

Retrenchment and its Impact on the Entrepreneurial Mindset of Bank Employees

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Introduction

A characteristic of economies worldwide is that the majority of businesses employ less than 50 employees. In Europe 90% of all firms have less than 50 employees, while the comparative figure for Britain and Japan is 75% and 70% respectively. This trend is in part a direct result of job losses due to cost-cutting operations (down-sizing, re-engineering) in the large corporations (Slabbert, 2004:4).

According to Ueckermann (2004) approximately 24 million jobs have been lost in big companies as a result of globalization. It is a trend which is worldwide still continuing – the prediction is even that in the first half of the 21st century large corporations will only need a fifth of their existing labour force. The changing paradigm of streamlining processes, structures and procedures within their core business would mean retrenchment, periods of uncertainty and difficulty in finding job opportunities in the larger formal sector (Sachinis: 2003:57).

In a country like South Africa, with under-employment and almost 35% unemployment, the role of SME's is crucial to achieving sustainable growth and development (Department of Trade and Industry; 1995; NTSIKA, 2001). As reiterated by the DTI, SME's represent an important vehicle to address the challenges of job creation, economic growth and equity in the country.

Despite the huge potential of SME's in the South African economy, this country still benchmarks poorly against set standards of successful entrepreneurial economies of both first world and developing countries (Havenga, 2005). From the Global Entrepreneurship Monitor (GEM, Reports 2002 & 2003) it is clear that the entrepreneurial activity rates in South Africa, are nearly 50% lower than the aggregated average of other developing countries. It is also believed that only 40% of new start-up SME's will succeed and become economically sustainable. The poor benchmarking can be attributed to (GEM, 2003):

- Lack of an entrepreneurial spirit and culture in the country which results in a less-than-average entrepreneurial activity rate. Start-up business, new firm and established firm activity rates in

South Africa are 57%, 31% and 30% respectively of the average areas for the other developing countries.

- There is a low entrepreneurial activity rate amongst South African men between 18-44 years of age. Males between the ages of 25-44 are on the average less than half as likely, than their peers in other developing countries to be involved in entrepreneurship. Between the age-group 18-24 the percentage is 40%. In the case of females there is no significant difference between for example India, Argentina and South Africa's entrepreneurial activity rates.
- Difference in entrepreneurial activity rates also vary between different regions depending on such factors as whether or not the region has large concentrations of urban or metropolitan populations, or is predominantly rural.

Weaknesses identified from 2002 by the Department of Trade and Industry revealed the following weaknesses:

- Lack of championship, coordination and monitoring of support interventions.
- The broad policy objectives created unrealistic expectations of what the newly created SME's could deliver.
- Need for focused approach to small business support in terms of sectors, location, level of sophistication and stage of development of a business.
- Capacity constraints in the delivery institutions.
- Need for ongoing consultations between government and business at a sectoral level.
- The need for decentralizing and localizing support.

Other institutional variables impacting on South African entrepreneurship and consequently SME development, according Ahwireng-Obeng & Piaray (1999), the World Bank (2000) and Mbaku (1994) include the following:

- Uncertainty of laws and policies and its correct implementation.
- Lack of control by government over the prevalence of crime and application of security measures.
- Reliability of the judiciary which calls for entrepreneurs to see the judiciary as an obstacle in maintaining a sound business environment.
- Bureaucratic corruption and red tape.
- Government and business interface with gaps remaining between government policy and business activity which hinders effective interaction.

Research Objective

The banking sector, like other economic sectors in South Africa, has shed many jobs during the past decade. More than 30% of all jobs, which represent approximately 40 000 have been lost (Slabbert et al, 2003). This trend is however, still ongoing due to the impact of globalization and the pursuit of cost effectiveness and competitiveness. On the other hand the banking sector is now also facing transformational challenges spelled out in the Financial Services Charter (2003) with its aim of economic

growth, empowerment, development and reduction of inequalities and poverty in the South African society.

Considering the increasing retrenchment of employees in the banking sector, as well as some of the constraints mentioned above it was deemed necessary to determine the entrepreneurial mindset of bank employees. The underlying rationale being that a positive attitude and mindset is needed to identify and use entrepreneurial opportunities when coming in a position of post-employment in a large business organization. Post-employment will most probably find its place in starting-up small businesses.

Research Design

Research approach

The research approach followed in this study is from the quantitative paradigm and the application of measuring instruments in a cross-sectional field survey in the banking sector generated the primary data for the study.

❖ Sample of participants

A random sample of 9999 bank employees were drawn from a population of 48 510, representative of three of the largest banking organizations in South Africa (ABSA, NEDCOR & SBIC). To ensure representativeness the sample was stratified in terms of grade and region. A total of 1 377 (14%) employees responded to participate in the study. Of the sample 13,7% completed the questionnaire. The sample was partitioned into several contrasting groups, using the following biographical variables as indicated in Table 1.

Complete records were obtained from 864 respondents which represents 63% of the sample of 1 377. Incomplete records were used where possible.

❖ Measuring instrument

A questionnaire was designed to measure the attitude of bank employees towards a post-employment entrepreneurial career in SME's. Twenty items were each measured on a seven-point Likert scale. The items deal with the respondents willingness to start his/her own business; the degree of support he/she expects from his/her employer (the bank); the confidence he/she has in conducting his/her own business, and his/her expectancy of job security and permanency in his/her current career path.

Because a sample can never reflect its population for certain, researchers must determine how much precisions they need (Emory & Cooper, 1991:249). It is believed that the sample can be considered adequate to justify correct statistical analysis for purpose of this study.

❖ Reliability

The reliability of the questionnaire's applicable sections was determined by the Cronbach-Alpha coefficient. The face-value of the instrument was assured through testing it with specialists in this

field. Four scales were formed corresponding to the factors that were obtained. The scales were subjected to item analysis and the reliabilities thereof were calculated to Cronbach's coefficient alpha. The obtained reliabilities were 0.828; 0.771; 0.788 and 0.721 respectively.

According to Anastasi (1976) a desirable reliability coefficient would fall in the range of 0.80 to 0.90. Nunnally & Bernstein (1994) use 0.70 as a directive, whilst Bartholomew, Henderson & Marcia (2000) argue that a coefficient between 0.80 and 0.60 is acceptable. The coefficients of this study can therefore be considered acceptable for research purposes. Scales 1 and 3 are substantially correlated ($r = 0.581$; $p < 0.001$) and also scales 2 and 4 ($r = 0.434$; < 0.001).

Results

From table 1 it is clear that 55.3% of the respondents were women and 44.7% were males. Missing information accounted for 0.4%. The majority (36.5%) of the respondents fell in the age group 30-39 years. Only 12.0% were older than 50 years. The majority of participants (62.7%) were married. Grade 12 and lower qualifications accounted for 49.5%. As far as managerial level was concerned only 1.8% fell in top management and 9.5% in senior management. Middle management accounted for 31.0% of the sample. The balance of 39.4% represented non-managerial positions. As far as ethnic groups were concerned the majority 69.5% of respondents were Caucasians (White).

INSERT TABLE 1 HERE

Comparing the mean scores of the various contrasting groups using analysis of variance (ANOVA) revealed statistically significant differences with regard to all the biographical variables except marital status. The effect sizes of the differences that were found were consistently low indicating that the differences are not of practical importance.

The means, standard deviations, coefficients of skewness and kurtosis of the various items are given in table 2. Generally speaking all the items are highly acceptable. Only items B5 and B6 are moderately skew, and item B6 is moderately leptokurtic.

The entrepreneurship questionnaire (EQ) was subjected to a principal factor analysis and yielded four factors. The obtained matrix is given in table 3. Factor 1 has moderate to high loadings on all these items that reflect the respondents' willingness to start his/her own business. Factor 2 has high loadings on all items that reflect the degree of support of employers in establishing would-be entrepreneurs. Factor 3 loads on the items that reflect the respondents confidence that he/she can cope with his/her own business. Factor 4 relates to the respondents enthusiasm about his/her present career path and the stability thereof.

INSERT TABLE 2 HERE

Mean scores and standard deviations are given in table 4 and 5. It is evident from these tables that the mean of the item means of Scale 1 is $M = 4.846$ and for Scale 3 $M = 4.869$. These two values are very close to one another. On the seven-point Likert scale these values are quite high. This implies that bank employees are not only positive about entrepreneurial opportunities in the SME-sector, but also about their chances to survive in the entrepreneurial economy. The respondents indicated, for example, that they would be able to cope with calculated risks which they regarded as a challenge.

The mean of the item means of Scale 2 is $M = 3.150$ and for Scale 4 it is $M = 4.105$. The mean of Scale 2 is rather low indicating that respondents do not expect support from their employers (the bank) should they consider a new career path.

INSERT TABLE 3, 4 & 5 HERE

Discussion

One of the underlying reasons for bank employees' positive attitude towards a second career path in the entrepreneurial economy is uncertainty about job security and permanency in their present career path as well as the broader South African labour market. Together with factors such as the risk of retrenchment, restructuring, the scaling down of job opportunities in the formal economy, equity and high unemployment it is understandable that bank employees will become what GEM (2003:10) defines as "necessity entrepreneurs". GEM distinguishes between "opportunity entrepreneurs" who are taking advantage of a business opportunity and "necessity entrepreneurs" who have no better choices for work but to try and start their own small businesses.

Necessity entrepreneurship tends to be higher in developing countries than in first world countries. This reflects higher levels of poverty and more limited access to social welfare in developing countries (Slabbert, 2004:33). The necessity entrepreneurship scenario can also be seen as a reason why respondents do not have much of an advantage regarding the business form of an entrepreneurial opportunity in the SME-sector (i.e. new ventures, going concerns like franchises, outsourcing of current skills or expertise and mentorship).

It should be noted that although the respondents indicated that they were very positive about their chances to survive in the entrepreneurial economy with their own business, it is believed that this may be an over-estimation of their abilities. It is doubted whether they are fully aware of the constraints, weaknesses and institutional variables that impact on South African entrepreneurship and consequently SME development that was mentioned in the beginning of the paper.

The fact that the respondents do not expect support from their employers should they consider a new career path in the form of ownership of a small business, may imply that an SME-Worklife Renewal Programme founded in a post-employment change or exit (retrenchment) strategy, may not be in place, or if in place not well communicated to respondents.

It must also be taken into consideration that although a positive mindset and attitude may be present in the bank employees to identify and make use of entrepreneurial opportunities when coming in the position of post-employment, identification and evaluation of the suitability of individuals as potential entrepreneurs in the entrepreneurial environment is still a must. Apart from this one of the core components, successful introduction of entrepreneurs into an entrepreneurial economy is to evaluate the suitability of individuals in terms of their functionality and leadership qualities (Buys & Havenga, 2006).

Trying to bring in retrenched employees of large organizations into an entrepreneurial environment would also imply entrepreneurial education, and how it can incorporate entrepreneurship as a subject area that will foster enterprising or new venture creation (Hynes, 1996). Entrepreneurship education is also found to contribute significantly to risk-taking, the creation of new ventures and the tendency to self-employment (Charney & Liebcap, 2002).

Through various aspects essential to the entrepreneurs' environment, growth and development, it is apparent that apart from enthusiasm, positiveness, education and entrepreneurial characteristics the would be entrepreneur needs an environment conducive to an entrepreneurial economy. Faris (1999) says that the entrepreneur needs a more protected environment than what might currently be in place in a country. It supports the developing trend in the number of entrepreneurship education and training initiatives which supports the idea that entrepreneurs can be made and thus the perception that entrepreneurship can be taught.

Considering the extent to which retrenchment has taken place in the banking sector and also in other large corporations in South Africa, post-employment as an exit strategy should form an integral part of the overall human resources and business strategy. Such a post-employment strategy aimed at balancing organizational wealth and societal wellness by means of promoting SME's should be executed on the highest management levels. The starting point in the formulation of such a strategy is the contextualization of the relationship between the big company and the SME's, independent or as service provider to the big company.

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Table 1: Biographical data of the respondents

Gender			
Item	N	Percent	Cumulative Percent
Female	759	55.3	55.3
Male	613	44.7	100.0
Total	1372	100.00	
Age			
<30	278	22.2	22.2
30-39	456	36.5	58.7
40-49	367	24.3	88.0
>50	150	12.0	100.0
Total	1251	100.0	
Marital Status			
Divorced	130	9.5	9.5
Living together	50	3.6	13.1
Married	861	62.7	75.8
Remarried	17	1.2	77.1
Single	292	21.3	98.3
Widow	18	1.3	99.6
Widower	5	0.4	100.0
Total	1373	100.0	
Highest Academic Qualification			
< Grade 12	677	49.5	49.5
Diploma	350	25.6	75.1
Undergraduate	184	13.4	88.5
Post-graduate	154	11.5	100.0
Total	1365	100.0	
Tenure			
<2 years	88	6.8	6.8
3-4	168	12.6	19.4
5-10	350	25.6	45.0
11-15	216	15.9	60.9
>15	546	39.9	100.0
Total	1368	100.0	
Level of Management			
Junior Management	248	18.3	18.3
Middle Management	422	31.0	49.3
Senior Management	130	9.5	58.8
Top Management	24	1.8	60.6
Non-Managerial	539	39.4	100.0
Total	1363	100.0	
Ethnic Group			
African	148	10.8	10.8
Coloured	143	10.5	21.3
Indian	115	8.5	29.8
White	949	69.5	99.3
Other	10	0.7	100.0
Total	1365	100.0	

Table 2: Descriptive statistics on EQ variables

	Item	N	Mean	Std. Deviation	Skewness	Kurtosis
B1	How excited are you about work opportunities in the South African labour market?	1369	4.07	1.583	-0.056	-0.613
B2	How excited are you about your own career path in the banking sector?	1369	4.43	1.648	-0.342	-0.668
B3	How sure are you about job security and permanency in your existing career path?	1366	3.82	1.634	-0.072	-0.795
B4	How willing are you to start your own business?	1368	4.92	1.789	-0.360	-0.541
B5	To what extent does the possibility of being your own boss appeal to you?	1371	5.44	1.590	-1.034	0.407
B6	How willing are you to replan your career in order to adapt to changing circumstances?	1368	5.61	1.259	-1.011	1.212
B7	How often do you see business opportunities in your daily work-life?	1364	4.45	1.532	-0.257	-0.530
B8	How strongly do you regard calculated risks as a challenge?	1363	5.06	1.225	-0.513	0.223
B9	How easily would you be able to influence consumers to purchase your product or service?	1366	4.98	1.321	-0.547	0.062
B10	How often do you generate practical, feasible ideas?	1370	5.03	1.144	-0.531	0.587
B11	How eager would you be to carry out a challenging activity if people warn you against failure?	1369	4.85	1.287	-0.449	0.071
B12	If you had the choice to start your own business, how strongly would you feel about – Beginning a new venture?	1248	4.07	1.446	-0.390	-0.765
B13	If you had the choice to start your own business, how strongly would you feel about – Buying a going concern?	1277	4.73	1.637	-0.586	-0.356
B14	If you had the choice to start your own business, how strongly would you feel about – Outsourcing your current skills?	1271	4.50	1.228	-0.736	0.040
B15	If you had the choice to start your own business, how strongly would you feel about – Mentoring others in the small business sector?	1246	4.24	1.408	-0.536	-0.543
B16	To what extent does your organization reflect an entrepreneurial culture and spirit?	1267	3.35	1.400	0.112	-0.789
B17	To what extent do you think employees in your organization are ready for an alternative career path in the small business sector?	1319	3.00	1.291	0.346	-0.421
B18	To what extent is there adequate support by your employer for would-be entrepreneurs in the small business sector?	1226	2.91	1.306	0.335	-0.493
B19	To what extent does your employer support retrenched people in finding alternative career paths?	1129	2.87	1.339	0.427	-0.439
B20	To what extent does your employer contribute towards the development of small businesses?	1242	3.30	1.322	0.149	-0.478

Table 3: Rotated factor matrix (Varimax Rotation)

Item	Factor				H ² _j
	1	2	3	4	
B4	0.786	-0.001	0.191	-0.074	0.661
B5	0.766	-0.031	0.150	-0.073	0.616
B12	0.635	0.092	0.216	0.078	0.465
B6	0.515	0.031	0.319	0.078	0.374
B13	0.458	0.105	0.169	0.068	0.254
B14	0.455	0.074	0.360	0.130	0.359
B15	0.430	0.151	0.361	0.144	0.359
B18	0.029	0.845	0.090	0.082	0.730
B20	0.005	0.713	0.086	0.083	0.522
B16	0.024	0.639	0.147	0.296	0.518
B19	0.029	0.471	0.070	0.199	0.267
B17	0.183	0.414	0.069	0.119	0.224
B10	0.174	0.063	0.624	0.107	0.435
B9	0.268	0.138	0.599	0.125	0.465
B7	0.217	0.148	0.596	0.113	0.438
B8	0.246	0.085	0.543	0.048	0.365
B11	0.371	0.067	0.467	0.173	0.390
B2	-0.030	0.262	0.148	0.818	0.761
B3	0.010	0.221	0.074	0.549	0.356
B1	0.160	0.173	0.210	0.501	0.350

Table 4: Means and standard deviations of Factors 1 and 3

Item statistics: Factor 1

Item	Mean	Std. Deviation	N
B4	5.06	1.665	1166
B5	5.57	1.436	1166
B6	5.65	1.195	1166
B12	4.04	1.437	1166
B13	4.86	1.501	1166
B14	4.51	1.210	1166
B15	4.24	1.402	1166

Summary item statistics

	Mean	Minimum	Maximum	Range	Maximum/ Minimum	Variance	N of terms
Item means	4.846	4.041	5.654	1.612	1.399	0.392	7
Item Variances	2.002	1.428	2.772	1.344	1.941	0.241	7

Item statistics: Factor 3

Item	Mean	Std. Deviation	N
B7	4.45	1.533	1348
B8	5.05	1.227	1348
B9	4.98	1.325	1348
B10	5.02	1.142	1348
B11	4.85	1.289	1348

Summary item statistics

	Mean	Minimum	Maximum	Range	Maximum/ Minimum	Variance	N of terms
Item means	4.869	4.449	5.050	0.602	1.135	0.61	5
Item Variances	1.715	1.305	2.350	1.045	1.801	0.155	5

Table 5: Means and standard deviations of Factors 2 and 4

Item statistics: Factor 2

Item	Mean	Std. Deviation	N
B16	3.44	1.350	1003
B17	3.02	1.216	1003
B18	3.00	1.266	1003
B19	2.89	1.330	1003
B20	3.39	1.281	1003

Summary item statistics

	Mean	Minimum	Maximum	Range	Maximum/ Minimum	Variance	N of terms
Item means	3.150	2.894	3.437	0.542	1.187	0.061	5
Item Variances	1.663	1.479	1.823	0.345	1.233	0.019	5

Item statistics: Factor 4

Item	Mean	Std. Deviation	N
B1	4.07	1.583	1362
B2	4.43	1.646	1362
B3	3.82	1.633	1362

Summary item statistics

	Mean	Minimum	Maximum	Range	Maximum/ Minimum	Variance	N of terms
Item means	4.105	3.816	4.427	0.611	1.160	0.094	3
Item Variances	2.627	2.507	2.708	0.201	1.081	0.011	3