

As part of our Tomorrow's Executive series of articles we bring you: an executive's guide to implementing strategy

*By Paul Hughes,
Mercuri Urval Global Client Services*

Why improving your line managers' people skills will improve your profits

Are your line managers getting the most out of your team, maximising productivity and business opportunities? In many cases, the answer is no.

More worryingly, if they weren't achieving the best possible results, how sure can you really be that you'd notice?

According to Mercuri Urval research, business opportunities are lost when companies fail to support line managers with the increasing complexities of the people management roles.

Our research shows that improving people management will help leaders implement strategy more effectively. And if you have chosen the right strategy, that will improve your results.

Put simply, the right people will achieve the right results.

Mercuri Urval

For Mercuri Urval Global Client Services by Paul Hughes, a Doctorate researcher at Cranfield School of Management

People performance management is one of the key mechanisms for implementing business strategy. Line managers are crucial in implementing sound people management activities, and are in the frontline when it comes to safeguarding people's performance in organisations. But the bad news is that the very nature of their role might stop them from achieving just that.

This is because, in the last 20 years, the line manager's role has become vastly more

complex, encompassing tasks that would previously have been tackled by HR or personnel professionals, or tasks that didn't previously exist. As a consequence, line managers' people performance responsibilities have grown, while the thinking and theory behind the selection and development of line managers has often been left behind.

So we set about looking into all the research into this topic and summarising the main findings in this article – showing tomorrow's executives how they can better implement strategy through people.

The importance of line managers' people performance skills in the real world



Doctoral research sponsored by Mercuri Urval has shown that little academic study on the topic has looked at this area. One area of our research reviewed over 17,000 articles published in academic journals since 1992, finding fewer than 15 which related specifically to this subject and which met strict academic criteria. One of these, an intensive study carried out by Bath University's School of Management, was con-

ducted over a six-year period and involved over 12 different organisations. Their research showed¹ that positive business results are directly linked to a line manager's ability to improve people performance. This study was carried out to a high academic standard and published by the Chartered Institute of Personnel and Development (CIPD) – Europe's largest professional HR and development body.

Below is a selection of the key findings from Mercuri Urval's study, and these findings are being used to design further academic research.

It is rare to find research that proves a direct and obvious link between management and performance in corporate businesses. There are so many other variables. To get to

the truth we focused on public sector and retailing environments where those other variables are more stable and consistent.



Motivating staff at a world leading department store:

Bath University researchers studied line managers in one of the UK's flagship department stores and found that they were not very good at managing people. The line managers focused on the short term, and treated employees poorly – with consequent poor department performance. With this in mind, the company redesigned the selection and reward processes for line managers, along with its performance management processes. All line managers had to re-apply for their jobs, going through a rigorous selection process. This time around, the right personalities were selected – extra focus was put on managers' abilities to make connections, exhibit empathy and engage staff on their terms. When researchers returned a year later, they found line managers were better at involving and motivating people, and were achieving better financial results. The conclusion was that line managers should not only focus on delivering results; they should also motivate employees to deliver results.

The key performance variable at a leading global retailer:

A Work and Employment Research Centre team carried out a comparative study of four retail operations in a leading global retailer². The sites were identical in size and makeup, were located in similar cities, and their customers shared similar demographic profiles and shopping patterns. Again, the key variable in the differing performance levels of these 'identical' stores was found to be the line managers and the way in which they carried out their responsibilities. The stores with the best managers also (and unsurprisingly) had the best sales figures, and outperformed the others in areas such as budget and productivity.

It is worth noting only one of the four stores selected for research was perceived by the company as performing 'below par' prior to the study. Therefore two of the stores, while perceived to be performing optimally were, in fact, performing below their potential.

No single factor of managerial behaviour emerged as being the key differentiator, as the research was only looking to identify why different stores were successful. However, factors that contributed to the success of the more prosperous stores included:

- Engagement of staff in idea development;
- Managers' greater interest and effort in motivating employees; and
- Listening to ideas and views.

The research team's conclusion was clear: line managers are 'crucial' in safeguarding organisational performance.

Managing people, not just outcomes, in the public sector:

The Bath University research team found the manner in which nurses were managed at a hospital was linked to poor performance, high absenteeism and high staff turnover. Line managers were evaluated and directed to alter their managerial style, to focus on managing the people and not just the desired outcome. As a result, productivity and patient satisfaction grew, while absenteeism fell.

Why have line managers' contributions been overlooked?



So why have companies and academic researchers been overlooking line managers' contribution in maximising people performance – at least at an empirical level?

1. Company control systems do not tell you that you have a problem, as in the global retailer example, so how would you know to look for one?
2. It is difficult to strip away the other variables that affect business results, so whilst we might intuitively believe people are critical to business success, measuring and researching it is not easy.
3. Line managers are rarely given the chance to explain the consequences of their changing roles.

However, the research examples above show that by using sophisticated data analysis of hundreds of interviews it is possible to identify and measure key factors that highlight differences between actual versus potential best performance in organisations. Remember that prior to the arrival of the research teams, performance had been seen as successful. Most measurement systems cannot show what potential benefit could be achieved, as this is rarely their purpose. But where changes are made, the improvement in results – as the department store and the hospital examples show – can be significant.

By systematically reviewing all that has been written on the subject in the last 20 years, Mercuri Urval is able to empirically show what is and is not known in this area.

We have identified some clear risks and pitfalls for tomorrow's executive while implementing strategy:

Don't settle for just more of the same – you need the best line managers

Financial and organisational efficiency are often sought by cutting costs – removing benefits, reducing headcount and so on.

Solution: Creating true growth is more complex than cost-cutting, and requires good leadership and management at all levels.

If your line managers are in the wrong roles, or lack competence, you will probably fail

It is often the case that staff who have been successful at one task are promoted to manage that area of activity. For example, the star salesperson may be appointed sales manager. This is not always a good idea, because being good at a specific activity does not necessarily mean you have the skills to manage and motivate colleagues.

Solution: The success or failure of implementing new strategies largely depends upon line managers, so select the best. A line manager with the right capabilities will be able to successfully juggle what are sometimes conflicting demands. Improve your line manager's people management skills by updating his or her competence. Relocate unsuitable managers, carefully selecting replacements.

Watch out for a factor that might blur your vision – don't let temporary success distract you from systematically upgrading your talent

Good market conditions – where your operation seems to stay afloat by itself – can blur your vision when you're calculating whether you are truly achieving your potential. In good times, a 10% growth figure may hide the fact that you could easily have seen 20% growth for the same period, if your line managers had fully implemented your strategy through managing their people effectively.

Solution: Don't wait for a financial downturn to upgrade your talent. Then, a dearth of managerial skills in this area will become painfully apparent. Instead, always focus on raising the bar for your management population.

Your line manager is overstretched or badly led – set them up to succeed

Managing people performance takes time. A manager might rush the completion of short-term tasks (such as closing a sale), instead of teaching staff to deliver excellent customer service (looking out for the long term). Likewise, an overwhelming workload can mean the line manager has no time – or motivation – for performance management, such as staff performance appraisals. This can demotivate staff, which in turn damages productivity levels.

Solution: Make sure your line manager's role is properly defined, with sufficient time for people management responsibilities. And ensure that he or she has been fully briefed on the implications and impact of everyday activities, making clear the

benefit of always thinking in the long term. And as a leader don't forget you are the role model. If you don't make time for effectively reviewing and managing your managers' performance, they will take your lead and repeat the same bad behaviour.

Your line manager lacks support

Some of the challenges related to implementing good people management practices stem from a perceived barrier between line managers and HR managers. Line managers feel responsible for creating value, and may believe that people management is outside that value creation, and that implementing people management processes slows things down.

Solution: Make sure the HR manager dealing with line managers can handle these relationships in a positive and supportive manner. Make sure your people learn quickly that the right people will achieve the right results – and aligning employees with company strategy is their primary responsibility. And don't presume that line managers have no interest in implementing good people management disciplines. It may be that they have lost their focus because of pressure to achieve short-term financial results by cutting costs, for example – or get frustrated with unhelpful bureaucracy...

Company policies and procedures impede implementation

Sometimes, systems such as pay and reward schemes impede successful people management, and subsequently affect staff retention, customer service and profitability.

Extensive research into a leading banking group³ showed that line managers were

rewarded for activities that conflicted with their people management responsibilities. That kind of tension is not unusual in an organisation. For example, a line manager may be required to train his or her staff in customer service – thereby adding value – while having to cut training budgets to save money.

Solution: Make sure all policies and procedures are aligned with your organisation's strategy. A line manager's role should be structured so that reward mechanisms work in harmony with long-term people performance responsibilities. Bear in mind that people performance management is a central part of the complex machinery that will deliver your strategy.

The need to properly understand and describe the line manager's role in your own company

The complexity of the line manager's role needs to be properly understood if executives are to recruit the right people for the job.

However, this role is poorly described in current academic literature – let alone in organisations' own internal policies.

Solution: Whilst a solid 'generic' definition of best practice for describing a line manager has proved to be elusive – there are no excuses for not understanding it in relation to your own situation and strategy.

So much more needs to be done to properly understand the role of tomorrow's line manager. Companies need an updated and well-defined 'line manager model' if they are to implement strategy effectively. Such a model will help your businesses get the best out of line managers, as well as helping line managers get the best out of their teams. And with this in place you are then in position to select, deploy and develop the right manager who can implement your business strategy.

Implementing Strategy Top 10 for People Management



1. Create business measurement methods that enable you to get data on the effectiveness of your managers and their impact on results. This way you can learn over time how to improve their capability.
2. Define what 'good' looks like for your line managers and be clear about what you expect – this includes making sure that things are realistically scaled and properly focused.
3. Make sure you focus on the people motivation, engagement and communication capability of your managers.

4. Make sure you and your leaders are role models when it comes to people management and performance.
5. Make upgrading your managers' capability a continual and restless system – rather than an occasional priority.
6. Use every lever you can to improve people management capability: predictive assessment of capability and potential; development solutions that accelerate time to competence; employer branding to attract the best; insightful deployment to place people where they create most value.
7. Review all your HR practices and policies to make sure they are valuable, properly measured and streamlined around optimising managers' impact.
8. Make sure your HR team realises it exists to enable line managers to implement strategy effectively and focus it on the right priorities.
9. Listen to your line managers and ensure they can provide feedback regularly on both your strategy and your people management practices.
10. Make people management capability your number one priority as a leader, especially when strategy implementation is your challenge.

Paul Hughes is highly experienced in senior-level leadership identification and development.

He qualified in law in 1992 and then spent 12 years in a range of managerial roles. He subsequently worked in strategic consulting for PwC – where he earned his MBA – prior to joining Mercuri Urval in 2003.

Mercuri Urval is a pioneer in understanding the impact people have on organisations' results. In October 2007, Paul Hughes embarked upon an Executive Doctorate at Cranfield School of Management to carry out in-depth research for Mercuri Urval into how managers implement business strategy. Since January 2011 Paul Hughes has been working at Cranfield School of Management.

This is part of a series of articles that develop in detail how tomorrow's successful executive will need to lead.

Send Mercuri Urval your comments via paul.hughes@cranfield.ac.uk or richard.moore@mercuriurval.com

¹ Purcell, J., Kinnie, N. and Hutchinson, S. (2003), *Understanding the people and performance link: unlocking the black box*, CIPD, London.

² Purcell, J., Kinnie, N. and Hutchinson, S. (2003), *Understanding the people and performance link: unlocking the black box*, CIPD, London.

³ Hope-Hailey, V. H., Farndale, E. and Truss, C. (2005), "The HR department's role in organisational performance", *Human Resource Management Journal*, vol. 15, no. 3, pp. 49.