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Making the Most of Opportunities During a Recession

Christine Gibbs Springer

The best public managers know that conventional thinking won't get them through tough times and that a recession is a rich opportunity to reinvent their organization and to lay the groundwork for future successes. Good times are when managers experience their greatest success. But bad times provide the greatest opportunities to rethink how the organization will persist through the inevitable up and down economic cycles so as to be successful in the future. Smart managers today that I have engaged regarding this process say that they plan for both the good and bad times by continually focusing on six processes:

- Engaging the Outside World
- Managing Human Capital
- Recalibrating Organizational Strategy and Business Models
- Staying Connected with Citizens
- Becoming More Efficient and Productive

as an Organization, and

- Understanding and Adapting to Changing Risks

First and foremost, the 250 federal, state and local managers that I surveyed say that they understand that crises are the ultimate leadership opportunity but that not all managers have the strength that is required to stand up and be seen, be calm and stay in control, be decisive, show fearlessness and be able to explain the present crisis in a larger context to key stakeholders. In the final analysis, those who thrive and survive during a crisis understand that it offers them an opportunity to build their skills to higher levels than would be possible in normal times. They often become a new crisis team in the organization.

They do so by continually engaging in critical actions that deliver inspiring results. They engage the outside world which may



be other governmental, non-profit or for-profit entities in a broader or redefined service context. Smart managers understand that during times like these government's role is greater and everyone is looking to governmental entities to be part of a better future. Managers that I talked with indicate that change is on the way in four

broad categories:

- New regulation of leverage, risk and risk markets
- Large-scale new regulatory frameworks
- Protectionism and other employment programs and
- Greater government activism in program areas not directly connected to resolving current crises but avoiding future crises (e.g. healthcare, immigration, national defense).

This greater role for government provides an understanding among nongovernmental entities of what government can do and an opportunity to develop productive partnerships for the future.

Managing human capital also is important. The best organizations take a larger view of their people during a downturn. They avoid reflexive responses like massive layoffs and try to maximize opportunities like beginning practices that they should have been using, giving employees development opportunities so that they improve the organization's quality of people, increase employee loyalty and motivation and build a better organizational culture. They consider the true costs of layoffs such as how much they cost in terms of direct costs like severance packages and benefit costs, lost knowledge, lost productivity before and after the layoff, damaged image in the community, draining future leadership from the organization. Smart managers recognize that human capital may, in fact, be the organization's most valuable asset.

Recalibrating the organization's strategy and business model often involves answering three questions: What is our core mission? How is this recession changing our customers, citizens and key stakeholders and their behavior? Will this recession cause a large scale restructuring of organizations like ours and if so, how will it affect us? One example of doing so that I recently experienced was when two groups of firefighters, novices and veterans, went to a burning building and described what they saw. The

novices documented the height and color of the flames and which parts of the building were involved. The veterans saw something different. They saw a story. They noticed the clues that told them how and where the fire had started, why it was burning as it was, and what it would likely do next. By seeing the fire as a story, not just as a collection of traits, they could create a plan for managing the fire. I believe that the veterans were smart managers in our current economic time and that the novices can be after that experience.

Smart managers recognize that human capital may, in fact, be the organization's most valuable asset.

Smart managers also say that they stay connected to key stakeholders and the community and continually work at providing complete experiences to meet their customers' and citizens' changing wants and needs. This process doesn't start when a recession hits. Instead, the agency should be constantly monitoring the state of their community and customers and developing new value propositions to better be of service. While the simplest approach to creating a value proposition may be devising a new product or service that offers the customer a reduced experience, carefully defined, at a lower price, it may also mean partnering with other governments to provide a simpler more accessible service jointly and less expensively.

Smart managers also work on making the organization more productive and effective by managing for value. They understand how much capital they have to accomplish the core mission and objectives and also how much that capital really costs. During a recession, when there is a preoccupation with revenue, managing for value may show the way to finding additional dollars that weren't available pre-recession. As managers evaluate operations against the standard of a higher capital cost, they often find that some no longer pass the test and should be stopped, thus freeing up cash. Smart managers are then challenged to recommend how that action can best be done in a regulatory environment. Also, smart managers recognize that the principles of finance don't change and that there is al-

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Dollars, Professors and Website Subscriptions

Donald C. Menzel

Making money online has become so pervasive that nearly everyone is either in the act or wants to be. Consider professors—a not always well paid group. Many university instructors are hired as adjuncts at a nominal rate, often not more than \$2,000-\$3,000 per course per semester. Might this not motivate an instructor to find creative ways (perhaps bordering on the unethical) to make money? Certainly.

An instructor in a Florida university saw his opportunity and took it, to paraphrase Tammany Hall notable George Washington Plunkitt. Bob teaches “Issues in Sport” online with an average enrollment of 1,300 students per semester. His part-time adjunct salary is \$38,330 for 36 hours a week. His text, video and study guide can be purchased for \$75 from Sports Life Corporation which he owns. If all students paid \$75, his company would receive \$97,500—a tidy sum to be sure. Students do have an alternative—they can purchase the same material from the university bookstore for \$148.

Bob says that students are not required to purchase the study materials to pass the course but he does suggest that it might be difficult to pass the course without the material.

Bob developed the online course over five

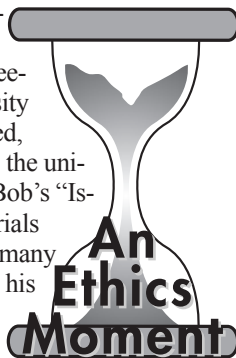
years at a cost of hundreds of thousands of dollars. Under an agreement with the university which has now expired, royalties were paid to the university for 10 years. Bob’s “Issues in Sports” materials have been bought by many other universities and his company has gross revenues of less than half a million dollars a year. As a family business, he claims that net revenues are small.

Questions

1. Is there anything unethical about this arrangement?
2. Many professors assign their own authored texts for courses they teach. Is this ethical?
3. If Bob asserts (directly or indirectly) that the course materials are necessary to pass the course, is this ethical?

Based on a real case. See *St. Petersburg Times*, September 5, 2009: 1B.

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Smart Managers Adapt to Changes

From STRATEGIC MANAGEMENT, pg. 15

ways an opportunity to chart a course that may seem contrary to what other agencies are doing, like avoid cutting the same departments or services and instead develop a partnership or a new service that others won’t do, secure in the knowledge that it is pointed in the right direction and when the recession ends, the organization will be far ahead financially.

And last but not least, smart managers understand and adapt to changing risks. Many had believed that they were well prepared and never considered the type of cascading systemic failure that actually occurred in 2008. Now, they are preparing for the greatest risk—something new that they haven’t imagined in the past. Seeing an unimagined risk requires that they imagine possibilities that have not been thought about before, build scenarios that think through possible

sequences much like military strategists did regarding the Cold-war, think about probabilities while also realizing their limitations, use the power of markets to predict the likelihood of key events, and create an organization and culture that can adapt quickly to change because the possibilities, probabilities and consequences have been considered and there is an organizational understanding of what is and what is not possible.

In the final analysis, smart public managers view their organizations as an institution that will last longer than their career. They see good times as allowing them to prepare for the bad times and they see bad times as providing opportunities to manage intelligently for the economic expansion ahead.

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