

Integrated Portfolio Strategies for Dynamic Organizations

Excerpt - The Uncertainty Dilemma

Becker, F., and Sims, W. (2000) Managing Uncertainty: *Integrated Portfolio Strategies for Dynamic Organizations* (pp. 5 - 7). New York: Cornell University International Workplace Studies Program (IWSP).

A Pharmaceutical company wants to launch a new science program, involving the immediate hiring of 50 new scientists, but is constrained from doing so because existing lab space cannot accommodate the new hires and it will take at least 18 months to build new space once plans and designs are complete.

Two companies merge and in doing so determine that a two hundred thousand s.f. building in the Midwest used as a back office data processing facility is no longer needed. The new firm wants to divest itself of that building so it can invest in the renovation of another facility that is better located.

A consulting firm obtains a major project which will involve 30 consultants working on-site for a period of six months. The project begins in a week's time; but there is no space in the client's offices for the consultants to work. Conventional leasing and fit out of space would take several weeks to complete, and involve a 2-year lease commitment, much longer than needed.

A global retailer builds a new building for its creative marketing group, with key design features to support the collaborative work of teams who need considerable open space to accommodate clothing samples and advertising layouts. One month before occupancy, leased space closer to where the creative group already works becomes available. Management decides to house IT, Facilities, and other corporate support services in the new building, increasing headcount by several hundred and requiring more closed and cubicle space.

Mergers like the world's largest for \$173 billion between AOL and Time Warner only punctuate what has become commonplace. Seven

of the 10 biggest deals in U.S. history occurred in the second quarter of 1998 alone. In 1998 there were more than \$1.36 trillion worth of mergers.

Uncertainty is endemic and chronic in today's organizations. The reasons reveal themselves in daily newspaper and TV headlines: mammoth mergers and acquisitions, technology that changes with anxiety-provoking speed, a labor force for which demand greatly exceeds supply for qualified workers, fierce and unpredictable global markets and competition, and new products and services lead by e-commerce that rewrite the rules of the game with dizzying speed. All of these factors force organizations to rethink how they do business: how they manage their business, where and when they convene workers, and the manner in which work is done.

"Most gazelles don't understand real estate basics. Failing to consider the one or two years that a site selection process generally entails cost one fast growth aerospace manufacture a years delay - and some \$1 million in revenues when opposition nixed plans for two new sites before the firm secured an existing plant"

Factors driving Uncertainty:

Mergers/acquisitions

Downsizing/expansion

Demographics

Labor supply/demand

Changing Technology

Changing political/economic climate

Product services/success/failure

Perhaps nowhere is the face of uncertainty so sharply in relief as surrounding new technologies. We think trying to understand and predict the impact of new technologies is a 'current event,' but as experience with ATMs suggests, the unpredictable consequences of new technology are hardly new. The ATM was originally designed to ease congestion at branch counters. By providing a cash-and-dash service for customers, ATM's also dramatically reduced operational costs and changed customer expectations. Customers demanded 24-hour, 365 days-a-year service-wherever they were. That was not at branch banks, but in supermarkets, convenience stores, and gas stations, which now receive a far higher volume of customers than branch banks (45). One outcome? A

huge surplus of branch bank offices from which banks are still trying to extricate themselves.

The unexpected keeps happening. If ATMs are in supermarkets and other retail establishments, why not work more closely together? Retailers benefit from increased store traffic, higher store sales and rental revenue from the ATM owner.

Well Fargo Bank of San Francisco, for example, has been working with Safeway supermarkets to dramatically increase the number of in-store branches. As they do, they will become multi-functional, enabling customers to do everything from getting money and paying bills to buying theater and airline tickets, insurance certificates, and savings bonds, as well as obtaining Web-based information. Real estate and facilities are still a key issue, but the form, size, location, function and permanence are radically different (8).

As radical and unpredictable as are the changes in technology are those in the nature of the workforce itself. Faced with fluctuating demand for products and services, short project cycles, stiff peaks and valleys in service demand, staff absences from work, rising labor costs, and uncertainty about where, when, and for how long they will need labor, companies are turning with increasing frequency to a contingent workforce that takes many forms. These range from outsourcing of various functions, utilizing temporary workers, or even leasing an entire work force to meet all labor needs (15). And the contingent workforce is no longer synonymous with lower level support positions.

Over 230 U.S. firms now specialize in placing managerial, professional, and technical workers in temporary jobs - more than five times the number that existed in 1990.

Technology, mergers and acquisitions, changing workforce demographics, constantly shifting organizational strategies, new ways of working, global competition-all of these factors generate chronic uncertainty.

Sources of Uncertainty

