

STRATEGY AND PEOPLE

A discussion of the challenges of people when considering business strategy

An organisation's resources will probably contribute to most of the weaknesses and strengths in a SWOT analysis. Many, but not all, resources can be remembered by using the 'M' words: money, manufacturing, material, marketing, machinery, methods, management information, management, and men and women. Management, men and women can be called the organisation's human resources.

In the Johnson and Scholes approach to strategy evaluation (suitability, acceptability and feasibility), resources relate to the feasibility of a project. If a resource is not available, either that plan will have to be changed or abandoned, or the resource must be found.

Many resources are relatively easy to define and come with known, stable properties, such as material of a certain quality or machinery with a promised performance. However, human resources can be problematic and increasingly difficult, to obtain successfully and reliably. This is because:

- Defining desired behaviour and measuring employee performance is often challenging.
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- Employees are complex, dynamic creatures with changing enthusiasm, preferences, skills, motivation, boredom levels and personal problems.
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- Employees can choose to leave.
- In many countries, population changes mean that there are fewer people available to recruit employees from customary sources.
- In general, most jobs have higher technical content. Jobs that once made use of relatively stable skill-sets, such as plumbers and electricians, now require constant retraining to stay up-to-date with regulations and other developments.
- In economies where there has been a move away from manufacturing to service provision, more employees come into direct contact with customers (the 'people' part of the extended marketing mix). Therefore, if those employees are poor performers they can do instant harm to an organisation's reputation. In manufacturing, poor employees can be 'hidden' in factories and the products they make can be inspected before delivery.
- There are many fewer jobs for life and if people move on regularly, there is a greater recruitment burden.
- Employment protection legislation can make it a difficult, and costly process to dismiss unsatisfactory employees. It is, therefore, important to get recruitment right and, where necessary, to enable employees to improve their performance to a satisfactory level.

STRATEGIC HUMAN RESOURCE MANAGEMENT

Ideally, strategic human resource management will form one component of the linear rational planning approach: analysis, choice, implementation. This will probably be the case where a rational plan has significant impact on the human resources needed.

For example:

Element of the rational plan	
Take-over a competitor to gain market share, gain economies of scale and reduce competition.	Plan and put into effect redundancies as operations are merged and synergies sought. Encourage teamwork from remaining employees.
Expand into South America by setting up a manufacturing and distribution company there.	Recruiting suitable local employees. Move managers abroad to run the operation.
Move a hotel chain up-market (3* to 5*) to escape fierce competition and earn higher margins.	Decide what skills are needed in a luxury hotel. Recruit suitable staff; evaluate the skills of current staff and provide training. Possibly redeploy current staff into other roles.

In practice, the people who are managing human resources are themselves part of the human resource asset base and will be aware of a political dimension: power, promotion and status. Undoubtedly these understandable and probably unavoidable human factors can interfere with the rational approach. Additionally, human resource management is more at risk from 'bounded rationality'. This is our inability to be completely rational because we can't know everything that we need to know to make rational decisions. At least when you buy a machine you can predict fairly well its life-time cost, performance and maintenance periods, and you can be confident that it won't suddenly move to a competitor. Little of that is true with human resources.

The human resource planning approach described above is essentially a position-based approach: discover what's happening in the environment, then adjust what the organisation does to suit that environment. However, given the competencies that might be possessed by many employees, it is important not to neglect the resource-based approach.

For example employees:

- could possess valuable knowledge and this is often the difficult-to-discover tacit knowledge
- will have formed business relationships with suppliers and customers
- might possess unique or scarce talents

- should have formed effective, motivated multi-skilled teams.

These can be the source of difficult-to-copy competitive advantage. Although employees might gain these attributes spontaneously, it is very important to recognise the contribution that good management can make to creating a human resource which is valuable, possesses core competences, is difficult to imitate and which is long-lasting.

Management can influence:

- recruitment
- training and development
- job design
- leadership and motivation.

Without carrying out these steps successfully it is unlikely that the capabilities arising from human resources will be more than threshold capabilities.

RECRUITMENT

The classic recruitment steps begin with:

- Human resource planning: How many people? What skills? When? Where?
- Job analysis: What is the job? What will the person be doing? A job title, such as 'Accounts Assistant' can mean very different things in different organisations. Job analysis researches what tasks the job entails and this will point the way to the competences a successful recruit should possess.
- Job description: This is the result of the job analysis.
- Person specification: This describes the attributes, such as experience, qualifications and personality, that a successful holder of the job must possess.

The person specification could be expressed in a competency framework. Competency is 'the set of behaviour patterns that the employee needs to bring to a position in order to perform its tasks and functions with competence'. Competency frameworks draw together the competences needed for the stated job.

Here is part of a competency framework that might be relevant to an accounts assistant.

Note that the competency framework will be useful at the following stages of an employee's career:

- Recruitment: how does the candidate's current performance compare to what is needed. Sometimes it will be essential that new employees come with full-fledged competences, but sometimes they could be employed in the hope that competency gaps can be made good.
- Training and development: in areas where actual performance is below required performance.

- Discipline: where employees are required to improve to meet the required competence.
- Promotion: where candidates have shown competences for a higher position.

For the sake of completeness, the remaining stages of the recruitment cycle are:

- Attract candidates and create a short list for interview
- Interview (and consider testing ability, aptitude and personality)
- Offer and acceptance
- Take up references
- Induction training to make the new employee comfortable and productive as soon as possible.

JOB DESIGN

Job design can be defined as the process of deciding on the contents of a job in terms of its duties and responsibilities, and on the relationships that should exist between the job holder and his/her superior, subordinates and colleagues.

There are a number of approaches:

1. The scientific approach

This approach is associated with Frederick Taylor (1856–1915). Taylor believed that many workers went about their jobs inefficiently and without management direction as to the best way to accomplish tasks. He believed that it was management's duty to investigate tasks and to arrange them in a scientific way that minimised wasted effort and maximised efficiency. The results of his studies in search of efficiency were that:

- Jobs were fragmented into simple tasks
- Manual workers simply had to get on with their simple, repetitive task and leave decision making to managers
- The skill in each job should be minimised
- The arrangement of machines should be such so as to minimise material and people movement.

The approach was soon adopted enthusiastically by Henry Ford whose factories were based on mechanised production lines which determined the speed at which work had to be completed. It enabled the production of standard products at lower cost.

2. Job rotation, job enlargement and job enrichment

The scientific approach to management resulted in high productivity and also allowed workers' wages to increase. However, it was criticised because it often turned employees into automatons, condemning them to mindless tasks and driven by the speed of the production line. Job satisfaction, motivation and pride in their work decreased. Often labour relations and quality were bad and commitment to employers was low.

These problems gave rise to a recognition that job design should also pay attention to the employees' social and psychological needs. This is the human relations school of management. Employees get bored, so more variety in work could be useful; employees like being challenged; employees like feeling they are contributing something worthwhile. This realisation gave rise to attempts at job redesign where managers aimed to produce 'better' jobs. Methods available are:

- Job rotation. This is a horizontal change in the job, meaning that a worker is regularly moved from one simplified, de-skilled job to another. This should reduce worker boredom (at least for a while).
- Job enlargement. Another horizontal change, but each job now consists of several unskilled tasks.
- Job enrichment. This is a vertical change in which some of the tasks previously carried out by managers and supervisors are added to the job. For example, in addition to repetitive construction tasks the employee could now also be required to assess and report on the quality of the item.

Of the three, job enrichment holds the most promise of long-term increases in job-satisfaction. It must be pointed out, however, that managers often do not find it easy to relinquish managerial control to their subordinates, so that frequently the apparent delegation of power is accompanied by increased monitoring of performance. In many organisations job enrichment might therefore be an illusion perpetrated by managers to try to keep employees happy, but without giving them any worthwhile discretion.

3. Japanese management

In the 1970s and 1980s Japanese manufacturing companies were world-leading. Companies such as Sony, Mitsubishi, Panasonic, Canon, Nikon, Toyota and Nissan usually beat their western competitors. Because of that success, much attention has been paid to Japanese management approaches. Much of the pioneering work was done in Toyota and resulted in their Toyota Production System. This approach is also known as 'lean manufacturing' and it concentrates on eliminating any activity and expenditure that does not add value to the finished product or service.

There are three elements:

- Elimination of waste: First the products and their manufacture have to be properly planned (for example by eliminating unnecessary parts or processes). Second, that planning has to be put into action (for example by scheduling production efficiently). Third, performance has to be monitored to identify where, despite the first two steps, things could still be improved. Just in time manufacturing is an example of an approach aimed at reducing waste.
- Flexibility: In a traditional factory workers service a single production line running from receiving of raw materials to delivering the finished products. A breakdown in any part of the line nearly always resulted in the entire process halting until the problem was overcome. Cellular manufacturing systems separate the production line into cells or modules, each with a group of workers and machines. Each cell is

dedicated to a particular component of the manufactured product. Ideally, workers and equipment comprising a particular cell are trained and configured to be able to take over the processes of another cell when necessary. Thus, the breakdown of one cell, due to equipment breakdown or staffing problems, does not radically affect the rest of the production process.

- **Quality:** Quality of design and quality of conformance are essential if waste is to be eliminated and value added consistently. Japanese companies were the first to embrace the concept of total quality management. This addresses every activity an organisation carries out and encourages a culture of never being satisfied that further improvements are not possible.

BUSINESS PROCESS RE-ENGINEERING

This approach says that the structure of work has to be radically changed. Part of this means perceiving core employees not as an expense but as valuable assets, who are able to serve customers' needs well without instruction from above. Following managers' instructions is no guarantee that an organisation will be successful as those instructions might be wrong. Organisations should be market driven.

The approach has had many critics, mainly pointing out that managers still want to manage (to justify their higher salaries), that there will still be a hierarchical structure, and that many employees will, inevitably, end up carrying out repetitive, specialist tasks.

LEADERSHIP

Leadership can be defined as the process by which an individual influences others. Within organisations it is to be hoped that leaders have both power (the ability to influence) and authority (the right to influence). One without the other is never satisfactory.

Power can arise from the following sources:

- **Rational-legal.** A manager exerts power because of the title 'manager' and subordinates are supposed to carry out lawful instructions.
- **Charismatic.** Where the person has great charm and force or personality
- **Reward power.** Where the promise of pay increases or promotion are used.
- **Knowledge.** Where withholding and releasing knowledge selectively exerts power.
- **Coercion.** Through physical power. This is rarely seen in civilised organisations.

Authority arises from a person's position in an organisational hierarchy, authority limits and the operation of the law.

Early theories of leadership were known as 'trait theories' and these suggested that all good leaders were born with certain identifiable traits that were the 'golden rules' of

good leadership. This was bad news for those whose genetic endowment lacked those traits. More modern theories, while recognising that there tend to be traits or styles of behaviour, maintain that many of these styles can be taught. For example, research tends to suggest that successful leaders exhibit: honesty, the ability to inspire, competence, intelligence and the ability to look forward.

Style theories therefore open up the possibility that training, learning and development can create good (or at least better) managers.

Although few would argue that the styles listed above are not desirable in a leader, the list still leaves many unanswered questions such as should the leader be:

- Autocratic or participative?
- Empathetic or distant?
- Strict or relaxed?
- Reliant on sanction or reward?

Modern thinking about leadership suggests a contingent approach: there are no golden rules that will fit every situation and how to lead and manage is contingent on (depends on) the situation. One of the most accessible approaches to contingency theory is Handy's Best Fit Theory.

Here, leaders, subordinate and the task are ranked in a continuum from tight to flexible.

All works well if the three elements line up: a strict boss, telling passive subordinates to get on with their repetitive tasks. However, once there is a mismatch somewhere, things go wrong. For example, an authoritarian manager in charge of talented, intelligent, well-qualified people who are told to carry out dull repetitive tasks will not work well.

In the short-term, the leader must attempt to adjust his or her style, but a permanent solution needs more than that, and will certainly involve job redesign.

TRANSACTIONAL AND TRANSFORMATIONAL LEADERS

Transactional leaders focus on the short term, controlling, maintaining and improving the current situation, planning, organising, defending the existing culture. They rely on rational/legal power so that subordinates obey because their manager is called 'manager'. It is sometimes said that such leaders concentrate on 'doing things right'. Transactional leaders will form the majority of an organisation's managers and are useful to deal with the day-to-day running of the organisation.

Transformational leaders are very different. They concentrate on a longterm vision and on re-engineering to change the organisation radically, and they motivate their staff through a climate of trust, empowerment, change culture, and charisma. These people concentrate on 'doing the right things'.

If an organisation faces serious challenges or opportunities which call for radical changes, then it needs a visionary transformational leader at its head. Transactional leaders (managers) are unlikely to have the vision and, even if they do, will find it difficult to persuade others to follow them enthusiastically.

KNOWLEDGE WORK

At the start of this article, it was said that in many economies there has been a move towards greater technical requirements and a move away from manufacturing industry. Both of these changes can be seen in knowledge work. This can be defined as a 'Job, process, or task that is distinguished by its specific information contents or requirements'. Examples of knowledge work include teachers, engineers, research scientists, lawyers, accountants, etc.

It must be emphasised again, that whereas the main assets in a manufacturing industry are permanent, traceable and easy to define, the main assets in an industry depending on knowledge work walk out of the office door every evening. Many of the most junior recruits, fresh from university will possess some of the most valuable knowledge that will be vital to the organisation's sustainable competitive advantage. Instead of giving orders, managers must learn to listen; instead of tall hierarchies putting distance between top managers and new employees, company structures have to be flattened or de-layered. Instead of living in the tight domain of Handy's best fit model, knowledge organisations inhabit the flexible domain.

In a knowledge business, more than in a traditional manufacturing industry, success will depend on recruiting the right people, leading them in the right way and inspiring them to perform and contribute to the best of their abilities.

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