"Size Isn't Everything"
The Role of Strategic Management
in
Quality Performance

Peter Dudley & John Beckford
Σ^{β} Research Group

The development of skills based quality management will redefine the role of the HR department of the learning organization. In this paper we develop a more detailed version of the model introduced previously — in it we expand the links between the business planning and/or objective setting process and the definition of skills needs and skills development acquisition. The result of a full implementation of this model is the creation of a quality assurance system that is suitable for accreditation to both ISO 9000 (Revision 2000) and IIP.

Introduction

This series of papers is, in practice, one paper in three parts. In common with many other single works there are many cross references and, because of this, it may be helpful to have "part one" to hand when reading "part two". This second paper addresses the role of senior management in the development of sustainable quality provision in skills based service provision organizations. It builds on the argument presented in the earlier "That's not very big, is it?" (Dudley and Beckford, 1998) and examines the links between the business planning and/or objective setting processes and the demands quality provision places on the HR function of the organization.

The initial argument (see Dudley and Beckford, ibid) was that the service sector, and in particular the *professional* service sector were ill served by the traditional, mechanistic approaches to quality management. This was because the "chart, measure and count" method of process definition was unable to adequately handle the complexity inherent in the provision of a service. And that in the attempt to capture the richness of service provision events, the documentation necessary quickly becomes unmanageable. This leads to the creation of undue bureaucracy in operation and, usually, to the system being disregarded.

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The skills based approach we proposed overcame these problems by:

- accepting the complexity inherent in service provision events and suggesting an effective complexity filter — *the skilled individual*;

- using role or task *qualification* as the basis of quality assurance and thus reducing the necessity for the bulk of the paperwork involved;

- integrating these *quality assurance* measures with the more traditional *quality control* measures based around performance measurement.

The Cybernetics
The model we presented for integrating the two elements of operational quality, i.e., current performance and future capacity, is based on the cybernetics of W. R. Ashby and the organizational cybernetics of Stafford Beer. Ashby introduced the notion of the "Ultrastable system" (Ashby, 1960, pp. 80 ff.) as a mechanism that was able to learn from past behaviour and thus determine appropriate future action in relation to the maintenance of what he called the "essential variables" (Ashby, 1960, p. 42). Beer developed this idea in his "Viable System Model" (Beer, 1979, 1981, 1985) in particular in the "3-4-5 homeostat" — the section of the model which is tasked with integrating systemic performance and the maintenance of systemic integrity.

Both models of the learning or adaptive organization accept the basis of organizational change as being an inherent notion of "self". It is this notion of self (the essential variables in Ashby or "system five" in Beer) that provides the basis for the *evaluation* of organizational action — by providing for the recognition of the extent to which organizational action sustains ongoing organizational existence as its output.
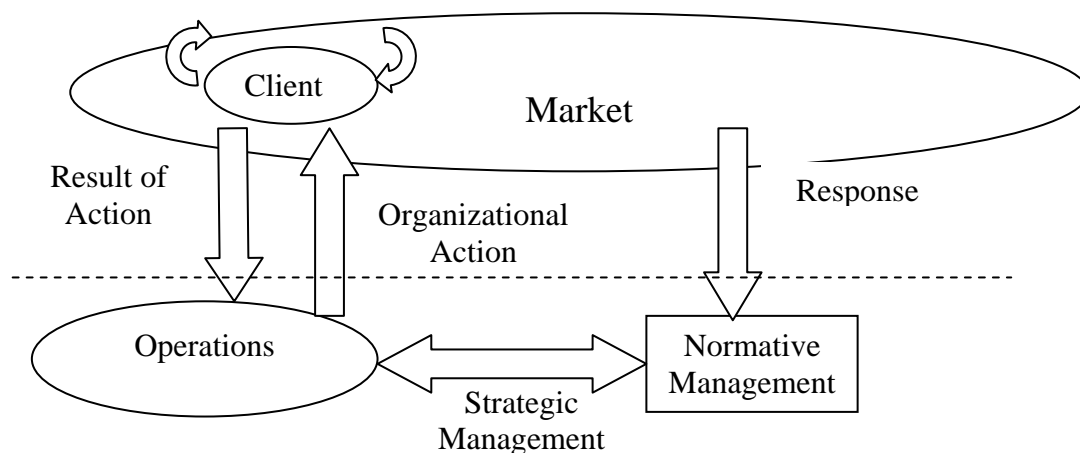

Figure 1

Figure one is adapted from Ashby's "ultrastable" system (Ashby, 1960, p. 83) and Beer's Viable System Model (Beer, 1985, pp. 123 ff.). That part of the diagram below the dotted line is internal to the organization.

The box labeled "Operations" represents the operational level of the organization and is the usual focus of quality management initiatives. Here, as is shown in the diagram, the focus is on the effect of organizational activity on the immediate market, e.g. "Are we meeting customer requirements?", and how these operational goals can be more closely approximated — it has a *narrow* performance focus. The problems faced at this level of activity are outlined in our earlier paper (Dudley and Beckford, op cit) and relate to the difficulties inherent in adequately capturing the complexity of individual service events.

The box labeled "Normative Management" represents cognizance of the effects of the wider market on the organization as a whole and the location of *organizational identity*. At this level decisions are taken as to the future shape of the organization and the *values* that will used to underpin its future activities — it is here that *what constitutes quality* is defined for the organization.

Linking the two foci of organizational performance is what we have called "Strategic Management". In any organization seeking to enhance quality this linking activity must integrate two, very different, sets of information operating on their own independent timescales.

The activity of strategic management, as we have used the term, provides the "informational closure" (Beer, 1979, pp. 260 ff.) of the organization and makes its self-(re)production, or "autopoiesis" (see Maturana and Varela, 1980 for a full discussion), possible. The linking of operational and normative management is necessary because the ability of the organization to act upon its environment is located at the operational level whilst the ability to cognize environmental effect on the organization as a whole is only possible at the normative. This is because the normative level is *global but reactive* whilst the operational level is *active but local*.

Adaptive Organizational Autopoiesis
The most obvious outcome of organizational autopoiesis is the development of the continued capacity to deliver to the standards being demanded by the market. In the service organization this means the planned maintenance and development of the skills base.

Applying this in the context of the ultrastable homeostat it is relatively simple to see that the model presented in our earlier paper focussed mainly on the operational level, providing:

- the mechanisms to ensure that operators are appropriately skilled for their tasks;

- details of day to day activity in relation to performance indicators.

the normative level introduced in this paper is provided by the business appraisal and planning processes, that is, where the organization takes stock of how it has performed over the previous period and what it intends to achieve over the next. This is why we were able to say that the normative level is where *organizational identity* is determined. The goals and objectives of the organization, which are established in the normative process, are the values against which performance is judged to be good, bad or indifferent. Thus *quality* performance is that standard of performance that enhances the achievement of *organizational* goals.

The problem is that *performance*, as the activity of the organization in its market, is determined and controlled as the result of locally optimized operational decisions; whilst the *effects of performance* are felt at the whole-organizational normative level. The languages of local optimality and global survival are not necessarily commensurate.

In a dynamic environment, where competitive pressures are likely to be intense, and changing, *there is a very real danger that local optimality will lead to an improved ability to do the wrong thing*, whilst *a remote normative level espouses empty rhetoric regarding the need for organizational change*.

The informational closure needed to provide an adaptive autopoietic (i.e. "viable", Beer, 1979, p. 113) organization is only possible through the *active* management of the structural and behavioural characteristics and constraints of short-term operational activity within the context of a global (and necessarily longer term) set of objectives — *strategy*.

Strategy *is not* concerned with the continuous improvement of performance — that is an operational issue.

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Strategy *is not* concerned with the evaluation of performance at the whole organizational level — that is a normative issue.

Strategy *is* concerned with the development and implementation of structures that support and encourage the *currency of performance standards* and thus to ensure that continuous improvement in performance is matched by continuous improvement in the *value of performance*.

The Strategic Use of HRD
In applying the notions of ultrastability and autopoiesis to a service organization figure one becomes:
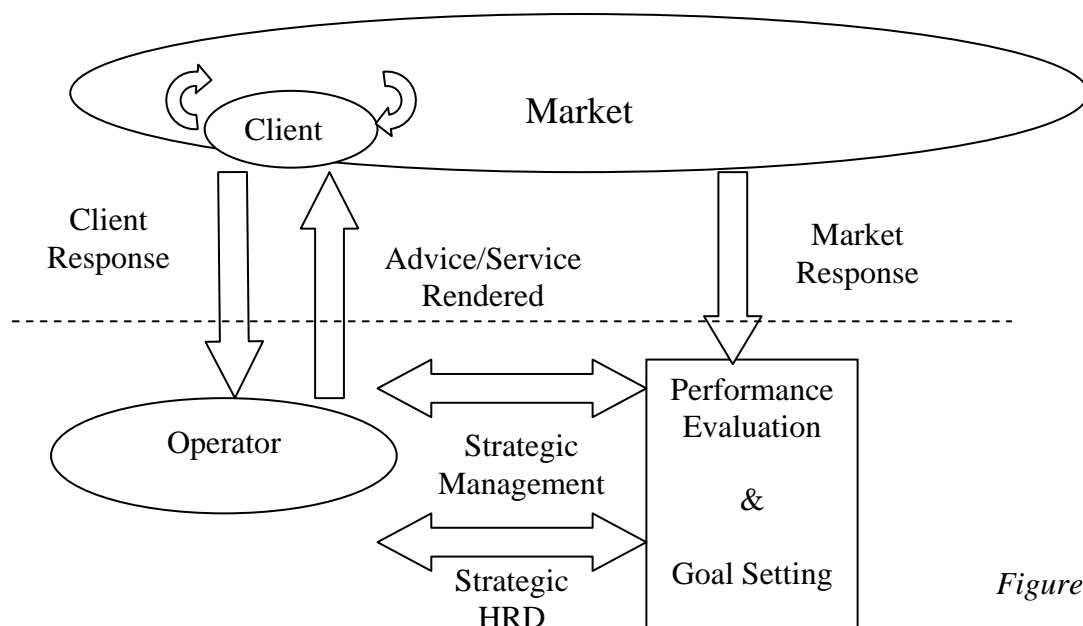

Figure 2

Strategic human resource development, as a sub-set of the wider strategic function, forms the link between current and future performance by managing the skills base of the organization.

Information for this activity is drawn from three sources (see fig. 3):

- organizational objectives provide information relating to future skills needs and/or mixes;

- personnel files (see earlier paper) provide information relating to skills currently held;

- appraisal interviews provide information relating to skills, aspirations and performance of individual employees.
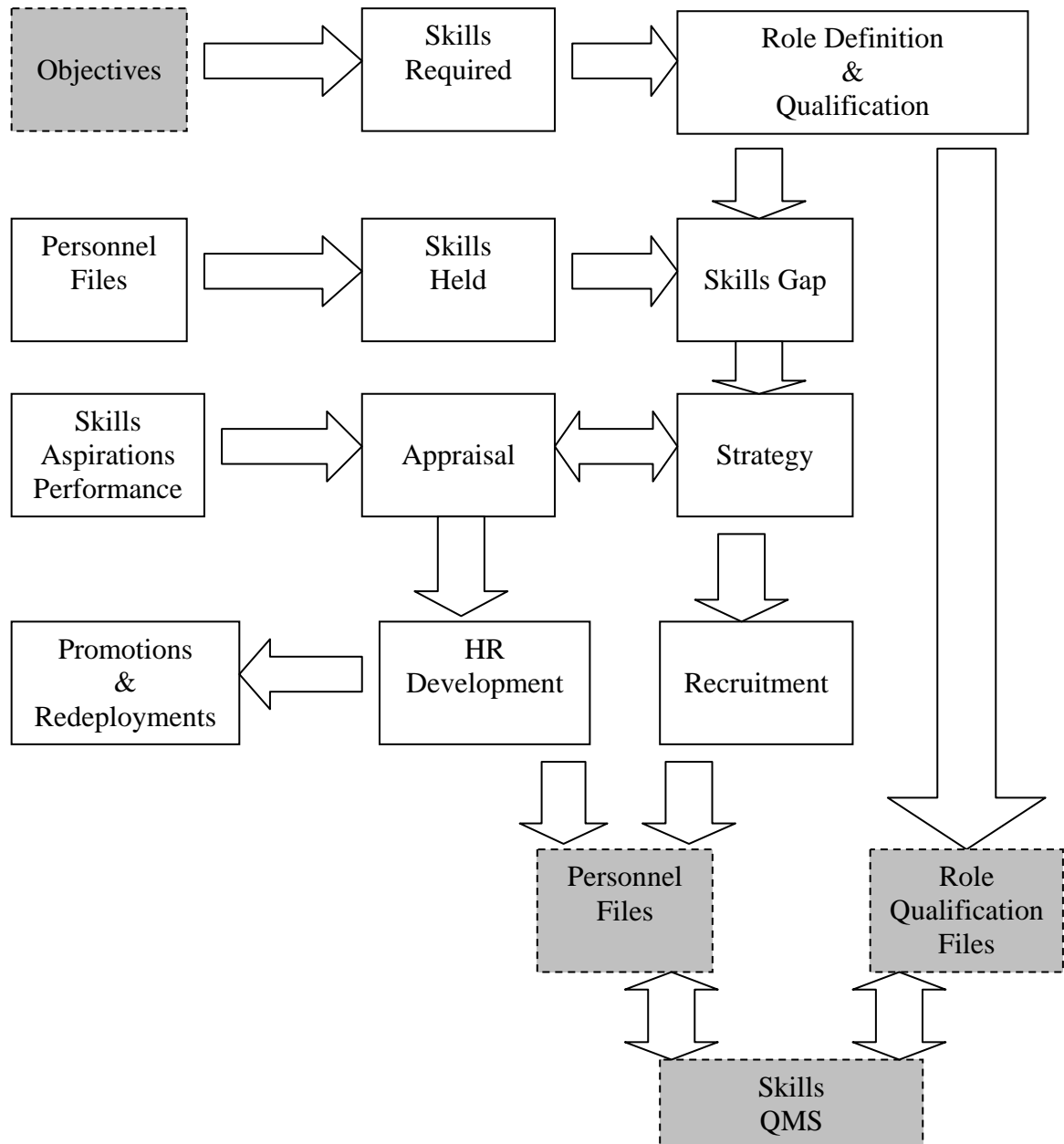

Figure 3

Figure three demonstrates the role of the HR function in the conversion of normative management (objectives) into operational quality management (the skills QMS).

Structural change to the organization is driven by the business planning process and is instantiated through the identification of changes in skills

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needs and the (re)definition of the organizational roles needed to achieve stated goals. Roles and qualifications from this stage are then fed to the QMS "roles database".

Current skills capacity (irrespective of role undertaken) is identified by mining the QMS "skills held" database (assuming the use of IT support this is a relatively simple list comparison). Identification of the current "skills gap" provides the basis of the HRD strategy for the coming period.

The baseline skills need statement can then be used as a reference document for appraisal interviews. Note that appraisal is shown in the diagram as part of an iterative link with strategy formulation, this is because the interviews are seen to be as much about identifying *organizational* potential as *individual*. Use of an appraisal process, and allied reward structures, which is sensitive to personal aspirations should lead to greater individual "buy-in" to the organization's long term goals and will provide greater clarity to recruitment planning.

Recruitment is used to fill skills gaps that it is not considered practicable to fill by internal promotions or redeployments. This, and the HR development identified as a result of the appraisal process, then feed modifications into the "skills held" database, thus providing the documentation for operational skills based quality assurance for the coming period.

Other Issues
The are a number of issues that arise from this approach to quality assurance, most of which fall within the remit if the HR function.

A model for skills analysis is necessary, use of the framework presented in our earlier paper (fig. 7, Dudley and Beckford, op cit) provides a typology, however it will be necessary to identify and level (grade) organization specific skills in a manner which is meaningful to users.

Appraisal processes must genuinely reflect a two-way interaction between employee aspirations and capabilities and the achievement of strategic aims.

Reward structures that reflect the importance of the achievement of corporate goals in individual progression must be designed and be seen to be consistently implemented.

Because of the increased emphasis on active skills management, HR personnel will be directly involved in the delivery of quality performance. It will be necessary to ensure that the HR function has the capacity to carry out the analyses (or that this capacity is made available from external sources) and that the function is appropriately resourced and involved in decision making processes.

In Conclusion

In this paper we have introduced a theoretical model for the practice of strategic management in an adaptive and autopoietic organization. An example applied to HR management was given which, when implemented fully should satisfy the core requirements of both ISO 9000 quality assurance systems and the Investors in People standard. In addition the model allows and enables the organization to learn from its experience, thus ensuring the currency of its performance indicators.

Individual implementations of the model will vary in detail, however a common characteristic of organizations that adopt the model suggested is that they are sensitive to the need for, and capable of implementing, change in a planned and controlled manner. The notion of "Lifelong Learning" is no longer merely an individual necessity, it is also an *organizational* possibility.

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