Every business is churning, making it difficult to articulate strategy and bring it to life. Think about it: The workforce is a blend of traditionally trained baby boomers, in-your-face Gen Xers, people with inadequate literacy skills from disadvantaged areas, and techies raised on computers. Workplace talent requirements increasingly emphasize technical skills, flexibility, continuous learning, teamwork capacity, and communication. And jobs go begging due to the mismatch of skills and needs. All of that is happening while the old models of employment for life lie in shards on the floors of virtual offices, downsized organizations, and globally shifting distributions of work.

Key questions: How can we manage people for the new world of work? How do we align a diverse workforce—which may not even work directly for a company—behind a constantly shifting set of business goals and strategies? More than that, is it possible to turn the churn into competitive advantage?

We can’t go back to the good old days or just introduce a new version of performance management, job descriptions, or command-and-control. Traditionalists tell us to toughen up on the backend: Make performance appraisals work and be ruthless or at least hard on poor performance. Reward the high flyers. Make performance ratings and feedback forms better, more differentiating. Hold managers accountable for the performance of their people.

Those methods may be part of the solution, but let’s face reality: The best courses in the world, the best HR systems in the world haven’t been able to create the breakthroughs that the backend or push approach to performance has promised over and over again to deliver. Self-esteem issues, reluctance to judge others or to parent adults in the workplace, and an aversion to manipulation are only a few of the dampers on the most rational back-end approaches.

A 1990 study, Paying for Productivity: A Look at the Evidence by the Brookings Institutions, asked what pay systems have the most impact on performance and concluded something remarkable: “Changing the way workers are treated may boost productivity more than changing the way they are paid.”
Decades ago, J. Edwards Deming concluded that performance appraisal systems create more quality problems than they solve. He and other quality experts made a strong case that systems and process problems are the main causes of performance problems. Individuals, they said, accounted for only a small number of performance successes or failures. Focus on creating a system and processes that work, and people will perform well.

There’s a lot of evidence that back-end approaches create special problems. They may discourage teamwork and complex thinking—If I’m rewarded for making sales, I may sell for today and create an unhappy customer tomorrow. Or, if I’m a credit clerk whose pay is based on the amount of bad debt, I may do things that turn away potential good long-term customers.

In addition, the emphasis on the back-end turns many people’s focus away from the front end—the strategy communication, negotiation about goals and roles, and team-based creative thinking and visioning that we know affect employees’ understanding and motivation over the long haul. Managers in the past often felt that because they took people through a deck of slides on strategy, it had sunk in, they were committed, and aligned action would follow. Back-end management is reactionary, easier to focus on, and seems more tangible. It relates to highly charged decisions such as pay distributions and downsizing and so falls into the “urgent” category that Stephen Covey talks about.

Front-end management—similar to every disciplined thing we do before we act—falls into Covey’s “important, but not urgent” category. Because front-end management requires self-energized commitment, it can fall off the table. It’s easier to respond to a current crisis than to take actions now to avoid problems in the future.

Usually, back-end approaches are part of a command-and-control management style and a dependent-worker style. Managers set goals for people, do the performance appraisals, decide the pay treatments, determine what’s expected, and define exceptional performance. That may work in a relatively closed system, in which there’s little competition, lots of stability, and a corner on talent. But now?

### Moving to the future

Back-end management isn’t the way to create and energize an organization’s capacity in the knowledge era or in any other era for that matter. A 1998 Gallup survey of 55,000 workers matched these attitudes directly to higher profits:

- Employees feel they have opportunities every day to do what they do best.
- They believe their opinions count.
- They sense that their co-workers are committed to quality.
- They connect their work and the company’s mission directly.

Other industry and cross-industry studies show that companies that use high-involvement people practices outperform those that don’t. In some examples, firms have achieved

- 160 percent growth in sales
- 400 percent growth in profits
- $15,000 to $60,000 greater market value per employee
- 200 more patents
- 500 percent revenue growth
- 800 percent employment growth
- 1,200 percent rise in stock price
- 700 percent net-income growth.

As for why people want to work for a company and stay there, employees in *Fortune*’s “100 best companies to work for in America” give these reasons:

- I’m doing exciting work.
- I can advance.
- I’m getting top-notch benefits.
- The workplace is fun.
- There’s job flexibility and career change.
- The company uses cutting-edge technology.
- There are employee services such as cafeterias, college-planning, and home-purchase assistance.

That’s not to say that there shouldn’t be control, standards, rigor, or even hierarchy in a business. It’s not to say that performance feedback, differentiated pay, and management of performance problems are passé. But it is to say that management systems based primarily on back-end approaches endanger competitiveness and the company: Talented people with in-demand skills leave; opportunities are missed.

It’s time to make dramatic shifts in how we—workers, managers, formal leaders, HR professionals—align the people in our companies.

### One community

The big message in all of this is that what’s between people’s ears is an important business asset. We know that. This asset, however, comes with a variety of rational and nonrational qualities. A related message is that an organization is actually a community of people working together. And communities aren’t easily managed by back-end tactics. Peter Drucker has been talking about that for some time. He challenges us to manage organizations as though they’re communities of volunteers.

But what does that mean for the issues of how we manage people for the new world of work and how we align a diverse workforce of employees and contractors—and do both in the context of a constantly shifting set of business goals and strategies. And is it possible to turn all that into a competitive advantage?

The overall answer is that there needs to be just enough discipline to get the best organizational synergies and an unleashing of creative energies. For some people, that requires radical self-reengineering. For everyone, it means balancing personal freedom with the discipline that any community needs to reach its optimum.

### Push versus pull

Here are some key success factors for aligning people and work in the churning new world of work:

- Implement personal portfolio management.
- Provide individualized portfolio management.
- Use the Web and technology to create knowledge-management synergies.
- Establish and maintain a context-creating communication infrastructure.

Those require a new mindset about the relationship between people and the organization. They require a front-end, pull approach to performance and productivity.

### Personal portfolio management

Nowadays, everyone is a business within the business. Furthermore, everyone must manage themselves. The old view was that individuals were the property of a boss. But now, most of us are on more than one team—a formal work team, task forces, quality groups, project
In a customer-focused world, it’s useful for everyone to think of work in terms of deliverables: What do I provide to others that adds value for customers and this business? What do I need in resources, including skills, to be able to deliver the outputs I’m being paid to deliver?

This is portfolio thinking: I provide things. I use resources. I develop. I set and negotiate priorities. I get feedback from customers to help me continually ensure the highest value of what I offer. I am part of a value equation, in which I provide and I receive. I’m a business within the business, engaged in an economic, information, and emotional exchange.

That applies whether someone sweeps floors, flips hamburgers, flies airplanes, coordinates production workers, does product planning, sells, conducts research, or runs a $50 billion company. Portfolio thinking applies whether someone has little education or a Ph.D. A portfolio thinker keeps aware of what he or she has delivered and what he or she can deliver. Portfolio thinkers work to continually improve their outputs and innovate new ones. They watch for shifting trends that may make deliverables obsolete, and they keep their ears open for trends and opportunities.

Portfolio thinkers have a heightened awareness of their knowledge, skills, attitudes, and values. They know that their worth to their organizations changes constantly. They do a kind of discounted competency flow analysis, knowing that the life cycle of knowledge and skills is getting ever shorter.

Good portfolio managers use simple but effective tools to guide their decisions and actions. Such tools enable them to set and negotiate goals, identify learning agendas, get and interpret feedback, and make tradeoffs as they join new teams, negotiate, and stand for the value of what they provide. They use tools that help them look into and prepare for the future, in which the mix of their outputs and competencies will shift so they can thrive and not just survive under new conditions.

Portfolio thinkers don’t let others control their portfolios or keep the contents and direction secret. They get help; their staffs get coaching. They develop the skills they need to be able to manage this important package. They expect the companies they work in and with to provide the information they need to keep their portfolios viable.

Individualized coaching. Few organizations are set up for personal portfolio management, though the spirit is there in many entrepreneurial firms and in many Gen X workers. But many companies, no matter how young, reflect the legacy of pre-Internet business: bureaucratic, slow, and dependent.

The terms boss and subordinate say it all.

We have a special challenge as we make the transition to the new world of work and set the stage for the aligned management of personal portfolios. The challenge is to help everyone develop a mindset of partnership to replace the boss-subordinate view.

The new world of work still requires a management function and executive work to be done. Businesses continue to need strategies, processes, budgets, and financial stewardship; coordination of various kinds; mentoring and coaching; and authority hierarchies. But the definitions of all of those things are changing. Practices within each area are becoming more open, more participative and two-way, and more sensitive to time, stakeholder alignment, and the effect on customers and competitiveness.

A big job of the management function these days is to help formal leaders develop and use management processes that are appropriate for the people they lead, but that also help people learn how to manage themselves and stay in alignment with the business and co-workers. There’s no time to waste. Businesses that allow formal leaders—supervisors, managers, executives—to work autocratically, punish initiative, pretend to own talent, discourage diversity, and even abuse their rank and power must make the mandate for change clear.

Formal leaders add value to people when they help them work independently and as responsible partners. Supervision and a high level of control are expensive—If I supervise you, make you check with me for everything, fix your problems, and require you to go through me to others, then it’s taking both of us to do your job. That increases our cost of doing business and is not a good competitive tactic.

Individuals and relationships differ. Some start out dependent or even adversarial. Great leaders start where things are and work with people in ways that can most quickly build trust and independence. Everyone whose life is touched by a really great coach rises to his or her best, most adult, most contributing self. As HR professionals, we need to help all formal leaders develop the mindset and capacity to play this value-adding role.

Technology-based knowledge management. KM—accessing relevant information, turning it into ideas and actions, and rapidly making it available to the organizational community—is at the heart of aligning people and strategies. It’s fundamentally an interpersonal process, because the word knowledge has huge meaning and meaning is a social phenomenon. Through conversation, we share and create meaning. We test it. We “create a shared context through a communication infrastructure.”

Technology has a new, enormous role in knowledge. But we must be careful not to use it just to create electronic versions of what we’ve done in the past regarding performance appraisals, pay decisions, information dissemination, and so forth. There are new possibilities, including the ability for us to make work far more flexible. We don’t need jobs to structure work. We can create menus of deliverables for the entire organization or value stream of a business. Those menus can reflect the most current assumptions about strategies, markets, industries, and environments. As the assumptions change, rather than create new job descriptions, we change the items on the menu, which we can use at any point in time to help design, allocate, and balance work; communicate about shifts.
in work and knowledge requirements; and develop instant work profiles for hiring. We can also use the items as the common language for linking people and projects.

Intranets and server-based systems provide the breakthrough infrastructure for menu-driven applications. That’s not a new idea, but the trick is to design menu-driven knowledge management systems in the spirit of personal portfolio management and partnership-oriented management. Many if not most systems out there reflect the secretive, boss-subordinate models of the past. Rather than add value for the new world of work, they prevent the knowledge transformation they appear to serve.

**Context-creating communication infrastructure.** Here, we have the heart of pull management and leadership. Pull approaches appeal to the most energy-creating aspects of people and attempt to create a context within which people want to perform and excel in ways that will optimize themselves and their businesses.

Pull approaches are used by high-performance companies (see www.strategyinaction.com). Pull approaches are often in Covey’s “important but not urgent” category. That means that we have to be committed to using them or else they’re crowded out by crises—the urgent things that may or may not be important.

**Short cut**
MIT’s Robert Fritz tells us that having a vision of what you want to create is the best way to motivate and focus action—what he calls “the path of least resistance.” The words vision and want are key. The biggest leadership challenge is to create those conditions through the following:
- continuous, dialogue-based communication about the big picture
- a required, dialogue-based way to turn context information into personal and team goals
- fear-free feedback, learning, trouble shooting, and innovation.

**Continuous communication.** There should be ongoing dialogue about the big picture, which is the projected reality of the challenges of the industry, markets, technologies, competition, and stakeholders. It’s the business strategy and the rationale for that strategy. The key to bringing the big picture to life—bringing strategy into action—is dialogue. It’s only through dialogue that people develop understanding and personalize information. It’s only through dialogue that people’s experience can be shared and which may change the strategies or perceptions of market conditions. Through dialogue, we create community and shared meaning— the heart of success in a knowledge world and the only real incentive to aligned action. Traditional methods assume that if management says it, presents it, puts it in the newsletter, and takes it on the road that action will occur. Anyone experienced in business knows better.

**Required, dialogue-based goal setting.** Goals are one of those not-so-popular issues in organizations. For one thing, people have different stances about goals.

Some people seldom accomplish what they set out to do, so goals are painful. For others, goals are a protection against flexible action. “That’s not what I agreed to,” they may say. Other people find it hard to see the value of goals in rapid time of change. Ironically, goals are more valued when things are changing rapidly because they give us a direction in stormy times, not because they must be preserved at all cost.

Goals are also important in complex times because as we join additional teams and conditions change, we have to make decisions about how to spend our time, which usually involves others. We need points of negotiation—**If I do that, then this will be affected and will affect you in this way. Let’s make some new agreements.**

It’s an interactive process: conversation and dialogue. Goals are more important than ever, but their role is changing. They’re no longer “gotchas” or fixed points of commitment. They’re points of community agreement and customer and co-worker agreements. They’re also swing points for changing direction, but with good cause.

Goals are counterpoints to the “important but not urgent” and “not important urgent” work that often monopolize a person’s day, day after day. Taken seriously, goals help ensure that important urgent work gets done and that people are accountable for such work in stormy times.

Companies need rigorous goal setting and goal management, but the mindset has to change. The view of goals as a bureaucratic exercise, fraught with paper, has to change. The view of goals as individual must shift to connecting people and commitments, linking everybody to the strategy, and accelerating it into action.

**Fear-free feedback, learning, trouble-shooting, and innovation.** Think about personal portfolio management. Think about everyone as a business in a business. Businesses and portfolios need feedback; the best are learning machines. Now, think about what feedback means to most people at work. It means exposure, evaluation, being better or worse than other people, career opportunities lost or gained, and pay and rewards.

We have a dilemma created by the emphasis on back-end management. It’s a dilemma created by boss-subordinate relationship structures. There’s always an element of the personal in any feedback about what people do, deliver, are.

Part of the solution is to redefine “performance problem.” When you’re in a stable, “follow the rules” environment, performance problem may mean project failure, cost overruns, project problems, and the like. When you’re in a rapidly changing environment with many uncertainties, failures, and overruns, there are consequences of innovative action, even of so-called prudent risks. In the new world of work, we must stimulate and encourage learning. The failure rate of most ideas is high. A failure is not a performance problem. A performance problem occurs when you don’t honor commitments, don’t renegotiate, don’t get help when you need it, cover up problems, or work as a lone ranger when you should collaborate.

Admittedly, the line is fuzzy. But the new world of work requires more consciousness and discernment, even as it ex-
pects rapid action. One solution is to stop the practice of boss as judge. A team leader or manager is really like a coach or homeroom coordinator. He or she can and must help interpret what happens, but the judgments must come from the people who receive the work. That’s the only way to bring customer focus into any business. As long as the boss is the judge, customers will never be the focal point.

So, part of the secret of fear-free feedback is to stop viewing failure and project problems as personal performance problems. Another part is to put the evaluation power into the hands of the receivers, not the hierarchy. The hierarchy is there to bring quality to the entire process of integrating people and strategy. It’s there to help develop the personal portfolio management concept and to nurture people so they can and will contribute at maximum. The hierarchy is there to ensure that the business has a great strategy, competitive processes, and so on. But for bringing strategy into action, the idea of feedback must change. That will happen only when people act like little businesses instead of pawns in a personally competitive game within a business.

Those are the concerns of a pull or front-end approach to managing a business. It takes discipline, but the rewards are tremendous. One of the greatest businesses in the world, General Electric Company, has valued disciplined and its own version of personal portfolio management for years. Companies that consistently score high in key financial and market performance areas are companies where people have clear goals that they’ve helped create.

**Architect of change**

The HR function is at a crossroads. It’s clear that the challenge is to become a business partner, but what’s not so clear is how. The HR function can be the architect of the changes described so far. Specifically, HR professionals, with their knowledge of people, organizational dynamics, learning, and (we hope) business and finance, can and must take these actions:

- Work with leaders to establish a participative, high-performance philosophy for the people part of the business.
- Put as much routine HR work as possible into electronic systems and service bureaus.
- Create a menu-based knowledge management structure based on a personal portfolio and partnership philosophy (that means more than automating people processes in a system that exudes boss-subordinate relationships).
- Eliminate many old mental models, such as the job as a permanent structure and management work as the only thing to consider in succession conversations. Future organizations will value many career clusters—a consequence of being in a knowledge world rather than an industrial production world. Performance management will no longer be something that managers control, and feedback won’t be a corrective device with zero sum implications (a few win, most lose).
- Help people make the transition from the old to new assumptions and skills. The boss-subordinate way of interacting has been around for a long time. The Soviet Union is a good example of what can happen to people when that’s bred into their psyche. Personal portfolio management and partnership relationships are actually the natural state of a healthy adult. Sadly, we’ve bred a different psychology into our institutions. HR people, with business leaders, must spend the next few years undoing the damage. We have to help people develop the confidence and courage to bring their best to the workplace. That’s an exciting challenge. It’s hoped that HR people and business leaders will do what’s necessary to take organizations beyond the plateau once and for all.

Here follows the biggest legacy opportunity for HR people:

- Provide simple tools to help people manage themselves and support others. The days of the three-ring binder of policies, procedures, and training are gone. Keep forms to a page or two and be sure they encourage inquiry, deep thought, and conversation.
- Be sure that people who lead others are capable of doing so. Too many people are promoted to influential positions and roles without having the competencies of new world of work leadership. Leadership isn’t something that the best salespeople, technicians, and idea people are qualified for. In fact, the things that make us great as individual contributors (such as our desire to achieve) can actually damage our ability to lead.

A partnership style of leading is not soft; it’s disciplined and skilled. It takes commitment, tenacity, an evolving knowledge of the business, and a willingness to work with people, processes, and horizontal relationships. It takes skills in dialogue, coaching rather than doing, and adapting to diversity. And it takes courage to stand for quality and high performance.

Management or formal leadership is a career choice. It’s a practice just as is being an engineer, a consultant, a product planner, a salesperson, or a procurement specialist. HR people won’t be able to move into the business partner role they aspire to if they don’t help leaders learn how to lead and help workers learn how to manage themselves.

It doesn’t matter whether a business is in a highly developed country or struggling in Eastern Europe or Africa. Every business is a global business. Every business is an Internet business. Every business is a de facto player in the new world of work. Yes, there are adjustments to make based on industry, workforce capacities, and markets. But the decision isn’t whether to enter the new world of work. Every company, in every nation faces the challenge to create a personal portfolio philosophy and partnership style of operating. In some ways, that’s more difficult in more developed, intellectually complex nations and businesses. Their success makes fundamental change difficult.

But no matter where a business is, the challenge of accelerating strategy into action looms large. The world is homogenizing and opening to diversity. Management structures have to have both of those features for the future.

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