

BUILDING THE FUTURE ORGANIZATION

A framework to put an end to futile restructuring
and cost-out programs

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In 2023, [Citigroup conducted a reorganization](#) effort that reduced its management layers from 13 to eight in what was dubbed its “biggest overhaul in decades.” The year also was marked by [mass layoffs at Goldman Sachs](#), which let go of 3,200 employees accounting for 6.5 percent of its headcount, as well as Big Tech firms including [Dropbox](#), [Yahoo](#), and [Zoom](#). These headline-making organizational changes share one common trait: Companies feel the need to make dramatic changes to their operating model to stay competitive in an increasingly changing market.

Part of the impetus for these moves is the companies’ desire for the skills they need to succeed. Despite workforce reductions and reorganizations, the war for talent possessing certain types of skills has been increasing since the 2022

Great Resignation and has given rise to a new market currency: the skills currency. But assuming recent conditions persist, businesses — much to their detriment — inevitably will just end up repeating what they’ve done in the past.

A round of mass layoffs today does not guarantee a leaner, more agile tomorrow. It does, however, adversely affect the employer’s brand, which makes organizations that undergo repeated cost saving programs less attractive to high-caliber, in-demand talent. Layoffs also reduce morale and increase voluntary attrition due to a reduced sense of job security, particularly among critical talent whose value may be overlooked with simple headcount- or payroll-based reductions. Such moves also often neglect to consider the longer-term costs of rehiring and retraining.

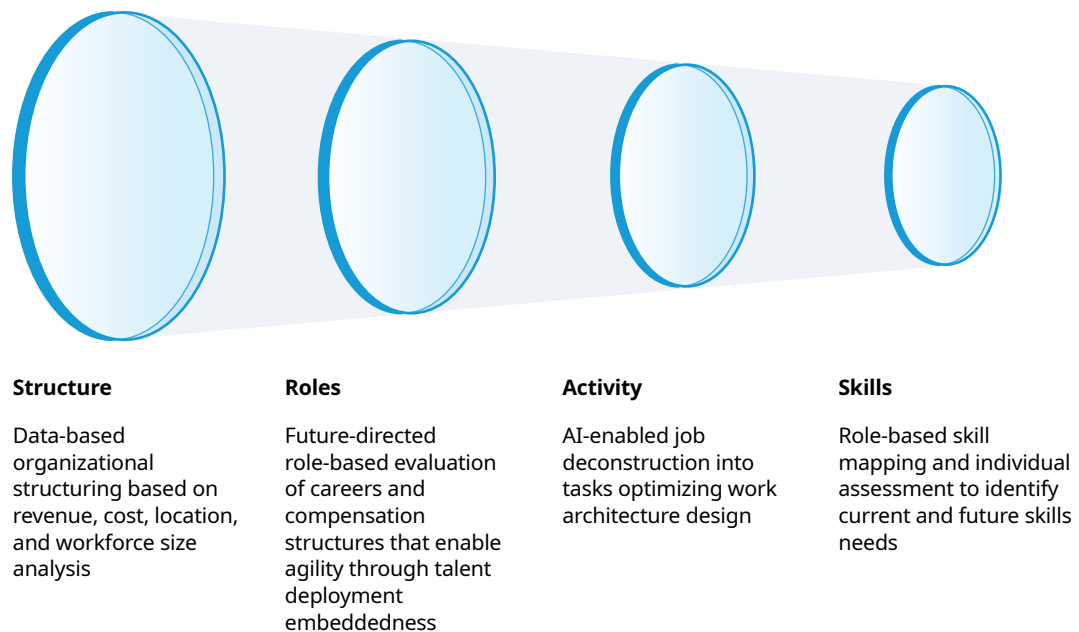


The solution for organizational survival and competitiveness, therefore, lies in developing a fit-for-purpose infrastructure to attract the right talent, nurture it in an environment that provides recognition, and enable its continuous development through upskilling and reskilling for current and future needs.

A FRAMEWORK AND APPROACH FOR CREATING A MORE COMPETITIVE FUTURE ORGANIZATION

Effective organizational transformation that embeds strategic workforce management into core operations requires a holistic methodology that captures value across the diverse pillars of structure, roles, activity, and skills. Exhibit 1 represents the relationship between these pillars. Structure is the backbone of effective organizational design, providing the basis for role definitions and strategic career paths. Within these role definitions, organizations require a definitive understanding of “Activity” (that is, what people are *actually* doing) and “Skills” (or, the abilities people need to meet the expectations for their roles).

Exhibit 1: Organizational optimization framework



Source: Oliver Wyman

First lens

LOOK AT THE STRUCTURE OF YOUR HEADCOUNT AND FORECAST THE WORKFORCE NEEDS

Organizations undergoing a restructuring may often reflect on the present-day costs and consequently deliver cost-out programs that serve only in reducing them. Restructuring conducted within the frame of a cost-out program examines workforce size from the inherently flawed lens of headcount cost rather than headcount value-add. Such an approach in the medium-to-long term results in the underlying costs of tacit knowledge loss, damage to the employer brand, and direct recruitment and training costs.

An analysis of organizational structure must take the element of cost into account through a broader lens, exploring an organization's global location distribution strategy, seniority mix, and peer-benchmarked organizational shape evaluation. However, cost is only one part of a larger organizational health analysis that should focus on efficiency and sustainability, examining internal governance, headcount size and mix, reporting line imbalances, and redundancies in both layers and activities. To complement this analysis, organizations can use workforce analytics that help identify gaps in skills and capabilities, as well as areas where the organization may be over- or understaffed. This involves creating models to forecast future workforce needs, which can help organizations develop strategies to address the gaps.



Second lens

DESIGN ROLES TO MAKE THE WORKFORCE MORE AGILE AND ADAPTABLE

At the core of individual performance is effective job design that enables talent deployment to secure longer-term organizational agility. On the individual level, the absence of this factor disincentivizes performance and threatens the loss of high-potential talent. In the broader organizational scheme, effective job design is critical to preventing redundancies, inefficiency, and lower productivity while also promoting a vision of how talent can be leveraged in different roles and functions.

A proper analysis of role frameworks takes both levels, individual and organizational, into account. The core objective of this approach is to ensure that the role framework enables an optimal structure that fits into the longer-term organizational strategy while continuing to deliver value, growth, and purpose to the individual.

On the individual level, the focus should remain on optimizing individual performance by clarifying expectations and providing incentives, implementing objective performance assessment, and fostering employees' growth. The approach is also geared to place value on roles where it is critically needed, in order to attract top talent. Compensation analysis ensures employees are rewarded competitively while considering organizational costs.

At the organizational level, employer brand, cost implications, and operational efficiency must be considered. Organizations should develop a consistent framework that links to the full ecosystem of talent management in terms of performance, reward, and learning and development to drive a cohesive and equitable employee experience. A thorough examination of the various aspects of roles — including job descriptions, specifications, location, career progression, succession planning, development, and compensation structures — will enrich the framework. This comprehensive approach helps organizations attract high-potential talent, retain top performers, and establish a strong internal leadership pipeline.



Effective job design enables talent deployment to secure longer-term organizational agility

Third lens

WORK STRATEGICALLY TO REDEFINE ACTIVITIES OF YOUR WORKFORCE

Capturing the work being done within an organization from an operational optimization lens demands deconstructing roles into tasks to evaluate the allocation of time, the nature of the work, and its potential for redeployment to work options like AI or talent in agile pools. This strategic repositioning of work allows organizations to identify cost-saving opportunities through task reallocation, considering long-term automation scenarios, offshoring, and outsourcing. It is important to note that this approach is not isolated but involves continuous alignment and refinement of targets and expectations throughout the organizational hierarchy. While cost savings are a byproduct, the true value lies in long-term operational sustainability and objective performance metrics based on clearly defined job expectations enabling a focus on value creation.

Fourth lens

EQUIP YOUR TALENT WITH SKILLS MATCHING THEIR ROLE

The final lens in the organizational optimization framework complements the roles lens by taking a deeper dive into job specifications and clearly defining skill profiles in par with different structural levels and job families. The skill profiles are aimed at capturing monetary value of skills and fostering role agility so the organization can manage the talent pool to address technological and economic disruption and volatility. The transparency resulting from this effort allows simple build-or-buy decisions in the area of skills and thereby ensures efficient allocation of scarce resources.



While cost savings are a by product of effective activity and skills mapping, the true value lies in the resulting long-term operational sustainability

CONCLUSION

The end goal of organizational optimization is the delivery of holistic transformation that delivers on sustainable long-term value creation. The effort rids organizations of the recurring need to restructure in response to market changes by focusing on these pillars and setting up the infrastructure for organizational agility. This will reduce the need for traditional cost-out programs in light of a redefined approach to workforce management and organizational development.

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