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THE RESTRUCTURING PROCESS OF ENTERPRISES

Introduction

Nowadays, companies constantly face new tasks determined by a tempestuous and often changing environment. Managing these changes is indeed a great skill, which all managers should possess, not only to maintain the company's development, but also to survive. Only an intelligent, flexible and innovative organization has a chance to compete in the market. Therefore, this adjustment to a changing market and customer needs requires constant observation of what is going on in order to become operative at the right time.

Organizations should also analyze their situations to determine the right moment of introducing changes which can be crucial and helps plan it better. Obviously, companies cannot simply operate on a day-to-day basis, they need to have a clear strategy. Based on this strategy as well as on the mission, vision and main objectives, we are able to match an appropriate method and tool to introduce any changes. However, introducing changes can be a difficult task; especially because it disturbs an organizations' harmony and evokes worker fears that may cause instability.

Reasons for changes

Changes are an indelible symbol of development; we cannot avoid them and we must keep in mind that stability is history now. What worked yesterday, rarely works today, and it most certainly is not going to work tomorrow. We should take into consideration the fact that our surroundings are quite complex (different numbers and types of suppliers, customers, products and services) and it is characterized by the number and frequency of changes¹.

The task of a successful company is to provide such action, so that a change of environment would not significantly affect the position of a given company. The reason for introducing any changes is very simple – to remain a player in the market. Also it is hard to imagine that a company can function when it is not adapted to the environment it is working in. We should introduce changes so that they will bring benefits for the company as “The aim of each change is to improve the current situation in the near or distant future”².

¹ M. Bielski, *Organizacje – istota, struktury, proces*, Wydawnictwo UŁ, Łódź 1997.

² B. Kaczmarek, Cz. Sikorski: *Podstawy zarządzania*, Wydawnictwo Absolwent, Łódź 1996.

Each factor, which decreases opportunities to gain the resources necessary for a company to operate and introduce new products or service, is becoming an important force in the process of change. Such process⁴ usually takes one of a few forms: new relations with the environment (change of the nature of contacts within the market, redefining boundaries and the organization itself), new internal links and new ways of action (change of coordination methods, new structures and new habits), new control structures and power division in the company (since it has been developed by internal struggles, mission/vision, the allocation and distribution of resources changes). Everything depends on a company's profile and goals it has set to achieve as well as the environment in which the company exists and operates.

Different kinds of changes

In today's world the word „changes” usually stands together with the word „progress”. Everything is changing and if we want to remain leaders, we have to react to those changes. A company can react to changes in many ways³: feeling fear and concern, and further resigning from the fight, feeling accomplished optimism based on the assumption that the situation will solve itself, feeling strategic mobility, which leads a company in strengthening its position. What comes to mind first is how technology changes so rapidly.

Information Technology (IT) in management has become very important and well developed. Companies are obliged to use systems that integrate all the data and processes of an organization into a unified system. It is also crucial for the financial situation of a company since a good business strategy intelligence platform can save time and money.

Then there are socio-political changes (i.g. globalization). Many companies open up for international markets and start international cooperations with other companies. They expand either locally, nationally or internationally but with the desire to access larger markets. This global integration provides more unique, more usable and effective goods and services through the impact of multiple markets and new organizational competencies.

Also people are influenced by political changes. Their way of living is different, their expectations, which affect not only their style of living but also an employment pattern, are changing. Political and economic changes extract innovation and adaptation activities, which are concluded in the change of ownership form, resources reallocation, exercising power and conducting rules, structural reorganization on a countrywide scale and in every company.

Great importance is being attached to even such factors as the environment and nature preservation. It is important for a company to use good technologies, which do not impact the environment negatively. All the factors, mentioned with new technology, different po-

³ J. Penc: *Innowacje i zmiany w firmie*, Agencja Wydawnicza Placet, Warszawa 1999.

litical situations, globalization and environment are just catalyst in the process of changes but only external ones⁴.

Regarding internal changes in a company, there are two possible ways it can happen: coming from the top manager (rather obvious and necessary as a top manager should have an idea of how to operate the company), coming from employees (if it takes place and it has been used properly, it means that the company has highly-qualified employees and knows how to take advantage of their skills).

With the latter one, it is becoming extremely important to develop a friendly atmosphere within a company and actually encourage everyone to express their opinions. Here the main task is in the hands of the top manager, which implies the necessity for him to have additional skills like: ease of introducing changes, learning from others, being open to changes, enterprising and so called up-and-coming good personal skills (including self-improvement), since it has been said that „this is a change which differs between the two or more similar stages of a system (object)”.

Thus, the change and development of the company may involve such dimensional aspects as⁵: economic, organizational, personal, informational, and technological. Taking into consideration the character of an organization and its environment, we can classify changes as did Professor Zofia Mikołajczyk⁶: according to a range of changes: rather small changes (appear locally, do not cause persistent effects, however they do influence the manner in which a company is functioning on different levels of management), bigger and more intensive changes (giving visible and persistent results), changes coming from compound actions (being a part of a project of company strategy; might evaluate; internal and suitable for concrete situations).

The character of change: innovative changes (essential for gaining predominance basing on self potential; creative, flexible and dynamic employees improve this action), adaptive changes (introduced in order to improve the system and work of an organization which might involve organizational and management techniques), regressive changes (negative changes, which can lead to bankruptcy or company disposal).

As noted by Professor Józef Penc who describes certain types of changes. Accordingly, most changes are mobilizing as they generate a possibility of development and force one to look for new solutions. He also mentions superficial changes, which are not very expensive and are easy to introduce as well as deep changes, which are expensive and tend to reorganize the whole system of a company⁷.

We can also talk about slow-evolutionary models, called the Organizational Development Strategy and fast-revolutionary changes, referred to as Business Process Reengineer-

⁴ Z. Mikołajczyk: *Techniki organizatorskie w rozwiązywaniu problemów zarządzania*, Wydawnictwo Naukowe PWN, Warszawa 1997.

⁵ A. Starbryła: *Zarządzanie rozwojem firmy*, Akademia Ekonomiczna w Krakowie, Kraków 2006.

⁶ Z. Mikołajczyk: *op.cit.*

⁷ J. Penc: *op.cit.*

ing Strategy⁸. The first ones are spread over time and are easier to launch, however a long launching time usually produces faint effects. On the other hand, faster changes disrupt an organization's harmony, they are hard to launch as they heighten resistance, demand huge costs but at the same time can quickly improve the situation for a company.

Changes may also be forced by circumstances or the management board, as well as negotiations. However, those arising from the circumstances are rather late changes, which may not be recognized in time. The best idea would be if all the changes were planned and agreed so that they would have a better probability of success. It is also said, that the most frequently appearing changes should be innovative changes, the target of which is to improve the organization and functioning proficiency, with an emphasis on market service. And of course, such changes should be launched with sufficient time in advance, in order to face future challenges more easily.

If a company wants to survive, it must adjust to the business environment around it. It means that a company needs to develop features, which determine its elasticity, creativity and ease of adaptation. All the organizations must reorganize themselves constantly using a wide knowledge about the market and their own potential, because only focusing on development may provide a safe existence in a given business environment, which is becoming more and more innovative, expensive and hard to forecast.

Reorganization methodology

As Twyla Tharp claims: „Fundamental change is an endeavor, it is a real enterprise, it is not something that just happens. You make a choice to keep evolving and keep growing”⁹. Taking into consideration her thoughts and reorganization methods, we should focus on two main stages, which are preparation and realization, however not forgetting about a controlling phase.

Preparation

Effecting changes in the company is a very complicated process, full of responsibility. For this reason, it has to be well prepared, taking into consideration environmental expectations and our own capability. Only properly organized change has a chance of success.

The whole process of making changes can be divided into two phases¹⁰: The preparation phase: the substantiation of a target (formulating an aim to match the proper strategy), research work (collecting, registering, evaluating information, which might be helpful while making changes), carrying out changes (analyzing the information gained earlier; planning step by step, the deliberate selection of a method), canvassing resources (preparation from

⁸ I. Durlik: *Reengineering i technologia informatyczna w restrukturyzacji procesów gospodarczych*, Wydawnictwo Naukowo-Techniczne, Fundacja Książka Naukowo-Techniczna, Warszawa 2002.

⁹ T. Tharp: *Creativity Step by Step*, Harvard Business Review, 2011.

¹⁰ B. Kaczmarek, Cz. Sikorski: *op.cit.*

an organizational, technical and social point of view; the creation of friendly and favorable conditions, in which a formulated project can be launched, and the given change – efficiency).

The realization phase: implementing, correcting, and evaluating. Regardless of this methodology, we should also focus on analyzing the position of the company, the aim being to implement the necessary. In order to do this, we should do a macro environment analysis as well as a competitor analysis.

The first analysis includes all the factors that can influence an organization, but that are out of its direct control. It can be presented in a so called PEST analysis, an acronym for the Political, Economic, Social and Technological factors. We need to remember that these factors are continuously changing and it can be very difficult to forecast trends with acceptable accuracy, so the company needs to be flexible enough to adapt to them.

As for the second analysis, we should bear in mind that the competitor analysis is strictly connected with our company's strategy and it has to be analyzed systematically. Competitor analysis has two main objectives: obtaining information about important competitors and using this information to predict the competitor behavior.

We can enumerate several methods for analyzing competitors, such as: Porter's 5 Forces (four forces – the bargaining power of customers, the bargaining power of suppliers, the threat of new market entrants, and the threat of substitute products – combined with other variables to influence a fifth force, the level of competition in an industry), SWOT (a strategic planning tool used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in a project or in a business requiring a decision in pursuit of an objective, involves monitoring the marketing environment internal and external to the organization), McKinsey framework (provides a useful framework for analyzing the strategic attributes of an organization as its identifying strategy as only one of seven elements exhibited by the best managed companies: strategy, structure, systems, style, staff, skills, shared values.). What cannot be forgotten is the evaluation of the capability of a company.

The aim of the process of analyzing the company is to check its current position and the evaluation of its strategy. This implies that analysis is a derivative of needs. Depending on the kind of changes, it influences its size and character. Such an analysis regards the strong and weak points of a company. We should begin with examining the company's mission, vision and strategy as these are the factors that differentiate one company from the others and shape its identity.

By analyzing those three concepts, we should be able to better understand a company's essence and evaluate its capabilities. While internal analysis evaluates the strategic situation of the company, its results should answer the question if a planned change is possible to introduce. In order to find this answer, the company should gather all the necessary information about developments and courses of action taken by the company. Fortunately, there are methods which will help in this process, among them: BCG, McK or SWOT analysis.

The initial evaluation of the internal situation of a company should concern¹¹: legal position of the company, technological state – the evaluation of production capabilities, organizational and management system – defining hierarchy and decision dependency, organizational structures, and information processing system, all resources of the company – size of its property including assets, financial situation – profitability, liquidity, cash flow management, financial structure (helps when comparing with competitors), employment rate – determining employee qualifications, and their sensitivity to changes and innovation.

When performing an internal analysis of the company, we evaluate its current situation, formulate its future position and a method for achieving it. This helps us evaluate the capability of how the company is going to adjust itself to the changes introduced. In order to do it, we should define differences between the effects of the introduced changes (possible and desired effects) and prospective results.

Going further, this analysis should evaluate the elements and criteria connected with its development, which are important due to the realization of changes. The last thing that should be done is to put in order all the facts concerning the company and its environment, so that it will create a tool for the realization of the strategy (the need, range and program of essential requirements).

Realization

The realization phase can be divided into three categories, i.e. implementation, correction, and evaluation. The implementation phase begins when the first component of the project has been launched in a real life situation and it finishes when the last component has been launched. It can take place in different ways, which depend on the time and expanse criterion.

There are several methods which are useful during this phase¹²: serial – grading (done in stages in each cell by turns), serial – percussion (done only once in successive cells), complex – grading (done in stages simultaneously in the whole organization), complex – percussion (done only once but in the whole organization).

Choosing the proper method depends on factors such as the structure of the organization and its resources, which it has to administer. Project implementing without a doubt is a very difficult task, because our aim is to transfer a model of our project using the appropriate actions and reports, so that the plan will be useful in the end.

Implementing the project within a given period of time has a fundamental influence on success. It is worth mentioning that too fast or too slow of an implementation process can have negative effects. However, it mostly depends on the financial condition of a company.

¹¹ Z. Sapijaszka, *Restrukturyzacja przedsiębiorstw, szanse i ograniczenie*, Wdawnictwo Naukowe PWN, Warszawa 1997.

¹² B. Kaczmarek, Cz. Sikorski: *op.cit.*

Of course, the human factor is also not meaningless. In general, such an attitude is rather negative as people are afraid of changes and innovation. That is why, it is so important to canvas people to this process of changes and limit their fears and their hesitations¹³.

The implementation process is therefore the process of exchanging plans for actions and actions for results. Each project in the process of change is unique and its implementation requires an individual approach. The manner in which the plan will be implemented depends on its characteristic and the specification of the company.

The aim of this process is though the realization of pre-planned changes, after the previously developed conditions for its realization. Implementing changes also requires the involvement of the whole management department and a proper organizational structure, which will intensify the process. We cannot forget here about the budget as financial resources play a very important role in introducing changes.

It is essential for these resources to be properly allocated for specific tasks, keeping in mind that too large of funding in relation to needs may simply be a waste of the financial resource, while too small of funds block the realization of tasks. Another important element in the process of introducing change is a proper policy and procedures which control activities and influence decisions and behavior, in other words, create an atmosphere for the realization of these changes. The structures of an organization, its respective systems, determine the success of a restructuring process.

Therefore, it is important to decide which systems can influence the success of these projects. When such system (systems) are defined, it is necessary to use all necessary resources which can help with the realization of the project. An information system would certainly be a supporting element in such a process.

An information system helps one make decisions and monitor the process of implementing those changes. It has to be conformed to new needs in order to provide help and information in due time in a simple and clear way. Developing a motivation system is the next stage in supporting the process of implementing changes. Its task is to motivate employees to engage more actively in work and thus in the process of changes. Depending on the situation, i.e. an employees skills and job positions occupied, this system will differ.

There are many possible tools which can be used to motivate employees, for example, rewards and praise, as well as different types of punishments and reprimands. An effective motivation system should include all employees and be used consistently. We can be certain that it will fulfill its role, which gain people's support for change. The next step in the realization process of change is the correction phase, which begins when the project is implemented.

Activities connected with this phase should involve the whole realization cycle, because it is not only about planning adjustments but also about gaining the necessary resources. Correcting primary decisions concerning the process come from direct control,

¹³ Z. Mikołajczyk: *op.cit.*

which is constant, stable and checks new activities implemented within the real environment of a company.

The managing of an enterprise in a modern manner is the managing of business, where there is a constant search for the possibility of a profitable allocation of resources, rather than managing an enterprise in a traditional sense of the word. The managing of business is focused on the relations of a company with the environment and requires the capability of strategic planning, marketing, running projects, creativity in solving problems, negotiating with partners and representing the company. These abilities are considerably more important than performing the classical functions of management, directed toward the enterprise.

Conclusions

First of all, what should be observed are activities which have the greatest influence on the success of the project as well as those activities to which a company is especially sensitive. If while monitoring the process of change, any deviations are determined, they should be corrected immediately. Here, it is worth mentioning that the consequences of correction should be observed in the region in which they took place.

During the realization process of restructuring a likely need and possible modifications of an action plan or even a strategy plan should be taken into consideration. This is so because the above activities are related to forecasting environmental behavior and the chances and risks that can arise.

It is obvious here that chances should be taken while risk should be eliminated, however in both cases a situation may happen where it is necessary to introduce and adjustment. Some may think that the correction phase makes the whole process of introducing changes longer and will delay its completion/accomplishment. However, it is not true that one should separate activities connected with the functioning of an organization in normal conditions and elements of activities connected directly with the restructuring process.

While talking about restructuring, we should take into account radical changes in at least one sphere of the company's activities since adjustments would not interfere with the changing process in this area (scope of action, financial structure, organization as a whole), because they do not determine lengthening the time for the process. The aim, of course, is to implement the plan in the shortest necessary time possible, as this time would mean disruption for the company and sometimes even a decrease in effectiveness.

Nowadays, both the theorists and practitioners are more and more convinced that the clear model for financing a company's innovation is necessary. In practice, the financing of innovation is an integral part of a company's financing and strategic management.

However, one must take into consideration the specificity of financing innovation –the process of financing innovation can be understood as investments in innovation. In practice, it should be realized on the proper level of management for the economy in which different companies participate.

The realization of the basic financial aim of the company, which is the creation of values for shareholders in the long term, requires decisions on investing in innovation. A question arises as to how to finance investments in innovation.

Financing of this kind of development activity for a company can be realized in different forms. These sources can be differentiated if one takes into consideration the criteria for the origin of the capital or as external sources and internal sources or as external and internal financing.

The dominant feature of the development of the organization is the innovation of activities, which is the creative solving of problems and the use of modern technologies. The organization tries to react flexibly to all the signals that come from the current conditions in order to ensure a dominant position in the market in the long term.

The activity of a company should be characterized by the development of dynamism, so the ability to take risks and use the changes that are created by new products, new markets and the possibility to better satisfy customer needs.

This information is the stimulator of the development of knowledge and activity for the operation. It must be underlined that this information, as the sum of useful data for the recipient (scientist, manager, client), requires both to be used by individuals and knowledge as well as information are the kinds of resources that allow for an increase in knowledge about ourselves and the world around us. The relationship between information-knowledge-marketing activities constitute the modern market.

Management requires from a company the access to knowledge and information that will allow it to obtain a competitive gain in the field of its activity. New knowledge will lead to a change of management methods and will also stimulate a change in strategy. Innovation and the efficiency of operations are the basis of competitive gain and marketing activity.

Modern management must be accompanied by changes in marketing activities, which – in reference to a product – means more attention to quality; in the sphere of distribution which are connected to a bigger role for the intermediary or the changes in the sphere of promotion and sales and, first of all, the increasing role of the client and the internet.

One can also expect an increase in the importance of market niches with a tendency for development of so-called mega and geo marketing as a new strategy in management for organizations.

Taking into consideration all these conditions for organizations all over the world and adjusting to the requirements of global competition, go through constant changes and improvements in the sphere of marketing, finance, research and development, production, and personnel management.

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Summary

In today's world with the rapidly increasing role of a knowledge of economy, there is a need for new and effective methods of management. The tools for a modern organization are information and knowledge. In fact, one of the most important criteria for assessing the effectiveness of ability in companies is to become flexible and react to changes quickly in their ability to gain and process a variety of information, derived from both internal and external sources.

The methodology presented in this paper will focus on a strategy for companies that begins with defining a strategy, creating its components, types and formulation. This leads to describing a restructuring process answering why changes are necessary, how they are made/introduced, and how to prepare and implement a reorganization plan. In the article a theoretical point of view of the Polish researchers is presented.

PROCES RESTRUKTURYZACJI PRZEDSIĘBIORSTW

Streszczenie

W dzisiejszym świecie, gwałtownie rosnącej roli o wiedzy w gospodarce, istnieje potrzeba nowych efektywnych metod i skutecznych narzędzi dla nowoczesnie zarządzanej organizacji. Są nimi: informacja i wiedza.

W rzeczywistości, jednym z najważniejszych kryteriów oceny skuteczności zdolności firm do bycia elastycznymi i szybkiego reagowania na zmiany, jest ich zdolność do uzyskania i przetwarzania różnych informacji, pochodzących zarówno ze źródeł wewnętrznych i zewnętrznych.

Metodyka wykorzystana w artykule skupia się na strategii firm. Rozważania rozpoczęto od zdefiniowania strategii i jej części składowych, rodzajów i postaci. Prowadzi to do opisanie procesu restrukturyzacji, odpowiadając, dlaczego zmiany są konieczne, jak są one wykonane/wprowadzane, i jak należy przygotować i wdrożyć plan reorganizacji. W artykule zaprezentowany jest także teoretyczny punkt widzenia polskich badaczy.