Review

An inclusive approach to structural transformation in organisational restructuring

Johan van Graan¹ and Wilfred I. Ukpere²*

¹Department of Police Practice, 403 F-Block, Florida Campus University of South Africa, South Africa.
²Department of Industrial Psychology and People Management, Faculty of Management, University of Johannesburg, South Africa.

Accepted 12 December, 2012

Within the current global economy, experts appear to agree that the current unpredictable business environment requires management to discover innovative ways of organising their activities. Organisational restructuring is therefore used by management as a strategy to improve their efficiency. However, it is only advisable for organisations to restructure if there is a guarantee that it will lead to optimal performance. When members of an organisation do not understand the reason for restructuring, they may disregard the importance of the process. Hence, it is imperative for the management of an organisation to motivate the need for a change, as well as strengthen efforts towards making the difficult terrain of restructuring a success.

Key words: Communication; Organisational change; Implementation; Restructuring; and Transformation

INTRODUCTION

Change in any organisation is unavoidable. Organisations worldwide are increasingly confronted with several challenges within a complex business environment. Consequently, these organisations are forced to review and adapt their organisational structure in order to address these challenges and to meet up with the needs of the communities they serve (Ogbonna and Harris, 2003). As the organisational environment becomes increasingly complex and more subjected to frequent changes, a need to change the organisation’s structure and adjust elements of the existing structure becomes imperative. Managers are thus challenged with the demand to introduce various changes during the transformation of their organisations’ structures (Robbin and Judge, 2009).

The design of an organisational structure capable of withstanding the needs of modern businesses has been one of the most challenging issues facing modern organisations and their managers. Over the past two decades, organisational structural change has become one of the most topical issues in management discourse. As a result, recent research interest has moved away from the evaluation of merits and problems of traditional forms of organising to the investigation of new ways of restructuring organisations.

Academics and practitioners appear to agree that the current unpredictable business environment requires management to discover innovative ways of organising their activities, in order to maintain a competitive advantage within a global context (Ogbonna and Harris, 2003:512). According to Bergh and Ngah-Kiing (2008:594), most research to date has described restructuring as a purposeful reaction to governance, strategy and industrial pressure. Some authors, including Kaplan and Weisbach (1992:107) argue that organisational restructuring is implemented to improve efficiency. Others have argued that a shift from weak to strong internal governance is behind most restructuring efforts, in order to refocus corporate strategies (Chatterjee et al., 2003:87-96).

Research problem

Modern organisations are buffeted with several challenges within a complex global business environment. Due to these complexities, organisations are always prompted to review and adapt their organisational structure to

*Corresponding author. E-mail: wiukpere@uj.ac.za.
withstand the challenges triggered by new trends, in order to be able to satisfy their respective stakeholders. However, designing an organisational structure capable of withstanding the needs of modern businesses has been one of the most difficult challenges confronting modern organisations and their managers.

Research questions

This study intends to answer the following are the research questions:

(i) What are the challenges to organisational restructuring processes?
(ii) What are the challenges faced by management in organisational restructuring?
(iii) How can manager embark on a successful organisational restructuring?

Research objectives

The objectives of this study are:

(i) To establish the challenges to organisational restructuring processes,
(ii) To determine the challenges faced by management in organisational restructuring,
(iii) To suggest possible mechanisms to embark on successful organisational restructuring.

Research methodology and procedural framework

This procedural framework is focussed on how restructuring in organisations should be approached, implemented and followed through. The findings in this article may not be generalized, due to its qualitative nature, but could be adapted to similar contexts. Hence, the transformation agent should ensure that the applicability of these findings is within a similar context and setting (De Vos et al., 2002: 352). The paper is based on qualitative and exploratory method, which relies on secondary source of information. It has also incorporated some cases to buttress the authors’ viewpoints.

Literature review

Restructuring is used by many organisations as a strategy to improve their efficiency. However, an organisation should only restructure if there is a guarantee that it will lead to optimal performance. It is therefore crucial to ensure that employees realise the necessity of such a process before progressing. As a result, the importance to restructure an organisation should be communicated to employees (Cooper, 2009). When members of an organisation do not understand the need for restructuring, they may disregard the importance of the process. Hence, it is imperative for the management of an organisation to motivate the need for the new design, as well as strengthen efforts to make the restructuring a success.

It is crucial to create and maintain an open dialogue with employees as they adjust to the new structure. It is also important to have a clear and convincing business case that is driven by the needs of stakeholders. Hence, it is imperative for management, employees and other stakeholders to agree on criteria for the new design. The strengths and weaknesses of the proposed structure should also be understood, as well as the resultant changes throughout the organisation. Hence, the involvement of key stakeholders to design a unique structure is beneficial to an organisation, since greater acceptance and buy-in of the process will emerge and stimulate support for a change (Robbin, et al., 2003). Information regarding the restructuring process must be communicated timeously to prepare employees and other stakeholders for change.

One of the first steps towards creating successful restructuring is to empower the employees with enough information about the need for a change. Through that process, confusion and uncertainty is minimised (Elias, 2007). When employees failed to understand the reasons for organisational restructuring, or the strengths and weaknesses thereof, confusion and uncertainty amongst them will escalate. It is therefore, necessary to agree on primary factors for the new design that address the new structure. Organisations are expected to use a user-friendly style of communication that promotes transparency and accountability (Robbin and Judge, 2009). The implementation process should be characterised by a tactful approach, such as promoting participative decision-making, proper consultation and the involvement of key stakeholders. Effective communication is necessary to familiarise employees with the initiated change processes, in order to create understanding and acceptance amongst them (Furnari, 2012). Consequently, the implementation of a change process can be achieved with fewer complications. It is imperative to use good channel of communication to effectively address employees’ fears of uncertainties. Efforts should be made to ensure that the process is as successful as possible. In addition, awareness and continuous enthusiasm should be promoted by management (Cooper, 2009).

PLANNING AND DESIGN OF ORGANISATIONAL RESTRUCTURING

The planning and design phase of organisational restructuring usually starts when an organisation’s existing structure has become ineffective (Robbin and Judge, 2009). This phase of a restructuring initiative is a
management function of creating and sustaining actions required to create a desired organisational structure. The intention is to produce the framework and tools required to create an effective organisation. This phase should, however, be realistic and structured according to the requirements of the organisation, in order to clarify and focus on the rationale of the restructuring process (Elias, 2007). Hence, this phase is significant so as to avoid error or even identify opportunities for further growth. In addition, the planning and design process enables management to have an improved understanding of what they want to achieve with the restructuring initiative, namely, how and when they want to achieve the restructuring and who should carry out this process.

A significant factor during this phase is to remain focused on the reasons necessitating the new design. Efforts to make the restructuring process work should be intensified by creating a consciousness in the mind of people that changes take time and requires sustained energy. More than that, communication flow should not be interrupted in order for people to adjust properly to the new organisation structure (Bergh and Ngah-King, 2008:594). Another important factor during restructuring is to have a clear and convincing business case that is in consonance with the stakeholder needs. Agreement on key criteria for the new design that addresses the business case is very important. In addition, the strengths and weaknesses of the proposed structure, as well as the resultant changes throughout the organisation, must be understood. It is also important to involve key stakeholders in order to design the best structure. As aforementioned, appropriate information should be communicated to people as frequently as possible to prepare them for change (Cooper, 2009:4).

Furnari (2012:1) suggests that when a company is restructured, it is significant that key people are involved with all aspects of the planning, developing and implementing stages of the plan. In other words, by seeking input from employees, greater acceptance and buy-in will emerge, and support for change will naturally materialize. However, change causes major pressure on employees and the organisation. Dissatisfaction can thus be a familiar factor within the management team, which may often filter through the company.

Since there is a natural resistance to change, it is crucial to approach the change efforts in an appropriate manner. Thus, when recommending changes it is important that the benefits of the change are clearly communicated. Furnari (2012:1) has identified some common mistakes that could affect a successful restructuring:

(i) lack of a detailed strategic business plan indicating the company’s objectives and time lines,
(ii) failure of constructive communication throughout the organisation,
(iii) lack of accountability and effective incentive programmes,
(iv) lack of analytical tools and timely information to monitor the company’s progress to effectively adjust strategies when required,
(v) cost reductions that are too severe and do not provide the necessary resources to support the core needs of operations,
(vi) implementation of short-term solutions that do not address the long-term needs of the company,

In concordance with Cooper (2009), Furnari (2012) posited that the general objectives and expectations of the restructuring efforts should be clearly communicated to all employees of the company. Another suggestion to enhance communication flow within the restructuring phase is to assess various levels of employees, in order to obtain feedback and provide a proper channel of communication.

Steps in the restructuring process

In order to improve transparency, consciousness and ownership of the restructuring process, organisations are encouraged to embark on the following steps discussed as follows:

Clarify reasons for restructuring before process implementation

Managers should stay focused on the reason for the restructuring and then clearly communicate the motivation, necessity and underlying principles of the restructuring process to employees and external stakeholders. Management should provide employees and external role players with detailed particulars of the motivation behind the restructuring through consultation and information sharing, in order to fully familiarise them with this process and prepare them for the anticipated change (Cooper, 2009:4). This implies that organisations must continue to engage in discussion and participative decision-making with its employees and other important role players. As a result, the organisation will have an improved understanding of the strengths and weaknesses of the proposed structure, as well as an improved understanding of the subsequent changes.

Formulate a detailed restructuring strategy

It is essential that organisations have a realistic, transparent and comprehensive strategy in place that address the needs of all those involved.

Communicate the restructuring strategy

The management of an organisation should design
strategies to ensure that the organisation’s internal and external communication and the management of information are reliable and clear. A discreet communication style and implementation method should be followed by management during the restructuring process. Detailed strategic initiatives should be in place to guarantee effective internal and external communication and information management. It follows that organisations should resort to a premature consultative communication style, characterised by transparency as well as participative decision-making during change processes. Clear time lines should be created to set an understandable vision of the future and to direct the restructuring process.

**Obtain buy-in for the restructuring process**

The organisation, its employees and other role players have to primarily agree on the main aspects for the new structure.

**Clarify roles to ensure success**

The organisation should strengthen efforts to make the restructuring process a success. The role of employees and external role players in this process should also be clearly defined and explained, to eliminate uncertainty as well as to simplify the process.

**Timeous notification of forthcoming restructuring drives**

Communication and consultation of the motivation behind the restructuring process should be timeously implemented in a clear and explicit way ahead of the implementation of the process, in order to prepare employees for the expected change.

**Cases of some corporate restructuring**

Cases of multinational and national organisations’ restructuring processes are presented to clarify ideas and also illustrate the lessons that can be learnt from these change efforts. These organisations include the Royal Dutch/Shell Group (Shell), Vodafone and Amalgamated Banks of South Africa (ABSA).

**Implementation of organisational restructuring**

The implementation of a restructuring process refers to the execution or the realisation of such a process’s new plan and design to fulfil the desired goal and objectives of the restructuring initiative. Johnson (1994) is of the view that any plan for change should allow for incremental implementation, encourage employee participation and provide continual communication and education on the project. Organisational change puts strain not only on the organisation as a whole, but also on individual employees within the organisation. In fact, if an organisation is to successfully implement change, a change strategy must be developed that takes the employee’s psychological processes into account. Implementing a change initiative without attending to such processes can result in employees experiencing stress and cynicism, each of which has the potential to reduce organisational commitment, job satisfaction, trust in the organisation and motivation (Elias, 2007:2). Kouzes and Posner (as quoted by Elias, 2007:2) furthermore indicate that successful change requires employees to be intrinsically motivated, able to see change as a learning opportunity, and feel as though they have control over the change process.

Change processes cannot be implemented in organisations without sufficient consultative communication and transparency. It is therefore imperative to continuously communicate and discuss the rationale and importance of the change initiative to employees in a clear and unambiguous way, in order to empower such employees with the necessary knowledge concerning the goals and objectives of implementing the change initiative (Johnson, 1994). It is also essential to engage employees in open dialogue during implementation and invite feedback from them, in order to make the necessary adjustments to the implementation of the restructuring process (Cooper, 2009:4). As a result, employees would experience the implementation of the change process as a well-executed and understood process, thus improving the effectiveness of the change initiative. When a change process is not implemented in a clear and explicable manner, then mystification, ambiguity and insecurity may prevail among employees. It follows that the implementation of a restructuring process must therefore be planned thoroughly, taking into account the various process changes required to support the new structure. On the other hand, the management of an organisation must pay attention to the organisation’s ability to adapt to change (Elias, 2007:2). When the morale of employees in an organisation is upheld during organisational restructuring, it simplifies the process for these members to create a positive and meaningful mind-set in order to fulfil their functions with the necessary productivity, drive and passion. However, when these employees are confronted with a lack of purpose and direction, or a feeling of senselessness, their productivity is without doubt negatively impacted (Robbin and Judge, 2009). It is therefore imperative for the management of an organisation to remain sensitive towards the self-esteem of its employees and external clients during the implementation of organisational change to promote productivity.
In order to set a clear view for the future, it is essential for an organisation to have long-term goals. However, these goals should be clearly communicated to the entire workforce to gain understanding and buy-in among them (Furnari, 2012:1). On the other hand, these goals should also be practical and achievable. When an organisation’s long-term goals are not effectively communicated to all employees, and without sufficient support from management to facilitate these goals, employees may not realise the vision of the organisation, and therefore lose interest in accomplishing and maintaining these long-term aspirations. It follows that when employees do not realise what these goals are, it is impossible to achieve or maintain them.

**The route to successful organisational restructuring**

Organisational restructuring should be meticulously followed until the goals of the process is realised. Hence, managers should not abandon the restructuring process until the predetermined changes occur in the organisation. Cooper (2009:4) has argued that the reason for the new structure, as much as making it work, should be the focus of the process. As a result, people will be energised to focus on customer needs and changes that must take place should be followed through. It is imperative to maintain a high level of employee involvement and enthusiasm throughout the process. In addition, sufficient time should be allowed for employees to function and experiment with the new structure before giving feedbacks to stakeholders for the planning of important adjustments.

In addition, managers should make people aware of the reason for the newly adopted structure. In other words, managers should stimulate efforts to accomplish successful restructuring. Employees should be made to realise that changes take time and persistent energy. The focus of the restructuring process should be the reason for the new structure, as much as making it work, which in turn will help to energise employees to focus on improved productivity and service delivery. However, employee involvement and enthusiasm should be sustained until the change is completely accomplished. Subsequently, adequate time should be given for employees to function and experiment within the new structure. Communication with employees and other role players must continuously be maintained.

**Valuable lessons of organisational restructuring**

**Shell restructuring**

At the beginning of 2000, Shell was emerging from one of the most ambitious and extensive organisational restructurings of its 93-year history. This process had involved the move from a geographically-based to a mainly business sector based structure, the removal of over 1,000 corporate positions, the sale of much of its London headquarters, and the redesign of its systems of coordination and control. The reorganisation that had begun in 1994 has transformed the organisational structure of Shell. A team consisting of Shell’s fifty top managers was appointed to study the organisation’s internal functioning and come up with options for a redesign. The motivation behind the redesign was a desire to have a simpler structure. As Shell approached the second century of its corporate existence, there was an agreement within the company that the changes made had created a structure that was much better able to respond to the uncertainties and continuous changes that affected the oil industry. Externally, Shell-watchers both in the investment community and in other oil companies had little doubt that Shell’s reorganisation had contributed significantly to the efficient management of the group (Grant, n.d.)

Valuable lessons could be learnt from the restructuring of Shell. The extensive nature of this group’s realistic restructuring plan, and the sustainability thereof, could be a major indicator to organisations’ restructuring efforts in terms of identifying realistic and achievable solutions to their change efforts. Shell’s character to take its shareholders’ interests into consideration during the change initiative, reflects an organisation that values external partnership and interaction with its clients. The involvement of a large number of Shell’s top structure in the decision-making process shows it as an organisation that values participative decision-making style. The simple organisational structure adopted by Shell supports the removal of the organisation’s administrative bureaucracies that, in turn, improve internal communication.

**Vodafone restructuring**

The mobile giant Vodafone reorganised its structure, which was based largely on specific countries, and instead took a more combined regional approach. Vodafone’s Chief Executive stated: “This new structure will deliver a streamlined and simple structure with a clear focus” (Vodafone’s restructuring, 2006). Vodafone Italy began a strategic partnership with a customer care company, Comdata, in 2007. Consequently, approximately 900 back office and credit management employees were outsourced to the partner company, with no redundancies as a result. Vodafone Italy agreed that these employees would be protected from redundancy for the duration of its seven-year contract with Comdata and there would be no change to the current employment terms. These agreements were developed in consultation with trade unions and the Italian government. To facilitate a smooth transition, selected managers were trained on how to support people affected by this change (Organisation and Change Performance, 2007).
Vodafone Germany restructured its sales function in 2007/08. Around 2,000 call centre employees in Germany were given training to adapt to new management structures. In March 2008, Vodafone UK announced a reorganisation to improve customer service and respond to new market challenges. This was likely to affect 450 existing employees, as well as creating new jobs in customer service roles. Vodafone UK consulted with employees through one-to-one meetings with managers and through a Collective Consultation Forum of employee representatives. Affected employees were offered redeployment and outplacement support (Organisation and Change Performance, 2007).

Organisations could learn significant lessons from Vodafone’s restructuring. Firstly, changes in organisations should similarly be simplified with a clearer focus, in order for employees to have a comprehensive understanding of such changes. Secondly, Vodafone’s consultative interaction during the company’s restructuring with its employees could act as a valuable lesson for organisations during its change processes. Consultation with employees during change acts as a powerful communication tool. Thirdly, Vodafone’s support structure for affected employees during the company’s restructuring efforts should be considered as an important lesson to be learnt by organisations. Lastly, Vodafone’s initiative to involve employees during its restructuring, in the form of employee representatives, should be clearly noted by organisations.

**ABSA restructuring**

During 2001 ABSA announced that it intended restructuring some of the functions of its Delivery Channel Services. Project Galaxy, as the process was named, had been devised to re-engineer its back-office branch processes to free branches to concentrate solely on customer service and sales. Consequently, the re-engineering would be achieved by centralising and automating the functions of its processing centres. Absa’s restructuring plan resulted in continuous consultations between the bank, with the union being kept informed of progress each step of the way. They also involved its core Negotiation Consultative Forum (NCF) in all consultations and kept its regional offices fully informed on the project’s progress (Clearing ABSA confusion, 2002). Moreover, the successful acquisition of ABSA by Barclays Bank shows how large scale restructuring can be implemented successfully. ABSA’s continuous consultation efforts regarding its restructuring process are a valuable lesson to be learnt by organisations.

**RECOMMENDATION**

In order for organisational restructuring to be effectively implemented, the following recommendations are worth pondering:

**Emphasise the reason and strategy**

Organisations should continuously engage in constant communication with its employees and external role players, highlighting the reasons for the change, to create knowledge and readiness among them regarding the implementation of the process.

**Create reasonable time lines for process implementation**

Organisations should create anticipated time lines for the implementation of restructuring initiatives. The implementation of organisational restructuring processes should allow for their gradual implementation.

**Prioritise communication and participative decision-making**

An organisation should implement restructuring processes in a clear way, creating knowledge among employees. It is recommended that timeous and constant communication and consultative decision-making with members and external role players regarding the implementation of the restructuring should be put into practice. Education by the organisation’s management to members and external role players on the implementation of the restructuring process should be prioritised. Hence, strong focus on the importance of an inclusive approach to organisational restructuring is imperative, thus closing the eye to the traditional top-down approach.

**Monitor progress and create support structures**

It is also essential for the management structure to engage employees and other role players in open dialogue during implementation, to monitor progress and invite feedback and proposals from them. Consequently, necessary adjustments to the implementation of the restructuring process can be made. Strategies and support processes should be created to address employees’ psychological welfare during the implementation of a restructuring process. Organisations should sensitise itself towards the low morale of its employees that give rise to low levels of productivity. This means high standards of morale and productivity in the immediate term, after implementation and well beyond. Trust between employees, external role players and the organisation should be created and maintained to simplify the implementation of restructuring processes.
Constant management involvement

The management of an organisation should remain actively involved in all the phases of restructuring and should not distance itself too soon from the process. This means that management should pursue restructuring until the objectives of the restructuring process are well-entrenched in the organisation.

Increase the awareness of the reasons for the new structure

Increased consciousness among employees and external role players should be created of the reasons for the newly adopted structure. Managers should always encourage efforts to accomplish successful restructuring.

Maintain interest and involvement after process implementation

The management team should preserve employee involvement and enthusiasm, in anticipation of the total realisation of the restructuring process. This implies that enough time should be allowed for employees and external role players to function and experiment within the new structure.

Sustain effective and timeous communication

Management should continue communicating with employees and other role players to discuss and plan necessary modifications or improvements, until the anticipated outcome of the restructuring process is achieved.

Conclusion

Organisational change initiatives are complicated processes that may cause confusion and lack of confidence if not properly understood by those affected. The main challenges are to involve all employees affected by changes in their organisations and empowered them with sufficient knowledge of the change process. If that is done, the confusion and insecurity which might exist among those affected will minimise to a great extent. Well executed implementation of change efforts is characterised by the necessary subtlety towards employees and stakeholders, consultative communication and transparency. The primary challenge is thus to communicate the importance of the change initiative to employees internally and stakeholders externally in a clear way. Consequently, employees will be empowered with the necessary knowledge about the goals and objectives of the change initiative. It follows that the employees and other stakeholders would experience the implementation of the change process as a well partake in the process, thus improving the effectiveness of the change initiatives.

Successful organisational restructuring efforts are characterised by transparency, effective communication and consultative decision-making. It is also vital for an organisation to have long-term goals, in order to set a clear vision for the future. These goals should, however, be clearly communicated to the entire workforce to gain understanding and buy-in among them.

The main challenge though is to ensure the feasible implementation of these long-term goals as envisaged by such a process, and the maintaining thereof by the organisation’s employees. Change in an organisation can also affect internal and external collaboration, relations and operational arrangements between role-players internally and externally. It is therefore significant to continuously interact and communicate with external stakeholders in order to work out how to change to the newly implemented structure. Attention should also be paid to the internal functioning of the organisation, as well as the impact such a process could have on the internal and external stakeholders of the organisation.

REFERENCES

Clearing ABSA confusion about 'Project Galaxy' (2002). Sasbo News 24(9), September: 3.