



HUW THOMAS

LEAD RE-ORGANISATION WITHOUT THE CONFUSION, DISILLUSION AND PRODUCTIVITY LOSS

A guide to help senior executives focus on what creates lasting value, as they navigate their people through the sensitive process of re-organisation.

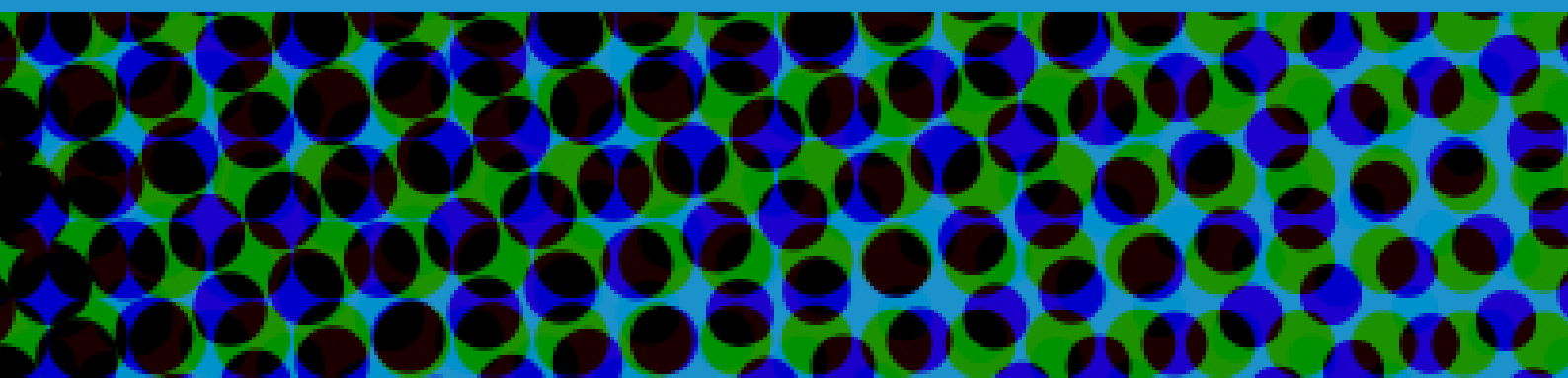


M&A INTEGRATION | RIGHT-SIZING | DIGITAL TRANSFORMATION TURNAROUND | DOWN- SIZING | MACHINERY OF GOVERNMENT

Whatever is driving your need for reorganisation, following this guide will ensure your people remain productive, committed and delivering the benefits of your initiative, throughout the transition and beyond.



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EXECUTIVE SUMMARY

Periodic re-organisation is a normal, valuable exercise for organisations of all sizes, while merger or acquisition is also a common growth strategy, usually necessitating re-organisation to extract benefits.

But even the most well-thought-out re-design or M&A integration program can have its benefits eroded by poor leadership during execution.



INTRODUCTION

All transformational organisational change risks confusion and disruptive stress but re-org is the kingpin when it comes to emotional sensitivity, talent and operational risk.

This is why success comes down to the effectiveness of leadership during planning and execution of the initiative.

Lost productivity, disengaged employees and unplanned workforce turnover can catapult your re-org into net negative territory, as employees lose faith in leaders and where they think the organisation is heading.

While you may arrive at the target state eventually, the losses during execution may make everyone wish it never happened.

This article outlines how to mitigate the operational risks and ensure the target outcomes are realised, when leading your re-org.

SETTING UP FOR SUCCESS

Organisational design is like your personal health. Without routine check-ups and fine-tuning, you may eventually need major surgery.

Re-org driven by short-term cost-minimisation, rather than long-term strategic necessity, may be necessary for reasons beyond management control. For example, a sudden global economic shock that risks insolvency. Long-term goals lose relevance when faced with short-term extinction. While you can't expect enthusiastic employee support in this scenario, you can at least aim for acceptance (assuming people are read the news).

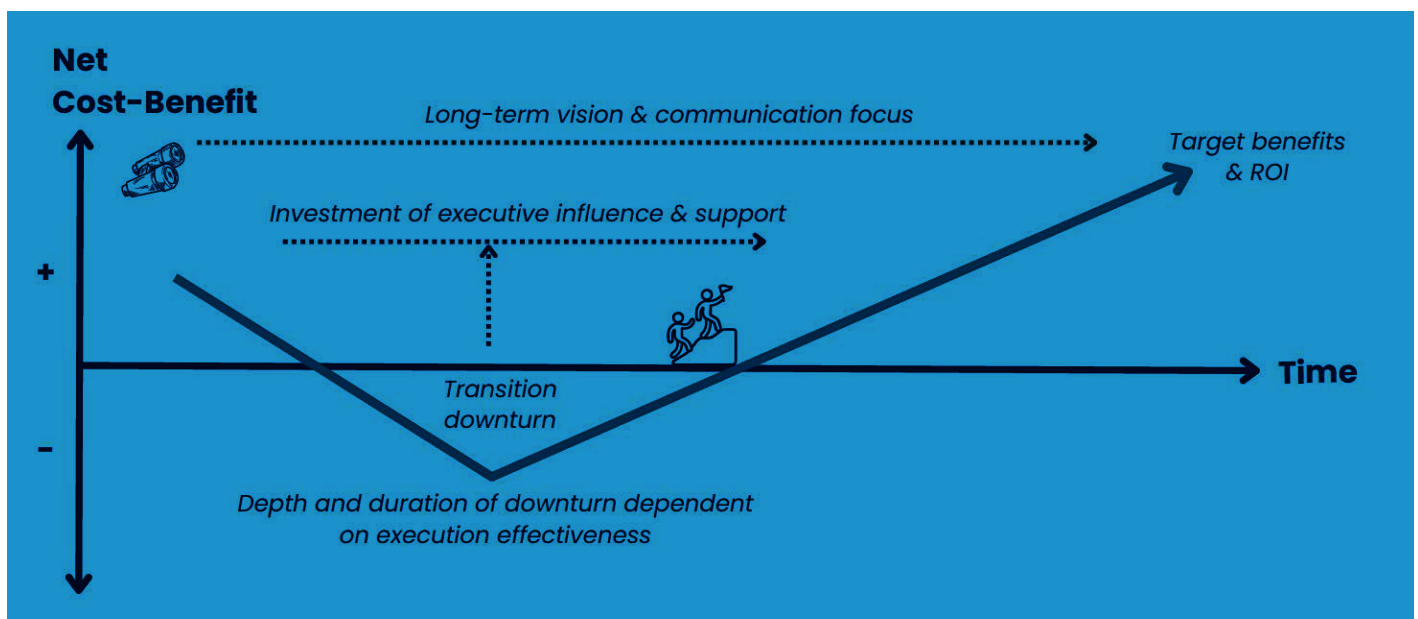
However, if your re-org rationale is not linked to a long-term strategic goal or an externally driven crisis, then short-term cost-saving alone will be a hard-sell for employees and other stakeholders.

Think & communicate short, medium and long-term

You may think employees should simply adopt a commercial mindset and accept the necessity of cost-reduction. But this is wishful thinking and won't mitigate the risks associated with losing employee support, which I'll discuss further.

When re-organisation is decided and perceived as being necessary for the realisation of an attractive strategic vision, employee support is more likely. When re-organising, executives need to be clear in their long-term, strategic thinking and lead their people through the process with clarity and empathy.

The ROI of effective execution leadership during re-org.



KNOW THE WHY AND THE HOW

Many re-organisations fall short due to lack of strategic clarity. That is, why the re-org must take place and what success looks like.

It is important to be clear on the details before even determining if re-organisation is the right path. This includes a proper business case identifying all costs, benefits, risks and how it supports or limits other strategic goals.

This is essential to determine whether to proceed or not. It is also to help your leaders explain the target outcomes and what everyone in the organisation should be looking to achieve as a result of the effort.



Fall Short

80%

80% of re-organisations fail to deliver the hoped-for value in the time planned.

Cause Real Damage

10%

The portion that cause lasting damage.

Set Detailed Goals

15%

The portion of executives who set detailed business objectives for their re-org.

Just for 'Shake up'

17%

The portion of re-org execute for the sole purpose of a new executive's entrance.

As the decision-makers, if you haven't convinced yourselves of the case for the change effort, you will have a hard time convincing others.



SETTING UP FOR SUCCESS

Category	Rationale Description	Objective
Digital Transformation	To meet the needs of market disruption such as consumer preferences for digital channels or the implementation of new operational technology	Reinforce & sustain new business model
Turnaround/Downsize	Urgent reduction in operational costs or sale of assets may be necessary to avoid insolvency	Survival
Right size	To consciously align the structure and operating model to market size or new strategic goals	Org effectiveness and cost-saving
Reduce Bureaucracy	To regain executive control after managers create unnecessary fiefdoms and bureaucratic layers	Cost-efficiency & org effectiveness
Legal and Regulatory Compliance	Litigation or growing governance expectations mean creating new operating models to mitigate operational risk and breaches	Reduce operational risk
Post-M&A Integration	To leverage M&A benefits such as rationalising shared service or leveraging acquired channels and assets to improve competitive position	Leverage new assets and scale
Machinery of Government	To align a government agency to re-arranged ministerial portfolios or new policy priorities following election of a new government	Efficient service delivery & match government needs



DEFINE DONE

The ideal duration of your re-organisation is as quickly as possible. The actual duration is almost certainly longer.

The actual duration is as long as it takes for your people to generate the agreed outcomes and success metrics.

Given the distraction from core business, you should aim to complete your re-org as quickly as possible. However, you might find it takes longer than you'd hope.

Regardless of your plan, completion should be defined by when your agreed target outcomes and metrics. The key dependency for this which is often neglected, is the point at which your employees:

1. Understand and support the re-org purpose, outcomes and rationale.
2. Are equipped with the knowledge and tools to perform in the new organisation.
3. Are retained, committed and working towards achievement of the target outcomes.



There are various milestones at which some leaders hope the re-org is complete:

1. Designed the org-chart.
2. Analysed how people will operate.
3. Everyone assigned their new role
4. Declared 'Day One' of the new entity.
5. All the financial and non-financial benefits of the merger have been captured.

The first four points above require the most significant, costly investment of time and resources but point 5 should be the ultimate goal. It is the hardest to achieve and requires committed follow-through but it must be the priority. Otherwise, why do even start?

Achievement of the benefits, or at the very least, being in a position where achievement of the benefits is almost assured, should be your definition of complete.

If you never reach that point, accept it as a failure, learn from it and consider what further changes could yield value in future.

LEADING RE-ORG EXECUTION

Once costs, benefits and schedule of activities are in place, it's time to move into execution. This is the point where executives leaders and the project team need to get the broader organisation on board and marching in the same new direction at once. This section focuses on what should be prioritised during execution, to ensure employee understanding, support and the ability to realise the benefits.

1. Learn from History

Chances are your organisation has re-organised before. If you weren't around, find out from others what went well and what didn't. Your people may be scarred. Providing reassurance that this time will be different will alleviate concerns, as long as you then walk-the-talk.

While not common, a standardised re-org methodology is preferable in mature organisations where M&A is part of the strategy or where regular re-org is the norm.

Capture the lessons from last time and consider developing a re-usable re-org methodology for next time. This article as a handy starting point.

2. Sustain your Vision

Re-organisation causes upheaval, emotionally and practically. To acquire a desire to push through the pain, people must be convinced there is a captivating future beyond the strain.

If you trumpet immediate benefits, when people see and feel otherwise, you'll lose credibility.

On the other hand, when you shine a light on a realistic and inspiring longer-term vision (1-3 years), you're more likely to gain buy-in. This fosters patience through the uncertainty and messiness and greater commitment to work through the details until the re-org delivers value.

3. Explain the story

Research shows stories are 22 times more likely to be remembered than facts alone. They help us make sense of complexity. In the literary world, all stories follow a similar basic structure:

Act One – set the scene (context, how we arrived here).

Act Two – the challenge, the conflict (what actually happens).

Act Three – the climactic resolution (meaning and purpose).

In a movie or book, Act Two absorbs the most pages or screen time. But without the context upfront or a resolutory conclusion, the body of the story would be impossible to understand and feel pointless.

Re-orgs are similar. People will spend inordinate time thinking about the challenge at hand. As leaders, it is important to remind everyone of the context and what lies beyond the challenge, when we succeed – acts one and three.

Another way to frame your story is through Joseph Campbell's concept of the Hero's Journey. Here you're essentially laying out a call-to-action for your employees to embark on a heroic mission beyond their comfort zone and despite fears of the challenge. While they



Like it or not, your people have a great deal of power. Harness that power for good or watch it explode as it dashes out the emergency exit.

4. Track people metrics

It's likely you know the business metric shift you want from your re-organisation (if you don't, cease immediately!). It is worth tracking other people indicators like undesired turnover.

Also, to increase the likelihood of hitting achieving business results, it is useful to set goals for employee sentiment and track it via survey.

Knowing what portion of your team members understand, support and see the benefits, will help you understand where to direct further effort, to either tweak the design, apply resources or explain it better.

5. Strive for employee support

Executives sometimes mistakenly believe that the re-org design and decision to execute it will deliver business benefits. It is actually your people that will deliver the benefits, within the model you designed, if they understand it, have the ability to work within it and if they are willing to do so.

Framing it like this, keeps your leaders focused on understanding the organisation as a social system and ensuring they lead effectively, so your people create business value from the new model.

Other executive leaders impatiently adopt the attitude of "it doesn't matter what employees think, we know it needs to be done, so they just need to accept it."

Aside from lacking empathy for the emotional experience employees go through, this attitude increases the risk of major losses associated with the re-org.

When employees don't support your re-org, several problems arise that executives don't see until customer satisfaction or the bottom line has taken a hit.

These include:

1. Employees experience job insecurity and immediately start looking for jobs. This is a time-consuming distraction and a productivity killer.
2. Disillusioned employees become pessimistic and dissenting, resulting in a negative influence on culture and productivity
3. Employees may passively or actively work against the intent of the re-org, to prove it was a poor choice, at least slowing progress and raising the cost of operationalisation.
4. High-performing talent may simply quit. Many of your best people already have head-hunters in the LinkedIn inbox. What they perceive as a poor strategic decision not in their interest may be enough for them to go meet that recruiter.
5. Any of the above may mean the actual outcomes of the re-org achieve the exact opposite of its intent.

6. Create Certainty

Humans experience uncertainty as a threat. When announcing a re-org, your people will see a dark, foggy chasm ahead. Your task is to build a bridge one brick at a time, and shine a light on a safe way forward, with each action and message you convey.

When a re-organisation or merger is announced, the first thing people want to know is if their job is secure. It is a good idea to provide this reassurance, if you can guarantee it.

Where you can't, outline a process to be carried out that provides some degree of certainty. This allows people to focus on one step at a time, rather than walking into darkness.

Beyond job security, people want certainty that the re-org will:

- Be strategically beneficial for the company and its customers
- Create career opportunities
- Improve or preserve company culture
- Help financial performance.

Your messaging should hence be convincing and clear in this regard. Also, call out examples of when the re-org has delivered value as promised, thereby strengthening certainty of value generated.

One study found that reducing uncertainty also reduced the need for information flows. If you get on the front-foot, providing clarity on the path ahead, you'll not only reduce fear and distraction, but you'll also reduce the effort reacting to requests for information.

7. Humanise it

It is more important to be human than to rigidly stay on script. By human, I mean:

- Genuinely care about people's emotions, careers and families
- Demonstrate the highest levels of respect for people
- Show empathy for each individual and their unique circumstances
- Listen and value legitimate concerns.

Speak to people in simple language not forgettable data and business jargon like this shocker from Microsoft.

Heavily impacted or exiting employees need to hear key announcements directly from their manager, ideally in-person and at least through a virtual meeting, not email or broadcast video messages from the CEO.

CASE STUDY

The sales division of a major media company I worked with made some tough redundancy decisions after a merger. Following my advice, the executive team freed up their schedules and put the time in to connect closely with their people. Feedback from one employee was

"I understand why this has to happen and even though I'm leaving, I fully support it. I've never seen a re-org handled this well and I've seen many."

That re-organisation was completed ahead of schedule, with the sales team continuing to hit their targets through each month of the process. A great example of how effective re-org leadership not only delivers positive people outcomes but commercial benefits as well.

8. Managers Dialogue

Middle-managers have incredible influence and reach, as most of your employees report to and engage this layer each week. The degree to which they understand and endorse the re-org will be reflected to a large extent in the broader workforce.

It pays then to open channels for dialogue with managers. Make sure they feel safe to express concerns and ask tough questions and make the executive team accountable for addressing those questions. Group discussions allow you to influence via consensus whereas one-to-one meetings facilitate trust and openness.

Nothing should concern you more than a manager whose opinion you haven't heard.

CASE STUDY

A large corporation recently underwent a major re-organisation to flatten its structure and enable more project-based work across thousands of employees. While many staff believed the new structure likely to be positive for the organisation in the long term, there were some bitter pills to swallow for individuals.

The design meant changing role titles which for some, felt like a downgrade of their status not just in the company but in the broader talent marketplace. Added to this, the design approach meant that many managers could not be reassured their role was secure even up to one year ahead. With managers feeling pessimistic, this sentiment flowed down into their teams, with a consensus the new structure was problematic.

In time, employees may come to grips with the model. Leaders will need to focus on clarity and building support as many employees are exploring roles outside the organisation.

9. Workforce-Wide Updates

It is equally important for employees to hear directly from senior executives too. This simultaneously circumvents and validates the 'middle-manager filter'. It also strengthens trust and creates further certainty.

Create a regular communication cadence, sharing weekly updates, outlining progress, sharing feedback and addressing emerging concerns. Be as transparent and visible as possible.

10. Collective Executive Accountability

Your executive team should be the prime mover of the re-org. The group is far more effective when working as one, united team, rather than a series of individuals each leading their own division.

While each should play the lead role in their own area, it is important that the leadership team display a united front, with maximum support for each others people as one organisation and no undermining of others authority or the team as a whole.



CONCLUSION

Re-organisation will remain an important driver of much-needed productivity in the current economic climate.

An effective, thorough process is important but more often what makes the difference is the leadership capability and presence of the executive team. All else flows from here.

It can be hard when you're in the thick of it, to see the forest for the trees and make the right calls through every twist and turn.

It helps to have an experienced, outside expert providing guidance along the way.

Don't hesitate to get in touch!



ABOUT HUW THOMAS

Huw Thomas is Australia's foremost expert in building adaptive organisations for the implementation of strategy and change.

He works side-by-side with executives to engage their workforce in transformative organisational changes. By helping leaders understand the human risks and impacts and lead their people through challenging transitions, Huw's advice unlocks widespread support and adoption, making the full ROI of organisational change investments attainable.

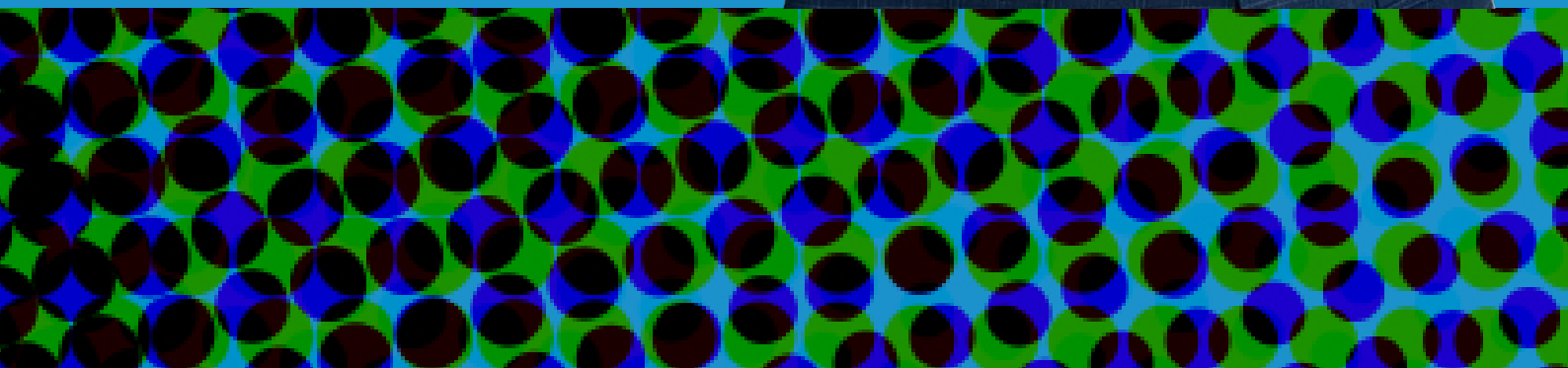
Huw also offers a range of conference speaking, coaching, training and facilitation solutions to turn your everyday managers into transformational change leaders and static organisational cultures into learning-oriented, adaptive powerhouses.



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