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A Humanistic/Existential Approach to Strategy

ABSTRACT

An increasing body of evidence is indicating the importance of utilising people as a competitive advantage, yet many contemporary organisations are still persisting in their use of conventional approaches to strategy. However, criticisms against these approaches include that they ignore human factors, thereby suggesting that they may be fundamentally insufficient to reach a people-based competitive advantage. Consequently, an alternative approach to strategising is offered; an alternative based on the humanistic/existential movement in psychology. By focussing on the three central elements of strategy, namely processes, leadership, and effectiveness, it is demonstrated how principles central to this movement can be made use of to attain and sustain a competitive advantage based on people, the organisation's most valuable asset.

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1. Introduction

It is important to understand that this movement toward a more human firm is neither a romantic ideal nor a philanthropic gesture, nor a utopia, but a necessity (Aktouf, 1992, p. 419).

A contemporary focus in academic and managerial literature is on the utilisation of the organisation's human resources (HR) as a competitive advantage (e.g. Armstrong, 1999; Cascio, 1998; Drucker, 2002; Gratton, 2000; Gratton, Hope Hailey, Stiles & Truss, 1999b; Hamel, 2000; Handy, 1996; Heil, Bennis & Stephens, 2000; Lundy & Cowling, 1996; O'Reilly & Pfeffer, 2000; Schuler & Jackson, 1999; Schuler, Jackson & Storey, 2001). As the complexity of the world and the accessibility of traditional sources of competitive advantage increases, the success of organisations becomes progressively more dependent upon the dynamics, knowledge, talents and energy of people (Frohman, 1997; Soliman & Spooner, 2000). Considering the central role of the human resource management (HRM) function in the utilisation of people (Byars & Rue, 2000), it may be argued that HRM should play a critical role in organisational strategy, which is fundamentally aimed at attaining a competitive advantage. However, because HRM is often considered to be little more than an administrative function that lacks strategic relevance, this is frequently not the case (Lundy & Cowling, 1996). Furthermore, despite a high prevalence of rhetoric claiming that people are the organisation's true strategic assets (Gratton, 2000), many organisations fail in realising their people's full potential due to their persistent use of conventional approaches to strategy formulation (O'Reilly & Pfeffer, 2000). From this, it may be deduced that alternative approaches to strategy may be needed if organisations are to achieve a people-based competitive advantage.

The aim of this paper is illustrating that considering principles of the humanistic and existential movements¹ in psychology and philosophy during strategy formulation and implementation may contribute to such an alternative. This aim is to be achieved by firstly exploring the notion of people as a competitive advantage, and secondly be critically reviewing the notion of strategy. Finally, an argument is offered that certain principles emanating from the humanistic and existential movements may be utilised in order to secure a people-based competitive advantage.

2. People as a competitive advantage

The term competitive advantage is used to describe “the attributes and resources of an organisation that allows it to outperform others in the same industry or product market” (Chaharbaghi & Lynch, 1999, p. 45). According to Walker (1992, p. 35), a competitive advantage is a “fundamentally advantageous position from which to compete”, involving a

¹ A basic familiarity with the principles postulated by these movements is assumed. A list of introductory readings is nevertheless provided at the end of the paper.

success factor in the market “substantial enough to make a difference” and “sustainable in the face of changing conditions”. This success factor is gained by focussing on variables that distinguish organisations from their competitors (Walker, 1992). Thus, attaining a people-based competitive advantage requires employees of a standard that clearly distinguishes organisations from their competitors. Jack Welch (in Van Vuuren, 1999, p. 1), former chief executive officer (CEO) of General Electric (GE), substantiated this by stating that “the only thing that will uphold a company’s competitive advantage tomorrow is the calibre of people in the organisation”.

According to Barney (1991), resources must meet four criteria to be able to generate sustained competitive advantage: value, rarity, imperfect imitability, and non-substitutability. Whereas financial capital and technology fulfilled these criteria in the past, these resources “are now available to anyone who can buy [it]” (Handy, 1996, p. 180). Consequently, more organisations are finding that “their enduring source of competitive advantage rests within their human capital” (Heil et al., 2000, p. 4) - the “knowledge, experience, skills and energy of their people” (O’Reilly & Pfeffer, 2000, p. 3). However, Human Capital Theory states that the market value of human potential can only be realised if employees co-operate (Jackson & Schuler, 1999). However, contemporary employees are motivated by interesting work that provide rewards in the form of “the freedom to influence the nature of their jobs and pursue their own lifestyles” and have “a growing expectation that work will provide self-respect, nonmaterial rewards, and substantial opportunities for personal growth” (Shaw & Barry, 1997, p. 166). While managers “speak of efficiency, productivity and the bottom line; employees tend to talk about growth, satisfaction and contribution” (Kaye, 1999, p. 578). It is thus apparent that motivating people to elicit the co-operation necessary for achieving a competitive advantage is a significant challenge for the healthy organisation.

3. Strategy and strategic management

3.1. The conventional view of strategy

The term strategy is derived from the Greek word *strategos*, meaning general (Kroon, 1995). In organisations, this military metaphor implies an inherent competition to survive (Crous, 1997). Koch (1999) states that strategy has a dual meaning in the business context: firstly, it refers to “the commercial logic of the business, that defines why a firm can have a competitive advantage”, and secondly, it involves what the organisation does, “how it actually positions itself commercially and conducts the competitive battle” (p. 907). The central role of strategy in achieving a competitive advantage is clear from this discussion.

A strategy is the product of strategic management (Certo, 1994), which is a process generally directed by managerial decisions and actions (Wheelen & Hunger, 1987). Traditionally, strategic management followed the continuous process depicted in figure 3.1 below. This process

commences with an environmental analysis, followed by the determination of the organisation's direction (Certo, 1994). The latter generally refers to the organisation's vision, mission, and objectives. The vehicle for reaching organisational objectives is the organisation's strategy² (Van Vuuren, 1999). Strategic planning concludes in the implementation of the strategic plan (Kroon, 1995), after which strategic control is implemented (Certo, 1994). Strategic control enables the determination of the effectiveness of the strategic plan and its implementation (Kroon, 1995).

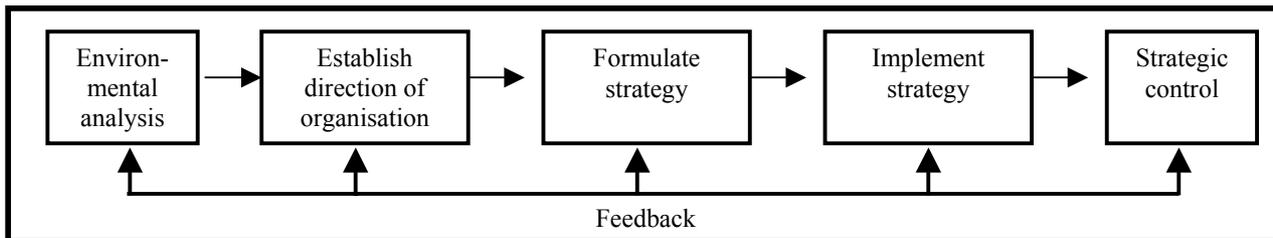


Figure 3.1. **Steps in the strategic management process** (adapted from Certo, 1994, p. 157)

3.2. Criticisms against the conventional view of strategy

The high degree of planning and the notion of strategic control in the above model demonstrate the centrality of control in the conventional approach to strategy. According to Weir and Smallman (1998), an increasing body of knowledge implies that this “highly formalised strategic planning” may be a “snare” and a “delusion” which becomes an end in itself (p. 48). Pettigrew (1985), in turn, states that the process whereby strategies develop is often more political and disordered than rational models (like the one above) admit to. Similarly, Gratton et al. (1999a) argue that the rational approach ignores political processes in decision-making, as well as “the fact that organizations do not move from one predictable stage to another” (p. 8), and that many organisations pursue not one, but many strategies. Truss (1999) further contends that the conventional approach to strategy fails to distinguish between intended and emergent strategies; a distinction made by Mintzberg and Waters (1994). Bowman (1999) similarly argues that changes in strategy rarely take place due to planning; rather, it is the result of factors such as crises and changes in leadership.

The competition inherent in the conventional view of strategy, which largely stems from the war-metaphor, has also provoked criticism. London (1999) contends that the “boot-camp experience” creates impressions of “us against them” and “win-lose battles” among leaders, resulting in a failure to learn to “communicate with ... opponents with respect, understand different points of view, explore alternative solutions, and reach agreements which allow both parties to win” (p. 175). Furthermore, Crous (1997) argues that such competition results in internal rivalry for promotion, which may lead to hostile attitudes. Hostile managers, in an attempt to bring about the desired control, may exert strict “supervision” and “harsh punishments”, resulting in

² Various strategies available to the organisation have been identified. Discussions of these may be found in many textbooks on strategic or general management, for example, Kroon (1995) and Stahl and Grigsby (1992).

deteriorating morale and increased mistrust and suspicion (p. 197). These factors may have a detrimental effect on organisational productivity.

Muchinsky (2000) states that management theories from the earlier part of the previous century were cold and sterile, with a sole quantitative focus. The result of this was very little or no consideration given to human factors. Such neglect has also been evident in strategy, as approaches like the above model does not engage people on an emotional level (O'Reilly & Pfeffer, 2000). Considering that "strategies take on value only as committed people infuse them with energy" (Selznick, in Mintzberg, 1994, p. 109), it is apparent that the traditional approach to strategy may be inappropriate for utilising people as the organisation's competitive advantage. Kaye (1999) substantiates this argument by indicating that a considerable limitation of dominant approaches to managing HR strategically (commonly referred to as strategic human resource management, or SHRM) is that it is aligned with this conventional conceptualisation of strategy. Consequently, an attempt is made in the following sections to illustrate that the integration of humanistic/existential principles into organisational strategy may overcome these barriers to the effective utilisation of the organisation's HR as a competitive advantage, thereby making an active contribution to the establishment of a healthy organisation.

4. A humanistic/existential perspective on strategy

Bartlett and Ghoshal (1994) contend that "[s]enior managers of today's large enterprises must move beyond strategy, structure, and systems to a framework built on purpose, process, and people (p. 79) ... purpose – not strategy – is the reason that organizations exist (p. 88)". Lundy and Cowling (1996), in turn, assert that three components are central to strategy, namely the strategic process, leadership and organisational effectiveness. Subsequently, these three components are utilised as a framework for the exploration of how humanistic/existential³ principles may be applied to strategy. In particular, an attempt is made to illustrate how the prescriptions made by Bartlett and Ghoshal (1994) above may be addressed within the context of strategy, thereby indicating how a people-based competitive advantage may be achieved.

4.1. Strategic processes: Values before strategy

Strategic processes encompass the planning and implementing of strategies (Lundy & Cowling, 1996). O'Reilly and Pfeffer (2000) offer a strategic process based on values; a process that may lend itself to addressing the requirements set by Bartlett and Ghoshal (1994) above. In this model, as presented in figure 4.1 below, "companies begin with a set of fundamental values that are energizing and capable of unlocking the human potential of their people" (O'Reilly & Pfeffer, 2000, p. 14). Thus, establishing the organisation's core values and beliefs constitute the

³ Although logotherapy is often subsumed under the categories of existential or humanistic psychology (Gerdes, 1988; Louw, 1987; Louw & Edwards, 1993; Wong, 2000), potential contributions of this particular movement to the aim of this paper will also be examined.

first step in strategy formulation. Based on these values, policies and practices are developed, which, in turn, facilitates the building of organisational core competencies which “can change the competitive dynamics of the industry” (O’Reilly & Pfeffer, 2000, p. 14). The final step is formulating an appropriate strategy. Senior management is responsible for the continuous managing of the process and values (see section 4.2).

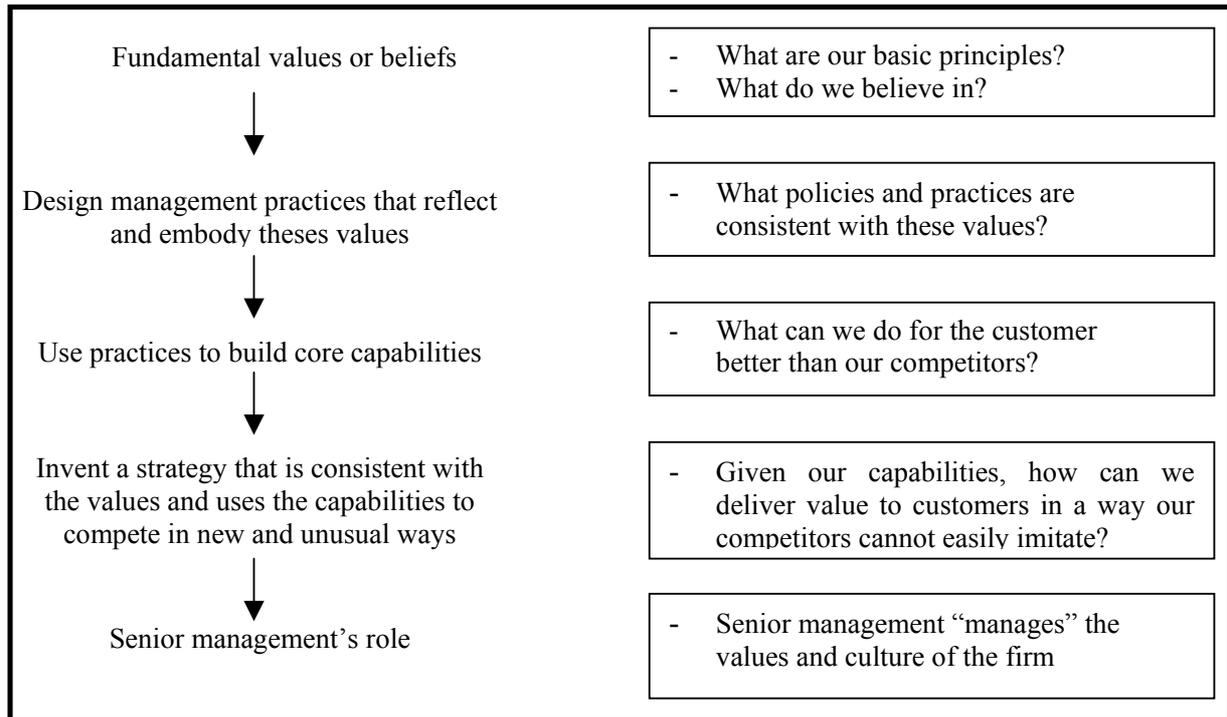


Figure 4.2. **A Values-Based View of Strategy** (adapted From O’Reilly & Pfeffer, 2000, p. 15)

The concept of values is central in humanistic/existential psychology. The French existentialist Jean-Paul Sartre believed that individuals find meaning in life through the commitment to aspects such as values (Westen, 1996). Furthermore, Abraham Maslow, the father of humanistic psychology (Bennis, in Maslow, 1998) believed that striving for values is a central characteristic of the self-actualising person (Hergenhahn, 1997). Viktor Frankl (1967, 1978, 1984, 1986, 1988), the father of logotherapy, also viewed values as central to one finding meaning in one’s life. He defined values as ‘meaning universals’ - situations where many people may react in similar ways and thus find a universal meaning (Fabry, 1987). In particular, Frankl proposed that meaning can be found by realising *creative* (creating something of value), *experiential* (one’s direct experiences) and/or *attitudinal* (the attitude one takes when faced by a fate one can not change) values (Das, 1998; Frankl, 1967, 1986).

The importance of values and purpose in achieving a competitive advantage is illustrated by both theory and practice, which then lends support to the aim of this paper. For example, companies

such as the Body Shop and Harley Davidson have proven that uncommon performance result from shared values and a clear organisational purpose. “Rejecting the notion that people management is soft and unpredictable, they’ve chosen to create a powerful synergy between the company’s business objectives and soul. These companies give – and receive – more” (People power, 1995, p. 18). Furthermore, Peters and Waterman indicated in their best selling *In Search of Excellence* (1982) that values form a central part of the so-called ‘excellent organisation’:

Every excellent company we studied is clear on what it stands for, and takes the process of value shaping seriously. In fact, we wonder whether it is possible to be an excellent company without clarity on values and without having the right sorts of values (Peters & Waterman, 1982, p. 280).

Organisational values are also depicted as the very reason why the corporation exists (Giblin & Amuso, 1997) and as providing the organisation with a sense of purpose (Tetenbaum, 1998). These views resemble what Collins and Porras (1994) call a core ideology – a sense of purpose that leads and motivates people. Thus, not only can organisational values contribute to establishing strategic processes and ultimately a corporate strategy, but it may also play a central role in establishing the sense of purpose that Bartlett and Ghoshal (1994) indicate as essential for contemporary organisations. This then is consistent with humanistic/existential views that one can find purpose or meaning in values.

Gratton (2000) contends that “the companies that flourish in this decade will do so because they are able to provide meaning and purpose, a context and frame that encourages individual potential to flourish and grow” (p. 3). Carl Rogers (1987), a leading figure in humanistic psychology, pointed out research evidence that the presence of a facilitative climate result in changes in behaviour and personality towards the realisation of individual potential. Similarly, Pickett (2000) claims that successful organisations of the 21st century will create an environment in which employees will be motivated to achieve and grow. However, Frankl’s (1984) opposes the view that a specific climate is necessary. He holds that by finding meaning, which can take place in any circumstances⁴, the individual will grow, and subjective states such as becoming fully functioning (see Rogers) or self-actualised (See Maslow) will ensue (Frankl, 1988). Frankl (1978, 1984) further believed that one is responsible for finding one’s own meaning. Nevertheless, Gratton (2000) states that while “the creation of meaning is an essentially individual pursuit, ... it is one in which organizations can play an important role” (p. 18). This

⁴ Frankl (1984) found support for his contention that meaning can be found in the most challenging of circumstances in his experiences and observations in Nazi concentration camps during World War II. However, it may be argued that the literal application of this principle in the organisational context may be unethical, as it may result in organisations exploiting individuals’ inherent search for meaning by not providing them with climates facilitative of individual psychological states such as job satisfaction. For this reason, Frankl’s view is integrated with that of Rogers, so as to advocate the provision of an environment that *facilitates* the finding of meaning, rather than *providing* the individual with meaning.

role may then be embodied in the provision of an environment in which opportunities exist for the realisation of creative, experiential, and attitudinal values.

A central criticism against the traditional approach to strategy emphasises that the strong focus on control often results in the strategy being ineffective. Truss (1999) contends that such control is also a characteristic of the ‘hard’ or utilitarian-instrumentalist approach to HRM. The opposing view to this hard approach is the so-called ‘soft’ or developmental-humanist model. The latter approach to HRM focuses on the ‘human’ (unlike the hard approach, which emphasises the ‘resource’) by emphasising the “utilization of individual talents” (Truss, 1999, p. 41). Furthermore, whereas the hard model is based on control, the soft model achieves strategic success by “eliciting a commitment so that behaviour is primarily self-regulated rather than controlled” (Truss, 1999, p. 41), a commitment that is elicited by trusting, training and developing employees, and by providing them with autonomy in and control over their work.

Although the humanistic/existential basis of the soft model of HRM is evident from the above discussion, further exploration of these movements may reveal additional utility of their principles in eliciting employee commitment. The importance of employee commitment for organisational success is well documented (e.g. Bennett & Durkin, 1999; Lee, Carswell & Allen, 2000; Nijhof, de Jong & Beukhof, 1998; Rowden, 2000), which underscores the value of such an exploration. Maslow (1998), as well as McGregor (in Heil et al., 2000) proposed that people are inherently motivated to reach their goals. Individual commitment to organisational objectives can then be achieved by providing individuals with opportunities to align their personal goals to that of the organisation. Thus, the alignment of individual and organisational goals will bring about that the individual’s inherent motivation results in the fulfilling of organisational objectives.

The concept of self-regulated behaviour in itself may also elicit employee commitment. From an existential point of view, people grow and define themselves by continuously making decisions (De Avila, 1995; Sartre, 1981). Thus, by directing one’s own behaviour, one gains the opportunity to contribute to one’s own growth. Considering the humanistic proposition that all humans strive toward achievement and growth (Maslow, 1998), support is thus provided for the utilisation of autonomy and decentralised decision-making to further organisational success. Furthermore, values may again play a central role – in this context, to provide a broad framework in which self-regulated behaviour can flourish: “By making explicit those values which drive the organization ... we can restore to people that human faculty of judgement for which we are supposed to be paying a premium” (Kilcourse, 1994, p. 42)

In addition to the above, certain logotherapeutic principles may also be of great value in gaining commitment to a strategy. Central to this contention is an aphorism formulated by the existentialist philosopher Friedrich Nietzsche that Frankl was fond of using - “He who has a why

to live can bear with almost any how” (Allport, in Frankl, 1984, p. 12). This statement illustrates that once one finds meaning, one can overcome any circumstances, thereby implying a strong commitment to that in which meaning is found. In the context of corporate strategy, the mission statement indicates *why* the organisation exists, whereas the strategy encompasses *how* objectives will be reached (Stahl & Grigsby, 1992). Therefore, it may be contended that should one find meaning in the mission (or vision, from which it is derived – see section 4.2), the commitment generated will create a situation where individuals can bear with almost any strategy⁵. Commitment to such a vision or mission may also indicate that one is self-transcending, a state that logotherapists believe precedes finding meaning (Fabry, 1987, 1988).

Related to the above is Frankl’s concept of noö-dynamics – the “appropriate tension that holds [one] steadily orientated towards concrete values to be actualized, towards the meaning of [one’s] personal existence to be fulfilled” (Frankl, 1967, p. 68). Frankl (1984) regarded mental health as dependent on a certain degree of tension, caused by the “gap between what one is and what one should become” (p. 127). This definition seems to greatly resemble Van Vuuren’s (1999, p. 10) definition of a strategy: “the process of thinking through what today’s business is, what tomorrow’s business should be, and the way of getting there”. According to Frankl (1984), noö-dynamics is inherent to every individual and indispensable to mental well-being. Subsequently, one must be challenged with the potential meaning one has to fulfil. In the organisational strategy context, this potential meaning can then be enhanced by means of the organisation’s vision – the “challenging portrait of what the organization and its members can be” (Newstrom & Davis, 1997, p. 28). Thus, this tension may be created in the organisation to inspire individuals to their own and organisational growth. However, it is critical that the vision has the “potential to create a focal point for activity which is engaging and inspiring” (Gratton, 2000, p. 99), and that this vision is clearly communicated, that any obstacles to it are removed, and that employees are empowered to act the vision (Kotter, 1995). The similarity in the possible outcomes of a strong vision and those of values and purpose discussed above is clear.

From the above discussion, it is apparent that the soft model of HRM advocates a focus on both improved competitive advantage and individual development. It is contended in this paper that providing employees with a context in which they can find meaning and experience growth will facilitate superior and inimitable performance and the resulting people-based competitive advantage. Rogers’ (1987) argument, which states that facilitative conditions result in behavioural changes, lends support to this contention. Furthermore, O’Reilly and Pfeffer (2000) showed by means of in-depth case studies of eight companies how the provision of such conditions can significantly contribute to organisational success. Of importance, however, is that

⁵ It is not advocated here that a vision or mission should be utilised to gain employee commitment to weak, meaningless or unethical strategy – the purpose of this syllogism is purely to illustrate the potential value of a powerful vision or mission in gaining employee commitment. A central theme in this paper is in fact that the strategy in itself may serve as a source of purpose and meaning, thereby eliciting employee commitment itself.

a distinguishing factor of these eight companies is that their managers lead through an emphasis on values (O'Reilly & Pfeffer, 2000). This contention not only again stresses the centrality of values in achieving a people-based competitive advantage, but it also serves to introduce the second component of strategy identified by Lundy and Cowling (1996): leadership.

4.2. Leadership: Don't manage, lead

Leadership refers to actions of individuals guiding the organisation (Lundy & Cowling, 1996), or more specifically, “the process of influencing and supporting others to work enthusiastically towards achieving objectives” (Newstrom & Davis, 1997, p. 200). Leaders have a central role to play in the achievement of a people-based competitive advantage in contemporary organisations; a role that is characterised by a number of challenges and opportunities. This is particularly evident from the following:

In most corporations today, people no longer know – or even care – what or why their companies are. In such an environment, leaders have an urgent role to play. Obviously, they must retain control over the processes that frame the company's strategic priorities. But strategies can engender strong, enduring emotional attachments only when they are embedded in a broader organizational purpose. This means creating an organization with which members can identify, in which they share a sense of pride, and to which they are willing to commit. In short, senior managers must convert the contractual employees of an economic entity into committed members of a purposeful organization (Bartlett and Ghoshal, 1994, p. 81).

From the above, it is apparent that one of the critical challenges facing leaders today is establishing a sense of purpose in the organisation. This is substantiated by Kets de Vries (2001), who argues that creating a sense of purpose for employees, together with creating a sense of *self-determination*; building a *sense of impact*; fostering a *sense of competence*, and developing a *sense of shared values*, is critical if leaders are to build a “collective system of meaning” (p. 304). Whereas these prescriptions already indicate the possible value of applying humanistic/existential principles to leadership, the remainder of this section is aimed at further exploring such a possible application. In particular, discussions will be structured around the notions of value, moral, and transformational leadership.

Kilcourse (1994) argues that the concept of *value leadership* constitutes a viable approach that can be utilised to apply philosophy, particularly existentialism, to enhance organisational success. This author states that value leadership goes beyond a mission and a set of procedures to include a broader company philosophy supplemented by a comprehensive set of values. This allows for individuals to find meaning in their work and to contribute to the organisation as authentic beings. Akin to this approach is the notion of *moral leadership*, an approach Joyce and Woods (1996) inferred from the writings of Peters and Waterman (1982). Moral leaders provide meaning for employees by “establishing shared values for the organization” (Joyce & Woods,

1996, pp. 206-207). These shared values allow for the loosening of hierarchical control, which, in turn, allows the organisation to delegate authority based on the fundamental human need for self-determination. “The potency of this form of control”, then, lies in “the need employees [have] to search for meaning in their lives” (Joyce & Woods, 1996, p. 207).

The potential importance of humanistic/existential principles to effective leadership is evident in the above contentions. Of particular importance are the references to values and meaning (see section 4.1) and the concepts of ‘authenticity’. According to existentialism, the “only ‘authentic’ and genuine way of life is that freely chosen by each individual for himself” (Stevenson, 1987, p. 90). This may be of great importance in the context of delegated authority and decentralised decision-making. Furthermore, Martin Heidegger, a leading figure in existential psychology, believed that an authentic life is characterised by one’s acceptance of one’s mortality and “internalizing the subjective meaning of death” (Brennan, 1998, p. 298) and is the only way in which meaning can be found (Hergenhahn, 1997). Frankl (1984) too believed that meaning is found by accepting the transitoriness of life. In the organisational context, this perspective may then be translated to the lack of job security that is associated with the so-called ‘new career’ (Gratton & Hope Hailey, 1999; Hall, 1996; Hall & Moss, 1998; Mohrman & Lawler, 1999), which often demands of one to accept the inevitable ‘death’ of one’s job. This realisation then allows one to constantly achieve personal growth (Hergenhahn, 1997).

Value and moral leadership also utilises the humanistic principle of self-determination (see the viewpoints of Maslow and McGregor in section 4.1, Kets de Vries above, and McGregor’s Theory Y below). Finally, an indication is also provided of how leaders can go about creating purpose in the healthy organisation, thereby creating the opportunity for strategy to “engender strong, enduring emotional attachments” (Bartlett & Ghoshal, 1994, p. 81).

The potential role of value (and thus also moral) leadership in organisations extends beyond contributing to the creation of purpose. According to Kilcourse (1994), value leadership constitutes one way in which HRM can assume a strategic leadership role in the organisation:

What is to be [HR’s] special contribution to the broader strategy of the organization? Is it to be no more than technical expertise on resource exploitation? I cannot believe that. ... Of all the people at the top, the human resource director has to be concerned with values and the philosophy pursued by the company (Kilcourse, 1994, p. 37).

Morin (1994) support this perspective by stating that

To become business leaders, [HR managers] need to make meaningful our organization’s missions, values and visions for the future. To act as business partners, [they] need a people-

asset strategy, which allows us to play an integral role in determining the future road map for our organisations (p. 52).

The centrality of concepts such as values and meaning in these approaches to leadership is apparent. However, leaders should realise that “values do not drive the business; they drive the people within the business” (Giblin & Amuso, 1997, p. 18). This assertion demonstrates not only the centrality of values in achieving a competitive advantage, but also indicates that even the most powerful values are still dependent upon people. The potential value of the application of humanistic/existential principles to leadership is thus again emphasised. In addition to this, these contentions also indicate that such an application may constitute one area in which HRM can make a significant contribution to organisational strategy. Finally, it may also be clear that some of the fundamental principles of both value and moral leadership largely resemble those found in the soft approach to HRM.

According to Truss (1999), many of the assumptions underlying the soft approach to HRM can be traced back to Douglas McGregor’s ‘Theory Y’. McGregor was a pioneer in applying the behavioural sciences and humanistic principles to the organisation (Heil et al., 2000), and his works are commonly regarded as landmark contributions to the “entire field of management” (Bennis, 2000, p. 168). His most famous work, ‘Theory X’ and ‘Theory Y’, is subsequently discussed, as it is believed that this may further demonstrate how humanistic/existential principles can assist contemporary leaders in achieving a people-based competitive advantage.

Briefly, McGregor (1969a, 1969b, 2000b) asserted that managers’ views of human nature is based on two groupings of assumptions; groupings he called ‘Theory X’ and ‘Theory Y’. These assumptions (see table 4.1 below) were believed to determine the nature of managerial behaviour towards subordinates. McGregor argued that if managers change their assumptions about, and thus their behaviour towards people, organisational success can be promoted, as managers that hold Theory Y assumptions contribute to both employees’ self-actualisation and to the reaching of organisational objectives. The importance of leaders taking these prescriptions into consideration when attempting to achieve a people-based competitive advantage is apparent.

Folger and Scarlicki (1999) raise an important concern with regard to the prescriptions of McGregor – the sincerity of leaders. These authors warn that “employees see right through the manipulative attempts to apply fair, humane, and sensitive treatment – conduct that vouchsafes each person’s dignity, treating no one merely as means but always and ends also – as a mere ruse for disguising ulterior motives” (p. 46). Heil et al. (1999) support this perspective by contending that leaders should not act as if they hold Theory Y assumptions if they do not, as employees will undoubtedly realise their deception. Such a realisation can negatively affect employees’ trust in have in leaders; trust that is central to achieving a people-centred competitive advantage.

Table 4.1.

Assumptions Central to Theory X and Theory Y (Adapted from McGregor, 2000b, pp. 132 & 140)

Theory X	Theory Y
<ul style="list-style-type: none"> • The average man is by nature indolent - he works as little as possible • He lacks ambition, dislikes responsibility, prefers to be led, and is inherently self-centred and indifferent to organisational needs • He is gullible, not very bright, the ready dupe of the charlatan and the demagogue • Management is responsible for directing people's efforts, motivating them, controlling their actions, and modifying their behaviour to fit the need of the organisation. • Without this active intervention by management, people will be passive, even resistant, to organisational needs. They must therefore be persuaded, rewarded, punished, controlled – this is management's task. 	<ul style="list-style-type: none"> • People are not by nature passive or resistant to organisational needs – they have become so as a result of their experience in organisations • The motivation, the potential for development, the capacity for assuming responsibility, and the readiness to direct behaviour towards organisational goals are all present in people. It is the responsibility of management to make it possible for people to recognise and develop these human characteristics for themselves. • The essential task of management is to arrange organisational conditions and methods of operation so that people can achieve their own best by directing their own efforts toward organisational objectives.

Transformational leadership constitutes a contrasting perspective to two dominant conventional approaches to leadership, namely the contingency perspective and transactional leadership. In the former, an attempt is made to identify leaders that have the characteristics that match the organisation's circumstances and the strategy to be executed (Landrum, Howell & Paris, 2000). The transactional perspective, in turn, holds that leaders provide rewards in exchange for desirable employee behaviours (Eisenbach, Watson & Pillai, 1999). In this approach, leadership and management were often considered as synonyms (Newstrom & Davis, 1997). However, the strategy and change management literature consider these conventional approaches as insufficient, and advocate transformational leadership as a suitable approach (Eisenbach et al., 1999; Landrum et al., 2000; Larwood & Falbe, 1995).

Guest and Schepers (1997, p. 37) define a transformational leader as a person that brings about change by formulating a vision for the future and realising this vision by means of communication and action. "The effects of this leadership style is that it inspires or motivates followers, gains commitment from followers, changes attitudes, beliefs, and/or goals of individuals, helps individuals see new ways, [and] communicates and transmits a vision of the organization" (Landrum et al., 2000, p. 151). A central element in transformational leadership is thus the vision formulated and communicated by the leader.

A clear vision is believed to be essential to direct behaviour in successful organisations (Pickett, 2000). This requires that it be formulated in such a way that it has personal meaning for employees, yet be simple enough to be translated into direction for members (Bartlett & Ghoshal, 1994). A leaders' vision must further take into consideration the essential needs of the organisation's key stakeholders (Ford & Ford, 1994). This may include employee needs such as meaning and growth. In this regard, Eisenbach et al. (1999) state that a good vision has both strategic and motivational qualities – it “provides a clear statement of the purpose of the organization and is, at the same time, a source of inspiration and commitment” (p. 84). Such commitment may be enhanced through the involvement of people in establishing this dream for the future (Gratton, 2000). The vision of a transformational leader can thus contribute significantly to the attainment of organisational goals through its reliance on humanistic/existential principles such as self-determination, growth through decisions, the inherent human search for meaning, and ego- or self-transcendence.

O'Reilly and Pfeffer (2000, p. 244) contend that the role of leaders in organisations “is to help people understand *why* what they are doing is important and makes a difference” (compare aphorism by Nietzsche, section 4.1). This may be accomplished by basing strategies on values that are “energising and allows for the utilisation of their potential” (p. 14). Related to this, transformational leaders are believed to take part in behaviours such as reforming organisational culture⁶ by providing a new perspective on a situation, changing attitudes, and building shared goals (Landrum et al., 2000), as well as providing individualised attention and intellectual stimulation to followers (Eisenbach et al., 1999). Goals and attitudes are central to the logotherapeutic conceptualisation of meaning (Frankl, 1978, 1984, 1988). Furthermore, individualised attention may address Maslow's (1969) conceptualisation of esteem-needs, whereas intellectual stimulation provided may contribute towards individuals becoming self-actualised. Also, one may contend that such stimulation may form part of Rogers' (1987) proposed facilitative climate, which may contribute to employees becoming fully functioning.

The above discussions served to indicate how humanistic/existential principles can be applied to assist leaders in achieving a people-based competitive advantage, or, to paraphrase Newstrom and Davis (1997, p. 200), to personify the “the catalyst that transforms potential to reality”. The following section addresses the final component of strategy as identified by Lundy and Cowling (1996) – organisational effectiveness.

⁶ Organisational culture is commonly described as the “set of assumptions, beliefs, values and norms that are shared by an organization's members” (Newstrom & Davis, 1997, p. 102) or a shared system of meaning (Robbins, 1990). These descriptions suggest that it may also be considered as a potential source of meaning for the employees - something that should be taken into consideration during any attempts at changing the organisational culture.

4.3.Organisational effectiveness: People, not employees

According to Lundy and Cowling (1996), organisational effectiveness refers to the success of the organisation in a specific context. Throughout this essay, it has been contended that such success can be attained by means of a people-based competitive advantage. However, management guru Peter Drucker (2002) argues that due to problems and costs that accompany employee administration and management in the contemporary context, “Employers no longer chant the old mantra “People are our greatest asset.” Instead, they claim “People are our greatest liability” (p. 74). The potentially deprecating effect of this perspective on the aim of this essay is evident. Nevertheless, Drucker’s (2002) response eliminates this threat: ”Employees may be our greatest liability, but people are our greatest opportunity” (p. 77).

Similar to Drucker’s view, and to the spirit of this essay, effectiveness too may be accomplished by focussing on people. In Frankl’s (1967, 1978, 1984) terms, the healthy organisation must transcend itself and strive towards goals and purpose. These goals should encapsulate the creation of an environment in which people can find meaning, their needs are met, and their potential is actualised. By doing so, organisations give its members a reason “to bring *all* of their humanity to work” (Hamel, 2000, p. 250; Emphasis in original). This is essential, as human qualities like talent, commitment and integrity stem from “the uniquely human spirit, from the whole person” (Kilcourse, 1994, p. 38). Furthermore, failure to provide people with “a shared sense of identity and purpose” may result in these individuals turning to other contexts to find such meaning (Heil et al., 2000, p. 120); contexts which may be far removed from the reaching of organisational goals (Gratton, 2000). In contrast, providing such meaning will secure the commitment that is essential to sustain organisational competitiveness, and organisational effectiveness will ensue.

Byars and Rue (2000) contends that the management of the organisation’s HR is the responsibility of all managers. The HRM function is seen as responsible for assistance in people-related issues, specifically in terms of providing specific services, advice and co-ordination. In this regard, Hope Hailey (1999) identifies a potential stage of HRM evolution called “Integrated HRM” (p. 129). Here, “people management as a source of competitive advantage is integrated within mainstream management thought” (p. 130), which implies the integration of HRM into strategy, and HRM serving as an internal consultant that provides specialist advice. This Integrated HRM approach may serve as a model for the application of humanistic/existential principles to strategy. All managers should be knowledgeable of these principles to an extent that allows for the provision of an environment that facilitates individual growth and the finding of meaning. The HR manager, as an expert on human behaviour and processes, should serve as an internal consultant, providing the necessary services and advice for the successful creation of such an environment. In so doing, organisational effectiveness may be optimised, as the potential of people will be fully utilised as a competitive advantage.

5. Summary and conclusion

Utilising people as the organisation's primary competitive advantage, as contemporary literature suggests, requires a central role for people management in strategy. However, this is often not the case – a point that may serve as but one of many criticisms against the conventional approach to strategy. It was argued that an alternative approach to strategy might be necessary to achieve a people-based competitive advantage. In this regard, an argument was made that applying principles of the humanistic/existential movements in strategy might constitute such an alternative. In particular, reference was made to how these principles may be relevant to the components of strategy – strategic processes, leadership, and organisational effectiveness.

Drucker (2002), as well as O'Reilly and Pfeffer (2000), argue that it is a physical impossibility for all organisations to employ all the best people. Hence, they have to “make ordinary people do extraordinary things” (Drucker, 2002, p. 76) to achieve extraordinary results. A central aspect in achieving such outcomes involves systems that allow people to utilise their talents (O'Reilly & Pfeffer, 2000). Training and development may constitute one such system, particularly as it contributes to both the utilisation of HR potential and the provision of individual growth opportunities (Luoma, 2000). In this regard, Muchinsky (2000) indicates an important traditional distinction: whereas *training* is applicable to lower-level jobs, *development* is reserved for managerial-level employees. This distinction may be particularly visible in the preference given to managerial employees regarding growth opportunities. However, HR does not only encompass managerial personnel. Cascio (personal communication, 26 March 2001), regards intellectual capital as “*all* the knowledge, skills, abilities and other factors used to solve problems that customers think is important” – a view that not only clearly encompasses all employees, but also reflects the shift from a production to a service focus in contemporary organisations. This “intellect capital” is central to a people-based competitive advantage - or example, Dawson (2000) claims that knowledge – but one of the components identified by Cascio - is an organisation's primary “source of differentiation” (p. 321).

To address this issue, McGregor's (2000a, p. 152) view may be valuable. He proposed that initially, managers and specialists should be managed through self-direction and self-control – principles central to the soft model of HRM (Truss, 1999). However, such practices should eventually affect *all* the employees in the healthy organisation. Thus, it is argued that a people-based competitive advantage demands that an organisation's focus should reach beyond professional and managerial employees. Just as humanistic/existential theories are proposed to

apply to all human beings⁷, organisations should value all their people as a competitive advantage, and treat them accordingly. In this way, people are given motivation to co-operate with the organisation; co-operation which is essential for the realisation of human potential. HRM may therefore be regarded as playing an invaluable role in applying humanistic/existential principles in the organisation's strategy, thereby evoking behaviours essential to bring about individual growth and organisational effectiveness.

⁷ This excludes people with more serious forms of psychopathology. For example, consistent with his general focus on the 'healthy personality', Maslow believed that under the right conditions, all 'undamaged' people will strive toward self-actualisation (Payne, 2000).

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List of suggested introductory readings

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