

PROCESS RESTRUCTURALIZATION AND ITS IMPORTANCE BY INCREASING A COMPETITIVENESS OF AN ENTERPRISE

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Abstract

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Restructuralization in traditional understanding is considered for solution of crisis situation in an enterprise. However, it is important to emphasize that restructuralization shouldn't be connected only with crisis situation in enterprises. In present time the restructuralization has become a tool enabling revaluation of present enterprising activities and to relocate sources towards increasing the enterprise performance. This paper is focused on substance of restructuralization based on process approach that can enable to optimize enterprise structure and process and increase competitiveness of an enterprise. Results of research in Slovak and Czech enterprises showed that implementation of process management components by realization of strategic changes enabled to achieve the increase of business performance. Opinions of experts as also experiences of enterprises with realization of changes supported process approach as a basic condition for successful restructuralization. In paper we pay attention especially to effects of enterprise's restructuralization with emphasis on process approach to restructuralization management which is more effective in comparison with function approach.

restructuralization, process management, process approach, enterprise's competitiveness

Enterprises have been permanently searching methods and ways for securing the sustainable development. One way is the restructuralization that enables to optimize the business structure and to increase its competitiveness. Restructuralization in many enterprises contemporary seems to be only one way to reach new competitive advantages according to requirements of globalized market. The named facts are reasons for dealing with restructuralization in this paper.

Some authors understand restructuralization only as a change of functional structures in enterprise and cost reduction but it is a much distorted opinion. Restructuralization might be seen in wider understanding like reengineering or process optimization. In my opinion ***restructuralization of enterprise is a process of changes in particular company departments directing to securing the next successful development and long-term prosperity.***

The aim of this paper is to explain the possibility of application the restructuralization not as a tool

for solving a crisis situation but as a tool for business competitiveness increase and securing a permanent development.

METHODS AND RESOURCES

Initial information resources by investigating the area of business restructuralization have been mostly foreign authors of scientific publications dealing with reengineering, restructuralization and their methods. Analyses of theoretical knowledge include reasons for restructuralization, types and areas of restructuralization, approaches to restructuralization and their methods, phases in process of change management.

To decision for restructuralization the enterprise is conducted by several grounds evocating a change need. Authors of scientific literature (Borovský J., 2005; Tetřevová, L., 2005; Šmída, F., 2007) and experiences with restructuralization changes in enterprises mention the following grounds: crisis, prob-

lems, prevention, vision of management, market opportunities, competition benchmarking. According to restructuralization grounds two types of restructuralization were defined: crisis (negative) and developing (positive). In term of change range and deepness Heitman (2004) and Tetřevová (2005) distinguish defence (operative) and strategic restructuralization.

Restructuralization focus areas should be after Tetřevová (2005) and Vodáček (1998) following: financial, proprietary, production, trade, organizational, information and personnel. According to opinions of several authors the key area is the financial restructuralization by reasons of financial characters of main business goals.

Approaches to restructuralization have been analyzed by Truneček (1997) who has defined two basic approaches: traditional functional and process. **Functional approach** is focused on measurable and quantificational results. It comes out analysis of company economy and its aim is to slim of enterprise towards better prosperity. Arrangements are directed to improvement of economic indicators like cost reduction, profit and labour productivity increase. This approach is solving only consequences of crisis rise and it is not able to be flexible in fast changing environment. **Process approach** is focused on reasons of negative results not only on reached results. It is based on change of processes running in enterprise towards their efficiency increase and bringing the value for customer. Process system is operating on following principles: principle of alternative procedures, team cooperation, lean management structure, jointly perceived success or failure, orientation to customer (Sedláčiková, 2010). Within process approach *two conceptions* exist: **continual improvement and reengineering**.

To reach the goal and keep competitiveness of enterprise, each change must be planned and managed. On the base of several studies the general philosophy for process of change has been specified and published by Drdla M. and Rais K. in publication „Management of changes in enterprise“ (2001). The process of change management is divided to basic phases: strategic analysis, analysis of force field, creation of model for change, identification of change agent, choice of intervene areas, change implementation and verification of achieved results.

The next information resources for adequate conclusions formulation the results of research in practise are. Present situation of solving the restructuralization issue in Slovak enterprises has been analyzed through questionnaire research. The research aim was to detect an approach to restructuralization applied in enterprises and achieved effects. Within the second quantitative research reasons for implementing the components of process management were analysed. The aim was to detect grounds for implementation of process management, awaited and achieved gains. Answers in questionnaires were processed and evaluated by statistical methods of covariance and correlation analyses.

The research subjects were small (10–50 employees) and middle-sized (50–250 employees) Slovak and Czech enterprises operating in following manufacturing areas: engineering, wood processing, food processing, plastic production and processing. The size of research sample was 194 (124 Czech and 70 Slovak) enterprises. The research was performed in 2009. In five chosen Slovak enterprises the process of restructuralization has been monitored and analyzed in detail since 2004.

On the basis of theoretical knowledge and research results in practise synthesis the adequate conclusions and proposals were deduced.

RESULTS AND DISCUSSION

Quantitative research performed in enterprises came to following results:

- Approach to restructuralization applied in Slovak enterprises is functional and the changes are performed only in case of critical financial situation. It is proved by next facts:
 - 72 % enterprises come out the financial situation detected by financial analysis.
 - The main grounds for changes were: low production efficiency (100%), negative economic result in 72 % and low labour productivity in 60%. Insufficient competitiveness, innovation need were grounds of middle importance.
 - Solution of named problems consisted of employees reducing (in 88 %), assortment structure optimalization (in 80 %), production increase (in 48 %).
 - To solve the problems in enterprise by change realization – to achieve a positive result was succeed only in some enterprises: to upturn the economic result in 55 %, to reach higher satisfaction of customers in 33 % and to increase production quality in 43 % enterprises.
- Grounds for implementing the components of process management indicated the need of transfer from functional management to process as the next results showed:
 - *Grounds for process management*: realization of total strategic change in effort to achieve flexibility in reaction to changes in external a internal environment (in 73 %), implementation of quality management system ISO (in 54 %), keeping the quality according to ISO standards (in 50 %), simplification of management system (in 48 %).
 - *Expected effects of process management*: change of thinking from functional to process (in 68 %), management with open information (in 66 %), systematic support for creation of synergic effect through changes in business processes (in 60 %), variation according to individual customer requirements (in 55 %).
 - *Achieved effects of process management*: cost lowering in individual processes (in 66 %), keeping deadlines (in 62 %), creation of functioning system

for measuring, evaluating and performance increase of processes (in 60 %).

Results of theoretical knowledge analysis and research in practise showed the business restructuralization as a complex management system. Restructuralization focused on business competitiveness increase presents a complex system of changes in all company departments and processes requiring change including not only cost reducing but optimization of all elements and processes allied to change of thinking, work procedures, company culture.

Business restructuralization as a way to competitiveness increase should be based on following aspects (Sujová, 2007, Sopková, 2009):

- Restructuralization content: complex changes including relatively independent but inseparable and interlocking components: technical, organizational, methodical and social changes.
- The restructuralization aim is to secure long-term growth and prosperity of enterprise.
- Grounds for restructuralization are positive: prevention, vision of management, market opportunities and customer requirements.
- Type of restructuralization: in term of grounds – developing restructuralization, in term of change range – strategic restructuralization. Measures are long-term, focused on competitiveness increase.
- In term of business departments there are three key areas of restructuralization: management system, organization and financing. The restructuralization process might be successful only by realization of changes in all areas.
- Process approach to restructuralization: process management is recommended as the main system and philosophy for management of restructuralization. Process approach as a basic prerequisite of successful restructuralization was confirmed by results of research in practise. Process approach to restructuralization means implementation of continual improvement methods: Kaizen, TQM, TFM, JIT, Lean production or realization of reengineering (radical changes).

On the base of presented results ***the management model of restructuralization based on process principles has been suggested***. The model represents a methodology for restructuralization process. Suggested model consists of four basic phases showed in fig. 1.

Phase 1: Determination of starting points for restructuralization consists of following steps: *understanding the need of change, strategic analysis, definition of strategy and key success factors, analysis of force field, creation of change vision and strategy, decision for restructuralization*.

It is recommended to perform this phase under command of an external expert who disposes of suitable methodology of analyses and has an objective sight on situation in enterprise (external view). The result is a decision to accomplish restructuralization changes and its form of realization (Borovský, 2005).

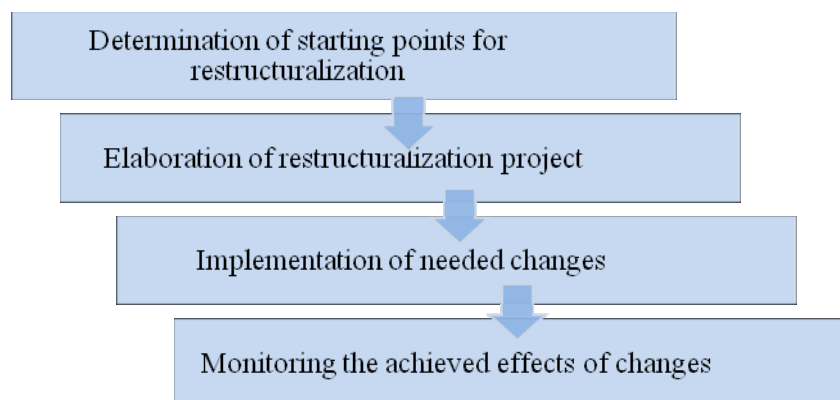
Phase 2: Elaboration of restructuralization project. The aim of this phase is systemic and effective elaboration of restructuralization project where the principles and details of restructuralization are processed. Sequential steps in this phase of restructuralization model are as follows: *formation of restructuralization team, elaboration of frame time schedule, process map assembly, determination of desired performance parameters, identification of needed changes in individual processes, identification of sources for restructuralization project*.

Phase 3: Implementation of needed changes

Implementation means application of restructuralization into enterprise life. Implementation process includes three basic steps: *defrosting* (preparation of available information, attention to faults, aversion elimination, tangible assurance of process), *change* (realization of changes) and *freezing* (fixing of achieved results and new adjusted parameters). (Šmída, 2007)

Phase 4: Monitoring the achieved effects of changes

The aim in this phase is to verify if restructuralization aims were achieved and to fixate running of changed organization. Evaluation of achieved



1: Basic phases of restructuralization model

effects and application of this knowledge in management is a feature of learning organization. Evaluation of changed processes and divergences elimination is an integrated part of the last fourth phase.

The application of suggested model of restructurization management during specified structure of sequential steps enables the enterprise:

a transfer from functional to process management – model includes all steps necessary for implementation of process management,

increasing efficiency of processes in process managed enterprises by existing ground for restructurization; in this case the phase of process map assembly is not needed, emphasis is put on process analyses in effort to detect their close, critical points.

Presented business restructurization based on processes brings several measurable and negligible effects. Among main contributions of process restructurization belongs: (Sujová, 2007):

- detecting reasons of negative results: assign effective and ineffective processes,
- adducing evidence about objective exploitation of enterprise sources,
- insuring the measurement and evaluation of customer, products and market segments profitability,

- measurement of results in relation to business,
- effective cost reduce (on right places, in right scale),
- gaining the flexibility in adapting to changes on market.

The significance of process restructurization by increasing the business competitiveness results from basic effects of restructurization identified on the base of theoretical a practical knowledge synthesis:

- elimination, resp. remission of enterprise weaknesses, diversion of market threats,
- utilization of market opportunities: satisfaction of new customer needs, changed requirements by innovated products, redirection of supply to new markets, using new sale methods,
- business performance increasing: optimalization of costs, personnel sources, financial and proprietary structures, process improvement,
- acquisition of new competitive advantages: flexibility of enterprise, flexible organization and business structures,
- an effective management system: application of process management components.

SUMMARY

The matter of restructurization has been contemporary in Slovak enterprises high actual because it seems to be only one way to reach new competitive advantages according to requirements of globalized market and to long-term and sustainable enterprise development.

The aim of paper was to analyze a possibility to increase business competitiveness through restructurization process. To achieve this aim, at first have been analyzed theoretical knowledge dealing with business restructurization from domestic and foreign publications. Further the quantitative research in Slovak and Czech enterprises has been performed and at the same time the process of restructurization in chosen Slovak enterprises has been monitored. Through synthesis of achieved results in analyses of theoretical and practical knowledge might be formulated conclusions, created the model of restructurization management on process approach and identified effects of restructurization.

Results of quantitative research in 124 Czech and 70 Slovak enterprises showed that more than 70% enterprises access to restructurization process in case of crisis and financial problems and apply functional approach focused on cost reducing. Only 6% of Slovak enterprises apply process approach to restructurization. To achieve positive and desired effects from restructurization was noticed only in 48% Slovak enterprises. Experiences of Slovak enterprises performing functional approach to restructurization proved that required effects were not achieved or were only short-timed. In Czech enterprises the situation is more favourable: 73% enterprises implemented process management components by realization of strategic changes. Achieved effects after implementation of process management confirmed in 66% Czech enterprises were effective cost reducing in processes, increase of process performance and business flexibility. By realization of restructurization changes more successful are Czech enterprises operating in engineering industry (22% of research sample) and Slovak enterprises with foreign co-ownership (12% of research sample). The least successful in restructurization projects are wood processing enterprises (28% in SR and 6% in CR) which apply no components of process management.

Enterprises successfully passed a restructurization process confirmed that the basic prerequisite of successful restructurization the process approach is. It means focus on changes in processes and eliminating the reasons of negative results. Solution for successful restructurization is process approach.

Restructurization might be seen in wider understanding like reengineering or process optimalization because restructurization means a complex management system of all types of changes in en-

terprise. Success of business restructuralization depends on choice of suitable approach and methods of restructuralization management.

On the basis of theoretical knowledge and also practical experiences of enterprises the model of restructuralization management based on process principles has been suggested. Process approach to restructuralization with its main effects: flexibility in adapting to market changes and providing the maximum value to customer points to possibility of using a process restructuralization by business competitiveness increasing. The mentioned effects could be considered as competitive advantages.

According to achieved results we can consider the business restructuralization on process approach to be a way to business competitiveness increase.

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