

The new agenda:
putting people at the heart
of corporate purpose

Introduction

How has Hewlett-Packard sustained 20 per cent annual growth over a ten-year period, or Glaxo Wellcome brought its products to the marketplace quicker by achieving significant reductions in its product development cycle, or Motorola kept its growth rate buoyant in China? These are examples from across the globe but united by a common thread. If we had asked a similar question of companies in 1900, the answer would have been that these companies achieve success because they have the financial capital to expand into new and emerging markets. In the fifties we could have spoken of their technological advantages, of the patents they hold and exploit. But in 2000, at a time when raising \$1 million is a nanosecond away, when patents erode in months, the advantages of the past have little meaning. The new sources of sustainable competitive advantage available to organizations have people at the centre – their creativity and talent, their inspirations and hopes, their dreams and excitement.¹ The companies that flourish in this decade will do so because they are able to provide meaning and purpose, a context and frame that encourages individual potential to flourish and grow.

For some of us the idea that people are at the very centre of successful organizations is an overriding passion, for others it is something we feel deep down, at an intuitive level, or perhaps we believe that people are peripheral to success. Over the years I have become increasingly aware that it is people who make great companies. But with this awareness has come a growing realization that by putting people at the heart of corporate strategy we must acknowledge the very humanness of this resource.

My purpose in this chapter is simple: to share with you the experiences of three companies and to review the wider body of research which together have convinced me of the prime role of people in organizational success. But that only raises the ‘so what’ question ... so what if people are at the centre of organizational success? I believe that putting people at the heart of organizational success has implications on *how we think* about organizations

and *what we do* within them. The first part of this book addresses the question of how we think about organizations if we put people at the heart of corporate purpose. For me it raises three basic tenets of being human: we operate in time, we search for meaning, and we have a soul. With this comes a set of nine organizational and managerial capabilities that support these tenets. The second part of the book addresses the question of what we can do to create living strategies that place people at the centre. Over the years I have refined a six-step process that puts people at the heart of corporate success. This, together with the workbook that follows, provides a frame for you to move from this as rhetoric to action-based reality.

People inspiration: some professional experiences

Each of us has our own set of stories about how people have made a real difference to our business. My set of stories has been built up over the past decade. Some have come directly from consulting experience where I have observed how people have impacted on the bottom line. Others have come from the programmes I have developed and run and the research in which I have participated, particularly in the Leading Edge Research Consortium.

There are examples from across the globe of how companies have created a human asset which is so intangible it cannot be easily described or imitated, but which is capable of accelerating the success of that company to bring competitive advantage. At Glaxo Wellcome the speed with which products are developed and brought to the market has been drastically increased by virtue of people working closely across functions and trusting each other. We see at Hewlett-Packard a company which has at its very core the notion of the 'HP Way'. This has created and sustained a level of commitment and inspiration which others can only observe and envy. At Motorola, we see a company which continues to flourish in China through the development of a Chinese workforce who are loyal, highly skilled, and, surprisingly for the super-mobile Chinese labour market, committed to staying with Motorola.

Accelerating product development at Glaxo Wellcome

In the early 1990s, Glaxo Wellcome, the world's largest pharmaceutical company by sales and the largest company in the UK, has a combined 5.1

per cent of the fragmented world market. Since the eighties Glaxo Wellcome had been faced with the need for radical changes because of cost cutting in drug purchases, and the introduction of 'managed care'. The consequence of the squeeze of costs had been a shrinking of profit growth for the pharmaceutical companies. With the imminent expiry of patents on the blockbuster drugs such as Glaxo's Zantac and Wellcome's Zovirax, and major rises in the cost of research and development, particularly in the emerging biotechnology field, the race for product innovation was on.

In 1988 Glaxo chairman Richard Sykes and his team looked at how they could remain successful in this increasingly competitive marketplace. In reviewing their business strategy, two challenges became clear – to move away from a single product focus to the concept of disease management, and to develop a closer partnership with their customers and speed the delivery time of new drugs. In the past, one of the core competencies of a pharmaceutical company such as Glaxo Wellcome was its research and development capability. But the senior team concluded that this was no longer sufficient. While financial investment in the research and development capability would continue to play a necessary part in the long-term success of the company, it would not be enough to bring sustainable competitive advantage. They determined that the necessary leap in reducing product time to market, creating a world-class product portfolio and focusing more on the needs of customers would come in part from research-based innovation, but more importantly from the way in which the functional teams deep within the company could work together. All this hinged on the abilities of the research and development teams to share ideas and inspiration, to establish trust and reciprocity between the development teams and the marketing groups, and on the success of the sales team rapidly to bring information from the doctors and patients back into the research and development teams. This would require a radical move away from providing not simply products (in the form of drugs) but also services (after-care, diagnosis) to form a complete disease management system.

The intention was to break down the strong internal barriers caused by rigid functional silos and replace them with horizontal working practices, capable of transferring knowledge and encouraging entrepreneurial behaviour. In other words, to fundamentally transform the company from a functional, hierarchical structure and culture to one which was process driven, customer focused and multi-disciplinary. Capital investment and

technological innovations were necessary, but they would not bring Glaxo Wellcome the competitive edge it required.

From 1988 the senior team began to concentrate on the creation of a new way of working across functional silos. This resulted in training managers in team working, restructuring work flows, and creating a team-based performance management process. From 1990 the company began to see significant differences in the speed to market. At the same time the organization was beginning to create a stable of potential drug winners which would form the basis of its continued success over the coming decades.²

What we saw at Glaxo Wellcome was the capacity to create cross-functional team working and this ensured that products were brought to the marketplace more rapidly. The groups' ability to work together, to share knowledge and to trust each other was of immense value to the business, resulting in a real impact on performance and on the bottom line. This capacity to create value raises a number of questions to which we will return:

- ◆ How was Glaxo Wellcome able to realign the practices and processes to deliver the business goal of rapid product creation?
- ◆ More broadly, how is value created in organizations, what are the attitudes, behaviours, skills and capabilities which underpin value creation?
- ◆ It took Glaxo Wellcome more than ten years to create cross-functional team working. What does this tell us about human and organizational timescale? What might be the broader aspect of time in people-centred organizations?

Developing an inimitable culture at Hewlett-Packard

Many people have testified to the strength of human potential and culture at Hewlett-Packard (HP). The difficulty of imitating this formula was highlighted in my own work. The Leading Edge Research Consortium which compared HP and six other companies with significant business operations in the UK.³ This study used a complex triangulated methodology to dig deeper into the inner workings of these organizations and to identify the means by which they created competitive advantage in their marketplace.

What is fascinating about the way in which human potential is created and developed at HP is the subtle combination of the 'soft' and the 'hard'. The 'hard' which forms the process backbone of the company is a perfor-

mance management process which creates a shared set of strategic objectives and constantly aligns and realigns the behaviour of every individual to the business goals. This cascading of business objectives, termed the 'Hoshin', creates a relentless focus on growth and profitability. This focused performance management process brings short-term competitive advantage. In fact, many companies benchmark against HP and share information with them in the hope of imitation. However, what we saw clearly in our study was that HP is able to balance this tight, highly focused and driven performance management process with the 'soft' of a value set the 'HP Way' which places dignity and respect for the individual employee at its centre.

The interview and survey data we collected highlighted this unmistakable source of competitive advantage. The HP employees we surveyed and spoke to are highly committed (of the many hundreds of employees we surveyed, 80 per cent described themselves as very committed), they trust their managers (only about 20 per cent said they did not trust their managers) and they have pride in their company (about 90 per cent said they were proud to be part of HP). These commitment and trust levels are significantly higher than those in many of the other companies we studied. Commitment, trust and pride are critical to sustaining ongoing change at HP and senior executives believe these are major factors in the ability of the business to remain flexible and to increase turnover and profitability at a rate of 20 per cent per annum, year on year, without significantly increasing employee numbers.

We may believe, like the team at HP, that commitment, pride and trust are critical to long-term success. But do we really understand the complexity of creating organizational trust and commitment, and the time it takes to do so? It is not difficult to describe and benchmark against the strength of the HP culture. But ask those companies which have benchmarked HP whether they have been able to imitate it. The answer is a resounding no! It would take a company years of focus, senior management commitment action, and skill to create what HP has. This brings sustained competitive advantage precisely because it is near impossible for competitors to imitate these core elements of commitment, pride and trust, and hence the goodwill and flexibility that have allowed the company to flourish and grow.

Hewlett-Packard's capacity to create a deep sense of meaning and commitment again raises a number of questions to which we shall return:

- ◆ What is the role of meaning in the organization? How was this deep sense of meaning created at Hewlett-Packard?
- ◆ What role do emotions play in organizations? How is emotional resilience built, and what destroys it?
- ◆ What are the means by which managers can build capacities such as trust and pride which are difficult for competitors to imitate?

Creating a Chinese management cadre at Motorola

In the Asia-Pacific region the explosive growth of the economy and the political and cultural history are placing particular strains on the way in which people are recruited and retained. Nowhere is this more apparent than in China. During the mid-eighties I, like others working with the senior teams of European and US multi-national companies, heard of aspirations to create, by the end of the decade, a significant proportion of company profits in China and the rising tiger economies of South-East Asia. While many companies may not have had a highly articulated strategy for the people side of the business, the general view was that there were two options. At the right time, competent Asian managers could be bought from the external Asian labour market; alternatively, Western managers from these companies could be expatriated into China to build the business.

The predicted growth occurred, and China is set to become a dominant world economic force within the next decade. But for many the dream has turned sour. The Chinese cultural revolution created a 'missing generation' of people. That cadre of Chinese who should now be taking senior roles often have limited education and limited experience in Western business practices. The salaries commanded by that small group of experienced Chinese managers are way in excess of predictions, and more importantly the turnover rates of skilled employees in many sectors are so high that it is almost impossible to keep competitive knowledge within the company – it walks out with the people who leave. Repeated surveys of businesses operating in China have shown that the primary problem they face is the retention of skilled people. Their priority challenge is to attract, recruit and retain management talent; the option of 'buy-in' from the external labour market is unfeasible.⁴

However, in China, the US multi-national Motorola continues to grow and remain profitable at a time when other Western companies are struggling. In the eighties the senior team participated in long-range scenario planning for Asia and from this created a long-term people strategy for the region. At the heart of this strategy was the creation of strong links with local Chinese universities; the development of the ‘Motorola University’ in Beijing committed to educating and developing young Chinese talent; the provision of coaching, mentoring and management support; and a fundamental commitment to grow Chinese talent through the company – there would be no ‘glass ceiling’ for Chinese nationals.

By 1996 many Western businesses were reporting that the lack of management talent was severely hampering their ability to grow. Yet Motorola continued to attract young Chinese talent, was seen as an employer of choice in the region, and had a turnover rate which was one of the lowest of the multi-nationals in China. The company’s early commitment to people and understanding of what worked in the Chinese market created the basis of long-term success in a way which has been difficult for other companies to catch up with or imitate.

What we saw at Motorola was the capacity to build a Chinese management cadre at a time when very few other multi-nationals were attempting this. What they had was something that was rare and of value. And the combination of rarity and value brought competitive advantage in the region. This raises the following questions to which we shall return:

- ◆ Motorola’s capacity to move faster than other Western multi-nationals in part reflected the visioning capability created within the organization. How can visionary capacity be created and sustained within an organization?
- ◆ The decision to create the Motorola University in Beijing was taken long before such ideas became fashionable. How can management commitment to large projects such as these be created?

People are at the centre of business success

At the heart of business success at Glaxo Wellcome, Hewlett-Packard and

Motorola are the skills and behaviours of groups of talented people. But these are simply three companies. How do we know the impact of people on the financial performance of a business can be generalized into other companies and industries? Making the link between people and the financial health of the organization was an act of faith for inspirational leaders such as Richard Sykes at Glaxo Wellcome or Lew Platt at Hewlett-Packard. But over the past five years a series of European and US studies have brought greater clarity about how the behaviour of individual employees impacts on financial performance, and what influences individual behaviour. At the heart of this is the simple causal model shown in Fig. 1.



FIGURE 1 ♦ The link between individual behaviour and financial performance

High-performance companies are created by focusing on a number of appropriate business goals, which are translated into an appropriate context in which people work. Employees behave in a way which meets the business goals and this impacts on firm performance and ultimately financial performance. At Glaxo Wellcome, changes in the business goals – to become closer to the marketplace and faster to market – were translated into a changed context for people. Jobs were restructured, performance management and pay realigned, training programmes created to emphasize cross-functional working. Over time these changes in the context of the workplace influenced the behaviour of individuals and this impacted on the speed to market and the profitability of the organization.

At HP we saw how attitudes of trust and pride have sustained 20 per cent per annum growth in financial performance. The crucial part of this relationship is that it places the *behaviour of individual employees* at the centre of wealth creation. I return to this simple model throughout the book – as we see how Citibank linked the business goals to the context, how Hewlett-Packard linked the people context to individual behaviour, how Philips developed a strategy for the people context.

Over the past five years a series of large-scale research projects has tracked the impact of the context in which people work and their behav-

iors and attitudes on the financial performance of the business. Each of these projects has demonstrated that people are indeed at the centre of business performance. When companies adopt certain people practices, they experience significant increases in shareholder wealth.⁵

There is also growing evidence of the impact of individual employees' attitudes on the performance of the business. A significant number of changes in productivity over time can be explained by the culture of the organization and individual employees' commitment to the business.⁶

The message from the growing body of research and corporate experience of companies such as Glaxo Wellcome, Hewlett-Packard and Motorola is clear: the attitudes, skills and capabilities of people have the potential to create sustainable competitive advantage.

The firms in the US and UK research study were able to build financial performance because the resources which brought sustained competitive advantage were rare or difficult for competitors to imitate. Financial capital brought advantage in the last century because it was a relatively scarce commodity; technology later brought advantage because the patents protecting a technology rendered it difficult for others to copy. But financial capital is no longer scarce, and technology can be easily imitated. These resources continue to bring advantage, but they are no longer capable of *sustaining* this advantage.

In this decade it is only people who can sustain the competitive advantage of a company. This is because people potentially have three aspects which can bring sustainable competitive advantage: the ability to create rarity, value and inimitability.⁷

TABLE 1 ♦ When does a resource create sustained competitive advantage?

<p>When it is rare ... so that all competitors do not have it</p>	<p>For example, the Motorola University in Beijing, through training and mentoring, has created a Chinese management cadre whose commitment and loyalty ensure that skills and knowledge remain within the firm</p>
<p>When it is valuable ... so that it impacts on the bottom-line performance</p>	<p>For example, Glaxo Wellcome's creation of cross-functional teams has significantly reduced product time to market</p>
<p>When it is inimitable ... so that it cannot be easily copied or substituted by competitors</p>	<p>For example, the HP Way and HP's strong culture of commitment and involvement has proven to be very difficult for competitors to imitate</p>

What Motorola built in China was *rare* – a cadre of Chinese managers at a time when no other Western multi-national had achieved this. The cross-functional teams at Glaxo Wellcome created *value* for the business as they accelerated the time to market of the key products. What Hewlett-Packard has is a culture that *cannot be easily imitated* by competing companies. Many have tried to imitate the HP Way by producing plastic-covered cards with their own value statements. But often employees view these with suspicion or good humour, just another example of management rhetoric. What the creators of these value statements have failed to grasp is that the rhetoric of the HP Way statement is not the source of competitive advantage for HP. It is the everyday actions of managers and the thousands of decisions taken every year that fuel the advantage the HP Way has brought.

As the challenge shifts from managing capital and technology to managing people, so this requires a fundamental shift in the way we consider resources. At the centre is the notion that people are uniquely different from capital and technology. This uniqueness flows from the very ‘human-ness’ of this resource. While it creates the possibility, as HP has done, of building a unique and long-term advantage, it brings with it challenges, the need for very different ways of thinking, and a new set of managerial competencies. These new ways of thinking rest on the deep-rooted characteristics of people. To disregard this is to create an organization with no hope of success; to create a workforce dissociated from the general business needs and aspirations of the company; to develop a pool of people whose personal identity rests outside the organization, who direct their considerable talents outside rather than inside; to develop individuals who are continuously engaged in short-term tactical behaviour. This creates an organization with little regard for longer-term development, and as a consequence leads to a fundamental schism between the goals of the company and of the trust and commitment of individual employees.

The three tenets of the new agenda

People are fundamentally different from capital and technology, and the shift of sources of competitive advantage across these resources has profound implications for the organizations in which we work. If we place people at the centre of sustained competitive advantage then we have to take full account of the fundamental characteristics of human capital.

What are these fundamental characteristics? What separates us from money or machines, and what are the implications of these differences? My view of this comes essentially from the perspective of an individual psychologist and from my experience in organizations. For me the question of time is crucial, both because we humans operate in time with the past, the present and the future assuming importance; and because there are phases, sequences of time and rhythms, which are essentially human. Like many other psychologists, I have been influenced by the notion of meaning and of soul. Both are deeply philosophical terms, with roots as old as mankind. They are soft, perhaps even flaky, notions, but I believe to deny them is to create organizations fit for machines, not people. They may not be the terms with which you are most comfortable, perhaps other words suit you better, but somewhere within our views of organizations we need to acknowledge the difference between machines and man.

The first tenet: we operate in time

Human time is felt in two ways. First, by the ticking of the human clock, by the stages of human development, by the time it takes to build commitment and inspiration. Second, by our deep immersion in time, in the memories and commitments of the past, in the excitement of the present, and in the dreams and hopes of the future. We are not creatures of the moment. On the contrary, each of us has our own personal history and memory of our past, a history and memory which influence the way we see our world and the expectations and hopes we have for it. The past is continuously with us. But so too is the future. Our memory of the past is balanced by a 'memory of the future', captured in our daydreams and the vignettes we paint to think through our options and the way we would like to see our life develop.

Our development follows the ticking of the human clock. We grow from childhood through to adolescence and then to adulthood in a predictable, staged sequence. In a similar way our ideas and skills grow and develop in a predictable and staged manner. Many of us have experienced the shock of the death of a loved one. The sequence of grieving is predictable. We do not move from despair to acceptance, but instead go through a time-dependent sequence, beginning with shock which moves to anger, then to denial, and finally we come to accept that our loved one is no longer with us. We all experience this sequence, and this unfolding of

events is part of the human condition. The same is true of the formation of teams. Over the years I have watched the MBA study groups at the London Business School as they go through the sequence of forming, storming, norming and performing in a relatively predictable way. Few groups move from forming to being high-performing groups without going through a time when the potential leaders are jockeying for position. The passage of time is a crucial part of the unfolding of this sequence.

What we see in our reactions to bereavement and the formation of high-performing teams are the natural sequences of human life, which unfold in a predictable way and over a predictable timescale. The same is true of the sequences and timescales at work. We do not change our emotions and values or skills overnight. Instead, we have a rhythm which is essentially a human cycle. The team at Glaxo Wellcome realized this when they saw the time it took for people to move from suspicion to acceptance and then to positive working with those from different functions. Our attitudes and values are resilient. They are part of us, the very essence of what we are.

The second tenet: we search for meaning

We are not simply passive recipients of all that life offers us. On the contrary, we actively engage in our life. We strive to create meaning from the many signals and cues we receive and to understand the contradictions with which we are faced. For most of us the companies of which we are a member are a crucial part of our life. We seek to understand and to create meaning from our work, to understand the purpose of the organization and the role we play, to select organizations with the same values as our own. We listen carefully to what those around us say. We are sensitive to the statements made by the founding members and senior team – the statements made by Bill Hewlett and Dave Packard in the fifties are still remembered at HP and form a real part of the meaning that people create. We also closely observe how others behave – at Glaxo Wellcome the behaviour of managers to colleagues from outside their immediate work group was watched with great interest as the cross-functional team working plan unfolded.

We may note the expressions of company policy in the manuals, the handbooks and the policy statements. But more importantly we listen to and ask questions about the history of the place, the myths and reputations,

how the company behaved in the past, the heroes and the villains. We are profoundly influenced by our colleagues and work groups. Their social cues help us to understand how people behave around here, and provide impressions about the organization which guide us in our understanding.

As a consequence, one of the great challenges in organizational life is to create cues and processes which are mutually aligned and coherent with the goals of the business. When this alignment is weak we receive conflicting messages about what is important and what we have to do to be successful, and we become confused and distrusting.

The third tenet: we have a soul

Finally, we are not machines, programmed to deliver in a rational and predetermined manner. We have hopes and fears, we laugh and cry, we have a soul, and we engage in our dreams. The notion of the soul captures the emotional side of the organization, for with it comes trust and commitment, inspiration and exhilaration. The trust and commitment which HP has created stems from an unwavering belief in the soul of the organization. People are not interchangeable parts. To engage at the emotional level can profoundly influence the relationship between the individual and the organization.

Unlike machines, we can choose to share or withhold our knowledge, ideas and creativity. In an environment in which our emotions and feelings are allowed to flourish, where we trust and feel commitment, we will choose to share our knowledge and ideas. In an environment of mistrust, where our emotions are blocked and disregarded, we will keep our knowledge and creativity to ourselves. But if our excitement is captured, if we can dream, if we work in an organization which has a vision for the future which we find compelling and exciting, then we are capable of bringing ideas and creativity beyond our wildest imagination.

This trust and commitment proves difficult for competitors to imitate. It takes a senior team with their fingers on the pulse of this precious commodity. It takes a profound understanding of how trust and commitment can be built, and destroyed. It takes an unflinching dedication to creating a workplace in which justice and fairness flourish. And it takes real insight into the nature of the relationship between the organization and the individual, an understanding not only of the financial aspects of the contractual relationship but also of the psychological contract, what has

been promised and what is assumed. Without this understanding of the nature of the soul of the organization we will never create the inspiration and vitality which is so hard for others to imitate.

These three tenets should exist at the very core of the philosophy of an organization. An understanding of human time frames should be a part of the way we look at human potential and the speed at which it can be transformed. An acknowledgement of memories of the future should be part of the way we consider the longer-term development of people. In creating transforming organizations we should be continuously aware of the need to create an organization in which the messages are aligned, where there is a shared sense of meaning. We should be sensitive to how meaning is created and the role which symbols play. At the heart of the human side of organizations are people with a soul and feelings and emotions. The feelings and emotions we bring to work are as important as those we bring to our personal life. Trust and commitment are as important inside work as they are outside.

TABLE 2 ♦ The three tenets

First tenet: we operate in time

- ♦ Past beliefs, hopes and commitments influence our current behaviour: the ‘memory of the past’.
- ♦ Current behaviour is influenced by beliefs about what will happen in the future: the ‘memory of the future’.
- ♦ Skills and knowledge take many years to develop.
- ♦ Human development progresses through a shared sequence.
- ♦ Attitudes and values are resistant to rapid change.

Second tenet: we search for meaning

- ♦ We strive to interpret the clues and events around us, we actively engage with the world to seek a sense of meaning, to understand who we are and what we can contribute.
- ♦ Symbols, which may be events or artefacts are important in creating a sense of meaning.
- ♦ Over time groups of people create collective viewpoints, a sense of shared meaning.

Third tenet: we have a soul

- ♦ Each of us has a deep sense of personal identity of what we are, and of what we believe in.
 - ♦ We can trust and feel inspired by our work – and when we do we are more creative.
 - ♦ We can dream about possibilities and events.
 - ♦ We can choose to give or withhold our knowledge – depending on how we feel.
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Yet for many organizations these three basic tenets are disregarded. We may believe that people operate on a human timescale, but so much of management thinking and action remains resolutely focused on the short term; we may believe that people strive for meaning, but we continue to create working environments which are pitted with mixed messages, where managerial rhetoric falls sadly short of organizational reality; we may acknowledge that we have feelings, emotions and a soul, yet we fail to create balance or engage in building trust, commitment and dreams.

The nine capabilities of the new agenda

These three basic tenets pose a real challenge for organizations to develop the organizational and managerial competencies capable of acknowledging and nurturing people.

The capabilities of the first tenet: we operate in time

Balancing the short term with the longer term is at the heart of acknowledging that people, and the knowledge and inspiration they bring to an organization, are a key source of building and sustaining competitive advantage. The creation of human potential spans decades, and we engage in this by having a memory of the past and the future, and attitudes and characteristics that remain remarkably stable over time.

Putting people at the centre demands a view of the future and an ability to respond to changing circumstances across the decades. This shift from the short term to the longer term is predicated on three organizational and managerial capabilities: the capability to build compelling and engaging visions, to develop capabilities to sense the future, and to create a strategic approach to the management of people which is capable of bridging from the realities of the present to the aspirations of the future.

- 1 *Build visioning capabilities*: the capacity to create and develop a vision of the future that is compelling and engaging, and provides a shared view of what could be possible and how this could be achieved. This is at the very centre of creating a human approach to organizations.

- 2 *Develop scanning capabilities:* the creation of a compelling and engaging vision is predicated in part on an organizational capability that scans what the future may bring.
- 3 *Create strategic capabilities:* creating people-centred strategies is one of the means by which the organization balances the needs of the short term with those of the long term, as well as balancing financial capital with human potential. Creative and engaging people strategies have, at their core, an understanding of how the vision and business goals can be delivered through people, and of the specific actions which need to be taken in the short and longer term to bridge from reality to aspirations.

The capabilities of the second tenet: we search for meaning

We search for meaning and actively seek to bring understanding and clarity. This search comes from what we hear from others, how we see others behave, and the symbols and myths that surround us. While the creation of meaning is an essentially individual pursuit, yet it is one in which organizations can play an important role. The creation of a context in which the goals and visions are known to all, and in which there is alignment of goals and processes, is the basis on which enduring competitive advantage can be created. There are three capabilities here.

- 4 *Develop diagnostic capabilities:* working at the level of meaning in an organization requires a new way of thinking. To understand meaning it is not sufficient to simply consider what the organization is doing with regard to its tasks, the reporting structure or the policy statements. We have to understand how the organization is perceived by its individual members. Working at the level of the ‘unwritten rules of the game’ provides us with such an opportunity. This level of analysis begins to answer questions about what is important around the organization, what people have to do to get on, what really motivates and excites individuals, and which factors send the most positive messages.
- 5 *Create systemic capabilities:* the creation of meaning in organizations is complex and difficult. At the heart are inter-related elements which can work together to create a context in which the processes, policy statements and realities are aligned with each other and with the goals of the organization. The challenges of creating vertical and horizontal alignment

between these elements and the business goals is immense. A comprehension of these elements and the ways in which they work together requires employees who are capable of thinking systemically, of seeing the organization in its totality rather than focusing on specific areas.

- 6 *Build adaptive capabilities*: learning to adapt means building the capability for incremental and transformational change, and establishing change competencies which have at their core an understanding of the human time frame of change, from the past into the present and the future. It is important to view change as realignment across the vertical, horizontal and temporal axes of the organization, and to build the capability for renewal and adaptation.

The capabilities of the third tenet: we have a soul

Placing people at the centre of a strategy to create and maintain competitive advantage requires an understanding of the resource we are working with. Unlike technological and financial capital, people have a soul. We have hopes and aspirations, we can trust and feel committed, and the trust and commitment we feel profoundly influence our propensity to give 'beyond the call of duty'. Organizations do not need inspiration and innovation if jobs are centrally managed, clearly defined and relatively straightforward. All they need is a small carrot and a large stick. But how many of us work in a company that can make that claim? The roles we play are ambiguous and often unsupervised. Our success depends on trusting our colleagues and sharing ideas, and on our inspiration and entrepreneurship. We work in companies where the management of knowledge is key. And in these companies, individuals who do not feel committed, and who do not trust, may choose to withhold their knowledge, or they may be too fearful to take the risks which form the basis of creativity and innovation.

- 7 *Develop emotional capabilities*: understanding and developing emotional capacity is an essential part of the new agenda. Diagnosing the level of trust and commitment in any group of people produces a key measure by which the general health of the company can be assessed. It is possible to see over time the impact that certain decisions are having, and to create an early warning system.

- 8 *Create trust-building capabilities*: a crucial aspect of the creation of trust and commitment is the justice and fairness with which people are treated. Justice and fairness can be played out at many levels in an organization. Here the emphasis is on the impact that the key people processes (selection, objective setting, performance measurement and reward, training and development) can have on notions of fairness and justice. We know that the manner in which these processes are developed and rolled out can create deep feelings of injustice and unfairness, and that these have a significant impact on trust and commitment.
- 9 *Capability to build the psychological contract*: building an appropriate psychological contract becomes a fundamental organizational and managerial capability as structural and technological changes rip apart the old notions of the relationship between the individual and the organization. The stability of the past has been replaced with rapidly changing individual needs and what the organization offers in terms of employment stability, skill development and remuneration.

Accommodating these changes in the working model requires a respect for the past and the capability to build bridges to the future. It requires an understanding of the meaning in the organization and how this meaning can be created and leveraged. And it requires a finger on the pulse of emotional capacity and the realignment of key processes in a manner which provides a voice to individual employees, gives choice and ensures people are treated in a fair and dignified manner.

Figure 2 has at its centre the three fundamental shifts: that people operate in time, we search for meaning, we have a soul. Against each of these are the managerial and organizational capabilities which are crucial to this new agenda. The arrows encircling the areas signify that companies should be working on all these capabilities as they are self-reinforcing. For example, the building of visioning capability will be reinforced by managers who are capable of thinking systemically rather than sequentially. Similarly, the creation of a process for a strategic approach to people is reinforced through process discipline and the capability to truly embed people processes. Understanding the ‘unwritten rules of the game’ provides a backdrop to creating measures around trust and inspiration and to understanding and creating process fairness.

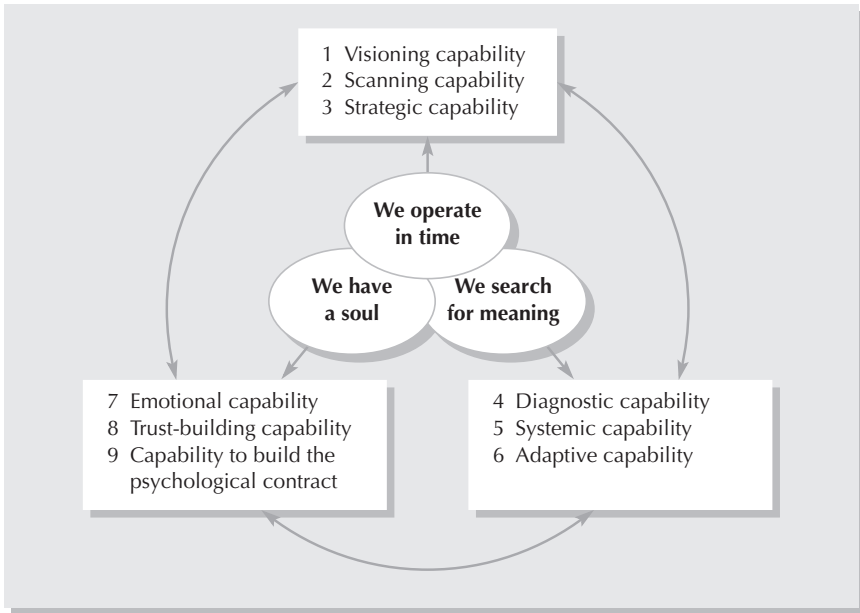


FIGURE 2 ♦ The new agenda: the tenets and capabilities

Taken together, these three fundamental shifts and nine managerial and organizational capabilities represent a new agenda. The new managerial agenda emphasizes the ability to think in a visioning and systemic way. The new organizational agenda supports this through the creation of people strategies, focusing on process fairness and creating process discipline to embed people processes. The challenge is to understand the ‘human’ side of our organizations by understanding the ‘unwritten rules of the game’ and creating organizational metrics around ‘softer’ issues such as trust and commitment.

This book is about the ‘why’ and the ‘how’ of putting people at the centre of corporate strategy. I have led in Part I with the ‘why’ because I believe that unless we understand why this is crucial, the ‘how’ will never become embedded. The question of ‘why’ reaches deep into the fundamental tenets of humans. These tenets are explored in Part II of this book.

In Part III, I focus on how you can create a living strategy and by doing so put people at the centre. Building on the experience of the many companies with which I have worked, I have developed a six-step process which goes from building commitment to moving into action.

For each of the six steps I describe why the step is important (the guiding principles), the tools you can use for each step, how you might expect to benefit, and what it means for the competencies of line managers and the human resource professional. This is a question I return to in Part IV, the workbook, where I summarize what it means and provide a diagnostic check to help you consider where your company is in the six-step process.

I am very conscious that the questions of why and how are distinctly different, requiring rather different styles. The why is essentially a philosophical question while the how is practical and pragmatic. I have tried to unite the two by bringing as much company experience as possible to the question of why, and using a series of diagnostic questions to help you and your peers build deeper understanding. You may at this stage be turning rapidly to Part III to get straight into the how and the six-step process. By all means do so, but later reflect on why this approach makes sense, take a look at Part II, and re-examine your own and your company's mind set on the questions of time, meaning and soul.