Corporate Restructuring: A Survival Strategy

The global landscape is constantly changing and the pace of this change has substantially increased over the past decade. Organisations that cannot keep up the pace simply disappear: a product that was highly in demand just 12 months ago, is old and no longer coveted nowadays.

Corporate restructuring is a survival strategy aimed at revitalising the operations of a company and make it profitable. It is a painful strategy as it involves significant change and uncertainty. Restructuring involves reorganising a company, dismissing employees and taking a new direction. It is an inevitable choice for those organisations that want to survive and thrive.

Over the years authors, practitioners and academics have devised countless models to deal with corporate restructuring. I am of the opinion that there is very little new under the sun and there is no need to reinvent the wheel. The model that I favour is the McKinsey 7S Model. That’s because, unlike others, it focuses both on the internal and external factors of corporate restructuring and their interdependence.

This position paper aims to provide an overview of a tool that will help you dealing with corporate restructuring. In particular I will focus on the McKinsey 7S Model for restructuring and how it can be implemented to help an organisation dealing with the increasing pace of change and to manage corporate restructuring successfully.

An effective roadmap for corporate restructuring

The McKinsey 7S Model comprises 7 factors that have to be analysed when dealing with restructuring. Within those elements we can distinguish:

a) hard elements: strategy, structure and systems - they can be more easily identified and management can influence them directly;

b) soft elements: shared values, style, staff and skills - they are less tangible and are influenced mainly by organisational culture.

Fig. 1 McKinsey 7S Model
The 7 elements are interdependent and it would be unwise to focus only on few of them when dealing with corporate restructuring or other change initiatives. Let’s assess in more detail what they are about:

**Strategy**: it helps clarifying the organisation’s objectives by referring to mission and vision.

**Structure**: it represents the way an organisation is structured and the reporting relationships.

**Systems**: it refers to the activities and procedures that an individual performs to “get the job done”.

**Shared Values**: it refers to the core values of an organisation and how they are embedded in the company’s culture.

**Style**: it refers to the leadership and managerial styles. The quality of the leaders in an organisation is key for its success.

**Staff**: it refers to human resources and the importance of hiring the best person for the job. Employees are one of the most important assets in an organisation.

**Skills**: it refers to the competencies and skills of the employees working for the organisation.

How does the 7S model work in practice? It is very helpful when dealing with restructuring, and therefore change, as it allows analysing the current situation (IST), determine the future status (SOLL) and to identify the gaps and how to fill them.

The key when applying this model is to assess all the 7 elements and their interactions. The premise of the model is that an organisation can perform to its very best only if the 7 factors are aligned and reinforce each other.

**What You Need to Know**

You may think “OK, interesting model but how do I implement it in practice?”.

The main advantage of the 7S model is that it helps executives of an organisation clarifying the problems and identify solutions by asking the correct questions in order to deal with change in an effective way.

Let’s look at some examples of questions that you may wish to ask when implementing the 7S model:

**Strategy**
What is the strategy of the organisation?
How is the company going to achieve its goals?
How is the organisation going to cope with ever changing customer requirements?

**Structure**
What is the current company’s structure?
How do the different business units coordinate their activities?
How do teams communicate with each other?

**Systems**
What systems does the company has in place (e.g. finance, HR, supply chain)
What quality control methodologies are in place?
What are the processes in place that guarantee there are no overlaps?

**Shared Values**
What are the core values of the organisation? 
Are the values embedded in the company and in the employees way of working? 
What is the company’s culture?

**Style**
What is the leadership style in the organisation? 
Are the company’s leaders “walking the talk”? 
Do team members cooperate with each other or do they compete?

**Staff**
Has the organisation hired the best person for the job? 
Does the company have retention plans for the top performers? 
What is the succession plan strategy?

**Skills**
Do the employees in the company have the right level of capability to do their job? 
How is their performance assessed and addressed? 
Are there any skill gaps and how are they going to be filled?

**What You Need to Do**

The questions that were highlighted in this position paper are for reference only. It is mandatory to devise specific situational questions that are relevant to the problem that your organisation is facing.

Whilst it may look like a trivial exercise, you would be surprised to see how very simple but very focused questions can help steering the company in the right direction and manage change in a proactive way.

Whilst the questions are pretty straightforward the answers may not be.

When implementing the 7S model one of the keys is to prioritise the factor that has to be assessed first: for example, an organisation may decide to start with the analysis of their shared values. Questions can be devised to determine whether this element is aligned with the company’s structure, strategy and systems. If the answer is negative the executive team will have to determine what has to be changed to ensure an alignment of these elements and the impact of change. The next step is to determine whether the hard elements are congruent with each other. Again, if the answer is negative, the executives will have to determine what has to be changed so that those elements will support each other. The last step is to assess whether the soft elements support the hard elements and to devise corrective measures if this is not the case.

This assessment and tweaking has to be an on-going process as it has the aim to ensure that the performance of the organisation is aligned with the requirements of the market. The market is changing at a very fast pace, the strategy that was supporting the company’s growth 12 months ago could be leading to its “death” in the near future. Do not rest on your laurels.