



Executive
Perspectives

The CEO's Dilemma

Organizational Resilience

March 2023




Introduction to this document

Volatility and uncertainty—from geopolitical disruptions, the after-effects of COVID, rising inflation, and changing regulatory regimes—have significantly stressed organizations and their people.

To capitalize on opportunities, pivot to secure advantage, accelerate through the downturn, and win, firms must intentionally design their operating model, talent, and culture to be resilient. Cost-cutting measures alone are not enough. Companies must apply a thoughtful and tailored approach to their organizations to create competitive advantage in the downturn and for the future.

This document addresses the capabilities and components needed to build a resilient organization and the mindset required to tackle this challenge right now.



In this BCG Executive Perspectives edition, we address the components of organizational resilience and what it takes to implement them successfully

Executive Summary | Organizational resilience is the foundation for going on the offensive during the downturn and creating competitive advantage

Why organizational resilience matters

In today's highly uncertain global environment, combined with **volatile labor market conditions** (e.g., low global labor force participation, severe talent shortages in many sectors and functions), business leaders need to arm themselves with the **right people and organization** to navigate the complexity of the conditions and turn them into a source of competitive advantage.

Organizational resilience refers to the aspects of companies' organization, operating model, talent, and culture that prime them to be **ready to go on the offensive during downturns**. Too often, we see companies simply liquidate costs in a defensive reaction to unfavorable macro conditions. In doing so, these businesses are frequently also "liquidating" the capabilities and talent that are critical to executing their strategic priorities. Companies that instead cultivate a resilient organization can help weather the down cycles and accelerate into the up cycles.

How other organizations have done it

We find that, regardless of industry or region, companies that have successfully built organizational resilience have taken a **holistic approach**. By starting with data and facts, they use diagnostics to help define the **tailored, de-averaged solutions** that represent a complementary, mutually reinforcing **combination of offensive and defensive actions** across people and organization levers.

How to get started

To start building organizational resilience today, leaders must assess their current position and capabilities, and align their leadership teams on a portfolio of mutually reinforcing solutions across three areas:

- 1. Organization and operating model:** Define a lean structure that creates cost advantage, while using re-org as an opportunity to enhance adaptability, optimize for highest-priority sources of value, redefine core processes, and accelerate capability builds (e.g., digital, sustainability).
- 2. Talent and skills:** Identify talent needed to win today and in the future and chart a clear path to acquire, develop, and retain that talent.
- 3. Culture and change:** Inculcate traits that enable individuals and teams to thrive in volatile and uncertain times; tap into and activate employees' emotions, explicitly build confidence, and lead by example.

Creating a resilient organization will support **successful execution of existing strategies while capturing breakout opportunities** when others are struggling, even in a volatile and challenging environment.



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AGENDA

- ✓ **Why organizational resilience matters**
- ✓ How other organizations have done it
- ✓ How to get started

Why organizational resilience?

Against a backdrop of **social and economic pressures and uncertainty...**

...**people and organization levers are increasingly critical to deliver on core strategy...**

...**yet many companies struggle to take decisive action, instead repeatedly compromising**

- **Supply chain disruptions** and geopolitical tension
- **Financial pressures** (e.g., inflation, funding)
- Persistent **talent scarcity**
- High degree of **stress and uncertainty**

- Increasing need for **operating models** that deliver both responsiveness and scale economies
- Need to **reduce work and streamline orgs** to maintain margins in face of cost pressures
- Imperative to **continue building capabilities** (e.g., digital, analytics, climate and sustainability) and acquire/retain high-demand talent while simultaneously managing costs
- Need to **build motivation and engagement** to combat employee burnout

- More C-suite leaders report **planning "tentative" actions in next 12 months** -- ~40% expect to focus cuts on discretionary spending; ~25% to slow/stop hiring¹
- Only a few executives plan **to take "bold" actions** in 2023 such as innovating in product design or significantly optimizing their workforce

There's **no perfect timing**, but there is a **path to break compromises** through **bolder actions**

Organizational resilience gives you the ability to respond to pressures while breaking perceived compromises (e.g., cost vs. flexibility)

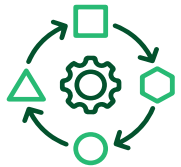
A resilient organization is...



LEAN & EFFECTIVE

Cost-advantaged and customer-oriented

- Appropriately (de)centralized governance, with efficient structure and lower overhead
- Optimized location strategy and worker mix
- Action-oriented and rapid decision making



ADAPTABLE

Able to perform in current environment and pivot on evolving objectives

- “Modular” org architecture with platform elements to create optionality at low cost
- Ability to hire/exit/redeploy talent quickly, including pooling and cross-funding
- “Always-on transformation” mindset and ways of working



VALUE-FOCUSED

Aligned on clear value-capturing priorities to guide difficult and exciting decisions

- Process rewiring and automation to ruthlessly remove lower-value work
- Segmented talent investment to secure future advantage
- Compelling purpose to ensure clear prioritization and rapid alignment

● Org & Op Model

● Talent & Skills

● Culture & Change

How to enable decisive action? Act simultaneously on defense and offense across three dimensions



People and org actions must be both defensive and offensive, and mutually reinforcing

Example actions

Org & Op Model

Redesigning org to be more adaptable to drive cost reductions and simplify processes and structure

Talent & Skills

Staffing to optimize talent; secure efficiency and align high-caliber internal & external talent to top priorities

Culture & Change

Equipping leaders to build confidence and increase bandwidth for today's priorities and tomorrow's

Organizational resilience enables companies to outperform and win in challenging environments



Org & Op Model

Up to
~20% Potential **cost savings** from reset of organization and op model¹

5x as likely To be **top performer** if op model is set up effectively²

10-20 Potential **increase in NPS** points with flexible op model²



Talent & Skills

4x as likely To be **top performer** if talent pipeline holistically sources talent²

~20% **Longer tenure** at companies with higher internal mobility³

>70% **Increase in productivity** with strong onboarding⁴



Culture & Change

+2x Total **TSR performance** for orgs with high purpose and clarity⁵

1.5x **Higher transformation success** when leaders regularly activate key behaviors (e.g., empathy)⁶

4x as likely To be **top performer** if teams feel empowered when priorities shift²

~70 pp

Average **outperformance over industry TSR** attributed to resiliency actions post-crisis⁷

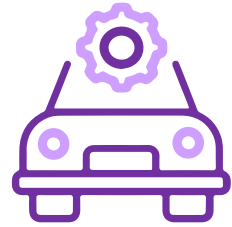
1. Based on BCG case experience from organizational reset: process rewiring, holistic work-reduction, operating model re-alignment 2. Platform Operating Model survey; top performer is defined to "perform significantly better than peers," with 10%+ YOY revenue growth. Likelihood outcomes are generated from ratios of similar answers between top performers and low performers 3. LinkedIn Global Talent Trends on retention after 3 years for the US, Dec 2022. Within the US, after three years, employees have a 44% likelihood of staying an additional year if they have not internally moved, compared to a 63% likelihood to stay an additional year if they have internally moved (promotion or lateral change) 4. Zippia; 17 Incredible Onboarding Statistics [2023]: HR Trends in Hiring, Training, and Retention, Sept. 2022 5. BrightHouse Impact of Purpose; high purpose defined as employees whose connection to purpose is 10% greater on an index, Oct 2020 6. Generative Leadership: BCG Transformation Check 2022 7. [How Resilient Businesses Created Advantage in Adversity During COVID-19](#) (Nov 2021); performance driven by recovery speed and extent. Post-crisis analysis period from February 2020 to August 2021

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AGENDA

- ✓ Why organizational resilience matters
- ✓ **How other organizations have done it**
- ✓ How to get started

Companies across industries and regions have developed organizational resilience to drive breakout performance



Europe | Automotive

Transformation through org optimization, cost reduction, & employee engagement

- Redesigned operating model
- Sourced & developed tech skills
- Broadcast compelling narrative



Global | Fashion

Capability investments funded through optimized org structure and work reduction

- Simplified organization
- Reinvested into capabilities
- Reset leadership behavior



North America | Health care

Growth and efficiency program to enable reinvestment

- Shifted to platform-based org
- Staffed for talent optimization
- Embraced agile ways of working



Regions included in effort



Org & Op Model



Talent & Skills



Culture & Change

North America | Health care company enabled growth strategy through op model transformation

A health care company was facing high member attrition, siloed operations, and heavy overhead. The organization launched a program to pivot from siloed structure to platform-based operating model.

Org & Op Model

Redesigned **op model with E2E platforms** to efficiently evolve member journeys. Established customer teams with E2E accountability and built shared digital and technical platforms leveraged to efficiently deliver member experience

Talent & Skills

Optimized talent via rigorous cross-enterprise pooling & slating; selecting leadership for **desired cultural attributes** (e.g., comfort with ambiguity) in addition to expertise. Restructured recruiting process to emphasize cultural fit assessment

Culture & change

Adopted **agile ways of working** to improve team effectiveness and **removed low-priority activity** to increase bandwidth. Teams used agile routines and backlog management to drive relentless prioritization and alignment

Value delivered

\$50M run-rate customer lifetime value created by first teams in first 6 months

More than doubled speed to market



Europe | As part of a strategic pivot, auto manufacturer redesigned its organization and reduced structural costs

A European auto manufacturer had significant profitability challenges and disruption of its legacy passenger vehicle business. Company redesigned its organization and reduced costs as part of pivot into electric vehicle market.

Org & Op Model

Redesigned **operating model** via cascading process to leverage scale and enhance business accountability and decision-making while tailoring support levels to regional requirements

Talent & Skills

Thoughtfully redeployed and reduced talent while building a newly **redesigned talent pipeline to attract tech skills** needed for electric vehicle strategy

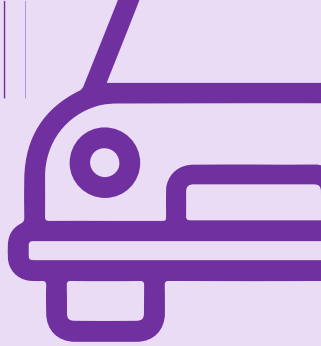
Culture & change

Supported product design launch and up-skilling programs by **recognizing early wins** and maintaining a **consistent narrative** to build momentum toward electric vehicle pivot

Value delivered

>€1B in annual cost savings

Fully implemented op model & staffing **25% faster** than expected



Global | Fashion company executed organizational resilience and capability program to drive performance

A fashion company was performing below market expectations. It conducted an enterprise-wide program to increase revenue and establish a cost-competitive organization that supported profitability and growth.

Org & Op Model

Optimized structure and op model to align resources with newly declared strategy, reduce work, gain flexibility, and improve performance; elevated leaders of critical capabilities in the organization; rationalized SKUs to create step change in simplification

Talent & Skills

Built **digital and data-driven capabilities** with immediate application to revenue-generating campaigns; **up-/re-skilled talent** on how to use digital channels to capture value of shifting demand from brick-and-mortar to e-commerce and omnichannel

Culture & change

Rearticulated and activated **enterprise and brand purpose** and reset **culture and leadership behaviors**. Cascaded uplifted purpose and behaviors through all teams with focus on action-oriented approach and empowerment

Value delivered

\$450M in cost savings

Achieved 100% run-rate impact a year in advance

3x market cap increase

While context, industry, and regions may vary, we find that companies that successfully build organizational resilience rely on four principles

1

FACT-BASED perspectives on where to optimize and where to invest

2

DE-AVERAGED solutions with different targets across business functions, talent needs, time horizons

Adopt a **fact-based approach** to execute **de-averaged solutions** that are **value-focused** and **mutually reinforcing**

3

VALUE-FOCUSED initiatives grounded in enterprise strategy rather than siloed or near-term priorities

4

MUTUALLY REINFORCING solutions to create win-wins and drive synergies through integrating “offense and defense”

A background image showing a pit crew member in a red jumpsuit and helmet working on a Formula 1 car. The car has a checkered pattern on the side and the number '1'.

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How to start instilling resilience in your organization

Step 1 | Gather fact base and assess:

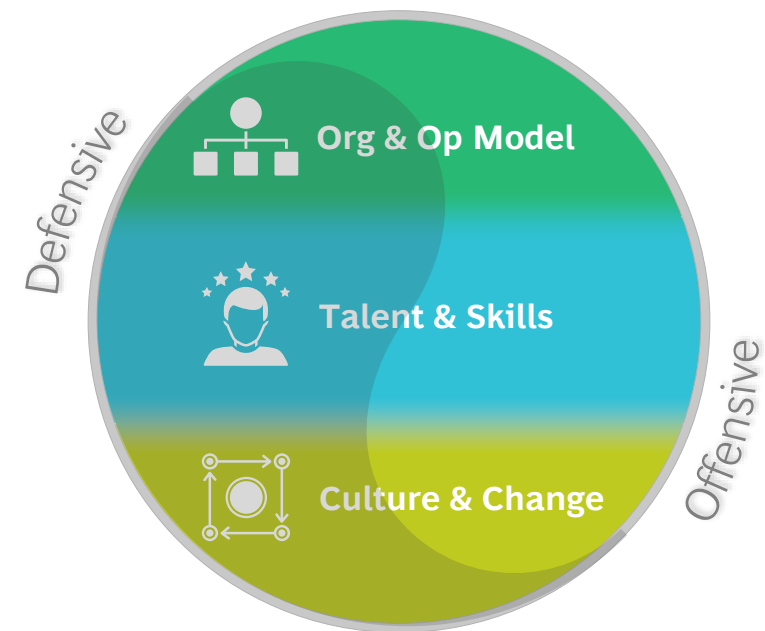
Cost structure to support margin in challenging environments

Ability of organization to efficiently capture value now and pivot to new opportunities

Gaps in talent and skills needed to perform now and in the future

Engagement and motivation of employees to work together and embrace change

Step 2 | Align leadership team on portfolio of mutually reinforcing solutions



See examples on following page

Org & Op Model | Efficient and adaptable operating models are a foundation for thriving under conditions of uncertainty and volatility

Achieve **sustainable cost advantage**...

Make de-averaged workforce reductions:

Preserve or enhance capacity in strategically critical areas; make deep cuts in others

Aggressively reduce work:

Cut low-value activities, optimize processes, and digitize/automate

Streamline structure:

Simplify spans/layers, reduce interfaces

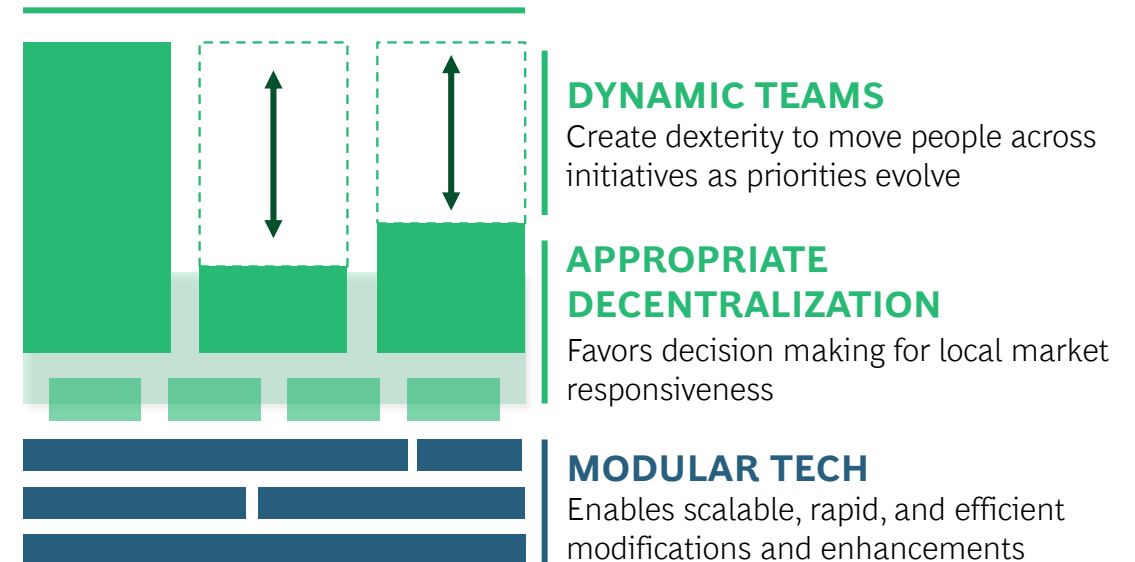
Institute scalable “platform teams”:

Create optionality at lower cost by assembling flexible teams of shared resources (i.e., “platforms”)

... and gain **adaptability** through agile ways of operating and value-focused initiatives

FLEXIBLE RESOURCE (RE)ALLOCATION

Allows orgs to quickly shift investment to fund strategic priorities



Talent & Skills | Powerful data and algorithms enable winning talent strategy

Powered by

TALENTBUILDER
BY BCG

Data inputs

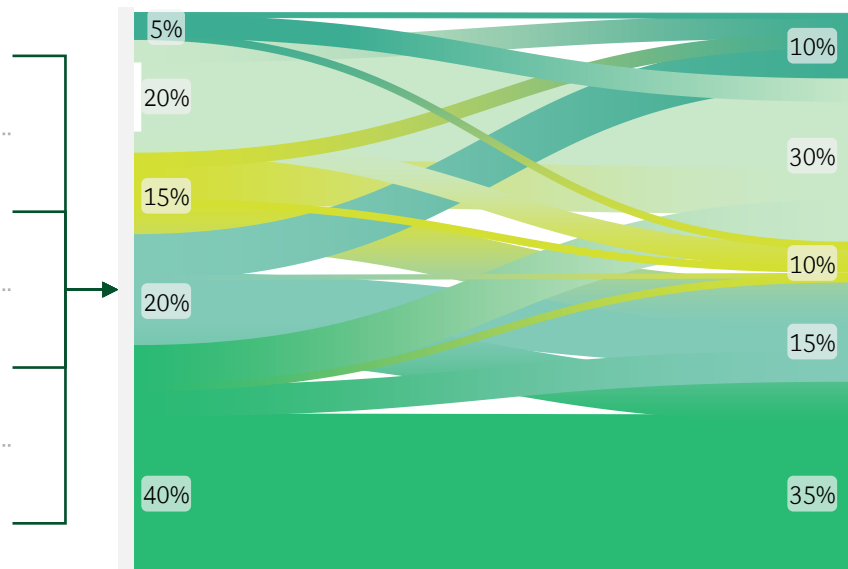
BUSINESS IMPERATIVES

MARKET DATA

DEMAND SCENARIOS

CURRENT SKILL SUPPLY

Dynamic supply & demand matching



Resulting decisions

BUILD

- Supercharge talent acquisition when others cut
- Attract high-demand talent for priority capabilities (e.g., newly available tech employees)

KEEP

- Ensure match with high-value work
- Sharpen employee value proposition

REDEPLOY

- Bolster strategic priorities
- Retain capable, flexible talent

EXIT

- Remove low performers
- Separate talent that cannot be redeployed

*An example –
European financial
services company*

BUILD – attracted key talent by building a best-in-class candidate experience

KEEP – defined career paths after completing transformation to retain talent

REDEPLOY – leveraged upskilling platform to support employees shifting to agile methods and new roles

Culture & Change | By building confidence and increasing bandwidth, leaders can enable teams and individuals to accept uncertainty, persevere, and win

56%

Of employees **report anxiety** during times of change...

...which reduces **productivity**, lowers job satisfaction, and increases turnover & absenteeism

Use the “science of change” to reduce anxiety by giving clear direction, increasing bandwidth, and boosting confidence

Give clarity

- Insist upon a few measurable, unambiguous goals (e.g., zero debt)
- Develop and continually repeat emotionally compelling narrative connected to organization's purpose

Generate capacity

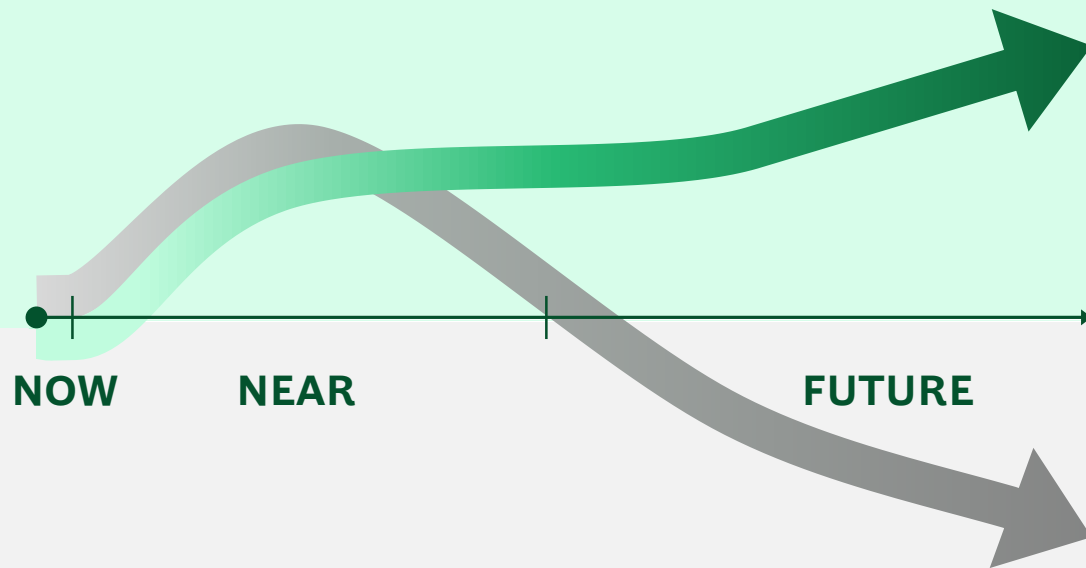
- Distribute initiative ownership and performance accountability
- Explicitly identify and reward cooperation
- Be visible; share teams' effort
- Measure cognitive load; reduce distractions

Increase confidence

- Start with "meaningful, winnable victories" to build momentum
- Assume employees are change-averse; acknowledge challenges
- Recognize contribution of individuals and teams
- Test proven strategies (e.g., structured reflection) to boost team's output

The time to act is now | Those who build organizational resilience today will find themselves well positioned to accelerate out of a downturn

Companies with resilient organizations will be:



Meanwhile, firms that do not strengthen their organizations may bank near-term savings, but in the future experience:

- + Operating with **modular, streamlined processes** that can flex to meet the demands of tomorrow
- + Maintaining **optimized people costs** via thoughtful resource reallocation
- + Staffing with the **right talent** to achieve strategic ambitions
- Persistent need to address urgent issues in a **rigid system, with limited options**
- Missed opportunities due to **lack of capabilities to respond to customer demands**
- **Disengaged, ill-equipped**, and missing talent

BCG helps clients move from theory to action

Holistic, integrated programs

- Deep experience delivering integrated programs that incorporate initiatives across org & op model, talent & skills, and culture & change

Tools and capabilities to help you deliver



ORGBUILDER
BY BCG



Cloud-based platform that enables simultaneous, collaborative, and permission-based E2E org design to expedite execution and direction



TALENTBUILDER
BY BCG



AI-powered modular platform that leverages internal and market data to translate business strategy across the talent value chain



KEY
BY BCG



Decentralized solution that provides transparency, proactively mitigates risks, and drives outcome-driven change to realize full impact

Client-specific customization

- Approaches are tailored in size and focus for client-specific needs
- We commit to partner for your long-term success – not one-and-done

Proven track record of success

- 4,400+ projects over the past 5 years, supported by team of 650+ experts globally
- Best-in-class approach recognized by industry experts, e.g., ALM Vanguard

Connect with our organizational resilience leadership team with any questions

Organizational Resilience



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