Key Success Factors of an SME’s Multi-Site Organizational Restructuring: A Case Study Approach

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ABSTRACT

Contemporary manufacturing supply chains face multiple challenges due to long, complex networks that operate internationally. Here, the focal company is an SME that has spread its network globally to reach mining customers with quality products within the shortest lead time. This study uses the case research method to study a family-owned business. It identifies the critical success factors in the supply chain restructuring program. Secondly, it examines the effective strategies in managing pre- and post-restructuring processes. Thirdly, it emphasizes how the operational efficiency was achieved by reducing uncertainties and risks in the upstream supply chain and fourthly, to develop a framework for future researchers. The findings suggest that key driving factors of the restructuring program are organization culture, leadership, top management commitment, and information technology. The linkage factors which emerged from the study are effective communication with the stakeholders, employee motivation, work satisfaction, crisis management and managing buyer-supplier relationships.

KEYWORDS

Case Study, Change Management, Cross-Cultural Setting, Family Owned Business, Key Success Factors (KSFs), Restructuring, Rubber Goods Manufacturing Sector, Small Medium Enterprise (SME)

1. INTRODUCTION

Family businesses have been defined as businesses governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families (Sharma et al., 1997). A corporation is a business entity that legally exists separately from its owners. The owners of a corporation are shareholders; their percentage of ownership in the business is represented by their corporate stocks or shares. The current study centers on a family-owned business which has sailed through rough seas, crossed several barriers and within three decades its sales and marketing network has successfully touched every part of the globe. The company (renamed TIR to preserve anonymity) belongs to the non-tyre rubber sector which manufactures rubber mill liners, rubber screen panels, conveyor components, hydrocyclones and other rubber to metal bonded products for mining sector customers. TIR is headquartered in India where they have three manufacturing plants situated across different geographic locations. Moreover, they have extended their manufacturing base in the African continent, Australia, and Chile as well to cater the potential mining customers in those regions.

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Businesses cannot survive without proper resources and especially during the growing phase of expanding the business overseas, it is important to manage resources efficiently.

This study examines TIR’s operations that had been performing profitably, when, suddenly, everything came under threat. The immediate challenges in front of the company were high overheads in the company. Also, the high costs of goods sold were eating away profit margins. There was also a high percentage of rejections in the plant. The last and biggest challenge was a sudden cash crisis in the company which led to a large accounts payable. Naturally, most of the medium and small suppliers ceased their business with TIR. The entire supply chain of the company was suffering, and this could easily damage the long-term prospects for the company. In such a scenario, TIR’s Chairman and Managing Director (CMD) determined that major supply restructuring is the only way to manage such crisis and achieve long-term sustainability.

After that, the parent company located in India, as well as the subsidiary company located in South Africa, underwent a major restructuring to gear up and get prepared to meet the future global customer demands. The project was completed under the supervision of Boston Consultancy Group (BCG) and took them almost six months. The author conducted an interview of employees and captured the rich insights, both the good and negative aspects of the restructuring program, and presented under data analysis section.

The purpose of this study is to assist supply chain managers in managing restructuring programs more effectively, based on the findings of this case. The current case focuses on understanding the mechanics of the restructuring process. It also intends to identify different challenges emerged during the pre- and post-restructuring program and finally, to understand the strategy to manage the upstream suppliers in the short and long term. An in-depth case study is suitable for such exploratory research that investigates a contemporary phenomenon within its real-life context and is especially useful for the exploratory investigation of complex phenomena in their natural setting, with a resultant understanding of the context. The current case is unique regarding bringing forward the dynamics of change management in a family owned business under cross-cultural background.

The rest of the case is organized as under, as follows. Section 2 presents the review of literature followed by Section 3 on research methods; Section 4 presents the case study, Section 5 details the key findings followed by Section 6 on the discussion. The final section draws the conclusion from the study and also presents the future research directions.

2. THEORETICAL BACKGROUND AND LITERATURE REVIEW

Crisis situations are an inseparable attribute of organization restructuring process. In consideration of crises, organizations must adapt to conditions that are due to external environmental factors; internally, top level executives must determine a plan for anti-crisis organization activity and adaptation to the situation. Therefore, the first indicator of crisis is a distinct trend for increasing current expenses with the opposite trend of a decreasing amount of business, as well as sinking revenues and profits. Crisis strategic management aims to identify the signs of a crisis and to create the necessary prerequisites for their timely prevention, weakening and overcoming to guarantee the continuance of the organizational activity and the prevention of bankruptcy. Strategic management in a time of crisis is the method which makes it possible to recognize the crisis and to take measures to overcome its negative consequences (Sapriel, 2003; Groh, 2014).

Certain changes occur during the pre- and post-crisis management stage. At the organizational level, change has been associated with intention to quit, absenteeism, reduced productivity, and increased healthcare expenses. At the individual level, change has been found to influence time pressure, psychological well-being, job satisfaction, and stress. Accordingly, organizational change is associated with a series of potentially negative outcomes for both organizations and individuals (Holten & Brenner, 2015).
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