Restructuring

Business

In order to achieve competitive advantage in the present business context, organizations are utilizing information technology to increase efficiency and effectiveness (Gareth & Jennifer, 2007). Achieving this business objective compels CEOs and top-level management teams to embark on restructuring of organizations and outsourcing of particular organizational activities to cut down the number of employees and ensure maximum productivity of the remaining workforce.

Gareth & Jennifer (2007) defines restructuring as the process of downsizing the operations of an organization to reduce operating costs. Therefore, restructuring involves eliminating unproductive business units and reducing levels in the organizational hierarchy, which leads to job losses in top, middle, first-line managerial and non-managerial employees. This paper discusses the reasons for restructuring and evaluates whether restructuring works. In addition, the paper outlines the impacts of restructuring on employee empowerment. Reasons for Restructuring Restructuring has the primary objective of reducing operational costs and improving organizational efficiency through utilization of IT. Modern IT has the capacity of increasing efficiency using a small workforce.

For instance, IT creates an organizational environment through which fewer employees can execute a task since it increases the ability and accuracy of information processing and decision-making. United States’ companies are increasingly investing in advanced IT to improe organizational efficiency and effectiveness. Besides increasing organizational efficiency and reducing operational costs, organizations can opt to restructure for numerous reasons including change of ownership and anticipated expansion, persistent poor organizational performance and relocation. In light of this view, restructuring is a business strategy used to address the challenges facing the organization (Gilson, 2010). Additionally, restructuring ensures that the organization operates optimally in the changing business environments. Companies can relocate to seek cheap labour, or outsource some of its business functions to a third party to reduce operations costs and focus on core business.

Restructuring can seize opportunities for business expansions such as mergers and acquisitions. Such an expansion compels an organization to reorganize its internal operations since it involves the integration of resources from numerous resources (Gilson, 2010). The Success of Restructuring Restructuring can yield results because it is implemented according to the business strategy, goals and objectives of the firm. The underpinning argument is that the success of restructuring depends on the fundamental understanding of the strategic problem or opportunity that the enterprise faces (Gilson, 2010). Therefore, restructuring should aim at making the organization better, rather than imposing adverse effects on the core resource that contributed to the success of the firm, the employees. If a business functiion does not make significant contributions towards the company’s strategy, goals and objectives, then restructuring can eliminate unproductive business units using a bottom up approach instead of a bottom up approach.

During restructuring, the top management has the responsibility of informing the remaining employees the significance of the change and the selection process used to eliminate the business functions that were unproductive (Gilson, 2010). The Impacts of Restructuring on Employee

EmpowermentGareth & Jennifer (2007) asserts that restructuring can result in powerful negative outcomes on employee empowerment. Restructuring reduces the morale of the remaining employees because of the uncertainty of their job security. Extreme downsizing leads to overworking of the remaining employees, which in turn reduces the morale and empowerment of the employees when they are executing their duties. There is the likelihood that downsizing increases the workload on the remaining employees, which inhibits the expansion of knowledge, duties and decision-making capabilities of employees.

Restructuring reduces employee empowerment because it imposes significant effects on their working relationships. For instance, restructuring can break down self-managed groups within the organization, which ultimately affects the organizational culture and working relationships in the firm. In order to ensure that restructuring turns out successful, employee involvement is a core requirement, which will guarantee positive employee empowerment.