

# Managing for growth through a downturn

By Michael K. Brush, COREinternational inc.

With the recession in full swing, daily announcements of job cuts have become the norm. As the economic downturn continues with no end in sight, companies continue to look for ways to cut costs—often by cutting the workforce. Cutting costs is critical to survival, but the downturn also provides a great opportunity to invest in the future by realigning the organization in preparation for the recovery. Investing in the future does not necessarily mean increased spending; managers have more time available during off-peak periods, so a downturn is the perfect time to increase their focus on planning and development work. It is also a time to (re)build employee commitment and engagement and position the business for growth.

Eliminating jobs nearly always has a negative impact on the work environment. People look over their shoulders, waiting for the axe to drop; people feel guilty that they “survived” when colleagues have lost their jobs; work grinds to a halt or productivity slows as people try to figure out how they are going to get work done in the new reality. Under these conditions one might ask, “Why would anyone add risk to the business by reviewing and potentially changing the organization structure?” The short answer is that there is no better time to do so. Getting clear on the direction and engaging employees in preparing for a brighter future will help employees and managers overcome the downturn and significantly increase productivity. Undertaking restructuring in a thoughtful way leads to simultaneous cost reduction and improved effectiveness.

## ***Form follows function***

The first step is for senior management to be clear on strategy—where the business is going in the short and longer term. The first principle of organization design is “form follows function”—in other words, strategy guides the organization structure. It is wise to downsize in areas where

there is no work today, but it is equally wise to factor in future work and ensure the company is equipped to address opportunities as business picks up. Be prepared to invest time in clarifying work and roles with a planning and development horizon that matches the expected length of the downturn. In this way you will be ready to meet customer demand as the recovery begins.

## ***Leadership counts***

Reviewing the strategy and redesigning work and roles is an important initiative that requires strong employee support. To gain that support, senior leaders must clearly communicate what they are trying to achieve, actively demonstrate commitment to the initiative, and stay the course. Leaders will benefit immensely during this time of turmoil if they share the strategy, including business goals and required improvements in the work environment, and provide their teams with the information needed to improve the business.

Leaders should include organization design outcomes in their planning process and identify what they expect the organization to deliver. The desired outcomes, combined with the strategy, guide the redistribution of work across the organization.

## ***Maintaining employee engagement***

Employees usually have a wealth of data about business issues and potential solutions. The leadership team can help employees become part of the solution by collecting data as input to the organization structure redesign. Employees who are part of the solution don't lose momentum. Leaders can further engage employees—and create the impetus for change—by sharing their research findings, demonstrating how that information relates to the strategy and changes in organization structure, and explaining what decisions have been made as a result of employee input.

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Employees must understand the effect of those decisions on work and roles, and be involved in implementing the changes that affect them—for example by working with their managers to flesh out new role accountabilities aligned to strategy and company realities.

Once people are clear on their work, further progress will be achieved by ensuring role relationships are understood within departments and between all areas of the business.

### ***Delivering results***

A number of companies have prospered through reviewing their organization structure and adjusting it for better alignment to strategy:

- In one financial institution's national operations group, the senior team used a redesign approach to deliver operational consistency and improvement. The initiative resulted in an initial \$7 million cost savings while increasing employee

engagement scores by 6 percent to the highest level in the company.

- In a second company, restructuring efforts resulted in achievement of their year 4 plan in year 1 while also gaining a 4-point improvement in employee engagement.
- A third company used the structure change as a platform for rapid growth, tripling revenue over a 5-year period.

### ***The simple truth***

A downturn and the resulting cost cutting can be de-motivating for any organization. However, as demonstrated by the examples above, it can also provide the opportunity to move a company to new heights. Making effective use of people in roles with a longer-term planning horizon, and engaging employees in aligning the organization structure to the strategy can provide a solid platform for future growth and success.

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### **Michael Brush**

As a partner with COREinternational inc, Michael Brush has worked with several companies that have prospered through a downturn. For more information on how your company can make the best use of its resources to survive or even surmount the current economic climate, call (416) 977-2673 ext 13.