



## [The Art of Strategy During a Recession](#)

### **Video interview with Kurt Motamedi, Professor of Strategy and Leadership, Graziadio School of Business and Management**

**Danielle L. Scott**

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#### Start ####

**Danielle L. Scott:** Hello, this is Danielle L. Scott, Managing Editor for the Graziadio Business Report Blog. Today we have Professor Kurt Motamedi, Professor of Strategy and Leadership at the Graziadio School of Business and Management. Dr. Motamedi specializes in strategic management as well as organizational development, design, and behavior. He has worked at and consulted for various multi-national companies in diverse global industries such as technology, media, financial services, healthcare, as well as with government organizations. A frequent author for numerous publications and speaker on management topics, Dr. Motamedi has received the Excellence in Teaching and Service Award from UCLA's Ojai Leadership, Management and Engineering Programs. Dr. Motamedi, thank you so much for being here with us today.

**Kurt Motamedi:** Good to be here. Thank you.

**Danielle L. Scott:** So you're a strategy professor, let's talk strategy. Given the current economic climate it's obviously caused a lot of companies a lot of uncertainty, what do you suggest for them in terms of strategy? Should they stick with their long-term plans or should they be revising their strategies to focus on the short-term?

**Kurt Motamedi:** You know, it's really interesting in terms of what has happened to companies during this crisis. The primary premise in the strategic planning is how do you foresee the future, how do you prepare yourself to deal with the upheavals? And also capability of scaling up and down. In a lot of companies I've reviewed virtually many, many strategic plans, they claim to be strategic plans but they aren't really strategic plans. In the last decade or so, the field of strategy been dominated by economists and a lot of focuses are on competitive strategy and not really from a more of economic prospective and less from a managerial prospective. The general managers strategize differently, they build scenarios, they anticipate the future changes, they understand business cycles, and so the way they develop a strategy is different. If you look at some of the companies, you find out that when you engage in competitive strategy and building plans you eventually, a good deal of time, run into a herd mentality. And that's what you're seeing in the financial institution in the last two years, 2007 and 2008, where you see really large companies, very educated management more or less following pretty much the same types of strategy. So there is not really much of a safe guard in terms of what to do, so building scenarios, anticipating the future, assessing the risks, raising questions around the unknowns that we don't know much about and developing the slack resources to move through the upheaval are critical in the strategic planning. And when you look at some of the strategies, you don't see much of that.

**Danielle L. Scott:** Are there any alternatives to strategic planning that are more suitable for this economic climate?

**Kurt Motamedi:** Well really the alternatives come around how do you strategize? What goes into process of strategizing itself, which is really critical. It depends on the culture of the organization, the styles of management, and a lot of subtleties which are built into assumptions around how do we strategize. During this upheaval critical part is to really understand how much of it is self-inflicted and how much of it is because of the macro-economic and environmental changes, we're dealing with a global environment and a lot of changes come through and we need to anticipate those. During this period, the second part would be to really correct the mistakes that we make very quickly and responding to that, not in terms of command and control but really pull together to understand in a collaborative way to understand what has been working, what's not been

working, and how our relationships are changing with external entities outside of the companies, it's not all inside but also external. And through that process to merge and bring in new strategies, creating innovations and more or less also seek opportunities through the upheaval and crisis, because there are opportunities and trying to more or less take advantage of those opportunities moving forward. The mistake that managers do during this period has become very short-term oriented, they become very convergent thinking, very myopic, one quarter, two quarters thinking and that undermines the future success of the companies. That's where roughly about 30 to 40 percent of companies, which go through upheaval of these sorts, they never recapture the positions they had before, and that's a real challenge.

**Danielle L. Scott:** So how do you link strategy and execution?

**Kurt Motamedi:** Important question. We get in the results of strategies that we formed four or five years ago depending to the size of the company. So when we develop a strategy now, it's based on what we know now. Just imagine that today we decide to develop a strategy, takes us about four, five, six months to pull it together and really develop this strategy, with contingency, scenario building and all of that built into it. Then we move into developing the pieces around execution, refining the business model, developing the structure and processes, some organizational change depending to how major the strategic shift is, and then executing this and getting the results. Often times we get the results many years later than we develop those strategies. So there is a little lag, you know, and in fact a good deal of information that we have about today is already a bit late, old. So the issue becomes, how do you link this whole strategic planning effort to the result, which are coming through? If you go to a shoe company and you see a Nike, pair of shoes on the shelf, that product is already finished, it was designed, manufactured, and out there. When you develop this strategy you're dealing with the families or categories of products, which are, you're just beginning to put on the drawing board and conceptualizing it. Then you need to think about manufacturing and advertising and marketing and selling them and a lot of the effort which goes through it, not only in the U.S. but globally. How do you outsource? What pieces do you outsource, and how do you bring the processes together and cross-organizationally create success? That is a part of execution that we usually don't talk about. So when you develop their strategy and develop the business model, then those processes, which are really a good deal of it starts with the relationships that you have external to the organization. What do you have outsource or, you know, and what you're bringing inside the organization, what are your core capabilities that, you know, really you depend on? How do you create those and then developing the structures and given the disciplines which goes into this cross-collaboration that you need to develop and then the processes and how you

monitor the processes in moving forward. Tied to this is the whole notion of performance management. How do you plan performance, not only individual performance but organizational performance, divisional performance, team performance, then individual performance and how the rewards system follows the performance planning and how do you really engage the system, both in terms of intrinsic reward, the joy that people get in working on projects as well as the extrinsic and money and promotions and other kinds of things which goes into creating the reward system. Now this is just a piece around execution but there is an issue around controls and improvisation and change, which is also part of execution and that's what makes it really interesting in terms of what sorts of controls you have. Culture from execution perspective is a control mechanism, it really-- when you have a robust, self-enlightened, intellectually honest culture, the execution takes a different color, different flavor than when you have a culture which tends to be Machiavellian, and dishonest, and intellectual honesty gets compromised in the process. So those all subtleties built into the execution. In fact, I used to teach a course on execution and one of the premises in that course was how well do you execute the formulation of the strategy itself? Who do you put in the room? What values are you bringing in to bear in formulating the strategy itself and then how do you really role that out to the results that we come to? So this lead in lag is really an issue, especially when the environments change. That's why in every execution and every strategic plan you need to put the slack resources, more less protective slack resources for an unanticipated events; the competitors releasing a new product or the environment start collapsing on you <laughs> or other contingency that may develop.

**Danielle L. Scott:** So there always has to be room for innovation?

**Kurt Motamedi:** Innovation is a critical part, innovation and collaboration that's the future and then networking of the human effort. And nowadays we are fortunate to have such a robust technology that you have-- we can have tons of good meetings but, you know, through the technology and you have the emails and whole bunch of videos and all of these artifacts which help come together and discuss issues interactively and create innovation.

**Danielle L. Scott:** How do you see the economy shaping organizations? Are you seeing new types of organizations emerging?

**Kurt Motamedi:** You know this is a really interesting question because we focus so much nowadays on economy, but you really have to expand. Economy is one factor, there's social trends, there are technological trends, there is globalizations, there is a lot

of other things going on besides the economy and combination of all of these factors are shaping the future organizations. And we are finding that designs around trans-organizational thinking are becoming more popular. I wrote my first paper in 1984 on trans-organizations and that is, how do you manage cross discipline and cross organization? And that becomes really a critical part of thinking about the future in terms of managing the whole process. We have these changes, these external changes, are so complex from time to time, which takes a lot of sophistication for managers to really decipher the signals and really act on it. And that becomes the future as we go forward.

**Danielle L. Scott:** As a management professor, what advice do you have for managers on rebuilding trust with their employees given, you know, ballooning unemployment, everyone's getting layoffs, there are pay cuts, how do you build trust?

**Kurt Motamedi:** You show me a top down organization, command and control organization and I'll show you an organization where trust is lacking. In fact with my clients and students around an exercise asking, if you are hired by a competitor to move inside another company and bring it down over a period of time and you do nothing illegal, absolutely nothing illegal, what would you do? And they think about it, well, one of the ways to do that is to undermine the trust among the top managers and the organizational members. People don't mind changing, they don't want to be manipulated and changed. So in this situation, the more open the organization is, the more open book management style there is, there is more transparencies and there's sharing of pain and joy within the organization, the better individuals and employees can navigate their own careers within the organizations. And you know this building trust is both ways, one is from an employee perspective is trusting themselves, one of things I usually talk about is nowadays the social contract has changed, we don't have those long-term employments that we used to have, like in old AT&T and so forth. It is really up to an individual to more or less assess their own capabilities and competencies in their professions and improve. And so if the employee is confident and the organization is open, that exchange takes a different flavor to it, in a way of becoming more innovative, more sharing, more accepting, as well as being able to take really calculated risks and create a win culture. Those are some of the pieces that go into creating trust. We have teams, when teams win, the trust among the members increases, when team lose, they mistrust one another. So when you create a winning organization then there is a level of trust is higher, especially going through crisis, because crisis, as I said it, also create opportunities. There are some companies which tend expand and acquire and build up the core competencies even more strongly during the downturn.

**Danielle L. Scott:** And what about employee performance? If you're going to take raises, promotions off of the table, how do you incentivize employees to work at a high level?

**Kurt Motamedi:** You know it is really-- that's a very good question. And let me put it in perspective in terms of, when you see the top managers or top executives in a company walking away with multi-million dollar packages, severance packages of really unbelievable, it induces a tremendous amount of resentment among the employees, shareholders, customers, and that is being, unfortunately, prevalent in some industries. Hopefully we can do something about it. But sharing, if we keep the employees aware, as well as customers and suppliers and shareholders aware, and transparent in terms of what the company is going through and they can anticipate what some of the changes are, employees are more accepting of the change. Their willing to share jobs, they can cut back on the hours they work, there will be more innovation coming into play in terms of how to deal with the issues of downsizing as well as moving down the scale and really getting ready for the future. Because when you lay off people suddenly, without really articulating or communicating the rationale for it, then you have to go higher, you have to take into consideration the reputation of the firm, how long does it take to train the new employees? And then considering the lost opportunities that the current employees can provide when the system or when the environment improves and you can move forward. So the trust building is sharing, collaboration, and really being empathetic and being really concerned about the people that work for you.

**Danielle L. Scott:** You've done a lot of research around management styles, particularly the negative impact of neurotic managers. Can you elaborate on what kinds of management styles you consider negative and how they affect organizations?

**Kurt Motamedi:** You know this been a-- that was a fun research I did in terms of neurotic styles of management <laughs> and I've gotten a lot of emails and correspondents on this topic. You know one of the problems in some organizations that I see is this dysfunctional style of management and not very many people talk about it. In my own working with clients I found out that I have to really confront the clients in terms of their styles. Some are explosive; they go off the handle and really start to be very emotional about little things you know. And others tend to be more narcissistic, some are impulsive, you know, like we have every day there is a new plan, a new vision, so it really impacts the organization. And what happens is, this style when sustained over a period of time impacts the culture and all employees and management as a whole start calibrating their behavior around the central figures who tend to be fairly, sometimes

egotistical and arrogant, and others are reflecting and that creates problems. I remember I had a conversation a few months ago, a Senior Vice President of HR coming to see me with one of the other VP's to do team building for this organization. And when I probed to find out what the problem is both of them basically said the CEO, his style is impossible. He's very arrogant, and we start most of the meetings talking about his cars, Ferraris and Bentley, and other things. And imagine you're in a downsize, right, we're cutting employees and we're talking about these luxurious items and we need to do something about it so my question was that, if the problem is with the CEO start, what do we need to build a team effort around? So why don't-- have you thought of more or less giving him some feedback? Was surrounded by blank faces, "No this is not a person you give feedback to." Well you see that problems, that's real problem, and that, you know, perpetrates throughout the organization and effectiveness. And under those circumstances the board, if it's not cooked up by the CEO, has to confront the CEO in terms of what, you know, you're style is really a problem. In fact, you know, one of the most, or probably one of the most famous CEOs of the companies he had a very bad reputation because of his egotistical, arrogant style. And my guess with this person is he's written a number of books and he's everywhere now he's left the company now. The board pulled him aside and sent him to a training session and gave him a couple of consultants to work with him in changing his style and he improved his image. Still there are some nuances of the narcissistic, arrogant behavior in there, but those styles are really counter to strategic planning. You can't really develop a strategic-- robust strategic plans, when the CEO and key players that tend to be so rigid around their style and their communication is not quite open and innovative.

**Danielle L. Scott:** You've written that there seems to be a shift going on from economic opportunism toward so-called social enlightenment. Can you tell us more about that and explain those terms for us?

**Kurt Motamedi:** Yeah I was working on Kurt Lewin and I realized that a lot of his work is being misused. Let me give you two scenarios, one scenario is absolute self-interest, which a lot of our economic models are built around. And in every activity or any opportunities, individual asks, "What's in it for me?" Right, if there's not much in it for me I have to really do an assessment of, you know, return on risk and cost and all of those things-- I'm not going to get involved. The other extreme is this social welfare model that subordinates self-interest to the good of the community and then eventually the self-interest is tucked underneath of the social welfare. But both of them are self-defeating, especially in organizations. Both models are self-destruct. Look at this, absolute self-interest, what that means is, I mean, I will not invest in anything that doesn't have a return for me. So when I turn 75-years-old I know my life expectancy is relatively short now I

will not invest in future generations. And then you escalate that self-interest more and then you start to steal from the next generation and consume it. So you leave the next generation with debt, less endowment, poor infrastructures, and undermining educations and whatever might be there, things that were given to you that you have consumed from the prior generation but you leave very little for the next generation. That's absolute self-interest, and that doesn't work. So the model that we worked on is around enlightenment, self-interest with enlightenment. So enlightened self-interest, as well as understanding the community and creating this synergetic effect where you do good with the consideration of the common good as well. And that is the base of the ethics and morality in management, and with that you have a better future for yourself and you leave the system better than you found it. And that is more noble than just being grabby and looking for your compensation package and leaving not much behind for others.

**Danielle L. Scott:** So how is this shift impacting organizations given that we are a capitalistic society?

**Kurt Motamedi:** We are struggling, we are not quite capitalistic, we are a combination of socialism and capitalism and we get into these tug-of-wars and these two poles are kind of working off from one another. And it is very troubling, as you can see, when we are running this immense amount of deficit and we're leaving the next generation with so much debt. And in the meantime sometimes our expectations are beyond our pocketbook. It is really-- we are going through a period of self-assessment and understanding and we are coming together in terms of understanding what our general patterns of thoughts and values are and doing some self-correction in terms of how we're doing. I'm pretty optimistic that we are coming to a self-enlightenment. The great generation was as self-enlightened generation, they give the baby-boomers so much and it is now our duties to leave the world better for the next generation.

**Danielle L. Scott:** Dr. Motamedi, thank you so much for your time. You've certainly given us a lot to think about and hopefully to implement.

**Kurt Motamedi:** Thank you, it's been good to be with you.

**Danielle L. Scott:** This is Danielle L. Scott for the GBR blog. Find us online at [gbr.pepperdine.edu/blog](http://gbr.pepperdine.edu/blog).

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