Management Articles of the Year
January 2013

With a foreword by Sir Paul Judge
Contents

Foreword 3

Introduction 4

About the articles 6

Article 1
Improving the Quality of Working Life: positive steps for senior management teams 7

Article 2
Failure, Survival or Success in a Turbulent Environment: the dynamic capabilities lifecycle 13

Article 3
A New Role Emerges in Downsizing: special envoys 20

Article 4
Only a Click Away? – What makes virtual meetings, emails and outsourcing successful 25

Article 5
Closing the Needs-to-Offer Gap: customer relationship management in retail SMEs 31

Acknowledgements 38
The way that people in positions of authority exercise leadership and management has a decisive influence on the performance of their own organisations and therefore of the wider economy. It has been estimated that raising aggregate employee engagement from the bottom to the top quartile of performance could add over £20 billion to the UK’s Gross Domestic Product.\* We know that such a shift demands the adoption of more effective leadership and management styles about which there is considerable evidence. However, there is often only patchy implementation in the real world as managers are unaware of, or perhaps unwilling, to adopt the most appropriate and best researched and tested leadership and management techniques.

Reducing the gap between theory and practice is as important as ever in the midst of ongoing economic turbulence. This is the purpose of these five pieces which were those most highly rated by CMI’s members in our second annual Management Articles of the Year competition. They comprise the latest thinking and penetrating analyses from some of the most learned academics and authors in the field. They offer a challenging picture but also an optimistic one by presenting practical ideas for busy managers.

An important conclusion from these papers is that some senior managers who drive down costs are damaging wellbeing and morale and thereby contributing to long term false economies. However the articles show that many organisations have surplus capacity and downsizing can be done in a sensitive way to minimise negative impacts.

Another theme to emerge in these papers is the importance of seemingly small matters. Listening well, exhibiting courtesy and ensuring clarity in communication can have disproportionate effects which even lead to making the difference between success and failure. Effective leadership involves understanding the links between these ‘small’ matters and momentous issues such as disruptive technologies, shifts in consumer behaviour and global economic trends – considerations also addressed in this diverse and fascinating selection of papers.

We are grateful to those in the research community who made submissions to this year’s competition and also to the CMI members who gave their time and considered thought to rate the articles. We hope that even more researchers and managers will become involved in the competition as it enters its third year.

I trust that the articles presented here will help readers to find solutions to some of the practical challenges they face in the months ahead.

Introduction

As the only chartered professional body dedicated to promoting the highest standards in management and leadership excellence in the UK, CMI provides forward-thinking advice and support on management issues for our 90,000 members and thousands of wider stakeholders.

CMI aims to bring the best research on management topics from leading universities and business schools to managers in the workplace. This is why we launched Management Articles of the Year in 2011, an annual competition open to academic researchers affiliated to a UK university.

Our first collection focussed on the interrelated themes of leadership, change and communication, demonstrating the rich tapestry of academic management literature that interested CMI members in 2011. This collection is equally rich, featuring five of the best articles submitted in 2012-13, as rated by CMI’s members, encompassing topical issues as diverse as the quality of working life and the potential benefit for small and medium enterprises of effective customer relationship management.

The purpose of the competition is to assist universities in disseminating their research findings to a wider audience, help them demonstrate societal impact and raise the profile of their work with employers. It will also benefit practising managers by providing them with insights from credible, authoritative and leading edge research.

The competition has two features. First, articles entered into the competition are reviewed and rated online by CMI’s membership for their usefulness to practising managers. Secondly the articles achieving the highest average ratings were scrutinised by CMI’s Academic Advisory Council, a committee made up of leading academics drawn from across the United Kingdom.*

We are grateful for the high level of support we have received from the academic community and CMI’s membership. Working in collaboration with the British Academy of Management, the Association of Business Schools and the British Library, this innovative initiative is sponsored by John Wiley and Sons Ltd, one of the world’s leading business publishers.

To view the articles and the reviews received, or to find out more about entering this competition next year, go to http://www.managers.org.uk/toparticles

* To avoid conflicts of interest, any Council members whose work was being scrutinised by the Council were not present for those discussions.
Academic Advisory Council

- Sir Paul Judge
  (Chairman)
- Beverly Alimo-Metcalfe
  Professor of Leadership, Bradford University School of Management
  Professor Emerita of Leadership Studies, University of Leeds
- Cary Cooper
  Distinguished Professor of Organizational Psychology and Health,
  Lancaster University Management School, Lancaster University
- Elizabeth Chell
  Professor of Entrepreneurial Behaviour, Kingston University
- Denis Fischbacher-Smith
  Professor of Risk and Resilience, University of Glasgow
- Julian Franks
  Professor of Finance, London Business School
- Abby Ghobadian
  Professor of Organisational Performance, Henley Business School, University of Reading
- Jonathan Gosling
  Director of the Centre for Leadership Studies, University of Exeter
- Jean Hartley
  Professor of Organisational Analysis, Warwick Business School
- Andrew Kakabadse
  Professor of International Development, Cranfield University School of Management
- Joseph Lampel
  Professor of Strategy, Cass Business School
- Michael Lewis
  Professor in Supply Strategy, University of Bath
- Chris Mabey
  Professor of Human Resource Management, University of Birmingham Business School
- Ken O’Neill
  Professor Emeritus of Enterprise and Small Business Development, University of Ulster
- Stephen S Perkins
  Dean of London Metropolitan Business School
- Andrew Pettigrew OBE
  Professor of Strategy and Organisation, Oxford Said Business School
- Annie Pye
  Director of Research, University of Exeter Business School
- Murray Steele
  Formerly Senior Lecturer Strategic Management,
  Cranfield University School of Management
- Robin Wensley
  Professor of Policy & Marketing, Public Management and Policy Group,
  Warwick Business School
In this year’s winning article, ‘Improving the Quality of Working Life’ by Cary Cooper and Les Worrall, there is a troubling indication that managers’ growing appreciation of the importance of employee engagement in business effectiveness may have gone into reverse since the start of the economic crisis in 2007-08. Based on the 2012 Quality of Working Life report (the latest in a long-running CMI research series), Cooper and Worrall’s article shows a deterioration on several indicators of employee wellbeing compared with research in 2007. Many senior managers have needed to cut operating costs, but have paid insufficient attention to hidden costs of poor morale or weak communication. The authors recommend that senior managers learn more about the close correlation between engagement and organisational resilience.

On the theme of adapting to change, Dixon’s article, ‘Failure, survival or success in a turbulent environment’, illustrates how all organisations have to be continually aware of external change. This includes dramatic and unexpected change such as a disruptive technology that renders a core product obsolete, or social and demographic shifts that affect customer preferences. There is often a conflict between the desire for efficiency and the need to be constantly innovative and adaptive. Too much emphasis on perfecting the lean process for today’s product can limit the scope to prepare for tomorrow’s demands.

Where downsizing is unavoidable, organisations are increasingly likely to assign ‘envoys’ to communicate the difficult messages. ‘A new role in downsizing: envoys’, by Ian Ashman highlights how the prolonged nature of the economic downturn means that more people, including many with no direct prior experience, are deployed in the envoy role. He makes the case that training people to handle this role has multiple benefits – for the people being made redundant, for the organisation, and for the envoys themselves – and argues that envoys ought to be involved in decisions around downsizing.

Good communication is vital for organisations at all phases of the economic cycle. In virtual, multicultural teams it is complex, sensitive and can be a considerable challenge. Karin Moser’s article, ‘Only a click away’, illustrates how even the tiniest matters – such as etiquette, forms of address and degrees of informality – can have significant effects. Outlining the differences between on-site and dispersed teams, Moser shows how norms of behaviour are unconsciously formed and maintained by people who meet face-to-face regularly and argues that different approaches must be actively implemented when developing dispersed teams. The article concludes with a handy list of practical tips.

Finally, ‘Customer relationship management in SMEs’ by Karise Hutchinson, Andrea Reid and Lisa Donnell shows that a switch from traditional purchasing and marketing approaches to more segmented, targeted approaches, driven by closer understanding of customer preferences, is only effective if the organisational implications of change are understood and fully backed by effective leadership throughout the organisation. There also has to be capacity to analyse and understand data, and use it to inform buying decisions. Their case is illustrated by an in-depth case study.
Improving the Quality of Working Life: positive steps for senior management teams

By Professor Les Worrall FCMI, Professor of Strategic Analysis in the Faculty of Business, Environment and Society at Coventry University, and Professor Cary Cooper CBE CCMI, Distinguished Professor of Organizational Psychology and Health at Lancaster University Management School

The last five years have seen unprecedented economic change. The banking crisis, the Euro crisis, a double-dip recession, austerity and rising commodity and energy prices have made life very difficult for all of us. It has made life particularly difficult for those involved in crafting business strategy and making difficult decisions affecting all sizes of business and the people who work within them. Many long-established businesses have gone to the wall and many are struggling to keep their heads above water in choppy seas.

We have been researching the quality of managers’ working lives since 1997 (Worrall and Cooper, 1997). Our latest report (Worrall and Cooper, 2012) made for grim reading particularly when compared to the results of the 2007 study (Worrall and Cooper, 2007) undertaken just before the banking crisis in 2007/08. Comparing the quality of working life in boom and bust has been insightful. Of particular concern was the considerable increase in the percentage of managers working in declining businesses (from 21% to 34%); the decline in employee motivation and job satisfaction; the growth of job insecurity; the worsening of the long-hours culture; and the marked rise in several measures of workplace ill-health.

A key finding of the 2012 study was the strong correlation between ‘organisational health’ measured by whether the organisation was growing, stable or declining, and ‘employee health’ measured using 17 aspects of employees’ psychological wellbeing. Figure 1.1 shows how managers’ propensity to report ill-health was far more marked in businesses in decline than in growing businesses: managers in declining business were around twice as likely to report having experienced a panic/anxiety attack, having difficulty in making decisions and feeling unable to cope than managers in growing businesses.

![Figure 1.1 Managers’ psychological health and ‘organisational health’](image-url)
The purpose of this paper is to discuss some of the issues emerging from our recent research and to outline steps that we feel senior management teams can take to mitigate the impact of the challenging times we are all facing. Our research has pointed to the existence of a negative cycle in many organisations that often originates in ill-conceived and ineptly managed organisational change which leads to increased workplace stress, lower motivation and lower productivity. This cycle of decline is often compounded by damaging leadership styles and uninspiring management behaviours. What is important is that we first develop an understanding of how this downward spiral works and, second, that we identify ways to disrupt the cycle.

Despite our emphasis on downsides and dysfunction in our 2012 report, there were examples of strongly performing organisations with high levels of employee commitment, motivation, engagement, good workplace health and high productivity. The difference between the poles of the continuum from bad to good organisation was massive and we were left feeling that there is much we can learn from good organisations. In good organisations there was a virtuous circle that led from positive leadership styles to effective, high-trust working relationships to high levels of employee engagement and well-being to high levels of motivation and, ultimately, productivity.

Based on our research since 1997, we have identified several dimensions which we consider critical. We believe that any organisation that wants to audit its own performance as an employer should focus on the following questions:

- How well is change managed in this organisation?
- How are leadership styles and senior management behaviours perceived in this organisation at all levels?
- How effective are working relationships in this organisation (particularly those between workers and their immediate line manager)?
- How well do people understand their role within this organisation?
- How much control do people feel they have over how they do their job/do people feel ‘over-managed’?
- How reasonable are the demands being placed upon workers and do they have the resources they need to deliver against these demands?
- Is there a supportive infrastructure and environment in which effective two-way communications can take place?

While each of these dimensions is important, they are all highly inter-dependent. In the following sections we discuss some of our findings on these themes.

In our 2012 report we revealed that organisational change had reached epidemic proportions with the prime driver for change being cost reduction (82% cited cost reduction as the prime driver of change in 2012 compared to 60% in 2007 and 37% in 1997). The drive to take out costs whatever the cost seemed to be the prevailing business logic of 2012. Not surprisingly, those affected by organisational change overwhelmingly saw it as damaging: it reduces motivation, morale and loyalty to the organisation; it undermines workers’ sense of job security and creates a climate of fear; it makes workers feel that they have to work harder and longer to prove their value to the organisation; and it reduces workers’ sense of control over their own jobs (Worrall and Cooper, 2008).

The way that change was being implemented also undermined workers’ sense of wellbeing as many of the measures we used to monitor managers’ stress levels had increased. For example, the percentages of managers reporting difficulty in concentrating, having anxiety attacks, experiencing constant tiredness, feeling unable to cope and having difficulty in
making decisions all increased. What is important here is that all these measures affect managers’ ability to do their jobs effectively. Over 75% of managers below director level thought that their senior managers were not managing change well.

We understand that change is inevitable in the current climate and that organisations have to control costs if they are to survive, but we are concerned about two aspects of change. First, in many organisations change is multi-faceted and over-complicated in that many organisations seem to be trying to take out costs, restructure, change the culture, redefine roles and tinker with pay and conditions all at the same time. There are limits to what can be effectively managed. Second, change seemed unrelenting in many organisations: new waves of change were being initiated before old waves of change had been allowed to work through the organisation. In many cases, workers didn’t seem to know if they were coming or going: in one example a manager had had ‘to apply for his own job’ five times in two years.

Our prime concerns are that, when it comes to organisational change, many senior management teams appear to be making things up as they go along and they are often too ambitious in what they think they can achieve without permanently damaging or alienating the entire workforce. When it comes to managing change, the end of term report for UK managers is definitely ‘could do better, must try harder’.

Perhaps as a result of how they manage change, senior managers tend not to be well regarded in many UK businesses. UK managers also don’t seem to compare well internationally. A parallel study we ran in Australia in 2008 revealed that Australian senior managers were better regarded than their UK counterparts (Lindorff et al., 2008). Australian senior managers were more likely to be seen as accessible and trusting and less likely to be seen as authoritative, secretive and bureaucratic.

The three most prevalent managerial styles in the UK in 2012 (and 2007) were ‘bureaucratic’, ‘reactive’ and ‘authoritarian’. In fact, the prevalence of two of these traits (authoritarian and bureaucratic) has become worse since 2007, and much worse since 2004 (Worrall, 2004). Unfortunately, three of the top five managerial styles which most depress employee engagement in an organisation are ‘bureaucratic’, ‘reactive’ and ‘authoritarian’.

Our findings show that employee engagement is associated with leadership styles that are perceived as empowering, trusting, accessible, innovative, consensual and entrepreneurial. It is deeply worrying that these are not the norm in the UK and that the UK norm is characterised by leadership styles that depress employee engagement. Senior managers in the UK have a lot of work to do to improve how they are perceived in their organisations.

More worrying still is our finding that senior managers’ view of their own leadership styles is somewhat flattering and discordant with other employees’ views. The difference between senior managers’ views of themselves and the rest of their organisation’s views of them is often marked. For example, while 11% of directors saw the prevailing leadership styles in their organisation as authoritarian, this increased to over 51% for junior and middle managers. As Robbie Burns once said, ‘Oh wad some power the giftie gie us. To see oursel’es as others see us!’

1.4 Leadership styles and management behaviours

Perhaps as a result of how they manage change, senior managers tend not to be well regarded in many UK businesses. UK managers also don’t seem to compare well internationally. A parallel study we ran in Australia in 2008 revealed that Australian senior managers were better regarded than their UK counterparts (Lindorff et al., 2008). Australian senior managers were more likely to be seen as accessible and trusting and less likely to be seen as authoritative, secretive and bureaucratic.

The three most prevalent managerial styles in the UK in 2012 (and 2007) were ‘bureaucratic’, ‘reactive’ and ‘authoritarian’. In fact, the prevalence of two of these traits (authoritarian and bureaucratic) has become worse since 2007, and much worse since 2004 (Worrall, 2004). Unfortunately, three of the top five managerial styles which most depress employee engagement in an organisation are ‘bureaucratic’, ‘reactive’ and ‘authoritarian’.

Our findings show that employee engagement is associated with leadership styles that are perceived as empowering, trusting, accessible, innovative, consensual and entrepreneurial. It is deeply worrying that these are not the norm in the UK and that the UK norm is characterised by leadership styles that depress employee engagement. Senior managers in the UK have a lot of work to do to improve how they are perceived in their organisations.

More worrying still is our finding that senior managers’ view of their own leadership styles is somewhat flattering and discordant with other employees’ views. The difference between senior managers’ views of themselves and the rest of their organisation’s views of them is often marked. For example, while 11% of directors saw the prevailing leadership styles in their organisation as authoritarian, this increased to over 51% for junior and middle managers. As Robbie Burns once said, ‘Oh wad some power the giftie gie us. To see oursel’es as others see us!’

1 We measured employee engagement using six-item scale including measures such as ‘I feel motivated to do my best for my organisation’ and ‘I would recommend my organisation to others as a good place to work’.
Fortunately, workers tend to have much higher levels of trust in their immediate line manager than they do in the senior managers in their organisation. Our 2012 research showed that while 54% of respondents trusted their line manager, only 33% trusted the senior managers in their organisation. There is a very strong relationship between the quality of a worker’s relationship with his/her line manager and their level of employee engagement, their job satisfaction, their commitment to their organisation and their sense of empowerment. Reciprocal trust between a worker and their line manager and a worker’s sense of empowerment and commitment are very strongly correlated (Worrall et al., 2011).

The quality of line manager relationship is dependent on several building blocks. These include line managers being seen to be proactive; line managers taking a balanced view of an employee which looks at both performance and wellbeing; the existence of two-way communications channels; the support the line manager provides especially in giving constructive and developmental feedback; and the extent to which the line manager involves the worker in setting objectives that are felt to be reasonable and deliverable by both parties.

There is clearly a fine dividing line between effective management and over-management that line managers need to be aware of. One thing that clearly reduces employee engagement is the sense that workers are not in control of how they do their jobs. This sense of not being in control is often exacerbated by the over-enthusiastic use of performance management systems. Indeed, two of the most pronounced effects of organisational change experienced by respondents had been an increase in performance management and a sense of being less in control over how they did their job.

**Figure 1.2** Which leadership styles most enhance/depress employee engagement?
An important issue to consider in all change management activity is how the locus of job control is shifting, and the effect this has on employee engagement. Our concern is that much change seems insidiously to shift the locus of job control and task discretion away from the person doing the job to higher levels of management through the medium of the performance management system. Insidiously (sometimes unconsciously, sometimes consciously) degrading jobs in this way does little to promote employee engagement and job satisfaction. Not feeling in control is one of the most powerful generators of stress within organisations. Systematically reducing workers’ sense of control over their jobs always has long-term negative consequences.

Concern about the long-hours culture is not new: it is an issue that has been around for many years. What is worrying is that despite the actions of many agencies to encourage workers to have a better work-life balance, our 2012 study shows that things have become worse since 2007. In 2012, we calculated that the ‘average manager’ worked 1.5 hours per day over contract. Translated into days per year, this equates to roughly 46 working days for the average manager. In 2012, our average manager took 3.6 days per year absence from work. Consequently, for every day the average manager took in sickness absence, he/she provided 13 days free of charge to his/her employer. When you ask managers about the wider effect of the hours they work has on them, they will overwhelmingly acknowledge that it causes stress, that it badly affects their physical and psychological health and that it has a negative impact on their personal lives. Over the last five years, workloads have become more unmanageable.

Our research has identified what we consider to be the key dimensions that affect the quality of working life. We argue that organisations need to improve on all these inter-related dimensions if they are to build an engaged and productive workforce.

Given the scale of organisational change affecting UK organisations, we feel that senior managers need to become far more adept at managing change. While cost reduction might be needed, it can have huge costs of its own. In making their restructuring decisions, managers need to factor in the costs of lost productivity through employee ill-health or workforce alienation and the costs of losing or not being able to recruit top performers. Senior managers should be less optimistic about what they can realistically achieve without causing long-term, irreparable damage to their organisations. They should certainly avoid serial waves of continuous change that only serve to disorientate and demotivate the workforce and ultimately undermine the organisation.

Senior managers also need to be more self-aware and more aware of how they are perceived within their organisations. While they may think their management styles are accessible, open, trusting and empowering, they might be the only person in the organisation who thinks that. Many senior managers drone on about building employee engagement, but how many are aware that it is their leadership style that is doing most to prevent employees from becoming engaged?

Much of our argument focuses on top managers, but we feel that the engine for improving the quality of working life depends on having effective worker/line manager relationships. Senior managers’ role here is to create a supportive organisation culture in which middle and line managers can operate effectively. Having an effective line manager probably does more to affect your motivation, loyalty, commitment and, ultimately, your productivity than anything else in the organisation. We have already outlined some of the qualities that we believe typify effective line managers. Creating a supportive organisational culture and developing skilled line managers are critical if you want to build an engaged and productive workforce.
A more insidious aspect that concerns us is the growing desire to manage organisations by numbers and through performance management systems. Our analysis reveals that many workers feel that the effect of organisational change has been to strengthen the role of performance management systems and to reduce workers’ control over the jobs they do. While there is a clear need for performance to be managed, we are concerned that in too many cases servicing the performance management system is seen to be more important than the actual work that people do. You can’t build a successful organisation by managing by numbers, you can do it by sensitively managing people.

1.8 About the authors

Professor Cary Cooper CBE CCMI, Distinguished Professor of Organizational Psychology and Health at Lancaster University Management School.

Cary L. Cooper is Distinguished Professor of Organizational Psychology and Health. He is the author/editor of over 120 books (on occupational stress, women at work and industrial and organisational psychology), has written over 400 scholarly articles for academic journals, and is a frequent contributor to national newspapers, TV and radio. He is currently Founding Editor of the Journal of Organizational Behaviour, Founding Editor of the International Journal of Management Reviews and currently Editor-in-Chief of the medical journal Stress & Health. He is a Fellow of the British Psychological Society, The Royal Society of Arts, The Royal Society of Medicine, The Royal Society of Public Health, The British Academy of Management and an Academician of the Academy of Social Sciences. Professor Cooper is past President of the British Academy of Management, is a Companion of the Chartered Management Institute and one of the first UK based Fellows of the (American) Academy of Management (having also won the 1998 Distinguished Service Award for his contribution to management science from the Academy of Management). In 2001, Cary was awarded a CBE in the Queen’s Birthday Honours List for his contribution to occupational safety and health.

Professor Les Worrall FCMI, Professor of Strategic Analysis in the Faculty of Business, Environment and Society at Coventry University.

Professor Les Worrall FCMI is Professor of Strategic Analysis in the Business School at Coventry University. His research interests include organisational analysis, leadership and changing patterns of work. He has been working with the Chartered Management Institute and Professor Cary Cooper of Lancaster University on the Quality of Working Life project since 1997. He was actively involved with the British Academy of Management as a council member for a number of years and was chair of the Academy’s Directors of Research Network. He is Director of Axiom Research Limited – a company he established in 2006.

References

Failure, Survival or Success in a Turbulent Environment: the dynamic capabilities lifecycle

Dr Sarah E A Dixon, Professor and Dean of Xi’an Jiaotong Liverpool University Business School in Suzhou, China.

2.1 Introduction

Companies face constant challenges from environmental turbulence, such as hyper-competition, recession, disruptive innovation, government regulation or deregulation. They are also subjected to environmental pressures, such as the drive for sustainability, bottom of the pyramid issues and the green agenda. To survive and succeed they need to develop dynamic capabilities – essentially those adaptive capabilities that enable an organisation to develop new capabilities better fitted to the changing environment. These dynamic capabilities help organisations both to exploit to the full their current operations and to develop new business pathways to secure competitive advantage.

It is common to read about so-called ‘ambidextrous organisations’ (Benner and Tushman, 2003; and Raisch and Birkinshaw, 2008); those organisations that are able to balance exploiting their current capabilities with exploring for and developing new ones. The dynamic capabilities lifecycle is an extension to this concept and explains how companies need to create a virtuous circle of best practice and strategic supremacy in order to sustain competitive advantage that would otherwise be eroded by imitation (someone doing the same thing better) or substitution (someone doing something different and disruptive to the sector). The concept of dynamic capabilities was first introduced by David Teece and his co-authors in the 1990s (Teece et al., 1997) and was used to explain how firms could reconfigure their resources in order to adapt to changes in the environment.

This article explains how companies can manage the dynamic capabilities lifecycle, describes different types of organisational transformation requiring different managerial actions, and specifies some underlying mechanisms for enhancing dynamic capabilities to secure sustainable competitive advantage. The theories presented in this article were developed in the process of conducting longitudinal qualitative case studies of organisational transformation, initially based on four Russian oil companies in a transition economy context and subsequently focusing on two large Western multinationals in the hyper-competitive ICT industry. In order to bring the theories to life for practising managers, they are presented in this article with reference to published examples from the business world.

2.2 Changing markets: the need for adaptability

Toyota reinvented automotive manufacturing and supply chain management with its ‘lean production’ system and built its reputation on constantly raising the quality bar. But Toyota failed to exploit to the full its current business model. The poor deployment of their capabilities across wide geographic regions and the headlong drive for growth led to litigation problems in the US and other countries relating to faulty parts. Rapid expansion of production outside Japan involved them in relationships with suppliers with whom they did not have a long-standing and tested relationship, and their resources were overstretched in terms of engineers qualified to monitor and control the quality of components of the supply chain.

EMI was a successful record label, with artists such as The Beatles, Pink Floyd, Queen, Robbie Williams and Lily Allen on its books. But the company struggled to refinance its debts and return to viability. It was encumbered with an old business model that had control of the whole value chain. This value chain has now fragmented into multiple participants in every part of the value chain, from production through to distribution. Disruptive technology opened up music production to everyman. Traditional distribution networks for music CDs fell victim to file sharing and music downloads for free or at a fraction of the CD price. EMI is failing to adapt to the turbulence in its environment – its capabilities no longer fit the new reality of the music business.

Contrast Toyota’s quality concerns and EMI’s business model headaches with Intel, a successful company renowned for the exploitation of excellence in its microprocessor technology and for its financial strength. But even Intel is not immune to environmental turbulence. Technology moves on swiftly and Intel failed to keep pace in the mobile and...
smartphone arena. Intel, though, has reinvented itself before – firstly with a successful move away from memory manufacture to microprocessor technology in the mid 1980s, secondly through a move into the mobile computing space with the launch of a platform bundling mobile microprocessor with Wi-Fi capability and more recently with its entry into the low-cost netbook business using less powerful processors, countering the trend for year-on-year increase in computing power. What are the challenges that face Intel in developing new capabilities? Will it be able to reinvent itself again, and does it need to?

Successful companies combine the constant honing of their existing capabilities to achieve operational excellence at the same time as developing new capabilities with a better fit to a continually evolving environment. Those new capabilities may be associated with product innovation or management innovation; with new market offerings or new business models.

Google is associated with product innovation, having entered the internet arena with disruptive search technology that has now become a household name, but it continues both to enhance the features of its search engine as well as introduce new attractions that provide hooks for the advertising revenue needed to ensure the success of their business model. Apple too, in recent years, has managed continuously to hone its design and technology skills, with the launch of each new product taking the world by storm, even though it may not necessarily be a technology first mover. What they offer is unique in its design, implementation and business model and represents an attractive value proposition both to loyal fans and to an increasing number of new customers.

Firms in more traditional commodity industries also provide examples of management innovation. Mittal Steel, an Indian multinational company, is reinvigorating loss-making industries via acquisition, cost cutting, integrating complementary global operations and better management. Another successful company from a developing country is Cemex. This Mexican cement and building materials company has developed strong capabilities in cross-border acquisitions and has deployed the capabilities from each acquisition to enhance its business, thereby growing into the third largest cement company in the world. What is the secret of the successful companies and how might failing companies, or those facing potential threat of failure, turn their companies round to survive and secure competitive advantage? What leads to failure, survival or success in today’s turbulent environment?

The dynamic capabilities lifecycle (Figure 2.1) was developed as a result of research in two different industry contexts – the commodity oil industry in a transition economy and the hi-tech industry in the West. The lifecycle comprises two types of dynamic capability – incremental innovation and disruptive innovation – that determine firm failure, survival or success.

**Incremental Innovation – the exploitation and deployment of best practice:** Incremental (or adaptive) innovation is the first stage of the dynamic capabilities lifecycle. This dynamic capability is characterised by exploitation and deployment of best practice resulting in continuous incremental innovation or adaptation. Temporary competitive advantage is secured for as long as competitors do not succeed in imitating and outdoing erstwhile best practice or in reinventing the business model.
Tesco, the UK supermarket chain, is a company encouraging *incremental innovation as its current practice*. They were one of the first companies to introduce the shopping loyalty card. They exploited the information provided about consumers’ shopping habits to deploy a system of targeted marketing that was best in class. Tesco’s international expansion was based on the exploitation of their existing capabilities in efficient supply chain management and meeting customer needs, and the subsequent deployment of these capabilities in new markets. In some areas of the world this has been successful, but in other areas (such as its expansion to the USA with Fresh and Easy stores) Tesco has found, as Walmart did in Germany, that its modus operandi did not fit well with the local environment. Incremental innovation is therefore more than just doing what you already do well, but involves adjacent or linked innovation to adapt to different local conditions. Walmart withdrew from Germany, but will Tesco ultimately succeed in the US?

*Incremental innovation as the result of company turnaround* can be illustrated by the way companies in transition economies have acquired and assimilated the capabilities needed to operate in a market economy. Their administrative heritage was that of a planned economy with capabilities adapted for success in that environment. By acquiring and deploying Western expertise they were able to develop the basic operational capabilities required for survival and success in a market economy, such as finance, HR and marketing capabilities – all based on completely different foundations in the planned economy. Although representing a radical transformation for these companies, this was nevertheless adaptive rather disruptive innovation, since they were merely developing capabilities already in existence in Western companies.

For those companies that fail to engage in incremental innovation there is a risk of failure and exit from the dynamic capabilities lifecycle. In the late 1990s Marks and Spencer, a
UK retailer, saw a dramatic fall-off in revenues, profits and share value. This was attributed largely to complacency. While other companies were upgrading their supply chains and engaging actively with changing consumer preferences, Marks and Spencer were caught in a time warp. The industry had moved on, leaving Marks and Spencer caught up in their administrative heritage and with a brand, once an icon of the British high street, by that time standing for mediocrity, staidness and poor value for money. For a while failure beckoned, but new management and a major turnaround strategy re-established Marks and Spencer as one of the leading UK high street brands.

Other firms have not been so lucky – witness the collapse of Woolworths, another brand formerly synonymous with the UK high street. Woolworths evidenced some spectacular failures in incremental innovation, largely through poor adoption of technology and processes used by other players in the industry, while failing to innovate in two key areas – the product offering (it stuck to many ‘traditional’ product areas where competitiveness had been eroded by supermarkets and DIY superstores) and the retail space (it had many old fashioned large department stores that were historically in prime locations but that became much less appealing with the centre of gravity for shopping shifting to out of town sites). In 2008, after almost 100 years of operation, the UK company went into administration, resulting in the closure of 807 outlets and the loss of 27,000 jobs.

Disruptive innovation – exploration of ideas and new path creation: Those companies that have managed to engage successfully in incremental innovation, and thereby secure temporary competitive advantage, generate the capacity to engage in the second stage of the dynamic capabilities lifecycle – disruptive innovation. This involves exploration of ideas and new path creation, for example the redesign of the business model or the invention of new products. This requires a combination of organisational slack (availability of time and resources to be allocated to things other than the day-to-day business operations) and absorptive capacity (the ability to conceptualise news ways of doing things, to understand a changing environment and the openness to new ideas to acquire new knowledge and think in new ways). This stage of the lifecycle involves the dynamic capability of disruptive innovation with a focus on creativity and exploration for new ideas, and on the utilisation of these new ideas to create new developmental paths for the organisation.

The entry point is designated a renewal intervention – organisations need to reinvent themselves by seeking new sources of competitive advantage that are difficult, at least in the short-term, for competitors to imitate. Google deliberately creates organisational slack, by allocating engineers 20% of their time to engage in their own projects. Thus Google creates an organisational climate that is conducive to exploring new ideas, as the same time as having processes for turning those ideas into practical user propositions that help to reinvent their business. Apple has generated high absorptive capacity – their engineers successively reinvent technology business models with new concepts such as iPod, iTunes, iPhone, and iPad.

In emerging markets we are witnessing the emergence of so-called ‘reverse innovation’ (Immelt et al, 2009), where companies, instead of adding bells and whistles to their already sophisticated products, target the base of the pyramid with low-cost, reverse-engineered products that are beginning to change the lives of people in the developing world. Take for example GE’s hand-held electrocardiogram (ECG) that sells for $800 instead of $2000, reducing the cost per patient to $1. This is both the adaptation of an existing product and the creation of a new business model.

Equally different and exciting is the life-changing influence of mobile phones in Africa. The Kenyan mobile phone company Safaricom has set up a mobile phone money transfer service that has revolutionised the lives of millions of people who do not have a bank account and who wish to transfer money to relatives or businesses in other parts of the country. This illustrates new path creation, resulting in a novel business model that enables Safaricom to access a hitherto closed market segment.
Failure to reinvent the business and to develop new sources of competitive advantage may result in exit from the dynamic capabilities lifecycle. Exit is more likely at this point because of the uncertainty of success from disruptive innovation. For those successful companies that create new paths and introduce innovative products, services or business models to the market, there follows the need to exploit and deploy them further within the organisation, to hone them with continuous improvement – thus returning us to our starting point of incremental innovation at the beginning of the dynamic capabilities lifecycle.

Entry points to the dynamic capabilities lifecycle may vary in accordance with the stage in the organisational lifecycle. Figure 2.2 below shows two types of strategic intervention corresponding to the two key stages of the dynamic capabilities lifecycle.

2.4 Types of organisational transformation – turnaround and renewal

The first stage relates to a turnaround intervention to achieve best practice – this applies to a company that may be failing in the context of its environment. The second relates to a renewal intervention whereby an organisation that is well adapted to its current environment and exemplifies best practice nevertheless reinvents itself to secure sustainable competitive advantage.

‘Old Ways’ typifies the company that is already failing. Leadership style is likely to be transactional. Organisational capabilities are non-dynamic, fit old ways of working and are thus obsolescent, leading to failure in performance. Strategic intervention in this case is required by a transformational leadership approach, preferably bringing outsiders with a radical approach who are not tainted by the administrative heritage of the ‘way we do things around here’.

Figure 2.2 Types of organisational transformation – turnaround and renewal
Strong transformational leadership can help to break with the obsolescent administrative heritage, thus creating the capacity for change. Once this is achieved a more contingent approach to leadership could take over – a combination of transformational, where managers are still required to motivate change, and transactional, where managers have embraced change and can be relied upon to be accountable and responsible for implementation. The capacity for change, or absorptive capacity, created by the break with the administrative heritage, facilitates the dynamic capability of incremental innovation – exploitation and deployment of best practice. The organisation catches up with peers, operates more efficiently and develops operational capabilities that are well suited to its environment. Thus Marks and Spencer, the UK high street retailer, was able to regain its position in the marketplace by bringing in new leaders from outside the company with a transformational approach, focusing on implementing best practice in the supply chain and reconnecting with the consumer. By 2008 the company was able to regain a pre-tax profit of £1.129 million, comparable to its peak performance year in 1998, before its dramatic decline to a low of £145 million in 2001.

Yukos, the Russian oil company, brought in outsider managers (non oilmen) to its top management team, as well as many Western expatriates who contributed their expertise. The transformational leadership of Mikhail Khodorkovsky, the former CEO of Yukos, an entrepreneur and not an oilman, enabled the company to establish the operational capabilities required for operating in a market economy. As a result Yukos’ oil production doubled between 1996 and 2002. Yukos was the leading Russian oil company by market value ($21 billion) at the end of 2002, and the fifteenth independent oil company in the world by this measure. It had the lowest production cost in Russia (and lower than that of ExxonMobil, the leading Western multinational oil major) – a major achievement considering that the ‘old ways’ of the planned economy had focused attention on output rather than cost.

The second type of strategic intervention is organisational renewal to secure sustainable competitive advantage. Transformational leadership is just as important here to break with an administrative heritage of success. That very success inhibits the search for new ideas due to either complacency or the fear of cannibalising existing business. Creating a climate that challenges managers to develop new ways of thinking and encourages the implementation of new projects opens up the possibility of exploration and path creation that are the characteristics of disruptive innovation. New developmental paths in terms of revolutionary products, services or business models can lead to the strategic capabilities – core competences and unique resources – that are difficult for competitors to imitate, at least in the short term, and thus represent a source of sustainable competitive advantage.

In the early 1990s IBM share prices had slumped and the company was failing. CEO Lou Gerstner’s story of the organisational renewal of IBM is a textbook example of disruptive innovation, whereby the company introduced a radical change of direction away from its administrative heritage of hardware and into the new area of services and software, moving from a technology company to a broad-based solutions provider.

Intel also provides two classic examples of company renewal – the first, in the mid 1980s, was its switch away from its original business in manufacturing memory that had become increasingly commoditised, to the production of microprocessors to feed the growing demand for personal computers. It was so successful it gained 90% market share. The launch in 2003 of Intel Centrino, a ‘platform’ of components designed to work together, represented a further break with tradition and a new paradigm for architecture, manufacturing and marketing.

Both companies had been very successful and it must not have been easy for them to mobilise their organisations to change what had seemed to be a winning business model for so many years. Meanwhile other companies still struggle to reinvent themselves – take Chrysler and General Motors, two companies constrained by their heritage, with crippling pension funds, significant overcapacity and a lack of innovative design that appeals to consumers.
Talk to managers today and one of their biggest complaints is lack of time to think and do things differently. Many companies have gone through so many rounds of cost-cutting, slimming down and staff reductions that the pressure on individual managers to perform the ordinary tasks to keep the machine turning and the business going is overwhelming. They are drowning in day-to-day operational tasks and struggling under an avalanche of endless meetings that focus on pressing current issues and short-term forecasts rather than strategic innovations.

Yet if most, if not all, of their attention is focused on the present, what then about securing the future?

Another frustration for managers in large organisations can be the convoluted bureaucracy and labyrinthine processes for getting acceptance of new ideas. Large organisations are inherently risk-averse and hide-bound by the way they have always done business in the past. In addition, particularly in the USA, companies tend to be driven firstly by their lawyers, secondly by their finance staff and thirdly by investor relations. The combined forces of tight regulation and the shareholder pressure to perform today are major obstacles to risk-taking for the sake of the future.

The dynamic capabilities lifecycle is not a panacea that can soften the impact of short-termism and risk aversion, neither can it serve to develop the organisational slack to give managers the time to think creatively and constructively about the future. However it can serve to highlight the importance of striving for some sort of balance between incremental and disruptive innovation and serve as a reminder of the types of dynamic capabilities that can be of assistance to managers struggling to achieve this balance.

Dr Sarah E A Dixon, Professor and Dean of XJTLU Business School in Suzhou, China.

Dr Sarah Dixon was Dean of Bradford University School of Management for just over two years. In January 2013 she took up a new position at Xi’an Jiaotong Liverpool University (XJTLU) as Professor and Dean of XJTLU Business School in Suzhou, China. Her academic career started in 2002 at the Faculty of Business and Law, Kingston University and in 2008 she moved to the School of Management, University of Bath. Prior to her move into academia she had 23 years’ international management experience working for Shell in a variety of roles including business management in expatriate postings in Austria and Russia, strategic planning and mergers and acquisitions. Consultancy activities include investment analysis, strategy development and implementation and management development for major companies in UK and Russia. Her research interests lie in the strategic management of large corporations, more specifically dynamic capabilities, organisational learning and organisational change. She has conducted research into radical organisational transformation in a transition economy (Russia) and she is currently engaged in studying the dynamic capabilities of Western high tech multinationals facing radical change.

References

A New Role Emerges in Downsizing: special envoys

Dr Ian Ashman, Senior Lecturer in Human Resource Management and Leadership at the Institute for Research into Organisation, Work and Employment, University of Central Lancashire.

3.1 Introduction

Redundancies have become an unwelcome necessity across all sectors of the economy. But research undertaken for Acas identifies the particular skills and experience needed for managers to break bad news well.

Every organisation that has restructured or downsized has within it ‘envoys’: people who have to break the news of redundancy or redeployment to their colleagues. The prolonged nature of the economic downturn means that more and more people who have never had to convey the news of job losses are finding themselves in the envoy role – especially in the public sector, where there is relatively limited experience of downsizing management.

There is a considerable body of theory and research on the phenomenon of organisational downsizing, mostly from North America, but despite this, consideration of the role of the envoy has been neglected. As a result, the need to understand and prepare for the challenges of communicating such difficult information has never been greater.

Why label the people who deliver the bad news face-to-face with employees ‘envoys’? In the limited amount of research that has looked at the role, they are often referred to as ‘executioners’; however, evidence gathered for a study commissioned by Acas indicates that such a name is both inaccurate and unfair.

The term envoy is preferred because it denotes the function of an agent or messenger, or even a diplomat, which is much more in keeping with the requirements of the role. The skills needed don’t comprise being good with an axe or a noose, but do involve sensitivity, discretion, resilience and the ability to mediate.

Successful change management depends on three elements – strategy, procedure and psychology. They are, of course, inter-dependent, but the third element, which concerns dealing with the emotions of all employees affected by downsizing, is often ignored. The important role that envoys play in this gets overlooked, and yet they may be the most important people in the delivery of downsizing goals by ensuring that:

- The message is communicated accurately, with sensitivity;
- A balance is achieved between strategic intent, procedural fairness and humane treatment;
- People leaving the organisation do so with dignity (especially given the moral and PR implications);
- Workers being redeployed are transferred into roles for which they are suited;
- Survivors experience and witness a just process and can feel comfortable in their task of taking the organisation forward. On this final point, it is worth remembering that many downsizing survivors will have spent some time ‘at risk’, and so have had direct contact with envoys.

3.2 The downsizing envoys and their role

To find out more about the role of the envoy, in-depth interviews were carried out between October 2010 and April 2012 with 50 envoys, of whom 30 were HR professionals and 20 were drawn from other management functions. Of the envoys, 24 came from public sector organisations, including education, health, emergency and local government services; 24 were from the private sector (including areas of manufacturing, retail and process) and two were independent consultants who primarily worked with small and micro firms.

The nature of the downsizing activity undertaken by the organisations in the study varied considerably from dealing with only a handful of job losses to many hundreds, which were managed through the application of voluntary or compulsory means – or a combination of...
the two. Across the public organisations, the approach was always to downsize through a combination of natural wastage, recruitment freezes, voluntary severance (redundancy and retirement) and redeployment – without exception, compulsory redundancy was considered to be the last option. Across the private sector organisations, on the other hand, no such pattern could be discerned. The consequence of the public sector approach is that downsizing takes a long time (often many months) and the longer the process, the greater the demands are on the envoys.

That is not to say that private sector organisations always did it more quickly. For instance, one organisation downsized over a period of years because of unusually long product lifecycles, although at the other extreme another dispensed with the services of 70 managers in a morning by offering enhanced redundancy packages if they left immediately. In the rare cases where employees were not unionised – all the public sector organisations and all but one private sector organisation participating in the study recognised trade unions for at least some of their staff – downsizing was generally a shorter process. Nevertheless, where union representatives were involved they often proved to be important participants because they could be a source of support and guidance for envoys as well as for members.

3.4 Coping strategies

Many of the people interviewed described being a downsizing envoy as the worst job they had ever had to do. The phrase ‘difficult conversation’ is popular among the HR fraternity for describing activities such as grievance and discipline or appraisal, but it does not do the envoy role justice. Typical adjectives used to describe the emotional impact of the role include: ‘traumatic’, ‘nerve wracking’, ‘dreadful’, ‘very upsetting’, ‘hideous’, and ultimately ‘stressful’.

On the flip side however, not every victim of downsizing is sorry to be leaving and many envoys spoke of truly uplifting situations of triumph through adversity, which did a great deal to help them cope. Coping, of course, is fundamental to the experience of being an envoy and some people cope better than others. Typical coping strategies range from emotional hardening and cognitive distancing (separating the ‘downsizing me’ from the ‘real me’) to using procedures as a psychological support that depersonalises individuals and events. The envoys were unanimous in their view that the closer their normal working relationship with the victims of downsizing, the harder their task. For line managers in particular this is an obvious issue but it can touch HR professionals too when dealing with their subordinates or particular business units they have been partnering.
The irony, if we can call it that, is that despite the heightened emotional burden, the envoys always felt it right and proper that they should take responsibility for delivering the news of downsizing to their subordinates and colleagues because they knew them best and wanted to provide support. In many instances the envoys were also at risk of being made redundant and so genuine empathy was often an important aspect of the dynamic.

The dynamic between HR professionals and line managers in downsizing events is an interesting one as they often have to work side by side as envoys. A number of issues were raised by the research in connection with that relationship. Downsizing activities can often become a preoccupation for those charged with managing events and so work overload was an issue reported by almost every envoy. The problem, however, seemed particularly acute for line managers, who were often expected to handle the envoy role alongside their day job. Some line managers in the public sector also complained of a sense of isolation because they had no opportunity to share their experiences with other managers in a similar position, perhaps because there were none.

Envoys from the HR function, on the other hand, were far more likely to have the role incorporated into their normal workload and were more likely to be able to share experiences with other HR professionals, either in their own organisation or through their local CIPD [Chartered Institute of Personnel & Development] branch. There is perhaps a responsibility of HR envoys, therefore, to look out for their line management partners and to identify the signs of work overload and isolation, providing support if requested. Having said that, care must be taken in managing the relationship to ensure that what is intended as support does not become domineering. Across the private sector organisations, the relationship between HR and the line was universally positive, but in a few public sector organisations line management envoys felt that they were being policed by their HR counterparts.

It may seem to be stating the obvious, but experience counts for a great deal when it comes to being a downsizing envoy. The more experience someone has, the more refined their approach to procedures and dealing with those leaving and staying is likely to be. Perhaps more importantly, their familiarity with the emotional pressures of the role means fewer unpleasant surprises and better coping mechanisms.
The private sector organisations involved in the research were all well acquainted with downsizing activity, even before the recession, which meant there was likely to be a number of experienced envoys who could provide advice and support to new envoys as well as to one another. The public sector organisations, on the other hand, had little or no downsizing experience until recent times and it told on many of their envoys. Rawness and feelings of isolation made the role seemingly more trying for a number of the public sector envoys. This begs the question: how can envoys be prepared for their first exposure to downsizing? Being ‘thrown in at the deep end’, which was the initial experience of many envoys from both sectors, does not appear to be the sensible option, as it may have a long term detrimental impact on envoys, leavers, survivors and, ultimately, the ability of the organisation to move forwards.

Many envoys suggested that it was not possible to understand the stresses of the role until it had been experienced first-hand; nonetheless, there were some examples of innovative efforts to prepare for the task. Mentoring and a gradual introduction to the psychological challenges of the role were cited in some cases. Role playing was a device used by some and, in one instance, a company tutored its envoys in bereavement counselling. Interestingly, all of the HR envoys said their professional training had provided them with very little insight into the emotional aspects of downsizing, suggesting that professional development programs should pay more attention to the less palatable psychological demands of organisational renewal.

One organisation in particular showed what was possible regarding the handling of envoys, having instituted for a particular downsizing event what was referred to by one respondent as ‘the Rolls Royce service of redundancy’. This involved comprehensive procedures, practices and facilities for the benefit of those on the receiving end, but also up-front and bespoke training for envoys in the emotional as well as the procedural and legal aspects of the role. Additionally, the company chose to carry out redundancy consultations in a facility set up for the purpose off site, which was ostensibly to save people from what was referred to as the ‘walk of shame’, but had the additional benefit of creating a situation where the envoys were gathered in the same place and so could share their experiences more or less immediately with one another and provide moral support as events unfolded. It was this proximity that enabled the opportunity for envoys to opt out of a consultation if, for instance, there was a particularly difficult situation or conflict of interest.

The best practice option may not be available to everybody – this case study relates to a large organisation with significant resources – but it certainly offers food for thought. Money invested in careful downsizing management, including envoys, is probably money well spent – even in times of fiscal constraint. However, the research suggests that something which costs nothing is perhaps the most important factor in influencing the experience of envoys: involving them in downsizing decision-making. Ideally that will mean involvement at the strategic, policy and implementation levels. Evidence from the research indicates that, as a consequence, the organisation gets envoys with buy-in and a depth of understanding that they can carry into the role. The envoys get a sense of ownership that puts them in a stronger position to cope with their own emotions and those of the employees they deal with.

3.7 Best practice
It is clear that the downsizing envoy role is a demanding one wherever it occurs. The context in which the downsizing occurs will have a crucial impact on determining the extent of these demands. But wherever envoys are based – be that in HR or the line or within public or private sector organisations, there are some key recommendations that can be drawn out of the research:

• Involve envoys in the decisions and rationale for downsizing. It may be unrealistic for all envoys to be involved in strategic decision-making, but it should be possible with regard to procedural and operational matters. The rationale for the downsizing must be communicated clearly to envoys at the earliest opportunity, in order to maximise the opportunity for buy-in.

• Envoys should not feel forced into the role. The evidence here indicates that there is no need to coerce HR or the line, as they are willing generally to take on the responsibility in the interests of those on the receiving end, but it is important that they perceive a sense of choice and control.

• Experience is an important factor in determining how an envoy performs, but there is always a first time and the way in which individuals are initiated into the task requires careful consideration.

• Bespoke training for envoys is possible but may prove problematic in terms of resources and timing. Nevertheless, a realistic appreciation of the emotional aspects of organisational change can generally be built into broader staff development programs.

• Perhaps the most important recommendation is for organisations to ensure that envoys are supported in dealing with the emotional stress of the role. Support from the HR function may be valuable but, crucially, support needs to come from senior managers and peers, either within the organisation or through networks beyond the organisation.

3.9 About the author

Dr Ian Ashman, Senior Lecturer in Human Resource Management and Leadership at the Institute for Research into Organisation, Work and Employment, University of Central Lancashire.

Dr Ian Ashman is a Senior Lecturer in the Division of Human Resource Management and Leadership at the University of Central Lancashire. He worked as a systems analyst at a large insurance company before moving to higher education. His research and writing until recently has focussed on the application of existentialist philosophy to a variety of issues including leadership, business ethics, on-line journalism and emotion work. At the present he is concentrating on developing his work on ‘envoys’ and is seeking to broaden the scope of his research and analysis to other aspects and agents of downsizing. Ian is co-founder of the Institute for Research into Organisations, Work and Employment in the University’s Lancashire Business School.

References

More extensive material written by the author on the role of envoys can be found on the following pages of the Acas website:


• Also the Acas advice page at: http://www.acas.org.uk/index.aspx?articleid=747
Only a Click Away? – What makes virtual meetings, emails and outsourcing successful

Dr Karin S Moser, Department of Psychology at the University of Roehampton London and Associate Professor at the Centre for Career Development and Continuing Education at the University of Bern, Switzerland.

4.1 Introduction

Scenario 1: Imagine you receive the following email: ‘Hi – How r u? i’m working on a case study. Free 2 discuss this together next Monday? Cheers!’ How would you react if this email were from a) an old friend, b) someone from the team you supervise, or c) a non-English speaker who you met briefly once and who might be a potential collaborator?

Scenario 2: Management in your organisation recently decided that in the light of the latest cuts and changes, part of your customer services will be outsourced to a call centre in India. You are in charge of making this work and integrating the remote call centre with the rump customer relations team in the UK. What looks good on paper gives you endless headaches. How do you ensure that service quality remains the same? How do you convey your service philosophy to the Indian team; and how do you make sure that all necessary information on daily business is reliably exchanged?

Today, all of us are virtual workers to some degree and the above are only two examples of the many ways in which we might be confronted with electronic communication at work. Even employees working in the same building exchange most information via email and they do large portions of their work using various IT technologies, such as shared databases, intranet and wikis. Some are remote workers altogether, working in different locations in or outside of the country, working from home or being members of outsourced service teams, and have to rely almost entirely on virtual communication media, also for meetings across locations. A third and increasingly important category are the ‘switchers’ – that is, people who constantly switch between on-site and off-site work, and virtual and face-to-face collaboration. Even if your organisation is not yet relying much on electronic media, it is likely that the future will bring increased use of such forms of communication. Much of this development is technology driven by advancements such as the availability of smartphones and wireless internet access, but the financial crisis has further increased the pressure to outsource services, and to save on travel expenses by using electronic meetings instead.

Electronic media facilitate these different types of cooperation regardless of location, time zones, organisational affiliation and social and cultural background. Everyone is – seemingly – only a click away and huge amounts of data and documents can be exchanged effortlessly. But despite all this virtual flexibility, people are still physical beings, always located in a specific place and time, with a history and rooted in an organisational context with its specific culture and norms that govern their life.

Because of these developments, managers today need to understand the psychology of virtual collaboration, how people cope with the new electronic challenges in the workplace and the loss of direct contact in many of their work relationships, and how virtual collaboration can be effectively managed. This article gives an overview of the latest research results on the psychological aspects of electronic media use – such as email use and collaboration across different locations and countries in dispersed teams – and the most important implications for managers that follow from this research (see tips at the end).

4.2 Key differences between face-to-face and virtual collaboration

To get a handle on managing virtual collaboration we first need to understand the most important differences between virtual and face-to-face interactions:

- Virtual collaboration generally provides fewer social cues than are available if you work in the same location (Sproull & Kiesler, 1986). Virtual environments are relatively lean and lack the ability to carry social, non-verbal and feedback cues which limits their suitability for complex tasks involving ambiguity and uncertainty. They are also relatively
lean compared to phone conversations, where you still have tone of voice, which for instance helps to detect irony, and the possibility to ask for clarification, give instant feedback etc. The difference between virtual and face-to-face communication is relative, as social cues can be made available via electronic media to a certain extent, for example in media like Skype or video conferencing or by expressing emotions through emoticons, albeit not in the same way as in face-to-face interactions. Also, social and non-verbal cues in virtual environments can achieve greater ‘richness’ with time and experience, and when relations are better formed. However, special efforts are needed to replace the social cues of face-to-face interactions electronically, such as communicating more frequently and conveying more social, contextual and relational information, for instance in emails, than one normally would and if working in the same building.

• Remote team members tend to know less about the context in which distant colleagues work (Cramton, 2001) as there is no or less opportunity to learn about others through observation of their behaviour and their work environment. The social processes that groups and organisations rely on to coordinate their activities and develop their relationships, for instance setting goals, defining rules, working out schedules and coordinating tasks, thus become harder to perceive, infer and apply in virtual environments (as in the outsourcing example in Scenario 2 at the beginning).

• The increased anonymity in electronic communication can result in less awareness of the impact of one’s own behaviour as well as the reactions of others. This can have a disinhibiting effect and lead to reduced politeness (like in the email example in Scenario 1 in the introduction) and even increased aggression (Postmes et al, 2000). In a leaner virtual environment with little information about individuals and their work context, groups and their rules become more prominent than in a traditional work setting. If rules are violated, for instance email etiquette, timelines not met, or someone is upset about not being copied into an email, this can have a very negative impact on the work climate and lead to negative personal attributions, such as incompetence, laziness and so on. This is much more likely to happen in a virtual work context than if people work together in the same place and are aware of all those small daily occurrences in offices and contextual circumstances. For instance, if they witness that a colleague has been called into an unscheduled meeting by the boss and piled with additional work they are likely to cut that colleague some slack for the delay in delivering the agreed results (and are probably happy they weren’t called in themselves). But if they work in a different location and cannot know about those things, they tend to be much more rigid in sticking to rules and agreements. Not because they are intentionally unfair or obstinate, but simply because this is all they know and can go by.

• Social norms – that is, the rules and values that we share and agree on and which shape our behaviour and our expectations – are always central to regulating all forms of human interaction, whether virtual or not. However, if people are working in different locations this usually leads to the development of different rules, norms and subcultures (Moser & Axtell, 2013). If they still need to cooperate, these differences in norms and expectations across locations can result in increased conflict and reduced motivation and can in turn hamper cooperation and performance within virtual work environments. Rules, values and expectations about appropriate behaviour thus matter in two important ways in virtual work: firstly, people tend to be more aware of them because they know less about individuals and their circumstances as described above and secondly, because the rules and values and expectations tend to be different in different locations.
1. Setting rules for virtual communication from the start

Recent research indicates that by setting explicit rules at the very start (for example: communicate frequently, always acknowledge messages), uncertainty and ambiguity in virtual collaboration can be reduced and in turn have a positive effect on social processes in virtual groups such as increased trust by providing shared expectations and shared goals (Walther & Bunz, 2005). This may seem simple, but is actually a crucial point and important difference to co-located work settings where we constantly seek those reassurances without even noticing and often in an informal way. Managing virtual communication effectively thus means that this lack of opportunity for informal contact needs to be compensated for by communicating much more explicitly and much more frequently.

This has also to do with the fact that the function of emails in a traditional work setting is entirely different from its function in a virtual environment: in a face-to-face context, emails are compensatory to all other forms of communication and can contain much less context information and detail than in a virtual work context, where electronic communication has to take over all of the functions that otherwise meetings and informal contacts have.

2. Making implicit rules explicit through regular feedback and discussion

All organisations and groups have implicit rules and norms as part of their culture – that is, things everybody tacitly agrees on without ever consciously thinking about them or discussing them. These can be things like dress codes, formality or informality of address, use of humour or whether it is seen as appropriate or not to talk about private matters at work. If someone is new in an organisation, the newcomer learns about those tacit rules by observing others and their behaviour in the workplace. In virtual collaboration there is no opportunity of direct observation and so all those tacit rules and norms need to be explicitly stated, talked about, and their appropriateness discussed and possibly changed for a good virtual working relationship.

A study in online Usenet groups (Burnett & Bonnici, 2003) found that implicit norms (use of self-deprecating humour; language and style used in posts) often became explicit over time, because norm violations would instigate discussions about acceptable behaviour, and that once the group members were in agreement, these norms tended to be turned into explicit norms and rules of conduct. In the work context, the same applies but the process needs to be explicitly managed rather than leaving the virtual team to its own devices if the collaboration is to be successful.

3. Formality and etiquette in online communication

Norms of email etiquette and formality vary for individuals and groups as well as across different organisations, cultures and situations, but also depending on the situation (Vignovic & Thompson, 2010). If norms of formality are violated – for example, with the email at the very beginning of the article – and language is perceived as too casual, the recipients feel less positive affect and liking for the sender and are also much less inclined to comply with any requests. A study with different status groups (instructors and students) found that recipients of emails perceived as overly familiar or casual were angriest with members of their own status groups, because they should know better; and tended to ignore requests most if the sender was of lower status (Axtell, Moser & McGoldrick, 2012). This is of great practical significance: both important information and requests might be ignored because of formality violations and lead to inefficient or even faulty work outcomes.

Email and instant messaging are of special interest, because they are still seen as a mostly informal means of communication and people tend to take much less care with wording, spelling and formality compared to writing a letter, which needs to be printed, signed and posted. I am currently extending this research in collaboration with a number of London hospitals to the area of health care, where electronic communication is increasingly important both between health care professionals and in-patient care (for example online counselling, e-health, NHS Direct) and to the area of inter-cultural communication with senders and recipients from different cultural backgrounds and different countries. For instance, the
common use of first names in the workplace in the UK might be perceived as completely inappropriate in a professional context or during a first contact in other countries.

4. Virtual collaboration across cultures
Teams and organisations operate more and more in a globalised world which includes going across organisational, national, and cultural boundaries – for instance when outsourcing services, as in Scenario 2 at the beginning of this article. Electronic media facilitate this development by supporting distributed work regardless of location, time zone, cultural background and organisational affiliation.

In a multicultural context there is an expectation for behaviour that is inter-culturally acceptable, for instance regarding the display of emotions in virtual work, such as anger, disappointment, happiness, and so on. Recent research comparing culturally homogenous with multicultural virtual teams (with members from China, Germany, Italy, Israel and the US) showed that participants from all countries saw a greater suppression of negative emotions as appropriate when being a member of a multicultural virtual team than when the team was culturally homogenous (Glikson & Erez in: Moser & Axtell, 2013). In addition, participants with a strong sense of global identity and experience in multicultural contexts showed greater agreement regarding what emotions were appropriate to display in multicultural teams than those scoring low on the global identity measure, indicating that this intercultural perspective can be trained and is also a matter of experience.

5. Trust is the ‘social glue’ in virtual collaboration
Trust is key in any collaboration, whether virtual or face-to-face, but the difference is that it is more difficult to develop a sense of trust in an entirely virtual context with fewer social cues and less or no opportunity for informal contact between collaborators. This is especially critical in ad-hoc global virtual teams, where team members do not know each other beforehand and only work together for a limited time, such as a task force. Current research shows that if there are early positive assumptions about the trustworthiness of remote team members, this provides the necessary confidence to engage in setting and discussing rules for cooperation. This then can develop into trust, and benefit performance if those trusting beliefs are further verified through normative actions such as scheduling, monitoring and joint tasks (Crisp & Jarvenpaa in: Moser & Axtell, 2013). A constructive experience provides the grounds for continued positive reinforcement, as these normative actions in turn become a sustained basis of trusting beliefs and subsequent performance.

The findings are of high practical relevance for virtual teams where there is no time to build relationships through recurrent personal interactions. They also again confirm the enormous importance of explicit rules for conduct, task division and so on in virtual collaboration compared to face-to-face interactions.

6. Degrees of virtuality: co-locators, remotes and switchers
Other important aspects of current virtual work environments are the different degrees of virtuality and the switching between virtual and face-to-face collaboration, such as having parts of the team that are co-located and parts that are dispersed or team members switching between on-site and off-site work. This might result in incongruent norms being developed in the different subgroups. For instance, people working in the same building might have different norms for communication via electronic media than those who are dispersed. Due to less reliance on communication technologies, the email communication of those who are co-located is likely to be less detailed and more casual than of those who are working remotely. Co-located environments are characterised by informal, immediate verbal communication with the benefit of non-verbal cues (and thus co-located team members may be less mindful of writing emails that convey contextual, relational and social information), whereas virtual environments need to have more deliberate, explicit, and more disciplined communication rules with contextual, relational and social information in addition to the core messages.
Moving between virtual and face-to-face environments is thus a particular challenge. A recent study (Cheshin et al. in: Moser & Axtell, 2013) found that hybrid or partially co-located teams did indeed develop distinct communication norms, and that co-located groups often had difficulty when communicating with remote members as they had to switch from lean messaging within the co-located group, to making a greater effort and writing much more elaborate messages for remotes. The most important finding from a practical perspective is that norms regarding the use of electronic communication (such as email, instant messaging) persisted even when the media environment was changed. People were obviously not conscious of the different ways they used emails and the need to change their email style and content depending on whether they communicated with remote colleagues or with colleagues in the same office. This difference in electronic communication norms might cause an additional rift within distributed teams and impact greatly on team communication and performance if the processes are not carefully and explicitly managed.

### 4.4 Tips for managing virtual collaboration effectively

- **DO** always set explicit and if appropriate written rules from the very beginning for all virtual communication. **DON’T** just let it run. Regaining lost trust and motivation is very costly and even more difficult in a virtual context.

- **DO** set minimal rules for email etiquette to enhance trust such as: a) always confirm receipt of messages and b) always use a proper address and greeting in each message.

- **DO** discuss and monitor etiquette in multicultural contexts: there is no one size fits all for this as cultures differ too much in etiquette. Hence, formality rules need to be an acceptable compromise for all members, for example regarding use of titles, first names and so on.

- **DO** monitor the rules and their usefulness from the beginning, define explicit feedback cycles for the monitoring, and change the rules as appropriate.

- **DO** always communicate when in doubt! If unsure about timelines, agreements, division of tasks etc, always write an email to confirm! Remember: you would not hesitate to do the same if the person sat in the office next to you. You need to compensate for the lack of those informal contact opportunities with additional electronic communication.

- **DO** make special efforts for transparency because trust is the social glue also in virtual communication. In a virtual context, trust can only develop if you reduce uncertainty by being as transparent as possible about goals, division of tasks, rules of conduct such email etiquette, and so on.

- **DO** train your staff in the differences between face-to-face and virtual communication and choose team leaders with experience in switching between both and awareness of these differences.

- **DO** consider the verbal ability of your team members. Virtual work requires much more written communication than if you work in the same building. People with less education, less inclination (for example technical experts) or people not fluent in English might be at a disadvantage and not up to the challenges. Training can help here.

- **DO** make it clear to your team and your superiors that communication management is one of your core tasks in managing distributed work teams. **DON’T** underestimate the power of ‘small things’ such as email etiquette.

### 4.5 Conclusions

Virtual work requires much more frequent and elaborate communication and thus much more effort compared to traditional work settings. Things that literally work ‘without saying’ in a face-to-face context need to be made explicit, discussed and agreed on in a virtual work context. This is only possible if there is an awareness of the central differences in working face-to-face vs. virtually and if the employees have both the motivation and the ability to engage in that extra effort. This can be achieved through training, professional
communication management and the development of shared rules to build up the sense of trust and reliability needed for any successful collaboration.

Nevertheless, people are still rooted in their physical, social and cultural environment. Although they may seem only a click away – occasional and well planned face-to-face meetings can contribute greatly to building trust and developing a shared understanding of tasks and goals, on which further electronic cooperation can then be built.

4.6 About the author

Dr Karin S Moser, Department of Psychology at the University of Roehampton London and Associate Professor at the Centre for Career Development and Continuing Education at the University of Bern, Switzerland.

Dr Karin S Moser is a social and organisational psychologist and currently at the Department of Psychology at the University of Roehampton London and an Associate Professor at the Centre for Career Development and Continuing Education at the University of Bern, Switzerland.

Her expertise is in the areas of team work, information-sharing and knowledge management, self and identity, and virtual collaboration and communication. Recent research projects focus on motivational processes in information-sharing, rewards and incentives for pro-social behaviour, and the effects of status and cultural differences in online collaborations.

Dr Karin S Moser is a chartered psychologist and member of numerous international professional associations such as AoM, EAWOP, EASP and SPSP. She reviews regularly for national and international science foundations and international journals and is a board member of several international postgraduate and executive programmes on social science methodology and statistics, leadership, mentoring for women in science, and knowledge and information management.

She has worked and held academic positions in the US as well as in several European countries and cooperated widely with national and international organisations and companies in applied research projects in the areas of knowledge management, ethical decision-making in health care, compliance behaviour, leadership, work motivation and management of virtual teams and use of electronic media at work.

References

Article 5
Closing the Needs-to-Offer Gap: customer relationship management in retail SMEs

By Dr Karise Hutchinson, Dr Andrea Reid and Lisa Donnell, University of Ulster, Northern Ireland.

5.1 Introduction

While the years 2000 to 2009 were heralded as a decade of retail growth, the past three years have been marked by doom and gloom on the high street. During this time of economic recession, retailers have encountered intense change and challenges, marked by a lack of consumer confidence and increased failure on the high street. The internet has become a dual-edged sword, posing both a significant challenge and opportunity for retailers of all sizes. Facilitating an easy and accessible means of accessing value for money, retailers are rapidly finding their customers comparing and spending online. It is increasingly evident that the traditional pure format of the high street retail store is no longer relevant, and that success for retailers lies in a combination of consumer strategies incorporating not only a physical in-store experience, but a rich interactive experience across every channel including the internet, mail order, and mobile phone technology. As a result, retailers must change from a relationship strategy focused on location to focusing their strategy on the consumer.

This change has an impact upon large and small retailers alike. But small to medium-sized enterprises (SMEs), with fewer resources at their disposal, are required to find innovative ways to reach new consumers and manage relationships with existing customers, in order to sustain business. In theory, owner-managers of smaller companies can apply a variety of marketing tactics to build close customer relationships (for example, multichannel integration, social media interaction, and loyalty programs).

While limited resources inevitably restrict the scope of marketing practice in small firms (O’Dwyer et al, 2009), it has been found that customer relationship management (CRM) can enable SMEs to fully understand their customers’ needs and wants, and in doing so drive sales (Winer, 2001).

Less is known, however, about how smaller independent retailers can compete in this dynamic marketplace and manage customer relationships with fewer resources at their disposal. Therefore, the aim of this article is to address how retail SMEs can implement and manage CRM effectively in order to close the needs to offer gap between what the company offers and what the consumer needs (Favaro et al, 2009).

5.2 Customer relationship management in the retail sector

CRM has been defined as cementing long-term collaborative relationships with customers based on mutual trust (Crosby, 2002). In the case of this paper, the retail company example has implemented a loyalty card program as a tool to manage relationships with their customers. For retailers, applications of customer focused relationship management have been facilitated by developments in direct and database marketing, evidenced by the widespread use of store loyalty cards, for example Sainsbury’s Nectar Card, Tesco’s Clubcard, Debenhams’ Beauty Club Card, Superdrug’s Beauty Card and Ikea’s family card.

From a retailer’s perspective, the loyalty card is the prime interface between the retailer’s database and the customer (Noordhoff et al, 2004). In essence, it allows retailers to form close relationships by measuring customer purchases and attitudes (Sopanen, 1996), and uses customer retention, as opposed to market share, as a measure of success (Conway and Swift, 2000).

The thirst for customer knowledge in the grocery retail sector has not only allowed such firms to develop relationships with customers, but to shape consumer purchase behaviour (Mauri, 2003). The informal nature of SMEs and their ability to adapt more quickly to market changes should in theory allow them to tailor their communication messages and incentives for exploiting internal knowledge (Brynjolfsson, 1994). However, many SMEs are often more reactive in response to changes in the environment, and tools to guide decisions tend to be a combination of static historical reports, spreadsheets and gut feel.
For SMEs, it is argued that managing customer relationships forms one of the biggest problems that owner-managers face in their operations (Reijonen and Laukkanen, 2010). SMEs are typically owner-managed family or entrepreneurial organisations; their internal systems more collegial and less formalised (Spence and Essoussi, 2010). The role of the SME owner-manager is well known in SME literature (Reijonen and Laukkanen, 2010) as the searcher and assimilator of information (Lybaert, 1998). However, it is often the case that the owner-managers fail to recognize the value of building and managing intimate relationships with customers (Fuelhart and Glasmeier, 2003).

In addition, limited resources can restrict the scope of managing formal customer relationships in these firms (O’Dwyer et al., 2009), which results more often in haphazard, informal, unstructured, and reactive activity (Gilmore et al., 2001). Yet, limited research has focused on the benefits and challenges of managing relationships for retail SMEs.

The investigation involved a single case study within an independent SME retailer based in the UK and the Republic of Ireland. An in-depth case was deemed most appropriate due to the close interaction with practitioners as a tool to generate and test theory (Saunders et al., 2003; Gibbert et al., 2008). Company A is a family-owned SME retailer operating in a highly competitive market seeking to make fundamental changes to their business operations as a result of the recession and evolving retail consumer relationship on the high street. The company operates 18 stores in the UK and Republic of Ireland with a turnover for the year ending 2010 of £18 million.

In 2010, Company A launched a customer loyalty card similar to the Tesco Clubcard format. The loyalty card was used as the primary interface between the company and the customer to build relationships. In addition to their loyalty card, a transactional website was also launched, alongside a number of social media profile pages. The managing director of Company A explained: ‘Too many of our customers don’t like enough of our stock, we need to sell more and mark down less.’ Therefore it is now a matter of survival that the new CRM strategy ‘involves the whole company; implementing a turnaround plan of more newness and more fashionability which will mean less risk and fewer mark-downs.’

The data collection stage of the study employed three complementary methods over a two-year period:

1. Semi-structured interviews with merchandise manager and buyers in each department;
2. Three focus group sessions with customers and non-customers;
3. Company documentation, for example marketing/promotional material, sales figures, reports, and board presentations by the owner-manager and senior management.

The research set out to investigate how SME retail owner-managers manage customer relationships in order to respond to changes on the high street. Two research questions were set in light of this:

1. Examine the challenges to CRM adoption for SME retailers;
2. Identify how to overcome these challenges with recommendations for owner-managers of retail SMEs.

The need for a change in management to focus on customer relationship development was exacerbated by the increasing level of marked-down merchandise and subsequent reduced profitability (for example, sales turnover in 2011 decreased by 15% compared to 2010). The reliance upon anecdotal evidence by the management team created problems for the company. The key challenges the business encountered are presented in Figure 5.1.
Challenge 1: Adopting a formal structure to the business
Company A has encountered some issues in terms of resource commitment, which has led them to adopt not only an informal approach to CRM, but a preference for less costly customer activity. In 2010, Company A launched a Facebook and Twitter page as a tool to build relationships with customers, but this has failed to deliver any real benefits to the business, as a lack of expertise existed to fully utilise these new marketing tools. The findings further highlighted a lack of marketing expertise with the owner-manager and senior management. To fill the gap in skills and knowledge, the company appointed a new director responsible for marketing and retail operations.

Challenge 2: Internal commitment
In terms of staff understanding and commitment to the new loyalty card program, it was evident that each department was operating in departmental ‘silos’ and failed to take into account the common goal of the new strategy. In particular, lack of communication and resource issues have left some members of staff feeling resistant to the change towards a customer-focused loyalty program. Senior management had to make a number of redundancies during the launch of the new program, which created a tribal attitude among departments. This was further exacerbated by the failure of the company to provide the IT infrastructure to support the loyalty program.

Challenge 3: Department integration
Prior to implementing a formal CRM strategy, departments across the company did not share information or meet regularly to discuss the customer profile. In particular, this lack of integration was evident between the marketing and buying departments. It was observed that the project manager for the loyalty card found it difficult to work with the buying team in terms of acting upon the new customer data obtained. In this case of disintegration, staff members within the buying department were not willing to use the loyalty card data to inform buying decisions. This change in mindset from the traditional focus on the product and ‘shifting stock’ was difficult given that the buyers had for many years formed such decisions according to personal perception of Company A’s target customer.

Challenge 4: Data management
It was found that Company A did not operate a formal system for analysing customer data prior to the launch of the new loyalty card. Therefore, in the implementation process, whereby the IT software for the loyalty card was integrated with the electronic point of sale (EPOS) system, a number of issues emerged. It was evident that while Company A now has a large customer database, they do not have a match in supply of the right skills to translate this information into a reporting tool to aid decision-making. This was specifically evident in the marketing department, which did not use the data to segment customers and send targeted communications to loyalty cardholders. Rather, the large database of customer contact details and buying behaviour was used for mass customer dissemination of seasonal promotions. This in effect contradicts the purpose of the loyalty card program and renders CRM ineffective.

Challenge 5: Communication to customers
A lack of communication with customers during the launch of the loyalty card program was evident during the focus group sessions. Participants stated they were apprehensive about adopting a loyalty card given the associations with a more general store credit card. It was obvious from this stage of the study that the benefits of the loyalty card have not been fully communicated to the customer. The importance of multi-channel integration to ensure consistent communication with customers via this new CRM program has not been fully addressed by Company A. For instance, customers can not use their loyalty card online with the retailer, making it difficult for customers to become a loyal shopper with Company A.

Figure 5.1 CRM Challenges
The overall aim of this paper is to identify the challenges encountered by an SME retailer adopting a CRM program, and discuss how SME retailers can develop and implement a formal CRM strategy to manage customer relationships. In view of the challenges presented in Figure 5.1, the new CRM intervention in this case denotes a significant change for the company, given their previous product and price-orientated marketing strategy (Carson, 1990), where customer intimacy was viewed as peripheral to the core business (Carson and McCartan-Quinn, 1995). It is argued that a formal and integrated approach to CRM is critical not only in managing relationships with current customers, but also in building market share to gain the loyalty of new customers (Marzo-Navarro et al., 2004).

In order for Company A to move forward from intervention to integration, the issues reported in this study (internal commitment, department integration, data management and communication to the customer) must be addressed. In light of the findings a number of recommendations are presented and are considered critical to the successful implementation of CRM in retail SMEs.

**Recommendation 1: Company wide acceptance**
In order to change the strategic focus of the company, it is evident that while the senior management team has the vision, they now must ensure the acceptance from both staff internally and customers externally to drive the success of the loyalty card implementation. It is evident in the literature that CRM requires a change in focus of the entire organisation, which concerns a change in mindset rather than a change in rules (Berry, 1995; Gronroos, 1999; Sorenson and Sorensen, 2001; Leenheer and Bijmolt, 2008).

The need for change is recognised by Company A’s owner-manager, the driver of this new formal CRM program. Gaining staff commitment, however, is necessary (Reijonen and Laukkanen, 2010).

**Recommendation 2: Achieving operational efficiency**
For SMEs, investment in any new program or system requires an impact upon the ‘bottom line’. Therefore, there is a need to combine core processes that push empowerment to the point of customer contact with management systems that measure the cost of providing customer service, while maintaining loyalty. In the case of a lack of staff ‘buy in’ to the need for customer intimacy in order to close the ‘needs-offer gap’ (Favaro et al., 2009), it is critical that management clarify the strategic objective and imperative of the loyalty program across the business. This will strike a balance between intimacy and efficiency, paramount to SMEs, and in turn increase sales turnover in the competitive retailing sector.

**Recommendation 3: Deliver operational efficiency**
In order to realise the benefits of this new programme, Company A must develop a clear and integrated reporting strategy across departments to solve the problem of data that is lacking in strategic use. To facilitate this, it is necessary for senior management to control the management of company data via regular data quality reporting and mechanisms to monitor continually the quality of the customer data collected (Winer, 2001; Reid and Catterall, 2005). Only when the data gathered from the loyalty card is integrated across departments, and formally reported to all key decision makers, will the company achieve consistency in their relationship with relevant customers.
5.7 Conclusions

It could be argued in the past that customer relationships were neither appropriate nor necessary for every market or company (Day, 2000) but this paper confirms the urgency of formal CRM intervention for SMEs operating in the retail sector. Success will ultimately depend on the capacity of the business to analyse customer data collected and use it to make informed business decisions. For SMEs it is evident that any resource constraints in terms of management knowledge or skills must be addressed to match the demands of a new CRM programme.

In terms of managerial recommendations, understanding the challenges and recommendations as discussed are critical to enhancing growth and profitability for SMEs in the retail sector. To overcome any problems in the implementation process, it is recommended that owner-managers understand that the benefits of a loyalty program do not come without the effort and commitment of all staff. Indeed, the integration of a formal program can often conflict with the more informal and reactive organisational structure of SMEs.

### Appendix 1: case study quotations

#### Need for formal CRM intervention
- ‘Recognition that we need newness, freshness and creativity in moving us forward… we are excited at the prospect of being able to form and manage relationships effectively with customers.’
- ‘Being able to equip our marketing team with real customer data will allow us to move the company forward.’
- ‘The loyalty card will drive our sales moving forward.’

#### Internal commitment
- ‘There is no sense of teamwork or striving for a common goal.’
- ‘We know there is a plan but what the plan is we don’t know.’
- ‘We have no idea what system has been put in place for the loyalty card, actually we don’t really understand why we need one.’

#### Department integration
- ‘The data is great to have but having the time dedicated to look at it and analyse it we don’t have. We are sourcing stock, pricing stock and planning stock for stores.’
- ‘We have no idea what system has been put in place for the loyalty card. Actually, we don’t really understand why we need one.’
- ‘I have not been given the objectives for this program; it has been implemented and now I am been asked to come up with possible objectives.’

#### Data management
- ‘We are not utilising the information we have.’
- ‘I am at the mercy of these guys who sell the technology.’
- ‘I get what I need from the EPOS system.’
- ‘Computer systems need to be reviewed now, they are outdated.’

#### Communication to the customer
- ‘If it is one of those credit store cards, I don’t want one of those.’
- ‘If they start torturing you at the till to use the card and sign up to it, it gets annoying.’
- ‘I signed up to the card but the girls at the till never remember to ask me for it then I don’t get the points for my purchase.’

**Figure 5.2 Table of Quotations**
5.8 About the authors

Dr Karise Hutchinson

Dr Karise Hutchinson is Head of Business and Enterprise Department at the Ulster Business School, University of Ulster. She holds a PhD from the University of Ulster. The overall focus of her research is the retail industry and SMEs. Most recent research has focused on customer relationship marketing, branding, rural retailing and retailer-supplier relationships. Her work has been presented at international conferences and published in journals such as the Journal of International Marketing, Journal of Marketing Management, the International Marketing Review, European Business Review, and the Journal of Small Enterprise and Development. She is a member of the British Academy of Management Council and Chair of Retail and Marketing at the British Academy of Management, and is a member of the ESRC Peer Review College.

Dr Andrea Reid

Dr Andrea Reid is a lecturer in the Department of Business and Enterprise, Ulster Business School, University of Ulster, Northern Ireland. She holds a PhD from Queen’s University Belfast in Customer Relationship Management (CRM). The overall focus of her research is in the area of CRM Implementation. Most recent research has focused on CRM Implementation in an SME context, Retailer-Supplier Relationships and Information Systems Integration in Local Government. Her work has been presented at international conferences and published in journals such as Interactive Marketing and Database Marketing and Customer Strategy Management. She has extensive practitioner experience working as a CRM Consultant and Assistant Director of Policy in Local Government.

Lisa Donnell

Lisa Donnell is a full time doctoral researcher within the Department of Business and Enterprise at the Ulster Business School, University of Ulster. Prior to joining the Ulster Business School Lisa spent a number of years working in the fashion retail sector. The focus of her research is on the retail industry this includes customer relationship marketing, retail change and more specifically the future role of retail in urban communities. Recently, her work has been published in the International Journal of Retail and Distribution Management. She has also presented at number of European conferences these include the European Association for Education and Research in Commercial Distribution and The European Institute of Retailing and Services Studies.
References

• Retail Week Report (2011), Retail 2011, Kurt Salmon.
Acknowledgements

We are very grateful to the many people who helped make a success of the second year of the Management Articles of the Year competition. We would like to thank all those who contributed articles, particularly the winners of this year’s competition, to whom we also offer our congratulations: Professor Les Worrall FCMI of the Faculty of Business, Environment and Society at Coventry University and Professor Cary Cooper CBE CCMI of Lancaster University Management School; Dr Professor Sarah Dixon of XJLTU Business School China and formerly of Bradford University School of Management, Ian Ashman of the University of Central Lancashire; Karin Moser of the University of Roehampton; and finally Dr Karise Hutchinson, Dr Andrea Reid, and Lisa Donnell at the University of Ulster, Northern Ireland.

As with last year, CMI members made a valuable contribution in reviewing and rating the articles for their applicability and usability to management practitioners. We are indebted to their critical insight which enabled us to undertake the seemingly impossible task of separating five winners from a strong field.

We would also like to record sincere thanks to Sir Paul Judge and the Academic Advisory Council members who provided valuable guidance throughout, helping us to engage effectively with the wider academic community.

We are indebted to the support of our institutional partners: the Association of Business Schools, the British Academy of Management, the British Library and especially the active contribution of individuals within these organisations. At the British Academy of Management, we are thankful for the dynamism and practical support of Professor Abby Ghobadian, Dr Jacky Holloway, Rupert Ward and Joe Campbell; and at the British Library to the enthusiasm of Sally Halper and Dr Jude England. In addition, we are pleased to recognise and acknowledge the generous sponsorship of John Wiley and Sons Ltd and in particular the advice and contribution of Nick Mannion.

Thanks are also due to People Management for granting permission to reproduce the article: “A new role emerges in downsizing: Special envoys”.

The work of Catherine Baker, Nick Parker, Piers Cain and Petra Wilton at CMI is gratefully acknowledged.

This report was prepared and edited by Ben Musgrave and Patrick Woodman at CMI, with expert assistance from Philip Whitely at Whitelywords.
Chartered Management Institute

The Chartered Management Institute is the only chartered professional body in the UK dedicated to promoting the highest standards of management and leadership excellence. CMI sets the standard that others follow.

As a membership organisation, CMI has been providing forward-thinking advice and support to individuals and businesses for more than 50 years, and continues to give managers and leaders, and the organisations they work in, the tools they need to improve their performance and make an impact. As well as equipping individuals with the skills, knowledge and experience to be excellent managers and leaders, CMI’s products and services support the development of management and leadership excellence across both public and private sector organisations.

Through in-depth research and policy surveys of its 90,000 individual and over 800 Company Members, CMI maintains its position as the premier authority on key management and leadership issues.

For more information please contact the Policy and Research Department on:
Tel: 020 7421 2721
Fax: 020 7497 0463
Email: research@managers.org.uk
Website: www.managers.org.uk
or write to us at the address below.