People-Centric Management: The risks of doing nothing

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My new book is all about people, agile and management in 21-century organisations. It's time to clear five myths.

Digitalization and the changing nature of work are the two trends that fundamentally challenge traditional management systems and organizational structures. Thy represent a silent revolution where the normal – what we have all learned – does not work anymore.

In the new, dynamic context:

- Managers can’t tell people what to do
- Control is exercised by letting go of control
- Talent drives strategy
- Implementation requires small teams and tasks
- Complex systems must be scaled down
- Companies make money by not focusing on money

Current managerial operating systems and leaders, with 20th-century assumptions, are unsuited to handle these counterintuitive ideas. Digitalization and different work modes disrupt traditional operations. They’re interferences. Businesses lose twofold as interferences reduce performance and unused knowledge limits the potential.

When work systems change, management systems need to follow. Even in a traditional, stable environment, the risks associated with not doing anything are high. The clues come from

five myths detailed in ‘Why Strategy Execution Unravels – and What to Do About It’ (Sull, Homkes, Sull, 2015), an extensive study on implementation practices.

Myth 1: Implementation equals alignment.

Managers use objectives, cascading objectives, measuring progress and rewarding performance as their traditional ways to align with strategy. When asked how they would improve implementation, they generally said with more of the same tools, such as ‘management by objectives’ and ‘balanced scorecards.’ And, most executives would argue that their organization is good at alignment. So why, then, are companies struggling with implementation?

When asked about commitments, 84% of managers say that they can rely on their bosses. But only 9% (Sull, Homkes, Sull, 2015) say they can rely on colleagues in other functions and units all the time. When managers cannot rely on colleagues in other parts of the organization, they duplicate efforts, let promises slip, delay deliverables or pass up attractive opportunities – all dysfunctional, damaging behaviours.

However, even in companies with effective practices for cascading objectives throughout their hierarchies, the systems and routines for horizontal coordination often lack teeth. Tools may be in place, but managers don’t believe in them. Vertical dominates horizontal.

Myth 2: Implementation means sticking to the plan.

For most managers, creating a strategy means establishing detailed plans that explain who should do what, by when, and with what resources. Strategic planning and budgeting have long been the backbone of strategy implementation. Deviations from plans are seen as a lack of discipline that undermines implementation.

Unfortunately, fixed plans don’t survive any dynamic reality. Managers need to adapt to the facts on the ground and overcome unexpected obstacles in order to capture valuable opportunities. Adjustments to reality require agility.

The lack of agility is a major obstacle to strategy implementation in most companies. A third of executives admit to difficulties in adapting to changing circumstances. But most organizations

react so slowly that they miss opportunities. Just as managers want more structure and processes for coordination, they want more of the same to adapt to changing circumstances and flexibility in the allocation of resources.

Myth 3: Communication equals understanding.

Many managers believe that relentless communication on strategy is important. Most would agree that they're clear about top priorities. But, when asked to name the top priorities, few can name just two. Not only are strategic objectives poorly understood, but they often seem unrelated to one another or disconnected from strategy. Fewer than a third of senior managers understand the connection between corporate priorities. Among supervisors and team leaders, that percentage is even lower.

The amount of communications is not the issue, as 90% of managers believe (Sull, Homkes, Sull, 2015) that top leaders communicate frequently. How can so much communication lead to such a poor understanding? After all, the only thing that matters is what is being understood.

Myth 4: A performance culture drives implementation.

When implementation fails, many managers point to a weak performance culture as the root cause. But implementation is rarely part of the official and explicit core values. However, it is an important part of the implicit culture when decisions need to be made on a day-to-day basis.

Past performance is the predominant factor when people decisions are made. But a culture that supports implementation must recognize other things as well, such as collaboration, agility and teamwork.

The excessive emphasis on performance can hinder implementation in a subtle way. When making performance goals is most important, managers start gaming their performance commitments, and the result is mediocrity.

The most critical issue with many corporate cultures is that they reward performance more than coordination and collaboration. When asked about that, most managers would agree that sacrificing collaboration in favour of performance is acceptable.

Myth 5: Implementation should be driven from the top.

A strong emphasis on top leaders negotiating performance objectives with their subordinates, and monitoring their progress, might work in the short-term. It signals top-down implementation.

But most decisions in larger organizations are made at the client front, with leaders and employees who get the work done. Top-down management by objectives undermines what middle management and supervisors do in organizations. Delegated leadership shines. Most middle managers live up the organization's values and goals most of the time. They do an especially good job reinforcing performance and holding teams accountable.

Many executives try to solve the problem of implementation – and with it, efficiency – by reducing complexity to one thing. They: tighten the alignment up and down the hierarchy; stick to plans or ignore them; communicate frequently but with little understanding; focus on goal achievement; and look to the top when making decisions. This creates a culture full of viruses that interfere with implementation and performance rather than unlock the potential. These myths are the hallmark of traditional management.

In Gallwey, (2000), the coaching methodology guru known as the 'father of the inner game,' introduced a simple but powerful formula in *The Inner Game of Work*:

Performance = Potential - Interferences

Leaders who manage with an operating system designed for analogue when digital takes over face daily interferences. This impacts employees, too, with mounting interferences and missing performance. When people with knowledge cannot engage and apply their talent, their talent is unused, and the business misses out on performance. With an interference-free operating system, people can put their talent to work. Knowledge is a capability that grows with its use. Engaging that knowledge must be in the interest of leaders, the business and all other stakeholders.

The risks of 'business as usual' are substantial and can include lack of performance, unengaged people and missed opportunities. And this is regardless of whether businesses operate in a stable environment or a dynamic one. The solution is to have a managerial operating system without viruses, where

people can unlock their talent to deliver sustainable performance – consistently, reliably and robustly – with agile features.

That's what *People-Centric Management* is all about.

Sull, Donald; Homkes Rebecca; and Sull, Charles (2015). Why Strategy Implementation Unravels-and What do Do About It. Harvard Business Review, March.

Gallwey, W Timothy (2000). The Inner Game of Work. New York: Random House.

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

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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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