

Looking Beyond Layoffs to Build Organizational Resilience

To BCG's network around the world,

For most of my career, if you talked about high economic uncertainty and organizational resilience in the same sentence, it's likely you were talking about workforce reductions, including layoffs. Lingo like "getting ahead of the curve" or "variablizing the cost structure" might have been used, but the message was clear: cut now and rehire when business conditions warrant.

Today, at a time when many leaders vividly remember how painful it was to rebuild their teams after pandemic-related layoffs, and reskilling is more important than ever, many executives are looking to balance the right actions that will increase resilience.

We have seen substantial workforce reductions in some sectors, particularly those with companies that overhired in 2021 and 2022. But this is only one piece of a much broader response that corporations can take to increase their organizational resilience. And when leaders are able to optimize talent deployment without simply resorting to large workforce reductions, they will earn flexibility, productivity, trust, and adaptiveness.

What are the characteristics of a resilient organization?

A resilient organization protects margins and enables strategic reinvestment in growth businesses, in innovation, and in scaling AI—while actively pruning sources of low-value work.

It identifies and plans for the skills and capabilities it will need to win in the short and long term.

It has a modular operating model and promotes agile ways of working, able to shift to and from the highest strategic priorities.

It boasts a variable staffing model, allowing for increases and decreases in capacity and ensuring the right skills are in-house.

It's able to mobilize, equip, and assign talent to effectively address the highest-value work.

Its leaders exhibit behaviors that inspire and engage talent in challenging times.

The key is to defensively create financial flexibility and offensively build talent and capabilities—**and to do both at the same time.**

How can you lead the way to greater organizational resilience?

There are three primary categories of actions to take that allow leaders to play defense (optimizing costs to secure viability, fund growth, and support adaptability) and offense (organizing and aggressively building talent and the capabilities to win):

Increasing Efficiency and Adaptability. Increasing efficiency means, in part, right-sizing the workforce, which can be done in a number of ways—layoffs, of course, but also retirements and voluntary attrition. At the other end of the spectrum, leaders can take actions that reshape the operating model to achieve medium-term success. They can also build greater efficiency and adaptability by preserving or enhancing capacity in strategically critical areas and establishing the dexterity to move people across initiatives as priorities evolve.

Optimizing Talent Strategy. There's a wide range of potential actions in this category. Supercharging talent acquisition when others are making cuts can be a bold move and a smart way to ensure the right people, including tech talent, are staffed in priority areas. Also important: retaining high-value people in part through a sharpened value proposition—and separating out talent that cannot be redeployed. At a time of AI and rapid change, skill development will be more essential than ever in this mix.

Building a Culture of Confidence. Anxiety can run rampant during times of uncertainty and change, reducing productivity and job satisfaction and leading to

higher turnover and absenteeism. Leaders can reduce anxiety by communicating often and with clarity, acknowledging challenges and recognizing the contributions made by individuals and teams. It's important to foster a culture that allows people to accept uncertainty—and to persevere.

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One of the insights we gained from BCG's recent [C-suite survey](#) was that many companies are struggling to make the decisive moves required of this challenging period. Most of them are planning tentative actions for the next 12 months, with about 40% expecting to focus cuts on discretionary spending and 25% to slow or stop hiring. Only a few are planning to take bold actions such as innovating in product design or choosing the right levers to significantly optimize their workforce.

Building organizational resilience today—balancing the tradeoffs of cost and flexibility—is the best way to be prepared for what might come next. For some, layoffs will be part of the solution, but a holistic approach that takes advantage of the full range of levers is the smartest way to respond to shorter-term pressures while remaining robust enough to adapt and win in the medium term.

Until next time,



Rich Lesser
Global Chair

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