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## The effects of employee related factors on organizational restructuring: A case study in apparel manufacturing company in Sri Lanka

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### Abstract

With ever changing business environment, every organization should do several changes in order to face those changes in business environment. With the acceptance of that fact, researchers have selected apparel manufacturing company in Sri Lanka which has undergone major organizational restructuring. This case study focuses on the effects of employee related factors on organizational restructuring. Case study method was adopted by the researchers and the study was developed by identifying an issue which occurred in a group of companies that manufacture children's garments for both local market and overseas market. The case has been analyzed through work life balance of employees, reactions from workforce generations and organizational restructuring which are important topics of Organization Behavior, Change Management and Human Resource Management.

**Keywords:** Organizational Restructuring, Organizational Change, Generations, Work life Balance

### 1. Introduction

Not every organization in modern world is able to operate in constant manner thus; they have to cope up with organizational changes with rapidly changing competitive environment. Organizational changes can be defined as any alteration or variation, which occurs in an organization with the purpose of enhancing organizational success (Opatha, 2015). Organizational changes can be considered as organizational level processes that affect to the employee behavior. Organizational restructuring or enterprise restructuring can be labeled as structural change that comes under organizational change. In present, Corporate restructuring or organizational restructuring leads to most problematic issues of organizations and employee behavior.

This case study focuses of organizational restructuring process of garment manufacturing company and the company name is not revealed in this case study and the names used here is only for purpose recognizing the company and different factories.

### 2. Issue

Dzenc is a Group of companies that manufacture children's garments for both local market as well as the overseas market. Currently, the Group has five (05) factories out of which two (02) factories produce for the local market are under Company Novez and Other three (03) factories cater to the overseas requirements and are under Company Wickz. These five (05) factories are currently located in five different cities as detailed below.

Table 1

Company	Factory Name	Local / Overseas products	Number of employees	Location
Novez	Pomz	Local	280	Kegalle
	Bomz	Local	450	Chilaw
Wickz	Romz	Overseas	820	Biyagama
	Tomz	Overseas	610	Katunayaka
	Yomz	Overseas	350	Kandy

Since mid-2014, the management of Dzenc has understood that it is not operationally and financially feasible to manage the five factories in five different locations. There is capacity to expand operations in factories currently operated in Katunayaka and Kandy. Hence, the management has decided to close down 'Pomz' and 'Bomz' factories under Novez and restructure the company by manufacturing local products also within 'Tomz' and 'Yomz' factories. After restructuring, Novez will operate only as the marketing arm of the Group. With the restructuring process, the Dzenc is considering to offer current employees at Novez, either to join 'Tomz' and 'Yomz' or accept a Voluntary Retirement Scheme (VRS) due to the closure. Currently there is a union is functioning in all

factories named 'Janatha Union' where majority of the factory workers are members. Majority of the management staff of Novez will be transferred to factories under Wickz Company. Few of the management staff involved with marketing will remain at Novez.

With this new restructuring process has created number of legal concerns to the company as it had to reduce the number of employees in count. Nevertheless, as an active union is functioning within all the factories, it is very crucial focus on communicating the restructuring process in a constructive manner, if not it will make a huge disastrous situation within the group of companies.

### 3. Literature review

#### 3.1 Organizational Restructuring

Corporate restructuring can be defined as a major change in the composition of a firm's assets combined with a major change in its corporate strategy (Hoskisson & Turk, 1990) <sup>[10]</sup>. According to the literature, there are three types of corporate restructuring; portfolio restructuring, financial restructuring and organizational restructuring. The main focus of this study is organizational restructuring. Bowman and Singh (1993) <sup>[2]</sup> defined organizational restructuring as major changes in the organizational structures with the intention of enhancing efficiency and effectiveness. Carbery and Garavan (2005) <sup>[6]</sup> defined as significant changes in structural properties in the organization.

Based on the extensive literature review, it is identified that there are various reasons for the organizational restructuring. Miller and Friesen (1984) <sup>[16]</sup> found that environment shift, technology changes, organizational growth and leadership changes influence for organizational restructuring process. In addition, new human resources management practices and introduction of new advanced technology to manufacturing process influences for organizational changes and restructuring processes. Strong market competition also can be a cause for organizational restructuring (Moers, 2010). Hence, organizational restructuring can be a solution to problems which associated with diversification and which results poor performance (Hoskisson & Turk, 1990) <sup>[10]</sup>. Pettigrew and Massini (2000) concluded that intensification to changes to economic changes, technological changes, informational changes and political changes that are forcing organizations to consider to way of doing organizing (for example organizational restructuring).

#### 3.2 Resistance from workforce generations and Trade Unions

There is a common truth that not everyone but majority will resist for organizational changes and organizational restructuring process. McGuinness and Cronin (2016) <sup>[15]</sup> stated that relatively limited empirical literature that explicitly measures the relationship between workforce resistance and organizational changes. Kotter and Schesinger (2008) explored that four sources of resistances for organizational changes; desire not to lose something of value, a misunderstanding of change and its implications, a belief that the change does not make sense for the organization and a low tolerance for change.

Generations in workplace respond to organizational changes and organizational restructuring process differently. Organizations find it difficult to manage employees during the organizational transformation process since employees resistant to organizational changes (Rashid *et al.*, 2004) <sup>[2]</sup>. Most previous scholars theorized that generations (Baby boomers born between 1946-1964, generation X born between 1965 and 1980, generation Y born between 1981 and 2000) respond to organizational changes differently. Ludviga and Sennikova (2016) stated that these members of workforce generations understand and adapt to organizational changes in different ways. Environmental factors influenced the generations to shape up their views and perspectives about organizational changes and it influences on how they experience and adapt to the change (Beaman, 2012) <sup>[1]</sup>. Baby boomers born between 1946 and 1964. Brazeel (2009) <sup>[4]</sup>

stated that baby boomers can be labeled as loyal employees to the organization and tend to be more goal oriented and competitive. In addition, they seek promotions by working long hours in the organization. Other characteristics of baby boomers related to the workplace are hard workers, working long hours, commitment to their employers and they have strong desire to be respected and recognized (Southard & Lewis, 2004) <sup>[21]</sup>. With regard to organizational changes and organizational restructuring, baby boomers expect job security. However, they do not create issues for organizational changes (Tolbidze, 2008) <sup>[22]</sup>. The major reason for that is baby boomers lost their jobs in recession period of 1980 and 1990. Resistance from baby boomers for organizational changes and less excited than other generations (Buahene, 2013) <sup>[5]</sup>.

Generation X employees were born between 1965 and 1980. They have different characteristics with relevant to workplace than previous stated generation. For example, generation X employees focus on maintaining a work life balance and they do not like to sacrifice their personal life for the company. In addition, those employees have little tolerance for bureaucracy and rules of the organization and for respect to time and attendance (Gursoy *et al.*, 2008) <sup>[9]</sup>. With reference to the resistance organizational changes, if they found that those organizational changes hinder their abilities thus, they will resist for organizational changes (Buahene, 2013) <sup>[5]</sup>. Ludviga and Sennikova (2016) stated that generation X employees like to see how performance increase because of change and with compared to other generations; they are quite adaptable to organizational changes.

Generation Y were born between 1980 and 1999 and known as Millennials or Echo Boomers. Ludviga and Sennikova (2016) stated that Generation Y employees embrace the technology and they are comfortable with the changes in the organization. They prefer teamwork and to follow directions (Gursoy *et al.*, 2008) <sup>[9]</sup>. Bourne (2009) <sup>[3]</sup> presented that Generation Y members have grown in a period where changes are endless and technological changes frequently. Resistance from Generation Y members may happen if the change initiative is driven from the top or if they do not identify the importance and impact on change (Buahene, 2013) <sup>[5]</sup>. Other than the resistance for organizational restructuring process from different workforce generations, trade union membership might be a determinant of acceptance or resistance <sup>[11]</sup> for organizational changes (Iverson, 1996) <sup>[11]</sup>.

#### 3.3 Work-life balance of managerial employees

Previous authors stated that organizational restructuring and continuous re-engineering of business processes might create imbalance between work and life. In recent years, there is a rapid growth in addressing the work life balance issues which created by globalization, new technology (virtual organizations, opportunities to work at home). These prompt changes have been responsible for making the workplaces 24/7 where it distorted the distinction between work and home, swift changes in the nature of the work, weakening trade union actions and continuous re-engineering of business processes (Chandra, 2012) and that created imbalance between the work and life.

Mostert (2010) stated that work as agreed set of tasks that an individual to be performed on a position in the organization where life is viewed as activities that an individual performed

outside of the paid work such as household work and activities with family, friends and with the community. He stated that having balance and harmony with these two domain can be defined as having a balance in the work and life. Kirchmeyer (2000 cited in Lyness & Judiesch, 2008) defined that work life balance as “achieving satisfying experiences in all life domains,” and she stated that balancing work and life involves personal resources such as time, commitment and energy to be well distributed through work and life domains. Greenhaus, Collins, and Shaw (2003) <sup>[8]</sup> also stated that to be balanced is the approach that each role in work and family with an approximately equal level of attention, time, involvement and commitment. Positive balance can be identified when high level of attention, time, involvement or commitment whereas negative balance denotes low level of attention, time, involvement or commitment. They defined work life balance as the extent to which a person equally involved and equally satisfied with both the family and work role. In addition, Greenhaus *et al.*, (2003) <sup>[8]</sup> argued that balance could be conceptualized as independent of an individual’s values and desires.

The complexity of this concept is obvious when we consider the limited availability of resources for a person such as time, money and energy. This difficulty arises the questions such as how can a person succeed in achieving satisfactory personal life and delivering outstanding performance in the work together at the same time with these limited resources. Greenhaus and Beutell (1985) cited in Kailasapathy, Kraimer, & Metz, (2014) argued that when a person performing a one role (work) is more difficult for that person who perform in another role (family) which results the work family conflict subsequently the personal will not be able to balance the work and life. Many organizations should consider employees’ work-life balance in the organizational restructuring process.

#### 4. Analysis

Core challenge of contemporary business organizations in turbulent times is to attract and retain most talented and competent employees in the organization. This challenge is more difficult when the employee workforce consists of three generations (Baby boomers, Generation X and Generation Y). Dzenc organization might consist with those four generations. Members of those four generations have different attitudes and perceptions towards the organizational restructuring process. HR professionals in Dzenc Company should consider about those different attitudes and perceptions when going forward with the restructuring process. In addition, HR professionals should change the negative attitudes of four generations and get maximum support from them for as those negative attitudes will adversely affect to the organizational restructuring process.

Dzenc Company should consider about the work family balance of managerial employees accordingly. As managerial employees, they have to fulfill the demands from various parties, such as from boss, peers, subordinates, customers, employer, as a husband/wife, children, parents and close relatives. In Sri Lankan context, everyone has either an extended family or a nuclear family. Extended family has parents, their children, aunts, uncles, grandparents and family members. A nuclear family has parents and children only. If the managerial employees have to shift to Biyagama, Katunayake, Kandy from Kegalle and Chilaw, they will be

depart from their family (extended family or nuclear family). It will be difficult for managerial employees to balance their work life and family life with this separation. Thus the management of Dzenc has to consider this matter as well.

Consequently, there might be a considerable threat for perception of job security of remaining employees. The remaining staff or surviving staff are likely to feel less job security about the future as they have already witnessed the downsizing/ retrenchment as a result of organizational restructuring of Dzenc Company. This will make remaining staff to believe to be living under fear of being fired. Hence, the management has to use proper mechanisms to ensure the job security and to make employees to be motivated to support the new process of the organization.

After implementing organizational restructuring or the downsizing of Dzenc company, it might damage the relationship between with employees/trade unions and management. Employee might fear about job security, after the organizational restructuring or downsizing of Dzenc company. These type of feelings of employees might negatively affected to the morale of employees. According to the scenario, some employees might leave the company by taking voluntary retirement scheme. This could be affect to the loyalty and organizational citizenship behavior of employees or sometimes the company may lose its best employees. Not only that, when employees are not sure about being including in the voluntary retirement scheme can create tension among employees.

Moreover, highly skilled and competent employees are the most valuable asset to any kind of an organization. After introducing voluntary retirement system, any employee of factories of Novez Company can take voluntary retirement system, irrespective of the performance level or qualifications level of them. It might difficult to avoid this situation, as a result organization might lose the highly skilled, talented and qualified employees. It means Dzenc Company might lose highly experienced, skillful and knowledgeable employees about the operations of Novez Company so that, Novez company will take more time and cost to train suitable employees as replacements who left the company.

According to the scenario, Novez Company has two factories in Kegalle and Chilaw. With the restructuring process, there are two alternative options for employees in Novez Company. One is to accept the voluntary retirement scheme and second one is to transfer to Tomz and Yomz factories. Employees who transfer from Chilaw factory to Kandy Factory might experience the cultural difficulties. People in Kandy people who are more in to traditions and protecting their pride. This will create the employees in both the factories to adjust the situation with matching the cultural differences.

In addition, it might be difficult to assign similar job roles to the employees from factories of Novez Company, after transferring to the factories of Wickz Company. Sometimes there might be employees who were doing similar and repetitive tasks in the previous position. Dzenc Company should carefully redesign the jobs the in a way which will minimize the organization’s operational cost. Reassigning or redesigning the duties of remaining employees might involves added training expenses as well. Dzenc Company should spend more expenses to train employees from Novez Company, because of reassigning and redesign of new tasks.

## 5. Recommendations

Management of Dzenc Company should tell to employees in the factories of Novez Company about the real reason of organizational restructuring process or the closure down of factories of Novez Company. Dzenc Company should emphasize on it is not operationally and financially feasibility to manage all factories in different locations. Management should inform the employees that there is more capacity to expand the locations of Katunayake and Kandy. In addition, employees should inform that management has decided to expand their business by using existing resources of the organization. Management should give written statement about the restructuring process of the organization to employees and trade unions in-order to avoid further confusions.

According to the scenario, 'Janatha Union' is active in all factories at the moment where majority of the factory workers are members. It is very important to discuss with trade union about the organizational restructuring process of Dzenc Company and reach agreement with them. At the discussion, Management should discuss with trade union regarding the purpose of organizational restructuring process and voluntary retirement system. With the support or with the approval of the trade unions, management should be able to implement voluntary retirement system successfully.

Similarly management of Novez Company should consider about group dynamics of the organization as well. According to the scenario, majority of employees are members of the trade unions, but organization should consider about the non-trade union members and the minorities as well. Group meetings are very effective technique to discuss and communicate about the organizational restructuring process and voluntary retirement system with the non-trade union members and minorities in the organization in a constructive manner. It will be a good method to build trust among the minorities of the organization. If there are any serious conflicts between the employees, it would be better to use individual meetings so that employees feel free to raise their concerns, where organization has to give prompt consideration during this major change.

Employees will be curious to know about the new job design plan of the company after the organizational restructuring process. With the restructuring process, some employees might take the voluntary retirement option and leave the company. Employees would like to know how work will be reassigned between the remaining employees after implement voluntary retirement system for employees of Novez Company. Therefore, management should have proper job design plan to tell employees how their work will be reassigned and should share this job design plan with the important clients including the foreign buyers accordingly it will help to minimize the fear of employees about the burden of workload.

Nevertheless, management of Dzenc Company should maintain proper and clear communication with the remaining employees. Because all remaining staff in the organization need support in this process as it is fresh for them. They may feel sad, because some closer friends of them already left the organization due to organizational restructuring process. Consequently, if management does not addresses this issue in the post restructuring process, it would generate more negative consequences to the organization.

Not only that, Dzenc Company should provide good work and family life balance strategies to the managerial employees. By providing proper work life balance strategies, managerial employees will not oppose to the organizational restructuring process. This will enable employees to balance both family and work where ultimately end up with life and work satisfaction. Dzenc company can gain many more advantages of work life balance, such as, reduced employee stress, absenteeism and health costs, improved staff morale and engagement, reduced cost and improved recruitment, retention and reduced employee turnover. In addition, Dzenc can take following steps to manage work life balance of managerial employees.

- Company can establish child care and nurseries inside their factories
- Allowing managerial employees to work at home
- Flexible work arrangements
- Providing transport service or allowance
- Developing afterschool programmes with support of government and private schools
- Giving financial support for elder care
- Providing housing allowance or accommodation facilities which are close to the factories

In the long run, Dzenc company should make awareness to the remaining employees about the future organizational restructuring or downsizing. Two-way communication between employees/ trade union and management will help to pass the message of future organizational restructuring and downsizing to the employees and that will ensure of smooth functioning of the company, which will leads to higher profitability with enduring success.

## 6. Conclusion

In order to overcome financial and operational losses Dzenc company undergone organizational restructuring process. This can be considered as major organizational changes in selected apparel company. As described above company had to face major employee related issues, namely resistance from workforce generations and trade unions, work life imbalance, job security issues and cultural issues. If the company implement those recommendations, it would be easier for the company to gain maximum benefits of organizational restructuring process while achieving organizational objectives.

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