Dealing with the ‘new normal’

Restructuring webinar

April 9th 2020

Introduction

Restructuring

- **Restructuring is a pro-active approach to dealing with changing circumstances**
- Because it means changing how a business operates, it covers a huge range of topics (or rabbit holes we could go down), all of which deserve their own separate discussion and which we will not pursue today, but they include:
  - Organisational design
  - Change management
  - Use of technology and digital
  - Tools and approaches for increasing productivity
  - Merging or acquiring new businesses
- Data suggests that success rates are too low
- Today we will talk about how to sway the odds towards success using six 'killer' lessons we have learned from carrying out hundreds of such assignments over the years in multiple sectors.

Killer points

50 years of experience boiled down to six 'killer' points

Before we start, there is no one right way to restructure – it is far too complex for that. Not the same as following a recipe, but more like a series of exam questions

1 **Get the teams right. Management and implementation teams need careful construction and guidance.** A restructuring is 'above and beyond' the day job and will stretch people. Executive teams will rarely have the full set of skills needed for restructuring without some help, either external or from a more experienced colleague. Make sure there is sufficient bandwidth

2 **Sound decision making needs robust data**. Much of the data you will need will not yet exist and will need to be created as you go. This takes time and can easily become a bottle-neck derailing the project.

3 **Lesson from 2008/09 is don't wait for 'things to return to normal' before reacting.** Get scenarios modelled now and implement as soon as it is sensible

4 **Accountability for success comes from a detailed plan and proper controls.** Without sufficient granularity of the actions needed, a detailed programme, and the management skills to control progress on a short interval basis, it's unlikely there will be clear accountability for results and deadlines, leading to sub optimal results

5 **Strong and clear leadership is critical**. It is a political role as much as a business one

6 **Involve, engage and communicate with the wider business**. It is difficult to communicate too much, but you also need to be saying the right things:

- Explain the narrative - why this is needed and the consequences of not doing it
- Keep the message upbeat and positive whenever possible and aim to take with you all those who will be remaining in the business with an appropriate level of engagement

Clarity before you start

1 Have an idea of what 'the answer' needs to be. 'If you don't know where you're going any road will do'.

- Clarity means you should be able to start with the answer. It's not enough to say the objective is to 'cut costs' and then wait to see what a subsequent review might find. You need to know by how much, and to have thought through the broader change requirements
  - **'The answer' is not a fully detailed description of everything needed but it sets out the broad framework of the sort of business you want.**
- Don't forget to include such things as:
  - What sort of culture do you want to create or reinforce?
  - To what degree do you want to emphasise team working or remote working?
  - Do you want a product focused or a customer focused business?
  - Are there structural concerns that you must deal with, such as confused or weak accountability?
  - Are there issues that have nagged for a while, such as the inability to hit certain key indicators?
- You may be unclear on some of these broader thoughts when you start but you will need to clarify them before you can arrive at your 'answer'. A facilitated workshop is a good way to achieve consensus on these topics and arrive at your 'answer'

Diagnostic phase

2 Avoid getting lost in the weeds - start macro before you go micro

- **This follows on from clarity**. Before digging into the detail about what each function does, with how many people, based where and how well they do it - stand back, look at the big picture and consider what prima facie opportunities exist:
  - to relocate entire operations or individual functions (to lower cost areas, areas with more expertise or growth potential)
  - to identify activity that could be consolidated into larger more effective groups (shared services)
  - to identify operations which are non-core or unprofitable and which should (probably) be closed
  - to rationalise the customer base and product range for the same reasons as above
  - to identify operations or branches which have growth potential and need investment or expansion
  - to address obvious structural outliers such as small spans of control, multiple managerial layers
  - to determine where you want to measure profit in the future (create new profit centres or cost centres)

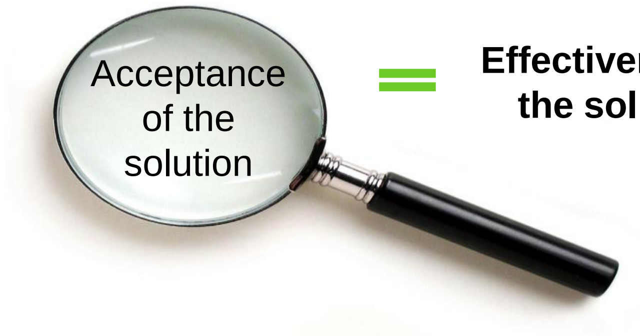
- This will produce obvious areas of useful investigation and should include a full review of the footprint of the organisation. What activities are carried out in each location, what stock is held there, what is the profitability of the site and of each product or service provided?
  - This may require some 'quick and dirty' P&Ls to be compiled – don't forget the resources needed…
- Look for anomalies and investigate. How can site A produce a widget for 80% of site B's cost? Why does site C have eight weeks' stock compared to site D which has three weeks? Why does warehouse E have a better pick-rate than F? And so on.

Development phase

3 Collaboration on the solutions makes the implementation so much easier

- There may be a tendency (owing to the potentially explosive nature of the work) to be secretive about what the programme is pointing to
- While there are always some elements that must remain confidential, generally speaking, taking the time to share the findings as they evolve and to engage with as many managers as possible throughout the diagnostic and development phases will improve the quality of the proposals and reduce resistance to the changes when they are implemented
- This engagement must be part and parcel of the programme plan and be treated with as much importance as the doing of the work itself

Quality of the solution ×



= **Effectiveness of the solution**

> **The ideal is for the managers to feel as though they have been the authors of the changes**

- The managers responsible for implementing the changes (in addition to the ones who have designed the changes) should be asked to sign those changes off. This ensures that they are paying close attention, ties them into the next phase and flushes out any remaining concerns that must be dealt with

Q&A

Home truths: Some insights drawn from fifty years of management consulting

Physicists hold on to a number of ‘universal constants’. They are fixed and reliable – things that you can build on. Collinson Grant’s ‘Home Truths’ provide a similar sound platform for businesses and the world of work. First derived in the late 1980s and building on our direct observations of how companies are run and how managers behave, they attempt to capture some dependable thinking on management, profit, costs and people.

1 Profit should always be the first charge against sales. This determines the costs that the business can afford

2 Any business that does not constantly emphasise profit will ultimately make a loss

3 Any organisation, system, procedure or individual left undisturbed for three years will become inefficient

4 Managers should treat all overhead costs as variable. If volumes fall, overheads should be cut

5 People tend to elaborate rather than simplify their work

6 Human resources functions (tend to) cluster on tasks that have a minimal impact on profitability

7 Any activity managed only on technical criteria will be unprofitable

8 The optional extras demanded by people can double the costs and timescale for any development

Home Truths are neither universal nor exhaustive. They were used in early managerial briefings for senior executives at Hanson plc