With the slowing sales growth in the United States and Europe due to the economic condition and market saturation, the PC companies are finding it increasingly difficult to support their R&D budgets and significant investment programs. Thus, in this environment, it is no surprise that Gateway will announce its plan to lay off one-quarter of its worldwide workforce, close manufacturing and support sites, and retreat from overseas market so as to concentrate on the US market. Although its Chief Executive Ted Waitt has promised that the company will become smaller and nimbler and therefore able to serve its customers better, history of the PC market has not proven that strategy as a path of sustainability. Restructuring typically includes downsizing, overhead reduction as well as process redesigning. Downsizing brings about an increase in productivity and is likely to benefit Gateway in the short term. This is because unlike Packard Bell, it has an efficient supply chain in that it sells directly to its consumers, allowing it to have better control of its business. Also, they are able to implement changes more rapidly should the need arises.

However, though restructuring has its benefits, it makes Gateway more vulnerable as well. It is more exposed to factors like consumer confidence than its larger competitors such as Dell Computer and Compaq Computer since most of its sales come from individuals and not from big corporations. Also, the company does not have anything to fall back on to supplement their earnings when PC sales are poor unlike Dell and Compaq which are able to subsidize the low profit from the PC business with things like servers, storage or software. In their restructuring plans, Gateway is also planning to close down its support centers which play an important role in providing customer satisfaction. With fewer of these centers around, it may be detrimental as customer service is likely to be affected adversely.

In addition, restructuring also brings about serious problems such as low employee morale and mistrust of management. Surveys have shown also that downsizing showed little improvement in profits and productivity in the long run. At best, it buys time. Restructuring in the form of downsizing will lead to disruptions in the workplace and employees' personal lives. Workers, whether they are retrenched or not, will feel stressed, frustrated, anxious and their morale will start to plummet. To the economy, the social costs of restructuring are high as many of the displaced workers are unable to find new jobs.

In order to lessen the negative effects brought about by downsizing, managers need to take an active role in keeping the survivors (those who are not laid off) informed of the organization's new goals and expectations, how their jobs might change and what the future holds for them. Downsizing efforts can be used to implement increased employee participation programs such as empowerment, self-managed work teams and mentoring. The HR department should take on the challenge of helping to change the historical mindset of Gateway's employees from passive workers into empowered decision makers. Compensation programs such as the employee stock ownership plan could also be employed to increase employee satisfaction and work motivation, knowing that they will have a share in any gains and losses.

Gateway, in order to maintain its competitive edge over its rivals, has to build on its competencies and create the markets of the future. Getting smaller is not sufficient, they should move on to reengineer their processes. Regenerating aims to root out needless work and get every process in the company pointed in the direction of customer satisfaction, reduced cycle time, and total quality. Gateway must take advantage of its 300 Country Stores by finding a way to increase consumer and small business traffic, otherwise the stores will end up being unprofitable. They can seek to provide high customer interaction which Gateway has yet to realize its potential in this aspect. It has made plans to provide a variety of PC related products and services pertaining to hardware, software, Internet access, financing etc. In reengineering, managers in Gateway will have to constantly question themselves on how to improve the work processes and produce goods of excellent quality. Unlike restructuring which only helps a company get smaller, reengineering is able to make the company much better and healthier than before.

In my opinion, getting smaller, better and faster is still not enough. A company like Gateway must be capable of reconceiving itself, regenerating its core strategies, and reinventing its industry. In other words, it must be capable of being different from others. In order to do so, it must be innovative and come up with new products consistently. Gateway should continue to invest in the training and development of their staff so that their knowledge remains current. Diversity of opinions should be encouraged within the company. Cross-functional teams, task forces and other such organizational designs are one of the main characteristics of innovative organizations which facilitate interaction across departments. In order to obtain the changing and varied skill requirements in the new economy, Gateway can form strategic alliances. These alliances may be short or long-term, but each will involve the transfer of key skills while protecting its vital interests.

Gateway has announced its intention to diversify into six business units, namely, hardware, communications, applications, learning, financing and services. The diversified company is more than a set of loosely connected business units. It is the sum of its core skills or competencies. These may include an understanding of technologies, the level of collective learning within an organization, and its ability to share and receive knowledge.

Managers must learn to utilize information from new groupings of technologies or "knowledge streams". This new environment may require managers to assess a situation from a different perspective. Teams from disparate cultures must learn to understand one another and work together. Skill and knowledge transfers need to take place rapidly in this shifting and uncertain world today, thus managers will have to closely monitor the situation and to proactively build up the competencies that is required for survival.

Gateway's success in the future will rely on how efficient the management can combine restructuring efforts with reengineering and innovation, as well as to energize the company's top-to-bottom for what may be an arduous journey towards the future so as to stay ahead of its rivals. Although the emerging economy that will dominate in time to come will be filled with discontinuities, Gateway, being the sixth largest PC vendor in the world, still remains a formidable force in the PC industry today.