

The Impact of Organizational Redundancy on Enterprise Performance in the Transition Economy

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Abstract: China has established a strong competitiveness, a complete range of enterprise system, and become the world's largest manufacturing country after years of reform and opening up. However, with the rapid growth of enterprise scale in China, many contradictions have been accumulated. The most prominent among them is the structural problem of the coexistence of overcapacity and insufficient capacity. This phenomenon reflects that organizational redundancy and its configuration are the focus of our attention. At present, China is in the context of economic transformation. Organizational redundancy is divided into two categories, absorbed redundancy and slack, in this paper and its impact on enterprise performance is also explored with some valuable practical suggestions, in order to rationally allocate redundant resources and improve the competitiveness of enterprises.

1. Introduction

After years of reform and opening up, China has made a breakthrough in various fields, but the problems in the process of development cannot be ignored. Among them, the structural problem of the coexistence of overcapacity and insufficient capacity is particularly prominent, which reflects the problems of organizational redundancy and configuration. Organizational redundancy refers to the accumulation of resources beyond the actual needs of the organization, including over-investment and undeveloped opportunities such as redundant personnel, unused funds and unnecessary costs [1]. At present, China is in the context of economic transformation. With the continuous advancement of reform and opening up, more and more foreign capital enters the Chinese market, which has caused a certain impact on Chinese enterprises. The market competition is increasingly fierce. China's economic development is unbalanced, in some less developed areas enterprises may not be able to reasonably dispose of the limited redundant resources, which is not only a loss for enterprises but also a waste of limited resources. It can be seen that organizational redundancy and its configuration is a major issue that we need to explore, which is crucial for enterprises to improve their competitiveness and improve their performance in the competitive market environment.

At present, scholars have made some achievements in the research of organizational redundancy, but there are still some gaps in the research based on China's national conditions. Due to historical reasons, there are a lot of organizational redundancy in state-owned enterprises in China. However, in the context of the current economic transformation, our research perspective should not be limited to state-owned enterprises. This paper makes a two-dimensional classification of organizational redundancy, explores its influence on enterprise performance, and puts forward some valuable practical Suggestions.

2. Organizational Redundancy

Resource has been the focus of the researches on the organization and management, organization redundancy is a focus of attention of scholars put forward the redundant resources is to point to in the enterprise there is a surplus of available resources, it is defined as beyond deposited organization actual need of resources, including redundant personnel, unused funds and

unnecessary expenses such as excess investment and the development of all the opportunities [1], under the drastic change of the external environment, enterprise only reserve more available resources, to ensure the sustainable development of the enterprise; The existence of redundant resources can improve the ability of enterprises to adapt to the change of external environment, and the performance of enterprises can be improved by improving their competitiveness through reasonable allocation and efficient application.

According to relevant literature, according to different standards, organizational redundancy can be divided into various types. Sharfman (1988) can be divided into precipitation redundancy and non-precipitation redundancy according to liquidity and specificity. According to the degree of discretionary, it can be divided into cash resources with the highest discretionary degree and machinery and equipment with the lowest discretionary degree [2]. According to Fang (2009), organizational redundancy can be divided into material resource redundancy, human resource redundancy and relational resource redundancy [3]. Singh (1986) further distinguished the redundant resources into the absorbed redundancy which is difficult to use and the slack redundancy which is easy to be reused according to the existing state of redundancy in the organization, that is, whether it is absorbed by the production process of the organization [4]. Tan (2004) also pointed out in their study that the absorbed redundant resources refer to the resources in the organization that exceed the cost requirements and are not easy to redeploy, such as sales, management and general expenses and operating capital. Slack redundant resources refer to the resources with high management discrimination, such as cash and securities, that have not been put into use and are easy to be redeployed to other uses [5]. This two-dimensional classification method is widely accepted by scholars and is also the organization redundancy classification method adopted in this paper.

According to the resource-based view, the resources owned by enterprises are the source of competitive advantages for enterprises' sustainable development. When resources have more redundancy, slack gives the enterprise more decision-making freedom and improves the flexibility of strategic choice. When resources are scarce, existing absorbed redundancy can innovate and transform existing products and services to obtain short-term economic benefits. In general, the two-dimensional classification method of organizational redundancy can accurately summarize available resources and is widely recognized by scholars.

3. The Impact of Organizational Redundancy on Enterprise Performance

A large number of studies show that organizational redundancy has a certain effect on enterprise performance. Organizational redundancy not only provides the source of sustainable development for enterprises, but also alleviates the impact of external environment changes and improves the ability of enterprises to resist external risks. On the other hand, it can also improve the flexibility of corporate strategic choice, thus improving corporate performance. In this paper, the effects of absorbed and slack redundancy on enterprise performance are discussed by two-dimensional classification of organizational redundancy.

3.1 The Impact of Redundancy on Enterprise Performance Has been Absorbed

Absorbed redundancy refers to a kind of resource which exists in the production process of an enterprise and cannot be fully used by the enterprise. Firstly, the absorbed redundancy has been embedded in the production process of enterprises, which can be directly applied to specific situations. When the market demand increases, enterprises can respond in time to ensure the supply of products. Secondly, the absorption of redundancy is the guarantee of enterprise resources, enterprises are likely to use idle resources for product development and creation, to meet the market demand to a greater extent, improve the product competitiveness of enterprises, improve enterprise performance. Finally, for managers, when has absorbed are too many redundant, may tend to have a way of organization and management of the separation of powers, the weak enterprise internal management control, reduce the conflict between the various departments, make the team cooperation in the field of across different departments within the enterprise, at the same time, managers may also find a new idea of enterprise management, provides a bigger space for

enterprises to expand the current field, help enterprises to improve the scale and efficiency, improve the performance of enterprises [4].

3.2 The Impact of Slack Redundancy on Enterprise Performance

Slack redundancy mainly refers to a resource that is not currently in use but can be reconfigured by the enterprise without any constraints. It will have a certain positive impact on enterprise performance. First, since not absorb redundant without embedded operating system, can be arbitrary selection and configuration, can be used to promote the implementation of the strategy of enterprise r&d activities and innovation, the implementation of the strategy of enterprise innovation, not only can promote the development of the enterprise product diversification, also can improve the core competitiveness of enterprises, to achieve the effect of further improve market share, so as to improve business performance. Secondly, the existence of slack can bring a certain buffer to enterprises and help them avoid certain risks. The market environment is constantly changing. Only with more slack can the enterprise provide help when facing decisions, bring more strategic decision-making space to the enterprise, improve the flexibility of enterprise strategic choice, and lay a foundation for the improvement of enterprise performance [6]. Finally, for managers, slack redundancy can be easily converted into various forms of capital to invest in the operation of enterprises, which can not only support managers to allocate resources reasonably and effectively, but also provide resource guarantee for managers to explore and innovate. This has certain support function to the improvement of enterprise performance.

Through the analysis of relevant studies, we can see that the existing studies have not considered the Chinese context enough, and China is facing the test of institutional transformation. The impact of redundant resources on organizational innovation is likely to have different mechanisms in the Chinese context. In the study of the impact of redundant resources on enterprise performance, some other important variables, such as industrial factors and institutional factors, may be neglected. For example, the study of Daniel scholar found that the relationship between redundant resources and enterprise performance was affected by industry factors. After the industry was controlled, the relationship between the two showed a stronger positive relationship than when the industry was not controlled.

4. Conclusion

This paper expounds classification of organizational redundancy according to its characteristics in enterprises and discussion on the influence of absorbed and slack redundancy on enterprise performance. It has certain management enlightenment to the enterprises in the background of transition economy.

Organizational redundancy is ubiquitous in enterprises, and the allocation of redundant resources is a serious problem in front of every enterprise. As different types of organizational redundancy have differences in liquidity and discretion, for which they cannot be generalized, so enterprises need to make reasonable and effective allocation according to the characteristics of the organization. For the absorbed redundancy with low liquidity, the enterprise can seek for growth and breakthrough in related business fields, work hard on its existing products, improve product quality, and provide products that can meet the real market demand, in order to enhance the core competitiveness of the enterprise. Slack redundancy refers to the idle resources that are not embedded in the operation activities of an enterprise and are more flexible to use. The existence of slack redundancy can help enterprises to ease the conflicts caused by resource shortage among departments. At the same time, it can also provide resource support for enterprise system innovation and technological innovation, help enterprises grasp opportunities, so as to improve enterprise performance. Therefore, enterprises should improve their ability to reintegrate and rationally allocate idle resources, that can make full use of redundant resources. Enterprises should formulate a standardized investment decision system, standardize the process of investment decision, so as to achieve the optimal effect of investment decision. Enterprises should increase the proportion of independent directors on the board of directors and hire more excellent and competent professionals

to participate in the decision-making process of enterprise investment. At the same time, the supervision of the members of the board of supervisors should be strengthened, so as to reduce the investment decisions made by the members of the board of directors.

In addition, enterprises can also strengthen the implementation of executive equity incentive mechanism, so as to stimulate the ability of executives to rationally allocate idle resources. First of all, the existence of redundant resources will make executives feel satisfied, which will lead to the mentality of slack. Secondly, the existence of redundant resources will not produce value but will increase the storage cost and opportunity cost of the enterprise if the enterprise does not use the redundant resources in the integrated allocation. Therefore, it is necessary to implement incentive measures for senior management, stimulate the potential of senior management, and then reintegrate and rationally allocate idle funds of enterprises in order to realize the potential value of idle resources of enterprises. Equity incentive can stimulate senior executives' ability to utilize redundant resources to develop and innovate new products. So it can further enhance the positive impact of redundancy on enterprise performance. On the other hand, equity incentive can motivate senior executives to utilize absorbed redundant resources to carry out smart transformation of existing products, and inhibit the negative impact of precipitated redundancy on enterprise performance.

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