

RESTRUCTURING AS A DETERMINANT OF SYSTEMIC CHANGES IN THE BUSINESS DEVELOPMENT PROCESS

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Abstract: The purpose of the study is to show the importance of restructuring in the process of systemic change of the company towards its development based on the results of scientific research and experience in business management practice. The essence, significance and types of restructuring are presented. The methodical assumptions of the company's restructuring programme were characterised.

The author has adopted a hypothesis that restructuring is a universal tool for determining and directing the processes of systemic change in the company aimed at the development thereof.

Keywords: restructuring, change management, management methods.

Introduction

The challenges that the business of tomorrow is facing go beyond the managerial practices of today, which may be closed in an envelope soaked in bureaucracy. Preparing the organization to struggle with the future would require a revolution in management at least as momentous as the one that led to the development of modern industry (Hamel, 2009, p. 91-98). Managing the organisation of 21st century implies understanding and accepting variability, complexity and multidimensionality, in which fluidity and instability are daily occurrences and are even taken as obvious (Kostera, 2008, p. 25). Therefore, the restructuring perceived as implementing changes in the company is an absolute necessity to meet the requirements of business environment. According to Peter Drucker, one of the greatest changes that modern managers have to face consists in continuously accelerating increase of the number of partnership-based business relations and not in direct relation between power and property.

Restructuring should be a response to the signals coming from the environment and a form of individual struggle for own strategic position on the market (Zaborowska, 2011, p. 20). Restructuring may be perceived as set of all changes made in all business areas, preceded by a strategic diagnosis, in response to changes occurring in the company's environment. The purpose of these changes is to adapt the company's operational principles to the "rules of the game" governing in the environment and to meet preconditions to achieve the desired position on the market (Dźwigoł, 2015, p. 5.1-5.23). Nowadays, permanent restructuring is a natural consequence of running business. It is the basis for development and maintaining the competitive advantage. It is a systemic rebuilding, modernisation, updating or upgrading of the organisational structure and operating principles of the company.

It has a complex, multidimensional and long-lasting character (Borowiecki, 2007, p. 253).

Management is currently facing the first great trial of its competences and its most difficult task in the upcoming industrial revolution called "automation" (Drucker, 2017, p. 43). Managing the organisation of 21st century implies understanding and accepting variability, complexity and multidimensionality, in which fluidity and instability are daily occurrences and are even taken as obvious (Kostera, 2008, p. 25).

According to the author, we need to answer the following basic research questions:

1. What are the preceding actions to be carried out in order for the restructuring process to give the expected effect?
2. When to start the company's restructuring process?
3. What methodical assumptions shall be applied in the company's restructuring process?
4. Or, should the restructuring be a continuous process?

New problems arising in economic reality have made companies a completely new research subject, triggering the need for knowledge of processes and the conditions of transformation and development thereof, tools and methods of management in times of "new economy" (Borowiecki, Czekaj, 2010, p. 11).

Among the methods used in practice in management science research based on observation of facts and classification as applied in general methodology of induction sciences, the author had the opportunity to apply in research processes the following two extremely important methods (Dźwigoł, 2018, p. 13):

- observation carried out under natural conditions, where the researcher cooperates with the entities being examined,
- observation-intervention carried out within a framework of management activities in the entities being examined and the researcher has a direct influence on the decisions being taken.

The author has adopted a hypothesis that *restructuring is a universal tool for determining and directing the processes of systemic change in the company aimed at the development thereof.*

The purpose of the study is to show the importance of restructuring in the process of systemic change of the company towards its development based on the results of scientific research and experience in business management practice.

1. The essence and significance of restructuring

Change of nature of the modern enterprise is reflected in shaping of new organisational forms in order to meet the new requirements. New forms are less formal, are egalitarian, cooperative and aimed at creation of the proper relation between the enterprise and its environment (Sankowska, 2011, p. 84). The analysis of successful enterprises indicates that, the principal sources thereof lie in focusing on the processes of functioning and adapting the management methods to the new operational conditions and on the efficient management of the process of changes (Nogalski, Grajewski, 2005). The problem of modern process of transformation lies in the selection of appropriate methods and the ability to stay ahead of changes. Management process consists in creation of a balance between economy, business and environment. Modern management concepts may be used as efficient tools within this process (Kwiatkowski, Wasilewski, 2007, p. 176-189), although social sciences have some difficulties in defining the modernity. Indeed, what was modern yesterday becomes a tradition today (Zieniewicz, 2007, p. 25). Continuous improvement means striving for opportunities to improve current production standards. Herein, questioning the *status quo* is a basis for further development and finding new opportunities, while readiness for changes is a prerequisite for continuous improvement. Moreover, the creative approach is a source of better ideas, as the customer and its requirements determine the activities undertaken by the whole production system (Grudzewski, Hejduk, Sankowska, Wańtuchowicz, 2010, p. 295).

Modern company's prerequisite for success consists in restring its internal balance and its balance with the environment, increasing its market value and competitiveness. To achieve this success, the company must have the following characteristics (Dźwigoł, 2013, p. 141):

- flexible and slim,
- capable of quick investment,
- low fixed costs,
- managed via projects and matrix structures,
- cooperative,
- seeking for cooperation and not competition,
- concluding numerous agreements with suppliers and purchasers as well as having well developed intellectual and intangible resources, investing in employees, research and development and using the economic intelligence (Romanowska, 2001, p. 27).

Restructuring is a process of adaptation of enterprises consisting in complex undertaking aimed at improvement of the company's activities in order to achieve the:

- remedial goal – remedial restructuring of the enterprise in danger of bankruptcy,
- development goal – development restructuring of the enterprise in good economic condition.

Restructuring, in this context, should be considered as a profound organisational change of the enterprise concerning, among others, the reorienting of its objectives and adaptation of individual areas of activity to said objectives. The reasons for restructuring lie in the following main factors (Dźwigoł, 2014, p. 145):

- errors in the company management process,
- dynamic changes in business environment.

In view of the foregoing, it should be noted that there is a close link between the objectives of the company and the objectives of its restructuring.

2. Methodical assumptions of restructuring of the company

The need for restructuring the company has always the material or personal background resulting from the very essence of the company management process. The starting point for the process of management of changes in the company is to make everyone aware of the need to implement the changes. Past successes are no longer the guarantee of survival in the future and the past can no longer be a basis for forecasting the future (Abell, 2000, p. 19 & next). Individuals react differently to unforeseen changes and developments that may be detrimental to them. The successful implementation of the changes depends on the proper change management and planning, relying on a flexible, easily adaptable structure. The consequence of creating the flexibly reacting employees is the achievement of skill of flexible response to changes throughout the whole enterprise and positive attitude towards change management (Antoszkiewicz, 2000, p. 17). Therefore, the key issue of change management is the issue of human resources management (Majchrzak, 2002, p. 14).

Another problem is to determine the optimal size of the company. How to measure the size of the company in a diversified production? What are the criteria to be followed when determining the optimum size of the company? Large and very large companies play an increasingly important role in highly developed countries. Their participation in industrial production is high and they determine the development of the market. However, it should be stressed that there is no clear regularity in establishment of large enterprises (Sudoł, 2011, p. 202-207).

The choice of a specific strategy depends on: the company's development rate that is wished to achieve and the costs that are possible to bear. Radical restructuring strategies should be used for the rapid development of the company. Within the operational layer, the process of restructuring is built using a restructuring programme. The assumptions of the restructuring programme should be elaborated, taking into account the situation in both the external and internal environment of the enterprise. The company's restructuring programme should include: report from diagnostics carried out, the objective the company desires to achieve, the concept of changes to be implemented in the company as well as operational and strategic planning. The restructuring programme may be elaborated by the company's staff or by external specialists. Mixed teams composed of employees and external consultants should be preferred because:

- it shall assure the appropriate level of expertise for the restructuring programme and proper functioning of a mixed project team,
- it may convince the employees of the company of the necessity of introducing the proposed changes.

According to the findings of K.J. Stachowicz: "The aim of restructuring the company is to improve the efficiency of the management achieved by rebuilding the existing economic structure in order to instil such features as modernity, flexibility, innovation and adaptability" (Stachowicz, 2001, p. 16).

Development of an innovative approach with the support of professional resource management is a very important factor in the environment of knowledge-based economy. The determinants of a knowledge-based economy (KBE) in the 21st century include (Dźwigoł, 2010, p. 64; Skrzypek, 2013, p. 167-178):

- transition from economy oriented on production of goods to an economy oriented on services – sharing economy,
- increasing number and increased influence of a class of professional employees and technicians on management – intellectual capital – the birth of a creative class, Florida (technologies-talent-tolerance),
- information society organised around knowledge and information – stakeholders of changes,
- scientific research and development thereof, combining the effects of science (economy and management science) and modern technologies affect the information society – extension of working time, silver economy,
- development of methods of intellectual technology – knowledge transfer, mergers, acquisitions and strategic alliances.

Modern organisation have to open to new solutions, learn to perceive the problems from various perspectives, become more flexible and sensitive to signals coming from the market and demonstrate the readiness to implement changes in management process.

3. Types of restructuring

The restructuring process may cover the entire enterprise or individual areas thereof, e.g.:

- assets – restructuring of the scope of activities, diversification,
- capital structure – financial restructuring,
- management System – organisational restructuring.

Restructuring means changes implemented in the company in order to improve the organisational structure and the principles of operation.

Taking the scope of the restructuring as a criterion, the following types of restructuring are defined (Stabryła, 2000, p. 128):

- corporate restructuring – related with legal and economic transformations,
- material restructuring – related with changes within the technical, technological and product type areas,
- remedial restructuring – applied to companies threatened by liquidation, most often due to the bad situation of the company. It is aimed at improvement of unfavourable economic conditions and restoration of the company's solvency,
- development restructuring – it takes as a basis the strategic decisions taken in the company and is related with activities of an innovative and development-oriented nature. It takes from 2 to 5 years.

Among all types of restructuring, the broadest scope is associated with:

Operational restructuring – covering the changes in in the company's basic business determined by operational profit or loss and reflected in the change in the state and structure of the company's assets (Suszyński, 2003, p. 138):

- marketing restructuring – aimed at changes leading to increase of sales, strengthening of the company's position on the market due to the implementation of e.g. flexible pricing policy,
- product restructuring – includes changes to the existing assortment of the company's products,
- restructuring of the company's resources – consists in increasing of the capacity of company's assets and human resources so as to adapt them to the existing market criteria,
- technical and technological restructuring – combines the changes in the company's offer and product manufacturing methods in one consistent process,
- employment restructuring – covers the changes within the employment structure leading to the reduction of costs and the best possible adaptation thereof to the company's needs,
- organisational restructuring and changes in the company's management system – aimed at adaptation of the internal structures of the company so as to comply with the implementation of the adopted strategies,

- financial restructuring – covers activities in the material sphere - planning and financial management leading to increased financial capacity or, in the event of loss, restoring the company's liquidity,
- debt restructuring – aimed at conclusion of the settlement between the creditor and the debtor,
- property restructuring – through sale or lease thereof and via implementation of strategic alliances model within the field of permanent transfer of resources between partners,
- capital restructuring – increases the efficiency of capital use.

Four types of restructuring may be specified (Suszyński, 2003, p. 139):

Creative restructuring: consisting in creating of some changes over time, i.e. it implements specific changes in the company and the effects of such implementation are only visible after a certain period of time. If the company wants to introduce a new product to the market, it creates it.

Anticipative restructuring: predictions. It is based on benchmarking. The companies often compare themselves with other companies. This restructuring relates to organisation of work, employment, financial performance, marketing indications (Dźwigoł, 2010, p. 47-49).

Adaptive restructuring: has a certain remedial nature. It is initiated when the company begins to achieve unsatisfactory results. Restructuring of this type involves the immediate change of business activity or operative practices of the company in order to reach the stabilisation thereof.

Remedial restructuring: consist in implementation of changes aimed at stabilising the functioning of the company and to achieve a positive financial result. It is the most difficult type of restructuring to conduct.

Remedial restructuring includes the following remedial strategies:

- *restrictive strategy* – the analysis of individual products or services of the company helps to identify those products or services that do not generate profit and have to be abandoned;
- *withdrawal strategy* – consists in the analysis of the markets the company is active on and subsequent withdrawal/abandonment of the unprofitable ones;
- *slimming strategy* – includes the detailed review of the assets, paying particular attention to that fixed. This strategy consists in disposal of unnecessary assets and is often difficult in the early stages of the implementation thereof;
- *trimming strategy* – the only real restructuring being the sum of all the aforementioned strategies.

Restructuring also includes a number of transactions inducing a change of scope or the extent of the company's business (selling parts of the company, acquiring new fields of activity, market expansion, limiting of activities), change of capital structure, privatising or finally change in the internal organisation of the company. Planning and implementation of these

activities require the interference with the company's business strategy, very often also changes in objectives and even in mission of the organisation as well as thorough changes in the management system.

What type of restructuring will be applied depends on many factors. Careful diagnosis of the objective, scope, extent and depth of the restructuring shall be carried out prior to taking a decision to develop a restructuring programme.

Conclusion

New problems arising in economic reality have made companies a completely new research subject, triggering the need for knowledge of processes and the conditions of transformation and development thereof, tools and methods of management in times of "new economy" (Borowiecki, Czekaj, 2010, p. 11). It is necessary to perform the transition from linearity (Skrzypek, 2010, p. 78) (a process running in uniform and continuous way) to network (Kisielnicki, 2017, p. 9-26) (entities characterised by high decision-making autonomy, quick decision making and more efficient management).

Modern organisation have to be open to new solutions, to learn to perceive the problems from various perspectives, become more flexible and sensitive to signals coming from the market and demonstrate the readiness to implement changes in management process. Development of an innovative approach with the support of professional resource management is a very important factor in the environment of a knowledge-based economy (Olszak, Głód, 2018).

We may be heading towards new ways of conducting business and working within an organization. In this new world we change leading, not only to enterprises that manage to optimally combine innovation and profitability but also to the way of management, where the boundaries between innovation and profit, play and seriousness, work and leisure will be erased (Srannegard, Friberg, 2001).

Changes occurring in the global economy are forcing us to develop company restructuring programmes that result in the establishment of effective and flexible enterprises capable of making continuous changes in order to be competitive.

This process should be carried out on the basis of the specific objectives of the restructuring and the resulting scope of changes. Such restructuring programmes should take into account situational reality in both external and internal environments of the enterprise. Moreover, the process of restructuring needs to be preceded by an in-depth diagnosis of key business areas.

The following conclusions have been made as a result of the author's studies and experience within the field of development and implementation of the restructuring programmes:

- each scope of typical restructuring activities is an important element in the process of improving the business activities of the company,
- elaboration of the company's restructuring programme should be based on the specific objectives of the restructuring and the resulting scope of the changes,
- any restructuring programme undertaken must recognise the realities of both external and internal environments of the enterprise,
- there is no single, universal restructuring programme,
- what dimensions the restructuring will adopt and what scope of business it would affect will depend on the nature and the impact of the factors triggering the process and the purpose to which it is intended,
- restructuring is a complex and continuous process undertaken in order to recover, maintain or increase the competitive advantage of a company on the market.

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We have to strive to establish a new paradigm for the market economy, and think about: sustainable development, knowledge-based economy, use of network structures and social participation in the management process. Periodical management (task managers) should be used in processes of implementation of radical changes.

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