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Purpose: the human face of strategy
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Purpose: The Human Face of Strategy

In the knowledge economy, strategic intent is too narrow; strategic vision too vague. The ideal is for top management to articulate and support a softened strategic focus – purpose

The model upon which Western business thinking has been based for most of this century – strategy, the structure designed to deliver it and the systems that support the structure – is no longer appropriate. In this traditional framework people are as replaceable as machines and their individuality can be minimised. But as competition becomes truly international, as company boundaries blur, and expertise is recognised as a valuable resource, the strategy-structure-systems model appears static and mechanistic. It needs to be replaced with one that is in touch with today's highly complex business environment – a model based on purpose-process-people.

So argue Christopher Bartlett and Sumantra Ghoshal in their *Harvard Business Review* article "Changing the Role of Top Management. Beyond Strategy to Purpose". Christopher Bartlett is Professor of Business Administration at Harvard Business School and is an expert on multinational corporations. Sumantra Ghoshal is the Robert P. Bauman Professor of Strategic Leadership at London Business School and is a consultant for several US and European companies. Together they conducted a five year research programme into 20 thriving European, US and Japanese corporations.

A Sense of Purpose

The authors conclude from their research that in order to compete in our post-industrial information age, companies need to ensure that employees deliver "consistently superior performance". And in order for employees to give of their best for the company, they must feel recognised as a valuable resource. They need to feel motivated, involved and proud of what they achieve. The traditional approaches to strategy (outlined over pages 18-25) cannot achieve this sense of involvement because they minimise the importance of human behaviours and know-how as a resource. The key role of top management, therefore, say the authors, is to articulate in human terms, rather than in terms of neutral,

"safe" figures, what the organisation's goals and ambitions are. This is what the authors define as corporate purpose.

Who Determines Direction?

The structure of organisations has become more and more complex and technologies demand more and more expertise. Frontline managers are increasingly the people who are in touch with operational reality and developments in the market. The authors argue that in large corporations, therefore, it is no longer appropriate for the top executives to be the only ones to determine strategy.

They cite the example of Intel. CEO Andy Grove and his top managers decided that the company's strategy should be to become a major player in both memory chips and microprocessors. But it took them two years to catch up with the fact that, in the increasingly competitive computer industry, this was no longer feasible. Meanwhile, however, the various project leaders, plant supervisors and marketing managers, aware of the direction the market was moving in, were allocating resources away from memory chips and into microprocessors. They were, as Andy Grove puts it, "formulating strategy with their fingertips". "Our most significant strategic decision was made not in response to some clear-sighted corporate vision but by the marketing and investment decisions of frontline managers who really knew what was going on."

From Company Purpose to Individual Purpose

It is in this context, the authors argue, that top management needs to look further than the traditional view of strategy and engage the hearts and minds of their staff to work towards corporate purpose. In the past senior managers allocated resources and assigned responsibilities, urging commitment and arguing their point through logic and analyses. But such a clinical approach, the authors believe, does not generate the level of loyalty, energy and imagination required for

staff to give of their best. Employees need what the authors call a "strong emotional link" with the organisation. But how to forge that link? Employees need to feel their own sense of purpose – at a personal as well as organisational level. The authors believe this is achieved by top management converting company objectives into individual and personal ambitions for their staff – by formulating an objective that is neither so narrowly focused as to become constraining nor so broad as to be what Andy Grove calls meaningless "pap". The authors say that it needs to be presented as "ambition, clearly articulated and well defined", but expressed in such a way that it gives each individual "the freedom to interpret the company's broad objectives creatively".

The authors argue that converting company objectives into individual and personal ambitions can be done in three stages:

- First attract employees' attention. The top team should find a form of words that expresses in essentially human terms how they see their ambitions for the company. The authors illustrate this with the example of US telecommunications company AT&T. Rather than stating the corporate objective as "loading more traffic onto the existing telecommunications network and developing products to meet the needs of an emerging infocom business", the CEO shifted the perspective and couched his goals in a way that drew attention to the customers rather than the technology: AT&T was to become "the world's best at bringing people together – giving them easy access to each other and to the information and services they want and need – anytime, anywhere."
- Second involve employees in the process of defining purpose. The authors point out that AT&T's "anytime, anywhere" was deliberately loose to lend itself to interpretation and refinement by managers on the front line. Such managers should be

Komatsu From Strategic Intent to Purpose

Komatsu's strategic intent of catching up with Caterpillar (described on page 31) had been successful for over 20 years. But by the time Tetsuya Katada took over as president of the company in 1989, not only were other competitors catching up but demand for heavy construction equipment was down – as were Komatsu's profits. Katada believed that Komatsu's narrowly defined strategic intent was so focused that it had severely curtailed its strategic choices. The company had stopped questioning what business it saw itself in. Instead of noticing that there was a growing demand for smaller, less expensive machinery, Komatsu was suffering from tunnel vision. All the company's energies were still

directed towards the same market that Caterpillar was in. Katada was also aware that the directive top-down management style of the previous 20 years had killed off any creative initiative amongst frontline managers.

Katada decided a change of approach was required. Komatsu was to stop concentrating on what Caterpillar was doing and was to look out for opportunities for innovation and growth. Managers at several levels were invited to attend meetings out of which came a redefining of Komatsu's core competences. They began to talk about the company as a "total technology enterprise". They began to believe that Komatsu could make the

most of its existing resources and the know-how of its people in the field of electronics, robotics and plastics.

The new sense of purpose, in which everyone felt they had a voice, was embodied in the three Gs – "Growth, Global, Groupwide". Tetsuya Katada believed that it was precisely the somewhat abstract nature of the slogan that prompted people to think about what they might do to create opportunities for innovation. And after seven or eight years of decline, sales picked up, largely as a result of a 40% growth in the non-construction side of Komatsu's business – the reward for Komatsu's renewed sense of purpose.

included in discussions about what the broad statement might mean for them operationally. Discussions should be conducted in a way that widens horizons and frees up imagination so that managers can re-examine what business the organisation sees itself in and what its core competences are (see the example of Komatsu above).

- Third the people at the top need to generate and then sustain commitment to these redefined corporate ambitions. Cynicism is quick to assert itself so statements need to be backed up by action. For example, Jamie Houghton, then CEO of US hi-tech glass maker Corning, whose stated purpose was to aim for "world-class quality", consciously appointed a particularly respected senior manager to lead the project then visibly allocated huge resources to establish a full-scale programme of training and development.

Purpose and Values

Bartlett and Ghoshal believe that "if people are to put out the extraordinary effort required to realize company targets, they must be able to identify with them." They quote Goran Lindahl, one of ABB's executive vice-presidents, who said: "Managers are loyal not to a particular boss or even to a company but to a set of values they believe in and find satisfying." They propose steps that senior managers can take to give their people the sense of fulfilment and belonging at work necessary for them to give of their best:

- recognise the individual achievements of staff. This recognition must be genuine – people are very quick to spot empty gestures, say the authors
- foster a learning environment in which knowledge is shared and ideas treated with respect
- encourage employee training and development.

Corporate purpose, say the authors, needs to be backed up by a suitable and appropriate culture so that the working environment allows people to take advantage of the initiatives offered to them. Organisations need to attract people who identify with the values of the company, *whatever* those values happen to be: environmental responsibility (The Body Shop), having fun while aiming to provide excellent service (Southwest Airlines) or, like Lincoln Electric (who at the time had the most productive workforce in the electrical goods industry in the States), a belief in meritocracy and rewards for results. And if those values need realigning in order to provide the sort of supporting environment necessary to achieve the stated corporate purpose, then that again is part of senior management's role. Purpose, not strategy, is the way to tap into the imagination and energy necessary to achieve competitive advantage ■

REFERENCE: Christopher A. Bartlett and Sumantra Ghoshal, "Changing the Role of Top Management: Beyond Strategy to Purpose",

Harvard Business Review, Nov-Dec 1994 (Reprint 94601). This article was the first in a series of three by the authors, published in HBR under the series title "Changing the Role of Top Management".

COMMENT

This approach thrusts strategy making down into the organisation. The task at the top is to articulate a "soft strategic focus", relying on everyone else to define it for themselves. It is therefore the very antithesis of the idea that a full, explicit strategy is formulated at the top and then handed down to be implemented precisely. It is much closer to what Quinn means by "logical incrementalism" (see pages 26-27). Bartlett and Ghoshal are reflecting today's greater emphasis on learning, managing knowledge and forming new compacts with employees accordingly (see *The Antidote* Issues 10, 11 and 14).

The greatest barrier will, as always, be the human instinct of top managers to try to retain hands-on control. The moral of the continuing story of Komatsu is salutary.

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