

# LHAG INSIGHTS

## EMPLOYMENT & INDUSTRIAL RELATIONS

16 MARCH 2026

### RESTRUCTURING, REPORTING LINES & MANAGERIAL PREROGATIVE

by Shariffullah Majeed & Arissa Ahrom

*YONG MENG YUEN v SYARIKAT TAKAFUL MALAYSIA  
BERHAD*  
(Award No.: 261 of 2026)

The ultimate objective of a business restructuring is to create a more agile and competitive organisation that is better positioned to respond to the demands of an increasingly dynamic business environment. A business 'restructuring' generally refers to a company's organisational structure with the aim of improving operational efficiency, adapting to evolving market conditions, or addressing financial and operational challenges. The primary purpose of such a restructuring exercise is to enhance the organisation's long-term sustainability and prospects for continued success.

It is trite industrial relations jurisprudence that an employer has the inherent right to organise its business in the manner which it considers best. This means that employers have an implied right to restructure business operations, including to transfer or redesignate its employees, so long as the exercise is not actuated with improper motive.

# LH AG

## KEY LAWYERS

**SHARIFFULLAH MAJEED**  
Partner  
[sha@lh-ag.com](mailto:sha@lh-ag.com)



**ARISSA AHROM**  
Partner  
[aa@lh-ag.com](mailto:aa@lh-ag.com)



The courts will not interfere when such prerogatives are exercised in good faith for legitimate business reasons, unless it can be proven that such reorganisation was done *mala fide* or without a valid reason, or was actuated by motives of victimisation or unfair labour practice.

The Claimant in this case held the position of Senior Manager, Project Management Office (“**PMO**”) Unit in the Company’s Information Technology (“**IT**”) Division. In June 2023, the Company restructured its IT Division for the purpose of operational and business efficacy. The PMO functions were placed under the IT Applications Department, headed by a Deputy General Manager. As a result, the Claimant’s reporting line changed from the Chief Technology Officer to the Deputy General Manager. A formal Notice of Restructuring & Change in Reporting Line was issued in July 2023 to the Claimant, enclosing an updated job description and the same was signed by the Claimant without any protest.

Subsequently, the Claimant contended that the restructuring resulted in a demotion and reduction in his role, as his subordinates were removed and his responsibilities were reduced. According to him, the restructuring was also implemented without proper consultation or official announcement. The Claimant further alleged that the Company had ignored his grievances and attempted to pressure him to leave through a Mutual Separation Scheme (“**MSS**”). As a result, he asserted that the Company’s conduct amounted to a fundamental breach of his contract of employment, entitling him to treat himself as constructively dismissed.

The Company denied that the Claimant had been dismissed and maintained that the restructuring was a legitimate exercise of managerial prerogative undertaken for operational efficiency. The Company emphasised that the restructuring affected not only the Claimant, but the entire PMO team and that the Claimant’s designation, salary, seniority, and employment benefits remained unchanged. Further, the MSS had only been offered to the Claimant after he himself asked that the Company consider offering the same to him.

In dismissing the Claimant’s constructive dismissal claim, the Industrial Court applied the trite “contract test” which places the burden on the employee claiming constructive dismissal to prove that the employer had committed a fundamental breach going to the root of the employment contract. The Industrial Court, held among others, that:

- (a) The change in reporting line from the Chief Technology Officer to the Deputy General Manager did not constitute a breach of contract, particularly where the employment contract expressly permitted such changes.
- (b) The Claimant failed to prove that he had been placed in a reduced role, as the revised job description continued to require him to lead and manage projects.
- (c) The removal of subordinates did not amount to a fundamental breach as the Claimant was not contractually entitled to have subordinates reporting to him.

(d) The Company's restructuring exercise fell within its managerial prerogative, and there was no evidence of mala fide or victimisation.

The Claimant had also delayed more than two months before (e) treating himself as constructively dismissed, which indicated that he had effectively accepted the restructuring.

This decision reaffirms the principle that organisational restructuring and changes in reporting lines generally fall within an employer's managerial prerogative, provided that such changes do not fundamentally alter the employee's contractual terms or constitute mala fide conduct. It further reinforces the principle that a change in reporting line, without more, does not constitute a valid basis for constructive dismissal claims and the courts will not lightly interfere with bona fide restructuring exercises. Nevertheless, it remains crucial that employment contracts clearly articulate the employer's managerial prerogatives, including the right to transfer, redesignate, restructure roles, and vary reporting lines, in order to minimise potential disputes arising from the exercise of such prerogatives.

The Company was represented in the Industrial Court by partners Shariffullah Majeed, and Arissa Ahrom, of Lee Hishammuddin Allen & Gledhill.

The Industrial Court Award may be found [here](#).

*If you have any queries, please contact **Shariffullah Majeed** (sha@lh-ag.com) or **Arissa Ahrom** (aa@lh-ag.com).*

#### Head Office

Level 6, Menara 1 Dutamas  
Solaris Dutamas  
No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Malaysia  
Tel: +603 6208 5888  
Fax: +603 6201 0122

#### Johor Office

Suite 21.01  
21st Floor, Public Bank Tower  
No.19, Jalan Wong Ah Fook  
80000 Johor Bahru, Johor  
Tel: +607 278 3833  
Fax: +607 278 2833

#### Penang Office

51-12-E, Menara BHL Bank,  
Jalan Sultan Ahmad Shah,  
10050 Penang  
Tel: +604 299 9668  
Fax: +604 299 9628

#### Email

[enquiry@lh-ag.com](mailto:enquiry@lh-ag.com)

#### Website

[www.lh-ag.com](http://www.lh-ag.com)

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