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RESEARCH NOTES

Business Restructuring Practices in New Zealand's Top Organisations

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In mid 2001 PA Consultants conducted an exploratory survey of recent business restructuring experiences of New Zealand organisations. Victoria University had input to the survey questionnaire and access to the data that was gathered. The survey focused on the use of accepted best practice in the management of restructuring change processes, and the success of the changes. This brief research note reports the results of the survey, analyses (as far as possible) the responses, and makes suggestions for further investigation of this important area of IR and HRM interest.

Introduction

Restructuring, in a variety of forms, is a familiar feature of organisational life. Processes of delayering, downsizing, re-engineering, redesigning and transforming have become common tools of management. Such changes are often driven in the private sector by crises of low profitability, takeover and technological advancement, and in the public sector by deregulation, reregulation and political imperative (Spicer, 1994; Petrie, 1998). Accompanying, and necessitating, many of these restructuring processes, the worldwide incidence of mergers has increased exponentially over the past decade (Thomson Financial, 2001). Evidence of ongoing change closer to home, can be found in the Brown, Gilson and Wagar (2000) survey of New Zealand employers which reports widespread workplace restructuring.

Numerous academic and practitioner texts are devoted to the topics of restructuring and organisation change management (for example, Beer, Eisenstat and Spector, 1990; French, Bell and Zawacki, 2000; Kotter, 1995; Mabey and Mayon-White, 1993; Pettigrew and Whipp, 1991; Stace and Dunphy, 1994). This extensive body of research, over time, has introduced, critiqued and refined suggestions of best practice in managing different organisational change situations. It is not proposed in the context of

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this brief research note to provide a review of the evolution of the organisation theory and change literature. However, it is against this backdrop that an industry of change management advice has developed.

Supported by such information, management consultants arguably have become the purveyors of best practice in restructuring and change management. But do organisations follow best practice advice? And if they do, is it successful? What makes a restructuring exercise successful? This exploratory survey aimed to provide an initial investigation of the use of best practices and perceived success of restructuring initiatives.

Method

A postal survey questionnaire was developed by PA Consultants, with input from Victoria University, in order to investigate different approaches to restructuring initiatives adopted by New Zealand organisations. For the purpose of the survey, restructuring was used as a general term to cover all reshaping, reengineering or redesign of the whole organisation or part of the organisation. The questionnaire consisted of 22 questions which assessed the impact of, and reasons for, the restructure; identified those with prime responsibility for implementing change; the level of formal planning and project management of different aspects of restructuring; the level of trade union involvement; the use of best practice approaches to change management; identified the quantitative and qualitative measures of success of restructuring used by each organisation, and the level of success achieved.

The questionnaire was sent to the CEOs of 85 top New Zealand organisations. They were chosen from the list of top 200 organisations, on the basis of association with PA Consultants. Thirty-one (36 percent) of the organisations responded. The organisations ranged in size from 70 to 25,000 employees, represented both private and public sector, and a broad range of industry groups. Industries included (using ANZSIC 96): Electricity, Gas and Water Supply (19 percent); Government Administration and Defence (13 percent); Communication Services (13 percent); Wholesale Trade (three percent); Retail Trade (13 percent); Manufacturing (13 percent); Finance and Insurance (three percent); Transport and Storage (six percent); Agriculture, Forestry and Fishing (16 percent).

Results

Reasons and responsibility for restructuring

The most common reasons for restructuring were performance improvement, cost reduction, merger or de-merger. These were followed by revenue enhancement and technology implementation. Seventy four percent reported these changes as impacting the whole organisation.

Seventy Seven percent of respondents reported the CEO as having prime responsibility for managing the restructure, 13 percent the Chief Operations Officer, seven percent the HR Director, and three percent a consultant. However, in terms of resourcing restructuring activities a mixture of staff were utilised: 74 percent deployed staff/line managers; 61 percent deployed the HR department; and 42 percent hired consultants.

Planning and project management

Respondents were asked to indicate the level of project formality and detail with which they dealt with key aspects of the restructure. The majority reported more formality and detail around budgeting and cost management; resource planning and monitoring; forecasting/tracking benefits; business case/financial rationale; communications; and the project team. However, most reported a more informal approach to risk management; stakeholder management; and the change manager role.

Given the key reasons for restructure were cited as performance improvement and cost reduction it is not surprising that there is a more formal approach to the financial side of the change.

Respondents were also asked whether they used a formal project management approach to address the organisation and people aspects of the restructure. Most reported a more formal and detailed approach to communications; top team structure/governance; skills and competence; recruitment/redeployment; organisation redesign. Varying levels of formality were reported in relation to job descriptions and responsibilities, cultural and behavioural issues. The most commonly reported informal approach was to stakeholder management, performance management, and pay and reward. Given the performance improvement thrust reported to be behind many restructuring initiatives this is an unexpectedly lax approach to managing performance and factors influential upon it.

Trade union involvement

Twelve (39 percent) of the organisations reported trade union involvement in the restructuring process. Half of these organisations dealt with multiple unions and half dealt with a single union. The majority (ten) of these organisations reported that they had established union infrastructures in the organisation, i.e. delegates, union councils, staff committees. Similarly a majority (nine) reported that union involvement was helpful. Ten of the organisations characterised union-management relations as collaborative, and two as conflictual. Interestingly, however, the conflictual relationships were not related to lack of infrastructure or lack of helpfulness. Hence a plausible explanation could be that this relates to management notions of conflict and collaboration, i.e., any form of resistance or questioning of change by a union may have been interpreted as conflict by some management groups.

Twenty-three (74 percent) of the organisations had redundancies as a result of the restructuring, and in twenty of those cases the redundancy process was influenced by the provisions of employment agreements.

Incidence of best practice approaches

Respondents were provided with twenty restructuring best practice statements. These statements were based around five areas widely accepted as best practice by management consultants, such as PA, and by many change management texts (for example, Beer, Eisenstat and Spector, 1990; Kotter, 1995; Pettigrew and Whipp, 1991). These were: build a compelling case for change; engage the leaders at every level; win the commitment of critical stakeholders; design the business to deliver what's important; drive the programme to deliver the benefits.

Table 1: Best practice statements totally agreed with by organisations

The restructuring programme was directly linked to the business goals
We communicated the need for the restructure to all staff
At an early stage all staff were told what success would look like
A formal communications strategy and plan was agreed and implemented
The restructuring plan was visible and communicated to all staff
We celebrated achievements with our staff at key milestones
Our leaders were committed to the goals and championed the changes
Our top team structure and governance was agreed as a priority
Our key people worked effectively as a team
We determined the new capabilities, skills and behaviours required

Indeed all the organisations reported complying with ten of the best practice statements (refer Table 1). However the other ten statements had more mixed levels of reported use (refer Table 2). The results indicate that in many cases stakeholder management received low priority in the restructuring process. When asked to identify primary stakeholders respondents reported a wide range reflecting the nature of each organisation concerned: government, shareholders, staff, customers, board, suppliers, bankers, and the union.

Measures of restructuring success

Five main quantitative measures of restructuring success were reported: cost savings, shareholder value, market share, productivity targets, and revenue gain. Thirty (97 percent) of the organisations reported that their primary stakeholders perceived the restructure to be successful in relation to these quantitative measures. Six main qualitative measures of restructuring success were reported: customer satisfaction, staff satisfaction, skills development, absenteeism, staff retention and turnover, brand image. All the organisations reported that their primary stakeholders perceived the restructure to be successful in relation to the qualitative measures.

Key factors in restructuring success

The final open-ended questions sought key factors that contributed most to restructuring success and things that should have been done differently. The most commonly cited key factors were: good communication with staff, good planning, top team focused in the same direction with a vision, consultation, getting buy-in, good processes, limiting expectations, and keeping to timetable.

Table 2: Best practice statements and levels of agreement/disagreement by organisations

	Agree	Unsure/Disagree
We actively tracked and monitored stakeholder buy-in	55%	45%
A formal stakeholder management plan was agreed	61%	39%
We planned and created short term wins	70%	30%
We evaluated leadership development needs	71%	29%
We were successful in identifying all the key stakeholder groups	71%	29%
Pros and cons of various options of the new structure were formally evaluated	77%	23%
The communication plan allowed for 2-way communication	81%	19%
Staff were involved in decisions that affected them	83%	17%
The top team contributed towards the design of the operating model	84%	16%
We considered the cultural implications of the restructure	87%	13%

Discussion

Given the ubiquity of restructuring as a management tool it behoves both researchers and purveyors of best practice to scrutinise the assumptions, drivers (institutional, organisational and individual) and processes of such change in the workplace. As an exploratory survey this has highlighted a number of interesting factors for further investigation.

A clear driving factor emerging from the survey was the fixation on cost in restructuring initiatives, expressed in terms of the formal and detailed emphasis on budgeting, cost management, forecasting and tracking, financial rationale, and the top ranking quantitative measure of success reported as cost savings. This inevitably places a rather narrow interpretation on performance improvement which was ranked as a primary driver of restructuring. However, cost reduction was also reported as a driver, and given the relative ease with which costs can be measured and tracked maybe it becomes the true primary driver. The measures of restructuring success, both quantitative and qualitative, tell us little about performance improvement. In particular they tell us nothing of the sustainability of improved performance, which is an important consideration where cost savings have been a prime driver. Cost savings by their nature engender an essentially short term perspective unless balanced by a strategy to also make investment in parts of the business for the longer term. Given the best practice exhortation to "design the business to deliver what's important", this balance of short term versus long term strategies, particularly in the measurement of restructuring success, warrants further research.

Similarly, the best practice notion of "win commitment of critical stakeholders" reveals a surprising gap in the survey responses that display a lack of clarity or attention to stakeholder management. To IR (and some HRM) academics it will be no surprise that trade union involvement and employment agreement provisions were reported as an important feature of many of the business restructurings. However this is not commonly recognised by the change management advice industry and, if nothing else, this brief survey has raised the consideration of trade union involvement in best practice terms. This may indicate an advance on the mid 1990s tendency of management to either ignore or merely inform unions of change (Walsh and Brosnan, 1999). Similarly the survey responses regarding redundancy bring in to sharp relief the importance of employment rights and protections afforded by legislation and employment agreement. Further areas for exploration include the need to better understand and clarify the role of management, the role of trade unions, the role of workers, and other stakeholders, in restructuring processes. Little change management research has explored the conflict of interests in the management role created by the often contradictory demands of self-preservation, serving organisational needs, and serving employee needs. Communication, consultation, good processes and buy-in are all emphasised in survey responses as key factors in restructuring success. Indeed other research has shown that procedural fairness is important in times of change and insecurity, both legally and practically (Schweiger, Ivancevich and Power, 1987; Brockner and Greenberg, 1990).

These are all areas in which unions can play an important role. That role may be to achieve change in better ways, or it may be to stop change. The union role, too, may carry its' own set of tensions between collective and individual interests, short term and long term gain.

Finally, the survey begs questions of best practice in restructuring/change management. Although the responses largely support the five generic areas of best practice, one is bound to speculate whether asking about such practices merely elicits desirable responses or whether organisations are getting better at managing restructuring processes.

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