

How to save jobs in a collapsing economy

As the threat of recession in the first quarter of 2024 mounts alongside a soaring unemployment rate, employers have cause to worry about how they can protect jobs in tough times.



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It is, however, critical not to give up hope and to take in leadership advice that could save jobs in the dire current circumstances, one world-renowned business turnaround expert is advising local companies.

Michael Dorn, an international business turnaround expert and chief executive officer of the RTgroup, who is also the chief restructuring officer at Nampak, where he spearheaded one of South Africa's largest ever corporate recapitalisations for the manufacturing company earlier this year, says the country should expect a jobs crisis.

But there is still hope for those companies that are willing to do what it takes to save jobs.

“If one believes the leading economists, then a wave of bad times is coming. And there might be mass retrenchments. The latest Gross Domestic Product (GDP) outlook is devastating and we’re expecting most businesses in South Africa to struggle in the next 12 to 24 months.

“Many companies might fail and many people could lose their jobs, but those companies that resist the pressure to liquidate and that opt to invest in their own restructuring can and will save many jobs,” says Dorn.

The German business expert has spent many years “in the trenches with CEOs and leadership teams” in Europe, the United States and South Africa.

Economic downturn: Consequences

The GDP figures announced last week paint a dire picture of the economy, says Dorn. SA’s GDP shrank by 0.7% year-on-year since 2022, due to ongoing loadshedding, chaos at the country’s ports and rising global inflation.

Several key labour-intensive industries such as agriculture, mining, manufacturing and construction have contracted, while South Africa’s expanded unemployment rate now sits at 42.1% and its United Nations’ 2030 Sustainable Development Goals (SDGs) targets become ever more unattainable.

In this context, Dorn believes companies can save jobs if they prioritise five hard leadership decisions:

- **Wear a restructuring and not a liquidation hat:** “South Africa has a strong legal and business legacy of liquidations, and this is one route you can take when times get tough, but just know that this will guarantee significant job losses.

“Companies that liquidate typically shed the majority of their jobs, and this has terrible socio-economic ripple effects, especially in the low-income areas around the country.

“It is a choice that must be avoided if possible. Never view it as Plan A. Companies that decide to try for survival and opt for a restructuring instead, will still shed jobs in tough times, but this might be closer to 20 to 30% of all employee positions and they have the prospect of recovery in time,” says Dorn.



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- **Be ready to take some punches when you fight to keep jobs:** “Operational restructuring is not easy. It takes courage and a lot of hard work and perseverance. You might be on a negative growth path with your business for a couple of years before you see a turnaround, but just know that this is the only way to return to long-term growth and to create new jobs in the future.”

The key is to take a tough look at what is not working in the business and then to address it with a robust operational plan.

“You must first admit where your problems are, which is admittedly hard, but it’s the battle half won. Then you must devise a proper plan alongside seasoned experts – not liquidators! – and then you must commit to your plan, even when the going gets tough. This is the only way forward out of a crisis in order to save jobs.”

- **Don’t wait too long:** “Don’t wait until it’s too late. If you know where your company’s weaknesses are and there is still time to address and fix it, then take the leap immediately. Don’t stick your head in the sand like an ostrich. This will benefit no-one,” says Dorn.

Having been involved in some of the biggest corporate restructures in Europe, the US and Africa over the past 20 years, Dorn has learnt to become a firm believer in the “proactive turnaround”.

“You can’t wait until everything collapses. You need to start being active and intentional about the future growth of your business, even when you’re still on the up and up.”

- **Build an investment case:** One of the most vital lessons Dorn always shares is to treat a distressed company that still has potential as a business opportunity that demands a strong business and investment plan.

“Like you would for a new start-up business, you need to spell out to stakeholders, including the staff, industry, investors, banks, and regulators, why the company is worth saving and how their continued support and investment could reap positive outcomes, especially for the job count in the business.”



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- **Get honest about bad management mistakes:** “Every distressed company needs to face the reality that it’s not the economy’s fault but that poor management decisions are the major driver in getting the company into trouble.

“This is a hard thing to admit, but if you can admit it, you can address it. Companies always become distressed either because of complacency, lack of energy, and most importantly, a lack of leadership rotation in a company.

“I believe strongly in rotation – employees should be given exposure to various roles within the business on their journey to the top. Many companies that are in trouble also focus too much internally instead of focusing on the customer and his or her evolving needs.”

Dorn believes it is better to get rid of “dead weight” in the form of old and jaded senior managers, in order to bring in younger, braver talent that is more in touch with employees’ and customers’ needs.

“You don’t want to keep leaders who like to stay in their old comfort zones. You need to do proper succession planning and bring new thought leaders into the business who can ensure that the company remains relevant for the times.”

Dorn says it is critical for leaders to fight for the jobs of their employees in times of crisis. “Even the hardest feats are possible with a positive mindset. Fight for what you believe in, put a solid plan in place, make brave decisions, and you will triumph in the end.”

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