

## **People: The Royal Path of Organizational Performance but Under-optimized Resource**

We often hear: “People are the most important resource of organizations.” Despite unprecedented technological advancement, this adage remains true. However, not all organizations ensure the optimum functioning of their people, despite large amounts of money spent on learning and development/training (L&D), including leadership development and organizational development (OD). Failing to optimize the functioning of employees transpires from research reporting on (a) occupational stress along with the impending global mental health crisis<sup>1</sup>, (b) low levels of employee engagement<sup>1</sup>, (c) deployed positions that do not utilize peoples’ ‘competence<sup>2</sup>,’ (d) leadership lacks information on how people link to strategy execution and thus organizational performance<sup>3</sup>, (e) organizations measuring peoples’ contribution to organizational performance more often at the tactical and operational levels than the strategic level of measurement, while the latter matters most in strategy execution<sup>4</sup>, and (f) failure of strategy execution<sup>5</sup> which threatens organizations’ economic viability. In essence, these reports suggest the chronic and top-ranking reason for the strategy execution failure is people’s physical and/or psychological unavailability to perform. Yet, people are central to strategy<sup>6</sup> and embodied in competitive advantage, the hallmark of a sound strategy.

Competitive advantage<sup>7</sup> refers to executing value-creating activities better or differently than competitors in offering customer value, whether for economic, functional, or psychological utility. Competitive advantage facilitates strategy execution and ensures sound financial returns. It (competitive advantage) consists of three interrelated dimensions, namely (a) the arena where the business chooses to compete, (b) customer value, whether economic, functional, and/or psychological or a combination, and (c) resources, most notably human competence, to offer customer value in the selected competitive arena<sup>8</sup>.

### **Motivational Levers to Unlock Human Competence**

Human competence, autonomy, and relatedness are the three inborn motivational needs of all people<sup>9</sup>. The satisfaction of these motivational needs is essential for human well-being, failing which results in ill-being. Satisfying the need for competence is the origin of well-being, as it causes autonomy, which nurtures relatedness. Competence<sup>10</sup> refers to peoples’ desire to learn and grow and is satisfied by learning and development (L&D). However, to be fruitful L&D opportunities must offer knowledge, skills and attitudes people deem crucial, and meaningful in effectively performing their daily activities. Performing daily activities constitutes strategy execution. Competence catalyzes autonomy<sup>11</sup> or self-determination – the freedom to be one’s authentic self without infringing on the autonomy of others. Autonomy entails time to think, experiment, and learn. Autonomy involves risk-taking and innovative behaviors which enable people to adapt proactively to change. Experiencing autonomy, in turn, nurtures relatedness<sup>12</sup> – at least a few lasting, pleasant, and meaningful interpersonal relationships among people – which satisfies the need for relatedness or belonging. The satisfaction of the inborn motivational needs influences peoples’ feelings, thinking, and actions and thus impacts strategy execution.

Leadership is accountable for business performance which stems from successful strategy execution. Therefore, leadership must create an environment conducive to people being physically and psychologically available to execute strategy effectively<sup>13</sup>. This diagnostic tool is a means to achieving a conducive environment. The diagnostic is a sophisticated tool that stood the test of time to shape a competitive advantage by unlocking human competence for effective strategy execution. Leadership can use this diagnostic to ensure the optimum function of their people.

This diagnostic reflects the business as a total system, displaying fundamental business components integral to its functioning. These are people analytics<sup>14</sup>, inputs, activities, outputs, and outcomes, as impacted by the environment and feedback loops which provide information to adjust plans. This diagnostic demonstrates that strategy shaping is an intertwined process necessitating a holistic approach to account for all variables impacting performance effectiveness, particularly human resources. Strategy formulation is at the strategic level of the business and relies on measurement at both strategic (output) and tactical (input) levels. Strategy translation and implementation is at the operational level of the business and relies on measurement at both the operational (activity) and strategic (output and outcome) levels. Strategy control is at the strategic level of the business and relies on measurement at the strategic level (output and outcomes). The vast majority of measures (both activity and strategic) are at the operational level of the business, where strategy is translated and implemented into action – the core of a business. Notably, strategic level measurement (output and outcomes) is present at each strategy shaping phase. It provides measures that can assist leadership in bridging the formulation-implementation divide without abdicating the implementation responsibility to lower hierarchical levels and disregarding or overlooking strategic issues.

Additionally, it visually shows how people link to business performance. People analytics data are dispersed throughout the business. Hence, all stakeholders should partner to collate, analyze, and report on the impact of people on strategy execution to ensure evidence-based decision-making in support of business performance. This diagnostic demonstrates that people analytics can provide information about:

- leadership's ability to set the direction of the business and choose an appropriate strategy for pursuing the direction as impacted by environmental variables while executing it through the framework and processes dimensions of organization<sup>15</sup>;
- the structure, specifically job design, that affects the fit between roles and employee competence and whether the right person is deployed in the appropriate position to attain the business goals or performance;
- the conduciveness of policies, procedures, and culture to support goal achievement;
- the effectiveness and efficiency of systems in endowing employees swiftly with the requisite financial and non-financial resources for executing value-creating activities in a way that creates competitive advantage;
- the impact of the framework dimension on the processes dimension of organization, and the alignment between the processes dimension and the framework dimension of organization; and
- the impact of interaction and sanctions on goal achievement or business performance.

This diagnostic suggests that leadership's influence permeates the organization and ultimately impacts employee motivation to execute strategy and business performance.

### **Steps to Benefit from the Diagnostic Tool**

1. Assess the organization's functioning by selecting the critical few and most relevant measures illustrated in the diagnostic. Focusing on the few relevant measures will prevent survey fatigue and encourage employee participation.
2. Assuring employees of their voluntary, anonymous, and confidential participation in collecting the data to perform the assessment (1). Ethical conduct will encourage honest participation.
3. Provide feedback to employees on the outcome of the assessment, including corrective interventions to optimize their functioning. Feedback will indicate that the business is sincere about valuing its employees.

4. Update employees on progress. Updates will provide certainty and direction for the required change.

## References

- <sup>1</sup> Gallup. (2021). *State of the global workplace: 2021 report*. Gallup.
- <sup>2</sup> CIPD. (2018). *Over-skilled and underused: Investigating the untapped potential of UK skills*. Chartered Institute of Personnel and Development, London.
- <sup>3</sup> Levenson, A. (2018). Using workforce analytics to improve strategy execution. *Human Resource Management*, 57(3), 685-700.
- <sup>4</sup> Hamilton, R.H., & Sodeman, W.A. (2020). The Questions we ask: Opportunities and challenges for using big data analytics to strategically manage human capital resources. *Business Horizons*, 63(1), 85–95.
- Schiemann, W.A., Seibert, J.H., & Blankenship, M.H. (2018). Putting human capital analytics to work: Predicting and driving business success. *Human Resource Management*, 57(3), 795–807.
- <sup>5</sup> de Oliveira, C.A., Carneiro, J., & Esteves, F. (2019). Conceptualizing and measuring the “Strategy Execution” construct. *Journal of Business Research*, 105, 333–344.
- <sup>6</sup> Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120.
- <sup>7</sup> Porter, M. (1985). *Competitive advantage: Creating and sustaining superior performance*. The Free Press, New York.
- <sup>8</sup> Nienaber, H., Cant, M.C., & Strydom, J.W. (2002). An exploratory investigation into the application of market strategies by selected JSE-listed companies in the food sector in the period 1996-1999. *Southern African Business Review*, 6(1), 24-30.
- <sup>9</sup> Hogan, R., & Sherman, R.A. (2020). Personality theory and the nature of human nature. *Personality and Individual Differences*, 152 (article number 109561).
- <sup>10</sup> White, R.W. (1959). Motivation reconsidered: The concept of competence. *Psychological Review*, 66(5), 297–333.
- <sup>11</sup> deCharms, R. (1996). *Personal causation*. Academic Press, New York.
- <sup>12</sup> Baumeister, R.F., & Leary, M.R. (1995). The need to belong: Desire for interpersonal attachments as a fundamental human need. *Psychological Inquiry*, 117(3), 497–529.
- <sup>13</sup> Nienaber, H. (2010). Conceptualisation of management and leadership. *Management Decision*, 48(5), 661-675, [doi.org/10.1108/00251741011043867](https://doi.org/10.1108/00251741011043867).
- <sup>14</sup> CIPD. (2016). *People measurement and reporting: From theory to practice*. Chartered Institute of Personnel and Development, London.
- <sup>15</sup> Skivington, J.E., & Daft, R.L. (1991). A study of organizational ‘framework’ and ‘process’ modalities for the implementation of business-level strategic decisions. *Journal of Management Studies*, 28(1), 45–68.
- Nienaber, H., & McNeill, R.G. (2022, November 10-11). *Leadership diagnostic: Unlocking human competence for effective strategy execution*. 18<sup>th</sup> European Conference on Management, Leadership and Governance, Lisbon, Portugal.