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Effect of Overstaffing in Benjce Sachets Water Company Onitsha (BSWCO)

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Abstract- When a company employs more people on the job than needed, it is said to be overstaffed. It could have accrued from when the company experienced its major market boom, followed by a decline. When you pay your employees for doing nothing, it drains your profit and could lead to severe financial crisis. Overstaffing happens when there is lack of sufficient strategic long term goals. The methodology used in this paper is both qualitative and quantitative. On the 1st December, 2020, Benjce Sachets Water Company Onitsha (BSWCO), automated her company instilling twenty sachets water machines with three hundred unskilled regular staff manning them, most of the time the machine does most of the work; while the staff stay idle. By the end of December 2021, profit data from the company, showed how negative energy of overstaffing sprung up with increased overhead costs, with heavy strain on BSWCO finances with no profit rather accumulated losses. The outcome of the research in BSWCO shows that overstaffing leads to decreased productivity as there were often too many people working on the same project, leading to inefficient use of resources and lost of profit. Bankruptcy occurs when a company continues to retain idle staff; it is recommended that more branches should be established to accommodate those idle staff otherwise the company will fold up in no distance time due to lack of profit.

Indexed Terms- Overstaffing, Productivity Improvement, Finances, Idle Staff, Profit, Loss.

I. INTRODUCTION

Staffing has different effects on performance of a company. However, the literature has not reached an agreement on the relationship between staff levels and company performance. Researchers have approached the issue in both qualitative and quantitative methods and come up with different results. Some scholars conclude that moderate understaffing has positive effects on outcomes, while others prove that slight overstaffing performs better. They all agree that, however, both great overstaffing and extreme understaffing conditions have negative effects on organisation performance. Overstaff was a prevailing phenomenon in some countries in pre-reform period. They were ignorant of production efficiency, all they did was to fulfil the planning target. Reform process was set up to find out the reasons for overstaffing, which can serve as a background of our analysis. For example in Soviet Union and East European countries privatization approach was adopted, the Chinese government focused on productivity improvements and efficiency and economic growth in there formation process. They started with introduction of contract responsibility mechanism in rural areas, the preface of incentive system and management autonomy in urban areas and the introduction market machinery economy-wide. In the pass, the inducement system was represented by profit retaining, companies could claim part or all of above-quota profits if they realized the planed quotas of output and/or profits. There tained profits was an economic reserve for companies to increase welfare expenditure and employees' bonus or to update production equipment.

II. LITERATURE REVIEW

Experimental investigation examined the impact of labor on trade store performance has been gaining relevance in recent years. Numerous researchers have examined the force of labor on store financial performance. Using data from a furnishing retailer and small-appliances, Fisher et al. (2007) found that, staffing level and customer satisfaction are key variables in explaining month-to-month sales variations. Netessine et al. (2010) found that, a strong relationship existed between basket values for a supermarket retailer and labor practices at diverse stores, and demonstrate a negative association between basket value and labor mismatches at the stores. Horsky (1996) investigates how staffing level affects store profits and service quality for a large specialty retailer. Using monthly data on payroll, sales, and profit margins, Heskett (1994) finds evidence that increased employee leads to profits primarily through higher quality. While numerous papers have utilized traffic data on employee issues in the call center journalism, the lack of traffic data has stymied research in staff issues faced by brick-and-mortar retailers. Lam et al. (1998) and Perdikaki et al. (2012) are notable exceptions. Lam et al. (1998) study sales-force scheduling decisions based on traffic forecast, they have data from only one store. Lam et al. (1998) use video-based 5 technology to compute the queue length in front of a deli counter at a supermarket and show that consumers' purchase behavior is driven by queue length and not waiting time. In contrast, we use panel data from 41 stores to identify the extent of understaffing in each of these stores and study its impact on lost sales and profitability. We augment the result from the reduced-form regression with structural estimation, where we allow the cost of labor to vary across stores. Using results from the structural estimation, we show that the imputed cost of labor used by store managers is different from the accounting cost used in previous literature, that this cost can vary significantly across stores, and that it is driven by local market characteristics like competition, median household income, and availability of labor. Perdikaki et al. (2012) who typify the associations between sales, employee and traffic for retail stores. They use daily data to show that store sales have a dished relationship with traffic; exchange rate decreases non-linearly with increasing traffic; and employee moderates the effect of traffic on sales. Our paper differs from Perdikaki et al. (2012) in its research question. Our paper varies from the above in its research question, methodology and data. We investigate the effect of overstaffing in Benjce sachets water company Onitsha (BSWCO).We examine whether overstaffing has any impact on productivity and profitability in Benjce company; through micro-analysis of the company's production data.

III. METHODOLOGY

This section shows the different processes used in obtaining and analyzing the necessary information used for the study. Data was collected primarily through interviews and observations, while secondary data was from literature in the area of study. Oral interviews were conducted directly with the workers in order to gather information of their various job roles. The use of journals, magazines and seminar paper was adopted in the research.

All the employees of BSWCO were interviewed, while the manager gave us data of their production rate, employees salaries and profits.

Table 1: BSWCO with Twenty Machines and Three Hundred Employees

December 2020	Production Rates Bag	Sales ₦	Salaries ₦	Losses
1	400	30000	150,000	-120,000
2	400	40000	150,000	-110000
3	400	40000	150,000	-110000
4	350	34000	150,000	-116000
5	350	34500	150,000	-115500
6	450	45000	150,000	-115000
7	350	35000	150,000	-115000
8	350	35000	150,000	-115000
9	400	38000	150,000	-

				112000
10	450	44000	150,000	-106000
11	450	44000	150,000	-106000
12	400	40000	150,000	-110000
13	350	35000	150,000	-115000
14	400	40000	150,000	-110000
15	400	40000	150,000	-110000
16	450	45000	150,000	-105000
17	450	44000	150,000	-106000
18	400	38000	150,000	-102000
19	450	45000	150,000	-105000
20	350	34000	150,000	-116000
21	400	40000	150,000	-110000
22	350	35000	150,000	-115000
23	400	40000	150,000	-110000
24	400	40000	150,000	-110000
25	380	38000	150,000	-112000
26	400	38000	150,000	-112000
27	380	36000	150,000	-114000
28	450	44000	150,000	-106000
29	400	38000	150,000	-112000
30	480	46000	150,000	-104000

IV. RESULT AND CONCLUSION

From table 1, the research shows evidence of losses in Benjce due to payment of salaries of excess workers. The cost per head per day swallows up the profit per day and leaves the company socked in depth. Automation should lead to reduced staff level in a company otherwise, bankruptcy will be eminent. From the analysis of the result you will find the volume of staff did not increase the rate of machine production, rather consumes the resources of the company. There will be continuous downward slope into depth by BSWCO till it completely shuts down and continues to pay debts even after total shut down of the company. BSWCO, will hardly survive the end of 2021 without shutting down.

In conclusion, BSWCO will have to choice automation over sentiment of overstaffing. The company will have to open other branches that will accommodate those excess staff. It has to do strategic workers adjustment to fit its automation evolution.

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