

Surviving Difficult Economic Times: Restating the Organizational Paradigm

Co-Authors: James T. Stodd and C. Brian Connors

Economic Downturn or “Great Reset”

Despite our best hopes and wishes, our economic conditions have yet to significantly improve. According to the US Department of Commerce ¹ growth in GDP (or the “aggregate” measure of business revenues) remains relatively flat with only an annualized increase of approximately 2.4% for the year through the second quarter of 2010. At the same time, the cost of doing business has continued to increase over the last 12 months. In fact, according to the Bureau of Labor Statistics ² the cost of employee compensation alone (salaries and benefits) rose by 1.8% during the 12-month period ending in June 2010. This increase in compensation cost itself almost completely offsets the gains realized in aggregate business revenues. If that is not discouraging enough, a report released on August 31, 2010 by the Bureau of Labor Statistics reported that productivity fell during 2009 by 3.3% within the wholesale trade sector, and increased only slightly in either the retail trade (+1.5%) and food service (+1.0%) sectors.

The “net...net” of all of this is that most businesses continue to be having a relatively flat year in terms of any real growth, continue to struggle to maintain margins, and at best are maintaining the “status quo” with regard to productivity, if not realizing an actual decrease in productivity. Under these circumstances, the temptation continues for narrowing the scope of product or service offerings, lowering costs by cutting staff and/or more outsourcing to lower cost overseas providers. And as we all know, so much of that has been done over recent years that many consumers are lamenting the “death” of real customer service and have generally settled for a much lower standard. Nevertheless, the need for real business solutions remains.

Our economy has been so shaken within the last several years that Richard Florida ³ and others have postulated this to be something much more dramatic than a “downturn” in the economic cycle. In fact, Florida argues that our current situation is nothing less than the early stages of a seismic economic “reset” that is now in its third year with no clear end in sight! Florida also contends that this “great reset” will be similar in nature, scope and duration to the Long Depression of the 1870’s as well as the Great Depression of the 1920’s, and that it may take up to a generation for this reset to fully complete its course.

Florida also postulates that in its aftermath the Great Recession will leave behind a whole new knowledge-based, idea-driven economic order (dramatically different from the 40 year post WWII period preceding it) accompanied by a seismic shift in consumer behavior, preferences, and value systems affecting everything about what, where, and how they buy. Consumption will be highly “service oriented” with more pragmatic, frugal and value-conscious consumers abandoning the “bigger is better” mindset of the past and opting more for service-based consumption focused less upon things, and more upon self-expression, self-development, and social consciousness (e.g. “green”). In this new economy, successful organizations will be characterized by strong analytical and social skills on the part of workers, an emphasis on personal growth and development, speed, mobility and innovation, and global connectivity blended with local community. What this new economy presents has broad ramifications at all levels for businesses from product development, marketing, operations, and customer services through distribution.

Protecting Revenues and Expanding Your Position

Whether or not you agree with the concept of a “great reset” or just see this period as a major trough in the economic lifecycle, one thing is for sure... customers’ consumption practices are changing as they create new demands and set new expectations, much of it powered by rapidly advancing technology, social media and mobile communications.

In response, businesses need to adopt new concepts and forms of organization that will help them survive and thrive not only during the downturn, but in what may be a wholly new economic reality! Organizational responsiveness to these changing customer needs, preferences and consumptive practices requires fresh thinking regarding how people organize for business and how they perform their work. Business organizations will need to be more virtual and amorphous, organized to be responsive in a world where talent is scattered geographically and by time zones.

Those organizations would be ill-advised to undertake any strategies or actions that would diminish perceptions of “quality” in their products and services or detract in any way from the overall “customer experience” that surrounds those offerings. On the contrary, it would seem that during an age when opportunities to grow existing businesses are limited, and competitors are hungrily looking to grow their business at our expense, making any changes that would further erode “customer service” or detract from the overall “customer experience” would be ill advised and perhaps even catastrophic!

Rather, we argue that the best way to survive and succeed in today’s economy (and perhaps into any new economy) may well be to gain competitive advantage by developing and leveraging a superior customer experience! Other than competing on “price”, common sense argues that offering a “superior” level of customer service seems to be the best approach for retaining current business relationships, distinguishing your firm from the competition, and opening the door for new revenue opportunities. And as we all know, it is much easier (and cost effective) to increase revenues by providing “more” to existing customers than to try and win-over new customers in a competitive arena or attempt to create new consumption in a conservative economy.

Creating “High Performing Organizations” to Preserve and Exploit the Customer Experience

Using the “customer experience” as the corner stone for organizational success is not a new idea! Over the last several years many have extolled praise upon organizations like Amazon, Southwest Airlines, Nordstrom’s, Ritz Carlton and Best Buy because of their success in doing so. In addition, well known and well regarded experts like Ken Blanchard ³, Jim Collins ⁴, and Edward Lawler III ⁵ have consistently and persistently told us that building *high performing organizations* capable of creating and leveraging the “customer experience” always starts with our people, and our leadership of those people! Moreover, our own common sense experiences have taught us that “people” are always the most important asset when it comes to delivering superior customer service.

However, establishing, maintaining and exploiting a superior customer experience to ones competitive advantage is no minor undertaking! Doing so will require *high performing organizations* built upon new organizational frameworks and structures that are guided by visionary, value-based, exemplary and service-oriented leadership that extols and exemplifies customer-centric and employee-centric values and principles. These new organizational frameworks will also require talented and empowered workforces, saturated in customer-centric cultures, which celebrate self-directed learning, innovation, teamwork, speed and responsiveness. These new frameworks will also require the most advantageous organizational structures, supplemented with complementary technologies, that best enable people to

form community (perhaps across vast geographical distances) in the continuous pursuit of meeting dynamic customer preferences and exceeding expectations through streamlined, cost-sensitive processes.

At the center of this new organizational framework will be “people” since people constitute the consummate advantage in a customer-centric service economy! This is a significant departure from our thinking of the last decade or so where bigger, better and more expensive “things” (including technology) dominated our psyche. In fact, over the last decade or so many of us pursued excellence, growth and profitability largely through leveraging capital and credit markets, technology, and cheap overseas labor, often at the expense of “people” locally and/or with the clear intent of reducing or eliminating “people” (at least in some measure) from the cost equation. Despite these good intentions, such efforts have led to diminished customer service, less customer loyalty, and workers who often feel disengaged and undervalued. Whether a trough in the economic lifecycle or a “great reset” as postulated by Florida, our current economic situation requires change!

So, what do we need to do?

Here are ten suggestions...

1. First of all, we need to be very clear about what we are in business to do! That is, we need to clearly establish why we exist (as a business), what it is that we do, who we do it for, and capably address the all important question of “why should they choose us”? And of course unless you (solely) have either the formula for coke or the corner on some unique and coveted product or technology (like the I-Phone), customer service will need to be an important piece of that equation.
2. Having answered those questions, we need to distill those answers into a clear, embraceable and engaging “vision” for the enterprise that is inspirational, motivational and serves both as a rallying point and guiding light for your people.
3. We need to establish a clear set of achievable goals and objectives that serve as guideposts, milestones and provide a roadmap to achieving that vision.
4. We need a set of organizational “values” that clearly establishes a bias toward customers and customer interfacing personnel, as well as provides guidance toward desired workplace behavior (e.g., keeping your word, taking the extra step, eliminating roadblocks and bottlenecks, streamlining processes, etc).
5. We need people who are able (personnel selection), equipped (training, development and self-learning) and engaged (performance and reward management) in rendering superior workmanship and superior customer service.
6. We need leadership that will empower people to act as necessary (within established limits) to provide excellent customer service as well as demonstrate through example the behavior patterns we seek in our workforce.
7. We need performance management and reward systems that support a culture of both “empowerment” and “accountability”, as well as provide inducements for service, teamwork, and going the extra step (rather than those we commonly find that merely foster longevity, promote internal competition amongst peers and/or across the organization, and/or merely provide a “fair day’s wage for a fair day’s work”).
8. We need organization structures, processes, and systems that are designed first and foremost to serving customers and meeting their expectations, followed secondly by equipping, supporting and empowering those who are in direct customer service provider roles. Serving the interests of and/or meeting the needs of those involved in managing the business (e.g., senior management, finance, IT, HR, etc) should be lowest in priority when it comes to organizational structure, processes and systems design.

9. We need systems that will help us collect and analyze reliable “customer experience” information as well as assist us on an ongoing basis evaluate and improve upon that experience.
10. Finally, we need leadership that understands that superior customer service is the key to business retention (and possibly “survival” during a down economy), that understands that its values toward and treatment of its own “people” are the keys to creating a superior customer experience, and that leveraging existing business relationships is the easiest and most efficient means of both increasing revenues as well as establishing new business opportunities.

About the Authors

Jim Stodd is a member of Consultants Link, Inc. and has assisted numerous clients develop the organizational architecture, designs, properties and infrastructure required to achieve their strategic visions and goals. In addition, he has assisted other organizations build strategically-focused and highly successful human resource management programs by introducing forward thinking approaches to people management issues. Before starting an independent consulting practice in 2001 under the banner JT Stodd & Associates (<http://www.jtstodd.com/>), Jim spent over 15 years in senior level executive positions responsible for human resources, organization development and change management. In addition, he was associated with several leading professional service firms (including Ernst & Young, LLP, Hay Management Consultants, and First Transitions, Inc) crafting his consulting skills. Jim is a specialist in Organization Planning, Change Management and Strategic Human Resource Management, and regularly teaches classes in each of those disciplines at the University of California-Irvine.

Brian Conners is the Managing Director of Consultants Link, Inc. (<http://www.consultantslink.com/>) and is responsible for executing the strategic vision of Consultants Link, connecting intellectual capital, consultants, and resources with the global demands of business. In addition, Brian brings over 25 years of experience providing financial and management advisory services to clients helping them grow and better manage their businesses. He is past President of the Association of Professional Consultants, and has authored several books and articles ranging from financial management to marketing professional services.

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