



*COLLEGE OF BUSINESS AND ECONOMICS*

**THE IMPACT OF RESTRUCTURING ON PUBLIC SECTOR**

**PERFORMANCE**

**A CASE STUDY OF RSSB/CBHI**

**Research Thesis Submitted to the University of Rwanda College of Business  
and Economics in Partial Fulfillment for the Requirements for the Award of  
Degree of MBA in Human Resource Management**

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## **DECLARATION**

I, MUGABO Emmanuel, solemnly declare that, this dissertation is original and has never been published or submitted to any other University for any other academic award before. However, where other people's work has been used, it has been quoted.

Student's Name.....

Date.....

Signature.....

Supervisor's Name:.....

Date.....

Signature.....

# **DEDICATION**

To Almighty God

## **ACKNOWLEDGEMENTS**

I am very grateful to express my immeasurable gratitude to the Lord Almighty for all the wonders he has done throughout my entire life, my Lecturers at University of Rwanda College of Business and Economics, who encouraged, helped and nurtured my academic strength.

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MUGABO Emmanuel

## ABSTRACT

Restructuring of public institutions in Rwanda have been started from 1998. Particularly, after Rwandan Tutsi Genocide, the government of Rwanda decided to rebuild a strong nation with institutions that responds to the needs of the citizens. In this regard, the government started restructuring of public institutions in order to achieve its objective and to improve the quality of services in all sectors of the economy. The main objective of this research was to analyze the impact of restructuring activities on public sector performance in Rwanda, specifically focusing on RSSB/Mutuelle de Santé. It has also five specific objectives which are the following; To assess the cause and consequences of restructuring of RSSB/Mutuelle de santé, to find out the challenges faced by RSSB/Mutuelle de Santé, to identify the effect of restructuring on employees motivation of RSSB/Mutuelle de Santé, to determine the performance of RSSB/Mutuelle de Santé after its restructuring; to identify the relationship between restructuring and employees management at RSSB/Mutuelle de Santé. The study used a descriptive research design that involved collection of quantitative data. The target population for this study were 90 RSSB staff composed of directors, professionals and support staff. Research instruments like questionnaire and interview were used for data collection and SPSS software analysis was used to analyse data from the field. The findings of this research show that the majority 73.3% of the respondents strongly agreed that the restructuring has affected CBHI staff motivation. The results related to the objective were presented, and it showed that the relationship between the variables (dependent and independent) where 98.8% strongly agreed with the relationship between restructuring and employees management in RRSB/ Mutuelle de Santé which confirm that the restructuring was paramount to the institution where the merging of the institutions was an opportunity to find the qualified employees to drive the institution towards the required success. After analyzing the tested results, the result allowed the researcher to conclude that there is a relationship between restructuring of public institution and positive effect on public sector performance. The study recommends to the Universities and researchers to conduct further studies on the restructuring of public and private organizations in Rwanda to determine its impact on the development of the country. This will build on more evidence on how restructuring affects the management of public servants, institutional revenue flow, employee motivation and efficiency performance. The researcher further recommends to the government of Rwanda to conduct extensive feasibility study on the sustainability of the institutions to be restructured, timely preparation of enough funds to manage restructuring process and speeding-up the execution of rules and regulations related to the rights of public servants during and after restructuring.

**Key words:** Restructuring, Public Institution, Public Servant, Management

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

<b>CBHI</b>	: Community Based Health Insurance
<b>CEO</b>	: Chief Executive Officer
<b>DH</b>	: District Hospital
<b>DHIS</b>	: District Health Information System
<b>EAC</b>	: East Africa Community
<b>FMS</b>	: Financial Management System
<b>FTE</b>	: Full-Time Equivalent
<b>FY</b>	: Financial Year
<b>GDP</b>	: Gross Domestic Production
<b>GNP</b>	: Gross National Production
<b>HP</b>	: Health Post
<b>IMCC</b>	: Inter-Ministerial Coordination Committee
<b>LBO</b>	: Leveraged Buyouts
<b>MBO</b>	: Management Buyout
<b>MIFOTRA</b>	: Ministry of Public Service and Labor
<b>NPSC</b>	: National Public Service Commission
<b>NST</b>	: National strategy for transformation
<b>OFH</b>	: One Family Health
<b>PH</b>	: Provincial Hospital
<b>PHP</b>	: Primary Health Care
<b>R&amp;D</b>	: Research and Design
<b>RH</b>	: Referral Hospital

**RSSB** : Rwanda Social Security Board  
**SPSS** : Statistical Package for Social Sciences  
**VBM** : Value Based Management

# CHAPTER ONE

## GENERAL INTRODUCTION

### 1.0. Introduction

Restructuring is a process of reorganizing the institution with the purpose of improving the way it was organized in order to meet its present needs. Restructuring of public institutions in Rwanda have been conducted in different phases effective from 1998 up to date. This research mainly focuses to the restructuring of Community Based Health insurance (CBHI)/ Mutuelle de santé, which was integrated into RSSB on 1<sup>st</sup> July 2015.

The purpose of restructuring of 30 institutions of Mutuelle de santé was to improve the health care services that were provided to Rwandans country wide, Use of technology in management of community based health insurance and improving skills of CBHI staff in the management of Health insurance.

This research is intended to highlight the impact of restructuring of Mutuelle de santé/Community Based Health Insurance on the CBHI Staff. This Chapter includes the background and importance of the study, statement of the problems, objectives of the study and research questions, significance of the study, and the scope of the study.

### 1.1. Background of the study

Around the globe, restructuring has become a common occurrence in the current business environment. It has been undertaken by many companies regarding less of the industries they belong to, be in finance, manufacturing or even the service industry. *Bowman and Slight (1993)*, point out that the restructuring wave took effect in 1980s and had continued to make an impact in almost every sector of the US economy. This idea that restructuring is a global phenomenon is therefore an accurate one. *Suleiman (2012)* defines restructuring as altering of ownership, asset and treaties with the purpose of maximizing the shareholders' wealth and value additional to the organization.

Various theories have been put forward as arguments for the existence of restructuring in the business world. One such theory is agency theory which explains restructuring as a lasting solution to the agency conflict as opposed to the use a board of directors. Another theory is the life cycle theory which is to the effect that restructuring is expected to occur in a company within the different stages of its life cycle but the strategy of restructuring employed is restricted to the specific stage of the life cycle Buchholz, (2007).

Organizations may decide to restructure for various reasons: due to poor and declining profits, poor performing divisions, financial distress, to increase market shares, readjust corporates strategies, reduce expenses, to improve poor corporate performances due to over diversified, unprofitable capital investment, poor corporate governances and over borrowing *Alias, (2017)*. *Gilson, (2010)*, is of the opinion that business in this century face more competition in their market than they over did in the past, and because of this they have undergone dramatic restructuring and reorganization in order to keep up in their industries. According to *Hoskinsson, (1990)* on the other hand restructuring enhances the chances for improved performance for organizations.

Restructuring of public institutions in Europe are enshrined in the agenda of the policy of every European government. The purpose of restructuring of public institutions in European countries was to change the size, organizational structure, organization and functioning, efficiency and the culture of traditional public administration *Riany, (2012)*.

It has been leaved that Public sector restructuring in European member states affected the population than private sector restructuring, and so generates a great deal of political interest, as well as some controversy. From there the review found that nineteen of the 28 Member States have experienced declining employment levels in the core public sector: the sharpest decline has been in Latvia (-29%), with declines of more than 10% recorded in the UK and France. Meanwhile, the education and health sectors have continued to expand during the peak years of the crisis and afterwards, although at a slowing pace since 2011 *Riany, (2012)*

Restructuring in America during 1988–89 was caused by economic recessions, the employment in the public sector continued to grow, helping to sustain demand in America economy. However, by 1992, significant restructuring was underway in the public sector. In contrast to

restructuring in private sector, public sector restructuring affected much of the population and so generated a great deal of political interest *Bowman, (2013)*.

Although it has been recognized that some of the cuts may have been too deep, most of the effects of the restructuring remain; for example, in the health care and education sectors and in the government's withdrawal from a number of commercial activities. While there has been some recovery in public sector employment in recent years, at the end of the year 2000 it was still 6.0 per cent below its peak in 1992. In spite of the fact that it has been recognized that a few of the cuts may have been as well profound, most of the impacts of the rebuilding stay; for case, within the wellbeing care and education segments and within the government's withdrawal from a number of commercial exercises. Whereas there has been a few recuperation in open division business in later a long time, at the conclusion of the year 2000 it was still 6.0 per cent underneath its top in 1992, *Burnes, (2004)*.

The restructuring factors had their roots within the 1960s and early 1970s. Solid efficiency and yield development, as well as a profoundly dynamic unindexed individual income-tax framework, had given rise to buoyant development of government incomes. This environment given a solid motivating force for the presentation of unused social investing and the improvement of existing programs. But since add up to consumption did not develop much quicker than income, shortages were moderately little *Cascio, (2012)*.

Restructuring of public institutions in Africa was accelerated in 1981 after publication of world banks report on economic growth and development in Africa. This report indicated the success and failures of public institutions in Africa. During this period, the aim of restructuring of public institutions in Africa was to improve service delivery. The key factors of this restructuring includes the need to demonstrate early results, transparency in responding to the public demands, accountability, new public management influence, aspirations to support sector broad approaches and integrated system approach. These approaches put an emphasis decisions for enforcement of accountability of the leaders while responding to the needs of the citizens. It also emphasized transparency, openness and participation of the citizens *David, (2009)*.

Rebuilding in EAC had not a specific behavior , Kenya which is more accelerating in economic advancement has been characterized by the conservation of public servants through a deliberate

early retirement plot, between 1994 and 1996, was switched through the contracting of instructors amid the same period. In Uganda there has moreover been considerable open segment change, with a number of critical victories started in 1982. The programs made a littler gracious benefit with better-paid and more productive and compelling staff. The victory of changes in Uganda isn't normal of the African involvement, where the lion's share of nations falling flat to diminish the estimate of their gracious benefit, whereas permitting genuine wage levels to fall apart over time *Davis, (2009)*.

Particularly, After 1994 Rwandan Tutsi Genocide, the government of Rwanda decided to rebuild a strong nation with institutions that responds to needs of the citizens. In this regard, the government started restructuring of public institutions in order to achieve its objective and to improve the quality of services in all sectors of the economy *RSSB, (2000)*.

Restructuring of public service was led by Ministry of Public service and Labor effective from 1998. These reforms started after census of civil servants which indicated that there was 3,300 ghost employees who was on the government payroll, but who didn't show up to the work. During this period some employees in public institutions were retrenched. About 90% of public servants who remained their salaries had tripled *RSSB, (2000)*.

Restructuring of public institutions in 2014/2015 was made to address the challenges and to improve the achievements of the previous restructuring. The government of Rwanda decided to use IMIHIGO (Performance Contract) in Public institutions as a tool to enforce the desired changes in Public service. In this regard, Prime Minister's order No 121/03 of 8/09/2010, establishing the procedure of performance appraisal and promotion for public servants was introduced to provide guideline on performance contract in public service, *RSSB, (2015)*.

RSSB as our case study had some of the challenges which have been resulted to the restructuring of CBHI, Rwanda Social Security Board (RSSB), belongs to Social and Economic clusters, Restructuring of Rwanda Social Security Board, was a result of resolution 31 of 11<sup>th</sup> National Leadership Retreat that requested to expedite the integration of Community Based Health Insurance (CBHI) into RSSB. Community Based Health Insurance was integrated into RSSB on 1<sup>st</sup> July 2015. The Prime Ministers Order N<sup>o</sup> 27/03 of 24/02/2015 determining organizational structure, salaries and fringe benefits of Rwanda Social Security Board had established new



structure for RSSB, hence it's restructuring. Instead of stay silent and be affected by restructuring. I want to conduct a research on the impact of restructuring activities on public sector performance and affected institutions in Rwanda and come up with contributory recommendations on how restructuring can be more effective and respond to government development programs *RSSB, (2017)*.

## **1.2. Problem Statement**

As stated in the introduction of this research, restructuring includes reorganizing the institution with the purpose of improving the way it was organized in order to meet its mandate. From 1998 the government of Rwanda started restructuring its institutions in order to respond to the needs of its citizens (*February 2008 functional review and intuitional audit of six public sector institutions*). A positive change have been made in different sectors of the economy (private or public sector) A reduction in the layers of bureaucratic decision-making in government, decentralization of power and increased competency of the workforce (*February 2013, Sectoral decentralization report in Rwanda*).

However, there are still some challenges associated with restructuring and those challenges are realized in merging of institutions whereby the number of cross cutting job positions are reduced and the staff who occupies those job positions are retrenched.

During restructuring activities some job positions are removed from organizational structure and the staff who occupies those job positions are either retrenched or placed to the lower level on the new organizational structure. In 2015-2016 RSSB/CBHI restructuring, 158 CBHI staff was retrenched and 30 former CBHI Directors were placed to the positions of lower level. In this regard, restructuring leads to loss of jobs and reduction of salaries to the retained staff. (*June 2019, RSSB/CBHI integration report*).

Early retirement age in Rwanda is at 60 years and most of the affected staff are below 60 years. The retrenched staff during restructuring who are below 60 years of age cannot get pension and there is no government policy to cater for survival of those staff after restructuring.

Restructuring that includes merger of institutions, leads to delay in promotions of civil servants. In this regard, 1080 retained CBHI staff after restructuring was affected by delay in horizontal step promotion for a period of 3 years. For the public servants whose Job positions are placed from higher to lower level, their salaries are reduced and this reduction leads to the financial imbalances like loan burdens and low purchasing power. This research endeavors to address the impact of the above stated problems to the Civil Servants and public sector performance.

### **1.3. Research Objectives**

The research objective of this study is composed of general objective and specific objectives.

#### **1.3.1. General Objective**

The general objective of this study is to find the impact of restructuring on management of public servants and affected public institution in Rwanda specifically focusing on RSSB/Mutuelle de Santé.

#### **1.3.2. Specific Objectives**

- To Find out the challenges faced by RSSB/Mutuelle de Santé
- To identify the effect of restructuring on employees motivation of RSSB/Mutuelle de Santé
- To determine performance of RSSB/Mutuelle de Santé after its restructuring
- To identify the relationship between restructuring and employees management at RSSB/Mutuelle de Santé

### **1.4. Research Question**

- What are the challenges faced by RSSB/Mutuelle de Santé?
- How does restructuring affected employee's motivation in RSSB/Mutuelle de Santé?
- To what extent does restructuring affected the efficiency performance of RSSB/Mutuelle de Santé?
- What is the relationship between restructuring and employees management at RSSB/Mutuelle de Santé?

## **1.5. Significance of the Study**

This research will be beneficial to the senior public officials, like ministers, deputies, heads of public institutions and public servants in general who will use the findings of this research to clearly understand the impact of restructuring of public institution in Rwanda. This research will help policy makers to improve feasibility study of restructuring of public institutions and shed more light on the better preparation of restructuring of public institutions.

The findings of this research will be beneficial to the Government stakeholders like international financial institutions that provide financial support in the government reforms, since the findings will stipulate about the role of efficient financing of restructuring implementation activities.

Researchers like university students who will chose to conduct further research on the restructuring of public institution will also benefit from this study since they will be consulting this thesis in the library of University of Rwanda.

Members of Community based health Insurance will benefit from this research, since the findings of this research will highlight the best practices that have been applied in the management of CBHI after restructuring. The researcher will also benefit from this study, by gaining more experience related to the management of public servants during and after restructuring of public institution.

## **1.6. Scope of the Study**

### **1.6.1. Geographical scope**

Geographically this study will be conducted at RSSB Headquarters which is located at KIYOVU Village, UBUMWE cell, MUHIMA Sector, NYARUGENGE District. The researcher selected this institution because it demonstrates a clear picture of restructuring of public institution, whereby 30 institutions of mutuelle de santé were restructured and merged into RSSB.

### **1.6.2 Content scope**

The study covered management content. It concerns the assessment of the causes of RSSB restructuring and the associated challenges during restructuring implementation

### **1.6.3 Time scope**

This study has been conducted in a period of 8 months, effective from the date of submission of questionnaire to the selected respondents until the end of drafting of this thesis.

### **1.7. Limitations of the Study**

In the course of conducting this research, the researcher intended to conduct research from different public institutions that were affected by restructuring, however due to limitation time and resources the researcher was unable to collect data from all public institutions that were affected by restructuring and that is why the researcher decided to use RSSB as case study and use the data collected from selected respondents of CBHI

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Theoretical Review**

##### **2.1.1. Meaning and Scope of Restructuring**

Restructuring is defined as the process involved in changing the organization of a business Singh, (2013). Restructuring can involve making dramatic changes to a business by cutting out or merging departments. It implies rearranging the business for increased efficiency and profitability Hane, (2012). In other words, it is a comprehensive process, by which a company can consolidate its business operations and strengthen its position for achieving corporate objectives-synergies and continuing as competitive and successful entity Hane, (2012).

As a business strategy, restructuring is the process of significantly changing a company's business model, management team or financial structure to address challenges and increase shareholder value Beloucif, (2013). Restructuring may involve major layoffs or bankruptcy, though restructuring is usually designed to minimize the impact on employees, if possible Cascio, (2012). Restructuring may involve the company's sale or a merger with another company Maria, (2015). Companies use restructuring as a business strategy to ensure their long-term viability. Shareholders or creditors might force a restructuring if they observe the company's current business strategies as insufficient to prevent a loss on their investments Beloucif, (2013). The nature of these threats can vary, but common catalysts for restructuring involve a loss of market share, the reduction of profit margins or declines in the power of their corporate brand Cascio, (2012). Other motivators of restructuring include the inability to retain talented professionals and major changes to the marketplace that directly impact the corporation's business model Beloucif, (2013).

##### **2.1.2. Need and Scope of Restructuring**

Restructuring is concerned with arranging the business activities of the corporate as a whole so as to achieve certain predetermined objectives at corporate level Singh, (2013). According to Cascio (2012), such objectives include the following: orderly redirection of the firm's activities;

deploying surplus cash from one business to finance profitable growth in another; exploiting inter-dependence among present or prospective businesses within the corporate portfolio; risk reduction; and development of core competencies.

Delios (2009) state that restructuring also aims at improving the competitive position of an individual business and maximizing its contribution to corporate objectives. It also aims at exploiting the strategic assets accumulated by a business for instance, natural monopolies, goodwill, and exclusivity through licensing to enhance the competitive advantages. Thus restructuring would help bringing an edge over competitors.

Competition drives technological development. Delios (2009) further state that competition from within a country is different from cross-country competition. Innovations and inventions do not take place merely because human beings would like to be creative or simply because human beings tend to get bored with existing facilities. Innovations and inventions do happen out of necessity to meet the challenges of competition. Marshall (2012) state that cost cutting and value addition are two mantras that get highlighted in a highly competitive world. Monies flow into the stream of production in order to be able to face competition and deliver the best possible goods at the convenience and affordability of the consumers. Delios (2009) state that global competition drives people to think big and it makes them fit to face global challenges. In other words, global competition drives enterprises and entrepreneurs to become fit globally. Thus, competitive forces play an important role. In order to become a competitive force, restructuring exercise could be taken up.

The scope of restructuring encompasses enhancing economy (cost reduction) and improving efficiency (profitability). When a company wants to grow or survive in a competitive environment, it needs to restructure itself and focus on its competitive advantage Singh, (2013). The survival and growth of companies in this environment depends on their ability to pool all their resources and put them to optimum use. A larger company, resulting from the merger of smaller ones, can achieve economies of scale. If the size is bigger, it enjoys a higher corporate status. The status allows it to leverage the same to its own advantage by being able to raise larger funds at lower costs. Reducing the cost of capital translates into profits. Availability of funds allows the enterprise to grow in all levels and thereby become more and more competitive Cascio, (2012).

Restructuring aims at different things at different times for different companies and the single common objective in every restructuring exercise is to eliminate the disadvantages and combine the advantages Hane, (2012). The various needs for undertaking a restructuring exercise are as follows: to focus on core strengths, operational synergy and efficient allocation of managerial capabilities and infrastructure; consolidation and economies of scale by expansion and diversion to exploit extended domestic and global markets; revival and rehabilitation of a sick unit by adjusting losses of the sick unit with profits of a healthy company; acquiring constant supply of raw materials and access to scientific research and technological developments; capital restructuring by appropriate mix of loan and equity funds to reduce the cost of servicing and improve return on capital employed; and improve corporate performance to bring it at par with competitors by adopting the radical changes brought out by information technology Marshall, (2012).

### **2.1.3. Restructuring Planning**

Restructuring strategies depend on the nature of business, type of diversification required, and it results in profit maximization through pooling of resources in an effective manner, utilization of idle resources, and effective management of competition Maria, (2015). Planning the type of restructuring requires detailed business study, expected business demand, available resources, utilized and idle portion of resources, competitor analysis, and environmental impact. The bottom line is that the right restructuring strategy provides optimum synergy for the organizations involved in the restructuring process Delios, (2009).

The restructuring process requires various aspects to be considered before, during and after the restructuring. They are: valuation and funding; legal and procedural issues; taxation and stamp duty aspects; accounting aspects; competition aspects; and human and cultural synergies. Based on the analysis of various aspects, a right type of strategy is chosen Maria, (2015).

### **2.1.4. Forms of Restructuring**

#### **2.1.4.1 Portfolio Restructuring**

Portfolio restructuring includes significant changes in the mix of assets owned by a firm or the lines of business in which a firm operates, including liquidation, divestitures, asset sales and

spin-offs Maria, (2015). Company management may restructure its business in order to sharpen focus by disposing of a unit that is peripheral to the core business and in order to raise capital or rid itself of a languishing operation by selling-off a division Delios, (2009). Moreover, a company can entail on an aggressive combination of acquisitions and divestitures to restructure its portfolio. According to the findings of Singh (2013) spin-offs and sell-offs generate gains while acquisitions and divestments generate no improvements on average. Of course these results have differed over time and also possibly over countries.

While divesting a business because it is an underperformer sounds simple, literature shows that it is not that simple. Companies take into account differences in human resources, research and design (R&D) and knowledge profiles when divesting a business Saunders, (2008). This suggests that underperforming businesses that have a fit with the business will not necessarily be divested. A CEO's commitment to a business also has an influence on whether or not an underperforming business will be divested.

Owners want to maximize the profit of a business. To do so, they need to develop a resource base and having related business enables a company to do this Cooper, (2008). The total relatedness of a company can be increased by selling unrelated businesses and thus also brings a company back in line with its main businesses Saunders, (2008). As a result of selling unrelated businesses, the company is redirected towards the goal of profit maximization. Given the fact that selling related businesses would effectively be limiting a company's ability to generate profits, owners want to sell small units since they have the lowest impact on the company.

Managers seek other benefits than owners. They want to focus on diversification strategies because different sources of revenues should lead to more stable revenue development (for instance, less cyclical) and as a consequence of that higher employment security Delios, (2009). Selling related businesses enables managers to focus on diversification strategies because related businesses are more difficult and expensive to manage since they require a substantial amount of management's involvement in resource coordination, sharing and cooperation Saunders, (2008). Selling large units contributes to employment security because, for example, it makes a company a less attractive takeover target.



#### **2.1.4.2 Financial Restructuring**

Financial restructuring includes significant changes in the capital structure of a firm, including leveraged buyouts, leveraged recapitalizations and debt for equity swaps Cascio, (2012). Financial structure refers to the allocation of the corporate flow of funds-cash or credit-and to the strategic or contractual decision rules that direct the flow and determine the value-added and its distribution among the various corporate constituencies Singh, (2013). According to Donaldson (1994) the elements of the corporate financial structure include the scale of the investment base, the mix between active investment and defensive reserves, the focus of investment (choice of revenue source), the rate at which earnings are reinvested, the mix of debt and equity contracts, the nature, degree and cost of corporate oversight (overhead), the distribution of expenditures between current and future revenue potential, and the nature and duration of wage and benefit contracts. The findings of Singh (2013) revealed that financial restructuring generates economic value. A large part of the financial restructuring studies included were leveraged buyouts (LBO) and management buyouts (MBO). This evidences that managers have much more information about the true value of the firm's assets than outsiders.

In this decade, consulting firms are adopting new approaches of value based financial management systems to address perceived problems of the existing financial management systems. Stewart (2011) introduced the EVA financial management system. EVA is defined as net operating profits after tax less a company's cost of capital (including the costs of both equity and debt) subject to a number of adjustments to data reported in financial statements. The system directs attention to the results created by managers and promotes that managers need to be rewarded for their achievement. Cascio (2012) argues that converting managers into owners is a proven and potent way to create value. He further indicates that ownership must go beyond the merely monetary, such as pride in one's work, sensible risk taking and above all, accepting responsibility for the success or failure of the enterprise. He advocates for value sharing: making everyone a meaningful partner in the process of adding to value. Value is created by improving operating efficiency, achieving profitable growth and rationalizing and exiting unrewarding business by liquidating unproductive capital and curtailing investment in unrewarding projects.

### **2.1.4.3 Organizational Restructuring**

Organizational restructuring includes significant changes in the organizational structure of the firm, including redrawing of divisional boundaries, flattening of hierarchic levels, spreading of the span of control, reducing product diversification, revising compensation, streamlining processes, reforming governance and downsizing employment Bingham, (2009). The findings of Bowman and Singh (2013) indicated that lay-offs unaccompanied by other organizational changes tend to have a negative impact on performance. Downsizing announcements combined with organizational restructuring are likely to have a positive, though small effect on performance.

Since the dynamic environment within which companies operate is changing, financial managers should be ever alert to new and better ways of structuring and financing their business. The value-creation process described by Pike and Neale (1996) involves the following: review the corporate financial structure from the shareholders' viewpoint. Consider whether changes in capital structure, business mix or ownership would enhance value; increase efficiency and reduce the after-tax cost of capital through judicious use of borrowing; improve operating cash flows through focusing on wealth creating investment opportunities (having positive net present values), profit improvement and overhead reduction program and divestiture; and pursue financially driven value creation using various new financing instruments and arrangements (that is, financial engineering) Bingham, (2009).

Balogun, (2010) used Fruhan (1979) analogy and identified the following approaches to value enhancement: ability to command premium product prices, achievement of a reduced or lower than average cost structure, achievement of a reduced or lower than average capital intensity, ability to obtain debt at lower than normal cost, ability to obtain equity at lower than normal cost, design of capital structure that is more efficient than that achieved by major competitors, acquiring firms via the exchange of an overvalued equity, selling overvalued equity and purchasing undervalued equities.

Successful enterprise level strategies depend on the value creation insights, which involve understanding of managers about how to improve the performance of business. According to Campbell, (1995) value creation insights are based on unique knowledge or experience of

reasons why certain kinds of business have performance problems or fail to maximize their potential and ways in which managers can influence the business so as to raise performance. Bingham (2009) states that value creation insights are extraordinarily diverse. Value creation insights are about major areas of improvement: raising performance, high improvement of the value of business, return on sales and sales volume. Value creation insights are linked to specific businesses that have performance opportunities and critical success factors, which the managers understand.

In line with the above arguments also, Cappelli (1995) identified five individual structures that help in value creation, that is, asset structure, capital structure, governance structure, cost structure and organization structure. Johnson (2010) expound on these dimensions and noted that, the asset structure shows the composition of the total assets the firm exploits to realize its goals. The capital structure deals with the form and relative amounts in which securities should be issued to finance investments. It refers to a mixture of long-term debt and equity the firm uses to finance its operations. Capital restructuring changes this mixture. The governance structure is the different sets of incentives; safeguards and disputes resolution processes used to control and co-ordinate the actions of various stakeholders. An ideal governance system gives managing directors enough freedom to work and make them accountable for what they did. The cost structure includes costs of operations and overheads. Changes in cost structures such as re-location of labor-intensive production to low-labour cost countries can improve the profitability of enterprises. Organization structure such as the number of divisions in an organization can, for example, affect the communication flow and improving this by restructuring might, therefore, create value for the firm.

Rappaport (1986) advocated for value based management to create value in a business. Koller (1990) also argued for transforming an entire organization into a value maximizing one using value based management (VBM). Bingham (2009) state that value based management is a way to deal with administration whereby the organization's general aspirations, investigative procedures and administration procedures are all adjusted to help the organization to augment its quality by centering administration decision making on the vital drivers of company value. The authors expressed that an imperative piece of VBM is a profound comprehension of what performance variables really drive the value of the organization. These variables, known as value

drivers, affect the value of the company. According to Knight (1998), value is created in the operating and investment decisions that managers make on a daily basis. For value management to succeed, it has to be embedded into the company's decision-making mind-set. This means attaining a high level of managerial understanding on how management can influence the value the company creates. Bingham (2009) adds that, it involves the translating of abstract concepts of value creation into meaningful day-to-day operating terms through the use of operating value drivers. He argued that value management is an important issue for many companies that are faced with pressure from investors or with the need to compete more effectively.

Johnson (2010) notes that focus on value creation implies that decisions and actions are judged in the context of how much value they will create and that value creating behaviour is encouraged throughout the organization. Establishing a culture driven by value creation demands a wide-reaching organizational transformation and in many cases, the most radical change is required at the top of the organization. Monnery (1995) argues that creating value is demanding and that managers need to know exactly what they are targeting: means of measuring value creation. Managers need to understand how to work towards that goal: what are the drivers of value creation? Managers also need to discover how to encourage people to do things differently.

Literature reviewed indicates that financial restructuring using leveraged buyout (LBO) and management buyouts (MBO) creates value because managers have more information about the true value of the firm's assets than outsiders and generates value by focusing on an improvement of operations Bingham, (2009). The value based management (VBM) approach indicates that management decisions and actions are judged in the context of how much value they will create Johnson, (2010).

#### **2.1.4.4. Restructuring and Shareholder's Value**

Company executives often restructure their companies for enhancing productivity, reducing costs or increasing shareholder wealth Singh (2013) summarized the findings of the restructuring literature of 1990s that examined the impact of restructuring on performance. They classified restructuring activities into three categories, portfolio restructuring, financial restructuring and organizational restructuring.

Koller (2000) argue that managers should restructure companies to improve value; otherwise, external raiders will get an opportunity to take-over the company. Therefore, they claim that it is in the best interest of both managers and shareholders to keep the gap between potential and actual value as close as possible. Management can improve operations by increasing revenue or reducing cost, acquiring or disposing of assets and improving the financial structure of the company.

#### **2.1.4.5. Restructuring and Revenue Flow of an Organization**

Organization theory concepts help managers to analyze and diagnose what is happening and the changes needed to keep their companies competitive Daft, (2009). It presents them with tools to explain any decline and also understand any turnaround. Organizational theory gives us the tools to analyze and understand how a huge, powerful firm like Lehman Brothers can die and a company like Bank of America can emerge almost overnight as a giant in the industry Tichy, (1983). It enables us to comprehend how a band like the Rolling Stones, which operates like a highly sophisticated global business organization, can enjoy phenomenal success for nearly half a century, while some musical groups with equal or superior talent do not survive past a couple of hit songs. Organization theory helps us explain what happened in the past, as well as what may happen in the future, so that we can manage organizations more effectively Daft, (2009).

Organization theory concepts apply to all types of organizations in all industries. Managers at Burger King revitalized the once-floundering fast-food chain by revising its menu and marketing approach based on customer analysis. Nokia underwent a major reorganization to improve the organization's flexibility and adaptability whiles Hewlett-Packard acquired Electronic Data Systems Corporation to move H-P more aggressively into the technology services industry Daft, (2009).

#### **2.1.4.6. Shareholder Approach**

The "shareholder value approach" estimates the economic value of an investment by discounting forecasted cash flows by the cost of capital. The aggregate economic value of an organization, for example, a business unit or company is the entirety of the aggregate total of its equity and debt. The shareholder value is the difference of the value of the total firm and the market value

of debt. The total value of the firm consists of three components, that is, the present value of cash flow from operations during the forecast period, “residual value” which represents the present value of the business attributable to the period beyond the forecast period and the current value of marketable securities and other investments that can be converted to cash Werner, (2009).

Cash flow from operations represents the difference between operating cash inflows and cash out flows. These cash flows are relevant for estimating the firm value because they represent the cash available to compensate creditors and owners. The cash flows are discounted to their present value using the weighted average cost of debt and equity capital Datta, (2008). The shareholder value system portrays the vital connection between the corporate goal of generating shareholder value and the rudimentary valuation limits or value drivers: operating profit margin, working capital investments, cost of capital, sales growth rate, income tax rate, fixed capital investment, and value growth duration Datta, (2008).

Sales growth is the percentage increment of sales expected in a period. It shows the market growth potential of a company. Normally the higher the growth of sales translates to higher value of the company. Operating profit margin is the ratio of pre-interest, pre-tax operating profit to sales. The net profit is calculated by deducting cost of goods sold, selling and administrative expenses from sales. Fixed capital investment is the money invested in acquiring long term assets such as building, equipment, land and other long-term investments Datta, (2008). Capital expenditures include expenditures on new (and replacement of) property, plant and equipment. The incremental fixed capital investment is defined as capital expenditures in excess of depreciation expense. Working capital investment represents the net investment in accounts receivable, inventory, accounts payable, and accruals that are required to support sales growth. Increases in working capital requirements reduce the value of a company Daft, (2009).

#### **2.1.4.7. Productivity Growth**

In a research conducted in 267 establishments in 20 manufacturing industries with productivity growth, profitability, market value, employee compensation, unit labor cost as its variables, - from the period of 1967- 1997, Wolff, (2008) found out that, there was no direct association between downsizing and total factor productivity growth. Downsizing at both the establishment and firm level had a positive effect on profitability. However, employee reduction was associated

with decreased market value of the firm. Downsizing had a negative impact on growth in employee compensation and also led to lower per-unit costs Wolff, (2008).

#### **2.1.4.8. Sales Growth**

Another study also examined the relationships between employee reductions and sales growth, labor productivity, R&D/technological investments, and corporate reputation. Palmon, (1997) found that the positive impact of downsizing on sales was greater in layoffs characterized as “efficiency enhancing” as opposed to “declining demand.” Werner (2009), however, observed no significant relationship between downsizing and sales growth in the long term. Datta (2008) argued that industry conditions will moderate the impact of downsizing on firm performance because of differential effects on employees’ social capital, psychological contract perceptions, among others but did not measure these employee-level outcomes.

#### **2.1.4.9. Labor Costs**

Proponents of employee downsizing have long argued that downsizing represents a rational tool that managers can use to improve organizational productivity and efficiency Young, (2007). Improved company performance can come from reduction of labor costs which, in many organizations, is the largest component of the cost structure, provided reductions result in the remaining employees working at higher productivity levels. Critics of downsizing, on the other hand, have vehemently argued that such benefits are, at best, minimal and often nonexistent Cooper, (1994). They argue that although downsizing may result in short-term reductions in labor costs, it also undermines long-term competitive advantage by eroding skill bases, disrupting organizational relationship networks, and eliciting negative responses on the part of survivors Datta, (2010).

The literature on restructuring of enterprises in Central and Eastern Europe indicates that companies require operational, investment and financial restructuring to adjust to the new market environment and to create value. The governments emphasized mainly financial restructuring because debt accumulation in enterprises deterred buyers. The led enterprise restructuring in Poland had some positive influence, while the isolation (‘hospitalization’) of enterprises was less successful. In addition, the managers reduced labour and output to adjust their operations to the market environment, but they did not introduce new products or production systems to enhance

their operations Young, (2007). Moreover, the managers hardly restructured assets due to the uncertainty of the environment and those few investments done were related to cost reduction rather than to capacity expansion.

#### **2.1.4.10. Restructuring and Employee Motivation**

The scope of restructuring has also become increasingly global, as heightened competition in international products, capital, and labour markets puts tremendous pressure on companies worldwide to increase their competitiveness and maximize their market value. The process involved in business restructuring often occurs after corporate acquisitions, takeovers or bankruptcy, buy-outs or mergers and this can be a total shift of the organization's assets or liabilities Werner, (2009).

Employees often lose their jobs when companies merge, as duplicate positions are eliminated, and local communities suffer when a large company moves out or shifts its activities to other regions Jones, (2010). For example, the 1998 merger of Exxon and Mobil, resulted in the combined company elimination of no less than 14,000 jobs. The results of mergers are mixed for stockholders. Share values often rise when a merger or acquisition is announced, if shareholders perceive benefits from synergies between the two firms Weber, (2009).

Many companies expand into new markets and industries to increase profitability. However, sometimes they also need to exit markets and industries to achieve the same goal. Restructuring, the process of divesting businesses and exiting industries to focus on core distinctive competencies, has become an increasingly popular strategy Hatfield, (2006). Business restructuring is thus a response to declining financial performance; an inadequate multi business model; excessive diversification due to top managers' empire building rather than diversifying for greater profitability and innovations in the strategic management process that have reduced the advantage of vertical integration and diversification Jones, (2010).

Businesses do not operate in a social or political vacuum. As a matter of fact, most companies operate in a swirl of social, economic, technological, and political changes that produces both opportunities and threats. Even small businesses that serve mostly local markets are affected by price fluctuation disruption in supply and uncertainty stemming from political events. Economic competition is a powerful force for change in business and in society Hatfield, (2006).



Competition motivates companies to serve customers efficiently and to identify and meet new needs.

Businesses continuously reassess their assumptions about how and where to compete. Rethinking strategically may lead to restructuring of business operations. Reorganization of business operations occurs as companies try to improve the quality of their products and services, reduce costs and improve the speed with which they respond to customers. Traditional ideas about a company's responsibility to its stakeholders may be challenged when a company begins to rethink its strategy. Repositioning the business can have significant effects on people and communities. Facilities may be closed; employees may be dismissed from jobs eliminated in the redesigned manufacturing or service delivery systems. People who made long term career commitments to the company may be pressured to take early retirement or face dismissal Weber, (2009).

The relationship between a business and its stakeholders often creates an implied understanding or a social contract as to how they will act toward each other David, (2009). These implied understandings are in words of two leading scholars, the "ties that binds" Donaldson, (2008). These social contracts are inevitably affected when a company's business strategy changes. Commitments to employee change; a company's community involvement and charitable contributions may also decline when it encounters severe economic problems which lead to the elimination of jobs Obilade, (2008). Companies often try to smooth the process and minimize the negative effects of workforce reductions. Benefits packages are offered to departing employees including compensation based on years of service, continuation of health care benefits for a period of time and support for retraining or education Porter, (1982). At Kodak, for example, job losses were tempered by severance payments to workers, job training, and efforts to place employees in new jobs Weber (2009).

The psychological impact of staff reductions, including fears of how management will act in the future are among the fears that organizations and its employees have to face Obilade, (2008). Some companies recognize these concerns by stating in writing the commitments continuing employees could count on receiving. These statements of commitment are called compacts, covenants or social contracts, signifying the special nature of the employee - employer relationship Weber (2009).

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

#### **2.1.4.11. Employee Commitment**

Compelling two-way correspondence, interest in choice making and control over work procedures are instrumental to the development of larger amounts of duty in associations Hiltrop, (1996). Gault (2007) found that survivors are regularly either not educated or are misguided about numerous issues to do with the rebuild, for example, their place in the new organization, expected performance standards, additional work requests, the estimation of their aptitude and the presence or absence of chances for progression and growth. In the rebuilt company, inability to address such issues through great correspondence with survivors can diminish responsibility Nelson, (1997) and harm the respect/trust relationship between staff and administrators.

Survivors regularly feel a need to fault somebody for employee cutbacks, and administrators, and poor correspondence are the normal targets Robbins, (2009). The truth however may be that no measure of transparent communication will be seen as enough, and the post cutback work environment is prone to be described by steady protests of poor administration communication.

#### **2.1.4.12. Job Security**

Broad organizational change, for example, that showed by restructuring and cutting back influences the unfaltering condition of employment still expected by numerous staff today. The loss of employment stability and the consequent need to renegotiate profession desires can be viewed as a noteworthy infringement of the psychological/ mental contract Robinson (1994). When organizations no longer compensate diligent work and commitment with lifetime employment, the old psychological/ mental contract get no more holds Burack, (1993). After some time, surviving staff are prone to feel less certain about their capacity to deal with their own professions and feel extraordinary frailty about their future Donia, (2009).

Staff responds to the inexorably constrained offer of employment forever and profession advancement by withdrawing down the trust duty scale Cooper, (2008). Moreover, on the grounds that staff has effectively seen a scaling back, surviving staff are accepted to progressively be living under the apprehension of being let go Burgess, (1992). The quick need of surviving staff in this manner knows the degree to which they ought to stress over the likelihood of future cutbacks Donia, (2009). The continuation of open correspondence channels, chances to question and the procurement of complete support systems are as vital now as they were in the number one spot up to the rebuild if the association is to guarantee the progressing backing of its staff.

#### **2.1.4.13. Loyalty**

Greenhalgh (1983) discovers a loss of faithfulness is shown through higher turnover and contends that fulfilled employees have a tendency to stay with their organizations longer. Holbeche (1998) cautions on the other hand, that turnover is not so much a solid pointer of dedication/ loyalty, as turnover can appear to be misleadingly low when the occupation business sector is generally static or gives off an impression of being contracting. The genuine test is when growth returns and individuals decide to be more versatile. In Holbeche's (1996) investigation of supervisors in 200 companies, she found that the most disappointed group was the individuals whose employments had not developed. They were all effectively searching for employment despite the fact that a number of them expressed they were still faithful and loyal to their employers.

Hiltrop (2008) found in their studies that faithfulness loyalty was most prominent in those people who felt esteemed and regarded by their boss. Affirmation of effort, acknowledgment of abilities and experience, clarity of job roles and obligations, clear correspondence of objectives and goals and ability to take part in decision making are all key in guaranteeing that staff feel an indispensable piece of the company, and not a part that can be effortlessly disposed of.

#### **2.1.4.14. Impact of Restructuring on Efficiency Performance**

Restructuring is not just for troubled companies. It can also be used to convert under-performing companies to better ones. Most ailing companies can be saved if timely forceful action is taken.

But, management often indicates unwillingness to look the tiger in the eye, meaning they refuse to focus on the real problems. They holdup or shun the radical change needed Vance, (2009). Restructuring involves three main tasks:- (i) identifying problems, (ii) identifying and executing solutions, and, (iii) finding the resources to keep the company going until restructuring takes effect Vance, (2009).

Time and money is what makes the best turnaround. Finding the resources that will buy a troubled company enough time to restructure is an art form. Most business failures seldom results in bankruptcy Vance, (2009). It is from the employers' or managements' or owner's view point to say the business has failed when its value declines to the point where it is worthless, continues to operate or discontinues operations in another person's hands. A company may decide to simply wind up and go out of existence. Irrespective of how the failure occurs, it usually results in loss of wealth, jobs and an adverse impact on the company's employees, customers and suppliers Vance, (2009).

Restructuring means change and few people are comfortable with change, especially the radical change that restructuring requires Werner, (2009). Change works best when people understand why the company is being restructured and how it is restructured Tichacek, (2006). Good people can push a company further and faster than anyone can imagine. Bad people can kill a company. Mediocre and even average people can make progress slow and painful. Restructuring therefore involves a balance between gathering the best people and managing costs Vance, (2009). More often than not, workers who got a company in trouble are not the right people to restructure that company. Foremost is the fact that, if those managing the company had the skill and motivation to restructure the company, the company's performance would have already been improved.

Secondly, those in power during a company's slide have a tendency to defend past actions. Thirdly, those in power are probably so comfortable with the company's current method of operation they will be reluctant to drive significant change if not downright hostile to it Vance, (2009). When there is an acquisition of an ailing company, the acquiring company can simply replace management and gain a complete turn-around Werner, (2009). With the hiring of a new CEO or a Consultant to turnaround or restructure a company, things become trickier but communication is the key to winning support from the board of that company. A turnaround

committee is an essential element in a quick and relatively smooth restructuring. It is imperative that the new CEO or turnaround consultant get and maintains its confidence Vance, (2009).

The most underlying principle for carrying out restructuring is to further enhance the long-term sustainability and continuous existence of companies through greater efficiency and cost-effectiveness Yoon, (2008). Restructuring is intended to either react to crisis or to be part of the company's pre-emptive plan for their survival in the industry. Whereas the restructuring process is a lengthy and a painstaking one, it presents many challenging tasks and requires analysis of social benefits and costs. The most difficult task is to persuade the most suffered to understand the desirability of the reform efforts Yoon, (2008). In the meantime, strategic evaluation of re-engineering, restructuring and downsizing policies are perceived as the prominent management model. With this, companies are able to fully influence their core competencies in crafting superior competitiveness Morden, (2007).

According to the findings of Shalhoub (2002), restructuring could be an impulsion for organizational change. Restructuring is absolutely interconnected with companies' long-term profitability. Significant cost reduction and increases in market shares are expected to result from restructuring. Companies are to have sound knowledge of their industrial structures which are constantly changing before restructuring their operations. In this light, innovative approach is also needed to establish a viable competitive advantage Proctor, (2011). In general, restructuring could be viewed as a company's expansionary program which includes mergers and acquisitions, takeovers and green-field investment. On the other hand, it is contractionary program could be referring to divestiture, downsizing, down-scoping and financial restructuring. Thus, the effects of restructuring on financing decision and capital structure in particular cannot be denied Marimuthu, (2009).

Restructuring activity is generally associated with three motivations in the academic literature: to address poor performance to exploit strategic opportunities; and to correct valuation errors Martin, (2008). The literature distinguishes three different types of transactions, encompassing multiple forms of change in firm organization Singh, (1993). Portfolio restructuring makes disposals from and additions to a firm's businesses, through asset sales, spin-offs, equity carve-outs or mergers and acquisitions Stulz, (1990). Financial restructuring changes the firm's capital structure through leveraged buy-outs, recapitalizations, and share repurchases or employee stock

ownership plans Stulz, (1990). Organizational restructuring represents a change from a functional to a business-unit design. These restructurings often occur simultaneously or sequentially Szilagyi, (2008).

#### **2.1.4.15. Increase Productivity**

Organizations that pursue a ‘responsible restructuring’ approach, on the other hand, tend to depend on their employees to offer continuous competitive advantage and embrace a variety of practices Young, (2007). If this is the case, the organization can follow some practices like: adopting skills training and sustained learning program for employees; sharing of information; encouraging their employees to take part in the design and execution of work processes; adopting organizational structures that are flattened; promoting partnerships between employees and management; adopting a customer centric approach in their design and delivery of products and services; and remunerate employees according to their skills and organizational performance Cascio, (2008). These practices must be applied together as a system in order to bring about good results. This approach to restructuring does give rise to enhanced performance and productivity amongst workers as well as longer-term financial performance for the organization Cascio, (2008).

#### **2.1.4.16. Fairness of Process**

Survivor responses are liable to be influenced by their level of acknowledgment of the need to cut back or make individuals excess; the absence of alternative strategies; level of earlier notice by administration; choice criteria utilized and the choices made by administrators about who might be made redundant, and the manner in which leavers are dealt with amid their time of notification and offered backing to discover new employment opportunities Saunders, (2008). On the off chance that staff is not able to specifically influence the procedure of rebuilding themselves, they must see it as reasonable and just keeping in mind the end goal to believe the forced results Cooper, (1994).

Staff who see there is procedural equity in their organizations may not respond as adversely to such psychological/ mental contract infringement on the grounds that they are unrealistic to feel that they have been unreasonably singled out for awful results Feldman, (1998). Staff

additionally has a tendency to respond less contrarily to changes in psychological/ mental contracts when they credit the infringement to true external influences that are out of the organization's control or where they are seen to be important for an organization's survival Feldman, (1993) referred to in Rousseau, (1995). They will however anticipate that the organization will repay in different courses, for instance, through training and development, sensible pay, self-governance and appreciation.

The help given to both surviving and withdrawing staff is a noteworthy vital issue in any downsizing exertion Donia, (2009). This has the ability to mirror the culture of the entity, and it also has a main influence on the entity that will arise following the cut back. Subsequently, not only are complete and rational post term support program a moral issue, but they communicate a flawless meaning to surviving employees about the worth that the company places on its employees.

## **2.2. Empirical Review**

The common benefits of restructuring frequently cited in studies include improved accuracy, and the provision of timely and quick access to information, and the saving of costs Cascio, (2002). Although it may be possible to identify many of the relevant organizational restructuring costs, according to Cascio (2002) it is more difficult to quantify the intangible benefits to be derived from the re-structured organization. Beyond cost reductions and productivity improvements, restructuring potentially and fundamentally affects revenue channels.

The findings of Zeitun (2007) indicated that leverage has a significant and negative relationship with firm's performance. They used leverage, growth, size, tax, risk and tangibility as independent variable to see their effect on firm's performance. They concluded that firm's size and tax have positive and significant relationship with firm's performance while risk and tangibility have negative and significant relationship with firm's performance.

Chang, (2010) while investigating the effect of First financial restructuring on the operating efficiency of commercial banks in Taiwan concluded that that banks had lower operating efficiency on average during the reform period (2002-2003) compared to the pre-reform period (2000-2001), improved operating efficiency was reflected in the post-reform period (2004). Their results remain unchanged even after controlling for the nonperforming loan ratio, capital

adequacy ratio, bank ownership and size. Overall, the results indicate that the improved efficiency in the post-reform period was possibly due to the reduction of nonperforming loans rather than the boosting of capital adequacy in the reform period.

Ongore (2012) in their study of the determinants of financial performance of commercial banks in Kenya conclude that bank specific factors significantly affect the performance of commercial banks in Kenya, except for liquidity variable. But the overall effect of macroeconomic variables was inconclusive at 5% significance level. The moderating role of ownership identity on the financial performance of commercial banks was insignificant. Thus, they concluded that the financial performance of commercial banks in Kenya is driven mainly by board and management decisions, while macroeconomic factors have insignificant contribution.

Riany, (2012) while studying effects of restructuring on organization performance of mobile phone service providers in Kenya specifically inquiring the frequency with which an organization carries out portfolio, financial and organization restructuring, concluded that the three methods of restructuring have a favorable effect on the companies' market share and market growth. Their results indicate that financial restructuring had the greatest impact on a company's market share followed by portfolio restructuring and organization restructuring. It is distinct that organizational restructuring had the greatest impact on market growth rate. The Findings indicate that a firm's decision to restructure is influenced by a change in the firm's objectives, political/legal, technological, economic and socio-cultural factors; with a greater weight being set on the firm's objectives, technological change and economic factors.

Ithiri (2013) in his study of corporate restructuring and its effects on Kenya commercial bank's performance found that the main drivers for restructuring were competition, new company strategy, budgetary cuts, public pressure and change in government policy. The study revealed that increase in competition in the industry, government policy, increase in customer demands forced the organization to restructure itself in order to remain competitive in the market. The study also revealed that the organization structure had changed two times which was a result of competition in the market, regulation by the government, changes in the company's policies.

Waweru (2014) in their study on the corporate turnaround response by financially distressed companies listed on the NSE, surveyed companies that were listed for the entire period of the



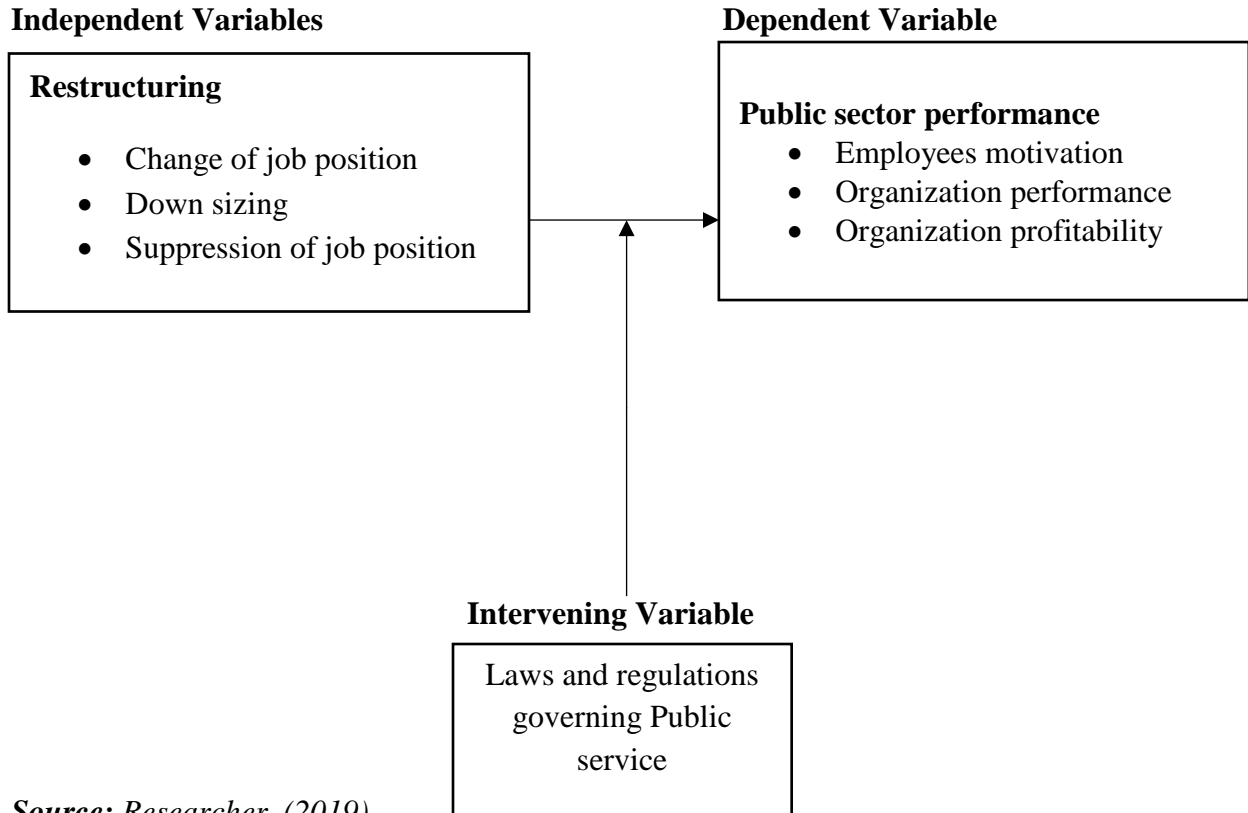
study (2002-2008). The survey found out that employee layoff was the most preferred course of action being carried out by 63% by the companies. Asset restructuring was the second most preferred turnaround strategy being carried out by 50% of the companies. Debt restructuring and top management change were the least preferred turn around strategies each one of them being taken by one company each.

### **2.3. Research Gap Identification**

The common benefits of restructuring frequently cited in studies include improved accuracy, and the provision of timely and quick access to information, and the saving of costs (Cascio, 2002). Although it may be possible to identify many of the relevant organizational restructuring costs, according to Cascio (2002) it is more difficult to quantify the intangible benefits to be derived from the re-structured organization. Beyond cost reductions and productivity improvements, restructuring potentially and fundamentally affects revenue channels and management of employees. Therefore, results from restructured institutions in Rwanda are not enough compared to the expected one. Many researches were done in the field but there was no research that has been conducted in RSSB to find out the impact of restructuring of RSSB /Mutuelle de santé and its effect on the management of affected staff.

## 2.4. Conceptual Framework

Figure 2.1 Conceptual Framework



*Source: Researcher, (2019)*

### Definition of variables determinants

**Change of job position** Job changes can occur for a variety of reasons, including promotions, career development and lateral job changes. If the core duties of a job change due to operational needs, the institution selects a new job description

There are 3 main changes of job position (Promotion, Reclassification and Career Development)

A promotion is defined as a move from a job in a lower grade to a job in a higher grade. Promotional increases are used to reward significant growth in responsibility and accountability.

Reclassification is defined as a move from a lower grade to a higher grade for an employee in his/her current job due to significant changes in core duties which typically results in a pay increase. On occasion, a reclassification can also result in a move from a higher grade to a lower grade and not be the results of corrective action.

A career development job change is defined as a move to a different job (different job code and job title) in the same or lower grade which may result in a pay change.

**Down Sizing** is reducing the number of employees on the operating payroll. Some users distinguish downsizing from a layoff, with downsizing intended to be a permanent downscaling and a layoff intended to be a temporary downscaling in which employees may later be rehired. Businesses use several techniques in downsizing, including providing incentives to take early retirement and transfer to subsidiary companies, but the most common technique is to simply terminate the employment of a certain number of people

**Suppression of job position:** Job suppression is elimination of a position, i.e., layoff, can occur when there is a lack of available funding or work, a reduction in the size of the work force, reorganization, or changes in business needs or workplace requirements which impact staffing needs. When a position is eliminated or duty time is significantly reduced, the institution will give the affected employee formal advance notification, during which time the affected employee will remain employed by the institution.

**Employees' motivation:** Methods for motivating employees, is an intrinsic and internal drive to put forth the necessary effort and action towards work-related activities. Also, "Motivation can be thought of as the willingness to expend energy to achieve a goal or a reward".

**Organization performance:** Comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives).

**Organization profitability:** Is one that generates more money than it expends. Profitable organizations are businesses that use a variety of tactics to make a profit. Calculating return on investment (ROI) will help businesses determine whether they are generating a profit.

## **Chapter Summary**

This chapter has used materials and journals done by previous researchers to examine the impact of organization restructuring on the management of public institutions, where the researcher showed the contribution of restructuring, on employee motivation, efficiency performance quality service delivery to Rwandan Citizen.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

Investigate plan basically refers to the plan or strategy of forming the research Henn, (2009) that might incorporate the complete process of investigate from conceptualizing a issue to composing research questions, and to data collection, examination, interpretation and report composing Creswell, (2013). The plan embraced for this study was descriptive research plan.

A descriptive research is research that portrays an event, and it is utilized to report and depict the marvel of intrigued Marshall, (2011), giving a clear reply of who, what, when, where, why, and way (6 Ws) of the research issue and data is ordinarily collected through a questionnaire. The plan was utilized also to examine how restructuring as the independent variable influences/ impacts company management which will affect its performance as the dependent variable within the study.

#### **3.2 Population and Sampling Design**

##### **3.2.1 Population**

A population is defined as the total set/ group that a researcher is fascinated by picking up particular results by carrying out a study on them and the results can be generalized. It can also be referred to as a total set of elements/ cases of a study interest Richardson, (2005) which may comprise of almost any size or they may cover practically any geographical region Henn, Foard, (2009). Ideally, researchers may hypothesize an indeed higher divergence of the target population known as the population of the study Wolfer, (2007). The population for this study was all RSSB staff whose total was 1554.

**Table 3.1: Population Distribution**

<b>Staff Categories</b>	<b>Number</b>	<b>Percentage</b>
Directors	6	6.7
Professionals	30	33.3
Support Staff	54	60
<b>Total</b>	<b>90</b>	<b>100</b>

*Source: Researcher, (2019)*

### **3.2.2 Sampling Design**

Sampling design refers to the rules and procedures by which some elements of the population are included in the sample. The common sampling approaches are cluster sampling, stratified sampling, and simple random sampling Dattalo, (2009)

#### **3.2.2.1 Sampling Frame**

Babbie, (2013) states that a sampling frame contains an arithmetical identifier for specific group(s), comprehensive of other classifying data about highlights of the groups, to help in research analysis additionally allow for division into more frames that lead to a more in-depth analysis. The sampling frame of the study came from the human resource department and it contained the list of all workers under the different divisions within RSSB/Mutuelle de Santé.

#### **3.2.2.2 Sampling Technique**

Sampling technique is defined as the strategies utilized in drawing samples from a population usually in such a way that the sample will encourage determination of some hypothesis concerning the population Dattalo, (2009). The sampling strategy utilized for this study was stratified sampling.

Stratified sampling is a probability sampling procedure whereby the researcher parts the complete population into assorted subgroups known as strata, followed by a random choice of the extreme subjects agreeing to the characterized extents from the assorted study strata Creswell, (2013). For this study, the strata were categorized in departments that comprised of the

Directors, Professionals and Back staff. This strategy was utilized since it was basic, and it effortlessly connected to the study population.

### 3.2.2.3 Sample Size

A sample is a group of the population being considered Richardson, (2005), that incorporate the method of selecting a number of (samples) from a bigger bunch (the sampling population) to ended up the basis for assessing or predicting a reality, circumstance or result with respect to the greater gather Jupp, (2006). Samples should be as large as possible, in common the bigger the sample the more representative and the more generalizable the results of the study are likely to be Wolfer, (2007).

According to Creswell (2013) the formula for selecting a sample size dictates that the researcher needs to account for the margin of error also known as the confidence interval, the researcher needs to state the confidence level, as well as the standard deviation. Kothari, (2004) the sample size formula was thus:

$$n = \frac{z^2 X p q N}{e^2 (N - 1) + z^2 p q}$$

Where  $e$  is the error for this study, taken as 10%;  $p$  is the population reliability, taken as  $p = 0.5$ ;

$z_{\alpha/2}$  is the normal reduced variable at 0.05 level of significance and  $z = 1.96$ .

$$n = \frac{(z)^2 x p x q (\text{Pop size})}{e^2 (N - 1) + z^2 p q}$$

$$n = \frac{(1.96 \times 1.96) \times 0.5 \times 0.5 \times 1554}{0.1 \times 0.1 \times (1554 - 1) + (1.96 \times 1.96) \times (0.5 \times 0.5)}$$

$$n = \frac{3.8416 \times 0.25 \times 1554}{0.01(1553) + 0.9604} =$$

$$n = \frac{1492.4616}{16.4904} = 90.5$$

$$n = 90$$

Thus the sample size for the study was therefore 90 respondents.

### **3.3 Data Collection Methods**

The study used primary data secondary data like reports. This data was collected using a questionnaire, analyzing RSSB different reports and interviews. The questionnaire was the core research instrument. The questionnaire was created with the intention of collecting the needed information from the target population. The instrument had adequate queries that enabled it to answer the study questions. The questions were closed-ended. The researcher also used like questions to measure the relationship between the study variables.

The questionnaire and interviews conducted addressed the impact of restructuring activities on public sector performance; the extent to which restructuring affected the revenue flow of an organization; the impact of organization restructuring on employee motivation in an organization; and the extent to which restructuring affected the efficiency performance of an organization.

### **3.4 Research Procedures**

To guarantee that the procedures established in the questionnaires were pertinent and suitable, the research tools were verified for validity and reliability. Walliman (2006), notes that in research, it is always proper to pre-test the tools for research on a small sample of respondents before the actual data collection starts. Validity defines the degree to which a realistic measure sufficiently mirrors the actual gist of the theory being studied Babbie, (2013). The questionnaire was tested to determine whether it made logical sense (as an indicator of a concept); as well as content validity (a test for whether the questionnaire covered the full range, or all of the dimensions, of the study concept).

Therefore for the purpose of pre-test in this study, the questionnaires was sent to 2 groups of people 5 employees in RSSB/Mutuelle de Santé and 5 research lecturers. The both groups were encouraged to state their comments and criticisms with respect to the length of the questionnaire, the words used, sentence structure and any ambiguous statements or confusing questions and clarity of the information science terms used. The final group of questionnaires that was used for data collection was formed after the examination of the tools has been conducted.



A cover letter escorted the new set of questionnaires and it explained the significance of the study to the respondents and it also acted as evidence that the research was valid and carrying out the research as part of a requirement for their study. The questionnaires were emailed to the respondents and they were given 2 weeks to complete the questionnaires. Calls were made regularly to remind the respondents about the questionnaires and it enabled the researcher achieve a high response rate.

### **3.5 Data Analysis**

Collected information was saved, sorted, assembled and collected in accordance with the question numbers that acted as the coding framework in arrange to request the rising issues focuses and to set up certain designs in all the answers. The summarization of the collected data was done primarily based on typology and semi statistics in that they were classified, grouped, themed or designed and the number of times or frequencies. Descriptive and interpretative validities took most of the time as there were many recursive focuses that appeared comparative in nature from the different respondents. Collected data from questionnaire was analyzed using (SPSS). All research questions were analyzed independently whereas considering all analysis components that were strengthened by descriptive analysis.

### **3.6 Chapter Summary**

The summary of this chapter shows research methodology that was used to carry out this research. It has expounded on the research design and sampling design, population of the study. It has also elaborated on the methodology of data collection, research procedures and data analysis. Details of the analysis process have also been discussed and the presentation of the data.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1. Demographics Characteristics of the Respondents

The purpose of showing identity of respondents is to clarify the age in case of showing that the results were corrected from different group of age; marital status, gender to bring gender equity in the results, etc.

**Table 4.2: Gender**

	Frequency	Percent (%)
Male	30	33.3
Female	60	66.7
<b>Total</b>	<b>90</b>	<b>100</b>

*Sources: Primary data July, 2019*

The table 4.2 showed the gender of the asked population, where by 66.7% were female and 33.3% were male. These results show that there are more female employees at RSSB/CBHI compared to Males. This means that the gender balance in RSSB/ CBHI exceeded and males represented 1/3 of the total population. This is a significant number comparing to the previous years in Rwanda about gender equality in all sectors of the economy.

**Table 4.3: Distribution of respondents according to their Age**

	Frequency	Percent (%)
20-30	18	20
31-40	24	26.6
41-50	33	36.7
51 and above	15	16.7
<b>Total</b>	<b>90</b>	<b>100</b>

*Source: Primary data July, 2019.*

From the table 4.3, the highest number of respondents was between the range of 41-50 years which were 36.7% of the total respondents who are mature enough to understand well the concept of restructuring on the public institutions management. The following range is 31-40 years which represents 26.6% of, this group also are mature to give more effort mentally and physically to keep the best performance of the institution. The next group of age is the range of 20-30 years who are young and energetic to spend their efforts in execution of the institutional mandate while people who are above 51 years most of them were managers and supervisors. This means that in the Department of Community Based Health Insurance (CBHI) there are different categories of age group in different job categories of the institution.

**Table 4.4: Distribution Respondents According to the Marital Status**

	<b>Frequency</b>	<b>Percent (%)</b>
Married	60	66.7
Single	27	30
Widow	3	3.3
<b>Total</b>	<b>90</b>	<b>100</b>

*Source: Primary data July, 2019*

From the table 4.4, the respondents were classified on the basis of their marital status. Where the most respondents were married with the highest percentages of 66.7%, they were followed by the single with 30% of the total respondents and widow with only 3.3%. This is because most of married couples are the one who attributed the highest responsibilities in every public institution and in any other institutions because they have a permanent address and they are capable to handle their tasks with commitment and due diligence.

**Table 4.5: Education Background**

	<b>Frequency</b>	<b>Percent (%)</b>
PhD	3	3.3
Master	30	33.3
Bachelor	45	50
Secondary	12	13.3
Primary	0	0
None education	0	0
<b>Total</b>	<b>90</b>	<b>100</b>

*Source Primary data July, 2019*

The table 4.5 showed that 33.3% of respondents had Master's degree, this level of education allowed them to have enough skills to know the impact of restructuring of the institution; and 50% respondents have finished Bachelor Degree, 3.3% respondents hold PhD, those PhD holders were in top management of the institution, 6.6% have Secondary diploma. This result showed that all respondents had some knowledge about the purpose of restructuring and its significance to the services offered to entire Rwandan population.

**Table 4.6: Working Experience in RSSB/ CBHI**

	<b>Frequency</b>	<b>Percent (%)</b>
1-3 Years	12	13.3
4-6 Years	15	16.7
7-10 Years	30	33.3
11 Years and above	33	36.7
<b>Total</b>	<b>90</b>	<b>100</b>

*Source: Primary data July, 2019.*

According to the table 4.6, the results showed that the majority of the respondents 36.7% had above 11 years of experience in RSSB/ CBHI, this means that they mastered well the functions

of this public institution. The second group was represented by 33.3% had between 7-10 years of experience in RSSB/ CBHI which implies that they had experience which enables them to determine the right direction of the institution. 16.7% of the respondents had experience between 4-6 years of experience, which enabled them to provide their contributions towards the performance of the institution, and the last age group had 1-3 years which represents 13.3% of the total respondents. These results show that the population had been working with the organization for a couple of years, which makes them good respondents of this research.

#### 4.2. Results from questionnaire

These results were found from the respondents through their answers in the questionnaire in different objectives:

The table below shows variance of respondents' agreement with the statement

Mean	Interpretation
$1 \leq \mu \leq 1.75$	Very low mean
$1.76 \leq \mu \leq 2.49$	low mean
$2.50 \leq \mu \leq 3.25$	Average mean
$3.26 \leq \mu \leq 4.15$	High mean
$4.15 \leq \mu \leq 5$	Very high mean

Where,  $\mu$  is the Mean, and

If  $\sigma \leq 0.5$  then there were homogeneity of responses,

If  $\sigma > 0.5$  then there were no-homogeneity responses.

### 4.3. The impact of restructuring activities on RSSB/CBHI Performance

**Table 4.7: Descriptions of Effect of restructuring on RSSB/CBHI operations**

Descriptive Statistics					
NO OF ITEMS	STATEMENTS	N	Mean	Std. Deviation	INTERPRETATION
ITEM 1	Restructuring at RSSB has involved cutting out administrative cost and merging 30 institutions of Mutuelle de sante	90	3.58	0.45	High mean and homogeneity responses
ITEM 2	Restructuring at RSSB was done to reduce duplication of work in different departments and change its functional model	90	3.86	0.36	High mean and homogeneity responses
ITEM 3	Restructuring at RSSB was done to improve the competitive position of organization by using automation of services	90	4.16	0.40	Very High mean and homogeneity responses
ITEM 4	The survival and growth of RSSB in its environment depends on its ability to pool all of its resources and use them to the optimum	90	2.06	1.021	Low mean and no-homogeneity responses
ITEM 5	RSSB's restructuring exercise was done to facilitate consolidation and economies of scale by expansion	90	3.69	0.42	High mean and homogeneity responses
ITEM 6	Restructuring strategy at RSSB has provided optimum synergy for an organization	90	1.88	0.91	Low mean and no-homogeneity responses

*Source: Primary data July, 2019.*

Table 4.7 indicates that item 2 has very high mean (Mean= 4.16, SD=0.40) and the Item 6 has lowest mean (Mean=1.88, SD=0.91). This indicates that majority respondents agreed that RSSB/CBHI restructuring was done to improve competitive position of organization by using

automation of services. Furthermore, the lowest mean and its corresponding standard deviation, shows that respondents do not clearly understand restructuring strategy used by RSB.

The respondents' views are confirmed by 2015-2016 CBHI annual report which shows that after integration of CBHI into RSB on 1<sup>st</sup> July 2015, there was unification of funds and services that were fragmented in 30 CBHI schemes. These 30 schemes were merged into one scheme which is managed under RSB as department in accordance with RSB organizational structure.

Before integration of CBHI into RSB, services were rendered to CBHI clients manually, however after integration most the services were automated, for example contributions of CBHI members were collected manually, but after integration members contributions are collected using mobicash, irembo & mtn mobile money. Before restructuring of CBHI, members were supposed to present their membership cards in order to have medical services. Today, all information of CBHI members are accessed electronically and eligibility of the member are proven easily by presenting National Identification Card. CBHI staff at any Health Center or Hospital can easily identify the eligibility of members to medical services by checking into 3MS system.

Before CHI restructuring each district had multiple pools based on the number of sections within the districts, however, after restructuring RSB managed to have one single pool at national level and this had increased accountability in funds management and reduced inefficiencies into the system. The change of functional model has increased CBHI members' awareness about the medical services they are entitled.

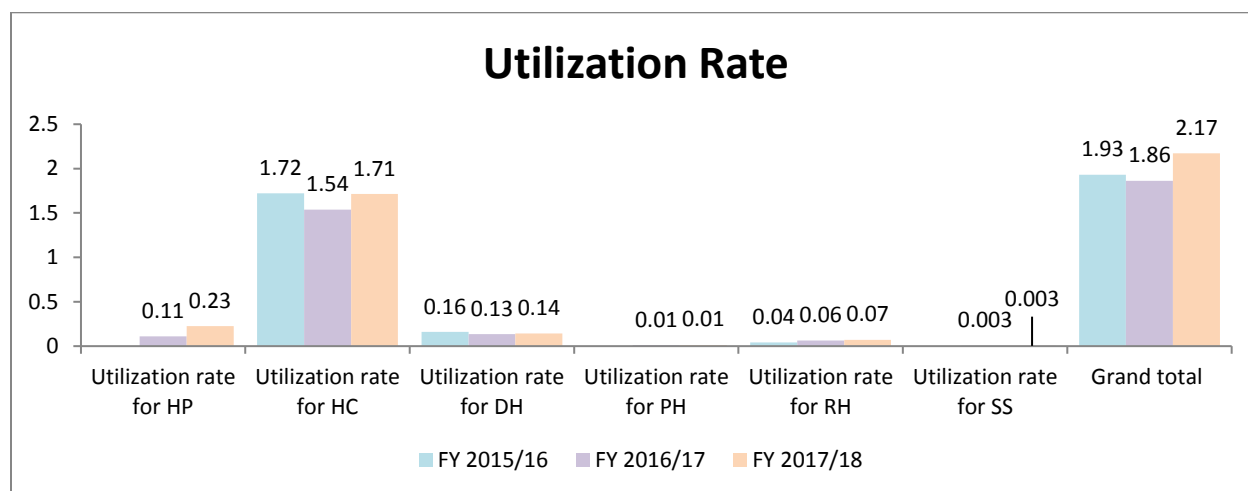
The change of functional model also helped RSB to put more effort in re-enforcement of different Laws, regulations and instructions regarding the efficient management of CBHI, for example before restructuring, family adherence (enrollment per household) was not respected by some members, resulting to adverse selection into the scheme, however after restructuring, it was not possible to do so. The fact of having the national CBHI pool, made easy access to medical care, the patient roaming existed but not really reinforced. Now it has been reinforced and it is easy for each CBHI affiliate to get medical care at any health center or hospital over the country, regardless of the place where he/she made contributions.

According to 2015-2016 RSB/CBHI annual report, the contribution coverage rate for the financial year 2014/2015 at national level was 76%, after restructuring and merging of 30 institutions of former mutuelle de santé, the contribution coverage rate was increased to 81.6% in the FY 2015-2016. Based on 2017-2018 RSB-CBHI report, CBHI contributions increased from

26,609,947,732FRW in the FY 2015-2016 to 30,082,818,824Frw in the FY 2017-2018. This increase is a result of RSSB strategy to improve communication by using large scale awareness campaign from September to December every year effective from integration of CBHI into RSSB in 2015 up to date.

In terms of medical care service delivery, RSSB-CBHI has increased laid a strategy after its restructuring member’s utilization health services. According to 2017-2018 RSSB/CBHI annual report, the utilization of medical care service was 2.17 visits per capita.

**This table shows the Comparison of utilization rate across health facility categories after RSSB restructuring**



Source: RSSB data for FY 2017/18

The most significant increase was observed in the utilization of primary healthcare services, which moved up 0.29 visits per capita to an average of 1.94 visits per capita in the fiscal year 2017/18. Health post utilization doubled from 0.11 visits per capita to 0.23. This increase is attributed to the increase in the health post network, providing the previously unserved population easier and quicker access to health facilities closer to their homes.

The highest PHC utilization was observed in health centers but just as in the previous fiscal years Utilization at OFH health posts continue to lead the other health posts. This could be due to the larger number of OFH health posts, the perception of better quality in these health posts etc. in this regard, 2017-2018 RSSB-CBHI annual report confirms RSSB competitiveness in terms of service delivery after restructuring of CBHI.



According to the 2017-2018 CBHI report, RSSB has initiative different strategies to facilitate in resources allocation and management, among the used tools includes DHIS Monitoring and Evaluation tool – This MSH-designed tool provided the CBHI team the ability to collate data from different areas of the country relating to enrollment, verification and access of medical services, so that the resources can be effectively allocated.

RSSB management initiated reporting system that increased visibility of managers on routinely collected data that are used for operational decisions. Management reports were subsequently developed from this initiative in order to allow the institution allocate resources optimally.

After restructuring, RSSB in partnership with CHAI conducted an internal health financing training to increase knowledge of RSSB managers on health financing concepts. In addition to that the cabinet approved a proposal for new funding sources for CBHI in order to address sustainability challenges. All these initiatives helped RSSB to collect contributions from members and allocate resources effectively.

Before restructuring, RSSB Portfolio was 561,604,737,190Frw, but after restructuring RSSB Portfolio was increased to 891,755,804,455Frw in the FY 2017-2018, which led to an increase of 330,151,067,265Frw. This increase resulted is equivalent to 58.7% increased portfolio in a period of 3 years after restructuring and integration of CBHI into RSSB. (*2017-2018 RSSB annual performance report*). The above mentioned increased amount illustrates an increase of RSSB economies scale in 3 years period after restructuring.

The strategy used in restructuring of RSSB is observed in the minutes of meeting all concerned ministries which includes MINALOC, MINISANTE, MINECOFIN and RSSB, this meeting was held at the offices of Ministry of Finance and Economic Planning of 2014, with a purpose of laying out the best strategies of shifting the management of Mutuelle de sante from MINISANTE to RSSB, during this meeting it was agreed that there shall be a selection of CBHI staff before integration of CBHI into RSSB.

The process of selecting CBHI staff took a period of 1 year effective from July 2015 to 30<sup>th</sup> June 2016. In this regard, the selected staff were appointed and placed to different positions in accordance with current RSSB organizational structure. (*Minutes of inter-ministerial meeting on integration of CBHI into RSSB*). The implementation of this strategy resulted in retrenching unqualified staff and those who were illegally employed. In this regard, 1,008 staff was retained

and 45 retrenched. Based on the above statements from respondents it is evident that the institution has registered a tremendous performance due to the strategy used during restructuring.

**Table 4.8: Descriptions of impact of restructuring on RSSB/CBHI revenues**

Descriptive Statistics					
ITEMS	Statement	N0	Mean	Std. Deviation	INTERPRETATION
ITEM 1	Restructuring has affected revenue flow of RSSB	90	3.24	0.415	Average mean and homogeneity responses
ITEM 2	Restructuring facilitated the elimination of RSSB/CBHI Debts	90	2.03	1.065	Average mean and no-homogeneity responses
ITEM 3	Restructuring had a positive impact on revenue growth of RSSB	90	3.46	0.345	High mean and homogeneity responses
ITEM 4	RSSB have observed an improved performance due to the increase of salary for CBHI employees at section level	90	2.98	0.456	Average mean and homogeneity responses

*Source: primary data collected in July 2019*

Table 4.8, presents means and standard deviations on the impact of restructuring on RSSB/CBHI revenues. Based on the result in table 8 majority (mean=3.46, SD=0.345) of the respondents indicated that restructuring has a positive impact on revenue growth of RSSB, followed by RSSB revenue flow which has (mean=3.2, SD=0.415) and elimination of RSSB/CBHI debts which has (mean 2.03, SD 1.065). The average mean of 2.98 with standard deviation of 0.456 indicates that, though there was an increase of salaries for CBHI staff after restructuring, the respondent's level of agreement with the statement was at 50%.

The responses from respondents are confirmed by 2017-2018 RSSB annual financial report which indicates that contributions from RSSB schemes were increased as follows;

- Pension and Occupation Hazard schemes contributions were increased from 61,141,189,287Frw from 2014-2015 to 83,344,079,589Frw in the FY ended June 2018
- CBHI contributions were increased from 26,609,947,732Frw in the FY ended June 2016 to 30,082,818,824Frw in the FY ended June 2018
- Medical Scheme contributions were increased from 37,305,626,662 in the FY 2014-2015 to 42,248,625,559Frw in the FY 207-2018

The above indicated increase of collected revenues illustrates positive revenue flow after 2015 RSSB restructuring.

According to the 2015-2016 RSSB/CBHI annual report, CBHI had a deficit of 7.3 billion which was slightly higher compared to 6.5 billion deficits registered in 2014-2015. Despite the registered deficits there was much improvement compared to the previous FY; whereas the scheme recorded an overall deficit of RWF 12.8 billion, this was closer to RWF 12.5 billion for FY 2014/15. Even though the scheme still have deficits CBHI scheme was given financial support by Medical scheme to cover the above mentioned deficits by paying debts claimed by health centers and Hospitals.

According to 2015-2016 CBHI annual report, the registered deficits are caused by difference between collected contributions and amount paid to the medical services offered to CBHI members. For example the premium contribution without Government subsidy and other contributions from 3<sup>rd</sup> Party were 17,070,174,000Frw whereas the total expenditures paid was 17,471,434,235Frw. Even though Medical scheme do provide support to the CBHI to cover the debts, it was observed that the amount spent on the CBHI medical care services are still higher compared to the collected contributions. Furthermore, RSSB annual performance reports from 2014 to 2018, shows that the institution registered an increase of 13% on CBHI contributions, 36.3% on Pension and Occupation Hazzard contributions and 13.2 om Medical Scheme contributions. This increase gives hope of financial sustainability of the institution in future.

According to the report of June 2016 on integration of CBHI into RSSB, salaries for 900 CBHI support staff working at section level at different Health Centers in the country were increased to 13% after integration of CBHI into RSSB. This increase motivated these staff and increased their performance and this has led to an increase of collected contributions.

**Table 4.9: Descriptions of effects of restructuring on RSSB/CBHI staff**

Descriptive Statistics					
ITEMS	Statement	NO	Mean	Std. Deviation	INTERPRETATION
ITEM 1	There are some CBHI employees who have lost their jobs as a result of the organization's restructuring	90	4.06	0.468	High mean and homogeneity responses
ITEM 2	RSSB's restructuring has changed the employees' commitments to the institution	90	2.63	0.473	Average mean and homogeneity of responses
ITEM 3	Did restructuring process affected employees' turnover	90	3.89	0.325	High mean and homogeneity responses
ITEM 4	RSSB has given written commitments to continuing employees for motivational purposes	90	1.8	0.902	Low mean and non-homogeneity of responses
ITEM 5	The restructuring process of RSSB has left staff members with questions about their place in the new organization	90	4.183	0.362	Very high mean and homogeneity of responses
ITEM 6	RSSB staff feels less certain about their capacity to deal with their own professions and feel fear about their future with the organization due to the restructuring.	90	2.31	1.108	Low mean and non-homogeneity of responses
ITEM 7	RSSB faces a loss of faithfulness from its employees as shown through the high turnover	90	2.86	0.236	Average mean and homogeneity of responses

Table 4.9 presents means and standard deviations on the effects of restructuring on RSSB/CBHI staff. Based on the result in table 9, majority (mean=4.183, SD=0.362) of the respondents indicated that RSSB/CBHI staff had fear about their future placement on new organizational

structure, this was followed by (mean=4.06, SD=0.468) which indicates that some employees has lost their jobs due to restructuring of the institution. The lowest mean equal to 1.8 and SD= 0.902, shows that even though RSSB has committed itself to motivate staff, the respondents level of agreement with the statement was low compared to level of agreement of other statements.

According to the National Public Service Commission report on the assessment of integration of CBHI staff of 2017, RSSB received 1080 CBHI staff, however after assessment of their files 135 staff was retrenched due to the fact that they were not qualified to the new positions on RSSB organizational structure.

The retained CBHI employees whose salary was increased to 13% were motivated and their commitments toward the institutional performance were increased. Their commitment is observed in 2017-2018 annual performance report which indicated that the target population for FY 2017/18 was increased by 5% in absolute terms and the covered population for this FY was higher than the previous FY, whereby 8,355,956 CBHI members was covered in 2018 compared to 8,076,646 in the previous FY. An increase of 279,492 members who were covered was a result of committed employees toward better performance of the institution.

The 2016-2017 RSSB annual report indicated that after restructuring there was high staff turnover whereby 152 staff left the institution due to the following reasons;

- 6 Staff changed the job through competition,
- 6 Staff were given early retirement upon their request
- 94 Staff were given leave of absence for non-specific period
- 11 Staff deliberately resigned
- 6 Staff deserted the work
- 29 Staff were dismissed due to embezzlement of CBHI member's funds.

The above mentioned staff turnover shows that restructuring has motivated the staff to change their mind and took decision to leave the institution.

After restructuring, the retained CBHI staff were appointed and placed at entry level of salary index grade. Their placement at entry level was based on the fact that they don't have a defined

status (contractual or civil servant governed by general statute). In this regard, RSSB issued a communication to all CBHI Staff requesting them to continue provision of services to CBHI members pending final decision on their status. On 15<sup>th</sup> November 2018, *Inter-Ministerial Co-ordination Committee (IMCC)* meeting took decision to consider CBHI staff as Civil servant governed by general statute for public servant, effective from the date of their appointment from their former Districts. It's upon this decision that in March 2019, CBHI staff equivalent to 996 were horizontally promoted to different levels depending on their working experience. In this respect, a written commitment was issued to CBHI staff to ensure their motivation and continuity of services in CBHI, while waiting for final decision on their employment status.

According to March 2019 RSSB report on horizontal step promotion of CBHI staff, 30 Directors of former Mutuelle de santé were affected by restructuring. These Directors lost their managerial position as a result restructuring, they were placed to the lower level (level of professionals). Their placement to the lower level was caused by merging of 30 institutions of former Mutuelle de santé into one scheme. In this regard, restructuring totally changed their job positions and salaries. This change had influenced their turnover, whereby, 6 out of 30 Directors resigned and left the institution. Based on the above mentioned changes, former staff of Mutuelle de santé had sound reasons to question themselves about the outcome of restructuring.

**Table 4.10: Descriptions of performance management during and after restructuring**

ITEMS	Statement	N0	Mean	Std. Deviation	INTERPRETION
ITEM 1	Restructuring in RSSB was done to convert it from under-performing institution to a better performing one	90	3.65	0.362	High mean and homogeneity of responses
ITEM 2	RSSB had a turnaround committee that facilitated quick and relatively smooth restructuring of the institution	90	1.89	0.676	Low mean and non-homogeneity of responses
ITEM 3	RSSB had a difficult task in management of affected employees	90	3.83	0.459	High mean and homogeneity of responses
ITEM 4	RSSB restructuring has led to the cost reduction and increased the organization's competitiveness.	90	3.528	0.320	High mean and homogeneity of responses
ITEM 5	RSSB conducted restructuring aiming to improve employee capacity	90	2.69	0.877	average mean and non-homogeneity of responses
ITEM 6	During restructuring, CBHI staff had fear of their future employment	90	3.73	0.426	High mean and homogeneity of responses
ITEM 7	RSSB offered help to both retained and retrenched staff	90	2.94	0.423	Average mean and homogeneity of responses

*Source: Researcher, (2019)*

Table 4.10, presents means and standard deviation on RSSB/CBHI performance management during and after restructuring. Based on the result in table 10 majority (mean=3.83, SD=0.459) of the respondents indicated that RSSB had difficult task in management of affected employees, this was followed by (mean=3.73, SD=0.426) which indicates that high number of respondents agreed that CBHI staff had fear about their future employment. The lowest mean equal to 1.89

and SD= 0.676, shows that even though RSSB has established a committee on to manage restructuring issues the respondents had no full information about the established committee.

According to 2017-2018 CBHI annual performance report, there was better performance after restructuring whereby, CBHI registered members were increased from 7,347,564 members in 2017 to 9,583,281 in 2018. Regarding pension and Occupational Hazzard schemes, the registered members were increased from 394,367 in the FY 2014-2015 to 539,219 in FY 2017-2018. For Medical scheme, the registered members were increased from 136,617 in FY 2014-2015 to 147,170 Members in the FY 2017-2018.

The increase of new members shows that there was better performance of the institution after restructuring which led to the increase of RSSB Portfolio from 561,604,737,190Frw from 2014-2015 to 891,755,804,455Frw in the FY 2017-2018. In this regard, RSSB registered 58.78% increase of its portfolio in 4 consecutive years. The registered increase clearly shows that restructuring was done to improve the institution's performance of all schemes.

Furthermore, RSSB management has nominated a committee to conduct selection of qualified staff in order to retain them. The nominated committee conducted selection and came up with a report which indicated that among 1080 CBHI staff, 135 were not qualified to be appointed and placed on RSSB organizational structure, hence their retrenchment.

After restructuring, CBHI integrated staff on the level of professionals raised a concern of dissatisfaction on matters related to change of their Job positions, reduction of salaries, delay in promotion and change of working places. The affected staff addressed their problems in National Public Service Commission (NPSC), MIFOTRA & Parliament, in order to get support in handling their problems. RSSB management in partnership with above mentioned authorities continued to find solution of affected staff effective from 1<sup>st</sup> July 2015 to March 2019. During this period, it was hard for RSSB management to manage CBHI professional staff that was affected by restructuring. However, after solving of their problem related their status as civil servants and considering their working experience by providing horizontal step promotion to all eligible CBHI staff, it was observed that they were motivated and committed to improve their performance. *(March 2019, CBHI staff horizontal step promotion report).*



This means that RSSB restructuring has led to the reduction of administrative cost spent most especially in health care of CBHI members.

According to RSSB/CBHI 2017-2018 annual report, CBHI administrative expenses were reduced from 2,354,936,379Frw in FY 2015-2016 to 2,295,316,877Frw in FY 2017-2018. The total reduced administrative expenses are equivalent to 59,619,502Frw. The reduction of administrative expenses is a result of merging 30 CBHI institutions into one RSSB Department. This reduction contributes to the institutional competitiveness in terms of improving the provision of medical services to Rwandans.

During the restructuring process the institution had some approaches like trainings that empowered employees to perform their tasks before and after restructuring. However, it was observed that before restructuring there were some skills gaps in different departments and this had stimulated RSSB management to re-thinking about the identification of staff skills gaps and ways to bridge the identified skills gaps within the institution. According to 2018-2019 RSSB Annual training plan, 89% of planned trainings were effectively executed compared to 54% implementation of training plan observed in the FY 2014/2015. An increase of 35% justifies the statements of respondents who agreed that improving employee capacity was among the reasons of RSSB restructuring.

After restructuring, retained CBHI Staff were given right to RSSB annual salary advances whereas those who were retrenched were given terminal benefits in accordance with the law and in consideration of their working experience. The retained CBHI staff were also given extensive trainings aiming at boosting their capacity in management of members contribution and improving services offered to CBHI Members.

#### **4.4 Results from interviews**

In the course of conducting this research, the researcher interviewed former Directors of Mutuelle de santé and RSSB senior management team. The asked questions intended to know the real causes of restructuring, consequences and a challenge associated with restructuring and how restructuring affected CBHI Staff motivation does. The respondents' views on the asked questions are the following

The respondents view on the real cause of restructuring was to improve service delivery, downsizing of institutions of mutuelle de santé and the use technology. After merging of 30 CBHI institutions and shifting the management of CBHI from MINISANTE to RSSB, the medical care services offered to CBHI Members were automated for example, RSSB has introduced IT system called Mutuelle membership management system (3MS). This system helps in registration of members, checking members' contributions and eligibility of beneficiaries before getting health care services and verifying members' affiliates.

In addition to the above, the interviewed managers emphasized that after restructuring RSSB introduced new IT System that is linked with IREMBO, Mobi-cash, MTN& Air-tel mobile money, which facilitates members to pay their contributions easily using the above mentioned systems. The use of new IT system has reduced the embezzlement of members' funds due to the fact that members' contributions are no longer paid as cash at hand. Coordination of 30 CBHI institutions country wide was very challenging in terms of service delivery and sensitization of members and payment of premiums.

RSSB senior managers also narrated that the government of Rwanda took decision to merge scattered CBHI institutions into one department, so that all instruction and services be provided by one institution. Before merging CBHI institutions, every CBHI institution in the District had the autonomy to manage member's funds and this has led poor management of members fund in some Districts. However, after restructuring all issues related to collection and payment of invoices are addressed to one institution and provided responses are similar to all health facilities. Based on the above findings, service delivery and downsizing were among the causes of RSSB/CBHI restructuring.

#### **4.5 Consequences and challenges associated with restructuring of RSSB/CBHI**

Former CBHI Directors have said that restructuring has led to the change of their job positions, change of job levels and change working location. In addition to that member's contributions were being embezzled in the course of restructuring process, this means that even though restructuring of Mutuelle de santé (CBHI), registered a tremendous positive impact, but there are some negative consequences related to demotivation.

According to the interviewed respondents, former CBHI Directors and staff at professional level changed job their positions, In this regard, 30 Directors of former CBHI institutions were appointed and placed to the lower level (placed in the category of professionals), hence reduction of their salaries and other fringe benefits. CBHI staff who falls in the category of professionals were shifted from their respective Districts to RSSB Headquarters and this has led to separation of families for most CBHI staff.

The interviewed RSSB top managers said that CBHI staff at section level was highly involved in embezzlement of member's contributions. The respondents answer on this question is confirmed by 2016-2017, RSSB annual report which indicates that 29 CBHI Staff at section level were dismissed due to embezzlement of members' funds.

The interviewed respondents also said that CBHI staff spent over 3 years without defined status and they delayed to be horizontally promoted due to un-defined status, however RSSB management took decision and addressed this problem to competent authorities effective from integration of CBHI into RSSB in July 2015.

According to RSSB senior managers the Inter-Ministerial Co-ordination Committee (IMCC) meeting of 15<sup>th</sup> November 2018 took final decision to manage CBHI Staff as civil servants governed by general statutes for public servants. This issue of undefined status has caused financial imbalances to CBHI staff accruing from heavy burdens of bank loans and payment of 1,868,357,694Frw of arrears accruing from delayed promotion.

RSSB senior management also revealed that after performance evaluation of 2017-2018, 1205 RSSB staff was ranked as best performers with at least 80%, 233 scored between 70 &79% and they were ranked as good performers. Only 10 staff was considered as poor performers with scores between 60 to 69%.

The above performance appraisal marks clear shows that even though there were some problems RSSB management tried to find solutions to improve staff performance. Among provided solutions that boosted staff performance are confirming CBHI as civil servants, conducting horizontal step promotion for CBHI staff and payment of arrears for CBHI staff.

## **CHAPTER FIVE**

### **MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

This chapter provided a summary of findings, and some conclusions and recommendations regarding the study. The research was concluded and final analogies were drawn, offering appropriate recommendations for future research.

#### **5.1. Major Findings**

The main purpose of the study was to determine the impact of restructuring of public institution on the management of public servants and affected institution. The study was guided by the research questions which were set to collect the right information on the restructuring of public service and to determine what are the causes and consequences of restructuring of RSSB/CBHI the challenges faced by RSSB/CBHI. This research also analyzed how restructuring affected employee's motivation in RSSB/CBHI, as the extent restructuring affected the efficiency performance of RSSB/CBHI. The research also sought the relationship between restructuring and employees management in RSSB/CBHI department?

The study concludes that restructuring at RSSB/CBHI had involved merging of 30 institutions of former Mutuelle de santé into one department known as Community Based Health Insurance (CBHI), but this merger was not significantly confirmed as key purpose of RSSB restructuring. The findings of this research show that the main reason of RSSB restructuring was to improve medical services offered to Rwandans and better performance of the institution. In addition to the above, restructuring within RSSB had been carried out with the aim of improving the competitive position RSSB on national level and on the region at large.

It can be concluded that restructuring had a positive impact on the total RSSB investment as well as a positive impact on sustainability of CBHI scheme, since the institution has observed an improved performance from the reduction of labor costs due merging of 30 institutions into one scheme managed under RSSB.

It can be concluded that although some employees lost their jobs during the restructuring process, the benefit packages offered to retrenched employees including compensation based on years of service by the organization was vital in motivating the remaining staff to be living

standard. The rebuild process of RSSB/CBHI left staff members with questions about their place in the new organization in spite of the fact that the restructuring had not changed the organization's commitments to its employees.

The study showed that restructuring in RSSB/ CBHI was done to convert it from an under-performing organization to a better performing one and inspired the employees to understand the reasons as to why the institution was being restructured.

## **5.2. Conclusion**

### **5.2.1. Causes and consequences of restructuring of RSSB/Mutuelle de Santé**

The results shows that the majority of the respondents confirmed that downsizing of former institutions of mutuelle de santé was the key causes of RSSB restructuring, 31.1% respondents confirmed that quality management was ideal of RSSB restructuring, 16.6% of the total respondents said that it was the technology, 8.8% of the respondents said that it was mergers and acquisition and 8.8% of the respondents said that it was finance related issues. This means that the cause of RSSB restructuring was downsizing and quality management of members' funds.

The table 4.34 shows that the majority of the respondents 44.4% strongly agreed that the restructuring has led to the change of their job positions and 33.3% agreed that their job levels have been reduced, 20% agreed that working location of some CBHI staff was changed and 2% agreed that member's contributions were being embezzled in the course of restructuring process, this means that even though restructuring of Mutuelle de santé (CBHI), registered a tremendous positive impact; there are some negative consequences related to demotivation.

### **5.2.2 The challenges faced by RSSB/Mutuelle de Santé**

The results in the table 4.35 show that the majority of the respondents 97.7% strongly agreed that they worked for a long time with undefined status and 2.2% agreed that delay in horizontal step promotion due to undefined status that led them to live in a status of financial imbalances. Which means that the challenges that faced by the institution were few comparing to the challenges established by the researcher's questionnaire during the research period.

### **5.2.3. Restructuring and employees' motivation in RSSB/Mutuelle de Santé**

The results shows that the majority of the respondents strongly agreed that the restructuring has affected CBHI staff motivation, 16.6% were agreed and 5.5% didn't answer the question. It means that above 93% confirmed that the restructuring affected the staff motivation because they got new jobs tasks which were easily to handle, this means that the working condition mood was good enough after restructuring.

However, the results in the table 4.25 shows that a half of the respondents 50% strongly agreed with the statement showing that RSSB faced loss of the faithfulness of the employees, 13.3% agreed with the statement, 10% disagreed, 15.5 strongly disagreed while 11.1% didn't answer the question. This means that some employees have moved from RSSB to other institution which were the motivation level was a half during the restructuring period.

The results in the table 4.26 shows that the majority of the respondents 90% strongly agreed with the statement that the restructuring in RSSB was done to convert it from an under-performing institution to a better performing one, 6.6% of the respondents agreed while 3.3% didn't answer the question, and this means that above 96% knew the purpose that has pushed the institution to restructuring.

### **5.2.4. Restructuring of RSSB/Mutuelle de Santé and performance**

The results in the table 4.37 shows that the majority of the respondents 96.6% were highly confirmed that the restructuring affected the efficiency performance on high extent, 3.3% said that it has intently affected the performance, while no one has refused. It means that the total number of respondents knew the contribution of the restructuring on service performance of RSSB/ CBHI.

In the 4.20 showed the impact of restructuring on the institution's business operations, the majority of the respondents 64.4% strongly agreed that the restructuring had led to managers rethinking strategically, 24.4% agreed and 11.1% didn't answer the question. It means that at least 88.8% confirmed that the restructuring has contributed more on thinking twice on the operations of the organization in order to change mind set of manager so that they can drive the institution to the expected performance.

The results in the table 4.18 showed that the majority of the respondents 62.2% strongly agreed with the statement, 27.7% agreed, 3.3% disagreed with the statement and 6.6% didn't give answer on this question. It means that the majority of respondents confirmed that the reduction of labor cost increased the profit which that led to the better performance of the institution.

After restructuring process the findings showed that the employees performed well their job tasks because they have been empowered to help them to acquire all need in their job tasks in the new positions in the new institution.

### **5.2.5. Relationship between restructuring and employees management**

The results in the table 4.38 showed that 98.8% strongly agreed that there is a relationship between restructuring and employees' management, 1.1% agreed with the statement also. This relationship also was confirmed because before the restructuring, Mutuelle de santé had a bad management but after restructuring of its function under the responsibility of RSSB, its management was improved. The table 4.11 shows that 61.1% which is the majority of the total respondents strongly agreed that the restructuring in RSSB/CBHI has facilitated the consolidation and economies of scale, 33.3% agreed with the statement, 3.3% disagreed, 1.1% strongly disagreed and 1.1% didn't respond to the question, which means that above 94% confirmed that the restructuring had a great impact on the management and saving of the cost spent before restructuring. The results in the table 4.27 shows the restructuring impact on employees and managing cost, where the majority 77.7% of the respondents strongly agreed that restructuring involved a balance between attracting the best employees and managing cost, 16.6% agreed with the statement and 5.5% didn't answer the question. This allowed the researcher to confirm that the restructuring was paramount to the institution where the merging of the institutions was an opportunity to find the qualified employees to drive the institution towards the required success. This result allowed the researcher to confirm the relationship between restructuring of public institution and positive effect of institution and good management of public servant.

### **5.3. Recommendations**

This study has focused on the impact of restructuring activities on public sector performance a case study of RSSB/CBHI. The study recommends to the Universities and researchers to conduct further studies on the restructuring of public and private organizations in Rwanda to determine its impact on the development of the country. This will build on more evidence on how restructuring affects the management of public servants, institutional revenue flow, employee motivation and efficiency performance.

There is a need of further assessment on how the restructuring affects service delivery in public and private organizations.

#### **5.3.1. Recommendation to the government**

The researcher further recommends to the government of Rwanda to conduct extensive feasibility study on the sustainability of the institutions to be restructured, timely preparation of enough funds to manage restructuring process and speeding-up the execution of rules and regulations related to the rights of public servants during and after restructuring.

Following Cabinet approval of the new policy related to the rationalization of public institution as means to strengthen capacity and improve service delivery across public service institution. Taking into account that employing younger people in public service and putting in retirement the old public servants is among the reasons for rationalization of public institutions in order to achieve the goals and objectives of NST 1. Considering the fact that the mandatory retirement age is still 65 years of age and early retirement is at 60 years of age. The searcher recommends to the government to reduce early retirement age from 60 to 50 years. The reason for this recommendation is based on the fact that it is not easy for retrenched public servants that are above 50 years of age to get a job since employers needs to employ younger people of at least 18 to 35 years. In this regard, the retrenched public servants who failed to get any other job are not eligible for the pension benefits and they have to wait until they reach at the age of 60 years, where they are eligible to request for early retirement pension benefits.

Based on the fact that retrenched public servants are exposed to the risk of waiting for pension benefits for a period ranging from 10-15 years. If the law governing retirement age does not



change and the retirement age is not reduced as recommended above, the researcher recommends to the government to put in place a policy on the management of retrenched public servants who are between 45-60 years of age, due to the fact that, if they are retrenched they are not eligible for early retirement pension benefits.

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## **REPORTS**

RSSB annual performance report for 2017-2018

CBHI Staff horizontal step promotion report, March 2019

RSSB/CBHI annual report for 2017-2018

RSSB Annual training plan for 2018-2019

# APPENDIX



## **APPENDIX I: COVER LETTER**

I am a student at University of Rwanda, undertaking my Master's degree in Business Administration with specialization in Human Resource Management. As a requirement, I am supposed to carry out a study on the impact of restructuring on management of public institutions. My case study is on RSSB/CBHI (Former Mutuelle de santé).

The facts received from you will be used for academic purposes only.

Yours Sincerely,

MUGABO Emmanuel

## **APPENDIX II: QUESTIONNAIRE**

Kindly fill out the questionnaire as necessary.

### **Section A: Demographics**

1. Please indicate your gender

Male ( ) Female ( )

2. Please indicate your position/level in the organization

Top Management ( ) Middle Management ( ) Lower Management ( )

3. How long have you been in this position?

1-5 Years ( ) 6-10 Years ( ) 11-15 Years ( ) 16-20 Years ( ) 21 and above ( )

4. How long had you been working in Mutuelle de sante when restructuring was implemented?

Months ( ) Years ( )

5. Please indicate your highest level of qualifications

Certificate ( ) Diploma ( ) Degree ( ) Post-graduate ( ) Other ( ) Indicate.....

**Section B: Effect of restructuring on RSSB/CBHI operations,**

**6. Effect of restructuring on RSSB/CBHI operations**

Using the following key with 1 being strongly agree, 2 Agree, 3 Disagree, 4 Strongly disagree and 5 No Answer. Please indicate the degree to which you agree with the following statements regarding on effect of restructuring on RSSB/CBHI operations

	1	2	3	4	5
Restructuring at RSSB has involved cutting out administrative cost and merging 30 institutions of Mutuelle de sante					
Restructuring at RSSB was done to reduce duplication of work in different departments and change its functional model					
Restructuring at RSSB was done to improve the competitive position of organization by using automation of services					
The survival and growth of RSSB in its environment depends on its ability to pool all of its resources and use them to the optimum					
RSSB's restructuring exercise was done to facilitate consolidation and economies of scale by expansion					
Restructuring strategy at RSSB has provided optimum synergy for an organization					

### 7. Descriptions of Impact of restructuring on RSSB/CBHI revenues

Using the following key with 1 being strongly agree, 2 Agree, 3 Disagree, 4 strongly disagree and 5 No Answer. Please indicate the degree to which you agree with the following statements regarding RSSB’s restructuring and the organization’s revenue flow.

	1	2	3	4	5
Restructuring has affected revenue flow of RSSB					
Restructuring facilitated the elimination of RSSB/CBHI Debts					
Restructuring had a positive impact on revenue growth of RSSB					
RSSB have observed an improved performance due to the increase of salary for CBHI employees at section level					

## 8. Descriptions of effects of restructuring on RSSB/CBHI staff

Using the following key with 1 being strongly agree, 2 Agree, 3 Disagree, 4 Strongly disagree and 5 No Answer. Please indicate the degree to which you agree with the following statements regarding Descriptions of effects of restructuring on RSSB/CBHI staff

	1	2	3	4	5
There are some CBHI employees who have lost their jobs as a result of the organization's restructuring					
RSSB's restructuring has changed the employees' commitments to the institution					
Did restructuring process affected employees' turnover					
Restructuring process was to affect employees' turnover					
RSSB has given written commitments to continuing employees for motivational purposes					
The restructuring process of RSSB has left staff members with questions about their place in the new organization					
RSSB staff feels less certain about their capacity to deal with their own professions and feel fear about their future with the organization due to the restructuring					
RSSB faces a loss of faithfulness from its employees as shown through the high turnover					

## 12. Descriptions of performance management during and after restructuring

Using the following key with 1 being strongly agree, 2 Agree, 3 Disagree, 4 Strongly disagree and 5 No Answer. Please indicate the degree to which you agree with the following statements regarding descriptions of performance management during and after restructuring

	1	2	3	4	5
Restructuring in RSSB was done to convert it from an under-performing institution to a better performing one					
RSSB had a turnaround committee that facilitated the quick and relatively smooth restructuring of the company.					
RSSB had a difficult task is in management of affected employees to understand the purpose of the reforms					
RSSB restructuring has led to the cost reduction and increased the organization's competitiveness.					
RSSB conducted restructuring aiming to improve employee capacity					
RSSB restructuring has led cost reduction and increased the organization's competitiveness					
RSSB conducted restructuring aiming to improve employee capacity					
During restructuring, CBHI staff had fear of their future employment					
RSSB offered help to both retained and retrenched staff					

13. What are the causes and consequences of restructuring RSSB/Mutuelle de sante
14. What are the challenges faced by RSSB Mutuelle de sante
15. How does restructuring affected CBHI Staff motivation
16. To what extent does restructuring affected the efficiency performance of Mutuelle de sante

**Thank you**

**APPENDIX 3: Financial snapshot of CBHI FY 2015/18 to 2017/18**

	<b>2017/18</b>	<b>2016/17</b>	<b>2015/16</b>	<b>% change (FY 2015/16 to FY 2017-18)</b>
<b>Incomes (RWF)</b>	<b>30,460,316,675</b>	<b>29,611,858,803</b>	<b>26,847,131,655</b>	<b>3%</b>
Contributions	30,082,818,824	28,628,563,318	26,609,947,732	5%
Returns on investments	120,402,332	216,541,297	230,829,103	-44%
Other income (sale of tools)	257,095,519	766,754,188	6,354,820	-66%
<b>Expenditures (RWF)</b>	<b>48,130,693,389</b>	<b>42,222,076,361</b>	<b>39,683,725,699</b>	<b>14%</b>
Benefits paid (medical costs)	41,765,245,302	35,674,865,819	34,183,168,391	17%
Staff costs	3,695,075,941	3,780,975,286	3,673,808,718	-2%
Administrative expenses	2,295,316,877	2,354,936,379	1,679,695,482	-3%
Depreciation and amortization charge	209,325,446	109,920,651	41,981,866	90%
Other expenses	165,729,823	301,378,226	105,071,242	-45%
<b>Net income / Deficit for the period</b>	<b>- 17,670,376,714</b>	<b>- 12,610,217,558</b>	<b>- 12,836,594,044</b>	<b>40%</b>

*Source: Report from RSSB/ CBHI, 2015/16 to 2017/18*