

# Lesson 6. STRATEGIC RENEWAL AND RESTRUCTURING

Basic references:

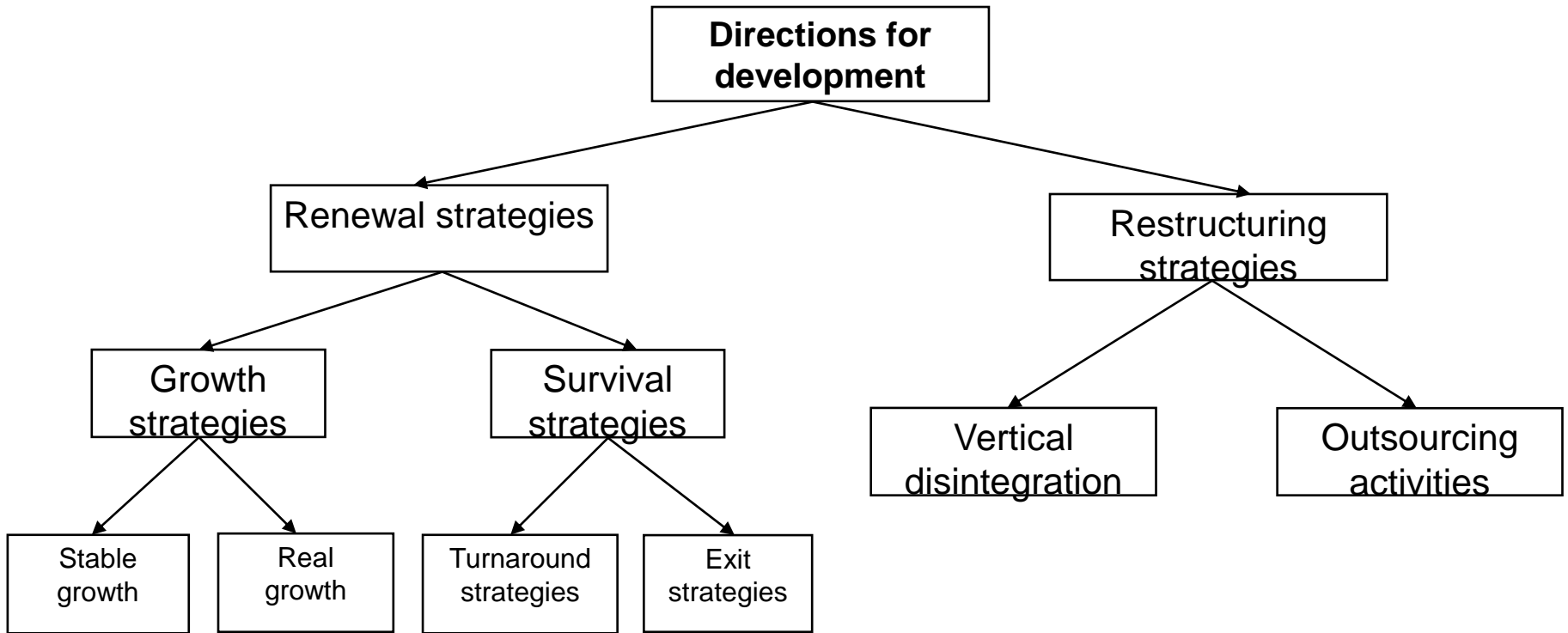
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# Lesson 6. STRATEGIC RENEWAL AND RESTRUCTURING

- 6.1. Concept and typologies of renewal and restructuring
- 6.2. Renewal strategies
- 6.3. Restructuring strategies



## 6.1. Concept and typologies of renewal and restructuring

### ➤ Justification:

- Adaptation to changes in the environment: external strategy-environment adjustments
- Adaptation to the resources and capabilities of the company: internal adjustments
- Internal organizational restructuring of the company: strategy-structure adjustments

### ➤ Renewal strategies:

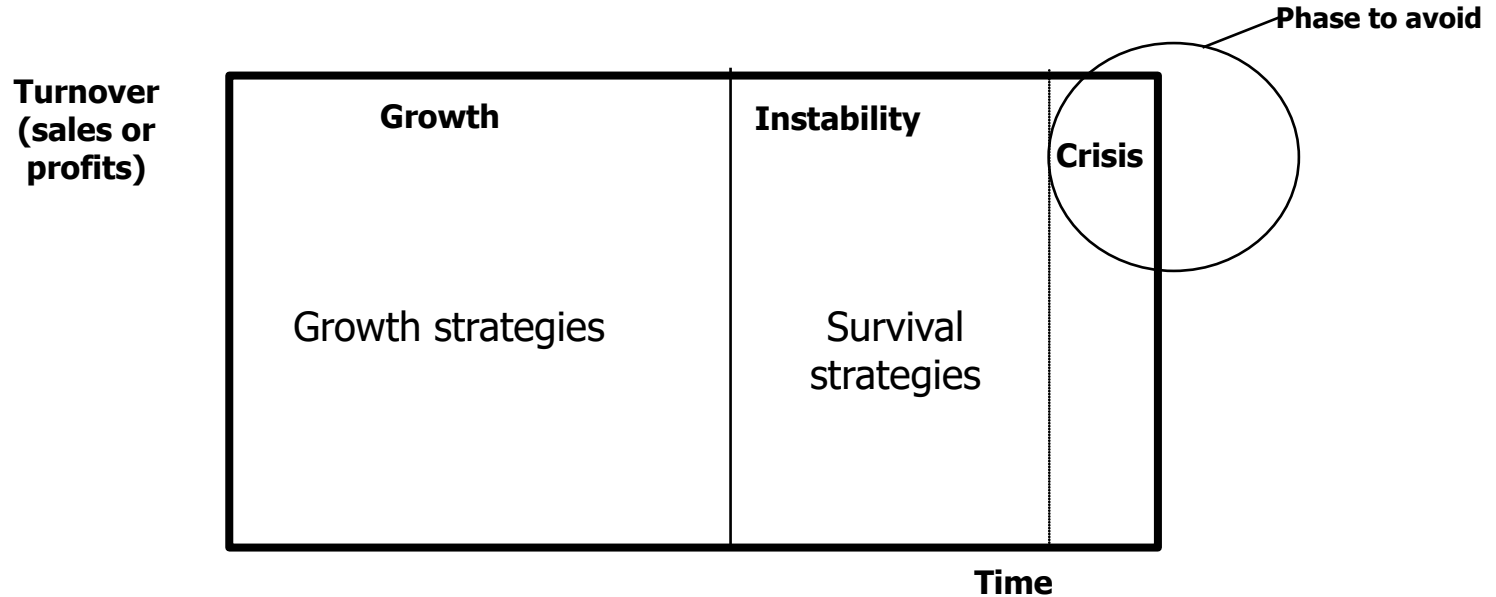
- Resuscitate/recover growth
- Company life cycle model: stability and survival

### ➤ Restructuring strategies:

- Readjusting the company to new situations
- Strategies contrary to diversification: downsourcing and outsourcing

## 6.2 Renewal strategies

### Company life cycle model



## 6.2 Renewal strategies

### Company life cycle model Growth strategies

#### Growth types:



#### • **Stable growth:**

- Conservative / status quo maintaining, defensive
- Same rate of growth than market
- Maintaining success strategies
- Risk aversion
- Resistance to change

#### • **Real growth :**

- Offensive character
- Higher rate of growth than market
- Looking for superior performance
- A must in unstable sectors
- Managers' motivation (prestige, money...)

## 6.2 Renewal strategies

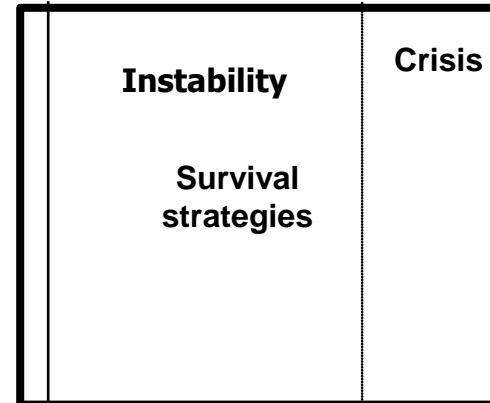
### Company life cycle model Survival strategies

Points to consider:

- Degree of crisis and its causes
- Potential of the firm

Turnover  
(sales or  
profits)

Growth



Time

# Growth strategies and survival strategies

- Symptoms of the stages of instability and crisis:
  - Economic-financial: growth, profitability, solvency, increase of non-paying customers, etc.
  - Commercial: loss of market share, customers, prestige and reputation, etc.
  - Work: climate, absenteeism, talent leakage, increased rotations
  
- The problem of self-deception:
  - Problematic perceptions, cognitive biases (escalation of commitment) [sunk costs are, precisely, sunk]
  
- Corrective measures:
  - Cost containment
  - Workforce reduction
  - Change in management teams [number 1 popularity index!]
  - Sale of business
  - Outsourcing
  - Re-negotiation of debt



# Growth strategies and survival strategies

- Turnaround strategy: stimulating companies and resuming growth
- Exit strategies: planning and managing abandonment
  - Harvesting strategy: collecting the fruits by generating cash and reducing costs
  - Disinvestment strategy: outsource, sell and liquidate parts of the company
  - Liquidation strategy: sell or liquidate the entire company

Turna-round	Variable	Exit
+	Potential of company	-
-	Importance of crisis	+

## 6.3. Restructuring strategies

### Strategic options contrary to diversification:

- Vertical disintegration:
  - Inverse process to vertical integration: degrowth (downsizing)
  - Refocus: abandonment of non-core businesses (outsourcing)
- Outsourcing of activities:
  - Abandon activities that are not of value to the company
  - Sign cooperation agreements with other companies (subcontracting)
  - Focus on what you know: back to specialization

# Lego restructuring

- Family toy business located in Denmark known for its interconnectable plastic bricks.
- 70s-80s: expanded production capacity with the first human figures.
- Years 2000-05: overdiversification into theme parks, video games, alliances with film production companies with the only synergy of the brand.

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# Lego current situation

- Divestments in theme parks
- Subcontracting part of the productive capacity
- Diversification into video games and alliances with film production companies has been profitable.

# Lego restructuring

