Team restructuring

Businesses need the right roles and structure to operate at their best. As your business develops and your market changes, the right roles and structure might change too.

Restructuring can be difficult for everyone involved, but it should be easier if you follow the process and act in good faith.

The process isn’t prescribed exactly, but case law has helped to establish best practice. The steps and suggested timeframes are outlined below, and also in this handy guide:

Restructuring steps and timeframes — task list [DOCX, 54 KB]
/assets/Uploads/Documents/Restructuring-Tasklist.docx

Restructuring steps and timeframes — task list [PDF, 139 KB]
/assets/Uploads/Documents/restructuring-tasklist.pdf

Why restructure

It’s important to regularly check that your business is structured the best way for success. Having the right roles structured the right way means you can meet the needs of your customers and take your business to the next level.

If things have changed and you think a new structure could improve the way your business operates, you might want to investigate restructuring. This doesn’t necessarily mean making employees redundant (though that could happen) but it might mean peoples’ roles change. Please note that employment laws protect some groups of employees in certain restructuring situations.

Restructuring can involve:

- adding new roles
- merging two or more existing roles
- losing roles that are surplus to requirements
- a combination of these things.

Restructuring when a business is sold or transferred (external link)

Employment protection provision (external link)
Employment laws protect some groups of employees, eg cleaning, catering and laundry staff, in certain restructuring situations. For details, see Restructuring when a business is sold or transferred (external link) (https://www.employment.govt.nz/workplace-policies/workplace-change/restructuring-when-business-sold-or-transferred/) — Employment New Zealand

When restructuring isn’t the right option

Restructuring is about making sure you have the right roles to deliver to your customers and your strategy — it’s not a way to manage individual employee performance issues.

If you’re having an issue with an employee’s performance, you can’t ‘restructure’ to get rid of them — you need to manage their performance (/hiring-and-managing/getting-the-best-from-people/handling-poor-performance/) through the proper channels.

If you’re restructuring, you need to have a genuine business reason — otherwise you could face personal grievance cases.

Genuine business reasons

You need a genuine business reason to restructure your business. You’ll need to state this clearly as you go through the process.

Genuine reasons include:

- realignment of brand
- changing your product or service offerings
- financial issues resulting in the need to downsize or realign
- no longer using a department
- wanting to outsource certain business functions
- merging with another business.

Case study

Restructuring done right

Bill found demands on his IT consultancy business were changing. His customers no longer wanted to learn how to fix their own computer problems. So Bill decided to restructure to respond to his market’s needs, with fewer trainers and more technicians.

Bill documented his proposal explaining the market drivers and indicating which jobs would go or substantially change. He set out the proposed new structure, and indicated roles that were new.

When he shared this with his team, they were able to understand that Bill had good business reasons. They also had the information they needed to help him shape the new structure to be the best it could be.
How to restructure — the principles

If a restructure might impact people’s jobs, there’s a process you need to follow. As with anything involving employee relations, it’s underpinned by the principle of ‘good faith’ — meaning you and your employees act fairly in your dealings with each other.

This means you:

- are communicative and responsive
- don’t mislead or deceive one another
- are active and constructive in establishing and maintaining a productive relationship.

During a restructure, ‘good faith’ means that employees who might be affected have the right to comment on and feed into the restructure. When you propose the new structure, you need to genuinely consider any feedback, including their thoughts and suggestions.

Throughout the restructuring process you can keep some information confidential — but there has to be a good reason. Examples include:

- following statutory confidentiality requirements
- protecting your employees’ privacy
- protecting your business’s commercial position.

Redeployment and downsizing

There are specific rules on redeployment — when you create a new role that isn’t substantively different from an old role. In that case, you must redeploy a person in the current role to the new one. This is a technical area, and legal advice might be valuable.

There are also specific rules on downsizing, when you’re reducing the number of a certain type of existing role. For example, if you currently have three junior hairdressers, but you think you only need one, you’ll need to set out specific details in the proposal, including the selection criteria for how you’ll choose the successful individual. If you’re not familiar with these rules and process, you should get help from an expert. This is a technical area, and legal advice might be valuable.

Case study

Restructuring done wrong

To cut costs in her hairdressing business, Jane proposed a restructure to cut 10% of her wage costs by replacing a senior stylist with a junior stylist.

Her staff suggested other ways to reduce costs, but she felt that they would not make enough difference and made senior stylist Alan redundant.

The savings on wages equated to 6%, not 10% as Jane’s proposal stated. When she confirmed the new structure, she didn’t state why she was rejecting the alternative measures suggested by her staff.

Alan took a personal grievance case to the Employment Court. The court upheld his claim as Jane had not genuinely considered her employees’ feedback and there was not enough justification to have made Alan redundant.
How to restructure — the step-by-step process

Use the task list at the top of this page to make sure you follow the correct process. It will also provide a record of what's happened.

Step 1. Document your proposal

You need to put your proposal in writing, so you can communicate it to your team.

Your proposal needs to talk about roles, not people. It needs to clearly state the reason for the restructure, and the expected benefit — though you can keep the details high level.

You need to clearly explain:

- your genuine business need to restructure
- what you propose the new structure to be
- how that will impact the current structure
- roles that are being disestablished or substantially changed in this proposed restructure.

If you include specific facts, like how much money you need to cut from the business, you need to make sure those facts are right. You have to be able to back up what you’re saying if you’re asked in a grievance process.

Step 2. Invite people to a meeting

Email or write to your employees, letting them know that you’re proposing a restructure and inviting them to a meeting to hear about it.

You must:

- Advise and invite people whose roles might be affected (but you might want to include your whole team).
- Let people bring a support person or representative to the meeting, and tell them they can in the invitation.
- Leave enough time between the invitation and the meeting date so they can digest the news and get support in place, but not so much time it leaves them hanging. Two or three working days will be about right.

Step 3. Hold the meeting

The meeting can be with everyone at once. It can be informal.

In the meeting, you should talk through your proposal and give your expectations on timeframes. You should:

- Talk them through the proposal document, and provide the proposal as a handout.
- Outline the process that you’ll be going through to determine the restructure, and provide the process in a handout.
- Set expectations regarding timeframes for the process, and provide timeframes in a handout.
- Be clear on the roles that are affected under your proposal.
- State that anyone can provide written feedback to you, or request a private meeting to give feedback, and that they may bring a support person or representative to that
meeting (they’ll need to tell you that they want a meeting, so you can schedule it in).

Workplace change (external link) — Employment New Zealand

**Put times in diaries now for other phases in the process.**

You’ll have the correct time set aside and will signal to your team that you mean what you say about timeframes. Download our task list to help you keep track.

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**Step 4. Gather feedback**

Your employees can submit feedback in written form or in meetings with you. It’s important that you consider what they have to say about your proposal.

Give them enough time after the proposal meeting to digest your proposal, think of suggestions and get support, before you close feedback — but not so much time that it leaves them hanging.

The feedback process will usually be for at least a week (especially if there is a chance an employee will lose their employment).

**Step 5. Genuinely consider the feedback**

You must genuinely consider the feedback that you’ve received, and whether you’d benefit from a different structure than you proposed. This process takes time — leave yourself at least a couple of days after closing feedback for consideration.

If you still think your original proposal is best, go to Step 6.

If you want to change your proposal, you should go back to Step 1. This is particularly important if your new proposed structure affects different roles.

**Step 6. Confirm the structure**

This step assumes you’re happy with your proposed structure — if you’ve made changes to your original proposal, you need to go back to Step 1.

You must provide the outcome of your consideration in writing, to the affected people. You need to:

- Confirm that the proposed structure will be the new structure.
- Outline the feedback you considered, and your decision regarding that feedback.
- Be clear about the affected roles and what this means, including details of follow-up meetings and a notice period if relevant.
- Offer to have individual meetings to discuss the outcome.

If you’re making roles redundant, steps 6 and 7 will be different.
See our Redundancy page (/hiring-and-managing/ending-employment/employee-redundancy/) for what to do when an employee’s job is no longer needed.

**Step 7. Meet to discuss what next, if required**

Schedule and hold meetings with affected employees to discuss next steps. Give them the option to have a support person or representative at the meeting, and enough time to organise them to come.

When dealing with downsizing and redeployment, legal advice might be valuable.

**Alternative steps if you can’t meet face-to-face**

It’s best practice to follow a face-to-face process for restructuring. But if a meeting is going to be hard for you — logistically or emotionally — you can follow a written process for some steps.

In that case:

- At Step 2, send an email giving them a heads-up that a proposal for restructuring will be sent to them on a certain date.
- Instead of Step 3, send them the proposal on that date, along with the steps and timelines for going through the process.

Leave enough time between sending the email and the proposal that they have chance to digest the news and get support in place, but not so much time that it leaves them hanging.

**Common mistakes**

To reduce the risk of a personal grievance, don’t fall into these common traps:

- Treating the proposal as a done deal before you’ve heard and considered feedback.
- Leaving too little time between stages — your employees need time to consider things and arrange support.
- Not being clear about what the proposed structure is.
- Giving out confidential information, or refusing to give out information that you should disclose.

**Our task list can help you avoid these common mistakes.**

Download our task list to help you keep track of what’s due to happen when — it will also provide a record of what’s happened.

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