

RESTRUCTURING – A Knee-Jerk Reaction or Value Added?

As already highlighted in previous articles, the effect of the COVID crisis on businesses is not unprecedented. We were already aware of an impending global recession; this had been highlighted by the International Monetary Fund some four years ago. In addition to this, businesses in the UK have had the opportunity to plan for the uncertainty of Brexit for some three years. We could not have forecast the Pandemic but this has done little more than deepened the recession in the UK (and globally) and added to the uncertainty in the future. Given that our global trade agreements have been negotiated by the EU on our behalf, if a trade agreement is not negotiated with the EU, then we could see a detrimental effect on customer spending power in the short-term (whilst agreements are renegotiated) – not just affecting our exports but, given the amount we import, this could have a knock-on effect on the domestic markets as well. Business Continuity will be dependant upon whether or not businesses are able to provide something different, of value, in the marketplace. It means a move away from looking at what competitors are doing and then utilising their innovation and creativity in trying to better their products, to looking at future customer needs and to what competitors are not doing in order to provide something different if they are to create a new future for the business. Given the number of organisations that we have seen going through a programme of restructuring, this begs the question: Are they restructuring for the ‘right’ reasons? Worryingly, research into these restructuring projects are showing three different traits.

We are seeing some restructuring projects that have been undertaken purely as a cost-cutting exercise. Cost-cutting, on its own, does not add anything to the ROI or to the ‘bottom line’. It therefore does not add any value to the organisation. At best it will improve cashflow in the short-term and that is why it is regarded as a short-term solution to a long-term problem. Eventually, failure to link these restructuring exercises with a programme of innovation that will create future improvements to revenue will see the fall in profits start to eat into the very cashflow that the business has tried to protect.

The second trait that has been highlighted in our research is where businesses have undertaken to restructure for a ‘right’ reason but have failed to take into account the need to look at previous failings across the whole organisation. An example would be a communications provider who is currently restructuring with a view to improving innovation. Given that this organisation needs to move away from following their competitors’ lead and, by doing so, provide something different in the marketplace if they are to attract new customers, it would seem that they are undertaking a programme of restructuring for the ‘right’ reason. However, if this is limited to their technical divisions (as, at first sight, it would appear to be), then the restructuring will fail to have the desired effect. It has already been highlighted that there is a lack of communication and collaboration across customer services (from sales to billing) which has resulted in some customers waiting weeks for problems to be rectified. According to Senior Management their employees are engaged and I have no doubt that this may seem to be the case. However, whilst their staff are engaged in the work that they undertake and in the department in which they work, they are not engaging with other departments in order to find solutions to customer related problems. If the new structure does not support the leveraging of the ‘right’ strategies, capabilities and culture across the whole organisation, then this organisation could find itself losing more customers due to poor customer service than it attracts by offering new, innovative, products and/or services. This is just one of many examples but there are some organisations that are restructuring for all the ‘right’ reasons.

A prime example is our local Jaguar and Land Rover dealership. A large dealership that had been operating on two separate sites but when looking at a programme of restructuring it became clear that they could provide a better service to their customers, as well as being better positioned to

meet employee expectations for professional development, by co-locating both Jaguar and Land Rover in one location. Yes, there was also a reduction in overheads in areas such as buildings maintenance and in reducing utility costs but it also provided an opportunity to leverage the 'right' strategies, capabilities and culture required to provide a 'wow factor' to their customers. Having started out as an apprentice engineer at Routes Group and then Chrysler UK where we manufactured commercial vehicles (Commer and Dodge), I was particularly interested in seeing their vehicle servicing area. I was not disappointed. A large, clean, tidy area with the Jaguar technicians working on one side of the workshop and Land Rover technicians on the other. As some of you will know, there are times when a mechanical or electrical problem arises on a vehicle that creates a real headache for the technician trying to find a solution. However, with both sets of technicians co-located there is now a greater opportunity for collaboration across the two lines of servicing bays. The result being that the dealership has been able to greatly improve the turnaround of vehicles in the workshop and, in doing so, are in a better position to meet customer expectations in being able to return a vehicle to its owner more speedily. That is just one example of the improvements made by restructuring where both cost-cutting and innovation can create a better future for the business. The level of customer service being provided across this dealership, from sales to vehicle servicing, has most certainly enhanced the Brand of the Company and the employees are in a better position to improve their professional skills and knowledge through collaboration. This, coupled with a better work experience through the provision of mutual support in the workplace, has resulted in low staff turnover. I was impressed.

If you are in the process of restructuring or looking to undertake a programme of restructuring, I hope that you will find this article of value.