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## Article

# Enterprise restructuring : a quality management paradigm

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## **ENTERPRISE RESTRUCTURING: A QUALITY MANAGEMENT PARADIGM**

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### **Abstract**

*Since the transformation of the political system in Poland, almost three decades have passed. It was a period when it was certainly possible to observe changes in priorities in the field of business management. Certainly, the factors that influenced the change of these priorities were the intense privatization processes of state enterprises in the first years of transformation or even the growing role of financial markets (including the Warsaw Stock Exchange in the nineties) (Białowas 2008a). In addition, the global capital concentration processes had a very large impact on the processes of organizational consolidation among entities of key sectors of the Polish economy, with particular emphasis on entities in the energy sector (Białowas, 2008b). A similar situation was also observed in all countries of the so-called Eastern Bloc in a similar period (Czech Republic, Democratic Republic of Germany, Bulgaria and Romania). The purpose of the article is to try to determine the impact of reorganization activities on the behavior of employees in the context of quality management. This is particularly important if we consider the concept of comprehensive quality management as one of the most important concepts of managing a commercial organization.*

**Key words:** restructuring, organization culture, personnel management, quality management.

**JEL classification:** A13, D20, G34, P30.

### **Introduction: restructuring and traditional management principles**

It should be noted that in the first years of the functioning of the free market economy in Poland, the restructuring processes of many companies began (Puffer et al., 2016; Patena and Błaszcyk, 2016; Białowas, 2016). It resulted to a large extent from the intensification of privatization processes and the most often their consequence of the processes of adapting to the rules of free market economy. Restructuring processes took various forms. These were both internal restructuring processes and company grouping processes, for example as part of a common privatization program referred to in Poland as NFI (*Narodowy Fundusz Inwestycyjny*). This concept was evaluated negatively after years of the development of enterprises that participated in this program, an issue that can be found in other similar countries (Čábelková et al., 2015; Strielkowski et al., 2016). It seems at that time that the reorganization processes would lose their intensity after the adjustment period. From the perspective of the current period, it can be said that this was an erroneous assumption, because the dynamic development of financial markets, the increase in the role of capital and its dynamic consolidation which force enterprises to constantly develop dynamically in financial aspects were not taken into account. The global processes of capital and organizational consolidation of enterprises most often being the consequence of mergers and acquisitions were also not taken into account. The Polish examples of these processes are, for example, entities in the energy sector that are subject to constant radical organizational and

capital transformations for several decades. Global trends regarding also the value of capital increasing in the following years, its concentration and taking into account in the investment processes mainly such an indicator as the level of return on invested capital causes that restructuring processes in many companies are continuous. In connection with this, one may risk a statement that they are in a way "a management tool for the organization". It is worth noting here that the concepts of radical restructuring in the form of the Business Process Reengineering (BPR) concept were already perceived in the 1990s as an antidote to most market problems of companies (Hammer, Champy, 1993). The obvious problem of the restructured organizations is the lack of employee acceptance of a large number of changes. It is worth considering how strongly it affects the culture of the organization, which is very important for the pro-quality management of the company (for example the TQM concept). It is hardly surprising, however, that the perception of restructuring processes in pejorative categories is taking into account the fact that they usually involve a significant reduction in employment. In this situation, any proposals for change may encounter resistance among employees (Wawrzyniak, 1997).

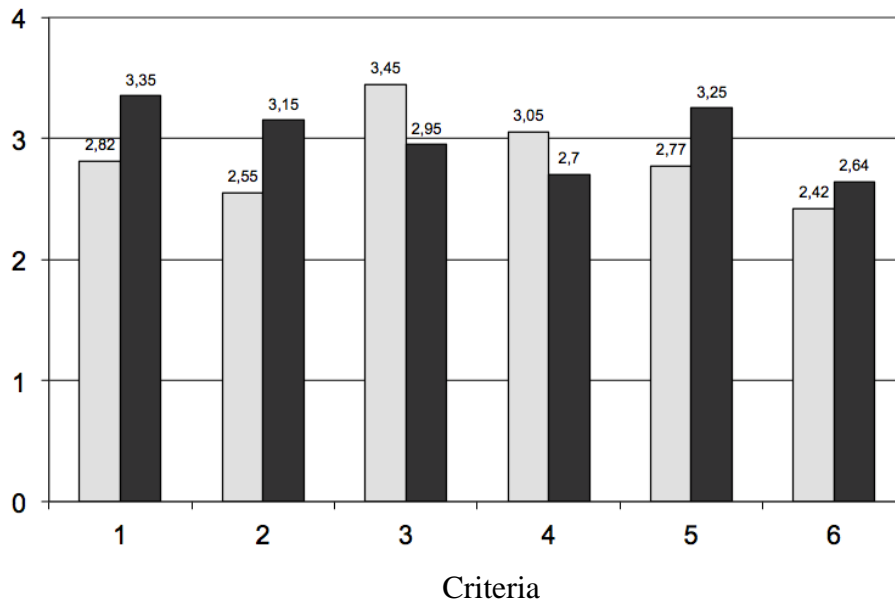
Reduction of employment, in addition to negative consequences in the form of disturbing the culture of the organization, implies a limitation in the form of reducing the natural flow of information from experienced employees towards the young staff both in Poland and in other post-transition economies (Abrahám et al., 2016). Observing the dismissals of employees with long-term employment that are common in many enterprises, one can conclude that the transfer of competences, which takes place in the case of the natural departure of older employees from the enterprise, can be underestimated. In many companies striving to rejuvenate the staff forget about the costs associated with this activity, such as the need to conduct additional training. Bearing in mind the above considerations, it can be said that the current research problem is to determine the "optimal" scope of restructuring, which will increase the efficiency of processes, but will not cause any negative effects that would not have occurred if the restructuring process itself was not started. It should also be asked whether the restructuring process could be carried out without any adverse effects, in particular in the area of organizational culture.

### **Presentation of the results of the pharmaceutical company's research**

In order to verify the problematic issues formulated, the author carried out an investigation at the Polish Pharmaceutical Company Jelfa SA, which concerned the assessment of changes in employee awareness during restructuring processes. (Białowas, 2006). 200 employees attended the study. The questionnaire survey (developed at the Institute of Organization and Management of the Wrocław University of Technology in Poland by Dr. J. Zymonik) was carried out twice in the period of one year. The first moment of the study (n) was a period of stable operation of the company from the point of view of the reorganization process. The moment of the second survey (n1) coincided with the change in the composition of the company's management board, undertaking actions significantly changing the company's long-term organizational structure, in particular in the area of organizational structure disorganization, implementation of the outsourcing concept consisting in the total abandonment of some unprofitable processes, changes in production scope and announcements of ownership changes. The research was carried out on the same employees during the first year. They were to assess the following criteria on a scale from 1 to 5: the CEO's involvement in quality issues (criterion 1), understanding the concept of client - internal supplier (criterion 2), responsibility for quality (criterion 3), costs and quality (criterion 4), understanding the role of the manager (criterion 5), perceiving and removing

barriers between company departments (criterion 6). The results of the research are shown in Figure 1 that follows.

**Figure 1:** Research on the impact of the restructuring process on employees.



Notes: Gray bar - survey in the period n1, Black bar - survey in the period n

**Source:** Own results

The results clearly show that restructuring measures have a very large impact on the company's pro-quality culture. The deterioration of the assessment value was obtained in most of the criteria. Positive impact was noted in the case of two criteria - responsibility for quality (criterion 3) and quality vs. costs (criterion 4). The research results seem logical, because the main goal of restructuring measures is to increase management efficiency and reduce costs. Negative impact on organizational culture was noticed in the area of growth of barriers between the company's departments and deterioration of relations between employees. An interesting phenomenon is also the deterioration in the perception of the Chief Executive in the qualitative development of the organization (criterion 1).

**Table 1:** Attributes of the management of Polish enterprises after economic transformation.

Positive features	Negative features
<ul style="list-style-type: none"> <li>• Quick learning and adaptation to new conditions,</li> <li>• Strong commitment to work and full identification with the company,</li> <li>• Accepting leadership,</li> <li>• Entrepreneurship and the ability to cope with difficult conditions,</li> <li>• De-politicization with emphasis on professionalism in management,</li> <li>• Seeking cooperation routes (only among colleagues at a given level),</li> <li>• Emphasis on team work (but to a limited extent without considering employees of the lower levels of the organization).</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent use of old schemes in a new situation,</li> <li>• Perceived necessity of learning with a simultaneous low inclination to education in organized forms,</li> <li>• Accepting changes in other enterprises, with skepticism and lack of conviction for changes in your company,</li> <li>• Disguising views,</li> <li>• Emphasizing the rationality of action understood as the use of current conditions that do not force for radical changes.</li> <li>• Working in a management team (incomplete team concept) or alone.</li> </ul>

**Source:** Wawrzyniak (1997).

This is probably due to the lack of acceptance of general activities carried out by the company in the reorganization process. It may also be related to the employment reduction planned in this period in the company. This problem in the face of enterprise transformation is complex. It should be emphasized that, on the one hand, long-time employees of the management staff in enterprises have many positive features. On the other hand, however, certain patterns of behavior should be noted that make it difficult to fully adapt the organization to the new economic conditions, forcing a certain stiffness of the form of the organization. Table 1 presents the characteristics of employees of the management of Polish enterprises in the nineties. It should be emphasized that despite the implementation of the research at a later time, the features are still valid and are visible especially in those companies that were taken over by privatization by large foreign companies and did not restructure employment.

### Conclusions and discussions

The above considerations should, according to the author, lead to some caution in implementing radical changes in the company's personnel policy. In addition, there should not be a denial of all employees with long-term employment, seeing them as only obstacles to the rapid development of the organization. The personnel policy of the company should be preceded by a thorough analysis that will allow identification of areas requiring changes, and additionally areas that have great potential (Białowąs, 2001). Reorganization processes are most often implemented by newly employed persons, additionally with the support of external advisors, which may strengthen the reluctance of employees with long-term experience to any changes and limit the effectiveness of the restructuring process (Krug, Night, 2001).

As already underlined the restructuring of the organization in recent years in most enterprises should be treated as a continuous process and being in a sense a management tool. The reasons for this state should be sought in the neo-liberal concept of the development of world economies. The functioning of this type of economies focuses on the permanent creation of added value most often in the form of an ever-increasing stream of money generated by enterprises. This remark obviously concerns, to varying degrees, different types of enterprises. Some of them are less and some more exposed to permanent reorganization processes. It seems that the companies where the impact of permanent reorganization is the largest should include companies operating on the basis of fixed assets (for example, all manufacturing companies). It results, among others, from the development of technology and production technologies as well as the freedom of locating production, for example depending on labor costs. By synthesizing the research results presented in the article, which indicate a negative relationship between the reorganization and the pro-quality organization culture, it is worth considering the optimization of the reorganization process. The more so as we can observe in the macroeconomic sphere, we can more and more often encounter undermining the concept of neoliberal economies for the stability of the organization's functioning and, consequently, the stable functioning of employees. Ensuring stability in the sphere of employees may paradoxically be a sine qua non condition for the dynamic development of the company.

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