Linking Behaviour to Bottom Line Performance

Leadership, Intangibles & Talent Q3 2009

Welcome to 2009's third quarterly review, as with previous issues, engagement continues to be at the forefront of people's thoughts. Behind the engagement debate however there seems to be a growing call for a wider reappraisal of the fundamental way corporations are organised and for me personally, this is the most interesting aspect of this quarter's articles. Other themes include;

· Shifting the Organisational Pyramid
· The McLeod Review on Employee Engagement
· The Leader/Manager Debate
· Line Managers who Lead
· The Intrinsic Motivation of Autonomy, Mastery and Purpose
· The Irrationality of Human Behaviour
· Tomorrow's HR Professionals - A Multi-Disciplinary Background

Articles are included from the likes of Harvard Business School, Henry Mintzberg, HR Magazine, McKinsey, the McLeod Review, the Partnership Institute, Personnel Today, Strategy + Business and TED.

Comments and feedback are of course welcome.

Shifting the Organisational Pyramid

The general consensus of commentators from a broad spectrum of disciplines is that the traditional organisational pyramid is not fit for purpose. See below to find out more. We are also seeing a notable increase in articles and blog posts focusing on recruitment in the upturn. Whether this is wishful thinking or a genuine sign of improving economic times remains to be seen.

On a continuing theme from previous updates, there can be no doubt that this year's hot topic is employee engagement, whilst an acknowledgement of it's importance is widespread, there remains considerable uncertainty around putting an effective engagement strategy into place. Furthermore as the discussion develops, it is becoming increasingly hard to separate engagement from other organisational issues such as; leadership, talent management and innovation.

The McLeod Review on Employee Engagement

July saw the release of the UK govern-ment backed McLeod Review[1] looking into the impact of poor employee engagement in the UK. Undoubtedly this is a strong endorsement of the positive effect of engagement on performance. However, there has been criticism from some for the lack of new insight or practical suggestions. I think that this is slightly missing the point and the report is far from the "recycled rubbish" claimed by Nicholas Higgins[2]. In a similar vein, Personnel Today[3] explicitly criticises the lack of practical suggestions. In my view, the job of this report is to make CEOs sit up and take note and raise what is traditionally

seen to be a "soft issue" up the corporate agenda. The report is also meant to raise the issue of engagement for businesses of all sizes, again I think this is something that it achieves. As a first step in an ongoing process, this report gives HR directors the evidence to support the case for taking a serious look at engagement.

Although short on new ideas there is no doubt that the Mcleod Review brings together lots of data and evidence supporting the argument for an increased commitment to engagement. A good summary by John Ingham can be found[4]. There is nothing revolutionary in the report and it is easy to see why some in the industry are frustrated by it's lack of specifics. However as a document making the quantitative case for increased investment in engagement it is pretty solid and for those not directly involved in HR and its related disciplines, it is a good introduction.

Despite the shortcomings, the conclusions reached by McLeod are likely to resonate with many. In short, McLeod is calling for a more sophisticated approach to people management. The report openly argues that due to amongst other things changing demographics and technology, engagement is not something organisations can approach with a one size fits all mentality. True engagement is focused on the needs of each individual. Furthermore, if organisations buy into this assertion, the role of line managers has to evolve away from the traditional administration/assigning tasks role to a more collaborative/coaching type approach, as McLeod states;

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approach **business** debate employees

engagement hr issues leaders

leadership **managers** mcleod

mintzberg motivation **organisations**

particular people performance pink professionals purpose pyramid

report review traditional view

"Many people we spoke to identified managers' approaches and behaviours as key factors in disengagement – as one respondent said, they sometimes act as "a great impermeable damp-proof course." Jeff Kelly, of the Partnership Institute, told us at a round table discussion for this review: "There is a territorial problem and a comfort zone problem. Many feel comfortable with managing staff on an adversarial basis and don't want to give it up."

My feeling is that what is being called for in the McLeod Review goes much further than encouraging organisations to adopt a formal engagement programme. If organisations are to fully realise the benefits outlined in the report it is going to require a complete rethink in the way corporations manage and engage their people.

Curiously enough there have been a number of other articles published this quarter that I feel more explicitly reflect the findings of the McLeod Review. Interestingly, these articles are all written by people from a variety of backgrounds or disciplines yet the underlying message is very similar.

The Leader/Manager Debate

To kick things off, Henry Mintzberg has created a buzz with a look at the perennial manager/leader debate[5]. This was also a topic covered in the previous issue. In this article Mintzberg is critical of the traditional role of corporate leaders who he brands as aloof and disconnected from the workforce, therefore having little idea of what is actually happening in the organisation. It is this disconnection that hampers so many organisational initiatives. In Mintzberg's view, corporate America is overled and undermanaged.

True leadership is something that may only be required on an ad hoc basis, in particular during times of uncertainty or dealing with specific challenges or unknowns. These are the challenges which we most associate and value strong leadership with such as charisma, determination and vision. Effective management on the other hand is something that requires a more mundane yet equally valuable approach.

"As Stanford University emeritus professor James G. March put it: "Leadership involves plumbing as well as poetry." Instead of distinguishing leaders from managers, we should

encourage all managers to be leaders. And we should define "leadership" as management practiced well."

At the heart of Mintzberg's criticism is that the traditional corporate pyramid encourages and supports this disconnection between leaders and the rest of the organisation. Jamie Notter[6]. has an good summary of the Mintzberg article and picks up on his assertion that organisations need to review the usefulness of the prevailing hierarchical model of organisational design.

Line Managers who Lead

The notion of line managers who lead is explored in this recent McKinsey article[7]. An idea that is coming from a similar direction to Mintzberg, instead of training managers in process and administration, they can improve productivity by empowering the people around them. In this way managers can be seen as catalysts to creativity, innovation and devolved decision-making. In particular managers need to address the issues that are of particular relevance to them and their people. This can be anything from dealing with interpersonal issues to customer relationships. The article goes on to say;

"To unlock a team's abilities, a manager at any level must spend a significant amount of time on two activities: helping the team understand the company's direction and its implications for team members and coaching for performance."

This prompts the question, is the traditional top down business model fit for purpose in the 21st Century? To highlight this confusion between manage-

ment and leadership, one particular criticism outlined by Mintzberg in another article[8] is what he refers to as leading through information or "deeming" as he terms it. This is where leaders deem that certain targets need achieving, such as sales need to rise by 10% or we need to cut 15% of staff. By any definition this is not leadership and as such is unlikely to engage or motivate employess apart from through fear.

Dismantling the organisational pyramid is also the topic of a Strategy + Business article[9]. Ostensibly discussing talent management, the theme is the same as Mintzberg's argument and calls for a fundamental reassessment of how organisations engage with their employees. The article argues that the traditional career progression structured through an organisational pyramid structure is outdated and not fit for current and future demographics. Instead organisations need to take a more sophisticated and flexible approach to career development based on the individual.

The Intrinsic Motivation of Autonomy, Mastery and Purpose

Further evidence to support a radical reappraisal in the way organisations structure themselves is outlined by Dan Pink who delivered an entertaining TED talk[10], well worth the 20 minutes if you have the time. In it he discusses the failure of bonuses and incentives to improve performance. Contrary to popularly held beliefs in the corporate world at least, the basis of Pink's talk is that traditional monetary incentives fail to boost performance in all but the most mundane or mechanical tasks.

Citing a number of scientific sources, Pink states that the traditional reward structure used by organisations is not an effective means of motivation. Clearly this view undermines many of the assumptions that organisations implicitly make about motivation and performance. In getting rid of the traditional carrot and stick approach, Pink focuses on three areas of what he terms "intrinsic motivation" of autonomy, mastery and purpose.

In discussing the role of autonomy, Pink is another to go against the orthodoxy and directly criticise the traditional organisational pyramid which concentrates decision-making in the upper echelons. By removing self-direction, organisations are undermining the ability of employees to fully engage with their work. At the same time feelings of unfairness are likely to grow. Clearly, Pink is suggesting that organisations need a fundamental rethink in the way that they motivate their employees. As Pink repeatedly summarises;

"there's a mismatch between what science knows and what business does."

The Irrationality of Human Behaviour

As if that isn't enough, we are continuing to see an increase in articles focusing on the "irrationality" of human behaviour. In a posting on the Harvard Business School site Jim Heskett[11] kicks off a decent discussion about a recent HBR article[12] by Dan Ariely. Again, this has significant implications for our approach to management theory and assumptions about human behaviour.

"Reactions to our efforts as managers reflect what each individual receives in

relation to what he or she perceives and expects. Because this is highly subjective, the argument goes, generalizations (many of them currently taught in conventional courses) about how to manage are practically useless. Instead, managers should encourage employees to set their own goals, appraise their own achievements, and reach their own conclusions about how to improve. Managers should also spend more of their time inspiring (through stories) and devising engaging activities from which employees may, to some extent, choose."

Are you starting to see a theme here yet?

Whilst there is no shortage of new ideas being put forward, within the HR specific press, the focus has been more inward and arguably more pessimistic over recent months.

Tomorrow's HR Professionals
A Multi-Disciplinary Background

In particular, HR Magazine in the UK has run a series of articles that have a generally pessimistic view of the furture for HR. The debate seems to have moved on from the rallying cry for HR to be provided with a seat at the top table to a questioning of whether the function can actually make a strategic contribution. For example, David Woods[13] cites

a Logica survey with the headline figure claiming that 70% of HR Directors feel that they do not have sufficient information to avoid a widening skills gap. Given new technology and information available to HR professionals, is there any excuse for this?

Elsewhere, Maurice Duffy[14] muses on the future of HR. In a strongly worded article, he articulates a potential future for HR where it is able to contribute significantly to organisational effectiveness. Unfortunately, Duffy is sceptical whether the majority of current HR practitioners are capable of delivering this vision. As Duffy states;

"My view is that HR is populated with too many self-seeking, blame-shifting blockers and manipulators who kill the enlightened view and restrict and choke organisational progression. You know them - the pen- pushing administrators and positioners, who tell the business what it cannot do, build processes and systems that inhibit or dilute any sensible simplicity that is a key requisite in the current world where change, speed and innovation are the new business imperatives."

On a similar note, Rhonda Eckert has a blog post[15] asking whether HR is in danger of becoming extinct? She echoes Murray in her assertion that tomorrow's HR professionals are going

to come from a multi-disciplinary background. Maybe not the end of HR but possibly signifying a shift in the experience or requirements for HR professionals.

Likewise, Jan Kingsley at ASPEL[16] talks about the fragmentation of learning and its possible resolution, saying

"L&D is becoming more specialised with people developing specific competencies and skills in discrete areas, for example, becoming specialists in coaching, facilitation or learning design. This is being driven in part by customer and client expectations, but also the use of technologies which makes the whole issue of learning much more complex. Navigating this maze of information and techniques and overcoming their inherent complexities will be a major factor in making L&D much more effective."

While debates on the specific themes will no doubt continue, the possibilities for HR and leadership going forward are intriguing and imply a number of changes. While the recession has almost forced people to reflect on their organizations and practice, the seeds of the future may well be taking route already.

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Footnotes and References

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About Four Groups

Four Groups have developed a new approach called 4G to understand behaviour, relationships and culture. 4G provides its users with insight into personal characteristics, how relationships develop within teams and groups and how culture can be best defined and managed.

4G provides organisations with information on how best to deploy and optimise the performance of their people. It also enables preventative measures to be taken which minimise the less productive aspects of interaction and group dynamics such as friction and misunderstanding between colleagues.

4G represents a systematic approach to managing the previously intangible aspects of organisational life. The methodology is easily replicable and can be implemented quickly and efficiently.