


# Organizational restructuring

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Transition manager

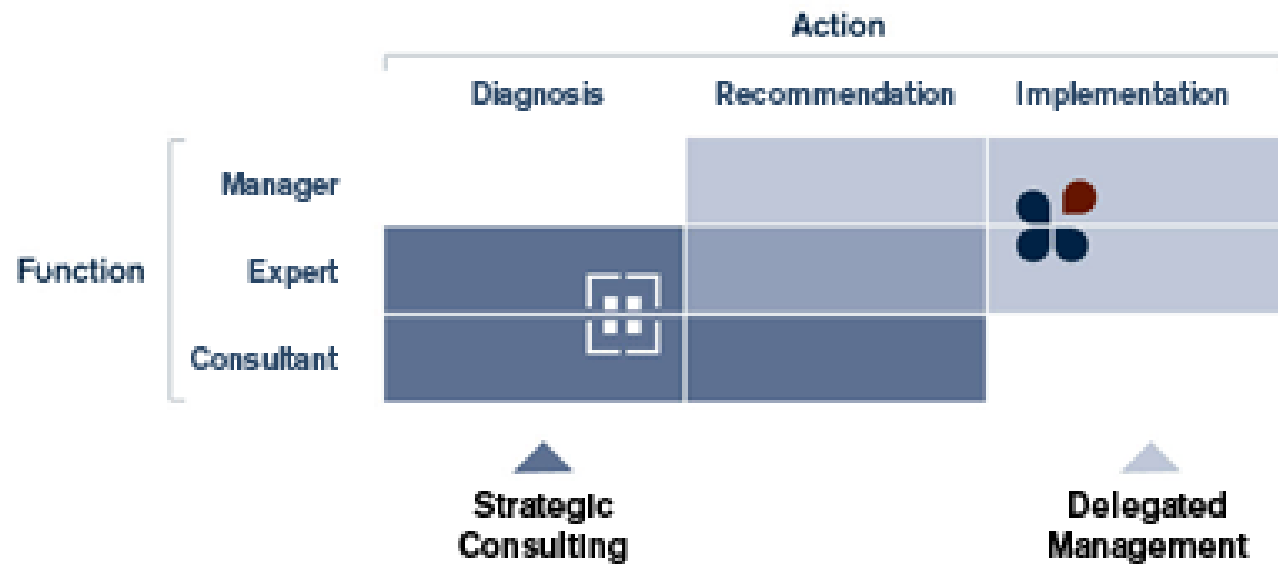
# To introduce myself...

- 56, born in Maintenon (F), deeply european
- Business school education (HEC-Paris)
- Wide international HR experience in various sectors of the business, often facing high complexity
- Transition manager since 2005: top HR roles, major projects, consulting...
  - Last experience  **acument**<sup>TM</sup> GLOBAL TECHNOLOGIES onths in automotive

# A few words about transition management

- Also known as Delegated Executive Management, accompanies organizations undergoing transformation. The firm brings together and manages experienced and highly qualified resources, in order to extend companies' management teams and reduce the operating risks they encounter.
- It mainly intervenes in urgent situations involving major constraints on time and resources : operational recovery plans and restructuring, redeployment and development, crisis or transition management.

# Complete integration solutions



# Agenda

- Introduction
- From Strategy to Organizational Restructuring
- HR strategic management
- Organizational change
- Organizational restructuring

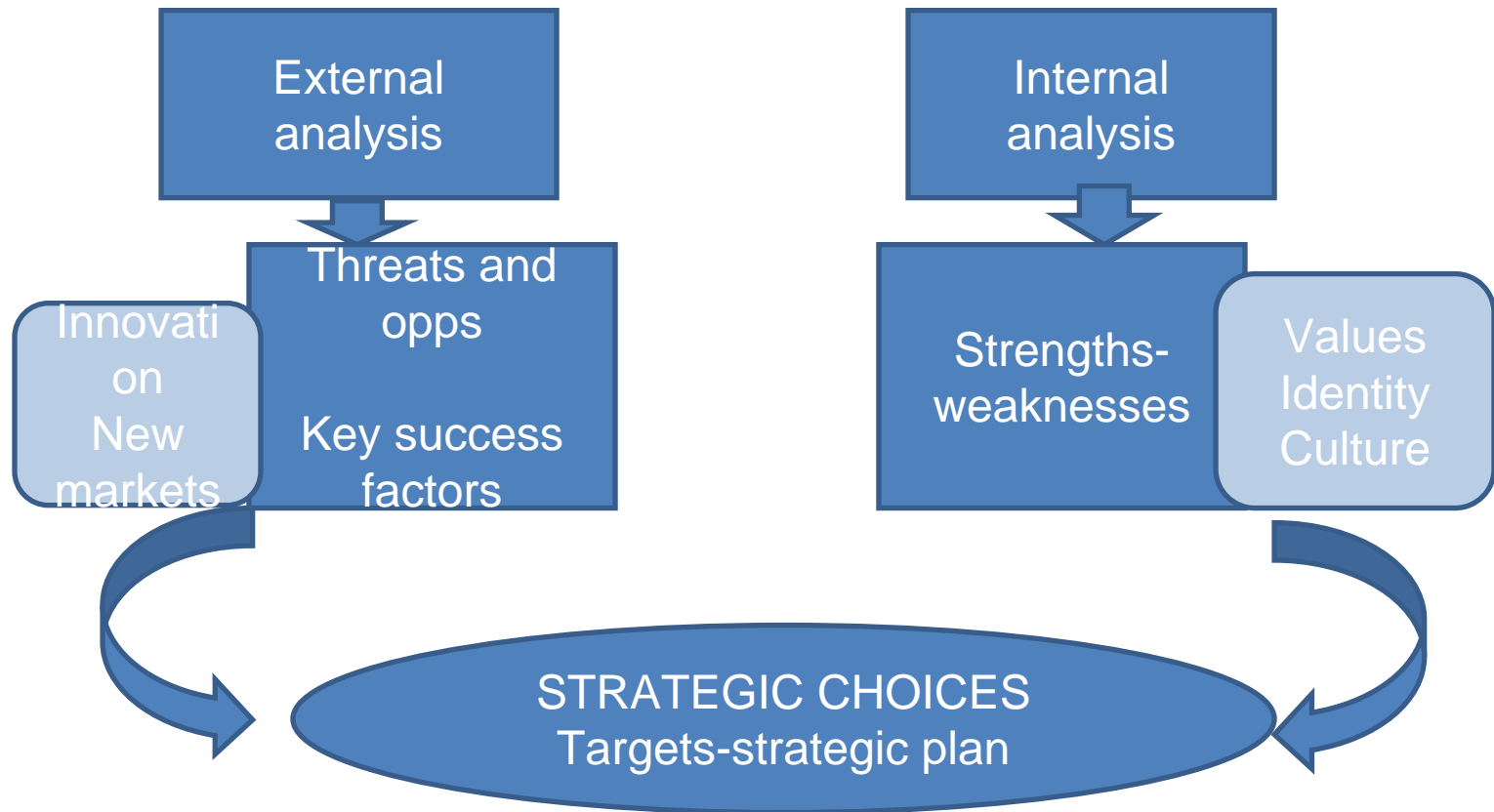
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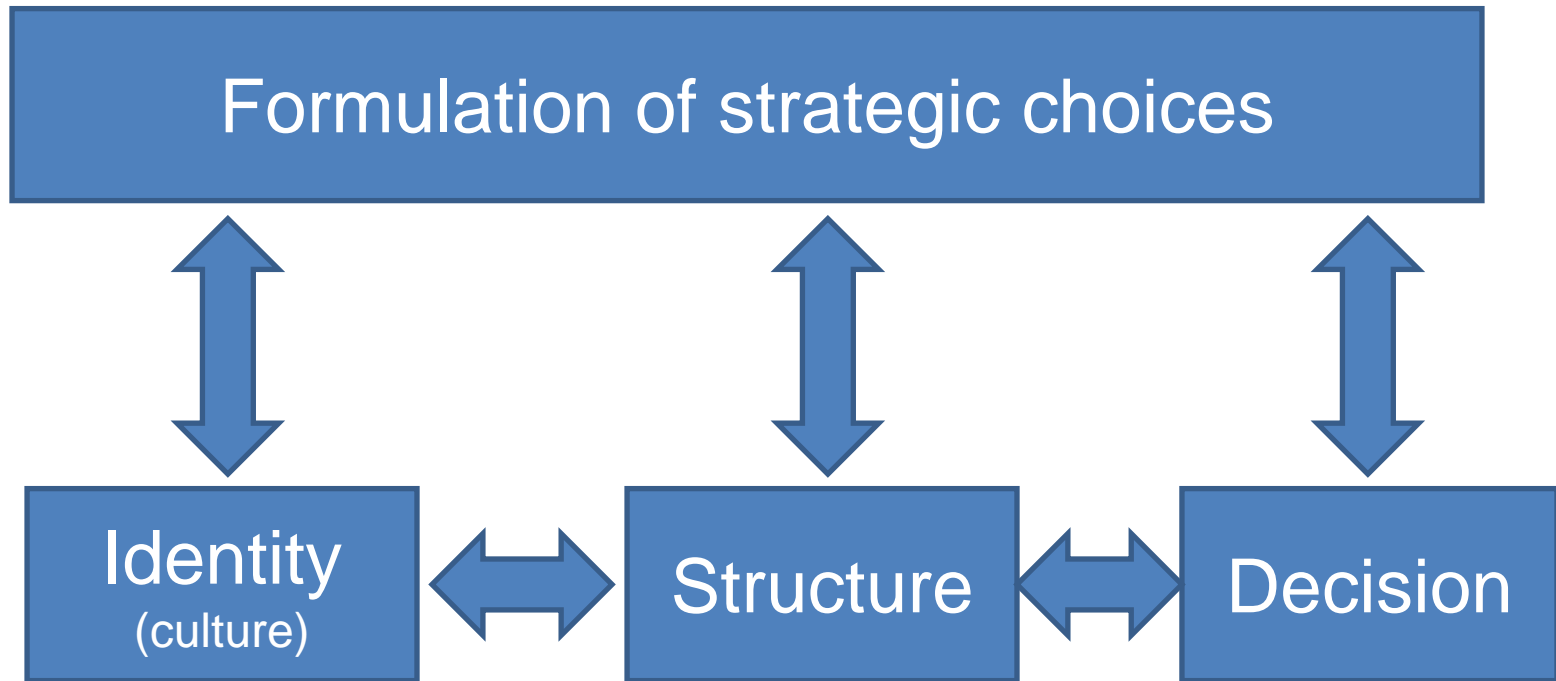
# Strategy

- General definition...not too much room for HR!
- A classical tool used in strategic analysis: SWOT...in which HR issues will appear
- However, financial resources > human resources

# SWOT



# Implementation (of the strategy)



# Strategy / Structure

- Consider degree of:
  - Specialization:
    - Function/project
    - Product/brand
  - Coordination:
    - Pyramide
    - Processus
  - Formalization:
    - Org.charts
    - Job descriptions
- Necessitate high HR involvement

# Strategic decision process

- Various models:
  - Rational
  - Organizational (procedures)
  - Political
  - Garbage can model
- But (according to Henry Mintzberg):

*strategic decisions are rare, or just dressing up of actions already enforced, and/or the result of a strong intuition, and/or...sometimes the consequence of a true strategic revolution*



# Identity

- Corporate culture
- Extreme cases (Ford, Messier...)
- Other factors such as ownership...
- Organisational representation:
  - BCG ≠ Post office
  - Ideal employee profile (e.g. Mc Kinsey\*)
- Symbols: myths/rites/ taboos
  - HR should obviously keep an eye on some of these items

# What organization?

- Influence factors:
  - Technology
  - Environment (complexity- uncertainty)
- Two great models for org. efficiency:  
mecanist vs organic
- Should reflect the value creation chain

# What organization(2)?

- Classical functional structure
- Frequent adaptation: B.U.'s and / or transverse process
- Matrix (e.g.function/product): impact on « classical » hierarchy



**Example about empowerment**

- Networks

# Influence of M & A on organization

- M&A can be strategic (« industrial ») or financial (« ROI ») or even both!
- Frequent characteristics:
  - Expected synergies on cost / revenues
  - Defense or building of empires
  - Risks: over valuation of target  
heavy integration load

# Post Merger Integration




- PMI: various options

interdependance		Strategic	
		low	High
Autonomy	High	<b>preservatio n</b>	<b>symbiose</b>
	low	<b>holding</b>	<b>absorbtion</b>



**Examples**

# Current trends

- Matrix  Networks
- « Financialization »? or just historic evolution of corporate governance?
  -  alignment between implemented strategy and shareholders interests
  -  2 types of control:
    - external (financial market)
    - Internal/ alternate (share and stakeholders)

# « Crisis »...and options for (near) future

- Re-inforce corporate governance and accept liberalism rules and globalization, together with increasingly strong turbulences.
- Re-invent performance measurement tools:  
« triple bottom line » (People-Planet-Profit)  
Less shareholders, more stakeholders  
Care for durable value creation, sustainable development...HR's duty is to convince Excom about the need for top quality people management and creation of value for the employees.

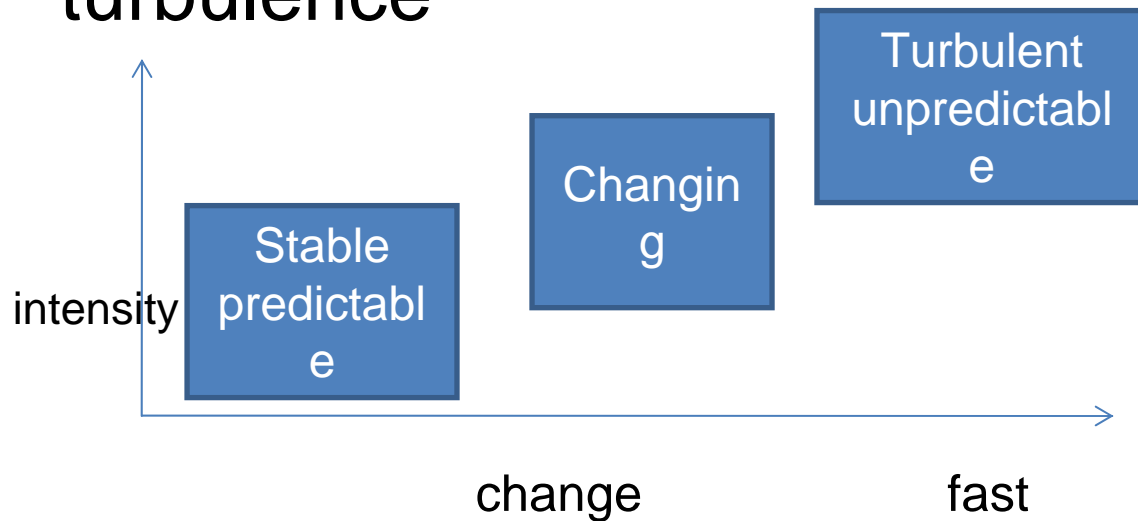
# « Crisis »...and options for (near) future (2)

However:

- Technological change speeds up
  - Demographic and sociologic issues not to be by-passed
  - Increasing globalization does not exclude (national) regional particularism
  - Loss of reference: massive state intervention AND dictatorship of financial markets
- « Crisis »...and options for (near) future  
« Crisis »...and options for (near) future

# « Crisis »...and options for (near) future (3)

- Not all actors face the same level of turbulence



- Not all cos have the ambition to become GE  
Chose between  
local/country/region/worldclass

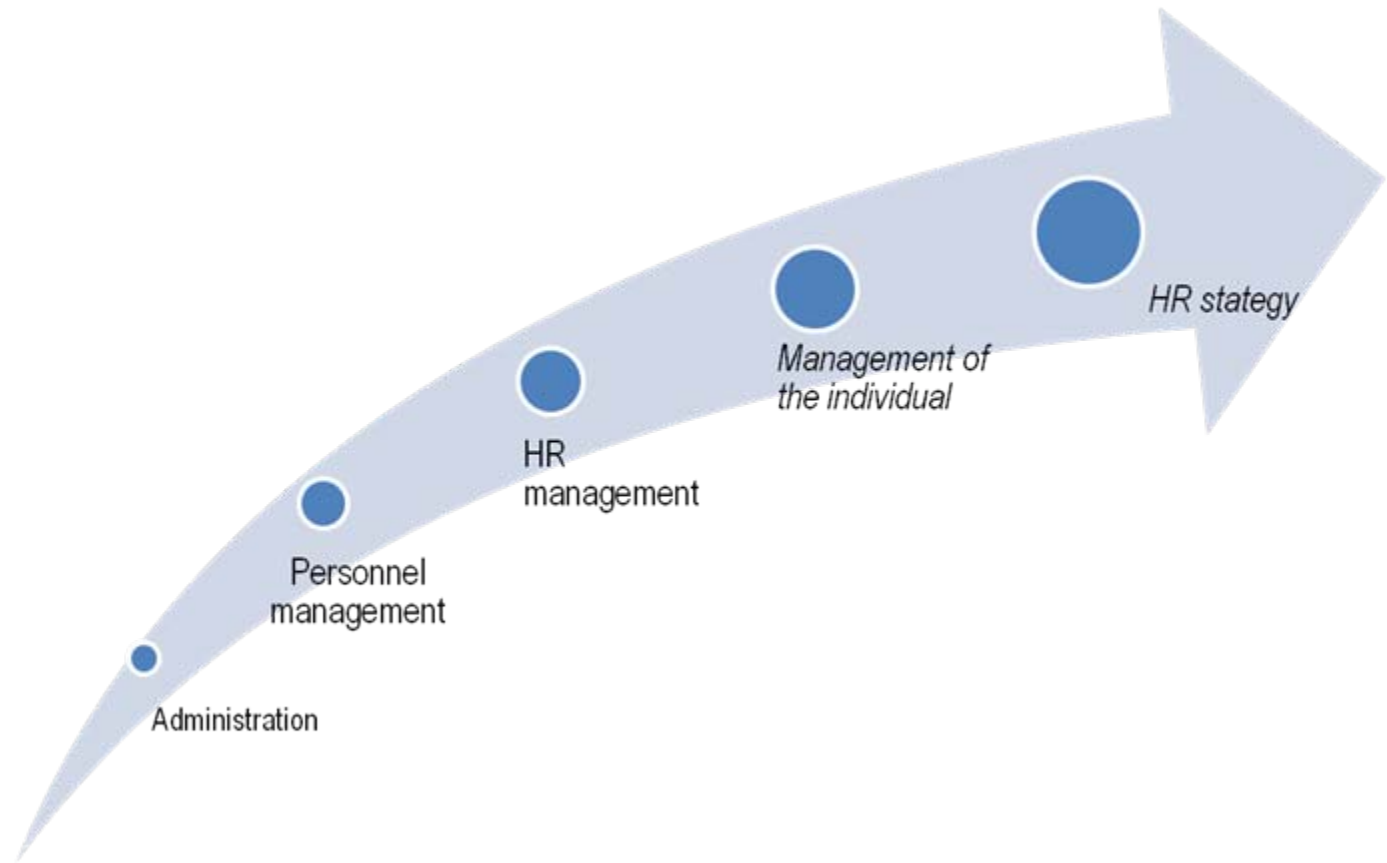
# « Crisis »...and options for (near) future (4)

- But any co. May have to face -50% turnover between sept. and dec. 2008
  - Cashflow management
  - Reduction of admin/ commercial staff
  - Control of inventory >>> partial unemployment
    - Survey results (Andrh/Usine Nouvelle magazine/Inergie - 02/09)
      - Industrial sector = 89% face reduction of activity
      - ST answers: 75% hiring freeze; 40% partial unemployment; 38% salary freeze
      - in the next 2 years: 94% cost reduction; 76% org. reshaping; 68% innovation; 73% commercial growth
    - HR face increased training effort, flexibility, lent employees...

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# HR strategic management



# Vision

- HR progress strategy contributes to the LT performance of the company
- The LT performant co. Must create value for its employees

Consequently: HR top executives must be able to oppose firmly managers whose behaviour can destroy value or threaten employees mental health

# HR policies to enforce this vision

- 5+1 C = 5 main functional domains, 1 horizontal
  - Competences (skills)
  - Carrier
  - Compensation
  - Communication
  - Cooperation
  - + management of Change (incl. Crisis)

# Management of change

- Modification of part/all 5C's influences co.values and facilitates implementation of new strategies
- Offensive strategy require adequat organization and managers

Strategy	HR management
Geographical expansion	Talent acquisition
Grow through innovation	Diversity; intrapreneurship
Financial (lean corp.)	New appraisal criteria; EVA training; profit sharing...
Resilience; agility	Hire or train potentials; knowledge mngt

# Management of change(2)

- Develop future LEADERS
- Determination of employee expected implication inducts the approach to change: expert/  
participative/empowerment
- Play on resilience (Guy Hamel; London business school)

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# Organizational change

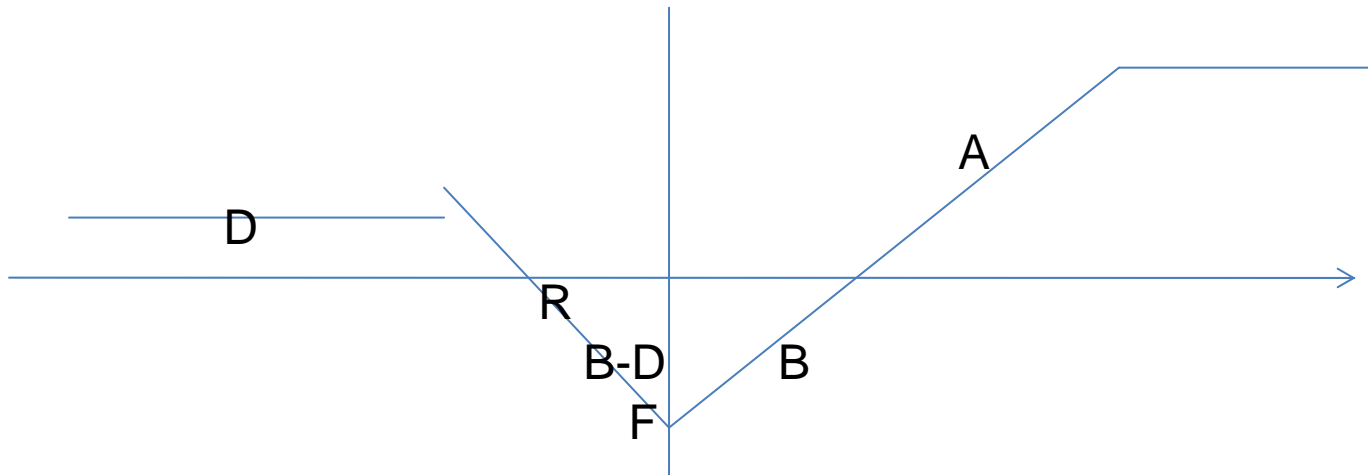
- Panorama:
  - Organizational learning = continuous change / sharing(networks)
  - Standardized methods: avoid fashion and general action plans that everyone uses...  
Kotter model leaves freedom to the actors (8 steps)
  - Contingent (specific) approach:
    - Strategic diagnostic and decisions
    - Environment
    - Change program formulation
    - Implementation
    - Follow up and corrective actions
- **CHANGE IS A PERMANENT STATE**

# About progressive change:

- How to bring sceptics(80%) or opponents(10%) to accept change?
- Generally speaking, people go through phases of:
  - Denial
  - Revolt
  - Blues, depression
  - Fear
  - Bargaining
  - Acceptance

# Work on emotions

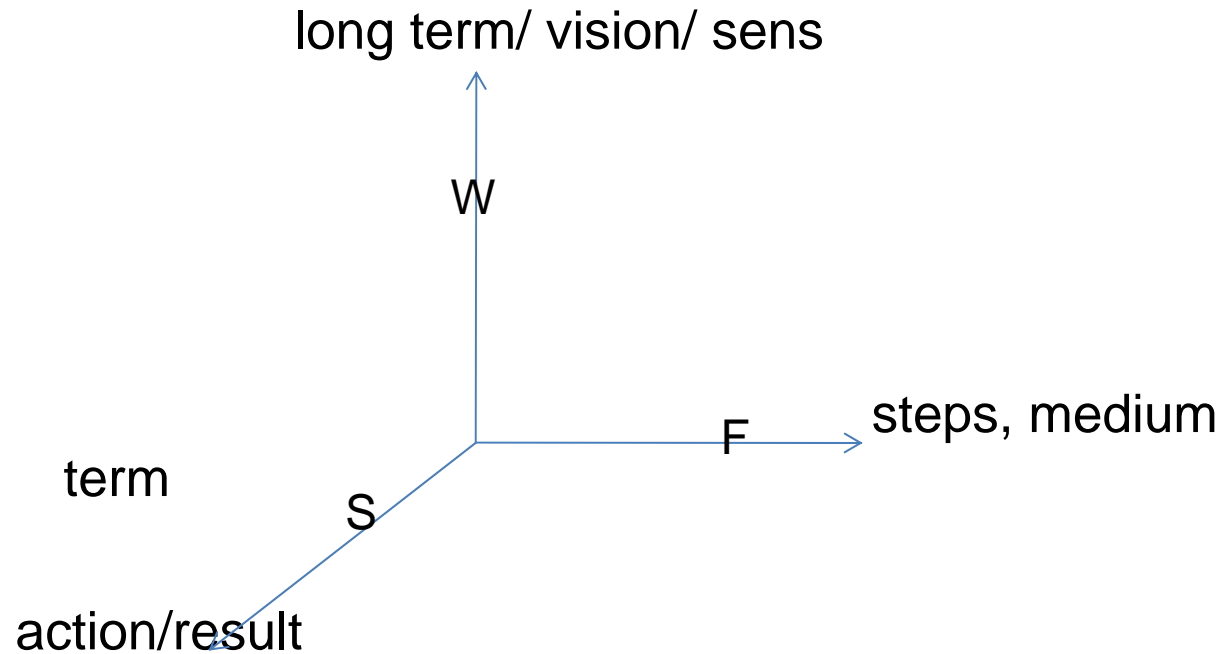
- HR or consultant should integrate peoples psychology; revolt is **IMPORTANT** and **NORMAL!**



# Work on emotions (2)

- If denial, revolt...rejected >>>increase of STRESS generating attitudes of:
  - Flight, escape
  - Struggle, conflict
  - Withdrawal
- Start by listening, taking into consideration, reformulation (AND)
- Bring what each posture requires:

# Work on emotions(3)



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# Organizational restructuring

- Definition: change in ownership, management of portfolio, transformation of internal org. to gain in productivity / competitiveness...
- Most frequent consequence = staff reduction, high cost issue
- Not to be confused with change management policies: O.R. is RUPTURE
- Frequently (not always) S.T.; emergency; crisis

# Organizational restructuring

- Einstein said that « important problems we are facing, cannot be solved with the common ways of thinking which caused their venue... »
- Isn't today's world changing faster than organization can adapt?
- O.R. relates to strategies, done with...PEOPLE!

# « Create people advantage » (BCG)?

- Though seven top priorities for future are confirmed:
  - *Managing Talent*
  - *Improving Leadership Development*
  - *Strategically Planning the Work Force*
  - *Enhancing Employee Commitment*
  - *Measuring Work Force Performance*
  - *Managing Change and Cultural Transformation*
  - *Becoming a Learning Organization*

# « Create people advantage » (BCG)?

- Current importance of topics has dramatically changed in 2 years:

Podium 2007	Podium 2009
Managing talent	Delivering on recruiting
Delivering on recruiting and staffing	Enhancing employee commitment
Improving leadership dvpt	Improving leadership dvpt

...9: restructuring

...4: restructuring

...9: **managing talent**

- Time horizon of work force planning is 2 yrs or less in 60% of companies (only 25% for strat. Plan)

# « Create people advantage » (BCG)?

- Avoid past mistakes with bad consequence on employee commitment and effectiveness; e.g. co. events, training...
- Recommended priorities for HR action plans:
  - Strategic work force planning
  - « sustainable implementation » such as employee engagement

*...not forgetting health consequences of the necessary restructuring?*

# Managing restructurations

- Face paradox (shizophrenia?) of reductions of staff in certain parts of the org. and recruiting for growth in other parts
- Take care of 3 dimensions:
  - Social-legal BUT human:
    - Social dialog
    - Find internal/external solutions
    - Increase flexibility, find innovative solutions
  - Managerial, for those who remain on board: recognition, not only reward!
  - Organizational: project mode

# Managing restructurations (2)

- HR champion of corporate governance:
  - Respect
  - Values
  - Missions; internal org.
  - Freedom of talk
  - Audit to ensure full transparency
- Address leadership issues (covered by other speaker)



# Organizational restructuring

- Process overview:
  - Identifying the need for change
  - Planning (budget, HR)
  - Internal communication
  - Negotiating with unions
  - Dealing with possible resistance from the personnel
  - Realization of the organizational restructuring
  - Measuring the effect of change

# Examples from my personal exp.

- Automotive
- Bakery supplies
- Medical and health
- Tableware
- Logistics, cold storage
- Electrical equipment

Thank you

