

# Why a Competitive People Strategy matters

## Introduction

Most businesses are struggling to succeed as their market and industry is disrupted by technology. One reason for this is very few people, deep within businesses, know how what they do every day has an impact on business success. A closer look reveals that most business plans are a mixed bag of tactics that individually might make sense but collectively don't add up to a unified, clear strategy that differentiates the business from its competitors. Most organizations start their strategic analysis by looking at themselves and how they are positioned against their direct competitors. The mindset of many business leaders, often incentivized by share and bonus schemes, is to focus on short-term performance improvement rather than developing a long-term competitive strategy. This mindset often leads to a zero-sum game with short-term tactical developments including cost reduction rather than seeking ways to add more value to current and potential customers.

## The world is changing

In the early part of the 21st century it's clear that new industries, products and markets are being created more rapidly than ever before. This innovation is predominantly being driven by new technologies

and business models. As Kim and Mauborge explained in their book *Blue Ocean Strategy*, ‘If you find yourself in an ocean of bloody competition with lots of similar competitors all competing on price, you need to extract your business from the combat, so compromise is no longer necessary’ (Kim and Mauborge, 2004). Instead of a red ocean filled with competitors thrashing about in bloody combat they imagined a blue ocean with unlimited demand and high profit. This requires clear choices and trade-offs to be made so you find competitive space where few others are present, and can make healthy returns. This requires more analysis and thinking about where and how the business should compete.

### Customers

To find a unique competitive space or a blue ocean you must start with the customer. The term ‘value creation or proposition’ is over-used but the business that can create huge leaps in value for their customers will always be long-term winners.

If your company lacks a clear, coherent value proposition, it won’t be focused, its cost structure will tend to be high and its operating model complex. If it can’t differentiate its offering from its competitors, and is pursuing a ‘me too’ strategy, it will find itself in a price war rather than in a competition based on value. When a company isn’t listening to its customers, it is likely to be too internally focused with an agenda dominated by incremental internal change. Fast growth companies are often real value innovators where they have spotted latent customer demand and positioned their organization to service this demand. If they aren’t providing distinctive customer value, they may just be benefiting from being in a fast-growth industry.

### Putting the customer first

Often leaders are told to be brave, entrepreneurial and risk-takers. These all have their place, but data analysis and deep customer insight

are proven to help you make better strategic decisions. Looking for customers with un-serviced needs that they didn't even know they had, where a different value proposition meets their requirements, is a winning strategy. Think Apple. They have created a vast array of products that customers didn't even know they wanted until they saw and used them. The iPod, iPad and iWatch. This wasn't about more market research; consumers often have little idea of what a new product or service could do for them until it is in front of their eyes. What tomorrow's big winners are doing is looking to develop a product or service that meets untapped demand. One interesting starting point when seeking to think differently about customers is to define who *won't* be the customers for your offering. As Nordstrom and Ridderstråle said in their book *Funky Business*, 'capitalism is simply about creating a temporary monopoly' (Nordstrom and Ridderstråle, 2007). Think Apple's iPad or IKEA. Many competitors have sought to copy or imitate them, but in both cases the innovator has continued to dominate their market.

### The link between customers and a Competitive People Strategy (measurement)

These two audiences (customers and employees) are very rarely talked about together, but in reality they should be looked as two sides of the same coin. Businesses are becoming more focused on the wants and needs of customers and potential customers. This is creating whole-sale disruption. Let's look at Amazon and how they have disrupted traditional retail or how the internet enabled Apple and Spotify to transform the music industry. Organizations are innovating and seeking to meet customer demands in new ways. Amazon has created a new retail experience where customers order online and get products delivered to their door the next day. In the music industry we can now purchase any piece of music in 30 seconds from our phone; there is no need to visit a shop or wait at home for a CD to arrive.

So a critical starting point of any Competitive People Strategy is to ensure the business has people who can spot potential customer demand

and design new ways of meeting that demand. A commonly held view is that it is entrepreneurs who spot opportunities to exploit. However, in the case of Amazon with Prime, and Apple with iTunes, these were already large established businesses that had no track record in these sectors. Their people identified the opportunity and created a strategy to meet this new demand. This type of disruptive innovation is becoming commonplace. So, an early question when developing your Competitive People Strategy is, do you have a culture, and do you have leaders who ask the right strategic questions of the organization's people? Great ideas don't just belong to leaders. Second, can you bring together teams of talented people to explore and answer the questions about your customer and market opportunities?

Another important part of a Competitive People Strategy is the ongoing feedback process from your customers. It doesn't matter if you measure net promoter score (NPS) or customer satisfaction; it's the direct relationship with your people metrics that is critical. In any service or business-to-consumer organization the ability to deliver great customer service that exceeds the customer's expectation will consistently deliver superior financial results. Many service organizations are rightly obsessed with measuring customer feedback and satisfaction. The use of net promoter scores is providing customer data and insight directly, so your people can see the impact providing a superior customer experience has on how much and how often the customer spends. The evidence is very clear that by measuring and improving your people's engagement, you can make a significant and very positive impact on client and customer satisfaction. The work of Kaplan and Norton on Strategy Maps and the Balanced Scorecard shows the causal correlation between improvements in employee satisfaction and increases in customer loyalty and spend (Kaplan and Norton, 2001). This type of approach also works in non-consumer-facing sectors such as business-to-business, manufacturing and agriculture. It takes longer for the data to feed through, but the causal relationship still works. Therefore, getting your people fully engaged, trained and motivated has a direct impact on business performance, notably on revenue growth and, more importantly, on increased profitability.

## Purpose and meaning

A business should be clear about who its customers are and what product or service it is going to provide to them. This business strategy should have a narrative that will explain to shareholders, markets and other stakeholders about how the organization will compete. However, to inspire and engage its people, an essential element of any Competitive People Strategy is a narrative or compelling vision for its people. This vision will create a higher purpose; why we are doing this and why it's important. It won't say 'we are here to deliver superior financial returns for the shareholder.' It will create a sense of purpose for its people, so they know that what they do is important, and why it matters.

I recently worked with a healthcare recruitment business that provide services in the NHS. They were clearly a market leader with fantastic results year after year. They created a focus and a narrative that their customers, candidates and staff bought into. They explained their reason for being as 'helping the NHS save patients' lives'. They described their mission as ensuring the NHS has the right staff at the right time so that if your daughter needs an important operation, your father is admitted to hospital or your partner requires some urgent tests, the NHS has well-qualified, professional staff ready to provide the patient with the medical treatment they need. They went on to say, 'We help the NHS have good-quality, qualified staff at the right time, so patients are put first, operations aren't cancelled, A&E is kept open and tests are always available.' This is a great example of a purpose well described; a narrative that explains why they provide their service rather than just what they do and how they do it. This purpose connects to people's emotions and it places real importance on what their recruiters do each day. The business results of this healthcare recruiter were consistently the best in the industry. They retained great nurses and doctors who chose to only work via this organization. They retain great staff and the NHS Trusts that they work with love them because they show they care about what they do. The by-product of creating a motivating purpose is that staff give discretionary effort. This in turn leads to market leading financial performance that enables the business to keep investing in their people; a virtuous circle.

Jack de Peters, the CEO of Wegmans in the USA, who have consistently been in the top five of the best companies to work for in the USA, said, ‘our employees are empowered by our vision to give their best by not letting any customer leave unhappy. We also use our vision to help us make critical decisions and to do the right thing by our people’ (Bock, 2016). Therefore, an organization with a Competitive People Strategy has a vision that creates purpose and meaning for the people who work there.

## Culture

Any Competitive People Strategy will seek to build competitive advantage through its culture. Culture is ‘the way we behave around here’. It’s an organization’s DNA. Ed Schein, Professor Emeritus of MIT School of Management, said, ‘a group’s culture can be looked at in three ways’ (Schein, 2010); by looking at its artefacts such as physical space and behaviours; by surveying the beliefs and values espoused; or by digging deeper into the underlying assumptions behind these values. However, most think about strong successful cultures based on how employees behave on a day-to-day basis because it’s visible – it’s the easiest thing to observe. Nevertheless, values are important and the assumptions underneath the values matter even more. An organization’s culture brings alive its purpose. If the purpose is ‘why we do what we do?’, the culture describes how we work together to deliver the purpose. This could be considered as a bit soft and fluffy, but the data shows that strong cultures aligned to a well-defined purpose are far more productive and have better performance as they utilize all their people’s skills and capabilities. If people care and believe in what they are doing, they feel it is important, they simply work harder and seek to improve consistently.

Whenever you look at a business that produces great financial results over a long period of time, you will often see a culture that enables them to attract, engage and retain the people they need to be consistently better than their competitors. Culture is the bedrock of an effective Competitive People Strategy.

## Teams

In most organizations, teams are becoming ever more important. A Deloitte article in 2016 stated that ‘businesses are reinventing themselves to operate as networks of teams to keep pace with the challenges of a fluid, unpredictable world’ (McDowell *et al*, 2016). It is also important to recognize that the majority of work gets completed within teams as organizations seek to become both more effective and agile. Sometimes teams are formed to deliver a specific outcome and are then dispersed. It’s obvious when looking at how work is currently being organized that more activity is undertaken as projects. It is not uncommon for people to operate in three to four teams at any one time. However, the reason teamwork is addressed in this book is that little time, resource or development is dedicated to helping teams maximize their performance. This is an omission that, if addressed, could help business become more successful, deliver more value and reinforce the organization’s culture.

Great teamwork enhances the performance of any organization. In the context of change and disruption it is increasingly difficult for one person (no matter how brilliant or senior) to have the answers to all the organizations problems and dilemmas. Teams by their very nature are made up of different people with different personalities, views, opinion and perspectives. This diversity helps devise and deliver solutions and enables progress and improvement to take place. Teams also facilitate learning and development. Team development and effectiveness are underused tools in most people strategies. The focus tends to be on the organization and individuals. However, a deep focus on improving your team’s performance is a great opportunity to be better than your competitors.

## Leadership

Getting people who have the ability to inspire and engage other people is the core building block of a Competitive People Strategy. Each element of a Competitive People Strategy reinforces the others.

It's an integrated set of interventions that enables businesses to compete. It's not one silver bullet. All the elements need to be deployed in a coherent, systematic and supportive manner for the benefits to be realized. Leaders have a huge impact on organizational, team and individuals' performance. The leadership model we describe later in the book shows how people-centric leaders create a positive work environment. They focus on what creates value for their customer; their people. They, like their peers, will have technical and business skills but, on top of this, they realize that their ability to inspire and motivate others is the key to unleashing their organization's ability to be the best it can. Leaders paint a picture of the future, creating a clear purpose, providing high-quality feedback and acting as a coach and people developer themselves. The organization consistently reinforces that its leaders are accountable for their own, and their team's, performance in a way that nurtures and grows skill and talent.

Followers have very simple expectations of their leaders; they should show they care about their people and that they are open and honest. They also want them to be good communicators and to be able, when needed, to make tough calls and decisions.

Good leaders, according to Jim Collins in his book *Great by Choice* (Collins and Hansen, 2011), figure out what worked and why. They look for data and evidence of what delivers great performance. They are rigorous and disciplined while also being very empathetic. The big question for organizations, and why leadership is one of the six building blocks of a Competitive People Strategy, is how do you attract, and more importantly develop, great people leaders?

If you can systematically build great leadership, you will create empowered, motivated and engaged teams and people.

### Employee engagement and experience

Getting people to feel fully engaged in their work is important because the data is very clear – the more engaged a person is the better their



performance and productivity. The idea that we can motivate people using a carrot and stick approach has proven to be out-dated thinking. There are three fundamental approaches to motivating people at work. You should create autonomy, mastery and purpose. Daniel Pink, in his book *Drive* (2009), proved that organizations that allowed people autonomy to take control of their own work and take decisions about how to get the job done felt accountable, responsible and trusted. Mastery is based on the human desire to keep improving or get better at something. Jobs that allow people to grow and learn improve how people feel about their organization and their job. The third element of improving employee engagement was mentioned earlier in this chapter – purpose, or the sense that people are contributing to something that is meaningful beyond themselves. People want to feel that their work is making a difference or an impact in the world. Engage for Success, the not-for-profit organization leading on employee engagement in the UK, says that only 30 per cent of people are fully engaged at work. If your people strategy can deliver purpose, mastery and autonomy for your people, performance will radically improve as engagement increases. There is a huge opportunity to improve organizational performance.

Another area of focus within your people strategy would be to regularly measure your people's employee experience. This is different from engagement, which is best described as the overall feeling employees have about the organization. The employee experience is a more granular measure of your people's view on everything they experience: technology, work environment, leadership, their manager and HR practices. This enables the organization to get regular data about how the Competitive People Strategy is being executed. Is it leading to an improved employee experience? Getting data on this at regular intervals and at a local level allows you to look for areas of success, so you can learn from them and focus your attention on parts of the organization where an intervention may be necessary. It provides a constant barometer, so you can gauge what's working and what isn't; it's an effective feedback loop.

## HR's role

The development of a Competitive People Strategy is not natural territory for most HR functions. However, it provides HR with a once-in-a-lifetime opportunity to move away from being a support function to becoming a creator of value and driver of business success. The majority of time and energy within most HR functions is spent on three things. First, they focus on HR deliverables. They pay people, recruit staff and train people. Second, they create policies or rules for the organization to live by. Third, they ensure compliance to their people policies through procedures and ways of working. This approach to people, while well meaning, is based on two core assumptions. The first is that we need to be explicit about everything to do with people or our managers just won't do it properly. In fact, they will be non-compliant. The second, even more worrying, approach is that we treat managers and staff as being unable to do the right thing unless they are policed. This adult-child approach creates dependence, a lack of confidence and a permission-based culture. This will make the business compliant with employment law and avoid any risk, but it is likely to stifle creativity and innovation, and it certainly won't make the organization a good place to work. Is the HR function the right function to develop and lead a Competitive People Strategy? This is open to debate. The function needs a significant mindset and capability shift if it's going to take on this critical organizational role.

The HR function must move from a defensive, 'let's do good practice or the same as everybody else' approach focused on compliance, policies and procedures, to an offensive or competitive mindset, one focused on 'how do we create more value for customers by encouraging, motivating and inspiring our people to give their best?' This means seeking to work at an organizational level on purpose, culture and leadership development and seeking to define measurable improvements in employee engagement and experience to see if the people strategy is being deployed effectively on the ground.

This is a huge opportunity for the people profession but one also fraught with risk because unless HR can demonstrate their ability to

lead the work on the Competitive People Strategy they will be consigned to the delivery of transactional people activity while others such as Strategy or Transformation directors take on this critical role. We are at a tipping point. Can HR up its game and step into its new world? Many have their doubts, but this is a once in a generation opportunity.

In conclusion, businesses are operating in a world that is changing faster than ever before, driven by technology (artificial intelligence (AI), machine learning, the internet of things (IOT) and three-dimensional (3D) printing). Having a strategy of differentiation is becoming more important because a 'me too' organization is fast becoming unsustainable as customers' expectations rise. However, the organizations who look for competitive space by focusing on a unique Customer Value Proposition will be tomorrows winners. To be able to execute their strategy, the winners will also have to deploy a Competitive People Strategy. This is a well thought out approach to all the elements of purpose and culture, leadership, talent, measurement, engagement, great people managers and the ability to lead change and transformation. Those that grasp the opportunity will be hard to compete against as the implementation of a Competitive People Strategy takes time to get right. The people advantage secured is also very difficult to imitate or replicate. A Competitive People Strategy takes time to mature, but if done well it provides long-lasting, competitive advantage.

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