

## **MANAGEMENT – LEADERSHIP AND GOOD ORGANIZATIONS**

"Progress, far from consisting in change, depends on retentiveness. Those who cannot remember the past are condemned to repeat it."

**(George Santayana (1863 – 1952. Spanish-born US Philosopher, Essayist and Poet))**

Any company or organisation is, first and foremost, a group of human beings be they owners, employers, employees, shareholders, customers or suppliers all of whom can be referred to as stakeholders. A company also consists of equipment, machinery, tools, Materials and minerals and brand name products or services. When you add quality standards and company reputation the result is a society whose primary objective should be the continued existence of the organisation by making a profit through efficiency, commitment, motivation and productivity stimulated through teamwork and co-operation. Organizations, just like human beings, need stability and security to exist and they can achieve it through longer-term strategies and sound working relationships with all their stakeholders.

During this past decade it has become acceptable, almost fashionable, business practice to blame over-manning as the only reason for falling profits and 'downsizing', using the demand for flexibility, has been used not only as the primary means of improving the 'bottom-line' but also as the incentive for CEOs, and other Directors, to increase share price and increase their own bonuses, but not for the rest of the employees.

Worse, these programmes have been carried out at a time when corporate profits and share prices have been reaching higher levels. This cynical abuse of manpower will result in organizations that are not lean and keen but, rather, mean and anorexic. If, and when, an upturn in general economic conditions happens it is likely to include a backlash against those companies who have shed manpower at an unnecessary rate.

This attitude and approach has succeeded only in undermining loyalty and morale, which gradually erodes competitiveness. Where downsizing has been introduced an air of uncertainty exists and employees turn to 'playing politics' to defend their own position. If too many people are concentrating on internal alliances then they cannot possibly be looking after the best interests of their customers or responding to business opportunities or putting more effort into increasing productivity. And, where downsizing is used to achieve flatter management structures the opportunities to progress are drastically diminished thus further deterring commitment.

Again, companies follow the flatter management fad for the fundamental reason that it is seen to reduce overheads and make organizations more flexible and responsive. That is doubtful because flatter structures are not always the best. Nonetheless, the real issue here is to put in place a management structure that best meets the demands of your customers and your company, not somebody else's, and that allows for clear lines of communication.

One problem area appears to be that once companies start downsizing programmes they find it increasingly difficult to stop thus re-enforcing the belief that the City is interested only in the concept of short-term profits driven by short-term goals.

I suspect that a majority of people would prefer to work for an organization that offers some degree of job security and stability, one that provides training and opportunities for career development and promotion, rather than work for a company that might pay them more but only in the shorter-term. These are the fundamental principles of motivation exhorted by the likes of Herzberg and Maslow. The latter suggested, in the 1950's, that until the basic human demands for food, shelter and security are satisfied then people cannot progress up the hierarchical ladder of motivational factors. What will companies do, now and in the future, without a simple hierarchical management structure with career patterns and opportunities to climb the corporate ladder?

Under those circumstances it is likely that staff will be unwilling to undertake additional academic or vocational training to improve their skills and, instead, look for other opportunities; others will decide that the demands of the company are not in line with their own requirements; and, yet others will decide that the increase in workload is not worth the stress and will leave.

Downsizing does nothing for morale, motivation and commitment. Companies cannot demand that employees work longer hours for even fewer benefits whilst, simultaneously, subjecting them to continual downsizing and re-structuring programmes. How can you expect people to remain motivated and committed when, having gone through one set of management fads you now tell them that it is time to re-align resources and outsource areas of business that are not part of the core business?

Companies that treat their employees with contempt will, eventually, disappear. Personnel departments have been at the forefront of many of these programmes. A change of title, from Personnel department to Human Resources, gave them added impetus to treat employees as just another company commodity, like chairs, machinery, cars and computers to be traded in when no longer needed.

Companies who blindly follow the latest management fad, without assessing the impact it will have on their workforce and the efficiency and culture of their organization are, probably, doomed to keep repeating mistakes. Eventually it will be to the detriment of all their stakeholders and, that includes the immediate community and the local environment. What companies should do is conduct their business fairly, and by that I mean root out bad practice and corruption, and maintain the highest corporate standards.

How then does one motivate the remaining staff? Further, what happens to the managers who are left to carry on with the process of downsizing? Do companies really believe that they will receive the same level of commitment from those remaining when their terms and conditions of work deteriorate or can no longer be relied upon? Pay will not compensate people who have lost status, perks and promotion prospects and neither will performance-related pay (PRP) schemes.

Already there are many examples of companies and organizations in our high streets that now employ more temporary and part-time than full-time staff and this demand for flexible working is likely to increase but it does not suit everyone. A survey conducted on behalf of Manpower Plc showed that 81 per cent of companies use temporary workers, 74 per cent part-time staff and 70 per cent contract out non-core operations as a means of reducing overheads and cutting costs.

Apparently some 7 per cent, and rising, of all workers in Britain are employed as temporary staff because they are cheaper to hire, and fire, and because they are not entitled to the same security, pension schemes and holiday benefits as full-time workers.

Little wonder then that staff believe downsizing, delayering and re-structuring are no more than cost-cutting exercises that reduce overheads through manpower cuts. According to the American Management Association (AMA) fewer than half of the companies who had conducted downsizing programmes since 1990 have produced higher operating profits and even fewer still have increased profitability.

Whilst some firms may need to reduce staffing levels, to avoid bankruptcy or receivership, too many organizations have reduced their workforce as a means of appealing to short-term investors by raising the share price of their stock. More worryingly still is the fact that this trend, of employing part-time, casual or temporary staff, according to the same survey, will continue in the coming years. But, where does that leave the workforce; what impact does 'downsizing' or 'rightsizing' have on morale; how can companies maintain a sense of cohesion; and, will part-time staff have the same commitment?

The most senior management who, in annual reports and annual general meetings, publicly declare that their workforce is their most valuable asset, hire and fire them at will and then wonder why, having destroyed trust, that loyalty and commitment have disappeared, exacerbate internal misunderstanding and confusion. Personnel departments, surprisingly, appear to have no feel for this rapid increase in dissatisfaction, or for the fact that what people, individually and in groups, need are stability and a sense of security in the workplace.

Overall delayering and downsizing processes do little for the longer-term future of companies, do little to maintain sound organizational structures, do little to maintain stability, commitment and loyalty, do not enamour customers when they are not dealt with as they might expect. And, in the end, do little for shareholder value. What service sector companies fail to appreciate, apparently, is that it is the quality and availability of personnel and the quality and availability of communication between client and company that generates and provides profit and that a reduction in the availability and quality of service loses customers.

It is time that managers, at every level, recognised and accepted the need for responsibility and accountability; realised what is good for a company in a similar field is not necessarily in the best interests of their own company; and, that without commitment, reliability, respect and trust within an organisation, primarily through job security, that a longer-term future is in doubt. And, it is time that CEO's and MDs realized that they are not the ones who achieve everything for the company but that it is the combined efforts of directors, managers and employees working to achieve common objectives. Wriggling out of responsibility and accountability usually starts at the top.

Nonetheless, senior managers should also appreciate that they are there not just to determine company strategy but to provide guidance, ensure staff believe their work is appreciated and that they are valued and suitably rewarded. Without quality people and quality products a company will not survive; and, without integrity in financial dealings and clear communications with employees and customers a company reputation will easily tarnish as will the reputation, customers will not return and profits will drop.

And, any organization which emphasizes making profits as its primary objective is failing to appreciate that profits come from products and services but that it is its people, the employees, whose commitment, motivation and effort manufacture the products or present the goods to the customers from which the profits flow. Without integrity in financial dealings and clear communications with employees and customers a reputation will easily tarnish, customers will not return and profits will drop

So what will make for a good organisation in the future? I suggest that any company should foster and encourage the concept of teamwork by defining and agreeing standards and principles for conducting business and fairness in allocating financial resources; principles for the way that staffs are to be treated; and, more especially, principles for the way customers are to be treated. The principles or business ethics might include, for example:

1. Selection and maintenance of the aim.
2. Communication of Policy, or Policies, and Plans.
3. Maintenance of morale through Trust.
4. Financial probity.
5. Impulsion in completing tasks.
6. Concentration of capability.
7. Economy of effort - to achieve objectives.
8. Flexibility and co-operation - across the board.
9. Personnel selection, training and opportunities
10. The management of change - through communication, motivation and co-operation.

The notion that big organizations and companies are important to the future and the prosperity of counties, regions and countries, became fashionable in the early 20th century and that is when capitalism began to flourish. With the advent of big companies owners were gradually replaced by managers and administrators whose sole purpose was to structure, organize, administer, recruit and lead the company in the right direction. To enable them to do this they were supported by other managers providing advice on financial, operational, supply and logistics and technical issues relevant to the company's products or services.

Unfortunately, during the latter part of the 20th century senior management began to forget about products, people, plant and society and tended to concentrate purely on financial matters to the extent that during the last two decades of the 20th century management theory entered the realms of comedy and lost sight of the importance of people especially customers, employees and suppliers. Managers began to treat their employees no different than other items of furnishings and fittings on a balance sheet, as an expense rather than as an asset to be trained and motivated to succeed, and that is why many companies, certainly in UK Plc, have failed to the extent that they have gone out of business.

Good organizations are not those that are aggressive, unpleasant and focused entirely on greed and the pursuit of profit as quickly as possible but ones that realise the importance of cohesion within the company, the need for clear policies on social, moral, ethical and environmental issues and apply not just sound reasoning but also common sense.

Therefore, I suggest that the good organisation of the future will realise that its continued success depends not just on one group but on all the stakeholders, and that includes customers, suppliers, employees, the local community, trade associations and professional institutions and, lastly, shareholders.

Good managers are those who will not only succeed in recruiting the right people to fit in with the culture, organization and structure of the company but will understand how to get the best out of those employees by concentrating on their strengths and not on their weaknesses. Unless you make every effort to continue to meet all customer demands profits will fall; and, without security, training and promotion prospects a company will suffer from a rapid turnover of personnel and its reputation will suffer.

Good directors and managers must also realize that setting too many ill-informed and useless targets, insisting that individuals and sections continually provide reports on the state of the targets and spending their time monitoring performance is unhelpful and does little or nothing to increase motivation or encourage commitment and greater effort. Rather the reverse appears to be the situation and more time and effort is wasted filling in electronic time-sheets instead of dealing with customers and suppliers.

A good organization will realise it must forge a partnership with its staff by offering security in return for commitment; provide training to improve attitude and professionalism; and, provide a clear management structure and career path to allow the business to develop whilst meeting the aspirations of employees. Good managers and good organizations also have a system and structure in place that not only allows but encourages constructive criticism and more especially when a company begins to struggle. As Theodore Roosevelt suggested,

“It is essential that there should be organization of labor. This is an era of organization. Capital organizes and therefore labor must organize.

**(Theodore Roosevelt (1858 – 1919). 26<sup>th</sup> President of the United States)**

If you spend as much time, effort and cost recruiting shop floor staff as you do your Directors then you might end up with the kind of organization and structure that you really want and, possibly improve customer relations in the process.

Dealing briefly with the last point, it must be recognised that people are motivated for many different reasons. Some do it to pay the bills; some do it because it is their area of interest or specialisation; others because the hours of work fit in with their personal schedule; others because they like to work and manage people; and, yet others because they are ambitious and see each job as a stepping stone to something bigger and better. The trick, for a good senior manager, is to know and understand how each individual is motivated.

Unfortunately in the delayed, downsized, re-engineered, resource re-aligned and outsourced short-term focused company of today directors and managers have forgotten that management is, first and foremost, about people. The fashionable flat management structure, with few opportunities for advancement, tends to be flat when it comes to innovation because there is no pyramid to climb and no real incentives to make greater effort. And, just as bad, many have forgotten how to keep people informed such that the old adage employees are often the last ones to know of changes in policy, procedure, and organization and manpower levels is still, often, the case.

When you treat your employees well they are more likely to do their job with enthusiasm, interest and even creativity; and happy staff usually means, more often than not, a happy company. This, usually, leads to better relationships with customers who are more likely to come back. Closer co-operation with both customers and suppliers will also cement working relationships and may even improve efficiency. Some may refer to this concept as quality management but I prefer to call it common sense and good leadership.

Those who fail to appreciate these fundamental demands will, gradually, disappear. The simple reason is that organizations have a moral obligation to provide people not just with the means to exist but also with the opportunities to improve their relative position and status in life. Companies also have a duty, as Peter F Drucker suggested, not to reward but to remove from senior positions people who do not fulfil requirements.

“Executives owe it to the organization and to their fellow workers not to tolerate nonperforming individuals in important jobs.

**(Peter F Drucker (1909 – 2005). Austrian-born US management writer and thinker)**

(2820 words including quotation)

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