



## Organizational Restructuring to Increase on Employee Performance

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### ABSTRACT:

*The aim of this study is to see how organizational restructuring affects employee performance at PT. Halliburton Indonesia, as mediated by employee capabilities. To accomplish its objective, the researcher handed out questionnaires to 100 workers, who were then evaluated using Partial Least Squares (PLS). The findings revealed that organizational restructuring had a positive and significant impact on employee performance. Furthermore, organizational restructuring has a significant impact on employee capabilities. The employee capacity variable, on the other hand, has a positive and significant impact on employee performance. Then, through employee capability, organizational restructuring has a positive and significant impact on employee performance.*

**Keywords:** Organizational restructuring; employee performance; employee capabilities

## I. INTRODUCTION

Performance is a very important and interesting part because it has proven to be very important for an institution, so it wants employees to work hard based on their abilities to achieve good work results (Lungu MF, 2020). Good performance is the desired condition in the working area. An employee will get good work performance if his performance is in accordance with the standards, both quality, and quantity (Narkunienė J, 2018).

Employee performance, according to Fujianti L (2018) is the product of an employee's quality and quantity of work completed in meeting the responsibilities assigned to him. Factors that can affect performance are motivation, competence, leadership, and work environment (Pramudyo, 2010). Then, Wahyuni, et al. (Wahyuni M, Idris S, 2017) said that factors that affect performance include work motivation, abilities, work environment, work discipline, leadership, and personality. In addition, another factor that can affect employee performance is organizational restructuring (Wahyuni D, 2017).

The organizational structure is a description of the division of authority and responsibility as well as the vertical and horizontal relationships of an organization in performing its activities (Khoirul H, Tulus H, Djuminah N, 2019). Changes to the organizational structure are the answer to various pressures both internal and external (Sartor MA, 2020). One of the demands of the community today is the effectiveness of the public administration system in performing public service functions through a rearrangement of the organizational

structure that is healthier and more efficient (Schulman, 2020). Meanwhile, organizational restructuring is a process in which the organization moves from its current state to the desired future, namely the achievement of an effective organization (Krogh, 2018).

Another factor that can affect employee performance is employee capability. Abdurrahman (2015) defines capability as a collection of interconnected tools used to carry out essential tasks. It is built into a company's or organization's expertise and employee skills. The use of capabilities as a tool for selecting employees within the organization is to select the best candidate employees, namely the expected clarity of employee behavior, effective targets, and minimizing recruitment costs (Mohan, 2014).

In this era of disruption and the COVID-19 pandemic, HR has its own challenges, namely on helping corporate businesses survive and gaining profits. HR must take more initiative in the company, especially in preparing skill-ups or even new skills for employees so that they can adapt to rapidly evolving business trends in response to market demands (Tams S, Thatcher JB, 2018).

One of the companies that do such a thing is PT. Halliburton Indonesia. PT. Halliburton Indonesia is a company based in Houston and is the third-largest oilfield services company, behind Schlumberger and GE Baker Hughes. It is the world's largest provider of hydraulic fracturing fleets (Eliyana A, Ma'arif S, 2019). The decline in the oil and gas industry and the decline in world oil prices are the causes of the number of job cuts. The management also has to do organizational

restructuring without sacrificing organizational performance (Behery M, Abdallah S, Parakandi M, 2016).

As a result, it can be said that organizational restructuring is one of efforts to enhance the organization's success, effectiveness, and productivity. The restructuring was not without a solid foundation but through careful considerations and based on the needs of the company. In restructuring the regional apparatus organization, there are indicators that in restructuring include downsizing, which is the streamlining of the organization by eliminating certain jobs or functions; delayering is regrouping existing types of work; decentralizing is done by handing over some functions and responsibilities to at lower organizational levels; refocusing is a review or restructuring of the core competencies of the organization concerned

## II. MATERIAL AND METHODS

### 2.1 Organizational Restructuring

The concept of restructuring according to Gouillart & Kelly (2020) is part of an organizational transformation called The Four R's Transformation. The restructuring includes preparing and rearranging all organizational resources and directing them to achieve high levels of competitiveness performance in a dynamic and competitive environment (Saltorato P, 2017). This opinion provides an understanding that it can be done in various ways, all of which are based on organizational change or renewal (Porter J, 2020).

Over the last decade, downsizing of jobs, or the intentional reduction of the workforce, has become a common topic in management literature in Indonesia. Originally, this word was coined to describe a company's reaction to a period of economic hardship (recession or consumer demand shortage), with the connotation of a reaction phenomenon (Kurgat, 2016).

In the practitioner's opinion, it has now gained credibility as a cost-cutting tactic involving the reduction of employee wages and benefits, which has become a proactive phenomenon operationalized as a restructuring act (Basuil DA, 2015). Downsizing proponents argue that it is a cost-effective way to improve organizational efficiency and productivity (Chin TA, Tat HH, 2015).

According to Djohanputro (2004), there are three types of organizational restructuring, namely portfolio restructuring, capital/ financial restructuring, and management/ organizational restructuring. The opinion of Another similar expert state that organizational restructuring divides into three types (Bowman, 1993), Business Portfolio Restructuring, Financial Restructuring, and Organizational Restructuring (Operational). Based on the reasons, (Veithzal, 2011) explain several reasons for organizational restructuring to change. These reasons are an innovation in products, technology, materials, work processes, organizational structure, and culture; new and shifting markets; actions of global competitors, values of work strength, demand, and diversity; regulatory and ethical constraints from the environment; individual development and transition.

### 2.2 Employee Performance

Employees' performance is the outcome of their work, both qualitatively and quantitatively, based on the roles they have been given (Mangkunegara, 2012). Every company has set its own standard for the employees in doing their responsibilities so the results can be measured (Ayu Putu Widani Sugianingrat I, Rini Widyawati S, Alexandra de Jesus da Costa C, Ximenes M, Dos Reis Piedade S, 2019). Bilson (2001) defines employee performance as an employee's position that can achieve the requirements of working standards efficiently and effectively. So, to summarize, performance is the end product of the job process that has been assigned to workers, and it is calculated over a period of time according to the company's expectations based on the workload they have (Ghani Al-Saffar NA, 2020).

The performance dimension consists of several aspects that are used to standardize performance appraisals. There are eight dimensions or indicators that can be used as a measurement of performance appraisal (Nabass EH, 2019): work quality, work quantity, work knowledge, creativity, cooperation, reliability, initiative, and personal quality.

### 2.3 Employee Capability

The definition of capability according to (Merriam-Webster Dictionary) is the quality or state of being capable. Baker and Sinkula (Baker WE, 2005) describe capabilities as a set of specialized skills, techniques, and processes that can be used to gain a competitive advantage by leveraging resources. Based on the definition of capabilities that have been disclosed, it can be defined as an ability that has more than just skills that can be a competitive advantage or mastering abilities from a weak point.

### 2.4 Research Methods

This study takes a quantitative approach. It falls under the category of explanatory research, which is described as research that explains the direct relationship between variables. The participants in this study were 100 PT Halliburton Indonesia workers. The researcher uses the SEM (Structural Equation Model) with the PLS (Partial Least Square) software to analyze the data, which gives a clear picture of the relationship between research constructs.

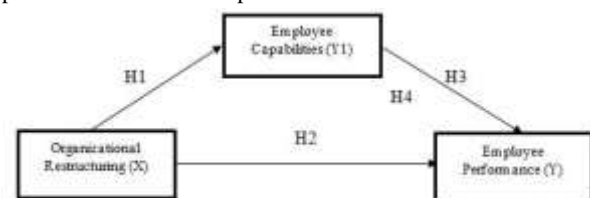


Fig. 1. Theoretical framework

## III. RESULTS AND DISCUSSION

### Research Results

Partial Least Square analysis in this research was accomplished using the help of Smart PLS software version 3.2.9. According to (Ghozali, 2016) in general, the evaluation of the model in Partial Least Square analysis is the evaluation of the measurement model (outer model) and the evaluation of the structural model (inner model).

**The Assessment of Measurement Model (Outer Model)**

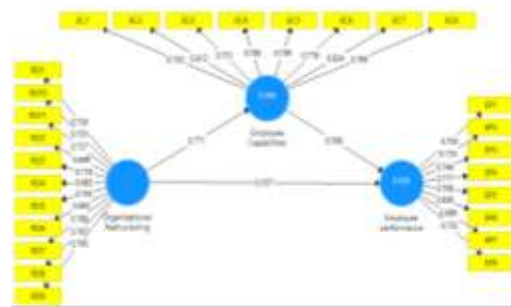
The outer model is evaluated in this study by paying close attention to the four outer model measurement criteria: Convergent Validity, Discriminant Validity, Composite Reliability, and Cronbach Alpha. The study model is depicted in the Fig. 2 shows.

The correlation between the item/indicator score and the build score demonstrates the measurement model's convergent validity with reflexive indicators. Individual measures with a correlation value greater than 0.70 are considered reliable. However, loading 0.50 to 0.60 is still suitable at the research stage of scale production (Ghozali, 2016). All indicators have a loading greater than 0.50 based on the outer loading result. The following Table 1 shows the effects of the Smart PLS output for loading factors.

It is understood that all study indicators have met the requirement to be used as indicators because they have an outer loading value greater than 0.7 (outer loading > 0.7) based on the measurement results of outer loading on reflective indicators. As a result, all metrics have been determined to be eligible or appropriate for use in research and can be used for further study. Comparing the square root of average variance extracted (AVE) values can also be used to calculate the next

study model. Above 0.5 is the recommended value (Ghozali, 2014). Based on the test results, all research variables follow the AVE criterion of greater than 0.5, indicating that the research model is adequate for measuring the variables in the study.

The measurement of the next research model is the measurement of Discriminant validity. The Heteroite-Monoroite Ratio (HTMT) is another way to assess discriminant validity. According to Juliandi et al (2018), the Heteroite-Monoroite is the best measurement. If the value of Heteroite-Monoroite (HTMT) is <0.9 then a construct has good discriminant validity. Therefore, the Measurement of Discriminant Validity can be seen in the following Table 2.



**Fig. 2. The Assessment of research outer model**

**Table 1. Convergent validity measurement**

Variable	Indicators	Factor Loading	AVE	CR
Employee Capabilities	EC1	0.743	0.598	0.922
	EC2	0.812		
	EC3	0.731		
	EC4	0.785		
	EC5	0.739		
	EC6	0.776		
	EC7	0.824		
	EC8	0.769		
Employee performance	EP1	0.703	0.541	0.904
	EP2	0.725		
	EP3	0.748		
	EP4	0.717		
	EP5	0.709		
	EP6	0.828		
	EP7	0.696		
	EP8	0.752		
Organizational Restructuring	RO1	0.726	0.531	0.926
	RO2	0.699		
	RO3	0.718		
	RO4	0.682		

RO5	0.745
RO6	0.693
RO7	0.766
RO8	0.767
RO9	0.765
RO10	0.723
RO11	0.727

**Table 2. Discriminant validity measurement**

	Employee capabilities	Employee performance	Organizational restructuring
Employee Capabilities			
Employee performance	0.847		
Organizational Restructuring	0.833	0.800	

Based on the measurement of the Heteroit-Monoroite Ratio (HTMT), both research variables are considered to follow the discriminant validity criterion since their correlation value between research variables is less than 0.9, implying that the research indicators are strong enough to build the latent variables.

**3.3 Structural Model Assessment (Inner Model)**

The relationship between latent constructs as hypothesized in this study is evaluated using assessing the inner model. The inner model equation can be described as follows (Fig. 3).

The assessment of the measurement model (inner model) is used to analyze the relationship between constructs (latent variables), namely exogenous (free) variables and endogenous (bound) variables, and the relationship between them. Inner Model measurement includes R2 (R-Square predictive relevance (Q2) test, Goodness of Fit (GoF) index, Direct Effect, and Indirect Effect.

The R square for each dependent latent variable is the first step in evaluating the inner model with PLS (Partial Least Square). The interpretation is then identical to the regression interpretation. Changes in the R-square value can be used to determine whether those independent latent variables have a substantive impact on the dependent latent variables. The research model is considered strong if it has an R2 value more than 0.67, is considered moderate if it has an R2 value more than 0.09, and is considered weak if it has an R2 value more than 0.25.

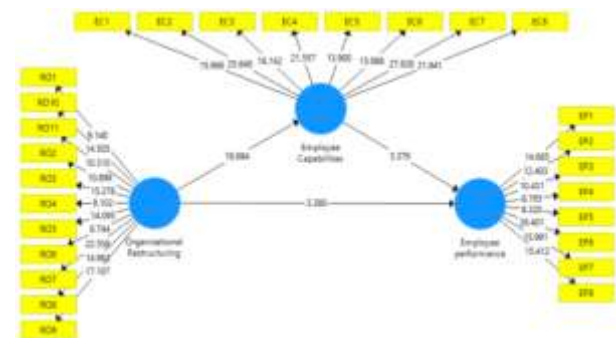


Fig. 3. Inner model measurement

**Table 3. Coefficient determination test (R2)**

	R Square
Employee Capabilities	0.594
Employee performance	0.636

The value of R2 on the impact of Organizational Restructuring on Employee Capability is 0.594 (59.4%), which falls into the moderate range, according to the calculation of the value of R Square (R2). Meanwhile, the R2 value for the impact of Organizational Restructuring and Employee Capability on Employee Performance is 0.636 (63.6 percent), which falls into the moderate group. The R2 value indicates that the research model has a moderate degree of intensity and can be used to estimate the research model.

The PLS model is evaluated by looking at Q2 in addition to the measure of the R2 value (predictive relevance). It assesses how well the model generates the observed value as well as the parameter estimates. A Q2 value greater than 0 denotes that the model is predictive in nature. In the meantime, if it is less than 0, it means that the model is not predictive (Ghozali, 2016).



Based on the predictive relevance assessment, it is known that the Q2 value obtained from the research model is 0.614 (61.4%). It means that Organizational Restructuring can estimate 61.4% of employee performance through Employee Capabilities. Based on the results of the above calculations, it can be concluded that this research model is categorized as a strong model because it has a predictive relevance value more than 0 ( $Q2 > 0$ ) (Ghozali, 2014).

After determining the predictive relevance value, it is necessary to calculate the Goodness of Fit to determine the model determination. The Goodness of Fit index, developed by Tenenhaus et al. (2004), is used to validate the overall model. The aim of this index is to evaluate measurement and structural models. Aside from that, it provides a basic calculation for the model's overall prediction (Ghozali, 2014). The Goodness of Fit e ranges from 0 to 1, with 0.50 as the suggested communality value and R square as the value, so the interpretation of the value of 0.10 is included in the small Goodness of Fit level, 0.25 the Goodness of Fit value is medium, 0.36 the Goodness of Fit value is large (Ghozali, 2014).

**Table 4. Predictive relevance Value (Q2)**

	R Square
Employee Capabilities	0.594
Employee performance	0.636
Q2	0.614

Based on the results of the calculation of the Goodness of Fit, it is known that the Goodness of Fit value is 0.585, so it can be said that the research model has a strong Goodness of Fit value because it has a value more than 0.36.

**Table 5. The assessment of goodness of fit (GoF) index**

	R Square	Comunalities
Employee Capabilities		0.598
Employee performance	0.594	0.541
Organizational Restructuring	0.636	0.531
GOF Indeks	0.585	

**4.4 Hypothesis Testing**

The findings can be used to address the hypothesis in this study based on the data analysis that has been performed. The T-Statistics value and the P-Values were used to conduct hypothesis testing. If the P-Values are less than 0.05, the research hypothesis is accepted. The following are the results of hypothesis testing obtained via the inner model in this study (Table 6).

**4.4.1 Hypothesis 1**

The results of hypothesis testing indicate that Organizational Restructuring (X) has a 0.771 path coefficient, a statistical T-value of 18,684, and a P-value of 0,000. The statistical T-value is greater than the T-table ( $18,684 > 1,954$ ), and the P-value is smaller than the 5% alpha criterion ( $0.000 < 0.05$ ), suggesting that Organizational Restructuring has a major

impact on Employee Capabilities. The direction coefficient value is positive (0.771), meaning that Organizational Restructuring has a positive impact on employee capabilities. As a result, it can be argued that organizational restructuring has a positive and significant impact on employee capabilities. In other words, the better organizational restructuring is able to increase employee capabilities, which means the first hypothesis (H1) is accepted.

**4.4.2 Hypothesis 2**

The impact of organizational restructuring (X) on employee performance (Y) is shown by hypothesis testing, with a path coefficient of 0.337, a statistical T-value of 3.380, and a P-value of 0.001. The statistical T-value exceeds the T-table ( $3.380 > 1.954$ ), and the P-value is 0.001 or less than the 5% alpha standard ( $0.001 < 0.05$ ), meaning that Organizational Restructuring has a major impact on employee performance. The path coefficient value is positive (0.337), meaning that Organizational Restructuring has a positive impact on employee performance. As a result, it can be inferred that organizational restructuring has a positive and significant impact on employee performance. In other words, the better organizational restructuring is able to increase employee performance, which means the second hypothesis (H2) is accepted.

**4.4.3 Hypothesis 3**

The impact of Employee Capabilities (Y1) on Employee Performance (Y) is shown by hypothesis testing, with a path coefficient of 0.508, a statistical T-value of 5.376, and a P-value of 0,000. The statistical T-value is greater than the T-table ( $5.376 > 1,954$ ), and the P-value is less than the 5% alpha norm ( $0.000 < 0.05$ ), meaning that Employee Capabilities have a significant impact on Employee Performance. The path coefficient value is positive (0.508), meaning that Employee Capabilities have a positive impact on Employee Performance. As a result, it can be inferred that employee capabilities have a positive and significant impact on employee performance. In other words, as employee skills improve, employee performance improves as well, implying that the third hypothesis (H3) is right.

**4.4.4 Hypothesis 4**

The hypothesis testing results show that Organizational Restructuring (X) has an impact on Employee Performance (Y) by Employee Capability (Y1), with a path coefficient of 0.392, a statistical T-value of 5 338, and a P-value of 0,000. The statistical T-value exceeds the T-table ( $5 338 > 1,954$ ), while the P-value is 0,000, or less than the 5% alpha level ( $0.000 < 0.05$ ), meaning that Organizational Restructuring has a significant impact on Employee Performance by Employee Capabilities. The path coefficient value is positive (0.392), suggesting that Organizational Restructuring has a positive impact on employee performance through employee capabilities. As a result, it can be concluded that Organizational Restructuring has a positive and significant impact on employee performance through employee capabilities. To put it another way, improved employee skills will mediate the impact of organizational restructuring on

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employee performance, implying that the fourth hypothesis (H4) is true.

**Table 6. Hypothesis testing**

	Original Sample (O)	Standard deviation (STDEV)	T Statistics ( O/STDEV )	P Values	Indirect Effect
Employee Capabilities -> Employee performance	0.508	0.095	5.376	0.000	
Organizational Restructuring -> Employee Capabilities	0.771	0.041	18.684	0.000	
Organizational Restructuring -> Employee performance	0.337	0.100	3.380	0.001	
Organizational Restructuring -> Employee Capabilities -> Employee Performance	0.392	0.073	5.338	0.000	5.376x18.684 =99.99

From the research results, we can conclude that the direction coefficient is positive, meaning that Organizational Restructuring has a positive effect on employee capabilities. In other words, the better the organizational restructuring will be able to increase employee capabilities. In addition, the path coefficient value is positive, meaning that organizational restructuring has a positive effect on employee performance. In other words, the better the organizational restructuring that can improve employee performance. The 3rd hypothesis shows that the path coefficient value is positive, meaning that the employee's capability has a positive effect on employee performance. In other words, along with improving employee skills, employee performance also increases. as well as for the last hypothesis shows that the path coefficient value is positive, indicating that Organizational Restructuring has a positive effect on employee performance through employee capabilities. The direct effect of organizational restructuring on employee performance is lower than the indirect effect of organizational restructuring on employee performance through employee capabilities. In other words, increasing employee capabilities will mediate and strengthen the relationship between organizational restructuring and employee performance.

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