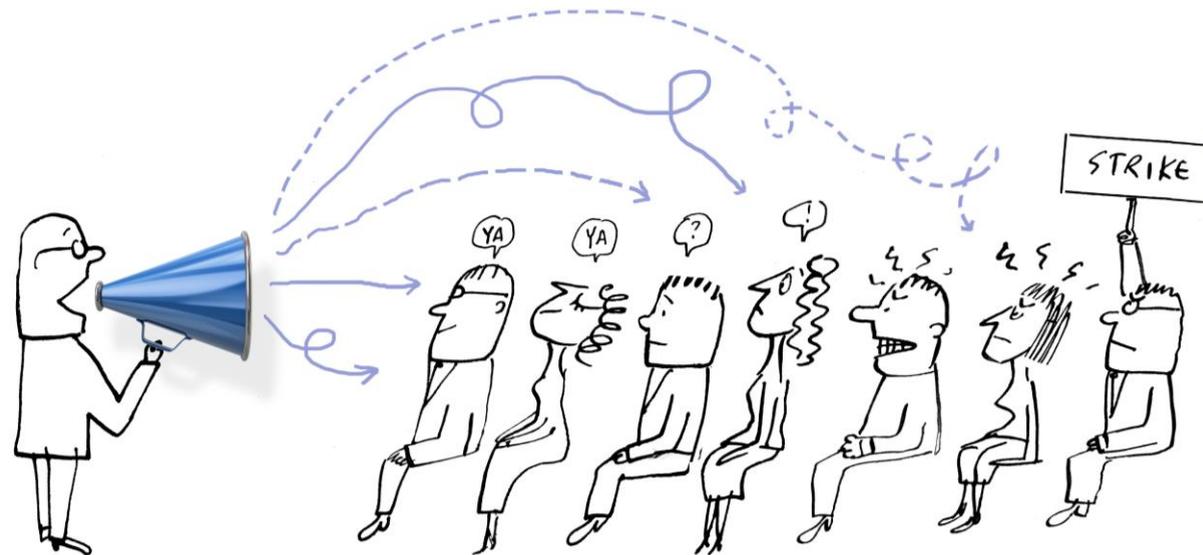




goetzpartners

STRATEGY | M&A | TRANSFORMATION



HR RESTRUCTURING: COMMUNICATION IS KING

HR restructuring programs often fail due to bad communication

Bad communication within restructuring programs can have fatal consequences – causing bad press, strikes, loss of talents and customers

Newsticker

NEWS

+++ news +++ news +++ news +++ news +++ news +++ news +++ news +++ news +++ news +++

HC REDUCTIONS AT T-SYSTEMS ^[1]

Announcement drew a furious response from the Verdi labor union

AIR FRANCE WORKERS RIP SHIRTS FROM EXECUTIVES AFTER AIRLINE CUTS 2,900 JOBS ^[2]

Staff storm board meeting at Charles de Gaulle airport and force executives to flee, with one clambering over a fence half-naked

AIR FRANCE TO REPLACE HUMAN RESOURCES CHIEF ^[6]

Senior cabinet member lined up to take over in a move that is unrelated to Monday's violence, officials say

WORKERS COUNCIL ^[5]

"We will fight for every job!"

- ▶ **JOB CUTS AT BAYER** ^[9]
Sharp criticism by politicians
- ▶ **EMPLOYEES STORM WORKS COUNCIL MEETING** ^[8]
Employees have forced the termination of a meeting between the works council and the executive board
- ▶ **RESTRUCTURING** ^[7]
Employees in shock
- ▶ **AUTOMOTIVE** ^[3]
Opel – dispute over job cuts escalates
- ▶ **BAYER PHARMA WORKERS PROTEST 12,000 WORLDWIDE JOB LOSSES** ^[4]

[1] rp-online 2018 [2] The Guardian 2015 [3] Handelsblatt 2018 [4] dw 2018, [5] Reuters 2017 [6] Wall Street Journal 2015 [7] Businessinsider 2017 [8] Spiegel 2015 [9] Morgenpost 2018
Source: goetzpartners

80% of all transformations fail to achieve set goals – due to an unstructured process and inadequate communications

EXECUTIVE SUMMARY

01 85% of top executives believe that communication is a key success factor in restructuring projects; >70% think that proactive communications is of high importance within restructuring programs.

02 However, in most workforce transformation programs, communication is not prioritized – thus often having fatal consequences: Poorly managed programs show an increased likelihood of bad press, temporary injunctions, rumors, loss of talents and customers, strikes and sales decline.

03 Large-scale restructuring can have significant negative impacts on a firm's workforce, e.g. increased negative health symptoms, increased number of absence days as well as higher stress levels of employees are reported.

04

A CAREFULLY PREPARED RESTRUCTURING PROCESS COMBINED WITH A FAIR AND TRANSPARENT PROCESS OF

05

DISMISSAL SELECTION, TIMELY OPEN, AND HONEST COMMUNICATION AS WELL AS PROVISION OF TRAINING FOR THOSE REMAINING ARE KEY

06

SUCCESS FACTORS. Especially the way how the headcount reduction program is announced and communicated is crucial. That's why having a clear and comprehensive communication strategy in place is one of the most important factors and a great challenge. Looking after the remaining employees and providing them with adequate support to help them during the difficult transformation time is a precondition for successful restructuring. It is very often the case that firms neglect this group that's why they often resign, and talent is lost!

Perception beats performance – that's why communication needs to be properly planned and prepared and do not forget: a strong focus on remaining employees (incl. key players) is of high importance!

QUICK SCAN

Does your firm have a clear and comprehensive communication plan in place?

Did you inform all relevant stakeholders?

Do all executives/managers know to say **what, when, how,** and to **whom** and do they speak with "one voice"?

Did you organize all necessary town hall meetings (or business unit/ departmental meetings) and did you prepare a Q&A?

Does your company offer adequate training and support for employees, middle managers and employee representatives?

If you cannot check all five boxes without reservation, please contact our experienced professionals

Poorly managed restructuring can have a long-term negative effect on staff & weaken competitiveness

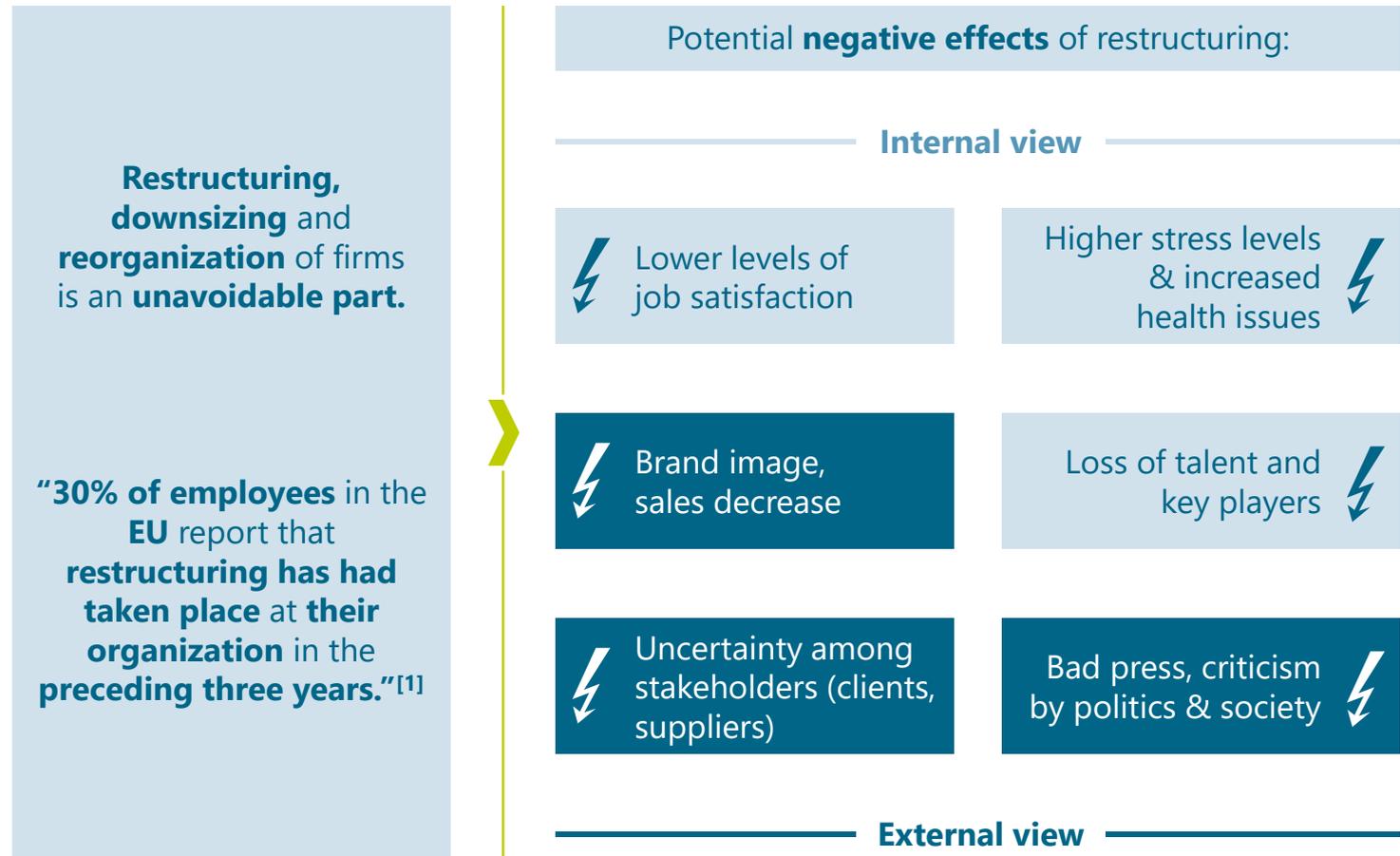
During restructuring, many companies are mainly focusing on the dismissals of employees.

Understanding the implications on the **remaining workforce** and providing support measures, is often not a priority.

Large job reduction programs are disruptive and can be traumatic for employees. Therefore it is important **how** the restructuring is managed. This implies providing adequate support measures for those who stay on.

Firms need to keep in mind that **employees' perception** shapes the **restructuring outcome**. It is more likely that measures are successful if the employees accept and are fully committed towards them.

POTENTIAL NEGATIVE IMPACTS OF RESTRUCTURING



[1] ERM report 2018: European Working Conditions Survey 2015
Source: goetzpartners, ERM report 2018

Communications without a convincing & authentic story results in loss of talents and key players

RESTRUCTURING ANNOUNCEMENTS AND POTENTIAL EFFECTS ON EMPLOYEES



COMMON ANNOUNCEMENT MISTAKES:

- No comprehensive **communication strategy** in place
- No **prioritization** of communication during HR restructuring programs
- **“Salami-slicing”** and **delaying tactics** (“wait & see”)
- **Lack** of clear **responsibilities**
- No sufficient **stakeholder management**
- No clear and consistent **storyline**

Those mistakes during HR restructuring announcements can lead to wrong assumptions, interpretation and rumors amongst employees. To prevent this, a **clear, consistent communication plan** is crucial.

The **biggest** challenge for firms is the **announcement** of large headcount reduction programs.

Many firms make the same, very common mistake: They **underestimate** the **power** of the **announcement** and often regard it as a small little action point on their To-Do list.

But this is definitely not the case. A carefully planned communication strategy including the announcement can have significant **positive impact** on the staff, especially on the **remaining employees**.

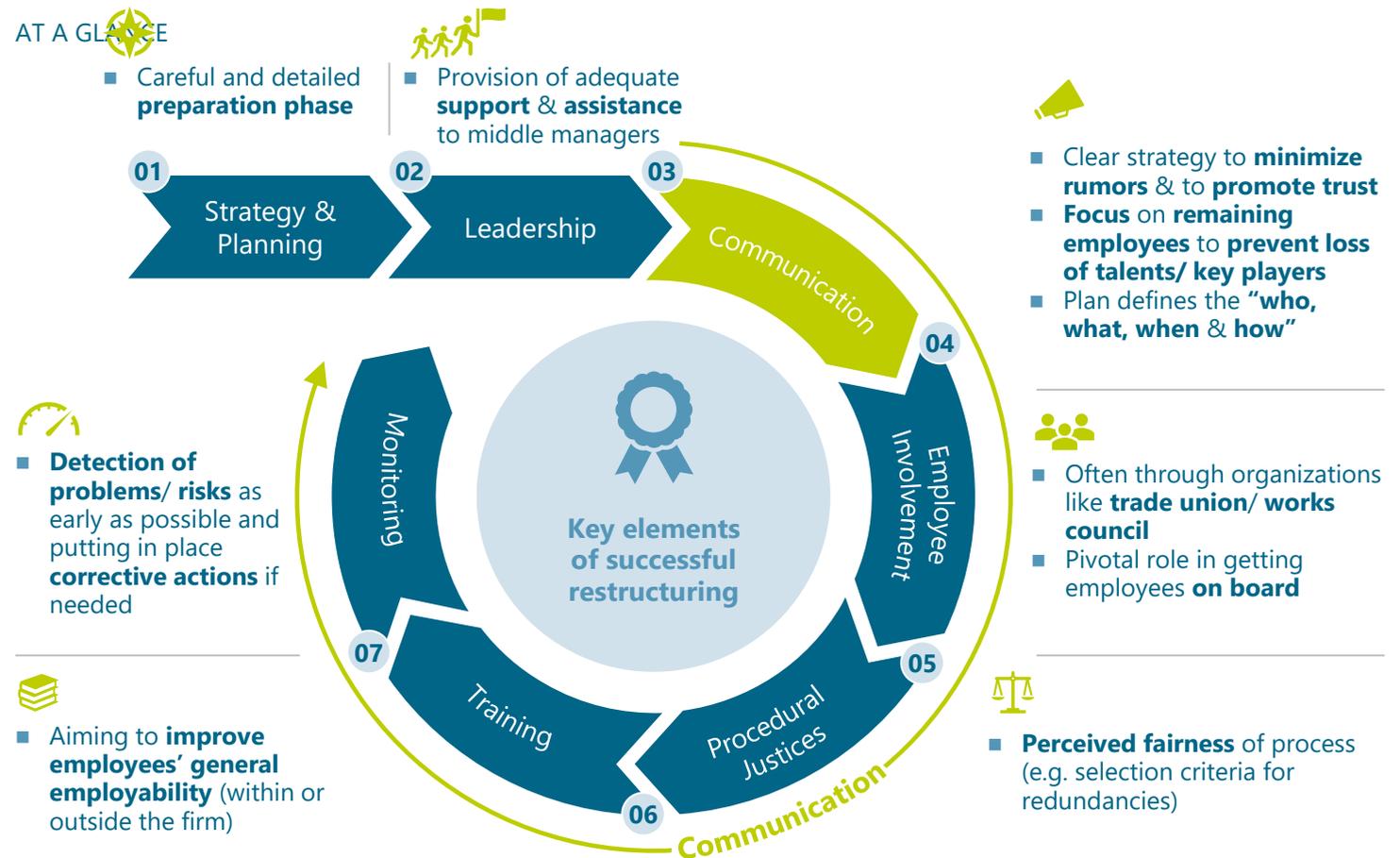
Providing adequate information & support for own staff is a precondition for successful restructuring

Clear and thorough planning of the whole restructuring process is the first step. It is crucial that firms devote enough **resources** and **time** for the planning phase.

Moreover, top management needs to set a **clear vision, strategy** and **direction** that needs to be translated by middle managers into appropriate **behavior** and **actions**. A **communication plan** plays a vital role in overcoming uncertainty, resistance to change and to induce employee commitment.

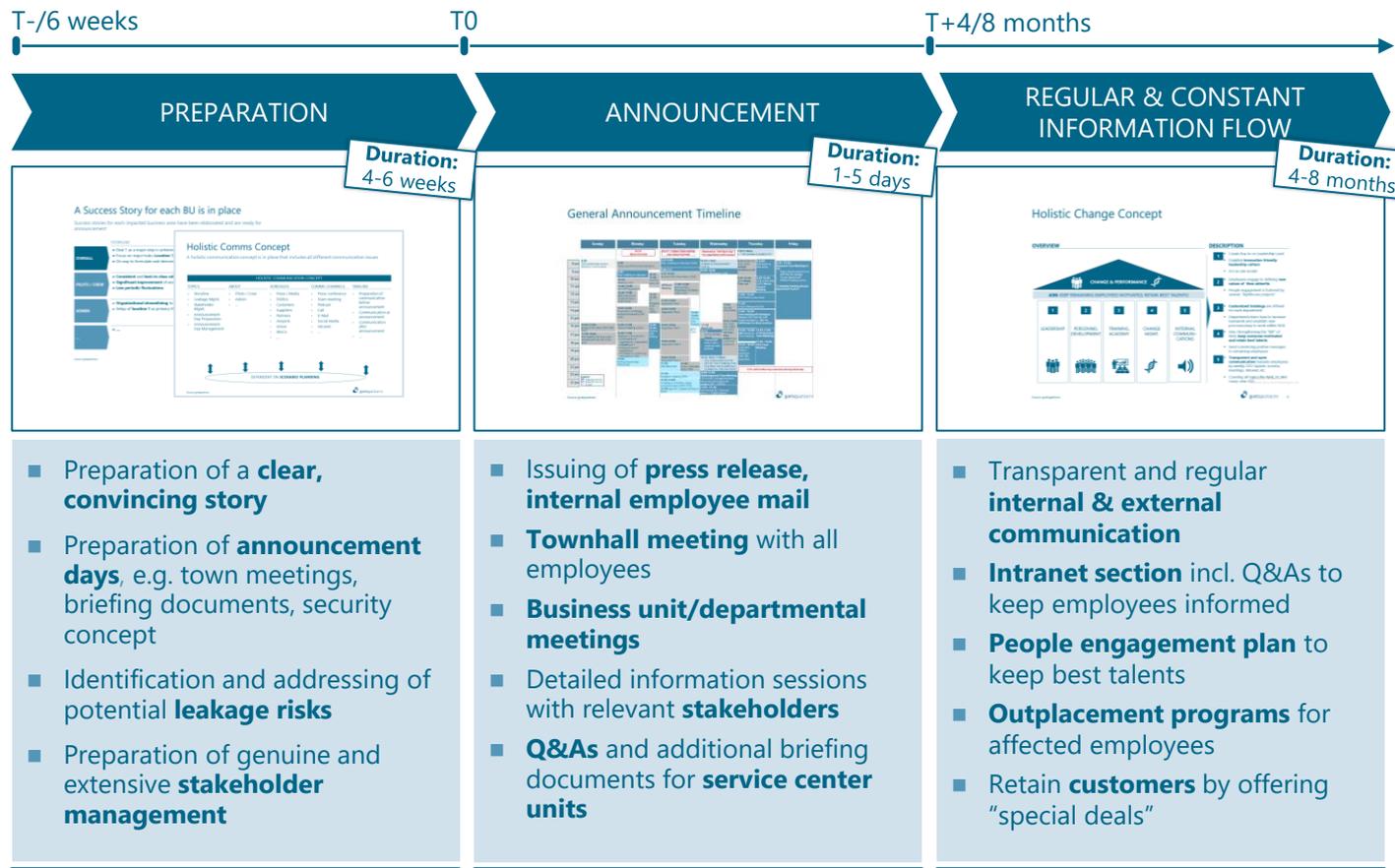
Providing **trainings** – not only to employees but also to middle managers and employee representatives before, during and after restructuring is important to help them to prepare for the new situation.

KEY ELEMENTS IN RESTRUCTURING



Our approach secures that “no one is left alone”, and that everyone knows when to say what & how

KEY PHASES OF THE COMMUNICATION CONCEPT



GOETZPARTNERS EXPERIENCE

- >25 HC restructuring prepared & supported
- >20.000 Redundancies completed
- >35 Negotiations supported
- >120 Sites closed
- >25 Outsourcings accompanied
- Rewarded project success: “Project Excellence Restructuring”

Communication needs to be frequent, clear, and engage all stakeholders during the whole process

In many headcount restructuring programs, one of the biggest and most fundamental mistakes companies make is to not communicate with its employees or to communicate too little and share too little information. Our advice is: Do not keep too many secrets for too long!

This is crucial because in the absence of information, people will **assume** the worst. Therefore, it is important that you stay engaged and **control how** it is communicated.

This helps to create an atmosphere of **trust** and through this to keep the best talents. Provide **trainings** to the executive team to sensitize them

GOETZPARTNERS' FOUR CRITICAL SUCCESS FACTORS



Practice Group Special Situations | Your Benefit

LEADING German CONSULTING COMPANY

in the areas of Corporate Restructuring, Workforce Restructuring, Financial Turnaround and Carve-Out/PMI

Relationships with all RELEVANT MARKET PLAYERS

trade unions, labor law experts, politicians and associations

FOCUS on the clients' core CHALLENGES

effects on the P&L as well as implementation taking into account time and budget

EXPERIENCED EMPLOYEES in all aspects of restructuring

especially in the event of earnings or liquidity crises as well as personnel measures

Proven NATIONAL and INTERNATIONAL SUCCESS

awarded in the category restructuring by brand eins (2017 & 2018) and WirtschaftsWoche (2014 & 2016)

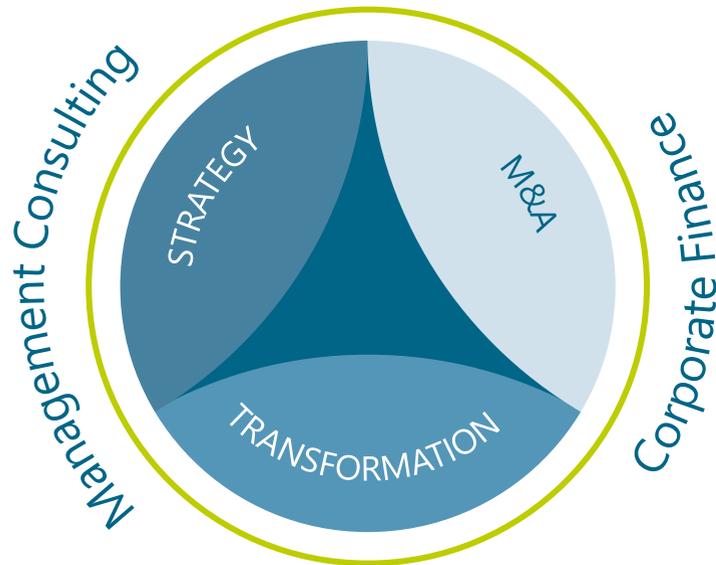


> 15 YEARS OF EXPERIENCE in the implementation of **restructuring programs**

Numerous international corporations and German SMEs have already benefited from our expertise in special situations, e.g.:

- **Largest European restructuring** in recent years with a network provider
- **Net reduction** of 50% of the **workforce** (with simultaneous **qualification**) and **closing** of 70% of the sites at a global provider of corporate communications
- **Net reduction** of 40% of the **workforce** (with simultaneous **qualification**) and **reorganization** at a European airline
- Control of the **merger control** and **carve-out process** at a leading industrial company (preparation of 7 carve-out options in the EU and USA)

About goetzpartners



ADVISERS FOR STRATEGY, M&A AND TRANSFORMATION

goetzpartners is an independent advisory firm for all key issues of entrepreneurial activity: strategy, M&A and transformation. This unique approach makes clients measurably more successful. The combination of corporate finance and management consulting creates sustainable added value when determining valid courses of action, reaching decisions and implementing them. Boasting a vast wealth of business experience, goetzpartners advises clients in all key industries world-wide: Business Services, Energy, Infrastructure & Mobility, Financial Institutions, Healthcare, Industrials & Automotive, Retail & FMCG and TMT.

CHALLENGERS WITH PERSONALITY

For the key business issues of strategy, M&A and transformation, standard solutions are rarely the right answer. On every project, goetzpartners ensures that there is always sufficient scope for proven methods to be combined with individual and client-specific approaches. Our consultants lay the foundations for excellent results by trusting their own opinions and experience and taking a strong stance on the entrepreneurial challenges to be resolved.

NETWORKERS AT THE HIGHEST LEVEL

Our far-reaching network of contacts, grown over decades, involves top decision makers in business and politics, and produces extraordinary advisory outcomes. Our close working relationship with prominent members of society opens up wide-ranging new perspectives. goetzpartners thinks beyond borders and connects the right people with the right ideas. That way, goetzpartners creates valuable synergies for all involved.

EXPERTS ON COURSE FOR SUCCESS

Founded in 1991 by Dr Stephan Goetz and Stefan Sanktjohanser, goetzpartners today ranks among the 10 best-performing advisory firms in Germany (Lünendonk®). For its excellent advisory services goetzpartners has received numerous awards, among others, the Best of Consulting Award from the renowned German business magazine "WirtschaftsWoche" has been conferred five times to date. Internationally, the company operates in 11 countries out of 13 offices with 300 professionals.

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November 2019

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