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Introduction: What Lessons Can Be Learned from Recession?

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Technically, whenever the economy has two consecutive quarters or six months of negative growth in GNP/GDP, economists classify such an economic downturn as a recession. January through June 1991 met this criteria in the United States. Both Europe (1992–1993) and Asia (1993–1995) also experienced such a downturn. Recessions normally motivate both private corporations and governments to undertake unusual steps to halt the economic decline and to protect their assets from continued deterioration. It is significant that some recessions are only local, involving a single government's economy; others are regional, involving a group of economies; while still others may be global, thus affecting all the major economies of the world. Most recent recessions have been regional, but may shift slowly around the world, affecting only one region at a time. Such was the case from 1991 to 1995.

The major lessons learned from recession in each region of the world—the Americas, Europe, and Asia—have been very different. *First,* in the United States firms have restructured in order to significantly lower their break-even points. This has been accomplished by (a) streamlining productive efficiency, (b) continuous cuts in supplier costs, and (c) downsizing a firm's workforce and benefits while increasing quality and productivity. *Second,* in the European community it has brought into focus the relationships between high production costs, national distribution and sales restrictions, and national and corporate employer benefit programs. These forces have led to the shifting of production offshore to countries outside the European Community in order to lower production and wage costs. By early 1996 European manufacturers, including Mercedes Benz, BMW, Asea Brown and Boveri, Siemens, and so on, had moved a portion of their production to the United States or to the former Eastern bloc countries to capitalize on lower production and wage costs. German unemployment, which is usually relatively stable, went from 5 to 11 percent. Economists were predicting that Europe was entering a new recession. *Third,* in Japan the rise in the yen relative to other world currencies and recession has led to (a) shifting production offshore to low-cost production areas such as the Americas, Asia, and Europe; (b) the closing of plants and the downsizing of the workforce and a reduction in *Keiratsu* strength; and (c) the government investing 500 million yen in jumpstarting the economy. By early 1996 the Japanese coalition government had lost the confidence of the people, its minister of economy was forced to resign, Japan's banking system was in deep trouble, and unemployment had doubled. The net result of all of this is that Japan also appears to be entering a new recession.

What has become increasingly apparent to the various regions of the world is that recessions are no longer the result of economic forces within the markets that can be influenced by the region itself. Instead, if for any reason your region is not globally competitive, that alone can trigger a recession within the region while the areas of the world which are globally competitive continue to grow at a very rapid rate and may be experiencing a period of long, rapid expansion.

This book is about how several corporations and governments responded to recession and the lessons they have learned. We have focused our attention on the management and communication lessons learned from these experiences. Some lessons were new, and some were old, suggesting that recessions were met both with continuous and with discontinuous strategies for change. Some worked well in mediating the effects of recessions, and some did not work at all, while still others appeared to work well. The lessons learned here are many, varied, and specific both for private and for public sector managers.

Lessons from America is the first section of the book which includes five essays, each with an important and unique insight into the management and communication process. In **chapter two, Lessons in Mass Media Depiction of Economic Conditions during a Recession, Ted J. Smith III and S. Robert Lichter** provide an in-depth analysis of how ABC, NBC, and CBS cover the issues involved in economic recession. In their analysis, Smith and Lichter suggest that the media systematically distort the real events involved in recession by making them seem longer, deeper, and more disastrous than they are. The authors then trace the effects of these distortions on political elections, attempts to mount an economic recovery, and resultant public pessimism. The lessons from recession provided by this analysis are clear and significant in their negative effect on the nations, the leaders, and economic recovery.

In **chapter three, Lessons from Benchmarking Downsizing in IBM, Sarah S. King and Donald P. Cushman** explore IBM's attempt to locate critical success factors for benchmarking organizational downsizing and their effective use in cutting overhead during and immediately after a recession. Much to the authors' surprise, the critical success factors were located and quite systematically employed, and yet problems remained due to specific failures in IBM's overall strategy for responding to recession. This inquiry raises some serious issues regarding the use of benchmarking in a single domain without maintaining high performance standards in other areas. The case study is stimulating and the implications powerful for all organizations using benchmarking, particularly in times of recession.

Chapter four, Lessons from Leading Organizational Turnaround at IBM by Cushman and King, explores the problem of leadership aimed at turning a firm such as IBM around in times of recession and recovery from recession. The leadership strategies of Lou Gerstner, aimed at turning IBM around during recession, all failed. Yet the firm's recovery from recession in an area Gerstner was attempting to downsize and render less significant to the overall business was so profitable that it made IBM appear to have recovered. However, the circumstances which led to this recovery in one division appear not to be repeatable, leaving IBM susceptible to large losses in another major downturn. The lessons involved in this case study are powerful and at times disquieting.

Chapter five, Lessons in Governmental Budgeting during Recession in the United States, by Susanne Morris, explores various governmental techniques for dealing with a tax shortfall in meeting budget demands during a recession. Since governments at all levels have become creative in resolving this issue, it is instructive to look at the long- and short-range effects of various solutions to this problem. Raising taxes, short-term borrowing, topping the funds, using capital outlays, substitution, enlarging time frames, paper adjustments, and spending ceilings are all evaluated. The political, economic, and social consequences of these decisions are discussed in this creative assessment of governmental budgeting techniques for responding to recession.

In **chapter six, Lessons from Entirement: Strategies and Skills for Self-Managed, Lifelong Development, Randall Harrison** addresses the issue of "entirement" and the strategies and skills for self-managed, lifelong development of managers and workers. A framework is provided to guide the development of individuals as creative learning and self-motivated actors.

Lessons from Europe is a section of the book containing four essays with unique and important insights. **Chapter seven, Lessons from Rethinking High-Speed Management: Successful Adaptation of American Theory to an European Company, by Giuseppe Raimondi,** is a case study of an application of the theories of high-speed management to the transformation of an in vitro diagnostic firm—Immuno Pharmacology Research, S.P.A. (IPR). Raimondi discusses the ways in which the integration, coordination, and control tools of high-speed management were utilized by a small Italian firm during the recession to predict and take advantage of the recession's effects rather than have them take advantage of the organization. He discusses the ways in which the small organization can utilize the HSM tools to advantage and contrasts their use in a small firm with that found in the large organizations such as multinationals. The individual worker is described by the author as the "basic functional cell" around whom the focus of change in a small firm must take place. The utilization of integration and coordination through teamwork and continuous improvement as the working operandi of every single individual within the organization's network is what produces the change or transformation, thus furthering the success of the firm.

In **chapter eight, Lessons in Communicating Change in Transition: Some Dilemmas and Strategic Choices, Artur Czynczyk, Robert MacDougall, and Krzysztof Obloj** explore how a multinational firm's training center can serve as a catalyst for organizational change. They look at the emergence of strategies designed to cope with the newly competitive, continuously changing economic environment which continues to develop in Poland after the last vestiges of Communist rule were finally dissolved in 1989. The first section includes a very brief discussion of the fall of communism, the rapid transformation into a market economy/democratic state, a recession which might be conceived of as partially "induced," and the openness which subsequently developed with respect to foreign investors. The second section deals with organizational communication dynamics and examines the agents of change, the shift to market economy principles and the effect these have on corporate culture. The chapter concludes with a discussion of the ways in which a management development center, established by a large multinational company in Poland, has developed and has implemented strategies which aim for clearly definable, consensually ascertainable ends for the individual as well as for the organization.

In **chapter nine, Lessons from Recession in Central and Eastern Europe, Andrzej K. Kozminski** counters the general public belief that former Socialist countries cannot teach the world important lessons regarding management success. He traces the fight for survival, functional restructuring, process restructuring, and continuous improvement programs and their effects on some of the best run small and midsized firms in the world. He concludes by listing four lessons from recession which emerged from this long, involved transition from socialism to capitalism during a recession. These are an ambition to succeed, the effective use of limited human resources, extreme caution in the use of credit and financial leverage, and the power of personal ownership as more important than more privatization through noninvolved stockholders buying a firm's stock.

In **chapter ten, Lessons in How Recession Taught Organizations to Communicate, Bill Quirke** argues that the major communication, management, and leadership skills employed by firms are not suited to dealing with problems during a recession. He then demonstrates how the demands of a recession require rapid responses in crisis situations where organizational problems fragment the normal management relationship. This new recession environment needs to be explored carefully and new rules developed to confront the issues encountered.

Lessons from Asia, the third section of our book, contains four essays with focused insights from the fastest growing region of the world. In **chapter eleven, Lessons from Japanese Multinationals and Japan's Government, Donald Cushman and Sarah S. King** argue that Japan's first recession in over forty years has called into question the effectiveness of the Japanese management system and the Japanese government's economic policies. The high value of the yen, the use of Japan as a platform for exporting private-sector goods to the rest of the world, lifelong employment, and the Japanese government's industrial policy are all being called into question. This chapter outlines Japan's new answers to these questions.

Chapter twelve, Lessons in Marketing Strategies during Recession from High-Speed Management to Sun Tzu's *Art of War,* by Ernest F. Martin, Jr., follows upon the themes of chapter twelve by exploring how marketing rules change in times of recession. The author argues that high-speed management tools and Sun Tzu's *Art of War* provide the broad outline of a constructive response to this problem. High-speed management upgrades information and communication systems to improve environmental scanning, speed-to-market, corporate benchmarking, value-chain analysis, transformational leadership, corporate climate, and teamwork in responding to rapid change. He then focuses on deception in dealing with competitors, protecting the security of plans, employing a flexible approach, speed, and timing in implementation as the essence of war. Examples are then provided of the combination of high-speed management and the principles of war in resolving marketing problems during recession.

In **chapter thirteen, Lessons in Managing Government Competitiveness, Ron Cullen** explores the central issues which governments confront in managing a nation, state, or local competitiveness during recession. Cullen argues that four global trends are reshaping governmental competitiveness. These include globalization of economies and of knowledge regarding government's effectiveness in responding to economic issues; the role governments play in private sector competitiveness; the role governments play in technology diffusion; and, finally, how governments handle diversity and its impact upon a nation's, state's, or local government's economic performance. These new challenges to government have led to the benchmarking of national competitiveness, the emergence of performance management in the public sector, and the need of governments to manage "comfort zones" between diverse constituencies or to suffer gridlock. A series of models are then put forward to guide governmental strategy and processes in responding to the demands of greater competitiveness during recession. The first model demonstrates how centrally planned and democratic governments can respond effectively to the demand for greater global competitiveness. The second model indicates how to manage comfort zones in diverse cultures to prevent governmental gridlock. The third model indicates how implementation corrections can be made during change. This insightful paper sketches the broad outline for a new theory of government responsiveness to shifting global economic forces.

In **chapter fourteen, Lessons in Government Communication: Strategies of Best Practices in Australia, Robyn Johnston** explores the lessons governments can learn from benchmarking an organization's best practices in successful handling of recession. Here the best-practices benchmarking program of the Australian government is investigated in the area of labor-management relations. The demonstration program was aimed at reducing labor unrest in

Australia while increasing labor productivity. The results are dramatic. Ten best practices are identified and studied in over 40 organizations. Outcomes are assessed and problems identified. Training programs, benchmarking, and enterprise agreements top the list of most commonly used programs and their effects on increased competitiveness. Finally, the communication problems are explored and appropriate solutions to each problem are identified. This paper is a landmark study in labor-management solutions to competitiveness issues during recession.

This then is the road map of our book **Lessons from Recession: A Management and Communication Perspective.** Enjoy the views expressed in each chapter.