

Alternative Approaches to Classification of Company Restructuring

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Abstract

The article deals with the problems of alternative approaches to classification of company (microeconomic) restructuring. The attention is, above all, paid to the classification from the point of view of the reason for restructuring. The possible reasons for restructuring - crisis, problems, prevention, and chances are given, and subsequently we define restructuring caused by negative and positive reasons. The article also characterizes classification from the point of view of the range, consequence and depth of the changes or company activities.

1. Introduction

Restructuring can be classified from many points of view. The primary way, from the point of view of company restructuring, is division into microeconomic and macroeconomic restructuring. The microeconomic, or company, restructuring can then be divided according to a wide range of points of view. Individual classifications differ from each other for one thing by the initial concept of restructuring, for another by the purpose and the struggle for the authorial novelty.

2. Classification of the company restructuring from the point of view of the reason for restructuring

2.1 Reasons for restructuring changes

Company restructuring is usually understood only purposively as a solution to the critical situation of the company. As against the traditional - very often implicit understanding of the relation between the company crisis and restructuring, it is necessary to emphasize that restructuring does not have to be connected with the company crisis only. Restructuring processes can also be implemented in the companies without problems, but they react to permanently changing conditions and they keep trying to improve their competitiveness. As for this context, Veber [3] speaks about processes of continuous organization restructuring with respect to the needs of the customers and the society.

A company can be made to start the process of restructuring by a wide range of reasons. Basically, they can be divided into four main groups:

- **crises;**
- **problems;**
- **prevention;**
- **chances.**

The first and classical reasons evoking the necessity of restructuring are the above stated **crises**. The company is in crisis which threatens its prosperity, stability and future existence, and this situation must be solved radically. The second reason is **problems**. The company has to solve less burning, partial problem situations and conditions that arise during the existence of the company and that could, in the case they were underrated, lead to a much larger problem - a crisis. Another reason that can make the company start restructuring is

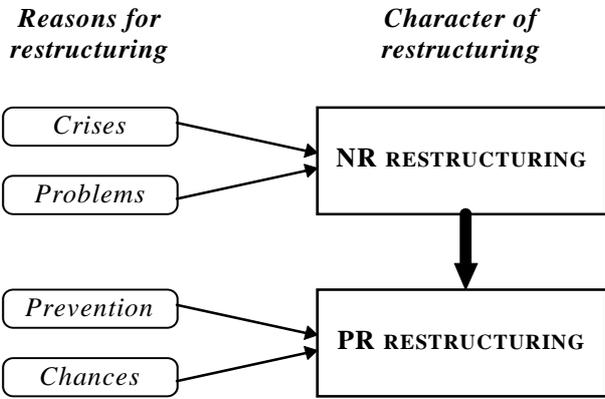
prevention, when the company tries to forestall some possible future problems. The last reason is **chances**. The company can apply selected restructuring measures to make use of arisen chances, to get advantage over the competitors and to reinforce its leading position on the market.

2.2 NR and PR Restructuring

The reason why the company decides to implement certain restructuring measures determines the character of both the restructuring process and the applied restructuring measures. We can define two main kinds of restructuring:

- **restructuring caused by negative reasons**, so-called **NR restructuring**;
- **restructuring caused by positive reasons**, so-called **PR restructuring**.

In the case of restructuring for the reason of solving critical or problem situations and conditions, **NR restructuring** is applied. The measures of NR restructuring are based on the reduction and its effects show immediately. If companies begin restructuring for the reason of prevention or making use of chances, we speak about **PR restructuring**. The measures of PR restructuring are of a strategic character and it is typical for them that their effects show gradually during a longer time period, often with a certain time lag. The measures of PR restructuring are connected, above all, with a developing stage of the company life cycle, but the companies can use them even in the case of restructuring for the reason of problems and crises, when these measures follow the measures of NR restructuring. The relation between the reason for restructuring and the character of the restructuring process is shown in Picture 1.



Picture 1: NR and PR restructuring

3. Other approaches to classification of company restructuring

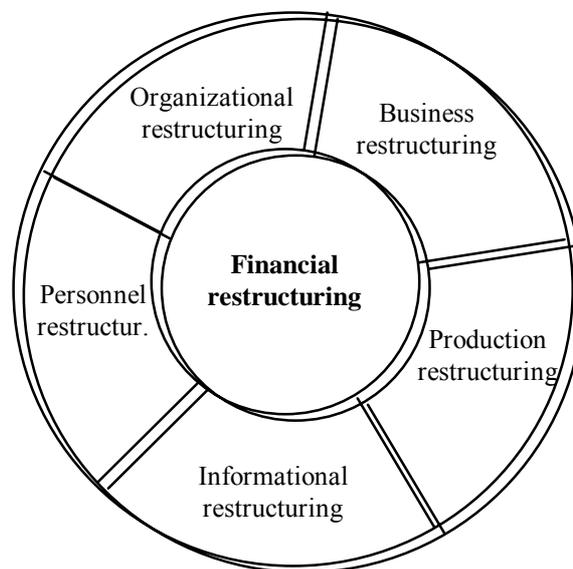
Company restructuring can also be seen from the point of view of its range, consequence and depth of the changes, another important classifying viewpoint is the sort of company activities.

From the point of view of the range, consequence and depth of the changes, we can differ between defensive and strategic restructuring [1]. **Defensive restructuring** represents continuous adaptation of the internal structure of the company to the changing environment, it is usually based on implementation of partial changes in the company. **Strategic**

restructuring represents radical, systemically integral, complex changes in the structure of a certain organizational unit.

From the point of view of the company activities which is the process of restructuring focused on, we can meet different opinions concerning the types of company restructuring, which is given by differences of opinion as for defining the target area for the company changes. For example, Mr. Truneček [2] distinguishes two components of restructuring: financial restructuring and restructuring of the system of the company management. As for **financial restructuring**, it is for him a change of the owners followed by target-oriented investment into the company development, mostly with using debt capital. **Restructuring of the system of the company management** is for him redesigning the processes running within the company.

However, the above concept is greatly limited. We can deduce that the process of company restructuring in the complex interpretation includes **financial restructuring** (focused both on the financial, property areas and on the ownership structures of the company), **production restructuring** (which involves both the produced goods and the provided services, and the used production equipment or technology, and also the organization of the production process), **business restructuring** (directed at the area of inputs and mainly at the area of outputs from the organization), **organizational restructuring** (focused on the organizational structure of the company defining the functional roles and relationships within the company processes), **informational restructuring** (i.e. solution to the problem of information systems of the organization in the complex concept) and **personnel restructuring** (where the attention is paid to human resources - quantity, structure, quality), see Picture 2.



Picture 2: Basic types of company restructuring from the point of view of the company activities

4. Conclusion

Company, or microeconomic, restructuring can be classified from many points of view. The basic criterion can be, above all, the reasons inviting changes, then the range, consequence and depth of the changes or the kind of company activities. Different approaches to the classification of company restructuring are shown in Table 1.

Table 1: Classification of the company restructuring

Criterion of classification	Type of company restructuring
<i>Reasons for restructuring</i>	NR restructuring
	PR restructuring
<i>Range, consequence and depth of the changes</i>	defensive restructuring
	strategic restructuring
<i>Kind of company activities</i>	financial restructuring
	production restructuring
	business restructuring
	organizational restructuring
	informational restructuring
	personnel restructuring

Literature:

- [1] Synek, M.: Restrukturalizace a revitalizace českých podniků. In: *Mezinárodní konference „Ekonomika firiem 2001“*, PHF Košice, Svit 12. - 14. 9. 2001, 2001, s. 672 - 677.
- [2] Truneček, J.: Restrukturalizace řízení malých a středních podniků. In: *Mezinárodní konference „Ekonomika firiem 2000“*, PHF Košice, Snina 7. - 9. 9. 2000, 2000, s. 624 - 632.
- [3] Veber, J. aj.: *Management - základy, prosperita, globalizace*. Praha, Management Press, 2000, 700 s.

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