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HOW CLINGING TO CORE COMPETENCIES IS BREAKING YOUR ORGANIZATION'S HEART

ORGANIZATIONS ARE MORE COMPLEX THAN EVER, AND FOCUSING TOO MUCH ON GARY HAMEL'S IDEA OF "CORE COMPETENCIES" IS BOTH OUTDATED AND DAMAGING TO YOUR COMPANY'S EMOTIONAL INFRASTRUCTURE

By Daniel W. Rasmus

Since Gary Hamel and CK Prahalad put forth the idea of "core competencies" in a 1990 Harvard Business Review article, "The Core Competence of the Corporation," organizations have taken this insight as permission to outsource various parts of their business operations.

With "core competencies" organizations became machines with core functions that made the machine work, and non-core functions that kept the cogs greased and the tires inflated. Those later jobs could be accomplished by others: essential, but ancillary. Most importantly, they were competencies that didn't differentiate an organization in its market. When hiring a McKinsey consultant, few managers consider McKinsey's office design or their marketing when making the decision. McKinsey provides trusted management advice and builds renewable relationships (my words, not theirs). A manufacturing firm may be known for its quality plant design, knowledge of assembly techniques and high quality—probably not for a world class expense management system.

I'm not going to argue with the basic concept of "core competencies." Hamel and Prahalad are probably right, in that organizations do have core competencies. Selecting for core competencies, however, produces side effects. By focusing on "core competencies" organizations erode their ability to create synergistic places to work. They also constrain their ability to adapt.

As organizations decompose their operations into strategic competencies, they simultaneously distance themselves from people who do the non-strategic work. As they create classes of work they create classes of workers. In the rush to reconfigure organizations, we have failed to account for the human binding mechanism of Emotional Infrastructure.

Here's the problem with the core competency model. As parts of the organization are lopped off, the workforce becomes more fragmented. People work for different organizations with different goals and objectives, different business cycles and different cultures. An outsourced receptionist, for instance, spends his or her entire day working with people from company other than the one who writes their check. How should this person relate to those they work with? How should the "employees" relate to this "service worker?"

If they were all employees, status and position may play a relationship role, but that is something people navigate outside of work. At least as employees, people had a common bond: same badge, same payday, same review cycle.

In conversations with outsourcers, contract employees, HR managers, and employees within companies, I have found universal discomfort with the variety of work relationships. The organizations now feel more like collectives of cooperation. People must think before they connect.

They must ask themselves what conversations are permissible, constantly manage their behavior, and constantly consider if there are any legal obligations associated with the interaction that is about to take place. Although they may ask themselves these questions, but few organizations help individual employees do so purposefully, or offer guidance on how to answer those questions except in specific instances. Because these relationships are managed through a variety of functions within the organization, no single function owns responsibility for the curation and management of those relationships.

A vice president at a large facilities outsourcing firm shared his concerns. His company provides facilities management, security and reception to large companies. His people spend 99% of their time within that company, but they aren't employees. He suggested that HR needed to start being in on the long-term management of outsourcing because people, on both sides of the equation, need someone to broker their relationships.

I'm not sure of all of the answers yet, but the questions are pretty clear. How did you organizations get so broken? Does emotional infrastructure matter? Who owns emotional infrastructure?

How Our Organizations Got Broken

It wasn't just the Hamel and Prahalad article that precipitated the demise of emotional infrastructure. Rather than inventing something with "core competencies" Hamel and Prahalad extrapolated from past practice and generalized. As with many things in the industrial economy, their article became the blueprint for the production of "core competency" work, the results of which accelerated the fracturing of the holistic organization.

- **Multi-national operations** Long before Hamel and Prahalad starting writing, or even thinking about core competencies, organizations had already started to sever their tenuous emotional heart-strings by becoming non-local. Multi-national organizations cannot create a common culture, as much as they try. They become a reflection of local cultures manifested in micro-corporate cultures that never spin up to the cohesiveness any organization may profess to its customers or shareholders.
- **Outsourcing** Outsourcing occurs when organizations decide that a particular function would be better executed by a specialist in that function. Many companies, for instance, outsource their payroll to ADP. Those specialists often expand their own "core competencies" over time. ADP now provides services for human resources, benefits administration, tax and compliance. Outsourcing is driven by factors that usually start with cost, but also include quality of service, retaining and recruiting skilled employees and adapting to technological or regulatory change. Regardless of the motivation, outsourcing removes people from one company and places them inside a company they did not choose to work for. Those left behind may experience a heightened sense of purpose, but they also feel emotionally and organizationally distanced from those they worked with more directly the day before.
- **Off-Shoring** During this election year, outsourcing is getting an even worse rap that normal. Unfortunately, the terminology is wrong. Outsourcing does not imply the loss of domestic jobs. It always means a movement of jobs from one employer to another, and it may mean, based on efficiencies, a reduction in the number of people required to perform a function, but it doesn't necessarily mean the job from Chicago ends up in Bangalore or Shanghai—they are just as likely to end up in Atlanta or Tupelo. Off-shoring focuses specifically on playing the global labor rate market for all its worth. Organizations want to find people with adequate skills in foreign countries who can do the same level of work at a much lower cost. This movement creates even greater tears in emotional infrastructure. Unlike outsourcing, where the relationships, albeit in a different form, continue, off-shoring often gives work to existing firms, employing a small number of managers or engineers to work with operations in foreign countries. For most employees off-shore relationships may be relegated to e-mail, online communities, and in the best cases, telepresence.

- **Contingent Staffing** Contingent staff used to be called part-time or temporary workers. They are contingent on a demand for labor. In the soft economy contingent staff have become the go-to workforce because they don't require benefits, notice before letting them go, morale events or competitive compensation reviews. Contingent staffing also creates a path to employment. Contingent staff must consider their work an extended interview. Interviews create stress. Think about being in an interview for six months. Is that a healthy way to enter a relationship? It is a bit like living together before marriage, an approach that doesn't always resolve emotional issues between couples.
- **OutTasking** is the most recent entrant to the outsourcing model. With networks of talent, people can bid on information economy piece-work, be it writing a piece of code, creating a database or crafting a marketing brochure. In the case of a company like Innocentive, it may even be solving a hard problem. With outtasking, work may be accomplished without ever meeting the other party. This may be efficient, but the model neither transfers knowledge nor builds lasting relationships.
- **Layoffs, downsizing, rightsizing, reductions in force, etc.** Regardless of the term used, being let go has the most dramatic impact on individuals, including those who stay. Out of the great recession the term "survivor guilt" went from a term originally associated with Holocaust survivors to those who kept a job while their cubicle mate received a pink slip. The generalization of this term clearly demonstrates the organizational dysfunction introduced by these actions.
- **Mergers, Acquisitions and Divestitures** Like divorces and second marriages with children, mergers, acquisitions and divestitures can be very disruptive. Groups of people who did not choose to work together must now work together. Company cultures slam into each other with ferocity. They create a steady stream of people coming and going. Core competencies that may have driven the acquisition based on strategic synergy remain while non-core competencies disappear like duplicated jobs in accounting and marketing. People may not even have time to connect, or may be afraid to, because a new acquaintance may not be around all that long.

Why Emotional Infrastructure Matters

Emotional infrastructure connects people to each other, creating a sense of camaraderie and shared meaning. Its demise, however, has other implications beyond feeling connected to co-workers.

Employee engagement As I reread the Accenture Institute for High Performance Research Report on "What Executives Really Need to Know About Employee Engagement" the issues raised here echo loudly in that report.

In their second table, Accenture outlines 3 key beliefs that employees must hold to be engaged.

- I'm making a difference
- My company has my back
- We're in this together

All of which come into question when an organization forces a change in relationship by introducing a relationship model other than that of employee. In my own personal experience with outsourcing, as I had discussions with team members who were being asked to change their job from the company they choose to work for to the new outsourcer, those three phrases came back time and again as broken promises: "I thought I was making a difference." "I thought the company had my back." "I guess we're not all in this together anymore."

As a note on the Accenture study, outsourcing was only mentioned in the description of Accenture's business. As with most reports like this, they simplify the world to meet the objectives of the study, which isn't truth, but providing data to a set of corporate clients. The complex nature of today's work relationships also disappears in these surveys because the outsourcer is responsible for their employee engagement, even if their employees spend 95% of their time inside your company.

Knowledge Continuity When people miss loved ones, they talk of a "hole in their heart." When an organization loses people, it could be seen as having a "hole in its head" as well as its heart. Many times older employees with deep historical knowledge of the organization, people who are mentors and coaches (and also at the top of their salary bracket with little left in their career paths) find themselves forcibly retired, laid off or out-sourced. Emotional infrastructure comes into play here in two ways: first, organizations are making a clear statement about the value of long-term knowledge, which may raise questions about its ability to execute in the future. Second, they are making a statement about loyalty. For these very knowledgeable employees, the question goes something like, "if Bob wasn't safe, then who is?"

Narrow Opportunities I worked for a large aerospace company. The CIO I reported to had come up the ranks from the mail room. That was not a myth, it really happened. It would be unlikely today to find a Pitney Bowes employee that could express interest enough, or demonstrate skills enough, in the "core business" of the company they worked within to be moved from sorting mail to an entry-level IT or business position. More likely, in the "core competency" model, the mailroom clerk would be promoted to mailroom supervisor, and eventually a logistics manager. In a holistic employment model, people seek synergies and have a wide variety of options for growth. A new employee may not know until he or she gets their first job and are exposed to different kinds of work what they really want to do. Outsourcing sets expectations early in a career and then reinforces those through the narrow competencies of the outsourced firm. It takes brave people to jump outside of domains. And those who want to, and don't, aren't as engaged.

Who Owns Emotional Infrastructure?

The short answer is nobody owns this problem. Most organizations don't even know it is a problem because they don't ask questions about the general work environment. They execute surveys focused on determining how people feel about the company, its strategy, its management and the employees direct management chain, but little if anything about business relationships. And that is how all of these alternative work relationships are viewed by the company, as business relationships. They aren't people issues, they are business relationships.

Facilities own physical infrastructure. IT owns information technology infrastructure. And HR, well, HR may well be outsourced themselves. Wait a minute, facilities and IT are also often out-sourced, so those infrastructure competencies are no longer "core" either.

Management may say that they own the emotional well-being of the employees, but as discussed in this post, caring for employees doesn't go far enough. Executives need to recognize the need for emotionally healthy environments inclusive of all people involved in the operations they have cobbled together to execute their strategies, not just those who share badges from the same outsourced security firm.

Mending Our Broken Hearts

Mending a broken heart isn't easy. Most individuals know when they have a broken heart, most organizations do not. Emotional infrastructure requires an investment just like physical or technological infrastructure. We have all experienced an immediate feeling of disdain when we visit a company or a restaurant that doesn't look maintained, where frayed carpets and leak-stained ceiling panels catch our attention. We have also all had encounters with employees that the Accenture report says are on "Cruise Control" or "Checked Out." And yes, that can happen to employees for reasons other than those outlined in this post, but to the customer encountering that employee, the reason doesn't matter. The emotional infrastructure of the organization can be as noticeably frayed as exposed electrical wire.

Here are seven recommendations for how to mitigate or repair the failing emotional infrastructure of your organization:

- Recognize the issue. Create more inclusive surveys that explore the relationships between employees and various partners.
- Actively engage new and existing partners in order to negotiate ways to help all members of the virtualized organization co-exist in an emotionally healthy, more cohesive environment.
- Develop and deliver an orientation class. All partners, contingent staff, out-sourced workers, etc. should attend a mandatory orientation that helps them understand the mission, vision and strategy of the organization they work for. Those who work with large outsourcers should be required to take a reciprocal orientation class from the partner.

- Be transparent so that when change happens it doesn’t take place so abruptly or without warning, executed so dispassionately. Amp up the connections so the entire organization can support those changing their status, and so that those remaining don’t just feel like lucky survivors, but meaningful members of an organization that really did its best to create a good work environment, even if outside forces conspired against it.
- Foster a permission-based approach to emotional infrastructure, not an incentive-based one. People need to feel free to connect. The answer is not to create incentives for people to connect emotionally, but to nurture an environment of inclusion. Create some budget for self-organization. The company picnic may be a thing of the past, but if you permit people to enjoy themselves, they will find a way. (And it doesn’t help that executives and sales organizations spend lavishly on their own celebrations while line employees often get second class morale boosters.)
- Embrace social media. Social media isn’t a fad. Various implementations may be, but the idea of connecting people via technology is not going away. Rather than shy away from it, embrace it and let people self-organize around whatever platform you use. It may not be the answer for all people, but at the relative low entry cost, it will be the answer for enough people to justify the investment.
- Don’t create the role of chief anything to bring awareness and focus to this issue. If I start reading about Chief Emotional Infrastructure Officers I will have failed. Rather than ratchet from unaware to overzealous, organizations should adopt practices put worker relationships on the agenda for all business relationships that results in long-term co-existence of employees from multiple firms.

A vibrant firm, once capable of fulfilling its own destiny, can find its emotional infrastructure strained by piecemeal attacks on its synergies that result in severed relationships and lost knowledge. An organization is not just its best parts working toward a common goal; it requires all of its parts working toward a common goal. Hamel and Prahalad see businesses as factories of execution that can be honed in order to be more productive machines of commerce. In their opinion, the execution of the business could be better done through contract-mediated relationships where every party does what they do best. They work together to create value, but that work takes place in the world of "core competencies" at the abstract level. A world that seems pretty sterile.

But we have seen time and again that passion and dedication creates value as much as seamless execution. And that those organizations that over specialize, like creatures in nature, become less able to adapt. In 1990, Hamel and Prahalad looked at NEC’s worldwide commercial and consumer electronics businesses as an example of a company that took core competencies seriously. In January of 2012, NEC announced plans to cut 10,000 workers and forecasted $1.3 billion loss through March of 2012. Focus may not be as important as synergy. Was the demise just about recovering from floods in Thailand or a shift in mobile markets—could internal factors be at play as well, factors like emotional infrastructure that don't show up on financial reports on in analyst calls?

Emotional infrastructure is the binding element that keeps an organization together in times of challenge, and facilitates celebration in times of plenty. Businesses may be factories of execution, but they need maintenance and attention that Hamel and Prahalad overlook. Businesses need emotional infrastructure in order to bring meaning to their employees, to their partners and to their customers. If firms want to do more than execute themselves into a corner, if they want to create innovative products, processes and services, then they need to invest in fostering relationships that shore up their faltering emotional infrastructure. The next generation of businesses needs go beyond being "excellent" or "great," to use the words of Tom Peters and Jim Collins—they also need to be places where respect, inclusion, trust and co-creation are recognized as critical elements of getting the job done.

[Image: Flickr user *Gabriela Camerotti*]

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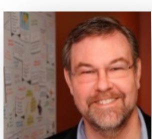
http://www.fastcompany.com/3000628/how-clinging-core-competencies-breaking-your-organization's-heart



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