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## Dilemmas of restructuring : Management of Polish Enterprises

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Dylematy restrukturyzowania: Zarządzanie polskimi przedsiębiorstwami

Nowadays, transformation of economic system and permanently changing conditions of environment confirmation and development of enterprises are determined by the economic growth of all their activities. It caused the need for different types of decision making according to the type restructuring which adjust the functions and goals of enterprises as well as methods of job organization and management to changing conditions of economic activity.

Restructuring – identifying as the need for a change – it is a process which includes goals and activities closely related, co-ordinated and directed towards the growth of competitiveness of enterprises and improvement of effectiveness of production factors management, and thus on the growth of their market value. This is also alternative for the existing manufacturing possibilities, position on the market and the condition of enterprises according to their material-technical base and management system, as well as internal economics and market position.

In the process of economic system's transformation, and because of new rules and changes in environment, all enterprises find themselves in quite different situation. It relates to their economics, internal and external organization, and particularly to the procedures of decision undertaking, principles of development at the current and short-term plans and long-terms development programs, adaptation and anticipation ventures, innovation, capital utilization and creation of new production resources, organization of economic activity and management system. All enterprises should predict and define accurately by evaluating their situation; it means their ability to carry out effective activities in different and permanently changing environment. It is necessary to survive and keep the position in the market. These firms have to make decisions according to

the ways, forms, rate and range of restructuring. All these determinants are necessary to formulate expansive (dynamic) plans for future development.

Seven years of systemic changes in the Polish economy from central planning to market economy prove that the condition of success for enterprises – in a vastly different life cycle – that is to undertake different restructuring modes. They include many systemic changes related to the legal-organizational changes which also correct the dimensions and material structure of the firm's activity to its market situation. The market verifies the economic activity and demands the right reactions of an enterprise, but the price system verifies the costs. The market economy requires elasticity of performance and adaptiveness, entrepreneurship and abilities of enterprise's adjustment not only to changes already under way but as well as the ones that are forecasted and expected.

Economic performance of enterprises in a market economy is more determined by their activity in a micro- and macro-environment than the internal one. Enterprise, which does not want to or is not able to adjust to the market situation, loses its ability to meet customer's needs in the environment and finally is sentenced to failure.

Enterprises' practice shows that adjustment processes in market economy have to be related to the multi-areas restructuring ventures which are necessary to create more elastic production organization and the need to put fixed assets in working order. Selection of proper fixed assets – the main component of enterprise's capital – especially machines, equipment and other devices, their optimal allocation and self quantity and quality adjustment for productive and systematic utilization, decision about the production volume, its labour-intensity, quality, assortment structure and possibilities of growth, productivity, length of production cycle and the level of production costs. The absence of any of the factors mentioned above can cause difficulties in enterprises' economic performance and lead to losses. It means that utilization of the fixed assets is stifled by other productive and financial activities of an enterprise. It also determines the quality of material resources necessary for production as well as volume and job quality engaged in the process. Thus, it dictates the basic technological processes and methods of performance. The size of reserves of productive fixed assets is different in different enterprises and their divisions.

The nature of productive reserves also varies according to their volume, origin, time of setting in motion and additional costs necessary for their full utilization. Generally speaking, the sources of reserves for utilization of productive fixed assets are rest in:

- improper relations between particular groups of fixed assets and inappropriate structure of technical equipment,
- slow process of reaching the planned, targeted productive capacity of the new productive assets or reaching the inability of desired productive capacity,

- under – utilization of productive sites as well as machines and technical devices,
- the machines, equipment and productive devices that have been accumulated excessively in enterprises and which are not needed because of the changes in production program, technology and organization,
- incomplete utilization of machines and technical devices (especially more complex, unique and more expensive) according to their planned intensity of use and the time of operating,
- imperfect system of utilization of fixed assets which leads to their decapitalization,
- deterioration of supervisory system and general decline in the discipline necessary for the preparation and execution of repairs of machinery park and failure to make needed reproductive investments,
- unsatisfactory relations between the economic results of particular division of an enterprise and rational utilization of fixed assets installed in it.

Disclosure and utilization of the productive fixed assets reserves, especially machines and other equipment, play the main role in an intensification of productive performance in enterprises. Knowledge of the level and sources of these reserves is necessary for an assessment of the non-investment growth rate of production and labour productivity and for instituting the program of rationalizing and utilization of the working capital.

Managing of fixed assets in enterprises becomes over important mainly due to the higher utilization of scientific, technical and organizational progress as well as changes in the structure of productive resources, wearing out and decapitalization of fixed assets. It becomes visible in an enterprise's economic results which are also reflected on the position and economic-financial strength and, indirectly, are shown at the state of the whole national economy. Every enterprise should show an initiative in the rational usage of the working capital and elastic utilization of productive fixed assets reserves during the process of restructuring.

Experience and practice related to the realization of restructuring processes show that enterprise – without regard to its property kind – during the market transformation is facing present and future economic decisions which assure an efficient functioning and development of the firm, realization of objectives and positive results in a competitive struggle. Accurate decisions mainly depend on a system of evaluation inside an enterprise, methods and tools of analytical and economic diagnostics. This system should be directed to a systematic observation of enterprise's environment as well as on recognition of its own possibilities. It should present opportunities and threats of all types of economic activity. All structural changes are closely related to each other and determine the complex (chain) of changes, and their influence on enterprise's competitiveness and effectiveness in an economic activity which is multi-directional and takes place parallelly with different intensity. Restructuring decision making constitutes

a complex problem which covers many conditions, barriers different from the initial character point of view. There are also many different costs necessary to eliminate those barriers which makes it difficult to conduct changes of the right time and then compose threats for the future existence of an enterprise. The important effect of experience and practice of structural changes of Polish enterprises has been a growing awareness of a multi-aspect approach to programming and realization of all restructuring changes. A great number of problems related to management in enterprises, a great number of factors and different mechanisms cause disharmony between aims and needs and possibilities of effective restructuring at different stages of enterprise's life cycle. Therefore, restructuring projects need careful preparation and precision of formulating goals correlated with the facets of the economic reality.

The experience of firms shows that reaching the goals of restructuring depends on a compliance with the principles which are based on the structure of the Polish enterprises as well as on actual conditions of the Polish economy.

Among the many principles and recommendations we can mention the following:

- restructuring cannot be treated as an automatic factor of change which delivers progress in the processes and organizational systems. It is only a tool in a pro-effectiveness transformation in an enterprise. This can carry on to the future success (modernization of management, improvement of the enterprise's value, improvement of enterprise's attractivity on the market, etc.);

- restructuring is the process which covers goals and activity related to each other; they are necessary to improve enterprise's competitiveness and effectiveness of its economic activity – it should improve the value of the enterprise. It is also an alternative for the existing growth possibilities, market positioning etc.;

- restructuring is a complex process which is caused by the changes in enterprise's environment and/or internal crisis situation inside an enterprise. It is also a permanent process, with different degrees of intensity, at different stages of functioning of an enterprise. Restructuring results as a pressure from transformation which has to be done inside enterprise, to meet all challenges related to the dynamic changes on the market. Restructuring causes reorientation of an enterprise's goals and adjustment of its economic targets, organization, management and human resources policy. The process is carried out at different levels, in a parallel fashion. It includes many tools, instruments, methods and techniques which can make it possible for restructuring to involve several scientific-technical, organizational and economic discoveries;

- enterprise – irrespective of the size, economic-financial condition and legal-organizational form – during the market transformation is facing present and perspective economic decisions which may secure its efficient functioning and development, realization of goals and positive results in the competitive struggle. Accurate decisions depend mainly on a system of evaluation inside an

enterprise, methods and analytical and economic diagnostic tools. This system should be directed towards a systematic observation of an enterprise's environment as well as on recognition of its own possibilities. It should present opportunities and threats of all economic variants. Economic analysis and diagnosis, as the elements of enterprise's restructuring procedure should create – *ex ante* – circumstances to current and long-term restructuring decisions and – *ex post* – should be a tool of evaluation of the decisions made and show directions of possible corrections of enterprise's behaviour, depending on the situations causing structural changes;

- the range of restructuring processes, their steady flow and fluctuation, and the way of its preparation, is shaped, and large, by the economic, organizational, technical and political circumstances. Enterprise, as a complex economic organism, needs in every case an individual approach to the process of diagnosis and transformation. Every economic unit is unique in its specific economic-financial condition, technique and technology standard, different phase of its development, specific organization and management, and by its own (different from the other units) internal and external individual characteristic;

- specific individual characteristic of different directions of economic activity and related different legal, organizational, technical, productive, financial and property forms have significant bearing on the choice of methods of enterprise's response to its environment, its environmental condition, structure, complexity and dynamics as well as realization of the planned changes. They will also determine the subject of economic analysis and the procedure of evaluation the enterprise's value, reasons for, and sources of restructuring processes, sources of gathering of needed capital, and the range and rate of systemic changes inside an enterprise;

- restructuring should be implemented according to the specific schedule – usually a formal document – which covers concrete ventures, listing the degree of urgency and importance. Efficiency of restructuring procedure is determined not only by the quality of the program and its implementation, but also by the acceptance of change among all employees of a particular enterprise and a full support by the management.

Transformation of the system of Polish economy caused enterprises to search for solutions acceptable to the conditions of the market economy. In this process it is necessary to use all capital components (material, financial and human), organizational structures and possibilities of restructuring of the economic activity. Therefore, the process and future strategies of transformation and development of enterprises depend largely on the experience and observation during the preparation and realization of the process. Enterprises always need changes which are brought about by the restructuring processes, because they generate chances to restore an equilibrium in developing a business environment and create condition for future growth and development.

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## STRESZCZENIE

W artykule tym, autor dokonuje analizy porównawczej zasad i wymagań restrukturyzacji w przedsiębiorstwach, na podstawie dostępnej analizy przypadków i własnych badań empirycznych. Analiza wykazuje, iż osiągnięcie celów restrukturyzacji pozostaje w ścisłym związku z jej zasadami, które muszą uwzględniać strukturę polskich przedsiębiorstw powstałych w przeszłości i funkcjonujących w obecnych, nowych warunkach gospodarki rynkowej.