

Optimizing Human Resource Management within Companies Experiencing Accelerated Growth, in an Unstable Economy

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Abstract. *Nowadays the economy finds itself in a flurry of visions and of evolving conceptual instability. This framework carries exogenous pressures over companies and, mostly, over the individuals who form the working engine of the enterprise. If these pressures are not eased by the internal decision-making factors (the company's top management, mainly), they will escalate and if the top management doesn't find itself in accordance with the company's vision, its mission and the economic forecast then external pressures may become exponential internal pressures which lead to the destruction of the company which finds itself at the cross-point of the pressures.*

This paper presents a 360 degrees type of vision over all the factors making up the working and productivity ecosystem of a company and over the interactions between the human resource and technological evolution, the working perspective of the irrational and the bidirectional hierarchical relationships. We also try to define some of the possible standard traps which may influence short-term productivity and the company's medium and long term existence.

Keywords: human resource management, irrational perspective, technological perspective, productivity, feedback.

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The perspective of the irrational in human resource management

The vision of the irrational over executive top management decisions on human resource is discussed in the first part of this paper. Considering the features of today's economy, there is a need for a real time response in solving any arising situation.

According to Dan Ariely (2010) the situation can be viewed as a football match in which the person responsible for making decisions has the ball and is in a strategizing position, closes their eyes, kicks and then looks: where will the ball go? If this procedure is followed for a thousand times, all solutions will be experienced, from the place of the kick to the end-destination (Sibony, 2011). In these conditions it is intuition who meets experience and the feedback becomes clear, thus we can consider that we are faced with a validation system for the requirements created for the recruiting of human resource within companies with accelerated growth.

Returning to our experiment, we can also highlight the idea of continuous learning: if, before opening the eyes, someone else would happen to catch the ball mid-flight and deflect its trajectory by 15 meters to either right or left. Within the initial decision-making factor this is where prediction intervenes, because it has to establish the end result, meaning that guaranteed performance becomes unclear following exogenous pressures (Ariely, 2010). We can use the other competing players on the field as an example of exogenous factors, as well as the weather and everything else which cannot be controlled through an internal hierarchy. This fact underlines the idea of experimentation with the working tools of human resource management and with the working strategy of corporate governance. Through experimentation new scenarios can be created to describe the character of employees in the long term and for their management by human resource departments (Torrington et al., 2011).

As an addition, we can fit into Dan Ariely's view a game based on trust, in which there are two players, A and B. A receives a stimulus of 100 dollars, with which he can do two things: take the money and go or give it to B. If the money are given to B, they will quadruple on the way and B receives 400 dollars. In his turn, B can give A 200 dollars or go home with all 400 dollars. If someone were put in A's situation and would consider B to be completely rational, then A wouldn't give up his first 100 dollars. The majority however passes the money onwards to B, while most of the ones receiving it return 200 dollars to A, meaning that the majority of the population involved in economic activities relies on irrational principles (Ariely, 2008). Trust represents a pillar of society, and when applied to human resources it is part of a company's road to success.

The reverse situation in this game is where A offers the 100 dollars to B, and B leaves with the money; consequently A receives an offer of paying for revenge – for each dollar out of his pocket, two dollars will be taken off B. Two internal instincts form at this point: trust and revenge, each being irrational. History has taught us, though, that these two support the advancement of business, society and mankind. Out of these results we need to create an internal environment for a company which would prove attractive to the human capital it owns and for the one it wishes to attract. For example, what if someone would live in a city populated by perfectly rational people, where each individual calculates their costs, benefits and manner of achieving them (Ariely, 2008). How much would perfectly rational people steal? Present day businesses which are not based in industries with exponential growth need to understand the irrationality of the ecosystem which creates their revenue, from clients to employees.

Motivation is an important factor which needs to be enhanced by human resource departments, as a proactive element in maintaining the human capital at maximum productivity. Money is important, but competition and self-accomplishment are elements which enhance the internal productivity of a company through the accelerated implication of human capital (Sibony, 2011). The productivity of human capital decreases in an accelerated way when a company finds itself in the budget-restructuring process and project cancelations, or on the brink of a merger or an acquisition, because the pressure of uncertainty reduces focus and increases the things employees complain about. In order to maintain a healthy climate with an elevated productivity they must be “empowered” by being given the chance of making themselves heard within the company and by being offered horizontal stimulants (improved image and internal recognition of ingenuity). Another way for de-stressing employees at times of incertitude is the implementation of new means of internal communication, with the goal of increasing employee connectivity and to reduce the anxiety caused by internal incertitude.

Among various solutions used by human resource departments in order to maintain a productive climate there may appear situations which create certain conflicts of interest. If someone would put themselves in the shoes of a Wall Street banker who could earn 5 million dollars per year from selling mortgage CDSs as medium-risk products, they would no longer look at the banker’s position objectively – but would rationally argue that even though the products are not good, sustaining their benefits leads to a consistent annual gain, offering practically a new and unreal dimension to the situation (Sibony, 2011). The more complex and hard to stabilize are the working equation and its parameters, the more inconclusive becomes the problem, while the conflict of interest

cannot be observed even though it exists. As an example we can mention a situation encountered by Dan Ariely at a medical conference: he observed that, taken individually, each medic would claim to have never been faced with a conflict of interest; but the whole 2000 of them, when asked whether they think that the other members present have ever been involved in a conflict of interest replied that they all have, at least once (Sibony, 2011).

People who start from entry level positions before reaching the top, being successful on all levels, tend to function contrary to the standard working norms. The time-span between the entry level and the insuring of a top management position is directly related to self-confidence, but this confidence makes them act differently in situations which demand important decisions, the irrational being practically enhanced by the level of complexity in the decision.

The technical-evolutionist perspective on human resource management

Information technology is at its culmination point and experiences an exponential growth. To this it is added the intuition gained by the human resource working in development and forecasting departments within companies undergoing accelerated growth. But the possibility for forecasting the future is linear, not exponential. The human race is based on a system of evolution from 1 to n , going through each stage: 1, 2, 3, ..., $n-2$, $n-1$, n . But reality underlines the fact that information technology, such as computers and biomedical technologies grow exponentially: 2, 4, 8, 16 ... reaching 1 billion after only 30 stages.

Ray Kurzweil is one of the foremost futurologists in academia and one of the main exponents of biomedical technology development in the USA under all the presidents starting with Bill Clinton and also in Israel, working on renewable energy since 2008 (Foyen, 2011). Back when he was a student at the Massachusetts Institute of Technology (MIT), in 1986, the cost of one computer was approximately 20 million dollars, while today the same processing power multiplied by a thousand times can be found in an iPhone 4s mobile phone, for a price which is 40000 times cheaper, which gives an increase in processing power by a factor of 40 million per dollar spent. There is a big chance that the next 25 years will witness the same exponential growth, compared to today's technology.

This increase does not apply only to gadgets, but to any device which uses processing power. By the year 2029 the hardware replicating the complete logical system of the human brain, should be complete. The software component, the necessary intelligence for the functioning of the brain will rise exponentially until that moment, not only as an execution process but also as an

element for the evaluation of the processes initiated and executed by the brain, thus benefiting from an exponential process with accelerated growth in both areas (software and hardware). This double development leads to the possibility for the creation of the virtualized human brain. According to Ray Kurzweil, by the year 2045 global intelligence will grow exponentially by a factor of 1 billion compared to the present (Kurzweil, 2011). Biological intelligence is impressive, but physically limited, unable to experience accelerated growth; but non-biological intelligence will see exponential increases.

The fusion between biological and artificial intelligence has already begun, a smartphone being the first step towards this vision, followed by those who already have computers implanted in their bodies or their brains. There is the artificial pancreas which simulates to perfection the functions of the real organ. The human genome project is also an example of an exponential project: it was considered impossible because even though it had been planned as a 15-year-long implementation, after seven and a half years it had reached only 1% completion. Thanks to the system of exponential growth, there are only 7 stages between 1% and 100%, as opposed to the classical 100 stages. Starting with the 8th year there was an annual doubling of the rhythm, the project being completed 7 years later (Kurzweil, 2011).

Coming back to accelerated growth, we encounter two business models which see implementation in companies in need of future developed technologies, relying on an exponential rhythm of growth over two, three years or only after six months.

The companies which experience accelerated growth rely on coming across future performing human resource which would utilize processes belonging to future technologies and which will employ working methods thus conceived to require certain qualities from their employees (Foyen, 2011). However, future the planning done inside companies ignores disruptive technologies, such as the social networks which people did not use 5 years ago, or wiki pages and blogs. The world is constantly changing, but compared to five years ago the change is ever more accelerated. No one can produce accurate forecasts of what may be created or could happen in the near future, but it is certain that communication technology will radically affect globalization, with such a profound change that communications will see an unprecedented development.

New future communication technologies are under the oligopoly of certain global producers, but this fact does not mean that the small or large businesses can't create a communicational environment, with employees open to cooperation and collaboration, an entrepreneurial environment through which

they may replicate the progress of those finding themselves in the competitive-advantage stage of company development – with an advantage created through human resource (Foyen, 2011). New companies which create disruptive growth, such as Google or Facebook are pioneers of new industries. This does not mean that older, established industries are exempt from making disruptive leaps. Companies such as IBM manage to reinvent themselves through the quality of their hired personnel and through new strategies aimed at creating new markets and new products, at the same time mitigating the new risk inside the company at large.

The internal development of an employee demands constant feedback

As an employee develops professionally and gains experience in the workplace, he undergoes coaching and mentoring programs which monitor his progress and provide the critique and feedback necessary for development and for maintaining and ascendant career trend (Sutton, 2010a). When the employee reaches a top management position or even that of a CEO, the majority of his colleagues are, in fact, his subordinates. Even though he is being supervised by a board of directors, this is only done in general guidelines, the vision over his performance is achieved through the perspective offered by the reports put in by the subordinate colleagues.

The more they advance in their career, the less coaching they receive and the general guidelines on their performance become sparse. They come to be isolated from constructive criticism because subordinates seek to avoid having problems with the executive management, shunning prompt feedback (Sutton, 2010b). In the organizations experiencing accelerated growth the top management is searching for economic efficiency, but from the point of view of optimizing the working system of the employees, while the offered feedback must refer to other components also, which may reduce the general efficiency of the system.

The most frequent criticism is found in the end-of-year reports and it addresses the top management's style of leadership, communication and interpersonal aptitudes. There is criticism of the top management's and of the CEO's strategy, tactical decisions and operational priorities. This criticism can touch on the style of business created by the employee and thus may be unconsciously rejected, therefore creating a need for an objective appraisal of the subjective feedback on both sides.

The accelerated-growth business – the coaching school of human resource

Executives in accelerated-growth companies are helped not by coaches but by the mentors who are found on the board of directors or outside the company. These mentors do not directly supervise the executive manager but only provide guidance following the latest reports about him (from the mass-media, from internal and external reports), so they cannot provide a 360 degrees view to cover all the blind spots in the business efficiency of the top manager (Sutton, 2010a).

A particular case is the study of accelerated-growth companies in the pharmaceutical industry. One case study from Harvard Business School depicts the situation of a pharmaceutical industry CEO who at one point was facing difficulties with the decision-making process in the board of directors (Amabile, Kramer, 2011a), from decisions on drug testing to the setting up of drug tests (in a joint venture or in-house). Certain decisions are made according to the approach chosen, either by the European Commission or by the Food and Drug Administration. The CEO is routinely tasked with achieving consensus in between the company's departments on issues of development and implementation.

One of the mistakes a CEO makes is not accepting coaching advice from subordinates, because he sees himself as their coach, not the other way around. This managerial issue is inherited from the past when those who sought decision-making advice were seen as poor leaders and this was considered an unbecoming conduct for either side (Amabile, Kramer, 2012).

Over-involved top management, the killer of creativity and of productivity

Leaders or executive managers have the habit of undermining creativity, productivity and group cohesion by inhibiting the creative drive of employees in entry level and middle management positions (Amabile, Kramer, 2012).

A top executive's perspective over his own position is that its main goal is to forge the strategy as a competitive advantage, undermining the second task, that of helping to foster the progress of the people working for the organization and who are the de facto agents for the implementation of the strategy created by the top executives (Agrawal et al., 2010, pp. 378-389). A multi-year project published in 2011 by Harvard Business Review shows that the main motivator of people working in dynamic organizations is the progress achieved on meaningful projects (Amabile, Kramer, 2011b, pp. 70-80).

Another relevant aspect is that of the small successes won by middle and entry level employees, insuring a steady flux of emotions, motivations and perceptions which shape a person's reactions in the workplace. Life at the place

of work influences not only the wealth of employees but their life in general. People are more creative and more productive if they are pleased with themselves.

A recently published research by Harvard Business Review highlighted the fact that the managers on all hierarchic levels within companies undermine the vision of their immediate subordinates through their ideas and daily actions, by killing creative ideas and group spirit - through the continuous shifting of employees between projects before they are completed, thus removing the pleasure of seeing their work finalized (Amabile, Kramer, 2011a).

At the executive level (C-level suite or seigniorage), managers exert a “butterfly effect” over the entire company because they hold little opportunities of instilling their vision directly and any action they take initiates a top-down change in behavior over the other members of the organization (Amabile, Kramer, 2011b, pp. 70-80). In order to understand the role held by the executive level, the McKinsey company did a study of 12000 emails of seven North American companies, out of which they extracted 868 elements coming from the executive managers.

The qualitative analysis on the conduct of the executive managers drew out four general traps which propagate over human resources from the top down. The people from the McKinsey consultancy have completed another reduced study on 669 executive managers across several countries and industries (Amabile, Kramer, 2012). They were interviewed about creating a top 5 of the most important things for the employees, these being stimulants, recognition, goals, interpersonal support and work progress. The latter qualified last on the chart, with only 8% of the votes, thus highlighting the problem of finality at the workplace - or rather the lack of it. The sense of purpose in the workplace and the measures taken to accentuate this feeling must come from the top of the company, but the first step has already been taken by recognizing the possible traps.

The number 1 problem – The signs of mediocrity

Client-oriented companies have top management teams which are based on an interdisciplinary entrepreneurial vision between business units. In theory, this type of management requires autonomous teams, whose functioning relies upon strictly defined resources in order to create new and innovative products. Even though the word which sums up the vision of client-oriented companies is innovation, in practice this is replaced with cost-reduction, which even though is not followed by interdisciplinary teams, it is implemented by the top management of companies. As an example we can look at an extract from an internal order from inside a client-oriented company (from a McKinsey study):

Today we learned that our team will concentrate on cost reduction for the next months instead on creating new products... It is becoming increasingly difficult to concentrate on cutting the money from the standard cost of a product. That is the single point over which we have control. Most of the time it is quality who suffers. It seems that our competition is ready to offers new products in a shorter cycle... We are no longer the leaders in innovation. We are the followers.

Product engineer, Karpenter company (producer of customized chemical solutions) (Amabile, Kramer, 2012)

This engineer may be classified as the result of the top management losing sight of the goal of employees. The Karpenter company presented in the McKinsey study is comprised from executives and middle managers who were tasked with the execution of bellow quality work. The problem of mediocrity erodes the system of human resources and leads to the destruction of the company from the inside-out. Companies dealing with these problems tend to become comfortable and complacent with their situation, which in the long term is a recipe for failure.

Problem number 2 – The unclear strategy

Experienced top managers look at any signals coming from outside the company and elaborate the strategy on the go. Among the signals they take into consideration are the strategy and positioning of the competition, market-crowding by the new competitors and the global economic context. These signals exogenously shape the strategy of the company in the medium and long term, and in theory this is a good thing. In practice though, the constant use of informational inputs by the top management and the imposition of constant changes in strategy lead to the creation of murky areas in the vision and the path the company needs to take, similar to the attention deficit disorder medical syndrome. Not allocating time for analysis and the insufficient rationalization of strategic decisions may lead to strategic shifts which are misunderstood by the employees and which do not fit into the logical roadmap, the end-purpose being obscured to the corporation at large.

Returning to our example, the Karpenter company had a big strategic drawback in the top management's, and especially the CEO's policy of continuously implementing the latest trends in management, turning corporate strategy into a system which created a loss of focus in the production lines and for the human resource involved, across all company divisions (Amabile, Kramer, 2012). Inside other companies there may appear situations where

certain divisions work at creating a new market strategy, which then suffers frequent changes in its development due to the top management's tinting of the company roadmap. Such on-the-fly shifting of coordinates leads to pauses in production and in the cohesion inside the company "trenches" (entry and middle level) which may cost the organization important human resources or, even worse, may disrupt the very mission of the company, which in the long term can only mean bankruptcy or a forced takeover (Torrington et al., 2011).

Problem number 3 – the obscuring of corporate problems

In their wish not to create continuous checks and other problems for their hierarchical colleagues (at the entry and middle level), situations have arisen where the top management is locked inside a protective bubble which keeps them away from the real problems inside the company, be it either at the strategic level or at the level of the human resources. In the company we use as an example we hold as the key culprit for the creation of such a protective bubble the complex system for the reporting of the basic functions of the company, from the holistic perspective of the top management (functionally dispersed costs and turnover are the starting point in the evaluation of a company) which is not sufficiently rationalized (both from a temporal perspective and a functional one) (Amabile, Kramer, 2012). At the moment when support and coordination become vague and undefined within an organization, its employees lose their focus on the quality of production (be that either in goods or services) and the feeling that they have a well defined purpose is dulled.

Problem number 4 – Farfetched goals which always seem unreachable

The development of well defined goals is one of the chief purposes of the top management. They need to be disseminated throughout the other hierarchical company levels, leading to the creation of the nucleus and protective belt of human resources which help the company grow. Within some companies, farfetched goals which fail to create a buzz among the people in the "trenches" may lead to a drop in the confidence in the company's vision and to the creation of a strategic void. If Google's mission is to "organize the world's information and make it universally accessible and useful", for other companies such missionary statements may appear as great examples of futility (Amabile, Kramer, 2012).

Looking at all the projects and their mission statements as being system innovations or new paradigms in development may lead to a drop in confidence

on the strategic vision of the company, especially if most of these goals have not been met. In order to at least reduce the science-fiction character of these mission statements, they must be divided into working structures to be met and achieved along the way (like milestones) and the company's employees from the entry and middle levels must be involved in defining them (Collins, Porras, 1996, pp. 65-77).

Visions such as the ones described above, even though they seem untested, have been used successfully in the year 2000 by the Xerox company. The economic situation in the USA at the end of the millennium was badly affected by the dotcom crisis and the CEO of Xerox followed the idea of transparent, bidirectional communication which took account of all the problems across all of the parties involved. Even though the external consultants were advising the company to enter Chapter 11 protection, the CEO has opened all internal communication channels and elaborated the medium-term strategy together with the middle and entry levels (George, McLean, 2005). The vantage point of the executive position or that of a member of the board of directors gives a panoramic view over the discovery of new advantages for the organization and as such the implementation of a leadership vision is the best solution for creating an effect of functional unity (or singularity) and for motivating people to increase their productivity and dedication to the corporatist cause instilled in the company mission statement.

Conclusion

In order to avoid the problems encountered in the decision making process over the human resources and its evolution a complete, clear and transparent communication with employees is necessary, with the purpose of giving them the strategic clarity needed for maintaining the focus of the organization and for keeping the human resource available at a level which may represent a competitive advantage to the company. To maintain a powerful strategy of innovation for the available human resource, the innovation process must be brought up for discussion at each meeting of the teams or divisions, or of the company as a whole.

Another point which must be raised is that of the employee's perspective, because this is the main working unit of the company and it must be exploited with the purpose of maintaining the focus and the productivity at an optimal level. Any decision taken with the top-down approach must be visualized from a bottom-up point of view.

The creation of proactive alarm systems to draw attention to the pauses in strategy before they appear is of capital importance. As a summing up of the

ideas resulted at the end of this research we have the necessity for the instrumentation of a company audit, with an interest in regulating and regularizing the economic circuit inside the company, based on the human resources involved and the free and unhindered decision within the corporation. The audit also has the role of offering a safe interval for the coordination of various domains such as marketing, sales and acquisitions (operations) which can be used as a general guide by the company's top management.

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