believed that the senior leadership team were ill-equipped to run a restructuring process, particularly post 2000. The consultation process appeared to do nothing to improve employees' trust in

management. According to the participants, employees believed that restructuring was not being undertaken by the company in good faith.

The literature review in Chapter 2 describes the key role that leaders in an organisation play in managing a restructuring process. It is evident from the literature that engaging trusted leaders through a restructuring process is crucial. Transformational leaders are needed to lead an organisation through a restructuring process and to motivate remaining employees thereafter. The findings of this research indicate that these leadership traits were, in the main, not present. The continual restructurings, year after year, resulted in employees having little faith in leadership abilities in the company.

According to the participants in this research, many remaining employees suffered from feelings of survivor's guilt and low morale as a result of their exposure to repeated restructurings. The research results indicate that the company did little to assist these remaining employees to cope with these negative feelings. Corporate memory loss as a result of the removal of layers of experienced middle managers from the company's organisation structure created role ambiguity and tension between departments as portfolios were redistributed amongst remaining employees. Workloads were dramatically increased amongst remaining employees resulting in further stress and stress-related health problems, absenteeism and resignation.

The rationale for restructuring was ultimately to improve financial performance of the company. It is not evident from the responses of the participants, neither the employees affected by the restructurings nor the management responsible for the implementation of these, that the company was successful in achieving this aim. The results of this research highlight that repeated restructurings were, to a large extent, the outcome of the leadership team being unable to keep to defined company strategy.

The indications from the results of this research are that repeated restructurings fail to achieve performance improvement at companies. Instead, the results indicate that repeated restructurings appear to lead to poor employee morale, resultant poor productivity and a high level of intention to quit.

It is hoped that the findings of this research will contribute to the current limited research in literature on the consequences of multiple restructurings on people and organisations to positively benefit future organisations.

## REFERENCES

- Aladwan, K., Bhanugopan, R., & Fish, A. (2013). Why do employees jump ship? Examining intent to quit employment in a non-western cultural context. *Employee Relations*, 35(4), 408-422. doi:10.1108/ER-03-2012-0027
- Allan, P. (1997). Minimizing employee layoffs while downsizing: Employer practices that work. *International Journal of Manpower*, 18(7), 576.
- Appelbaum, S. H., Bethune, M., & Tannenbaum, R. (1999). Downsizing and the emergence of self-managed teams. *Part and Emp: An Int Jnl*, 7(5), 109-130. doi:10.1108/14634449910287837
- Appelbaum, S. H., Close, T. G., & Klasa, S. (1999). Downsizing: An examination of some successes and more failures. *Management Decision*, 37(5), 424-437. doi:10.1108/00251749910274207
- Appelbaum, S. H., Delage, C., Labib, N., & Gault, G. (1997). The survivor syndrome: Aftermath of downsizing. *Career Dev Int*, 2(6), 278-286. doi:10.1108/13620439710178639
- Appelbaum, S. H., & Donia, M. (2000). The realistic downsizing preview: A management intervention in the prevention of survivor syndrome (part I). *Career Dev Int*, 5(7), 333-350. doi:10.1108/EUM0000000005384
- Appelbaum, S. H., & Donia, M. (2001). The realistic downsizing preview: A management intervention in the prevention of survivor syndrome (part II). *Career Dev Int*, 6(1), 5-19. doi:10.1108/13620430110380990
- Appelbaum, S. H., & Donia, M. (2001). The realistic downsizing preview: A multiple case study, part II: Analysis of RDP model: Results of data collected and proposed new model. *Career Dev Int*, 6(4), 193-211. doi:10.1108/13620430110397497
- Appelbaum, S. H., Everard, A., & Loretta, T. S. H. (1999). Strategic downsizing: Critical success factors. *Management Decision*, 37(7), 535-552. doi:10.1108/00251749910285674

- Appelbaum, S. H., Henson, D., & Knee, K. (1999). Downsizing failures: An examination of convergence/reorientation and antecedents – processes – outcomes. *Management Decision*, 37(6), 473-490. doi:10.1108/00251749910277961
- Appelbaum, S. H., Leblanc, M., & Shapiro, B. T. (1998). The aftermath of downsizing. *Journal of Mgmt Development*, 17(6), 402-431. doi:10.1108/02621719810210992
- Appelbaum, S. H., Suzanne Lavigne-Schmidt, Peytchev, M., & Shapiro, B. (1999). Downsizing: Measuring the costs of failure. *Journal of Mgmt Development*, 18(5), 436-463. doi:10.1108/02621719910273578
- Band, D. C., & Tustin, C. M. (1995). Strategic downsizing. *Management Decision*, 33(8), 36-45. doi:10.1108/00251749510093923
- Barron, C. (2015, 12 April 2015). Nicolau tears into Carroll. *Sunday Times*, pp. 3.
- Baruch, Y., & Hind, P. (2000). "Survivor syndrome" – a management myth? *Journal of Managerial Psych*, 15(1), 29-45. doi:10.1108/02683940010305289
- Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *The Qualitative Report*, 13(4), 544-559.
- Beylerian, M., & Kleiner, B. H. (2003). The downsized workplace. *Management Research News*, 26(2), 97-108. doi:10.1108/01409170310783817
- Bishop, J. W., Goldsby, M. G., & Neck, C. P. (2002). Who goes? Who cares? Who stays? Who wants to? *Journal of Managerial Psych*, 17(4), 298-315. doi:10.1108/02683940210428100
- Bloomberg. (2015, 10 March 2015). Oil price drag has Sasol conserving \$4.2bn cash. *Cape Times*, pp. 4.
- Boddy, C. R. (2016). Sample size for qualitative research. *Qualitative Mkt Res: An International Journal* 19(4), 426-432. doi:10.1108/QMR-06-2016-0053

Bontis, N., & Serenko, A (2016). Understanding counterproductive knowledge behavior: antecedents and consequences of intra-organizational knowledge hiding. *Journal of Knowledge Management*, 20 (6), 1199-1224, <https://doi.org/10.1108/JKM-05-2016-0203>

BP announces North Sea job cuts. (2015). Retrieved from <http://www.bbc.co.uk/news/uk-scotland-scotland-business-30817678>

Brauer, M., & Laamanen, T. (2014). Workforce downsizing and firm performance: An organizational routine perspective. *Journal of Management Studies*, 51(8), 1311-1333. doi:10.1111/joms.12074

Brauer, M., & Zimmerman, M. (2017). Investor response to workforce downsizing. *Journal of Management* doi: 10.1177/0149206317734901

Braun, V., & Clarke, V. (2013). In Carmichael M. (Ed.), *Successful qualitative research*. Croyden, CR0 4YY: SAGE.

Brockner, J., Spreitzer, G., Mishra, A., Hochwarter, W., Pepper, L., & Weinberg, J. (2004). Perceived control as an antidote to the negative effects of layoffs on survivors' organizational commitment and job performance. *Administrative Science Quarterly*, 49(1), 76-100.

Bryer, K. (2015, March 31 2015). Chevron's refinery blues just ordinary jazz. *Cape Times*, pp. 18.

Buch, K., & Aldridge, J. (1990). Downsizing challenges and OD interventions: A matching strategy. *Journal of Managerial Psych*, 5(4), 32-37. doi:10.1108/02683949010136008

Burden, J., & Roodt, G. (2008). *The development of an organisational redesign model: Empirical research*

Burke, R. J., & Nelson, D. L. (1997). Downsizing and restructuring: Lessons from the firing line for revitalizing organizations. *Leadership & Org Development J*, 18(7), 325-334. doi:10.1108/01437739710190639

Caverley, N. (2007). Sickness presenteeism, sickness absenteeism, and health following restructuring in a public service organization. *Hum Res Mgt Intl Digest*, 15(5) doi:10.1108/hrmid.2007.04415ead.010

- Chhinzer, N. N., & Currie, E. (2014). Assessing longitudinal relationships between financial performance and downsizing. *Management Decision*, 52(8), 1474-1490. doi:10.1108/MD-05-2014-0280
- Chipunza, Crispin, Berry, David. (2010). The relationship among survivor qualities - attitude, commitment and motivation - after downsizing. *African Journal of Business Management*, 4(5), 604-9.
- Coomber, B., & Louise Barriball, K. (2007). Impact of job satisfaction components on intent to leave and turnover for hospital-based nurses: A review of the research literature. *International Journal of Nursing Studies*, 44(2), 297-314. doi:10.1016/j.ijnurstu.2006.02.004
- Cross, B., & Travaglione, A. (2004). The times they are a-changing: Who will stay and who will go in a downsizing organization? *Personnel Review*, 33(3), 275-290.  
doi:10.1108/00483480410528823
- Cummings, G., & Estabrooks, C. A. (2003). The effects of hospital restructuring that included layoffs on individual nurses who remained employed: A systematic review of impact. *Int J of Soc & Social Policy*, 23(8), 8-53. doi:10.1108/01443330310790633
- Curtis, S. (2003). Lies, damned lies and organisational politics. *Ind and Commercial Training*, 35(7), 293-297. doi:10.1108/00197850310501703
- Datta, K., Guthrie, J., Basuil, D., Pandey, A. (2010). Causes and effects of employee downsizing: A review and synthesis. *Journal of Management*, 36(1), 281-68.  
doi:10.1177/0149206309346735
- De Villiers, J., & Kotze, E. (2003). Work-life balance: A study in the petroleum industry. *SA Journal of Human Resource Management*, 1(3), 15-23.
- De Waal, A., & Heijtel, I. (2017). Developing a change approach for the transition to a high performance organization. *Measuring Business Excellence*, 21(2), 101-116. doi:10.1108/MBE-03-2016-0015

Denton, M., & Vloeberghs, D. (2003). Leadership challenges for organisations in the new South Africa. *Leadership & Org Development J*, 24(2), 84-95. doi:10.1108/01437730310463279

Department of Energy, Republic of South Africa. (2013). *State of the downstream liquid fuels sector in South Africa*. (). South Africa: Department of Energy, Republic of South Africa.

Charter for the South African petroleum and liquid fuels industry: Empowering historically disadvantaged South Africans, (2000).

Energy security master plan, (2007).

Engen new beginnings 1990 - 2000. Retrieved from

<http://engen.hellocomputer.net/Contents/Item/Display/1529>

Dewettinck, K., & Buyens, D. (2002). Downsizing: Employee threat or opportunity? *Employee Relations*, 24(4), 389-402. doi:10.1108/01425450210435536

Doherty, N., Bank, J., & Vinnicombe, S. (1996). Managing survivors the experience of survivors in British telecom and the British financial services sector. *Journal of Managerial Psych*, 11(7), 51-60. doi:10.1108/02683949610148865

Downe-Wamboldt, B. (1992). Content analysis: Methods, applications, and issues. *Health Care Women Int.*, 13, 313 - 321.

Drew, S. A. W. (1994). Downsizing to improve strategic position. *Management Decision*, 32(1), 4.

Elangovan, A.R., Werner Auer-Rizzi, & Szabo, E. (2007). Why don't I trust you now? An attributional approach to erosion of trust. *Journal of Managerial Psych*, 22(1), 4-24. doi:10.1108/02683940710721910

Fernando Muñoz-Bullon, & Sanchez, M. J. (2010). Downsizing implementation and financial performance. *Management Decision*, 48(8), 1181-1197. doi:10.1108/00251741011076735

- Firth, L., Mellor, D. J., Moore, K. A., & Loquet, C. (2004). How can managers reduce employee intention to quit? *Journal of Managerial Psychology*, *19*(2), 170-187.  
doi:10.1108/02683940410526127
- Gilliland, S. W., & Schepers, D. H. (2003). Why we do the things we do: A discussion and analysis of determinants of just treatment in layoff implementation decisions. *Human Resource Management Review*, *13*(1), 59-83. doi:[http://dx.doi.org.ezproxy.uct.ac.za/10.1016/S1053-4822\(02\)00099-2](http://dx.doi.org.ezproxy.uct.ac.za/10.1016/S1053-4822(02)00099-2)
- Heidari-Robinson, S., Heywood, S. (2016). *ReOrg: How to get it right* (1st ed.). Boston Massachusetts: Harvard Business Review Press.
- Highlights of the South African liquid fuels summit*. (2000). (). South Africa: Hansa Reprint.
- Holtom, B. C., Mitchell, T. R., Lee, T. W., & Eberly, M. B. (2008). Chapter 5: Turnover and retention research: A glance at the past, a closer review of the present, and a venture into the future. *Academy of Management Annals*, *2*(1), 231-274.  
doi:10.1080/19416520802211552
- HSRC. (2002). Structure of the SA retail fuel industry. Retrieved from <http://www.hsrcpress.ac.za>
- IJ Hetty, V. E., & Euwema, M. C. (2008). The aftermath of organizational restructuring. *Journal of Managerial Psych*, *23*(7), 833-849. doi:10.1108/02683940810896367
- Ji, Y., Guthrie, J. P., & Messersmith, J. G. (2014). The tortoise and the hare: The impact of employment instability on firm performance. *Human Resource Management Journal*, *24*(4), 355-373. doi:10.1111/1748-8583.12052
- John Kammeyer-Mueller, Liao, H., & Arvey, R. D. (2003). Downsizing and organizational performance: A review of the literature from a stakeholder perspective. (pp. 269-329) Emerald Group Publishing Limited. doi:doi:10.1016/S0742-7301(01)20006-1
- June M.L. Poon. (2004). Effects of performance appraisal politics on job satisfaction and turnover intention. *Personnel Review*, *33*(3), 322-334. doi:10.1108/00483480410528850

- Karkoulian, S., Mukaddam, W., McCarthy, R., & Leila, C. M. (2013). Job insecurity: A whirlpool of chronic powerlessness. *Education, Business & Society*, 6(1), 55-70.  
doi:10.1108/17537981311314727
- Kohibacher, F. (2006). The use of qualitative content analysis in case study research. *Forum: Qualitative Social Research*, 7(1), 21-41.
- Lane, D. A. (1988). Redundancy counselling for those still in employment. *Journal of Managerial Psychology*, 3(4), 13.
- Lee, J., & Martin Corbett, J. (2006). The impact of downsizing on employees' affective commitment. *Journal of Managerial Psych*, 21(3), 176-199.  
doi:10.1108/02683940610659542
- Liao, J. (2005). Corporate restructuring, performance and competitiveness: an empirical examination. *An International Business Journal*, 15(1) 33-48. doi:10.1108/cr.2005.15.1.33
- Liquid fuels charter in the spotlight. (2013). Retrieved from  
[http://www.parliament.gov.za/live/content.php?item\\_AD=4777](http://www.parliament.gov.za/live/content.php?item_AD=4777)
- Liquid fuels industry short on BEE charter. (2013). Retrieved from  
<http://parlyreportsa.co.za/bee/liquid-fuels-industry-short-transformation/>
- Loi, R., Ngo Hang-Yue, & Foley, S. (2006). Linking employees' justice perceptions to organizational commitment and intention to leave: The mediating role of perceived organizational support. *Journal of Occupational & Organizational Psychology*, 79(1), 101-120.
- Long, B. S. (2012). The irresponsible enterprise: The ethics of corporate downsizing. (pp. 295-315) Emerald Group Publishing Limited. doi:10.1108/S2043-9059(2012)0000004021
- Long, B. S. (2012). The irresponsible enterprise: The ethics of corporate downsizing. (pp. 295-315) Emerald Group Publishing Limited. doi:10.1108/S2043-9059(2012)0000004021
- MacGregor, J. N., Barton Cunningham, J., & Caverley, N. (2008). Factors in absenteeism and presenteeism: Life events and health events. *Management Research News*, 31(8), 607-615.  
doi:10.1108/01409170810892163

- Marketline. (2014). Oil & gas industry profile: South Africa. *Oil & Gas Industry Profile: South Africa*, 1-35.
- Marks, M. L., & De Meuse, K. P. (2005). Resizing the organization: Maximizing the gain while minimizing the pain of layoffs, divestitures, and closings. *Organizational Dynamics*, 34(1), 19-35. doi:10.1016/j.orgdyn.2004.11.005
- Marks, M. L. (2007). A framework for facilitating adaptation to organizational transition. *Journal of Org Change Mgmt*, 20(5), 721-739. doi:10.1108/09534810710779126
- MARKS, M. L. (2006). Workplace recovery after mergers, acquisitions, and downsizings: Facilitating individual adaptation to major organizational transitions. *Organizational Dynamics*, 35(4), 384-399. doi:<http://dx.doi.org.ezproxy.uct.ac.za/10.1016/j.orgdyn.2006.08.004>
- Marques, T., Galende, J., Cruz, P., & Manuel, P. (2014). Surviving downsizing and innovative behaviors: A matter of organizational commitment. *Int J of Manpower*, 35(7), 930-955. doi:10.1108/IJM-03-2012-0049
- Matsho, J. (2010). *The retail petrol industry in South Africa* (M.Com in Economics).
- Miles, M., & Huberman, A. (1984). *Qualitative data analysis. A sourcebook of new methods*. London: SAGE.
- Minnick, D. J., & Ireland, R. D. (2005). Inside the new organization: A blueprint for surviving restructuring, downsizing, acquisitions and outsourcing. *Journal of Business Strategy*, 26(1), 18-25. doi:10.1108/02756660510575014
- Mokoena, J. K. J., & Lloyd, P. J. D. (2005). A business model to overcome barriers to entry in the South African downstream petroleum industry. *Journal of Energy in Southern Africa*, 16(2)
- Mondliwa, P., & Roberts, S. (2014). *Review of economic regulation of liquid fuels and related products*. (). Johannesburg, South Africa: Centre for Competition, regulation and Economic Development.
- Moran, J. W., & Brightman, B. K. (2001). Leading organizational change. *Career Dev Int*, 6(2), 111-119. doi:10.1108/13620430110383438

- Morden, T. (1997). A strategic evaluation of re-engineering, restructuring, delayering and downsizing policies as flawed paradigm. *Management Decision*, 35(3), 240-249.  
doi:10.1108/00251749710169459
- Morgan, D. (1993). Qualitative content analysis: A guide to paths not taken. *Qual. Health Res.*, 3, 112-121.
- Nelissen, P., & Martine, v. S. (2008). Surviving organizational change: How management communication helps balance mixed feelings. *Corp Comm: An Int Jnl*, 13(3), 306-318.  
doi:10.1108/13563280810893670
- Newell, H., & Dopson, S. (1996). Muddle in the middle: Organizational restructuring and middle management careers. *Personnel Review*, 25(4), 4-20. doi:10.1108/00483489610123191
- Newell, H., & Dopson, S. (1996). Muddle in the middle: Organizational restructuring and middle management careers. *Personnel Review*, 25(4), 4.
- Nielsen, W. R., Saccoman, J. L., & Nykodym, N. (1995). Individual influence in organizational change. *Leadership & Org Development J*, 16(1), 35-39. doi:10.1108/01437739510076458
- Nkomo, J. C. (2006). Crude oil price movements and their impact. *Journal of Energy in Southern Africa*, 17(4), 25.
- Nkomo, J. C. (2009). Energy security and liquid fuels in South Africa. *Journal of Energy in Southern Africa*, 20(1), 20.
- Noer, D. M. (1995). Center for creative leadership. *Journal of Mgmt Development*, 14(5), 27-38.  
doi:10.1108/02621719510081241
- Oil & gas industry profile: South Africa. (2013). *Oil & Gas Industry Profile: South Africa*, , 1-32.
- Palliam, R., & Zeinab, K. S. (2002). Rationalizing corporate downsizing with long-term profitability – an empirical focus. *Management Decision*, 40(5), 436-447.  
doi:10.1108/00251740210430425
- Paton, J., Foley, B., & Carroll, J. (2015, ). Chevron pulls out of Australian shale. *Cape Times*

- Results of liquid fuels charter audit poor. (2012). Retrieved from <http://www.sanews.gov.za/south-africa/results-liquid-fuels-charter-audit-poor>
- Reuters. (2015, 17 March 2015). Shell quits fracking projects as energy prices fall. *Cape Times*
- Richter, A., Näswall, K., De Cuyper, N., Sverke, M., De Witte, H., & Hellgren, J. (2013). Coping with job insecurity Exploring effects on perceived health and organizational attitudes. *Career Development International*, 18(5), 484-502. doi:10.1108/CDI-06-2013-0081
- Ryan, C. (1997). Management and consultants. *Financial Mail*,
- SAPIA: The petroleum industry's contribution to South Africa. (2016). Retrieved from [http://www.sapia.org.za/doc/SAPIA\\_15\\_November\\_Final.pdf](http://www.sapia.org.za/doc/SAPIA_15_November_Final.pdf)
- Schenkel, A., & Teigland, R. (2016). Why doesn't downsizing deliver? A multi-level model integrating downsizing, social capital, dynamic capabilities and firm performance. *International Journal of Human Resource Management*. doi: 10.1080/09585192.2015.1130734
- Schmitt, A., Borzillo, S., Probst, G. (2011). Don't let knowledge walk away: Knowledge retention during employee downsizing. *Management Learning*, 43(1), 53-10. doi:10.1177/1350507611411630
- Sitlington, H., & Marshall, V. (2011). Do downsizing decisions affect organisational knowledge and performance? *Management Decision*, 49(1), 116-129. doi:10.1108/00251741111094473
- Sitlington, H., & Marshall, V. (2011). Do downsizing decisions affect organisational knowledge and performance? *Management Decision*, 49(1), 116-129. doi:10.1108/00251741111094473
- Sitlington, H., & Marshall, V. (2011). Do downsizing decisions affect organisational knowledge and performance? *Management Decision*, 49(1), 116-129. doi:10.1108/00251741111094473
- Smollan, R. K. (2015). Causes of stress before, during and after organizational change: A qualitative study. *Journal of Organizational Change Management*, 28(2), 301-314. doi:10.1108/JOCM-03-2014-0055

- Spreitzer, G. M., & Mishra, A. K. (2002). To stay or to go: Voluntary survivor turnover following an organizational downsizing. *Journal of Organizational Behavior*, 23(6), 707-729.
- Stephen A.W. Drew. (1994). Downsizing to improve strategic position. *Management Decision*, 32(1), 4-11. doi:10.1108/00251749410050624
- Swart, C. J. (2010). *The South African liquid fuels market: Yesterday, today and tomorrow* (MBA).
- Tânia Marques, Jesús Galende, Cruz, P., & Manuel, P. F. (2014). Surviving downsizing and innovative behaviors: A matter of organizational commitment. *Int J of Manpower*, 35(7), 930-955. doi:10.1108/IJM-03-2012-0049
- Thornhill, A., & Saunders, M. N. K. (1997). Downsizing, delaying--but where's the commitment? *Personnel Review*, 26(1), 81.
- Thornhill, A., & Saunders, M. N. K. (1998). The meanings, consequences and implications of the management of downsizing and redundancy: A review. *Personnel Review*, 27(4), 271.
- Ugboro, I. O. (2006). Organizational commitment, job redesign, employee empowerment and intent to quit among survivors of restructuring and downsizing. *Journal of Behavioral & Applied Management*, 7(3), 232-257.
- Vaismoradi, M., Turunen, H., & Bondas, T. (2013). Content analysis and thematic analysis: Implications for conducting a qualitative descriptive study. *Nursing & Health Sciences*, 15(3), 398-405. doi:10.1111/nhs.12048
- Van, S., Schalk, R., & Freese, C. (2013). Organizational change and the psychological contract. How change influences the perceived fulfilment of obligations. *Journal of Organizational Change Management*, 26(6), 1071-1090. doi:10.1108/JOCM-08-2012-0118
- Vecchiatto, P. (2014). Cape town harbour to get R650m multi-purpose storage facility. Retrieved from <http://www.bdlive.co.za/business/trade/2014/09/18/cape-town-harbour-to-get-r650m-multi-purpose-storage-facility>
- Virick, M., Lilly, J. D., & Casper, W. J. (2007). Doing more with less. *Career Dev Int*, 12(5), 463-480. doi:10.1108/13620430710773772

von Krogh, G., & Kameny, M. (2002). Leap before you layoff:: Look for creative alternatives. *European Management Journal*, 20(6), 664-670.

doi:[http://dx.doi.org.ezproxy.uct.ac.za/10.1016/S0263-2373\(02\)00121-4](http://dx.doi.org.ezproxy.uct.ac.za/10.1016/S0263-2373(02)00121-4)

Wakeford, J. (2013). Peak oil and the transition to a sustainable economy in South Africa., 832.

Webster, E., & Omar, R. (2003). Work restructuring in post-apartheid South Africa. *Work & Occupations*, 30(2), 194-213. doi:10.1177/0730888403251681

White paper on the energy policy of the republic of South Africa, ISBN: 0-9584235-8-X, (1998).

Wocke, A. (2009). Downsizing is a risky business. Retrieved from <http://hrfuture.net/reward-finance-tax/downsizing-is-a-risky-business>

Yin, R. K. (2013). Validity and generalization in future case study evaluations. *Evaluation*, 19(3), 321-11. doi:10.1177/1356389013497081

## APPENDICES

### Appendix 1: Database searches for literature on multiple restructuring

Key words searched: Organisational restructuring, multiple restructuring in South African organisations, multiple restructuring and downsizing, re-organisation, layoffs and morale, oil industry in South Africa, retrenchment and company performance, repetitive restructuring.

<b>Source</b>
UCT Library – Aleph Catalogue
Emerald Insight
EbscoHost
ScienceDirect
Sage Journals Online
Google Scholar
Google

## Appendix 2: Interview schedule for employee representatives

Senior managers, middle managers and junior employees who either retired, were retrenched or left the company voluntarily during the past twenty years. They will have experienced multiple restructurings and downsizing and will have been remaining employees or survivors on a number of occasions as a result.

### **Introduction to the study and participant details:**

- Thank the person for agreeing to participate and explain the purpose of the study.
- Ask if comfortable with the contents of the informed consent form; whether they have any queries or concerns.
- Ask the participant for these details – which I will note: the number of restructuring exercises that were experienced by the participant before leaving the company, position in the company and grade at time of leaving, years of company experience, reason for leaving i.e. resignation, retirement, retrenchment, voluntary retrenchment.
- Participant demographic profile will be noted: age, race, gender.

### **Focus of interview:**

<p><b>Initial experience of restructuring</b></p>	<ul style="list-style-type: none"> <li>• When you think back to your career at the company can you recall when the first round of restructuring took place?</li> <li>• How did you react to this announcement?</li> <li>• Tell me about your impression of how others around you felt when hearing the announcement of a restructuring.</li> <li>• Describe the period during the consultation process from a work perspective.</li> <li>• Describe the period during consultation from the perspective of employee behaviour and morale.</li> <li>• If you had been offered an equivalent position with all the same benefits, would you have considered leaving the company?</li> </ul>
<p><b>Post restructuring performance</b></p>	<ul style="list-style-type: none"> <li>• Once the new structure was announced and those who were identified for retrenchment were notified, how did you react to the employees who were leaving?</li> <li>• What is your impression of how the company handled the departure of employees? Why do you say that?</li> <li>• Once the retrenched employees had left the company, what were some of the consequences? In the first few weeks? In the months thereafter?</li> <li>• Can you describe some positive outcomes to the restructuring exercise</li> <li>• Can you describe some negative outcomes to the restructuring exercise?</li> </ul>
<p><b>Implementation of the following restructuring.</b></p>	<ul style="list-style-type: none"> <li>• You experienced multiple restructurings. Tell me about how you felt when you heard that the company was to reorganise again.</li> <li>• What was the reaction amongst employees to this news?</li> </ul>

	<ul style="list-style-type: none"> <li>• How did the company justify its restructuring process and how did you react to this?</li> <li>• Describe the period during the consultation process from a work perspective.</li> <li>• Describe the period during consultation from a employee morale perspective.</li> </ul>
<p><b>Post restructuring after multiple experiences</b></p>	<ul style="list-style-type: none"> <li>• After each restructuring was completed and the retrenched employees had left the company, what happened in your area of work?</li> <li>• In your view, did the restructurings achieve the company's stated purpose?</li> <li>• What were some of the positive outcomes of the restructuring?</li> <li>• What were some of the negative outcomes of the restructuring?</li> <li>• What were the challenges you faced in the aftermath of a restructuring?</li> <li>• What were the challenges faced by some of you colleagues?</li> <li>• Now that you had experienced restructuring again, if you had been offered an equivalent position with all the same benefits, would you have considered leaving the company? Why?</li> <li>• If you were in management's shoes. How would you have done things differently?</li> </ul>
<p><b>Feelings about the company post departure</b></p>	<ul style="list-style-type: none"> <li>• You left the organisation after experiencing many of these restructurings. How did you feel once you left?</li> <li>• Do you have any colleagues who are still in the company? If so, what do they say about morale in the company?</li> <li>• How do you believe the company is performing?</li> <li>• Do you believe that the restructurings were a success?</li> </ul>

### Appendix 3: Interview schedule for senior executive representative

Members of the management team responsible for the institution and implementation of the organisational restructurings.

#### **Introduction to the study and participant details:**

- Thank the person for agreeing to participate and explain the purpose of the study.
- Ask if comfortable with the contents of the informed consent form; whether they have any queries or concerns.
- Ask the participant for these details – which I will note: the number of restructuring exercises that were involved with, position in the company, years of company experience, reason for leaving i.e. resignation, retirement, retrenchment, voluntary retrenchment.
- Participant demographic profile will be noted: age, race, gender.

#### **Focus of interview:**

<p><b>Initial restructuring exercise reasons</b></p>	<ul style="list-style-type: none"> <li>• Thinking back over your tenure at the company, can you recall the first restructuring that you were instrumental in implementing?</li> <li>• Can you describe the reasons for the restructuring?</li> <li>• Were alternatives to restructuring considered? If so, what were these? Why were these alternatives not implemented instead of restructuring?</li> <li>• How did you go about communicating the decision to restructure to the employees in the company?</li> <li>• Tell me about your impression of how employees felt when hearing the news of a restructuring.</li> <li>• Describe the period during consultation from the perspective of employee behaviour and morale.</li> <li>• How did you feel during the period of restructuring?</li> </ul>
<p><b>Post restructuring performance</b></p>	<ul style="list-style-type: none"> <li>• Once the new structure was announced and those who were identified for retrenchment were notified, how did remaining employees react to the employees who were leaving?</li> <li>• What actions were undertaken by the company to assist employees who were retrenched?</li> <li>• Once the retrenched employees had left the company, what actions were undertaken by the company to assist remaining employees to adjust to the new organisation? In the first few weeks? In the months thereafter?</li> <li>• Was the restructuring successful in achieving its goals? How did you measure this?</li> </ul>
<p><b>Implementation further restructurings.</b></p>	<ul style="list-style-type: none"> <li>• You implemented multiple restructurings. Explain to me why these additional restructurings were necessary?</li> <li>• What was the reaction amongst employees to this news?</li> </ul>

	<ul style="list-style-type: none"> <li>• How did the company communicate the justification for restructuring again?</li> <li>• Describe the period during the consultation process from a work perspective.</li> <li>• Describe the period during consultation from an employee morale perspective.</li> </ul>
<b>Post restructuring after multiple experiences</b>	<ul style="list-style-type: none"> <li>• After each restructuring was completed and the retrenched employees had left the company, what happened to performance in the company in the immediate aftermath i.e. within the first few weeks? And in the months thereafter?</li> <li>• In your view, did the restructurings achieve their stated purpose?</li> <li>• What were the challenges the company faced in the aftermath of a restructuring?</li> <li>• What were the challenges faced by remaining employees?</li> <li>• If you were to undertake a restructuring again, would you do things differently? Why?</li> </ul>
<b>Feelings about the company post departure</b>	<ul style="list-style-type: none"> <li>• How do you believe the company is performing currently?</li> <li>• Do you believe that the restructurings were a success?</li> </ul>

## Appendix 4: Participant consent form

### **Informed Consent Form**

You are invited to take part in a research study being conducted by Janet Tooke as part of her Master's programme with the University of Cape Town.

#### **Purpose of the Research Study**

To explore the experiences of employees remaining in the organisation after multiple restructurings and downsizing in the South African oil industry.

You will be asked to take part in a 1 hour interview to explore your experience of multiple restructuring and downsizing when employed in the oil industry in South Africa.

The interviews will be recorded using a Dictaphone or Smartphone and then transcribed verbatim. The researcher may take some notes during the interview.

There are no known risks or dangers to you associated with this study. The researcher will not attempt to identify you with the responses to the interview, or name you as a participant in the study, nor will they facilitate anyone else's doing so.

Being a qualitative study, the dissertation report will include selected verbatim excerpts from the interview to highlight key findings and the basis of the researcher's interpretations. This report will mask the identity of the individuals and any features which might make identification possible.

I acknowledge that I am participating in this study of my own free will. I understand that I may refuse to participate or stop participating at any time without penalty. If I wish, I will be given a copy of this consent form.

\_\_\_\_\_  
Name of Participant

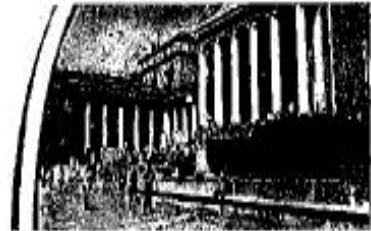
\_\_\_\_\_  
Signature of participant

\_\_\_\_\_  
Date

Appendix 5: Ethics in Research approval form



UNIVERSITY OF CAPE TOWN  
**FACULTY OF COMMERCE**  
 Fostering Knowledge and Opportunity



Ethics Approval Request for the Study entitled:

The effect of multiple restructurings on staff morale, loyalty and effectiveness in the South African oil industry

Signed by:

	Full name and signature	Date
Principal Researcher/Student:		
JANET TOOKE		18/6/2016

This application is approved by:

Supervisor		
A Schlechter		21/6/16
Co-Supervisor		
S Goodman		21/6/2016

Approved

30.07.2016

Prof U Rivett

Chair

Ethics in Research Committee

Faculty of Commerce, UCT

## Appendix 6: Example of field notes taken after each interview

Participant 1:

Number of restructurings experienced: 10 or 11

Position in the Company before Leaving: Logistics Infrastructure Manager

Grade: E

Reason for leaving: Complicated – indicated wanted to leave at 55 but took the opportunity during a reorg at 54.

Participant 1's general view was that some of the restructurings seemed to be necessary and yet others were not. He felt that it would have been better if they had been done properly once off rather than bit by bit over and over again. He indicated that there were negative and positive results from the restructurings. The company had become fat. He felt, though, that that not enough was done for those who remained. He mentioned how he struggled with his own difficult task of notifying employees that they were going to be made redundant. He also felt that repeating the exercise so many times was not the way to go about it – rather do a once off proper job. He also felt that the last restructure that he experienced in 2008 gutted the organization. It is interesting that he says that he did not feel at any stage that he would have left the company had he been offered the same position in another company and yet he flagged his desire to leave the company on early retirement. He is now self-employed full-time and has been ever since leaving Company A.

The interview went well. Participant 1 was comfortable with answering the questions, was candid and open. The interview took 40 minutes.

Appendix 7: Diagrammatic representation of the qualitative data analysis results

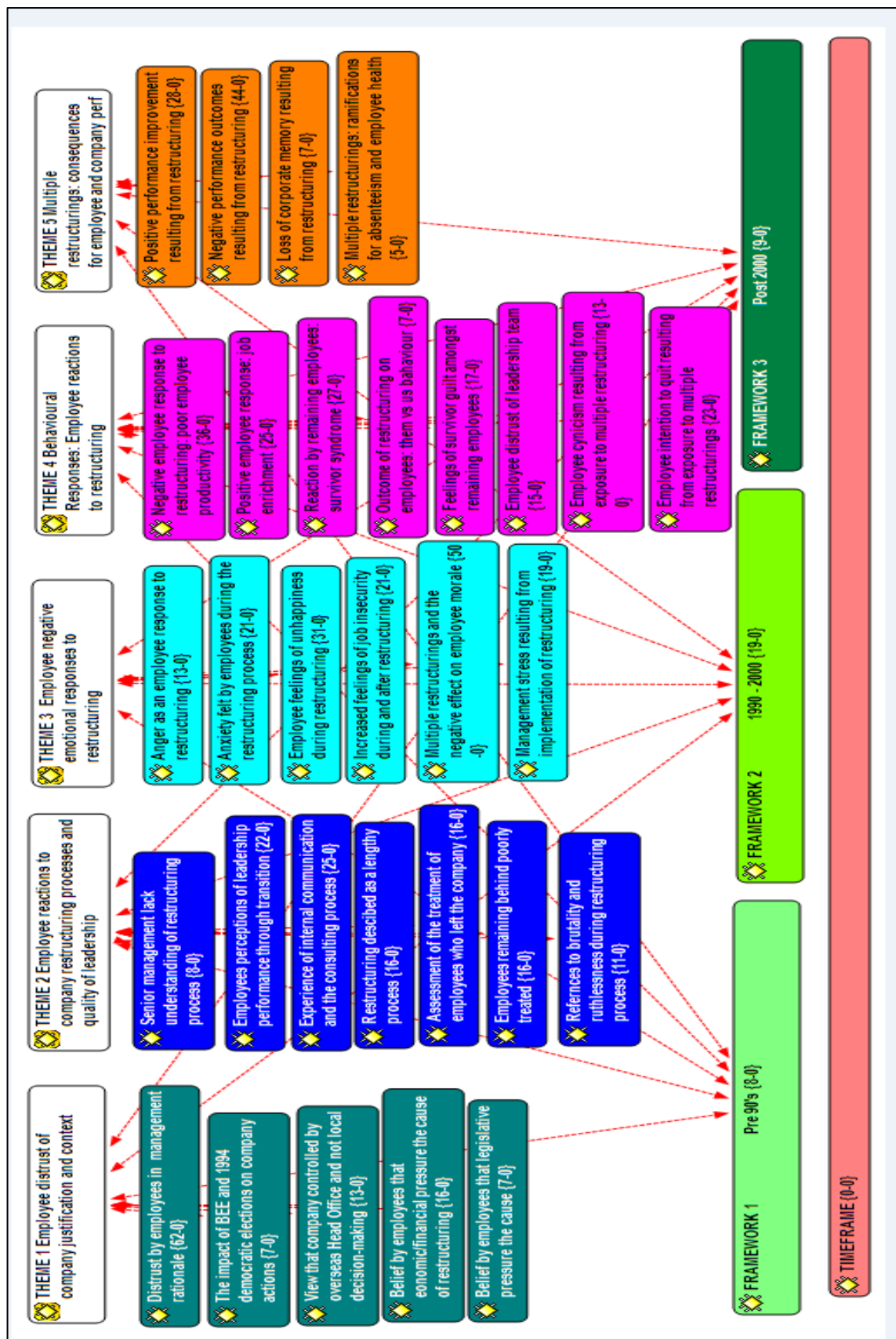


Figure 4: Diagrammatic representation of the qualitative data analysis results