

Fit for Growth: A Guide to Cost Cutting, Restructuring and Renewal

Dr. S Visalakshi

Assistant Professor - Senior Scale,
Manipal University, Bangalore Campus,
Chokkanahalli,
Bangalore, India

E-mail: visala30@gmail.com

The book, *Fit for Growth*, was written by Vinay Couto, John Plansky, and Deniz Caglar. The authors are principals working with PricewaterhouseCoopers, US. They have been into consulting for more than 70 years in the areas of strategy and business transformation. The first and only edition of the book was published in the year 2017 by Wiley Publications.

Fit for Growth is a guide to organizations which are seeking profitable growth in a competitive world. The book delves into strategic management and gives insight into strategy formulation coupled with an efficient cost structure. Vinay Couto is a leading practitioner in strategic cost transformation in PwC's strategy consulting business "Strategy&". John Plansky provides expertise in the area of new product development, global strategy, and helps organizations design global operating models. Dr. Deniz Caglar is an expert in strategic cost transformation and a practitioner in organizational design, functional efficiency, and effectiveness. The book is well interspersed with practical examples and case studies of various organizations which have transformed themselves for sustainable and profitable growth.

The book is divided into three parts containing in all 17 chapters. Part I "Introduction and Fit for Growth Overview" deals with the "Fit for Growth" approach and is divided into 3 chapters. There are several examples of companies along with economic and business reasons spelled out as to why these companies need to cut costs for growth. Ten best practices from the corporate world have been listed out which are a guide to the senior executives of organizations for reworking their strategies and transforming their companies.

Part I – Introduction and Fit for Growth Overview

Chapter 1: “Do You Need to Cut to Grow?”

This chapter introduces the readers to the “Fit For Growth” ideology. It deals with how companies have to focus on managing costs for a profitable growth. To remain in the fray amidst immense global competition, it is necessary for companies to improve their bottom line and deliver better returns to their investors. The “Fit for Growth” formula requires companies to undertake three essential tasks – identify capabilities which differentiate them from other companies, have unique cost structures aligned to these capabilities and to reorganize the organization for better growth. The differentiating capabilities have to be a combination of processes, tools, knowledge, and skills that enable the companies to outperform. Building strategies on these capabilities will help the companies list out clear-cut goals. Otherwise, companies would lose focus and waste their talents on unnecessary tasks. Secondly, the company's cost structure must be aligned with these strategies or it could lead to a drain of precious financial resources. Lastly, a company must organize itself for growth without which it would face inefficiencies resulting in uncertain decision making.

Chapter 2: “Becoming Fit for Growth” – The Restructuring and Renewal Journey

In this chapter, the authors have designed a “Fit for Growth” framework where the organization’s strategy rests on the three pillars of the “Fit for Growth” formula discusses in chapter 1 to help companies formulate winning strategies to emerge stronger and be better positioned for growth. The companies are urged to identify “Good” and “Bad” costs which can be achieved by answering three important questions – What do we do? – Where do we do it? – How and how well do we do it? This exercise helps to filter costs into those which are directed towards their differentiating capabilities and those that are not. A key to successful execution of the strategy is to redesign and align the organization with the articulated strategy. The authors have identified four elements to consider for redesigning organizations –

1. The Operating Model – an understanding of how the organization works
2. The four building blocks of Organizational DNA – decision rights, information flows, motivators, and structure.

3. Talent – restructuring the organization provides the opportunity to refresh the talent in critical roles.
4. Management Processes – identifying critical elements like strategy development, identifying differentiating capabilities, designing accurate budgets and forecasts and tracking business performance for improving efficiency.

For enabling and sustaining cost reductions, it is necessary to create the right environment for managers to drive growth. The authors underline the importance of a cultural evolution in the organization which is essential to streamline the employees' efforts and molds their attitude and behaviors to achieve the set goals. Also, they opine that the secret to true fitness in an organization is the continuous improvement where they monitor and adjust their priorities on a continuous basis.

Chapter 3: The Leader's Role – Aligning Costs with Strategy

The authors' list three basic questions which they feel should be on top of the mind of any leader going through a "Fit for Growth" transformation. The authors have also listed ten basic leadership principles which provide answers to these questions. The three questions are:

1. *How to energize the organization for transformation?* Four principles are enumerated to guide leaders in bringing their teams into action until the organization shares the urgency and passion for executing the strategy.
2. *How to achieve cost fitness while also enabling growth?* Three principles are listed to help organizations to align cost structures with their differentiating capabilities of the organization. This would help them to enable growth while cutting costs.
3. *How to actually manage the transformation and make it enduring?* It is very essential to embed the effort for transformation into the culture of the company to make it more rooted and enduring.

Various efforts and changes brought in have to remain in place even after the targets have been achieved. More often than not, after the initial success, parts of businesses revert to old operating procedures rendering the entire exercise fruitless. This question finds a solution in three principles.

Part II is titled “How to Cut Costs and Grow Stronger: A Manager’s guide” and contains ten chapters. Through various examples and case studies, nine most important techniques or “levers” for cost management are discussed in great detail.

Part II – How to Cut Costs and Grow Stronger: A Manager’s guide

Chapter 4 – Levers of Cost Reduction – What, Where and How

This chapter focuses on the tools or levers that companies can employ to cut costs. The authors have proposed nine levers which can be used to answer the “What, Where and How” to cut costs. The “What” aspect helps companies to prioritize what they want to do through two levers – Portfolio Rationalization and Zero-basing capabilities. The “Where” is answered by the companies consolidating business across geographies and identifying low-cost locations for core operations. Three levers are identified in this category – Business Operating Model, Outsourcing and Footprint Optimization. The “How” focuses on Operational Excellence and includes optimizing processes by including Lean Management, Six Sigma, and increasing opportunities to automate processes. The four levers include Process Excellence, Spans and Layers, Strategic supply management and Digitization.

Each of these levels is discussed in detail in Chapters 5 through 13. The authors have brought interesting case studies interspersed in the discussions. At the end of these chapters, a detailed summary of Best Practices and a list of pitfalls which need to be avoided are presented in a concise manner.

Chapter 5 – Portfolio Rationalization – Decide What Business You Should Be In

This chapter discusses in depth the importance of Portfolio Rationalization. It also deals with several case studies to provide more clarity to organizations.

Chapter 6 – Zero-Basing – Justify What to Keep, Not What to Kill.

This method makes a holistic analysis of costs of the business by examining all business activities and prioritizes sustainable activities. Rigorous implementation of this exercise would bring about substantial reductions in costs. Five steps have been enumerated to describe the various stages in the process of zero-basing.

Chapter 7 – Aligning the Operating Model – Redefine Where Critical Work Gets Done

This chapter details various Operating Models from which companies could choose one as the best fit for their type of operations. Various steps have been enlisted on how to go about the task of building a successful operating model to get the company ready for the "Fit for Growth" journey.

Chapter 8 – Outsourcing – Let External Providers Generate Value for You.

This chapter focuses on the process of outsourcing, what to outsource and when to outsource. It provides a due diligence criteria list for assessment of technology providers.

Chapter 9 – Footprint Optimization – Rethink Your Operations and Overhead Locations

Footprint Optimization is an important and a powerful lever for reducing costs. Optimizing the company's footprint involves analyzing and making changes to various locations where the company's manufacturing plants, distribution centers, R&D centers, and administrative and support offices are located. The authors have provided four Network Archetypes which companies could adapt based on the suitability to their business models.

Chapter 10 – Process Excellence – Simplify Work and Minimize Bureaucracy

This chapter makes an effort to define process excellence through case studies and provides a guide to help companies optimize their business processes.

Chapter 11 – Spans and Layers – Flatten and Empower the Organization

Flattening the organization reduces organizational layers and span of control which not only cuts costs by reducing "Organizational Bloat" but simplifies decision making, improves flexibility, enhances responsiveness and brings in innovation. The authors describe "Out of shape" organizations and indicate five steps to restructure organizations. They also provide Organizational Redesign Techniques.

Chapter 12 – Strategic Supply Management – Extract More Value from Your Purchases

The authors provide five steps towards strategic management and describe five approaches for capturing savings in a supply management programme.

Chapter 13 – Digitization – Made Technology a Game Changer

The authors advise that companies must make full use of technology for not only working faster, better and cheaper but also to increase productivity, improve quality and build capabilities. The first phase focuses on internal processes in tune with cost-cutting levers and the second reaches out to customers and suppliers digitizing processes end-to-end. The two phases in combination could be a game changer for companies on the growth path.

Part III – Coping with Cost Restructuring: How to Manage and Sustain the Change

Part III of the book shifts its focus to the peoples' aspect of organizations. It delves into how to manage and sustain the changes brought in because of the restructuring journey. Techniques to help people in the organization to be ready and willing to change are discussed in this part. This part consists of four chapters – Chapter 14 to 17.

Chapter 14 – Running a Cost Transformation – Mobilizing, Scaling and Sustaining

Having defined a “Fit for Growth Organization” and trying to describe the various cost levers, the authors now discuss the processes needed by organizations to be “Fit for Growth”. They bring about three phases of a transformation beginning with diagnosis, going through a detailed design and ending with execution. They highlight the importance of a steering committee and a transformation team in the process.

Chapter 15 – Morale, Emotions, and Expectations – Leading during a Restructuring

This chapter deals with the challenges that Managers at the functional levels face while going through the transformation process – how they deal with the uncertainty and anxiety faced by themselves and the employees. The authors have very lucidly described various situations and stories of managers who have lived through the transformation.

Chapter 16 – The Human Element – Getting People Ready, Willing and Able to Change

The “Fit for Growth” transformation can be very demanding on the employees. The success of the transformation hinges on how well the employees adapt to the changes and the new ways of working. This chapter deals with how to orient the employees to accept the change and create an organizational culture that will guide, drive and energize the employees towards the change.

Chapter 17 – Staying Fit for Growth

This chapter focuses on the sustainability of transformation and emphasizes the need to be nimble footed and be ready for transformation as when market conditions demand a change. The authors present “Fit for Growth” levers which are required to drive sustainability.

Fit for Growth is highly relevant for organizations in modern competitive business situations. Every organization needs to expand and grow to meet the business challenges. According to the authors, the first step in that direction is for companies to reorganize themselves to be "fit for growth". It could involve creating more appropriate organization structures to reduce hierarchy levels, empower employees and make them accountable. Next, the companies need to look at optimizing costs and building a lean organization. While spending their resources, companies must seek long-term value and must manage their costs for efficiency and effectiveness. The third aspect to be considered is to sustain the growth. Cost-cutting and growth must go hand in hand. To make the changes sustainable, companies must embed the new, changed behaviors and cost strategies into the organization which may require a change in mindset, behaviors’ and orientation of the employees. The organizations must also bring about a cultural change amongst the employees and motivate them to be persistent in their efforts to make it sustainable. The book has been written in a very lucid manner embedded with several case studies which make interesting

reading. It has been found extremely useful by several readers including CEO's, senior executives of organizations and middle-level managers who are considering total organizational transformation.

Couto, V., Wiley, E., Plansky, J., & Caglar, D. (2017). *Fit for Growth: A Guide to Strategic Cost Cutting, Restructuring, and Renewal*. US: John Wiley & Sons.