Downsizing in nigerian banks essay

Finance, Banks

Abstract Introduction Backgroung to the Study This study sought to establish the relationship between downsizing and Profitability in the Nigeria banking industry, found out the effects of downsizing on the output of the employees in the industry, and determined the result of well conducted downsizing on the performances these banks. Access bank, Union Bank, First bank, Oceanic Bank were used as study organizations. Downsizing is a popular strategy used by firms for the purpose of restructuring It is a radical, discontinuities change, with significant influence on organizations, employees, and society.

Although we may find examples of downsizing in the 70s, this strategy became extremely popular in the 90s. It primarily affected blue-collar workers, but nowadays this strategy is spreading to all industries, regions, companies, and employees at all levels of skill and education. and has, therefore, become a global phenomenon. Downsizing could be realized through several forms, but all of them include reducing the number of personnel. This has caused downsizing to become a painful experiences in the life of corporations and their employees.

The main reasons for the adoption of this strategy is that the companies reported increased global competition, overstaff, increased costs, new technologies, preparation for privatization or strategic issues such as mergers, acquisitions, outsourcing, etc. In the attempt to examine the effectiveness of this strategy, numerous studies have been realized. However, despite the frequent use and popularity of this strategy, most of the empirical evidence fails to support the thesis that downsizing improves organizational performance. Some studies have investigated the impact of downsizing on the intangible firm’s assets.

They have found that downsizing had negative influence on many intangible assets, for example, social capital, organizational learning capacity, employee commitment, etc. However, there are only a few studies that investigated the impact of downsizing on corporate reputation. This intangible resource has become a very important resource for organizations since it can be a source of sustainable competitive advantage. Recently, the interest in how downsizing affects the corporate reputation has resulted in two kinds of studies: indirect and direct.

Indirect studies investigate the impact of downsizing on reputation through other aspects of the firm, while direct studies investigate direct impact of downsizing on reputation. Within indirect studies, there is the opinion that if downsizing has a positive impact on financial performance, downsizing will have a positive impact on reputation. However, as the empirical evidence shows that downsizing does not always improve the performance, it appears that downsizing in most cases has a negative influence on reputation.