



# THE IMPACT OF THE RESTRUCTURING PROCESS ON CREATE NEW COMPETENCIES OF KNOWLEDGE IN ENTERPRISES

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## Abstract:

This paper analyzes available resources with an emphasis on innovation to be competitive and create an advantage for businesses using AHP method to identify the most profitable resource. The restructuring process in developed economies results in the loss of jobs. Under modern business conditions, downsizing is a strategy often used by many companies for the first time. Due to the reduction in the number of available jobs, companies are facing the problem of how to preserve the main resource, or to establish the exchange and connection of knowledge of employees. The attitude towards knowledge is a proportionate relationship between values, beliefs and behaviors of an individual, a team, and an enterprise. New competencies and knowledge developed by professionals are used for collection, and exchange of information. This promotes differential relationships and creates functional connections that maintain stability in business operations and create added value.

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## Keywords:

restructuring, human resources, knowledge, professionals, competencies

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## INTRODUCTION

This paper outlines the consequences of job cuts in companies, the restructuring process, their survival and their development on the market. In order to rationalize operating cost for a company and its survival, it is inevitable to reduce the workforce, through downsizing. At the same time, the company's management faces a reduced amount of knowledge. In the resulting situation, it is necessary to recognize the resources as well as the input and output processes that connect them. The paper discusses of how to use the AHP method to identify the most profitable resource. The next step is to determine the percentage of input and output processes for the defined resource. This paper presents how a company can gain competitive advantage and desired profitability.

## THEORETICAL FRAMEWORK OF RESTRUCTURING

In science, it is common that economic trends depend on political factors. Political factors articulate one's interest and preferably influence the national economy and its results. In global terms, the policies of developed countries have a major impact the global economy, on the process of globalization as well as the crisis, poverty and growing differences in the development of national economies. The policies of economically developed countries and international relations are key factors for overcoming the globalthe economic development of underdeveloped countries and their decades of business in the sphere of the poor, which reduces

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their long-term prospects for development and economic recovery (Amsden, Kochanovitz & Teylor, 1995). Therefore, the global sustainable development depends on poor countries developing industries and creating alternative employment opportunities outside of economic activities based on natural resources (Reinert, 2004).

The development of entrepreneurship and innovation activities in the economy has increased the productivity of the national economy, and in this respect the expectations from the transition process were greater (Hooley, Greenley & Fahy, 2001). Privatization processes promote entrepreneurship and create conditions for the restructuring of the companies which have had a decreased operational activity due to the loss of potential for growth. Whenever the ownership change - ownership transformation is implemented, there is no objective reason for the lack of change through the restructuring process.

Empirical research carried out by Gething (1997), Khandwalla (2001), and Thompson (2002), studied the factors affecting company crisis. The research findings suggest that the biggest cause of the crisis was the people in charge of management in companies and enterprises to between 70% and 80% of cases. Inadequate management and their poor business strategy is the responsibility of the top of the business pyramid of the company, which is manifested through decisions and activities undertaken by the management (Hooley, Fahy & Greenley, 2003). Therefore, it can be said that the management did not possess the necessary knowledge and skills. Lack of professional knowledge, in the area of company management, leads to the weakening of a company's business position, as well to the inability to adequately respond to changes in the environment. Numerous projects involving significant financial resources are another consequence of poor management, resulting in the downfall of many companies in a certain period of time (Reinert, 2004).

## DOWNSIZING THE NUMBER OF EMPLOYEES OR DEPARTMENTS IN COMPANIES

Reduction strategy or downsizing in enterprises, is implemented in order to reduce costs, increase profitability and competitive advantage of the respective company (Cameron, 1994; Kawai, 2015). Downsizing, as an organizational strategy, also includes restructuring and can be realized in different ways. This involves shutting down or selling certain parts of the company, terminating some lines in production, shifting the portfolio of the company, but generally reducing the number of employees or laying off is the first option. The reduction is realized through giving a certain amount of money, going to the labor market, bonuses for voluntary termination of contracts, and internal transfers of employees.

Research has shown that reducing the number of employees gives unfavorable attitudes to employees who remain in the company, affecting their future productivity at work (Hart, Thomson & Huning, 2016). Such an outcome negatively affects company performance and competitiveness. The downsizing of businesses results in negative outcomes in terms of loss of skills, knowledge and opportunities for innovation. The goal of downsizing has taken the opposite dimension (Guthrie & Datta, 2008), so the business needs to make major changes to the business. It is very difficult to keep existing activities and productivity at the same level with the reduced number of employees (Hart, Thomson, & Huning 2016).

The management of a company affected by this this situation has a great responsibility. One of the possibilities for successful realization of the same volume of work and reducing the negative impact on a company's business is to define the most profitable resource of the available resources.

## FUNCTIONAL ENTERPRISES

Due to downsizing of the workforce, and continuous restructuring and reengineering, many companies are faced with the problem of how and in what way to re-establish the sharing and the connection of employees' knowledge. Once a mutual trust has been established between a company and its employees, an exchange of knowledge can be expected to take place, i.e. knowledge input and knowledge output. It is necessary to functionally orient business units in accordance with impacts on strategic and operational performance; and to form teams so employees with expert knowledge can work with a greater degree of individuality and independence. The decentralization of power increases a company's productivity by strengthening its responsiveness to changes in the competitive market. This involves the division of work into segments corresponding to a segmented market. Centralization of knowledge involves defining key areas of knowledge that focus on building and sharing knowledge within the company; identifying segments and sources of knowledge through an individual or system. Based on that, a map of knowledge should be created for improving competencies, as well as knowledge professionals' motivation. At the same time it is important to establish and focus on operational processes, as well as to create corporate processes, i.e. connect strategic and operational processes.

The process of a company restructuring requires a transparent overview of the condition of the company, as well as continuous monitoring of all changes affecting the company operations. Competitiveness is the basis for depicting the state of the national economy, continuously allowing an in-depth analysis to the respective companies (Powell, 1992). Based on studies and analyses, future



economy development strategies, as well as sustainable economic growth and long-term prosperity, can be projected (Tompson, 2002). The key factors of competitiveness are agents of an efficient and innovative economy. Different factors have diverse roles in specific levels of a company's economic growth (Markowitsch & Plaimauer, 2009). When the position of the observed company is defined by the impacts of competitive factors, it is important to say that the institutions, the infrastructure, and education are the foundation of macroeconomic stability. We should also point out the great influence of technological readiness of the company, the scope and dynamics of market changes, business efficiency, and innovations, as well as the competitive factors that stimulate a company development, while at the same time being factors that limit company operation (Arnal, 2001).

The emphasis on the process is available on the uniqueness of the company observed in relation to competing companies, regardless of the field of the company's activities ( Elmuti, Kathewala & Manippallil, 2005). This means that the company can accomplish distinctiveness and project it in activities: production, marketing, sales, distribution, servicing, maintenance, and, of course, innovation of its products or services (Gattermann, 2007, p.48)(“Thus, the capacity the organization oriented to the market are internal calls, external or connection between internal and external. At internal capabilities, inside-out calls, refer the processes of the company's internal environment, such as skills in finance, operations, human resources and technologies. External, or outside-in, are linked to skills relating to the market environment, such as relationship with customers, development channels and monitoring the competition”). In any case, the company can project its future operations besides distinctiveness and based

on differences, in relation to its competitors (Whelan & Carcary, 2011). This is primarily related to product performance and relationship quality, reliability requirements in terms of maintainability and prices (Rosić et al., 2012). Effective assessment of the overall impact of the production involves a detailed assessment of the key factors of production.

The outcome of such an assessment should highlight the strengths and weaknesses in the function of production and to make recommendations for improvement (Pešić, 2012). Recommendations in practice contribute to changes in operating processes as these contribute to the efficiency of the model changes in market operations and the overall success of entrepreneurial ventures.

## PROCESS ANALYSIS

The requirements of modern innovative business are directed towards continuous improvement of human resources capacity, acquisition of new knowledge by employees and management in order to create and realize the value of the company. Turning knowledge into an essential resource, human resources management delegates new tasks, challenges, requirements and responsibilities to maintain market competitiveness and achieve positive business results. The approach and viewpoints, the methods of analysis and decision-making that are outlined in this paper are just guidelines that will allow businesses to manage their balance sheets. They suggest the ways of directing the particular types of management processes that are needed if the firm wants to secure a healthy future and gain a competitive advantage. Figure 1 shows the available resources and processes that connect them.

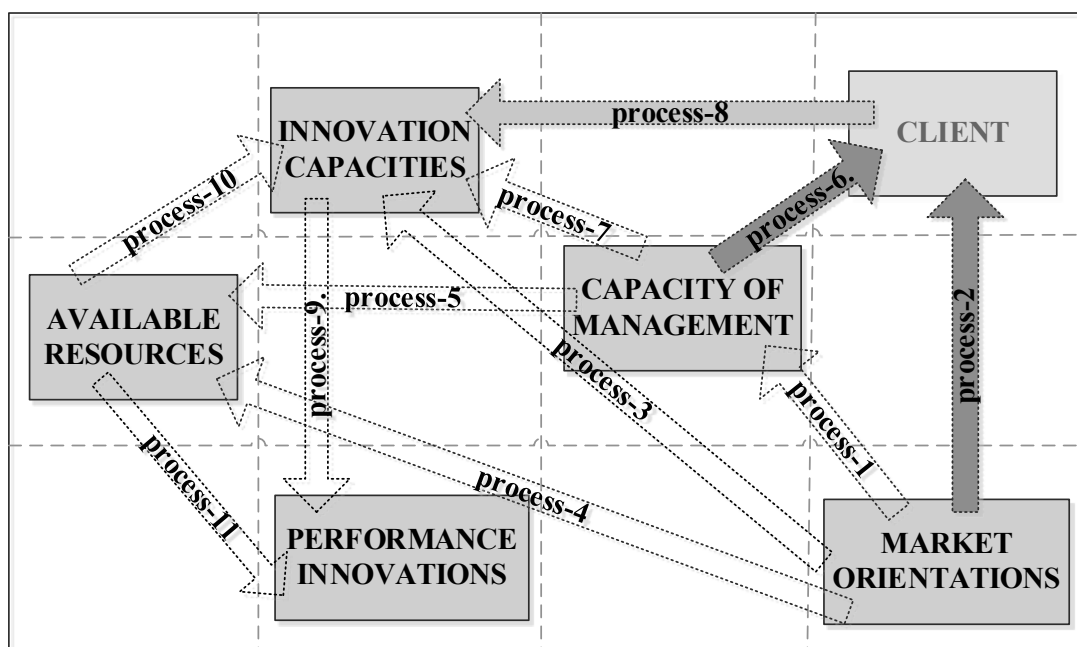


Figure 1 - Block diagram of the available resources with the incoming and outgoing processes



Featured available resources are connecting process with the following characteristics:

- **Process / 1** represents the guidelines for the market and positively influences management skills, human resources, and increases the orientation of the market. Subjekat to building customer relationship capacity, launching new products / services as well as innovation markets.
- **Process / 2** represents the level of guidance that creates opportunities for connecting with clients.
- **Process / 3** is a set of guidelines for the innovation capacity market, as well as a direct impact on the level of commitment and satisfaction among employees or available resources.
- **Process / 4** are guidelines that open up the market with a potentially positive impact on available human resources, human resource management, marketing, customer liaison, feature integration and teamwork.
- **Process / 5** is the level of managerial capability of a company with human capital participation.
- **Process / 6** represents management skills to connect the business with clients.
- **Process / 7** represents management skills so that the company has an impact on the innovation capacity market. Customer satisfaction and loyalty are essential. Ability to connect with customers as an influence on skill development and launch of new products / services.
- **Process / 8** is an essential guide to the skill of connecting with clients and drive innovation. This results in the development of new or innovating products / services. Through successful marketing of products, it leads to a more efficient level of customer satisfaction, better sales volume, market share and increased financial gain.
- **Process / 9** gives an overview of the effect and direct impact of innovation performance on the innovation market. Implementation of the best and most creative product / service is the responsibility of individuals who need to be motivated, to implement a marketing strategy. It is a direct interaction of the market and the client. Thus, employees create value for the user or the client.
- **Process / 10** represents the means of resources available that have a direct impact on the capacity of innovation
- **Process / 11** consists of resources of available resources that have a direct impact on innovation performance.

The restructuring is designed model of an enterprise edition that the necessary available resources of competitive business. At the same time determines the participation process within the considered available resources important for market operations.

The performance of available resources in an analyzed enterprise can be improved by improving the processes that bring them together. If an input or output process is observed, one can see the continuing mutual influence, as well as the interdependence of the remaining processes. The impacts can be direct or indirect. Each of the mentioned process impacts is linked to all available resources. To what extent and in what way will it improve what after the upgrade process depends on the business scope of the reporting enterprise.

Considering that with the decrease in the number of employees in the company, the amount of knowledge and skills is simultaneously reduced, every future activity needs to be rationally considered. This implies defining all resources, inputs and outputs that link the resources available. This also applies to the remaining number of employees in the company and their competencies, as these are responsible for releasing and improving the processes observed. Employees in a company improve profitability and create a competitive advantage for the observed company with the proper distribution of their knowledge and skills.

## AHP METHOD

In order to extract the most impactful resource from the available resources and the influential processes shown in Figure 1, the APH (analytic hierarchy process) method for organizing and analysing complex decisions was used in this research. . This method is done multicriterial decision (Saaty, 1980), and solve complex problems, so what are dismantled into simpler components: objective criteria and alternatives. The components are then stitched into a model based on several levels: the objective criteria, sub-criteria, and alternative (alternatives).

The method consists of four steps:

1. Define the hierarchical problem structure in this case of available resources.
2. Compare the available resources with each other using the appropriate Saati scale (Saaty, 1980).
3. Determine the importance of available resources on the basis of given criteria using a mathematical model, using matrices.
4. Determine the final solution depending on the overall alternatives.

Each process has its own variables that are not listed in this paper. Variables are adopted, defined and modified according to the requirements of the company. Table 1 shows the incoming and outgoing processes for available resources. Thus, we can see where a larger or smaller influence of the variables of certain processes is possible. It, also illustrates which of the factors is variable and to what extent. Does this change affect other factors?



Table 1. Input and output processes for each factor

available resources	client	innovation capacities	performance innovations	capacity of management	market orientations	available resources
client		process -8		process-6	process-2	
innovation capacities	process-8		process -9	process -7	process -3	process -10
performance innovations		process -9				process-11
capacity of management	process -6	process -7			process -1	process -5
market orientations	process -2	process -3		process -1		process -4
available resources		process -8		process-6	process-2	
processes	□ outgoing	■ incoming				

Outgoing processes depend on incoming processes. Every change of incoming process creates a new situation affects the outgoing processes which results in a mention of the role of the respective available resources. All other processes are also indirectly affected. Using the appropriate software we can determine the mathematical model of the impact of the process that connects resources in Figure 1. The results include consideration of two or more variables within the same or different process according to research.

In case of positive evaluation or satisfactory rate setting emphasizes intuitive validity of the model according to Using structural equation modeling after allegations (Hoilo, 1995) that are commonly used in research relationships based on cross-sectional research and constructive and initial state. This allows you to test the relationship of observed and latent variables according to the claims (Hoilo, 1995).

The paper gives an example using the AHP method. To increase product placement, the most influential available resource is the customer. In the analysis of the study a mathematical formulas (1) is applied to identify the most influential available resources in calculating the vectors using the priorities for each listed available resources.

$$P(V_i) = \sum_{j=1}^5 V_{ij} \cdot K_j \quad (1)$$

Where:  $V_{ij}$  - stands for priority value alternative (available resources)

and  $k_j$  - stands for the value of criteria processes in the context of the related available resources)

Resources are criteria that can be classified into one or more levels, thereby achieving a hierarchy of criteria. After the hierarchy is finished, the decision is made

by comparing the criteria in pairs with each other, observing their influence on the element above them in the hierarchy. The mutual comparison of the two criteria is made by means of the Saaty scale shown in Table 2. The priority vector is then calculated to obtain the decision matrix.

Table 2. Saaty's priority scale

<i>Equal priority</i>	<i>Equal to moderate priority</i>	<i>Moderate priority</i>	<i>Strong to a very high priority</i>	<i>A strong priority</i>	<i>Strong to a very high priority</i>	<i>Very strong priority</i>	<i>Very strong to absolute priority</i>	<i>Absolute priority</i>
1	2	3	4	5	6	7	8	9

Determining the most important criterion starts from defining the decision matrix by means of the Saaty scale following two rules the first rule refers to a numerical comparison on the left side of the Saaty's scale in the matrix to enter that amount. The second rule is that if the numerical amount of the comparison is on the right side of the Saaty's scale, then the reciprocal value is entered. After that, the matrix multiplication is followed and a new matrix is obtained. Summarizing the matrix and normalizing the sum of the rows determines the first priority vector. Of the five available resources defined by calculating the vector priorities. In Table 3 are given initial conditions to the Saaty's scale and calculate the vector priorities. As can be seen factor / client has the highest of priorities, which indicates that it is the most important for the sale of products.



Table 3. Mutual relations between five available resources with the vector of priorities

available resources	client	available resources	innovation capacities	performance innovations	capacity of management	priority
client	1	1	3	5	5	0,416
available resources	1/4	1/4	1/2	1/2	2	0,099
innovation capacities	1/2	1/2	2	4	4	0,262
performance innovations	1/3	1/3	1	3	3	0,161
capacity of management	1/5	1/5	1/3	1/3	1	0,062

Figure 1 shows all the available resources associated with the process. Another method is to separate the available resources / client / determine the percentage share of the related processes: 2, 6 and 8. The initial conditions to the Saaty's scale given to the processes that belong available resources available resources / client. For the determination of the percentage of the process used, the formula (1). Table 4 shows the importance of the interrelationship as well as the process to calculate the vector of priorities for the observation of available resources / client.

Table 4. Mutual relations with the associated process priority vector

available resources / client	processes - 2	processes - 6	processes - 8	priority
processes-2	1	5	3	0,63
processes-6	1/5	1	1/3	0,10
processes-8	1/3	3	1	0,26

The AHP method allows for combination of experience, intuition and data to enable collaboration and decision making. This method is a decision-making method that aligns with the goal of the management or the decision maker. At the same time, it is very useful in when it comes to making fast decisions with the aim of achieving better business results, in line with the company's long-term strategy. In addition, it enables the development and standardization of decision making and process analysis.

## CONCLUSIONS

Restructuring of enterprises in the process of development of the national economy, especially those that are still in the transition stage, is a process that depends largely on the willingness, determination and commitment of the nation state, its economic and development policies that support changes recognized in the market for sustainable business models based on free trade and ownership changes. Through the process of restructuring of a company should be grouped and direct resources to-

ward efficient investment in innovated or new products, services and businesses that have prospects for success on the market. Orientation towards market business enterprises clearly indicates the need for constant monitoring of changes in the business environment and proactive action to changes in making of products and processes.

A flexible block diagram with available resources, and input and output processes contributes to creating a competitive advantage for each company. By directing the available resources and observing the related processes that connect them, the set goals of the company as well as continuous improvement are realized. The main goal is customer satisfaction as well as defining the unidentified needs and wishes of consumers. This paper has outlined the theoretical proposals and directions of the impact of available resources with an emphasis on innovation performance in creating a competitive advantage for businesses. At the same time it leaves room for continuous analysis of the main dimension of innovation capacity, with a special focus on managing internal resources from the aspect of market orientation, in order to improve the current and lasting position of the company in a competitive environment.

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