

CHANGE

IN THE ORGANIZATIONAL STRUCTURE OF A RESTRUCTURED METALLURGICAL ENTERPRISE ON THE EXAMPLE OF ONE OF THE LARGEST POLISH STEELWORKS

Received - Primljeno: 2002-05-20

Accepted - Prihvaćeno: 2002-12-25

Preliminary Note - Prethodno priopćenje

Among metallurgical enterprises active contemporarily on the market a great concern about the simplification of the organizational structure can be observed. The main factor decisive to an enterprise's choice to introduce changes in the field of organization and management are changes of conditions in its environment. In addition to this, the managements of metallurgical enterprises mention also, as causal factors, a general crisis of an enterprise that manifest itself in a decrease of basic economic indices, inadequate adjustment of information and decision systems to the variable character of an environment and starting changes in other areas, such as engineering or economics. In this paper the effects of the restructuring of the organizational structure of Katowice Steelworks are presented.

Key words: *restructuring, organizational structure, steelworks, spin - off*

Promjena u shemi organizacije restrukturiranih metalurških poduzeća na primjeru jedne od najvećih poljskih čeličana. Među metalurškim poduzećima trenutno aktivnim na tržištu, može se primijetiti velika briga za pojednostavljenjem organizacijske strukture. Glavni faktor u odlučivanju poduzeća o izboru promjena na polju organizacije i managementa su promjene uvjeta u svojoj okolini. Osim toga, managementi metalurških poduzeća također spominju, kao uzročne faktore, opću krizu poduzeća koja se manifestira u smanjivanju osnovnih gospodarskih indeksa, neadekvatnu podešenost informacija i sistema odlučivanja prema varijabilnom karakteru okoliša, i promjenama koje započinju na drugim područjima kao što su tehnika i gospodarstvo. U ovom radu prikazani su efekti restrukturiranja organizacijske sheme čeličane u Katowicama

Ključne riječi: *restrukturiranje, organizaciona struktura, čeličane, tvrtke-kćeri*

INTRODUCTION

The form of the organizational solution of an enterprise remains with a very close relationship with the character of the environment, and more specifically with factors being the components of this environment and influencing the structure of the company in question. This often causes the organizational structures of enterprises, in spite of their apparent similarity, to actually differ from each other in detailed solutions. The process of adjusting the organizational structure to the needs defined in the restructuring programmed being implemented is a conscious transformation of the existing structural solution of the enterprise, based on the results of diagnostic studies and design work. This is associated with the necessity of overcoming the present habits and model of behavior existing

in the company, as well as with a need for acquiring new skills and knowledge.

Organizational changes implemented within the restructuring of an enterprise usually progress in one of the three basic directions. Firstly, they can lead to a decentralization of the company through dividing it into units and delegating decisional responsibility to the managers of those units (while retaining a strongly centralized financial control). The second variant is to create a functional structure within the core of the company by the centralization of its key functions. The third solution, most rarely used in practice, involves establishing a superior structure functioning above the one used so far, thus facilitating the replacement of "old" managerial staff with a new one [1].

In the Polish realities, the first variant is particularly often used, which usually takes on the form of separating organized parts of the enterprise, whose further existence within the enterprise's structures is economically and technologically unjustified. This process aims to liquidate all needless forms of activity of the enterprise, which consti-

R. Budzik, R. Prusak, Z. Skuza, Faculty of Materials Processing Technologies and Applied Physics, Technical University of Częstochowa, Częstochowa, Poland

tute a burden for its functioning. Very often, it is connected with the elements of ownership restructuring through separating the enterprise's organizational units to give them the form of independent legal entities.

The main problem of enterprises being currently active on the market is to create an organizational structure that will be optimal for a given profile of activity. The process of simplifying this structure is directly associated with the occurrence of specific functions within the enterprise, the performance of which is necessary for the proper functioning of the company and the correct production process. The separation of specific units from the enterprise leads, in a natural way, to a termination of performing some functions by those units. This means that the management - prior to commencing the property restructuring process - has to determine accurately which functions are absolutely required to be performed within the enterprise's structures, and which can be transferred to external contractors. Thus, the separation of the assets should be preceded by a very careful analysis resulting in the determination of functions that are performed using those assets. Therefore, the process of separating organizational units may not become the cause of weakening and losing the control of conducted business activity.

One of the basic factors that determine undertaken actions leading to changes within the organizational structure of an enterprise is the aspect of savings achieved owing to this process. Possessing an organizational structure which is optimized for conducted activity and the company's needs and separating all redundant elements from this structure translates into a measurable financial effect. This is associated with the occurrence of a certain chain of interconnected factors that determine the performance of specific functions. Firstly, the performance of any functions by an enterprise requires personnel resources appropriate in terms of both quality and quantity to be available by that enterprise. Secondly, the carrying out most of tasks entrusted to employees requires technical and engineering support in the form of facilities, material, equipment, etc. Thirdly, particular teams of employees performing specific functions must have proper competencies for their work to be possible at all. In addition, processes leading to the performance of particular functions are very often interrelated, which entails the necessity of creating a network of interconnections between teams (i.e. a proper organizational structure). All elements forming this series have a concrete economic measure and are associated with the necessity of spending some funds by the enterprise.

CHARACTERISTIC OF ORGANIZATIONAL CHANGES IN A SELECTED METALLURGICAL ENTERPRISE

The enterprise subjected to analysis is an integrated metallurgical establishment with a full production cycle, manu-

facturing long products in the form of semi-finished products (billets, slabs), as well as finished products in the form of rails, sections and mining linings. The process of establishing new business units on the basis of the steelworks' assets started there in 1996 has covered 32 companies ever since, with part of those companies being set up by separating more specialized organizational units from newly established business units (these cases have not been covered by analysis within this study). A summary of business units formed as a result of the above-mentioned process, together with their profile of activity, is given in Table 1.

Table 1. **A summary of companies established from the assets of the Steelworks analyzed**

Tablica 1. **Pregled tvrtki osnovanih iz sredstava analiziranih čeličana**

No.	Name	Separation date	General characteristic of conducted activity
1	A	12.07.96	Receiving semi-finished products production of rolled, forged & rolled and forged products, spare parts and steel constructions
2	B	11.01.96	Organizing training courses, legal advising, accounting, agency in recruiting personnel
3	C	04.10.96	Conducting privatization processes, selling of parts of the Steelwork's assets
4	D	12.02.97	Housekeeping, road maintenance
5	E	12.02.97	Production of constructional elements, application of coatings on metals, plastic working
6	F	21.02.97	No services provided for the Steelwork
7	G	22.07.07	Production of technical gases
8	H	08.09.97	Repair and maintenance activities within electrical machines and equipment
9	I	15.09.97	Road goods transport, reloading of goods
11	J	08.12.97	Services within industrial automation, telecommunication and information technology ser.
12	K	08.12.97	Process., storage and sale of wastes and scrap
18	L	06.05.99	Installation, repair and maintenance of equipment, execution of construction work, conducting trade activity
19	M	06.05.99	As above
20	N	06.05.99	As above
21	O	06.05.99	As above
22	P	06.05.99	Railway transport and storage of goods; installation, repair and maintenance of electrical equipment
23	R	06.05.99	Production of hot rolled sheets, technical adv.
25	S	30.09.99	Tourism service activity
27	T	03.04.00	Production of plates
30	U	18.12.00	Product., purchase, transfer and sale of water
31	V	29.03.01	Generation and transmission of electric energy, production of technical gases
32	W	23.04.01	Medical services, printing and publish. activi.

According to the method of classification often adopted in industry, the whole of functions performed by an enterprise within conducted activity can be subjected to quan-

tification by using two basic criteria [3]. Firstly, by the contribution in creating the final value of products - primary and secondary functions can be distinguished here. Secondly, by the role played in the enterprise - basic functions (the performance of which contributes directly to the creation of the product) and service function, called also auxiliary functions (which support the processes performing the basic functions) occur here. In the enterprise analyzed, a tendency to the separation of units from the organizational structures can be observed here, which perform the following functions:

- secondary servicing functions, such as repairs or transport;
- social & living functions, including health care, canteens, hostels, etc;
- technical back-up functions, such as maintenance and typography;
- to a limited extent, some basic functions, such as processing of semi-finished products (primarily rolling plants).

When analyzing the data contained in Table 1., another regularity characteristic of the entire industry can easily be noticed, according to which separations in the first period of implemented processes apply mainly to secondary servicing functions, and only after that units of other profiles of activity are covered. It can be noticed at the same time that basic functions are being separated in the final phases of the process and cover only a small number of cases.

When analyzing of the data given in Figure 1. it can be noticed that the main recipient of services provided by the companies is still the parent enterprise (in 10 of the 11 observed cases, the share this type services exceeds 50%). This situation is, however, characteristic of this type of establishments in the Polish metallurgical industry and is the result of, above all, two main causes. Firstly, the profile of activity of companies established on the basis of steelworks' assets is usually closely related to the processes conducted in their parent enterprises and has not great

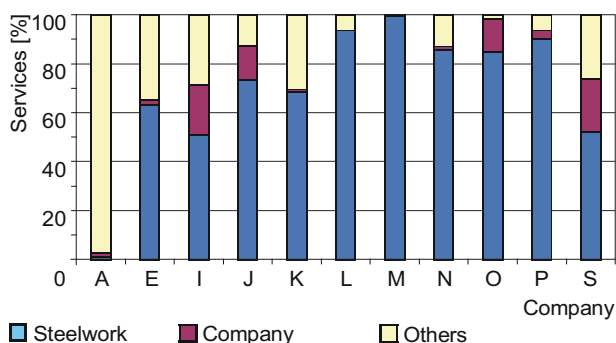


Figure 1. Percentage share of the recipients of services provided by the analyzed companies

Slika 1. Postotni udio primatelja servisnih usluga analiziranih tvrtki

market demand outside the metallurgical industry. Secondly, any possible external recipients of services, that is other domestic steelworks, usually have their own similar business units and do not show demand for any additional types of work. Taking the above considerations in a greater detail, the following conclusions can be drawn:

- The share of services provided by companies to external customers is closely related to the profile of activity of those companies. Considering the case of Company A it can be easily noted that only less than 3% of services are provided for the Steelworks or other companies. This results, above all, from the fact that this Company a link between the parent enterprise and the final customers. Its main form of activity is the processing of received semi-finished products into products of a higher degree of processing (chiefly by plastic working) and their sale.
- An increase in the correlation of the profile of activity of companies with metallurgical processes and the specificity of steelworks translates into a low share of service provided to the outside. The profile of activity of some companies in fact precludes the possibility of functioning on a market other than metallurgical, or allows this activity only to a limited extent. This problem - from among the cases analyzed - applies mainly to maintenance companies, whose main profile of activity is associated with carrying out installation work, and the repairs and maintenance of the technical back-up facilities of metallurgical enterprises. The possibility of performing these types of services for other domestic steelworks is actually impossible due to the already mentioned fact of having by those steelworks their own business units of similar type, and often a high level of specialization of companies. It can be stated by analyzing the cases of Companies L, M and O - being typical maintenance establishments - that the percentage of services provided to external customers does not exceed 10% in any of them, in the extreme case - for Company M - being only 0.6%. In addition, a major part of these services is closely related with the main profile of activity of the establishments and results from extending the offer portfolio by additional elements, such as construction works, building demolition, or trade activity.
- An increase in the versatility of provided services and the time of separating companies from the steelworks' structures remains in relationship with the amount of work carried out by the companies for external customers. The units separated out in the years 1996 - 97 have a much greater share of services provided to external customers. This suggests that newly established business units need some time for adapting themselves to new conditions of activity. Company S is an exception, which, however, can be explained by the fact that it con-

ducts chiefly the activity of providing tourism and social & living services, thus those that characterize by some degree of versatility and a great market demand.

In summary, it can be stated that organizational changes implemented within restructuring in the enterprise studied (and more broadly - in the entire Polish metallurgical in-

Table 2. **Main premises and objectives of the organizational restructuring of an enterprise**

Tablica 2. **Glavne prostorije i ciljevi organizacijskog restrukturiranja u nekoj tvrtki**

Goals foreseen to be achieved	Characteristic features
improving the scope of functioning and profile of the enterprise	narrowing the area of activity of the enterprise and focusing on the core business activity
changes within the right of ownership and management	establishment of new legal entities functioning as separate business units; concentration on managing the core business activities of the enterprise
improving the effectiveness of functioning of the enterprise	transferring the issue of takeover in a different area of conditionings and decisions; evading the existing anti-trust legislation and taking advantage of more favourable tax regulations.

dustry) aimed above all at separating out business units from the company, which were not directly connected with the company's core business activity. This action contributed to an increase in the transparency of the enterprise's

organizational structure, as well as to an increase in economic effectiveness - by expending funds only on the activities constituting the basic area economic activity and not having to maintain, within the company, units performing auxiliary functions or those completely inconsistent with the basic objectives of the enterprise's activity (for example, offering tourism of social & living services). These types of changes contribute also to improving the functioning of business units separated out by, inter alia, the need of adapting the profile of activity to real needs and capabilities, arisen from the fact of running activity to their own benefit; a reduction of employment; or an improvement of organization. In addition - which is gaining enormous importance in the present situation of the Polish metallurgical industry - the separation of part of organizational units reduces the number of problems and tasks remaining within the powers of the Top Management, thereby enabling the maximum possible amount of time and efforts to be devoted to the basic functions performed within the enterprise. A systematized summary of the above considerations is given in Table 2.

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