

Strategic Organization Renewalsm: Producing Better Business Results Today While Renewing Your Organization For Tomorrow

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Executive Summary

BOOM!!! The roof just fell in on your plans for 2009. Last summer when you were planning for the “return to growth in 2009,” you undoubtedly did not expect that before the year even started those plans would be obsolete and supplanted by the worst global economic crisis in over 140 years. With millions of workers laid off, bankruptcies piling up, and consolidations and closures running rampant, businesses and governments worldwide are making aggressive adjustments. More unsettling, there is a growing consensus that we have not yet bottomed. Goldman Sachs and Co. economists estimate that \$2.1 trillion in U.S. bad debt must be written off before this cycle has run its course - yet banks and investors have only recognized \$1 trillion of losses to date.

OK WE GET IT!!! This economic crisis is running deeper and lasting longer than the typical recession. To succeed in this economic reality business leaders must urgently reduce costs while avoiding the devastating consequences of alienating customers and demoralizing employees. As business leaders address this need they must undertake cost reduction actions in a way that is transparent to customers, assuring them their needs will be met. Additionally, they must orchestrate these actions in a way that engages their employees.

NOW WHAT??? Our experience and research indicate this delicate balancing act can be overcome with Strategic Organization Renewalsm (SOR), a renewal process that enables business leaders to address the exposures they face in the near-term while they analyze and evolve the strategic drivers that will determine the success of their businesses in the coming recovery. As opposed to just engaging in another round of cost cutting, SOR arms business leaders with a set of tools to rally customer confidence and renew employee spirit. It empowers employees to engage with customers even as they continue to aggressively cut costs.

STRATEGIC ORGANIZATION RENEWALsm unlocks value in your business by optimizing organizational performance and protecting customer loyalty. Using the SOR process, business leaders align near-term business strategies necessitated by today's economic challenges with the desire to prosper in tomorrow's inevitable recovery. Before making your next major budget cut or strategic policy change be certain you consider the impact these decisions will have on your customers and your employees.

Getting Started

The volatile business environment we face today demands “urgent discipline.” Although this sounds like a paradox, it is really quite the opposite. The worsening economic crisis requires business leaders to continue cutting costs. Cost savings programs are meaningful, however, only if they predictably deliver measureable savings to the bottom line. To achieve this, business leaders must plan and execute cost savings programs in a disciplined manner that anticipates key causal relationships and interdependencies. In this way, unintended leakages in revenue and expenses are prevented from diluting targeted savings before they can get to the bottom line. Equally important, using this approach, business leaders ensure the short-term cost-saving steps they take today are congruent with their vision for success in the future. Strategic Organization Renewalsm manages this complexity and brings expected results predictably to the bottom line.



Hunkering Down – The Traditional Approach

The traditional approach to cost-cutting typically starts by assembling the executive team and working the “list.” The “list” approach centers around an “across the board” paradigm. It includes measures like freezing all hiring, reducing salaries by X%, cutting all budgets by X%, eliminating all training, eliminating employee overtime, freezing capital spending by X%, cutting back on marketing events, micro-managing travel, and so on.

The good aspects of this approach are that it is well-understood in most organizations and it is historically-recognized as acceptable business acumen. Most managers and employees are familiar with it and as such can quickly, if not begrudgingly, participate in its execution. Applied universally, it even helps prevent disruptive internal conflict. By being arbitrarily and equally applied to all, it avoids many divisive “us vs. them” turf protection arguments, thus helping to quickly jam the targeted cost cuts through the organization.

Problems with the Traditional Approach

When you examine this approach through the lens of the modern business environment, however, many problems surface. The “across the board” paradigm doles out targeted cost-savings goals to functional heads who plan and implement within their vertical functional silos. This approach avoids inter-departmental friction, but by being vertically-focused it underemphasizes two significant areas: cross-functional interdependencies and customer satisfaction. Most modern integrated business models suffer severe consequences when important integrated business processes and supply chain services are unintentionally derailed by well-intended cost cuts that interrupt carefully constructed cross-functional and cross-enterprise links. This occurs when key employees head out the door, taking valuable cross-functional knowledge with them. Surviving staff, unfamiliar with their new duties or lacking specialized knowledge, inadvertently degrade the effectiveness of key cross functional-business links. The degradation of these links diminishes customer satisfaction and operating efficiencies. Customer satisfaction is further damaged when employees, instructed to focus on near-term cost savings, feel less empowered to go the extra distance to provide outstanding customer service; instead they focus narrowly on meeting highly emphasized cost targets to the exclusion of all else.

Unexpected Consequences

These systemic breakdowns cause expensive unintended consequences. Sales are lost as customer satisfaction declines and customers switch to competitors. This is especially punitive in these troubled economic times when you acknowledge the statistics highlighting how expensive and time consuming it is to attract and capture new customers versus maintaining your existing ones. Additional expensive emergency efforts become necessary when critical integrated supply chain services or extended business processes break down and must be fixed immediately.

Only after the fact, we are reminded that in this modern interconnected world customers and employees continue to be the key success drivers of our businesses. Addressing this, business leaders must carefully, but decisively, integrate customer and employee engagement with the urgent requirement for containing costs.

Strategic Renewal – A Better Way

Business leaders, urgently exploring options to address the current economic crisis, are faced with many difficult questions:

- ◆ Do my customers wonder if I can meet their needs while our staff is shrinking and investments are on hold?
- ◆ Are my customers finding it hard to make purchase decisions given their own stresses with this economy?
- ◆ Are our competitors becoming hyperactive and disruptive as they address their own economic issues?
- ◆ Do our employees feel anxious, cautious, or overwhelmed by the current economic gloom and doom?
- ◆ Are our employees discouraged, feeling they are viewed as expendable?
- ◆ Should I worry about the viability and continued service capability of our key business partners?
- ◆ Are they concerned about my continued viability?

Why didn't we think of this before? This is exactly how we should be doing business.

SOR addresses these questions and others, by providing an integrated process to deliver near-term results to the bottom line in a way that seamlessly evolves into the strategies your business will require in the coming recovery. Using SOR, business leaders step into the problem-solving process with a clear set of tools and techniques, backed up by a multi-disciplinary team of highly experienced specialists. Organizations who adopt this methodology often comment, "Why didn't we think of this before? This is exactly how we should be doing business!"

Understanding Exposures

The Strategic Organization Renewalsm process develops a data-driven understanding of the key exposures your business faces in these unprecedented times as well as your specific opportunities for achieving greater success in the future. SOR focuses on four key areas:



- ◆ **Customer Strategy:** Analyze market positioning, customer engagement, demand creation, satisfaction drivers, changes in purchasing patterns, selling efficiency, and customer-service efficiency. This analysis creates a renewed understanding of your key strategic drivers and the alignment of your existing business model with current market requirements.
- ◆ **Operational Effectiveness:** Focus on the processes in your business that must provide repeatable, high-quality, cost-efficient outcomes. This systemic approach analyzes operational fit, not just identifying but also assessing the areas of your business's extended footprint that must integrate seamlessly to deliver high levels of customer satisfaction and operating efficiency.
- ◆ **Technology Optimization:** Review each functional area's utilization of technology. The review focuses on workload, cost, complexity, and service levels. It also covers areas such as knowledge management, technology proficiency, technology utilization, and support for new strategies and processes.
- ◆ **People Performance:** Recognize the critical role your employees play in the SOR process - they are the glue that integrates the important facets of your business. Take a pulse of your staff and review the overall effectiveness of your people practices, including performance systems, engagement processes, HR policies, retention strategies, and organizational culture.

When completed, this comprehensive multi-step review process roots out the areas of highest exposure – and greatest risk – in your business.

Analyzing Scenarios

With data in hand, the SOR process evaluates your business model from a systemic perspective and identifies gaps and opportunities based on a comparison of prior-state, current-state, and

future-state requirements. SOR accomplishes this by taking a holistic view of your business, by analyzing the multiple interdependent areas within your extended business footprint, and by understanding the causal

relationships that drive success throughout your organization. It accomplishes this in a way that enables business leaders to engage employees. Employees become motivated partners in designing the future organization and driving its success.

Executing Your Renewal Strategy

Recognizing that your ultimate success is dependent on execution, a Roadmap for Renewalsm is required to guide your implementation efforts. This roadmap includes a prioritization of needs, proper phasing of new elements, sequencing of activities and milestones, training and organizational requirements, and a compilation of resource and capital requirements.

Calamity Can Breed Opportunity – For Those Who Act

The calamity that is currently overwhelming the global economy is unprecedented, but it will not last forever. A once-in-a-generation opportunity to outperform competitors awaits those business leaders who successfully reduce costs and reshape their businesses today in a way that engages customers and employees.

Strategic Organization Renewalsm is the key to lining up on the correct side of this once-in-a-generation opportunity curve. It puts the necessary tools in your hands at precisely the right time.

SOR delivers:

- ◆ A fast, comprehensive assessment of your company's exposures and opportunities.
- ◆ The ability to implement quick wins that deliver increased ROI directly to your bottom line.
- ◆ A process to avoid the piecemeal changes that often fail because they do not take into account the significant interdependencies that exist in today's complex business environment.
- ◆ A planning methodology to sort through the sequencing, timing, and cost of critical implementation actions.
- ◆ A leadership visioning and communication process that engages your employees with a clear understanding of the path forward, giving them renewed confidence and optimism there is a bright future ahead.
- ◆ Improved customer satisfaction and the ability to capitalize on changing customer purchase patterns and market requirements.

- ◆ Key metrics for success across all four quadrants of the SOR model to evaluate your accomplishments and guide continuous improvement efforts.

Strategic Organization Renewalsm enables business leaders to manage the complexity their businesses face and produce better results today. It also ensures the adoption of long-term changes that enhance market, customer, and employee confidence to renew your organization for tomorrow.

Linkage

Linkage is a global organizational development company that specializes in leadership development. We provide clients around the globe with integrated solutions that include strategic consulting services, customized leadership development and training experiences, tailored assessment services, and benchmark research. Linkage's mission is to connect high-performing leaders and organizations to the futures they want to create.

With a relentless commitment to learning, Linkage also offers conferences, institutes, summits, open-enrollment workshops, and distance learning programs on leading-edge topics in leadership, management, human resources, and organizational development. More than 200,000 leaders and managers have attended Linkage programs since 1988.

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