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Title: The supervision of the most important areas in business restructuring

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When a company decides to restructure business operations or to at least change the business operations of a certain sector, it is necessary to focus attention on some of the most important areas of the restructuring. Besides managing change and the required “mental” preparations, the following is especially important: harmonising the strategic and organisational transformation of operations, the total control over the restructuring process, the strategic upgrading of informatics, making employee rewards dependent on results and the strategic managing of marketing activities.

Lately, numerous studies have been published on the influences of changes we shall witness from May 1st of next year, after the accession of Slovenia to the EU. More than on everyday life, these studies are focused on the economy. These contributions are, as a rule, limited to the macro-economic level; therefore, there are certainties about the influences of changes that will not reach further than the sector level (“the biggest shocks will be experienced by the Slovenian food-processing industry”) and they don’t even try to answer the questions which individual Slovenian companies, along with their specialities, will face. Therefore, we decided, based on our consulting experience, we would shed light on those areas frequently demanding restructuring of business and special attention in its execution.

Harmonisation of the strategic and organisational transformation of the company

In times when companies ascend to new, higher, and more efficient levels of organisation it is quite typical they undertake the remodelling of costs and organisation optimisation. With this, some forget that lowering costs necessarily influences the revenues of the enterprise, and all too often put off the plans for strategic growth until a later time. The main problem which arises is the reduction of resources – financial and human. This causes a lot of problems concerning the possibilities of all necessary revenue growth once the cost optimisation is completed.

It can happen to these kinds of companies that with the entry into a bigger and more competitive market they become the prey of successful international corporations which, because of the relatively small potential for growth, are not prepared to evaluate them as high as the (current) owners, managers, and employees. These are very often highly profitable companies, which despite their success, with development of activities adapted to their needs, are disabled by the future international owners.

Successful Slovenian companies, therefore, along with the optimisation of business, as a rule, produce strategic plans for growth (at least in the medium term). These plans enable them to reach a consensus within the company regarding the needs for reducing business operations in one area and focusing of resources to those fields in which they intend to achieve growth in the future.

These types of companies are much more competitive in the European market and will at the time of entry into the EU be ready for negotiations with competitive international corporations. They will accept harmonised decisions easier regarding defence against potential takeovers and their employees will become a motivated team in capable of joint assumption of duties.

The case of consulting practice

During the preparation of the medium term strategy of a company within the food processing industry, we noticed the aspirations of the management for the growth of the company in the upcoming era to be achieved by purchasing certain Slovenian companies and companies in other countries of former-Yugoslavia. Reorganisation measures that were not actually foreseen created the danger that these purchases form and threaten otherwise big, but from a managerial point of view tameable group of companies, without measurable synergy effects. Written measures were then used for the evaluation of concrete companies most suitable for purchase.

Total mastery of the restructuring

The restructuring of a company before its entry into a new competitive market is markedly different for different companies. We can limit ourselves to only the optimisation of the individual parts of the business or the reorganisation of total business areas and sectors, or we can decide on a complete transformation of the company. The depths of restructuring depend mostly on the level of changes in the business environment on one side, and on the recent preparations of the company for these changes on the other. The management of companies in the protected Slovenian market which have enjoyed a monopoly or oligarchic position up until a certain moment, presently, as well as in the recent past, usually did not care for the expected changes at the point of entry into a unified European market and did not adapt their business operations to a new manner of conducting business as they went along. In proactive companies, the management of change is included as one of the key processes in regular business operations, and as a result they are “mentally” prepared for change.

Regardless of the level of changes, a rule always applies that these by themselves are not wanted and are risky; therefore, those changes which were already actualised are used to manage the risks which arise. It is advisable to look up to the proactive companies and apply the changes with such speed as to enable the control of all the reasonable risks and events which could not be foreseen. For the success of the restructuring, it is important that we look for depth and speed that will enable the company to survive their first steps under the new terms of business and ensure their competitiveness despite the instability and the changes.

Case from practice

With the improvement of customer relations management (CRM) in a company and in publishing activities we stumbled upon resistance to the introduction of planned changes. Even though on the strategic level decisions were accepted unanimously, the resolution of management wavered when members began asking themselves about the potential responses of the employees. They evaluated that the time for change had not yet arrived and that is the reason we withdrew from the company. When intensified market conditions appeared on drawing closer to entry into the EU and it became evident it would be necessary to realise certain still unrealised measures, the management accepted the decision they had already agreed upon, to begin the realisation of improvements.

The strategic upgrading of informatics

With a reorganisation and upgrading of information support, many companies use drastic short term measures for reducing investments into information systems, thus increasing short term profitability but, considering the changing business environment, lowering adaptability in the long term.

The company becomes awkward and disconnected. Some companies start the reorganisation so that they upgrade the entire information support simultaneously, including those places which are not of vital importance for the success of business. This renders a suitable arrangement of experts which are familiar with the architecture and specific characteristics of the information support and business operations of the company impossible.

In these cases it sometimes happens that the different projects for the upgrading of informatics “inflates” and thus extends the time and financial abilities so the company is incapable of finishing even those primary projects which enable regular business operations and the growth of their strategic areas of business.

Within the reorganisation and upgrading of informatics the strategic decision of the leading managers concerning future advantages of various areas of business and the main points of information support within these areas is vital. Only then can the acceptance of choices concerning the order and depth of projects of information reorganisation and upgrading be realised. This project must not neglect the financial abilities and personnel sources in informatics.

Case from practice

A company from the field of logistics and transport decided to splinter its own IT department into an independent limited liability company. During the preparation of the project for the complete strategy of informatics we discovered with the analysis of previous business operations that in that time a lot of projects from the IT field were prepared though their status was unclear. Within the preparation of the strategy defining the status of individual projects was very important: we examined their actual meaning, we placed them on a realisation priority list and we prepared applications and documentation for each individual project. The number of set projects was reduced and with it projects, the realisation of which was confirmed in full, began to be realised in harmony.

The connection between rewarding employees and results

The leaders of a company often forget all their decisions are experienced personally by people during the realisation of business operation optimisation. Because these individuals do not have a clear vision of what their new role will be in the future organisation of the company they can rapidly become distrustful of the management and because of this oppose any changes in advance. With these kinds of changes all employees must be clearly introduced to their new roles in the new organisation as soon as possible. During the restructuring and reorganisation the best companies often see to the development of a more flexible system for the rewarding of employees. With this, it is very important that the employees realise their work is valued in reference to those pointers which they can influence decisively on their own.

The formation of this kind of system is especially important for employees in commercial operations where they directly influence the successful sales of the company. If a company does not take care to renew the rewards system, it is possible all other changes in the organisation of business operations and informatics will wane since the key resources of the company, the employees, are not motivated and focused on team achievement of specific goals.

The importance of a suitable system of rewards may become even greater when the company meets with an exceptionally goal-orientated sales staff in competitive western companies. Foreign companies more and more often avoid cooperation with local mediators which are, in their opinion, ineffective and view them as an unnecessary and an expensive link in the distribution chain.

Examples from consultant practice

We created motivational workshops for those employees which are in direct contact with the customers for a company in the field of distributing telecommunication equipment. During the project we discovered the main factor influencing the motivation of their employees negatively was the absence of good internal communication within the company. The employees did not even know how to evaluate their role and individual influences on the success of the company's business. Based on these findings we proposed the introduction of a programme for the optimisation of the process of internal communication to the management. We introduced a weekly e-letter, monthly work meetings in the departments, and half-year business conferences for the whole company.

Strategic management of marketing

The Slovenian companies which appear in western markets have realised for many years that for a successful market activity the complete (graphic) image of the company and the ambitious visionary statements from the management are no longer sufficient. It all has to be supported with the correct content and tools which enable the directing and control over the expenses of these activities. The best marketers, during entry into a common European market, opt for a "verification" of its portfolio of services and products, considering their profitability and evaluating their additional value to customers.

These kinds of companies, with good enforced corporate trademarks, usually have added value. This recognition enables them easier access to resources with their business partners, such as supply, sale, finance, and informational fields.

Case from practice

During the project of optimisation of business operations in the sales department of a telecommunication company, we discovered the organisation of the company in which the marketing (which also took care of most of the advertising) and sales were separate departments, limiting effective communication and complete management of market activities. We recommended the merging of these departments which was accepted and brought into realisation. Two executive directors which led the departments of sales and marketing were replaced by a director for a merged department who also became a member of the company board.

The leaders on a test of professionalism

Let us consider the famous statement paraphrase by W. Churchill and cease blinding ourselves: a successful complete restructuring requires "blood, sweat, and tears". The decisions for the complete restructuring of a company are by rule accepted in instances when the consequences of late or incorrect decisions made in the past start to show themselves. Regardless of whether the restructuring of the business is realised by the existing or by new management of the company, it will find itself, for a while at least, in a crisis of sorts. The management, who have demanded and acquired the explicit support of the owners for a successful restructuring, will be subject to their biggest personal and professional test during the restructuring.

The correct, though maybe not the most popular decisions must be accepted on time, the external suppliers have to be included effectively (for example, consultants at the planning and realising of the accepted decisions) and personal responsibility for the results of the realised decisions has to be accepted, even when results do not meet expectations. All of these are important moments, and managers rarely get a second chance to correct mistakes once they have been made. The market rewards us or punishes us and there is no escape from this. Not even on the golf course.