Why People-Centric Management is not just another management fad

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Here is why people-centric and agile management is here to stay.

Management is known for a high frequency of fads. For years, managers have been attracted to the latest tools, practices and incantations. Decision trees, zero-based budgeting, business process reengineering, balanced scorecards, Six Sigma and core competencies have all risen and fallen. There's been no drop-off in this trend chasing over the past decade or so, and there is more to come, for sure.

For most leaders, good management with people as their central concern, is both a necessary precondition and an aspiration – it's the ultimate art. Yet, Peter Drucker, the founder of modern management theory and practice, unmistakably described current reality:

> "So much of what we call management consists in making it difficult for people to work."

The gap is apparent. Between the good intent and management at scale in organisations, the ultimate art turns into an illusion. This reminds us of Sumantra Ghoshal's warning in his influential 2005 essay, "Bad management theories are destroying good management practices". Other researchers added specifics to his point, the combination of prevalent agency theory, transaction cost theory, game theory, negotiation analysis and similar theories have resulted in dehumanized managerial practices. Top-down, hierarchical control and shareholder value obsession are only two of the outcomes.

HOW TRADITION HOLDS US BACK

Traditional organizations and management are barriers to achieving competitive advantage in a dynamic environment. Since many organizations today face higher ‘volatility, uncertainty, complexity and ambiguity’ (VUCA), an operating model is needed that can deliver the expected outcomes in a dynamic context. Traditional organizations were built for stability, efficiency and control.

With the dynamic context, the focus has shifted to faster learning and innovation. No company can control all resources needed for innovation. Therefore, organizations increasingly need collaborative approaches, often with resources from outside the firm. As a consequence, organizations need to adapt their operations modes to the dynamics of the external environment. We are at the inflection point where agile augments tradition.

TWO WAYS TO CHANGE THE NATURE OF WORK, HOW WE ORGANIZE AND HOW WE LEAD

Two trends, digitalization and the reduction of information costs, fundamentally change the nature of work, how we organize and how we lead people.

Digitalization lowers information costs and enables new forms of interaction. Today, information is readily available, large amounts of data can be processed quickly, and communications technologies enable remote work. With readily available information, organizations can gain new insights, capture opportunities early and mitigate risks promptly. The dramatic reduction of information costs shifts work from being purely material and physical to something much more knowledge-oriented. Information search, knowledge creation and learning call for engaging the know-how and skills of remotely situated people who are driven by self-determination and self-organization.

Such decentralized, collaborative and self-organized management styles are in sharp contrast with traditional approaches dominated by managers. When work requires the knowledge of employees, teams and communities, People-Centric Management dominates. In such modern contexts, traditional formal control approaches lose their function. The ease of communications permits management styles rooted in free choice, sharing,

transparency and the absence of rigid structures.

The new context distinguishes between traditional and people-centric. In a traditional context, leaders focus on evaluating transaction outcomes and how well employees adhere to organizational rules and processes. Traditional bureaucratic control approaches emphasize the specification, monitoring and enforcement of rules and processes. Machines are good at efficiency and enable businesses to further exploit value.

PEOPLE-CENTRIC IMPLIES THAT MANAGERS PUT PEOPLE FIRST

But here is the disconnect: When you ask managers today about their priorities between people, customers, investors and community, more than not, they mention people at the top of their list. They have learned the right words. At the same time, there are many studies that imply that most of what managers do is to demotivate people with the consequence that people are disengaged at work. Deepak Chopra, the Ayurveda guru and leadership educator, put it bluntly at the 2019 Drucker Business Forum:

> "If your manager ignores you, your rate of disengagement goes up by 45%. If your manager critics you, your rate of disengagement falls to 20%. You'd rather be criticised than ignored. If your manager recognizes a single strength, your rate of disengagement goes to less than 1%. This has huge economic implications. Only 20% of U.S. workforce is engaged - a 300 Billion USD implication." He continues. "If you focus only on outcomes, you get stressed. Ignore success and pursue excellence and you feel good about it. If there is anything, I would focus on employees. If employees are happy, customers are happy. If customers are happy, investors are happy. There is plenty of data to prove that."

PEOPLE-CENTRIC MANAGEMENT IS DIFFERENT

It entails a deliberate and explicit shift in management that separates from the traditional, efficiency-driven focus of cost-cutting and bureaucracy to bring people, purpose, relationships and cooperation back into focus.

THERE IS NO ALTERNATIVE TO PEOPLE-CENTRIC MANAGEMENT

My observations are that while many leaders condemn

bureaucracy, few claim successes in defeating it. Tactical victories to cut layers of management, trim head office staff or reengineer processes are generally small and quickly reversed. It's a fact that busting bureaucracy always seeds the need for more bureaucracy, and the desired trend is reversed.

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People-centric is here to stay. It's a defining feature of *People-Centric Management*. Four levers offer choices between traditional and People-Centric Management. Four principles resolve the tensions that the environmental triggers pose. Four means enable people to create value and deliver the expected outcomes. The choice between traditional or people-centric must

always be made with performance in mind.

It’s hard to deal with contradictory concepts and to separate the noise from what works in practice. Simple recipes, best practices, tips and easy solutions don’t work. Adding new attributes to leadership – and guiding executives with ‘new,’ ‘reinventing’ and ‘disruptive’ management and organizational theories – is of little help. ‘Copy & paste’ means averaging in on others. The result is mediocrity. Simply adding ‘digital’ to everything is not helpful either.

People-Centric Management is grounded in solid management research and 20 years of application in professional settings. It offers a learning journey based on executive experience. The quality of learning depends on your ability to focus your attention, and success comes from applying your own experience through doing rather than talking. That’s why People-Centric Management recommends three steps: Raise awareness, act on insights and learn fast. Start with the people-centric diagnostic to ensure that you are not just starting another management fad.

Lukas Michel, *People-Centric Management: How managers use four levers to bring out the greatness of others*. LID Publishing, London, 2020, ISBN: 9781912555994

LEARN MORE

The research: Michel, L., Anzengruber, J., Wolfe, M., & Hixson, N. (2018). Under What Conditions do Rules-Based and Capability-Based Management Modes Dominate? *Special Issue Risks in Financial and Real Estate Markets Journal*, 6(32).

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Founded by Lukas Michel, Management Insights draws on more than 25 years of research and practice to help people understand how their organizations work. The Organization Twin brings organizational patterns into view for reflection, dialogue, and informed choice.

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