

Strategy Implementation Insights

Chapter 11 / Version 2.0

April 2008

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STRATEGIC RESTRUCTURING . . . ENGAGING SURVIVORS

The headlines are once again filled with news of large layoffs and downsizing. We continue to find that many CEOs and other senior officers are disappointed by their lack of success:

- recovering quickly from layoffs and restructuring announcements,
- achieving the improved levels of productivity essential for strategic success, and
- anticipating and mitigating implementation risks.

Background . . . Years ago, we hypothesized that the dramatic, post-layoff decreases in revenue and productivity that seemed prevalent in downsizing initiatives could be more effectively anticipated and mitigated. In our search for answers, we launched a broad review of post-layoff and post-trauma productivity.

One aspect of our analysis involved studying the lessons learned dealing with survivors from earthquakes, plane crashes, and school and workplace shootings. The tragedies following 9/11 and Hurricane Katrina were stark reminders that reinforced the earlier lessons learned. It is clear that **survivor syndrome** is real and directly applicable in “corporate disasters” involving layoffs and, restructuring.

Today . . . Based on our experience and ongoing research, we urge that our clients act decisively in layoff and restructuring initiatives by taking five, high-impact action steps that are described on the following pages.

1. *Respect Survivors*

Survivors are THE priceless resource in layoffs and restructuring initiatives. They should be the focal point for planning and action. Re-recruit survivors into the restructured enterprise.

- Collaborate with and involve those who are expected to be survivors as early as possible. Engage them in launching the restructured enterprise.
- Involve survivors who are willing and able, in the days before, during, and following the layoff announcement, to help plan and implement a dignified exit process for the departing people.
- Encourage survivors to help those exiting, on the day they exit and later, during their search for new positions.

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Strategic Restructurings

Restructurings that are based on strategic objectives – and not just expense objectives – are, in our experience, more likely to provide lasting value.

Strategic restructurings often pose an added complexity. The surviving professionals may need to develop new competencies and do things differently to create the “new” organization the strategy envisions.

Knowledge Management

Effective knowledge management processes, tools, technologies, and databases can prepare a company for the inevitable loss of institutional knowledge and insights during restructuring. In addition, knowledge management can be a catalyst for growth.

While knowledge management practices are valuable in encouraging learning about processes, practices, and priorities, it is important to ensure your new organization does not learn – or proliferate – outdated or unnecessary processes, practices, and priorities.

In our experience, those that survive layoff and restructuring initiatives have at least five concerns that should be anticipated and addressed early, effectively, and persistently:

- “How can I carry-on? How can I face my friends who have been laid-off or demoted?”
- “Why not me? Will I be let go in the next wave?”
- “How can I possibly do a good job and carry the workload of my laid-off friends and colleagues? Who will listen to my concerns?”
- “Did management respect those exiting? Should I assume management will treat me in the same way?”
- “How can I trust the managers who caused the layoff? Will it happen again?”

Many survivors have a significant bond with those exiting. Often the survivors have lost some of their closest and most trusted friends. For example, in one client’s downsizing, one spouse exited and the other survived. Both were senior managers.

2. Focus on Strategy – Be Positive and Emphatic

Downsizing should be strategic, and it is important to plan and implement it in a strategic context.

Downsizing, like surgery, is painful – but often life saving. It should enable investments in new products, markets, technology, talent, and partnerships . . . in the assets essential to the new company’s competitive superiority and sustainable success.

Be certain downsizing and all large-scale change:

- is meticulously designed,
- is adequately financed, and
- features aggressive and carefully designed communication with employees, board members, customers, investors, and partners.

Your strategy and implementation plan need to address the issues that your organization feels caused the need for such dramatic change and restructuring. Then, be certain your stakeholders can be confident those issues will be effectively mitigated through the steps that are being taken.

The message . . . “Downsizing and restructuring are strategic changes essential to our new company’s success in the fast-changing, global economy.”

3. Communicate Effectively – Be Realistic, Tenacious, and Speak the Truth

Assign your best communications professionals to the restructuring initiative. Insist that they segment the diverse and often multilingual and multicultural audiences in planning the communications campaign. The communications professionals will then be properly prepared to begin to tailor your messages, and the medium, to the unique needs of each of your many internal and external audiences.

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This version of *Strategy Implementation Insights* updates an earlier version of Chapter 11 that we published in January 2003, titled “Restructuring . . . Respect Survivors.” It had been developed as our response to a request from *The Wall Street Journal* for creative, pragmatic, and cost effective ways to plan, lead, and manage restructuring, downsizing, and layoffs.

We developed this version 2.0 to update lessons learned in the intervening years regarding the importance of re-engaging survivors during strategic restructuring.

We look forward to sharing our lessons learned in more detail.

We welcome your suggestions, thoughts, questions, and concerns related to respecting survivors while implementing large-scale change.

Please contact Sharon Carrigan, *Insights* Editor, and Vice President, Communications at sec@implementstrategy.com or 203.801.5002.

Design your messages thoughtfully, then employ every affordable medium early, daily, tenaciously, and tirelessly – 24/7. Include town meetings, videos, interactive Web sites and CDs, letters, small and large group briefings, discussion groups, one-on-one meals, and off-hour get-togethers.

Our thirty-five-plus years partnering with clients worldwide in strategy design and implementation has demonstrated . . . adults remember less than 10% of what is initially communicated.

The real retention rate, in today’s e-mail, voice mail, and global conference-call world, is likely far less. If audiences *hear* less than 10% of what was meant to be communicated . . . do they *retain* the first 5% of your message or the last 3%? Are key audiences remembering only one random idea that is important to them?

Your board members, employees, customers, investors, and partners want to understand the reasons for the layoffs and how it affects them personally. They will understand – but not after the first or second explanation. Be patient, creative, and consistent in your restructuring messages.

4. Communicate Visually – Not Just Verbally

Words alone are not sufficient to effectively communicate complex strategic and organization changes to diverse sets of stakeholders. People will interpret words and create subjective visions about what they mean. Inevitably, different people will have different ideas of what the future holds.

Whether a picture, storyboard, or physical model, the visual representation of the current state and end result is a tool that can be used to communicate progress and value. Through a tool we call Concept Visualization, changes are depicted in a context of time and budget, linking the present state with the future state. A variety of “layers” should address strategic changes in people, dollars, functions, geography, and other significant metrics.

It will be important for all stakeholders to be able to see where they are depicted in the visualization and to understand their role in implementing change.

5. Trust, Build Trust, and Engage All Survivors – From Board Members to Hourly Employees

Trust, once lost, is slow and difficult to rebuild.

Be certain to engage ALL survivors at the earliest possible moment – and before any public announcement. Employees, customers, directors, investors, and partners need to understand the facts, rationale, and implications of the announced initiatives, and they typically do not have access to the CEO.

Most audiences have access only to their supervisor or sales representative, who must be informed and articulate . . . and trusted to be on board to address fears honestly, rebuild cohesiveness, and re-recruit survivors to the vision of the new, post-layoff company.

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INSIGHTS

We publish *Strategy Implementation Insights* periodically to encourage dialogue on strategy implementation effectiveness.

We invest in developing and publishing *Insights* chapters to share the lessons we learn during consulting engagements, supplemented by our ongoing research.

Our readers are encouraged to pass this *Insights* chapter along to others, or contact us for additional copies.

Please visit our Web site at www.implementstrategy.com for other chapters of *Strategy Implementation Insights*, and the sites for our sister firms: www.bepartners.com and www.ciogroup.net.



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Our Firms

McCreight & Company, Inc. partners with clients worldwide, helping to ensure their competitive superiority, designing and guiding the implementation of sound and sustainable strategy. Our unique consulting and operating experience evolved while partnering with many of the world’s most respected leaders and most dynamic organizations. Our capabilities are further enhanced by our two sister firms – Board Effectiveness Partners and the CIO Group.

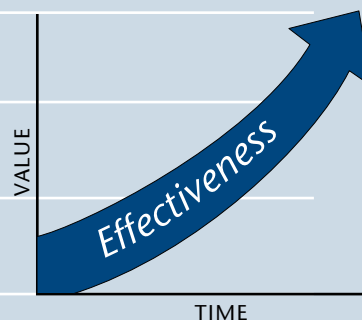
How We Add Value

Analyze and refine strategy

Define implementation initiatives with timelines and milestones

Define implementation roles, accountability, and resources

Monitor implementation progress and identify and help mitigate roadblocks



Our Goal

Our goal is to ensure strategy is sound, sustainable, scalable, and successfully implemented, on-time, on-target, and on-budget. We partner with clients in designing and implementing strategic change, including: global growth, leadership transitions, board and director effectiveness, business restructurings, new business launches, mergers, acquisitions, joint ventures, and alliance partnerships.

Industry Competencies

- Aerospace
- Foundations
- Life Sciences
- Automotive
- Information & Media
- Professional Services
- Defense
- Intelligence
- Technology

Our Chairman

JOHN MCCREIGHT has devoted over 35 years to consulting and partnering with CEOs, senior management, boards, and investors, defining and implementing large-scale strategic change. Mr. McCreight leads every engagement and is professionally involved on site.

Alliance Partners

Each strategy implementation engagement is unique in terms of our client’s needs, our response, and the consulting competencies and professionals involved. McCreight & Company nurtures relationships with over 100 alliance partners worldwide. They strengthen our capacity to ensure our client’s success. Our alliance partners exemplify preeminence in their fields and complement our core competencies.

Research & Operations Center (ROC)

Our ROC professionals are linked globally to our clients, alliance partners, industry experts, and the academic community. We focus daily on monitoring facts, opinions, successes, disappointments, lessons learned, and emerging best practices in many areas, including board and director effectiveness, information and technology, and the issues and challenges that impact strategy development and implementation.