

Restructuring versus reorganization

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Abstract: Through this paper I try to delimit the two notions of “restructuring” and “reorganization” in order to make them easier to comprehend. For this to be possible, I will make a brief introduction to these concepts and I will try to delimit them to some extent.

The notion of “restructuring” can be defined as the process that has the purpose of reducing the size of the enterprise by reference to the number of employees and the number of hierarchical levels in the organizational structure.

The main reason a company resorts to the restructuring process is diminishing spending, increasing profits and increasing efficiency.

Key words: Restructuring, reorganization, social context, profitability.

1. Introductory notions about restructuring and reorganization.

Under the conditions of the current market economy, the characteristics of the political context and especially the economic and social context in which the enterprise operates are constantly influencing the solutions adopted in the design of the organizational structures, which, in the developed countries, undergoes a chain of transformations and is constantly considering a number of new elements that present great diversity.

The objectives of increasing efficiency and profitability bring to the attention of managers responsible for logistics activities and managers at the top level of the organization, the concept of restructuring. In the literature, synonyms are used as follows: reducing size and reducing the number of levels of the organization.

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The main reason a company resorts to the restructuring process is diminishing spending, increasing profits, and increasing efficiency.

In addition to the many benefits that a company has due to restructuring, the process may also have some adverse consequences, for example, the company takes the risk of losing certain jobs, which results in a decrease in employee performance.

We can say that, nowadays, more and more enterprises are pursuing the argumentation of competitiveness, in the conditions of a society in a constant state of uncertainty

and based on a rapid and dynamic evolution. Such an example is an enterprise's strategy to gain an edge over other competitors in the field in which it operates by delivering in a short and good time the products and services it offers.

In the literature and in the context of the developed countries, some concepts on how to restructure enterprises are highlighted. For example, the centralization or decentralization of decisions should not be absolutized or maintained.

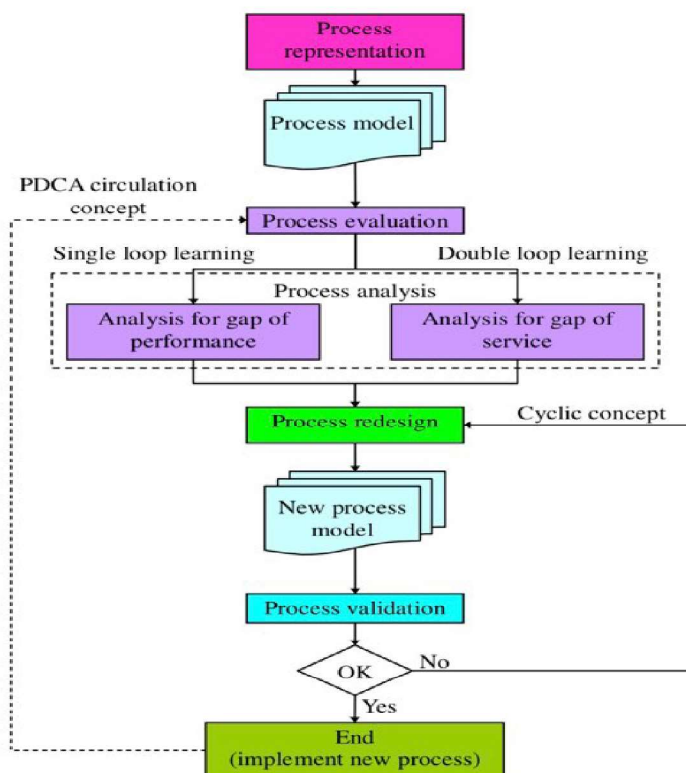
In my opinion, the economic situation in Romania in recent years, as well as the transition period we are going through, should generate a number of obligations on the part of the state to avoid or even eliminate certain determinants of imbalances, such as inflation of unemployment.

There are some roles in the transition period, among which we mention the most important, namely: the restructuring of the productive systems of the industry, according to the situation in the industrially deserted countries; ensuring the competitive structures of the goods and services market, eliminating the dominant monopoly positions of some producers; promoting competition and ensuring the conditions for its development; determining the degree of concentration of production.

Unlike the notion of "restructuring", the concept of "reorganization" may also refer to the re-profiling of the company.

Internally, in Romania, the notions of "restructuring" and "reorganization" are often erroneously mistaken. It is imperative to mention that the reorganization procedure presupposes the existence of a plan, well-established limits and can not be achieved without the concurrence of the courts of law or the syndical judge.

Fig. 1 Restructuring process



For example, the restructuring of a legal entity may occur when the company has a fulminating upward path and the original structure can not effectively manage the company's overall interests. Therefore, restructuring must not necessarily occur in the context of a crisis, but may be necessary when the company has developed, and the development of the initial structure is necessary.

Restructuring can also be generated by other causes, such as changing ownership or ownership structure, company division, major changes - bankruptcy etc.

2. Restructuring - the most used way of organizational and managerial change after 1989 in Romania and other countries.

Managerial restructuring should be used primarily to shelve the business from potential economic failure as a way of preventing and eventually re-establishing the business. In other words, the restructuring is one that has a preventative role and should not be used only when the business / society is in a deadlock. As such, managers should choose the way to restructure when they have strong indications that the business

is approaching an unfavorable threshold, without waiting for the state of insolvency to emerge. I made this point, which is essential in my opinion, because at national level, the solution to restructuring is the one that is used when it comes to insolvency, being a means of "treating" rather than prevention as it should.

According to a study by Harvard Business School, the term restructuring has been known in the world since the 1970s, when it was successfully applied to takeovers, mergers, sales, divisions, split-ups, financial recapitalization, and private transactions to glory renowned companies such as: Toshiba, General Electric, Motorola, Lockheed Martin, IBM, LTV, Siemens and Zenith.

We can define restructuring as redirecting one or more aspects such as repositioning the market to be more competitive, surviving in an unfavorable economic climate, or balancing the company to reorient itself to a new business direction. In other words, restructuring involves a wide-ranging process that extends to different sides of a company - purchasing, personal, economic, etc.

Romanian experts, insolvency practitioners and not only think that in Romania, managers choose the way of insolvency, without taking into account other variants, which, in most cases, could save the company they manage from insolvency. It is well known that the restructuring is divided into three categories, namely: portfolio and assets, capital and management of the company, any or all of them, applied correctly in each case, may have as a consequence saving the company from insolvency.

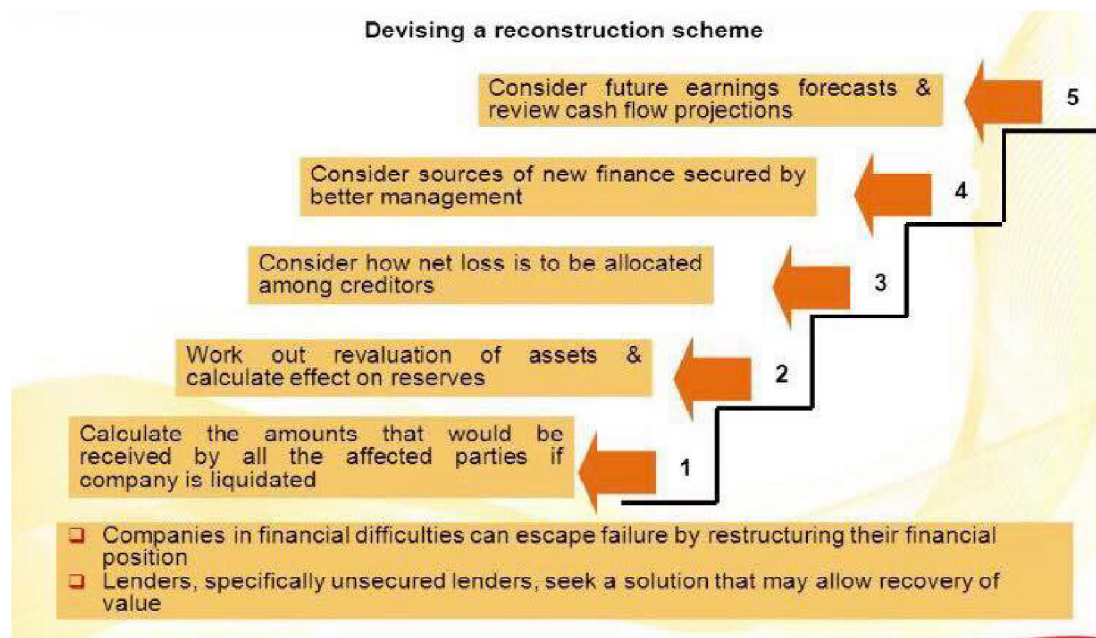
A well-thought-out restructuring designed to help the company in a deadlock has as its main purpose the reduction of financial

losses while at the same time diminishing the tension between debt and equity holders, in order to facilitate a prompt resolution of a difficult situation.

A restructuring that is inconsistent with organizational culture can very easily demonstrate that it is just a form change that is often hindered and interrupted by a category of circumstances that depend on the way in which the enterprise is structured and the relationships which is carried out inside it.

In order to be able to find us in the presence of an effective organizational restructuring process, we need to get to know and understand both the organizational culture of the enterprise and the factors that have important significance that is imprinted in the development or that determine the development of the organizational culture.

Fig. 2 Corporate Reconstruction and Reorganisation



3. The reorganization of a company

The reorganization process of a company should aim to improve its operating scheme in order to achieve positive results. It is a rather complex process because it is not enough to reorganize only certain segments of the company.

When we want to use such a process, we need to have well-trained managers in the company so that they can make the best decisions and resort to the best ways to improve these decisions.

In order for our reorganization to be successful, we need to analyze several types of processes to optimize the company's business.

In Romania, the process of reorganizing state-owned companies or having a majority state-owned capital are among

the Government's strategic priorities. The Government wants to apply this process especially to state-owned companies that have as their object the modernization of the infrastructure in the country. The reorganization of these companies aims to increase the efficiency of traffic and modernizing the conditions of public transportation.

Most companies rely on the reorganization process for two reasons: the first concerns the growing development of society and technology that forces companies to keep pace with them, and the second reason is the financial difficulty of the company at a time.

The goal that every manager proposes when using this is to save the company and recover it for outstanding results. An analysis and financial diagnosis of the company is automatically imposed and it is only then that

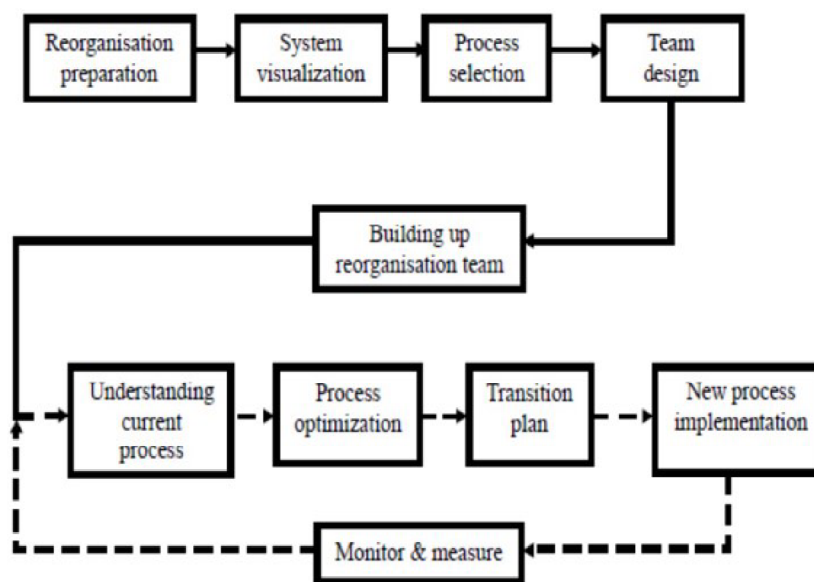
the decision can be made whether or not a reorganization process can be implemented.

In order to meet consumer wishes and to remove competition, companies have to adapt to the market's evolution.

The expansion of the company implies an adaptation to the new market

requirements in this way, it is necessary to reorganize its organizational structure and to adapt to the current needs in order to give the desired yield.

Fig. 3 Model of the process of reorganization



According to a study carried out in this field, it was demonstrated that a complete reorganization of the organizational structure of a company is necessary, not only a partial reorganization being sufficient to achieve the objective pursued.

Extremely important in the development of the company are besides internal resources, theand external ones, the secret of success is the perfect combination of those two.

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When we refer to the term of reorganization in the field of management, we must not confuse it with other terms, such as: bankruptcy, judicial reorganization and legal insolvency.

4. Study case

There was a railway company few years ago, named Reva. The main discover they made was to identify a restructuring need in order to dynamize and adapt the company's core business on a new highly competitive market in Europe. In addition, a strong managerial assistance was required due to the company's upgrading.

Therefore, the initial stage in the process of Reva Simeria restructuring consisted in the organizational diagnosis. In this stage were evaluated the issues Reva encountered in terms of productivity and organizational climate. The purpose of this diagnosis process was to highlight the best restructuring method taking into consideration the further effects of modernization.

The second stage was initiated by establishing an organizational modernization plan, adapted to the organizational new context. In these circumstances, the plan was designed that way to allow the improving positioning phase into the new market and increasing the production processes' efficiency.

The third stage consisted in analyzing the first two stages' results based on a set of decisions adopted by the team that implemented the project of organizational diagnosis. Concluding, there was resulted a total productivity increasing, system inefficiencies were significantly reduced and the organization gained a higher flexibility, with no competencies loss.

The subsequent plan of organizational change brought about:

- A new set of values and principles of work
- Increasing the weight of external customers for repairing wagons and rolling stock

- Investing in new projects to modernize production according to the European model

- Streamline the production team and the team management

- Ensuring a strong leadership that supports and inspires change

5. Conclusions.

Due to technological, cultural, scientific, economic and political changes, organizations have to abandon obsolete ideas and outdated processes and adopt new ones that are in line with current market demands.

If so far the basis of the actions of a company were the principles of Adam Smith, which said that industrial activity could be fragmented into simple, separate activities, now organizations will have to adapt to the post-industrial era requiring unification of operations, resulting in a unique process and efficient.

Organizations must implement certain tactics to ensure sustainability and long-term profitability. This can be done through plans, objectives and planning that will lead to the achievement of the proposed results and the improvement of the structural organization.

It can be noticed that the manager or, as the case may be, managers are responsible for the success or failure of a business. Proper diagnosis and choosing the best way to revitalize the company are the essential requirements to achieve the desired results.

Most of the time, when talking about a restructuring in the business environment, most people think that they will be fired, though the two notions are not synonymous. We can say that, in the case of organizational restructuring, it can still take place, as well as layoffs.

In my opinion, I can say that there is no need for an economic crisis for a company to undergo a restructuring process.

The restructuring process can be seen as a process of reorganizing the company. Its

purpose is to make the company more profitable and much better organized.

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