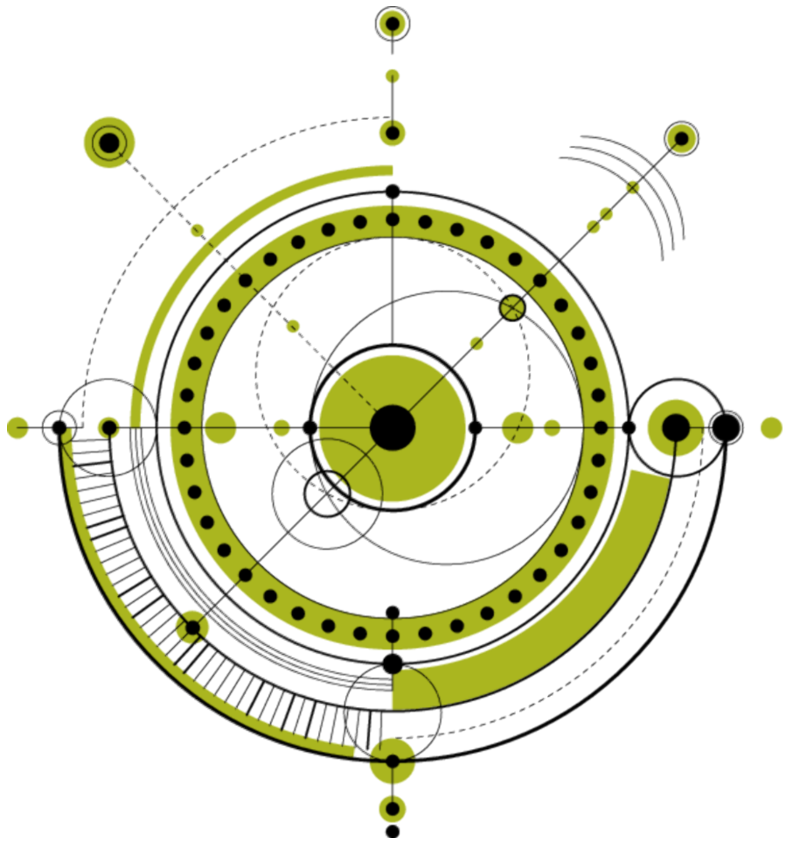

The 12 Critical 'Reorg Routines' for CEOs embarking on Restructuring

Restructuring initiatives have become a ubiquitous feature of our global economy. And in times of crisis even more so. Click on any business daily, and odds are firms are announcing business events which trigger the need for a new organization design. In the post pandemic recovery this will only intensify with unrelenting pressure to reinvent how companies connect with customers and talent, become more digital, agile, virtual, compliant and so on. It's no wonder that reorganizations are increasing in their frequency and intensity around the globe, with an expected spike in the next 12-18 months.

In one of Deloitte's recent Global Human Capital Trends reports, canvasing 10,000+ executives, we found that while over 90% of companies believed getting a "reorg" right was critical for them in the coming year (and in fact 50% were in the midst of one), fewer than 11% felt confident in their ability to pull it off successfully. Leaders in business and the public sector are dealing with significant complexity, we all know that, and those of us in the management consulting trade have known for a while that initiatives like this *fail to deliver on the full business case promised 70% of the time*. The 30% that do hit the mark are able to embed purpose in everything an organization does, save money for shareholders, increase engagement, enhance connection to customers and/or improve "ways of working". So, the compelling question is how to get into the winning column?

There are, as you might have expected, many ways to answer this question, but in our experience, it pivots around how the CEO engages on this topic (as the prime sponsor for a reorganization). The co-authors of this post have been through 100+ reorganizations combined and over the years have spent many hours with Chief Executives and their teams. We've overseen successful transformations, but equally have been through our fair share of challenging projects. In the current agile spirit of celebrating and learning from our failures, we wanted to write about the successful CEO sponsors that we have worked with, and reflect on what they did that enabled lasting change. At the heart of these success stories is dogged determination but also a healthy dose of humility. CEOs are at the pinnacle of their organizations for a reason. When at their best, they have a strong moral compass, they care for the people entrusted to them, they are good learners, they show courage and they often have faster "processors" than most of us. That said, the best transformational CEOs also have a finely tuned sense of their own limitations. In this day and age, the "larger than life" CEO that uses personal charisma and brilliance to "over power" problems is giving way to the one that relies upon the wisdom of crowds, strong listening skills and their people to steer the ship.

What then are *12 keys to success* -paired with *12 often made mistakes* for CEOs and their executive teams, about to undertake a large scale reorganization. We focus on reorganizations that will require the CEO to take on the "chief architect" role alongside their role of the lead sponsor. In the wake of the current crisis, many business leaders will be thrust into this position. In truth, the 12 Reorg Routines apply to any senior executive sponsor. We admit that this is a top down view, and while we spend the majority of our time in making designs work for the front-line employee, we ask the reader to engage with us on this level with the full knowledge that it's only part of the story.

1. **Let aspiration, rather than fear, dictate your timing.** Typically, we have found that internally promoted CEOs can implement rapid and immediate structural change, by virtue of their intimate knowledge of the organization and big challenges of the day. Whether supported by COVID-19, other external disruptors or personal vision and conviction. Often they have more immediate leadership capital to work with, they have a strong network and can take a few extra risks. However internally promoted CEOs also require a lot of courage to deal with their ex-peers – it's already a challenge to play the role of 'first amongst equals', but having to make decisions that change the composition of the executive team, multiplies the challenge manifold. In our experience, CEOs who do this well recognize that they often get only one chance to set the tone right, and therefore are willing to make the tough calls. Conversely, we have found that externally hired CEOs often wait for at least a year before restructuring (outside of "distress" scenarios). There is wisdom in this, and it allows for a "listening period" and also time for trust to be built with those being led towards a new vision.

Finally, we have seen a few scenarios where "legacy building" gets in the way of sound decision making. Big changes implemented late in a CEOs tenure act to potentially saddle a "new administration" with outcomes they did not plan for, nor can easily change and in effect results in the selection of a new leadership team that a successor needs to live with. It may be an obvious pitfall to avoid, but we have seen it done more than a few times.

2. **Make sure to combine the business case with a moral case.** Prior to the pandemic, one of the most frequently asked questions from executives considering a reorganization was how to build the case for change when things are going well? As hard as it is to imagine, there will be a recovery, and in that period, this principle will once again be put to the test. In truth, it's a much easier story when the house is on fire, i.e., "If we don't completely restructure ourselves we will be out of business next year". Yet so much of our focus today is, rightly, on making the changes needed to see out the next quarter. When inevitably this phase passes in the coming months and there is enough energy to truly reinvent to the demands of the "new normal" the same forces of inertia may set back in. Ironically, some of the most challenging reorganization programs are when results start to look good and that is when firms will need to double down on digital transformations, agile journeys and so on. In these situations it will be especially important to invest in a compelling change narrative -including a business and an emotional/moral case- which will help to rally the organization and even help to get external stakeholders onboard. Thinking about the opportunity cost of not making sweeping change, can help in this regard.

3. **You need to be all in from day 1** so don't underestimate the time you will need to personally devote as CEO, and how much personal coaching time you need to invest in each and every member of your team. This topic will need the attention of your executive team, and will take a disproportionate amount of time in your management meetings. It will be frustrating and you will want to refocus on customers and results before the egg is hatched, but this is the cost of a reorganization and enduring patience is critical.

4. **Get your Board Onboard!** Do it early and connect often to ensure they are fully behind you. Perhaps an obvious statement, but we have seen some CEOs treat their Boards and their Chairs as stakeholders that "need to be managed" versus partners in the redesign process. Sometimes it's bravado and over-confidence ("don't worry I know how to get them to approve this design") and other times it's being overly fastidious about Management vs. Board accountability. In the end, a Board that has been respected and engaged will give you the capital you need to drive big organizational changes, and will be there for you when the inevitable happens. Make no mistake, things will go wrong along the way. There will be missteps at townhalls or you will mis-hire in some posts and tough decisions will be needed. Perhaps disruptive rainmakers need to be transitioned out of the business, or unforeseen investments will be required to bring a new structure to life. The Office of a CEO can be a burdensome place especially during a big reorganization, why not build allies into your plan from day 1? 'It's lonely at the top' is one of those orthodoxies that more often than not are testaments of self-inflicted pain.

5. **"Own It", the redesign is your initiative so don't delegate or hide behind others:** these projects are among the most political you will take on, and your ability to be a "graceful tiebreaker" will be tested. This is about reshaping people's

day to day jobs. Jobs which they have had a hand in creating and are the product of "old battles won". In other words these initiatives are about rewiring power dynamics and that is never an easy thing. Your ability to shape, architect, unblock and channel energies in the right direction will be put to the test. You will have to get your hands dirty as an active sponsor and figurehead of change and this responsibility simply cannot be delegated. We have seen it done (i.e., to 1-2 executives on the team or worse yet to consultants) and quite frankly, it doesn't work.

6. **Think about how much opposition you will face, and then double it.** Good senior leaders by nature want to demonstrate a "growth mindset" and support for you. We have rarely seen top executives simply walking away or putting up explicit roadblocks to a well articulated and necessary reorganization. Instead, the more frequent observation is what one of our former CEO clients calls "creative disobedience". That is, the "art" of being open to enough of the structural change to allow the process to move forward, but not enough for it to be fully implemented. This subtle opposition can, in fact, be dressed-up dissonance. Until you have asked and received 100% commitment from each member of your team, don't count on their ownership. By the way: you need to ask them face to face first and only then can you ask for public support. This is not about manipulating an outcome, it's about bringing your leaders along and co-creating with them so they feel ownership.

7. **Develop an opposable mind: combine conviction with curiosity.** Your leaders will take cues from you on how much to rally behind the new organization – but being curious about alternative perspectives and then showing openness to improvements to your own thinking is critical to diffusing ownership of the "problem" to all levels. In fact, some estimates reveal that the C-Suite gets exposure to only about 4% of the "real problems" of an organization, and more often than not are living in a much more positive conception of reality than is the case. With that in mind, think about a redesign as a negotiated exercise. Help your design teams or consultants understand what is non-negotiable but then have the courage to put the rest of the design to your people to solve. In many cases, they will have better answers than you on how to improve tactically deep within the organization. We have seen many leaders struggle with "letting go". Your team will respect you for it and you get a better product at the end of the day.

8. **Get your definition of success right and resist the temptation to declare a fake victory in "the final phase".** Assume that there is no final phase as a starting position. Reorganizations, and improvements to how you work should be viewed as ongoing. This is the beginning of continuous organizational improvement. While celebrating progress is important, if you declare mission accomplished early, everyone else will. Increasingly, we are seeing companies in the cross-hairs of disruption moving away from "event driven" redesigns because the marketplace and the consumer demands that shape these markets are largely out of their control. Getting people comfortable with continuous refinement takes some of the pressure off getting the organization design perfectly right for the future. No such thing exists. In addition, you should aim for 'behavioral patterns adapted' next to 'benefits harvested' and 'risks mitigated'. Put simply, it can't just be about 'project deliverables achieved'.

9. **Maintain the long-view and adjust your design along the way.** Changing a massive organization with thousands of employees all over the world is difficult. You are in a complex ecosystem, and there will be slip-ups. The key is to have a strong "winning record" on sound design/implementation choices. In our experience, a total of 0% of the redesigns we've led got every design choice right. The most frequent design failure is in extending a specific design feature (perhaps matrix management or agile approaches) uniformly to every last business or functional team. When you mix in human behaviour into a more static piece of design you will have "tissue rejection" from time to time. Rather than dwelling on a "design failure" use the learning and make adjustments.

10. **Show vulnerability and a comfort with imperfection,** and the people being impacted by the design will respect you for it. Reorganizations affect people's lives. Showing that you moved too quickly in one direction and are course correcting, shows them that they are on a journey, and one which they can engage on. One CEO of a notable US organization we recently worked with got on stage to describe her 3 failures on the design initiative at an important "townhall". It had the impact of showing flexibility and reinforcing a view that the entire company was in it together.

11. **Above all, be honest about your objectives.** We sometimes see CEOs shying away from communicating that difficult choices are ahead as they are trying to create a coalition around their vision. In this crisis-heavy market climate with recessionary winds developing into hurricanes, many initiatives over the next few years will have a significant efficiency component. That said, an equal number will be about more "positive" stories for employees around sustainability, ways of working, or customer responsiveness and innovation. In these projects, avoiding the 11th hour news that the inspiring story of the "new ABC Co" also has a massive head-count reduction tied to it will be critical. We have seen CEO leadership capital evaporate quickly in these scenarios and without that precious commodity the chances of success are dim.

12. **Finally, use this opportunity to inject new thinking/blood into your management ranks.** There is no better opportunity than an enterprise wide reorganization to do this. As one of our colleagues in our Leadership practice puts it "the issue for most companies isn't that they lack the talent to fill new needs, it's that they lack the means to spot and nurture those leaders". That said, we have seen many redesigns that were elegant on paper, but failed to deliver the results because the right people were not secured. In more than a few cases, the incumbent executive team was simply reshuffled. Being bold and putting around 30% new leaders into roles requiring new skills is often the difference maker in transformations like this.

The above are by no means meant to be exhaustive or to imply a formula. That said, many of them have **one thing in common, the need for 'thoughtful bravery'.** When you are the face of change, and your track record of success has landed you in the position to make a difference, the fear of failure can loom large. Be brave enough to make decisions without perfect information, and be humble enough to admit mistakes when they happen. You are human, and you are mobilizing other human beings. It's complicated stuff and if you think about your "redesign" as a movement versus a one-off event, it will give you fuel needed to take bold decisions rife with 'unknown unknowns'.

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