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**DEALING WITH ROUGH TIMES:
A CAPABILITIES DEVELOPMENT APPROACH
TO SURVIVING AND THRIVING**

**CEO PUBLICATION
G 09-05 (559)**

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MARCH 2009

Abstract

Leaders during a deep and prolonged downturn should introduce organizational practices that build capability in the organization not only to better withstand the uncertainties of rough times but also to emerge stronger for the future. We present a set of organization design changes that can create closer connection to the marketplace and better use of the knowledge in the organization to introduce new ways to deliver value while consuming fewer resources. During rapid change and extreme threat, steering the ship is not sufficient. Leaders must introduce approaches that tap the energies of employees throughout the organization.

Facing the crisis of an extended and deep recession -- one that may result in lasting change in the global economy-- is on everybody's mind. 2008 started a time not only of severe and global economic downturns, but of fundamental upheaval in the financial system that has underpinned most business strategies. Although the dominoes are still falling and bringing waves of change through various sectors of the economy, forward-looking companies are making two types of changes. On the one hand, and like most organizations, they are responding with budget cuts, tighter controls, reductions in staff, and efforts to preserve cash—and in many cases they are taking measures that will make them smaller than they started out (Charon, 2009). Companies as diverse and successful as Boeing, Walt Disney, Sun Microsystems, Caterpillar, Sprint-Nextel, Texas Instruments, and Microsoft have announced restructurings and significant layoffs--these in addition to the massive layoffs in the struggling automotive and financial sectors of the economy. On a single day, January 26, 2009, 62,000 layoffs were announced by major global companies (Healy, 2009). More recently it was announced that the economy in the U.S. contracted by 6.2% in the last quarter of 2008, with most other global economies experiencing similar contraction (Dougherty & Evans, 2009). On the other hand, forward looking companies are also seeing the opportunity in the crisis to build increased organizational capability to dynamically adjust to a quickly changing environment—capability that will stand them in good stead now and into the future (Teece & Pisano, 1994). Although necessary for survival, reductions and control alone may leave the organization less capable at a time when increased capability is needed.

Finding the right mix of disciplined cost cutting and focused capability development is the right way to go. We see these as complementary, not competing, approaches. Organizing for capability not only helps address the uncertainty and pressures, but it also builds a foundation to

emerge strong and renewed when the upturn comes. Consider how these approaches are viewed traditionally. Many companies have invested heavily in such initiatives as six-sigma, knowledge management, and innovation programs to continually renew and improve their capabilities.

However, these initiatives often have been treated as add-ons to the core value-delivery system of the organization, and have been assigned to specialized staff groups, ensuring that they are not seen as core activities. They are often viewed by the line management as nice-to-do initiatives if they don't interfere with the "real work" of delivering valued products and services to customers and growing the business. They are often the first to go when times get rough, in large part because they are not seen as offering immediate value to the core work of the firm. We argue that firms will achieve a true and lasting competitive advantage only if they use this time of great challenge and disruption to tightly couple their value stream delivery activities with greatly enhanced approaches to generate and use knowledge to adjust in the face of changing conditions.

The best way to ensure that the organization is flexibly and efficiently delivering the right value to the right customers and to foster the continued health of the enterprise is to quickly weed out organizational barriers and old habits that maintain the status quo and replace them with new ways of functioning that yield enhanced capability. A dynamic capability building approach may be easier to develop during a time of crisis than when an organization believes all is going well. But this will only happen if leadership has a clear idea of the behaviors they want to instill in the organization and the various organizational approaches that can foster them. During crisis leaders must quickly introduce profound change in the way the organization operates—approaches that greatly increase the capacity of the organization to leverage knowledge and the involvement of employees throughout the organization in finding solutions to the challenges it faces.

Organizing for Rough Times

Many studies and case examples demonstrate that an organization's design features determine its ability to flexibly address environmental challenges and put in place the capabilities to carry out its strategy (Lawler & Worley, 2006; Mohrman, 2007 a, b). Organizational features can be purposefully designed to align resources with what the organization is trying to accomplish and to enable and encourage the behaviors needed to carry out the organization's strategy. We build on the well accepted design model of Jay Galbraith (1994) that posits that various aspects of the organizational system should be designed to fit with each other in support of the strategy: key work processes, structures, management processes, rewards, and people processes. During a time of crisis, the organization's strategy is itself under siege, and design features are required that allow a continual deep assessment of environmental changes and the dynamic application of resources to achieve sustainable success in a shifting market landscape.

In addition, the design features of an organization provide the context within which employees operate; they foster certain ways of operating and send messages about what behaviors are expected and valued by the organization. Highly segmented business units, for example, suggest a focus that can work against cross-BU opportunity detection and learning and send a message to employees to worry about their own BU at the expense of others. Elaborate reward systems that focus employees on narrow job descriptions and measures in a time of rapidly shifting survival requirements may take people's attention away from the obvious needs of the organization and send messages that business as usual is expected. Highly top-down decision making processes introduce delays and distance in making decisions that respond to customers urgent needs.

A dynamic capability development system, depicted in Figure 1, is required to make the adjustments in the organization as it confronts uncertainty and the relentless flow of challenges that characterize a prolonged downturn. Design approaches to achieve this should be guided by three principles:

- 1) Increase the capacity of the organization to collect, consider, and react to information that will help reposition it as the environment continues to change in unpredictable ways.
- 2) Make better use of the knowledge throughout the organization to find ways to deliver more value, differently, while consuming fewer resources.
- 3) Tap into the energy and engagement of employees throughout the organization by focusing them on and involving them proactively in addressing the challenges.

Top level leadership, no matter how charismatic, visionary, and skilled, cannot by itself ensure that the firm can weather the storm. It depends on the contributions and initiative of people throughout the organization. Because these are uncharted waters, employees cannot follow embedded routines. Rather, they must be part of the problem-solving process that determines how they are going to operate successfully given the curve balls that are being thrown their way. A customer service team confronting a customer who cannot pay for the maintenance required to keep their system running effectively; a sales representative facing a throng of customers wanting more cost effective service; and a key account representative realizing that there are fundamental and lasting changes in that account's industry that call for a different value proposition are all examples of the challenges that require a rapid adjustment capability throughout the organization.

Leaders must rapidly put in place design elements that foster behaviors to bring costs into alignment with the new realities, rapidly adjust to customer requirements, engage the organization in the identification and capturing of new opportunities, flexibly leverage knowledge and resources across the organization in order to achieve more with shrinking resources, and innovate. Starting with the design of the strategy process, we describe some of the approaches that companies are taking to achieve these capabilities.

*****Insert Figure 1 about here*****

Strategy is the Compass

Bureaucratic and incremental strategy processes do not fit turbulent times. Rather, senior managers should make deep assessments of the challenges facing the company, the possible and preferred scenarios of the future, and the approaches the company will use to align its resources effectively to deal with the new realities (Lawler and Worley, 2006). The organization should increase the number of strategic decision making cycles it goes through, greatly increase the strategic intelligence capability of the organization, and look for short term, momentary competitive advantages to generate revenue. Based on agility models of strategy, senior executives should meet frequently (weekly or even more often) to detect and monitor changes and ensure that the company is taking appropriate action.

Although senior management may have accountability for steering the ship through the troubled waters, they can't do this alone. Relevant knowledge resides throughout the organization, where people are connected to events and trends "on the ground." Organizations need mechanisms to create a rich flow of knowledge about opportunities and threats to inform decision makers at all levels. One example of this has been called "extreme strategizing" (Welbourne, 2009, in press). Borrowing from the software development world and involving an IT-based approach to harvesting the knowledge of employees throughout the organization, extreme strategizing supports a dynamic and participative process of strategizing. Nokia, for example, engages in "strategy bursts" where both large and small groups gather based on the timing of events, competitor announcements, key customer account requests, or market results, rather than defining strategy formulation as an annual exercise. These groups discuss the short and long-term implications of specific events, compare current strategies and initiatives against the events and make short-term, tactical adjustments or recommend shifts in strategy (Doz & Kosonen, 2008). These versions of extreme strategizing make the process timelier and allow novel approaches to emerge through the combination of knowledge from different perspectives.

Capabilities/Work Processes Deliver Value

The reality that will emerge from the current economic crisis is uncertain, yet if the organization has an articulated and robust strategy and a set of possible and preferred future scenarios, it is in a better position to identify and build capabilities that proactively shape the competitive landscape and market opportunities. Intel, for example, took advantage of the 2000 downturn to invest in its next generation of manufacturing capabilities so that it emerged the leader from a cost and product perspective. It is pursuing the same approach in the current downturn, having

announced a \$7 billion investment to design and build the next generation of manufacturing plants to produce low cost, energy efficient chips (Vance, *New York Times*, Feb. 11, 2009).

Learning to be quick and agile to adjust during the downturn will prepare the organization for a future that is uncertain but that will no doubt present new opportunities and challenges more rapidly than ever before. Design features that foster the innovation capability of the organization and its cross-functional implementation capability are particularly important.

Innovation Capability. Stormy business conditions may demand battening down the hatches but surely they also cry out for innovation—for finding new ways to deliver increased value while consuming fewer resources. Despite the challenging conditions in the retail industry, Collective Brands, Inc., the company that owns Payless ShoeSource and the Stride Rite Corporation, has a "Collective Responsibility" initiative that uses cross functional teams to identify opportunities for increasing social responsibility and sustainability. The Payless team, for example, explicitly aims to find ways for the company to deliver greater value while consuming fewer resources - betting that increasing the capability of the company in this arena will not only help it stay healthy through the economic downturn, but also position it well for the future. This is at a time when other companies are putting their sustainability initiatives on hold because they view them as distracting or unaffordable.

Quickly developing a “new idea” process for soliciting innovative ideas and placing bets can offset the inertia in the organization. Short burst large group processes can be used to bring together diverse combinations of participants to identify new product, service, or product approaches that can address the changing marketplace the organization is confronting. In developing strategies for sustainable healthcare delivery, Alegen Health used these multi-

stakeholder approaches to leverage the similar challenges being faced by both customers and suppliers. Alegen Health, patients, and medical supply firms were all open to doing things differently to cut costs, improve patient outcomes, and reduce the carbon footprint.

Quick Implementation Capability. Most organizations are littered with innovative ideas that were partially resourced but never fully implemented—and this is a pattern that is unacceptable during a downturn. The organization must quickly focus its scarce resources on developing and implementing the innovations that have the greatest potential to capture momentary competitive advantages while also laying the foundation for the upswing. Speed is of the essence, and the organization must overcome political and turf issues, forgo many of the time consuming afterthoughts of “buy-in” and “stakeholder management,” and dedicate the resources to bring the innovation to fruition and embed it in the way the organization operates. An aerospace business has created a very small high level executive innovation board to quickly assess and fund innovation proposals with the greatest short and long term potential and that can be quickly implemented. Proposers get only one shot at making the business case for the proposed innovation, and if selected, achieve high visibility and support. An executive champion is assigned, “naysayers” are asked by the president to get out of the way, resources are allocated, and the entire business receives regular updates about progress against milestones. According to the president, “there is nothing like a crisis to make clear the culture we should have had all along. To get through this challenging period this has to be an exciting and challenging place to work. We can’t have a few high level decision makers telling everyone else what won’t work.”

Pulling resources away from running the current business to find new things to put on the plate may seem counter-intuitive at a time when resources are being cut back. Yet it is the new approaches that will provide the lift needed to survive the down times and glide into a strong

position during the aftermath. And, the rapid innovation and implementation capability that is honed during the downturn will be an asset going forward.

Structure Creates Focus and Connection

Organization structures group resources, create interfaces, and enable or discourage connections across the organization. Structure focuses the organization on what's necessary to weather the storms and emerge with new capabilities. Core and lateral structures should be designed to increase knowledge leverage and to deliver greater value with fewer resources.

Core Structure. Changes in the macro features through downsizing, consolidation or elimination of departments are often essential to survival, and may simultaneously increase capability. Examples during the downturn include restructuring to get leverage on the core aspects of the business, focusing resources on the market segments most likely to provide near-term opportunities, combining cross-functional resources to identify and land the best future opportunities, combining units to eliminate redundancy, and weeding out organizational units that drain the company's resources without adequate return. For example, Walt Disney Co. is addressing its falling park attendance and worsening projections by consolidating many behind the scenes operations across its Disneyland and Disneyworld Parks. A single global development group will be set up with a unit responsible for each main process: identifying development opportunities; implementing new development; and operations. This streamlines and simplifies a complex structure that had grown up to provide separate focus on its resorts, entertainment, and attractions, and provides opportunities for leverage (Chmielewski, 2009). Nokia has announced a restructuring that leverages its position in the devices market, even as it continues its transition to software and services.

Structural changes can support more rapid cycles of strategic decision making. Units or businesses that are buried in large vertical structures may have become distant from the very market forces to which they must quickly adapt. Identifying and pulling out cross functional business units and holding them accountable for quickly adapting to changes in their markets increases their capability to operate effectively. Kraft Foods, for example, has increased its focus on its core brands, has pulled out its major category units from under marketing, and has given them full P&L responsibility, in order to increase and accelerate response to the market. Through the downturn it is pursuing its innovation based strategy aimed at becoming known for “truly delicious” brands (Press Release, 2009).

Increasing the “surface area” of the organization (Lawler and Worley, 2006)—connecting greater numbers of employees and units to important elements of the environment—can bring more nuanced external knowledge and awareness to bear on organizational performance. P&G, for example, has worked hard to open up its innovation processes (Deutsch, 2008). When engineers, marketers, academics, customers, and regulators work together, innovation cycle times decrease and quality goes up. By increasing the number of people who interact with regulators, vendors, and most importantly, customers, the organization increases its information flows, becomes aware of environmental changes more quickly, and creates a sustained energy level and sense of urgency among employees (Welbourne, 2005).

Decisions about what gets centralized and leveraged and about how to create or maintain decentralized response capabilities for the businesses are both critical during a downturn. They may seem like conflicting approaches, and yet they are in support of each other. The business unit that needlessly and redundantly consumes resources to maintain control is not applying those resources to its core task of delivering value and bringing in revenue. Unnecessarily

complex processes, often driven by managers' desires for complete control, consume people-hours needlessly and are particularly senseless in a time of such extreme uncertainty. Shared services organizations should focus on high-quality, critical, and value-adding activities that enable the business units' major tasks. One multi-divisional industrial materials company has eliminated divisionally deployed IT support and put a moratorium on all discussion of the need for add-on modules to the core IT system. It is requiring all units to use standard modules—thus focusing IT on a core and powerful system and eliminating hours spent on “nice to haves.” Senior management feels that this approach will benefit the company not only during the downturn but also as it emerges from it, by putting an end to the time consuming debates that deplete energy and result in systems far more complex and resource consuming than the business could justify based on performance impact.

Lateral Capabilities. Building appropriate and effective lateral connections is an important element in structural design. Cost containment activities often leave the organization feeling too “lean” to execute effectively and deplete the energy level of employees(Welbourne, 2005).

While operating in a more difficult environment, the organization will be more successful if the structure changes it makes are geared to quickly increase its capabilities to do more with less—and do not simply create a situation where people have to do more and work very long hours just to stay afloat. Well-designed lateral capabilities can connect knowledge, build synergy, and reduce coordination costs. This is one of the most overlooked areas of organization design – even in good times.

Organizations see lateral approaches such as teams, boards, networks as “free”, create too many of them, and use them sloppily—thus consuming far too many hours of people's time in ineffective coordination. An organization during a downturn has to get lateral right. It cannot

afford the turf wars and stand-offs that occur when important action is impeded by ineffective linking mechanisms that require consensus and articulation of effort across competing interests. This is the time to ensure shared goals, clear roles, defined authority and clear accountability for quick results. A specialized professional services firm that was watching its traditional geographically based markets dwindle assembled domain teams from across the country. The teams consisted of members who had experience in those market domains where demand was perceived to be the most robust or where there were new opportunities that could be exploited with current resources. These domain teams were asked to combine their knowledge and experience and within one month to identify go-forward plans that they could rapidly enact to help stop the revenue bleeding of the company. With high level sponsorship, they didn't worry about which business line got credit—rather, the revenue was distributed across all units involved in executing the plan. Instead of going through a painstaking process of aligning all the stakeholders in advance of any action, the president approved a small number of these plans to move forward and directed and held his entire staff accountable to make sure they got the support needed: “We’re struggling for survival and can’t afford to have every Tom, Dick and Harry feel they can hold these plans hostage to endless debate and objections. That’s a habit we’ve had for too long.”

Lateral relationships can also be used to save costs. Creating single points of contact between units, or explicitly assigning integrator responsibilities when different parts of the organization do interdependent work (such as serving the same customer) can diminish rework and avoid problems that would otherwise develop because the right unit didn't know what the left unit was doing. One materials solutions firm formalized a client manager role to continually monitor activities with key clients, to draw important information to the attention of others in the

organization that could use that knowledge, and to convene an impromptu “client strategy session” when there were issues, opportunities, and potentials for conflicting activities from different product line groups. This active role supplemented a more passive and spottily utilized CRM system.

Bringing the expense of poor lateral relationships into the light and finding ways to decrease coordination costs is a great way to think about cost reduction—as well as to build habits of effective coordination. Building on the notion of the GE “work-out” (Tichy and Sherman, 1992), an engineering services firm introduced a “grease the skids” process to support those who were trying to build and execute effective strategies but running into barriers. Employees experiencing barriers to delivering service and/or pursuing work could quickly get the issues resolved by one of several small and focused management teams who pledged to be available to resolve issues every Friday morning. The management teams also identified general problems, such as the excessive time required to resolve which division got credit for work that cut across boundaries or whether key talent could be temporarily reassigned to seed a new opportunity, and issued guidelines to prevent unnecessary delays. Many of these issues had held up work for years. The downturn provided both the impetus and necessity to change the decision-making structures and processes of the firm to accelerate and make it easier to book and conduct the core business. An added benefit was overcoming the cynicism among employees that results from continual delays in their ability to meet their customers’ needs.

Management Processes Glue The Organization Together

Goal setting, communication, and decision making are foundational navigational processes during tough economic periods. Goal setting, in particular, helps organization members keep

focused on the work and provides a line of sight to corporate strategies. Rather than waiting for the next budgeting cycle to come around, managers and employees should work together to set, test, and reset goals frequently—as opportunities and constraints change. At Davita – the dialysis services provider – goal setting, decision making, and resource allocation is an integrated and dynamic process known as ARC (accountability and responsibility charting). Top managers in the organization meet at least monthly to discuss their accountabilities. New projects based on the organization’s long-term vision and on information received from different parts of the organization are nominated and evaluated. Initiatives are assigned to executives not on the basis of function or product, but on keeping workloads balanced, development opportunities, or expertise. Each initiative has defined milestones, quality standards, and due dates. The team also reviews progress on their existing accountabilities, rebalances workloads based on urgency, and eliminates initiatives that are complete or have become irrelevant.

When customer demands are changing rapidly, expecting employees to meet stretch goals that were set during better times can dampen motivation. When people are worried about their jobs, stating a three-year goal may feel irrelevant. Specific, shorter-term goals give a sense of ownership and contribution. Help employees take control of the things they can, while at the same time ensuring that they are aware of management’s best thinking about the zigs and zags it may have to take—and to which they may have to adjust--in maneuvering through the choppy waters.

Communication about how management is actively adjusting the company to fit the new realities is the foundation for trust by employees, and provides the contextual information for setting priorities and local goals. Old habits of waiting to communicate until management knows exactly what it’s planning to do and information is ready to be “rolled out” have to give way to ongoing

updates—explicitly acknowledging the uncertainties but also providing current information about and highlighting the actions that are being taken. “You know as much as we do”—provides employees with the sense that there are no surprises lurking. A consumer products company has a dedicated SharePoint™ web site – “the Good, the Bad and the Ugly”--where all employees can see the latest information about the challenges and trends from the down turn, various actions and initiatives that are underway, and successful revenue-enhancing activities that are occurring in different product lines and markets. Two-way communication is critical. This same company makes it easy for employees to share what they know about the markets and products they work in. On the SharePoint™ portal is a “You Can Help” space in which employees can direct their intelligence and ideas to the relevant executive.

Rewards Align Behavior

Most organizations begin early to communicate with organization members about the likelihood of smaller raises and bonuses, but that doesn’t mean the organization has to stop rewarding people. Non-monetary forms of reward, such as training and development, assignment to visible and challenging task forces, celebration of successes, and public acknowledgement of special contributions can increase engagement. Use reward monies judiciously to reinforce the clearly articulated performances that are critical both to short term survival and to longer term competitive capabilities—most likely those related to delivering greater value with fewer resources and those focused on finding and capturing new opportunities.

Distributing a small amount of money through spot bonuses for performance that “beats the odds” or “makes an appreciable difference” can focus people on the behaviors that matter and are a clear message of appreciation during hard times. One engineering firm, for example,

eliminated its fancy bonus programs that made small discriminations across units and people based on elaborate data collection and a time consuming performance review process. A clear statement of the performance gates that would trigger increases across the company makes the statement that everyone is responsible for contributing to survival, and reduces the amount of time and energy being spent on “who gets what?” Top management expressed, modeled, and monitored the expectation that all employees should receive ongoing informal coaching and feedback about their contribution rather than having this occur through a formal bureaucratic yearly process with an elaborate formula tied to pay action. At monthly all hands meetings in its various locations, priorities, initiatives, challenges, and accomplishments were discussed--and special contributions were publicly acknowledged and celebrated. The philosophy articulated by the president was that “more is better—if a unit can’t pick out lots of people who are going above and beyond, that means you’re not rising to the occasion.” The company also created a small awards pool to distribute to individuals or teams based on clear measurable criteria that were broadly communicated to employees. Those criteria include: (1) generating significant *new* booked revenues; (2) rescuing important accounts that were in trouble; (3) implementing innovative approaches with measurable savings to the customer; and (4) booking work that penetrates new markets.

People Drive Results

Development. A downturn is not the time to suspend development activities. Although this is a common approach to save costs in the short run, it usually backfires. It sends a clear message that people are *not* our most important resource, increases cynicism, and makes building capabilities harder and more costly in the future. Investing in the organization’s talent symbolizes commitment to the future, can serve as an important retention and reward

mechanism, and helps to build capability. The current downturn demands greater leadership capability, in particular, and leaders are facing new kinds of challenges. Being crystal clear about the key organization members that must be retained will help focus development and retention strategies. Developmental opportunities such as challenging work assignments, leading or participating in significant organization initiatives, or being part of critical meetings to rationalize the supply chain during tough times, provide a broader view of the business and enlist people's energies in activities that are likely to determine its future.

Traditional general leadership development activities may be tailored to focus on methods and business approaches of dealing with severe downturns and uncertainty. Line managers can teach short modules and share experiences and approaches for navigating through tough times. These modules may be integrated with current company case information, lessons learned, and action learning projects focused on critical organizational problems or opportunities. As The Hartford's core markets have changed and its need to grow revenue through different products and services emerged, it engaged line managers in defining critical problems and opportunities facing the firm and enlisted participants in its leadership development process to address them. It provides these high potential managers with an opportunity for senior management visibility and exposes them to the complex challenges facing executives. Quickly spotting successes in the organization and creating learning opportunities oriented toward lessons learned can spread awareness, increase the positive energy in the organization, and develop greater change capability. Sponsoring educational or conference attendance can be part of the effort to increase the surface area of the organization by purposefully exposing individuals to people from other companies and to new ideas from outside.

Work Design. Work design configures individuals, jobs, and teams with accountabilities for carrying out the work processes of the organization--ensuring that the right talent is applied to the right tasks, and that employees are developed and motivated as they carry out work. The work systems in a company are challenged when it faces decreasing revenues, extreme uncertainty about the depth and timing of the downturn, and the need to quickly alter its cost structure and scale. Layoffs or broader reductions in force may lower costs but rarely reduce the workload. As a result, a variety of stressors increases and heightens the importance of managing the talent of the organization wisely—of designing work to enhance the motivation and expand the contribution of all employees—to make every person-hour count.

This is a good time to increase the self-organizing capabilities within the organization, and by implication, its adaptive capacity. Managers with higher reporting spans are likely to be heavily involved in initiatives aimed at increasing capacity across the organization. At the same time they are expected to lead their people through difficult times, they feel understaffed to carry out the mission of their group. During downturns, and particularly when things change very quickly, the organization must rely on the resilience and ingenuity of its employees. The organization should enlist everyone in solving core challenges: If the imperative is to find new customers, make it in everyone's role definition to scout. In a maritime division of an electronics firm, for example, this led to a junior accounting officer - while talking with a customer about invoices - to ask questions that provided early intelligence on a customer opportunity that was turned into a small high margin contract that may seed a new business line.

By clearly defining the situation and the need, encouraging teams and individuals to find solutions to the challenges, and drawing clear boundaries about resources and decision rights, managers can extend the capacity of their group and build capability at the same time.

Professional services firms are faced with clients who are themselves facing recession-triggered performance challenges and who are requiring more and more of managers' time and attention during engagements. At one firm, engagement teams started holding daily morning check-ins—with or without their managers present—during which team members assessed what was on their plates and made adjustments to work assignments to address priorities and move the full set of work forward effectively.

Building self-organizing capabilities during the rough times can contribute to agility well after the downturn, as the organization will have unleashed energy, collaboration, and creativity among its workforce. Although financial rewards of all kinds may be severely limited during the downturn, motivating jobs are alternative sources of reward. Increased autonomy may be a natural outgrowth of a reduced management presence. The manager ratio may have been decreased, and managers are being asked to spend more of their time implementing the changes required to adapt to the new reality. A slimmed down work team left to its own devices may find ways of working where employees can opt to do new things that will provide a foundation for enriched career options and can feel better about the expanded contributions they make.

Jobs should be expanded to include responsibility for gathering and disseminating knowledge through the organization and the regular sharing of business information, challenges, and successes. During a downturn the instinct of the organization may be to decrease the resources spent to connect and share. But this is precisely the time when cross-discipline, cross-functional, and cross-organizational knowledge sharing connections are most needed to make people aware of opportunities and to promote novel out of the box thinking that can reframe problems. Beyond knowledge sharing, managers must also be encouraged to assemble diverse groups that cut across units to find ways to work more effectively with each other or to accomplish unique tasks.

Expanding employee networks as well as providing new kinds of work experiences are forms of job enrichment critical to today's knowledge workforce (Mohrman, 2003)—and the foundation for the organization to derive increased value from its human capital during the downturn and into the future.

Capability Development Revisited

We have described a variety of design features that leaders can introduce to increase the organization's ability to reposition itself in a changing environment, enable rapid adjustment to customer requirements, make better use of its knowledge and employees to reduce costs and deliver more value, and find innovative approaches and new opportunities. By introducing these design changes during the downturn, when inertia and the protection of turf are clearly counter-productive and the status quo is not viable, the organization can use the downturn to introduce fundamental changes in logic that will make it more sustainably effective through time:

Encouraging leadership throughout the organization. Reducing reliance on hierarchical management roles challenges the existing logic that ties leadership to hierarchy. By stimulating widespread leadership behavior, the organization greatly increases its ability to adapt and implement change—likely a must in the future economy where the “new normal” will at best involve an ongoing reconfiguration of the global economy.

Building self-organizing capability. This encourages and enables individuals, teams, and business units to generate and implement new and improved ways to carry out their work. Executive leaders must rely on the many individuals and units throughout the organization to figure out how to accomplish the high-level strategies they formulate. The capacity,

capability, and authority to pursue the mission and objectives of the organization must be broadly held throughout the organization.

Building in habits and orientation toward more effective use of resources. Good times breed bad habits and hidden slack. There is no better time to invent approaches to doing more with less than when the organization finds its resources fundamentally threatened or radically diminished. Crisis-induced measures to shift resources and energies to high yield activities can yield permanent change—new routines to ensure that energies are being applied to the right problems in the right ways.

Breaking down boundaries and diminishing the notion of boundaries. Creating connections across groups and units allows the organization to build social capital and relational skills that can fundamentally change the networks of the organization and enhance its capabilities. New capabilities depend on new approaches, which in turn are forged out of relationships that allow employees to extend and combine their knowledge and to leverage key resources. The inhabitants of a stressed environment look to each other for synergy and impact. The organization can use the downturn to advance the diversity of approaches and relationships both internally and externally—and to establish the expectation that important organizational breakthroughs and contributions often involve activities that cut across boundaries.

There are many benefits to building these capabilities during a downturn—to morale, energy, performance, and survival. Perhaps the most important benefit is to the overall sustainability of the organization through time.

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Figure 1. Capability Development System During Rough Times

