

## PROACTIVE BUSINESS MODEL – KEY ROLE OF EMOTIONS AND TALENTS IN MANAGEMENT STRATEGY

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**Abstract:** *The paradigm of learning and creative organization switches recently into new dimension of elastic organization which demands special mixture of high level of cognitive, behavioral and emotional professional competences of workforce and especially – managers. The foresight of global hard ‘talent war’ for next decades suggests the solution of wide talent management strategy in HR processes as a condition for building High Performance Work Systems. They act on base of parallel skills of creativity and flexibility and represent cases of elastic organization. The application of the power of emotions for HRM and active business strategies are recommended as implications flying from data collected by behavioral economics. They support the accuracy of proposed proactive business model with key factor of flexible decision making as most suitable form of management strategy in turbulent times.*

**Key Words:** *elastic organization, behavioral economics, management strategy*

**JEL Classification:** *D03, D21, M10*

### 1. INTRODUCTION

During uncertain economic times management strategy of any enterprise needs strong input of vision, passion and discipline – as well from side of leaders, as - from side of regular coworkers (Obłój, 2010). As the phenomenon of the sharp ‘war for talents’ was realized as one of most important negative impacts of the economic crisis and growing up forecast talent shortages are expected intensively in next decades (Global Talent Risk Report, 2011, p.11-12) managers have to look how more effectively act with people in a company to hold them with mutual satisfaction of employer and employee. In knowledge - based - economy obviously the quality of human capital represents a predominant factor of competitiveness and innovativeness but some basic questions arise:

- how to achieve the loyalty of already recruited talents ready to use own potential mobility to search for better careers options in global labor market ?
- how to maximize the quality of managerial decision making under stress of uncertainty and time pressure?
- how effectively stimulate full engagement at job when high creativity is expected together with high flexibility during constantly changeable surroundings?
- what are the core skills of workforce and managers in context of organization just announced as elastic enterprise ( Vitalari & Shaughnessy, 2012)?

### 2. PARADIGM OF ELASTIC ORGANIZATION

Before searching for adequate management strategy, necessary is to make definition of current prospective organizational system. The last version of it named *elastic organization* can be viewed as a successor of learning and of creative organization. The manifest of the new concept of organization we found at the book from Nicholas Vitalari and Haydn Shaughnessy entitled *The Elastic Enterprise: The New Manifesto for Business Revolution* (2012). It shines a spotlight on companies that have grown and thrived, despite the unpredictable economic conditions. Business

growth, which relied on massive hiring, massive capital expenditures and hierarchical relationships, have been here superseded by self-organizing, open ecosystems that are infinitely more flexible and can grow without corresponding increases in overhead and management. Organizations like Apple and Amazon have developed growth strategies that appear to be ideally suited for an unpredictable future in an era of accelerating change. What is significant, they are operating on a new scale, typically with many thousands of business partners. They are also stepping effortlessly from their core businesses into adjacent businesses, from computing hardware into service platforms and then into mobile devices and apps as Apple did with iTunes and iPhone. As authors introducing: *“Elastic enterprises have generated a new generation of competitive strategy and new operating processes that together form a remarkable response to changing economic conditions. Elastic enterprises are a new, more dynamic, and more inclusive approach to wealth creation”* (Vitalari, Shaughnessy, 2012). Between sixth key concepts of elasticity authors put also ‘*active strategy*’. Unlike traditional business strategy, which the authors characterize as “episodic” (where organizational plans are usually preparing as one-year forecast) – elastic enterprises utilize a continuous, active approach to business strategy that enables them to identify and act upon new opportunities in real time. Authors remark that *active strategy is defined by the ‘presence of active strategic portfolio management, a continuous creation of new strategic options, and knowing when to execute or to hold back’*.

We can assume elasticity is based on two core business competences: creativity and flexibility embodied in the way of thinking and acting of managers and coworkers. And the recommended here active management strategy represents the same kind of business strategy we described elsewhere as a *proactive strategy* to differentiate it from non sufficient and limited *reactive strategy* ( Matuska, 2011 a, p. 43- 59).

### 2.1 Wide talent definition at High Performance Work Systems

The organizational culture which stimulates creativity of employees is well represented in recently growing up literature on skills and innovation and the links between the innovation in firms and the adoption of specific work organization patterns. One especially fruitful and well-studied strand in this literature relates to the use of a form of work organization termed *High Performance Work Systems (HPWS)*. They can be also assumed as the examples of a elastic organizational models. The main feature of HPWS is that requires a commitment to innovation at all levels of the workforce and pressing to use wide talent definition. The approach to it is: 'Much more inclusive, 'democratic' and incremental, rather than elitist, imposed and radical' (Tether et al 2005, p. 76.)

The kind of *egalitarian approach* to talent is recommended as most adequate for effective Human Resources recruitment/ development strategy in context of innovation (Matuska, 2011b, p.105). But apart to the wide talent definition necessary is to specify profile of professional skills expected from them. A broad range of skills has been already identified as necessary cognitive and behavioral attributes for successful implementation of HPWS. The main of them are following: good social skills and communication skills, inspiring leadership, initiative and accepting responsibility for one's own work and that of the team, constant vigilance regarding quality, teamwork and cooperation, flexibility, analytical skills and creative problem solving, capacity to learn and capacity to teach others in a team (Toner, 2011, p.56-57).

Summarizing - over mentioned list off skills represents ambitious mixture of cognitive, emotional and motivational competences. But especially two characteristics: creativity and flexibility seem to be crucial to achieve the goals of elastic organization.

### 2.2 Emotional impact on creativity and flexibility

Uncertainty at job together with pressure of time represents most evident current job related psychosocial stressors influencing work productivity (ESENER Report, 2009, p.8). Stress brings tension and emotions and theoretically can have both negative or positive impact on individual or team efficiency. According to most accepted transactional cognitive definition of psychological stress (Lazarus, Folkman 1984, p.19) stress means the kind of special relationship between subject and his surroundings. To obtain any positive effect necessary is to keep stress on moderate level, but the key issue is the kind of emotion subjectively connected with stress. As well documented psychological researches repeatedly proof, the basic condition for eventual inspiring impact of stress is lack of subjective relationship primarily evaluated as a 'threat' or as a 'harm/loss'. Only redefinition of individually experienced stress at work as a 'challenge' gives a positive opportunity and it is much more probable with help of positive external reinforcements. And there is the mission of supporting organizational culture. But apart to it, still stays the core issue of the subjective perspective of the individual employee or manager who is pressed to be creative and flexible at the same moment. First represents cognitive aspect of personal competences, second - motivational and between them acts stress which

always means some kind of emotion. How they can successfully cooperate to achieve business goals of elastic organization?

### 3. FLEXIBLE DECISION MAKING – A KEY PART OF PROACTIVE BUSINESS MODEL

Insecure economic times demand special set of cognitive and behavioral managerial competences between them the key role play divergent decision making on basis of creative and flexible thinking (Matuska 2011 c p.43). Managers are recommended to use technique of *portfolio – of - initiatives* which can help ensure that company take full advantage of their best opportunities without taking unnecessary risks (Bryan et al, 1999). This kind of activity we summarized elsewhere as a set of earlier predefined business competitive possibilities which can be implemented in a most proper moment (Matuska 2011 c, p.44). The approach relays on constantly creating (visions, ideas, projects), choosing (decisions, initiatives) most adequate business option for the moment and evaluating/ changing them by keeping flexible approach to the choose was made. The success of the approach relays on the one side on the rich creativeness - which gives primary material for choosing options, and on the accurate decision making with ability to change it on time – from other one. The links between psychological processes involved at all stages of *portfolio of initiatives* business approach and their interrelations are present at Fig.1.

Simultaneously we treat this illustration as a key part of the theoretical proactive business model. The whole process can be described at two levels of behavior and at least in two stages. First level occurs in mind (as a *symbolic behavior*) and second one is demonstrated as observable behavior (as a *real behavior*).

1. The first stage covers individual or team *creativity* and represents purely cognitive process: production of new images, ideas and divergent way of thinking.
2. The second stage: *decision making* – consisted with two steps ( point 2a and 2b at Fig.1) probably determined not only by cognition, but also by strong impact of emotions demonstrated as a components of *emotional intelligence*: insight, intuition, empathy etc.

Moreover, decision making is not the one action, done and finished, but represents kind of '*flexible decision making*' because it has constantly to be repeated to control the actual chances and risks anchored in current business complexity and uncertainty. The psychological processes activated at individual's or team's mind during whole over mentioned business activity are: attention, perception, imagination, logic and divergent analysis but also unconsciousness insight, intuition and temporal reactivity. And secondary, the over mentioned flexible decision making" gives feedback to creativity stage with instruction to product useful new ideas which can enhance chances of the chosen activity option or to find necessary solutions. By this way the proactive business model deliver self- reinforcement and opens chances for self-development. As the first part of the process: conditions of creativeness in organizational context are already quite well described in literature, the second part: effective decision making under condition of stress (or wider- emotions) seems to be still open area for next investigations.

Here is worth to signalize the interesting argumentation collected during last years by new economic subdiscipline – *behavioral economics*, where are documented significant limits of rational approaches to the explanation of the nature of many managing processes – for example decision making.

The best example is here Nobel Prize 2002 in economy offered to psychologist Daniel Kahnemann for his theory of intuitive decion making or the applicability of fresh notion of *emotionomics*, by Dan Hill, in area of marketing and in HR management (Hill, 2010).

#### 4. CONCLUSION

The succesfull managing in frame of elastic organizational paradigm demands not only cognitive but also emo-

tional and motivational proficiency. Mangers don't have only to adjust“ to fast changable situation – but be able in flexible way „to accomodate“ it into own business goals by accurate and termined decision making. Flexible decision making represents the key of any proactive managing strategy. Only proactive – in opposite to reactive behavior, can help to ensure that company takes full advantages of its best opportunities without taking unnecessary risks. Turbulent economic situation seems even to enhance organizational adaptable capacities by creation of the new opportunities and challenges. It is however the truth only in case of elastic enterprises which take advantage of an instantaneously connected world to manage people and resources in new ways by broadening the strategic vision and wealth creation.

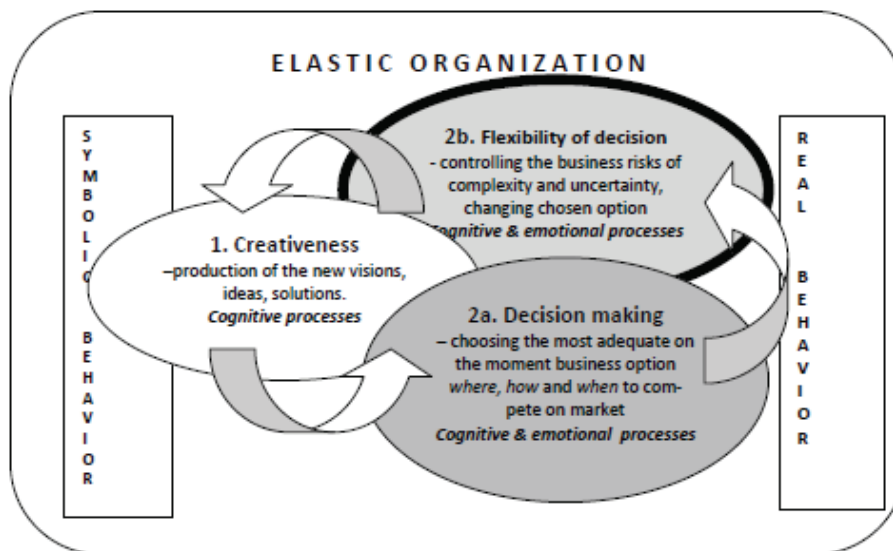


Figure 1 Proactive managing processes in frame of elastic organization  
Source[1]: own elaboration

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