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INFLUENCE OF RETRENCHMENT STRATEGY ON PERFORMANCE OF SAMEER AFRICA IN NAIROBI CITY COUNTY, KENYA

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Abstract: **The entry of new competition from imported tires and independent suppliers has had a significant impact on operating costs in Sameer Africa. This impact has manifested itself in the form of lower sales volumes leading to lower profits. This study examined the influence of retrenchment strategy on performance of Sameer Africa in Nairobi City County, Kenya. The study applied a descriptive research design. The unit of analysis was Samer Africa in Nairobi City County, Kenya, and the unit of observation was 630 employees drawn from the following departments; Sales and Marketing, Operations, Human Resources, Information and Technology, Imports and Clearing, Audit and Risk Management. Proportional stratified sampling was used in the study to select samples from various subsets of the target population in order to ensure adequate representation of all cases. Simple random sample selection was used to select the sample size of 245 respondents. With the help of a semi-structured questionnaire, primary data was gathered. The questionnaire was piloted on 25 respondents from the same organization who weren't part of the main study in order to test its validity and reliability. The means and standard deviations of descriptive statistics were used to analyze quantitative data. The data were presented using tables and graphics. Correlation analysis and multiple analysis were used in inferential statistics to ascertain the relationship between the independent and dependent variables. The study discovered that the performance of Sameer Africa in Nairobi City County, Kenya, is positively and significantly impacted by reemployment strategy. The study concluded that retrenchment is a cost-management strategy that removes goods and services from the market and lessens competition. The study recommended that the management of the company can for divestment strategy is the case of severity of competition and the inability of the organization to cope with it.**

Keywords: **Retrenchment Strategy, Organizational Performance.**

1. INTRODUCTION

In order to accomplish their goals, organizations have recently felt the need to think strategically, and how to increase corporate performance and effectiveness has long been a key strategic management concern (Goldman, Scott & Follman, 2015). The primary objective that business organizations in particular should work toward, according to Goldman and Casey (2017), is improving organizational performance in comparison to rivals. As a result, it is stated that a strategic suit among what the environment needs and what the firm offers, as well as among what the company desires and what the environment can offer, is necessary for an enterprise to evolve to a volatile environment.

The success of any organization depends on its strategic responsiveness and strategic proactivity, as well as how these are adapted to environmental upheavals, according to Maltz, Shenhar, and Reilly (2016); Saadat and Saadat (2018) claim that providing superior quality services is a critical element in enhancing organizational performance in a globalized market. Additionally, according to Saadat and Saadat (2018), organizational control makes use of provider nice as a lever to benefit a aggressive side by using expertise how customers view provider great. in an effort to enhance organizational performance, it's far critical that the top management crew of an organization become aware of and put in force effective response techniques.

Dynamic capabilities and the ability to build and repurpose internal and external capabilities to respond to the ever-evolving world, as demonstrated by (Zollo & Winter, 2017) are key drivers of organizational response. For instance, Masnan, Saad, and Ramlee (2018) demonstrate how Malaysian SMEs seek to improve their business operations by utilizing both adaptive and sensing capabilities that serve as catalysts to swiftly react to rapid changes in foreign markets. These SMEs use both internal and external dynamic capabilities to adapt to shifting market conditions and technological advancements. As a result, information creation, analysis, and dissemination about clients, rivals, and generation have a high-quality effect at the performance of Malaysian SMEs.

In order to improve the strategic performance of the Nigerian manufacturing sector, firms should continue to concentrate on their resources and capabilities, according to Adamade and Gunu's (2017) is an observation that firm strategic factors influence return on invested capital in other Nigerian production firms. Similarly, Olamide (2018) found that despite experiencing difficulties in the business environment, such as steadily rising production costs, constant foreign competition from unrestricted imports of manufactured products, inconsistent public policies toward manufacturing, and multiple taxes imposed on the manufacturing sector by different tiers of government, Nigeria's We observe that major manufacturing firms have survived and are performing reasonably well. There is therefore a strong need for Nigerian manufacturing firms to create conditions that allow them to fully utilize their resources and capabilities.

Organizations find themselves in a position where they must not only cope with changes in the environment, but actually expect them. According to Pearce and Robinson (2016), liberalization and globalization have exposed markets to environmental forces, and Acur and Englyst (2018) claim that companies have had to reconsider their advertising and marketing strategies so that it will adapt to a greater aggressive environment. Therefore, in order to succeed in a given industry, a company must choose a strategic behavior mode that corresponds to the amount of turbulence in the environment and build a resource capability that supports that mode.

According to Andrews, Boyne, and Walker (2016), performance of a firm is the level to which a agency's targets are being or have been executed. Organizational effectiveness additionally gauges how correctly a business enterprise makes use of its resources to meet its objectives. It’s far the manner of evaluating the actual effects of a enterprise's regulations and operations to set goals and goals. The general financial and non-financial well-being of a organization over the years is measured through organizational performance, according to Richard, Deviney, Ip, and Johnson (2019). As a result, a number of qualitative and quantitative indicators are used to evaluate organizational success. These include achieving financial goals, satisfying customer needs, offering high-quality goods and services, fostering originality and creativity, and retaining employees.

Strategic response represents an organization's ability to respond appropriately to fluctuations in external environmental factors and has become an important means of addressing challenges arising from environmental changes resulting from the business environment (Brandts & Charness, 2016). According to Parnell, Lester and Menefee (2018) According to them, a hard and fast of movements and interventions that bring about the introduction and execution of a plan intended to accomplish business targets is known as a strategic response. Thus, a strategic response is a strategy followed by a firm and is typically brought on by ongoing changes in the outside environment.

Kapkoi (2016) observed that Sameer Africa Limited utilizes a variety of response strategies to handle the challenging business environment, including market and product development, vertical integration, R&D, and price volatility. In addition, Sameer Africa Limited is engaged in information technology, which has become an integral part of several strategies that enable the company to respond to the challenges of change. Similarly, Mbiriri (2019) observes that market and product development can greatly help Sameer Africa respond to a turbulent business environment, suggesting that Sameer Africa Limited's management team will implement market and product development strategies.

Levine (2018) noted that the goal of the retrenchment strategy is for organizations to improve their overall performance by significantly reducing or eliminating costs. Tao, Xu and Liu (2020) noted that the goal is for organizations to achieve cost-effectiveness. Employee empowerment, according to Parker, Mullarkey, and Jackson (2014), enables all employees to use their creativity to enhance organizational performance and their own quality of work life. According to Kathuria and Davis (2016), employee empowerment improves the relationship between staff and management, boosts staff confidence, and gives staff members a sense of belonging and recognition. Employee empowerment can also identify key opportunities for cost savings and customer dissatisfaction. In order to accomplish organizational objectives, it thus encourages employees to make use of their experience and knowledge to suggest higher quality improvement methods in their workplaces.

2. STATEMENT OF THE PROBLEM

Modern businesses must contend with a number of difficulties, such as the quick development of information technology, the emergence of new organizational structures, and the globalization of numerous markets (Meyer, 2015). Understanding the link between organizational behavior and performance is therefore both theoretically and practically very interesting. The emergence of new competition in the form of imported tires and independent dealers has had a significant impact on operating costs in Sameer Africa. This impact manifested itself in the form of lower sales, which led to lower profits. For example, according to Sameer Africa's 2019 financial report, the company reported a net loss of CHF 15 million in 2019, compared to a loss of CHF 66 million in 2018. This forced the organization to start closing its tire manufacturing workshop in Nairobi due to increasing competition from low-cost car tires from the Asian fairs, resulting in two consecutive years of losses for the company. In addition, total revenue was Kshs 652 million, which showed a decrease of 14% compared to the previous year (2020 - Kshs 757 million). The decrease in performance was mainly due to the unavailability of the main warehouse units as a result of the previously planned closure of the tire business.

3. LITERATURE REVIEW

Theoretical Literature Review

Frederick Taylor's theory of scientific management, which is based on Taylor's (1962) theory, has been used to relate to various waves of public sector reforms that have focused on public service restructuring and have been aptly described as a wave of structural reforms, capacity building, and improved service delivery. Taylor cautioned in his writings against managers attempting to alter what is now known as organizational culture. Taylor emphasized the significance of leadership commitment, the necessity of gradual implementation, and the importance of education.

In order to find out how downsizing can be accomplished without having an adverse psychological effect on management and employees. There is a psychological effect on this process from the remaining workers and managers who were involved in the reduction. According to Sronce and McKinley (2006), a poorly controlled downsizing process can result in lost productiveness, low morale, and bad economic performance. whilst it's going to constantly be tough to preserve employee morale at some point of downsizing, Carmeli et al. (2009) be aware that there is probable to be a better reaction to a method that seems to be based on clean motives that personnel and their representatives can understand and contribute to. This theory serves as a guide for the downsizing strategy in order to guarantee that the remaining staff is well-trained in their fields to improve production while also raising employee pay in accordance with workload.

Empirical Literature Review

Ochieng's (2013) study looked into how Telkom Kenya's retrenchments affected organizational performance. The information for this case study was gathered using a questionnaire as a data collecting instrument. Only 50 of the intended 99 employees were interviewed for the study. Both descriptive and inferential statistics were used in the analysis of the data collected. The study's findings showed that Telkom Kenya Limited had undergone a good transition, with enhanced service delivery brought on by the introduction of new wireless technologies and new brands that were competitive in the Kenyan market.

The impact of layoffs on employees' service delivery at the Electricity Distribution Company (EEDC) in Southeast Nigeria was investigated in a study by Dibua, Idemobi, and Okoli (2018). A descriptive research design was adopted for this investigation. In accordance with the study's goals, descriptive statistics and inferential statistics were utilized to analyze the data. Findings showed that all other variables (employee workload, pay decrease, depression and anxiety; and work reorganization) had a substantial impact on employees' service delivery, with the exception of longer working hours, which were not significant.

The Kendi (2019) study looked at the impact of layoffs on bank performance: a case study of Barclays Bank (K) Limited. Using Barclays Bank as a case study, the researcher used a descriptive research design. The whole staff at Barclays Bank's Nairobi, Kenya, headquarters made up the study's target group. The study gathered information from 60 respondents about the impact of employee layoffs on bank performance. In the study, both primary and secondary data were used. According to the study's findings, Barclays Bank of Kenya's performance was impacted by employee layoffs.

In their 2020 study, Jamal and Salisi looked at how retrenchment strategy and business performance were related using data from Malaysian construction companies. Since the data are regarded as reputable and the financial statements are created using established accounting rules in every industry, this study will use secondary data from annual published financial statements of 49 construction companies in Malaysia for every year. The effectiveness of the firm was found to be positively and significantly correlated with the retrenchment method.

The Wamiti (2021) study looked at how organizational performance of commercial banks listed on the Nairobi Stock Exchange was affected by retrenchment measures. The study used a descriptive survey approach and focused on risk managers, corporate affairs managers, human resource managers, finance managers, accounts managers, audit managers, and strategic managers from each of the 12 commercial banks listed on the Nairobi Stock Exchange (NSE) in Kenya. As a result, 96 respondents were the target population, and all of them were chosen to participate in the study using the census approach. Primary data from the respondents were gathered via self-administered structured questionnaires. Retrenchment tactics severely impacted the organizational performance of Kenya's listed commercial banks, according to the study.

4. RESEARCH METHODOLOGY

The study applied a descriptive research design. The unit of analysis was Samer Africa in Nairobi City County, Kenya, and the unit of observation was 630 employees drawn from the following departments; Sales and Marketing, Operations, Human Resources, Information and Technology, Imports and Clearing, Audit and Risk Management. Proportional stratified sampling was used in the study to select samples from various subsets of the target population in order to ensure adequate representation of all cases. Simple random sample selection was used to select the sample size of 245 respondents. With the help of a semi-structured questionnaire, primary data was gathered. The questionnaire was piloted on 25 respondents from the same organization who weren't part of the main study in order to test its validity and reliability. The means and standard deviations of descriptive statistics were used to analyze quantitative data. The data were presented using tables and graphics. Correlation analysis and multiple analysis were used in inferential statistics to ascertain the relationship between the independent and dependent variables.

5. FINDINGS

The descriptive statistics results of retrenchment strategy are presented in Table 1.

Table 1: Retrenchment Strategy

	M	SD
Downsizing gives companies the opportunity to reduce their business operations to a more realistic and manageable size.	4.09	0.876
Downsizing enables organizations to invest the resources saved by reducing the cost of low-value positions in developing top talent.	4.56	0.448
Cost savings help organizations offer their goods to consumers at lower prices	4.03	0.948
Organizations make more profit by cutting costs	3.94	1.064
Restructuring can give companies a competitive advantage by positioning them for growth,	4.21	0.797

Respondents strongly agreed that downsizing allows organizations to invest resources saved by reducing costs in lower-value positions in talent development (M=4.56, SD=0.448). This result is consistent with the paintings of Jamal and Salisi (2020), who examined the relationship between cost-cutting measures and overall company performance and they also found that the cost reductions had a clear and significant impact on the company's overall.

Respondents agreed that restructuring could provide a competitive advantage by positioning them for growth (M=4.21, SD=0.797). Organizations can take advantage of resources saved by reducing costs from lower-value positions and investing in talent development by reducing size (M=4.09, SD=0.876). By reducing costs, organizations are able to offer their goods to consumers at lower prices (M=4.03, SD=0.948). Cost (M=3.94, SD=1.064) and organizational restructuring to introduce new technology can lead to operational efficiency gains (M=3.76, SD=1.315).

6. RESULTS OF INFERENTIAL ANALYSIS

Correlation Analysis

Table 2: Correlation Analysis

		Retrenchment strategy	Performance
Retrenchment strategy	Pearson Correlation Sig. (2-tailed) N	1 88	
Performance	Pearson Correlation Sig. (2-tailed) N	.790** .000 240	1 240

The results in Table 2 show that the Pearson r-value for the retrenchment strategy is 0.790. This means that the performance is strongly correlated with retrenchment strategy.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.809[a]	.824	.815	1.017

R has a value of 0.809, or nearly one. Due to the close proximity of the R2 value to 1 at 0.824, which increases the model's ability to explain variability, it can be inferred that the independent and dependent variable are closely related. The adjusted R-squared value of 0.815 indicates the extent to which the performance was affected by retrenchment strategy. This also means that the remaining 18.5% of strategic responses that have not been studied represent a need for further research.

Table 4: Coefficients

	Unstandardized Coeficient		Standardized Coeficient		
Model	B.	Std. Er	Beta.	t.	Sg.
	0.621	.128		4.852	.000
Retrenchment strategy	0.801	.214	.396	12.995	.001

Following the illustrated output, the regression model will therefore be represented as follows;

$$Y = 0.621 + 0.801\ (\text{retrenchment strategy})$$

From the table above it can be seen that, retrenchment strategy (t=12.995, p=0.001) is positively related to organizational performance and statistically significant at 95% confidence level as (0.042<0.05).

7. CONCLUSIONS

Retrenchment is a cost-management tactic that reduces market availability of goods and services and increases competition. Retrenchment is undertaken by firms to reorganize in order to save on operating expenses, enhance communication and decision making, and introduce new technologies. It also concludes that reorganization may be necessary to financially align assets, liabilities, or reorganization of a business the firm's organizational structure and business model.

8. RECOMMENDATIONS

The study suggests that when competition increases and the organization can no longer cope with it, the company's management can adopt a divestiture strategy. The sale of a portion of the business can also help keep the organization viable. Company management should devise the best ways to reduce costs and headcount in order to alleviate workplace stress.

Before laying off workers, the organization should establish clear communication. Given that the restructuring process affects both the remaining workforce and the displaced workers, training and counseling should be provided to both groups.

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