People-Centric Management: What are the foundations?

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Six sources path the way to a more humane workplace in 21-century organisations.

People-Centric Management remembers important foundations, discusses current trends, shares some concerns, suggest paths that should be omitted and establish the prerequisites in the space between traditional and people-centric. Here are the foundations:

Bureaucracy

The original idea to structure administrative work goes way back to the sociologist and political economist Max Weber (1928), with his renowned writings on modern bureaucracy. He argued that firms needed to get organized in order to capture business opportunities. Authority, control, division of labour, hierarchical structures, formal rules and human interactions were the themes. But Weber was also critical of unfettered bureaucracy, as it poses a threat to freedom through mounting rules and control. Today, the term bureaucracy often evokes Weber's concerns, as it keeps organizations from being flexible and fast, and forces them to follow command and control rules instead of being able to apply their talent. People-Centric Management suggests that bureaucracy is needed more than ever if businesses want to delight their customers, but that it has a different look and feel.

Limited Attention

The economist and political scientist Herbert A Simon (1957)

defined what we now call ‘limited attention.’ He noted that when there’s an abundance of information, attention becomes a scarce resource, since people cannot digest it all. Harvard Business School academics Robert Simons and Antonio Davila (1998) extended the concept to what they call return on management: productive organizational energy released, divided by management time and attention invested. People-Centric Management is about making management more effective in a context where talent, skills and knowledge are more important than ever.

Levers of Control

Simons (1995), in his seminal book, Levers of Control: How Managers use Innovative Control Systems to Drive Strategic Renewal, expanded the concept of control. He included interactive control systems, diagnostic control systems, belief systems and boundary systems as the means for people to balance opportunities and attention. Levers of control provide an important foundation for People-Centric Management, by extending them to include a Leadership Scorecard and a Leadership Toolbox.

Beyond Budgeting

Strategic agility has its origins with finance experts Jeremy Hope and Robin Fraser (2003), in their book, Beyond Budgeting: How Managers Break Free from the Annual Performance Trap. They reframed the use of systems and tools in support of a dynamic business environment. The 12 ‘beyond budgeting’ principles – values, governance, transparency, teams, trust, accountability, goals, rewards, planning, coordination, resources and self-controls – enable business agility. People-Centric Management applies beyond budgeting principles.

Management Models

The academic Julian Birkinshaw, in Reinventing Management (2010), suggests four management models – planning, quest, science and discover – in response to how companies coordinate activities, make and communicate decisions, set objectives and motivate employees. In doing so, he established the foundation for agile management. People-Centric Management offers that choice of models.

Dynamic Capabilities

Dynamic capabilities are configurations of resources (talent, routines, rules, competencies, structures, etc.) that enable organizations to continuously adapt to rapid changes in the environment. We'll define these as capabilities without negative interference from traditional change programs. Agility is a specific dynamic capability. As such, People-Centric Management is deeply rooted in the theory of dynamic capabilities.

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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