PREFACE

I have studied management, leadership, and human productivity since 2009 with professors Guy Ahonen and Juhani Ilmarinen and PhD Tomi Hussi.

We have written 12 reports in Finnish and almost 300 blog posts in Finnish. This summary includes the first five blogs in English.

Topics in blog posts are related to people management, staff productivity, change management and management of self-determination.

In addition to research activities, I collaborate with companies, here is a link to the description of the services.

Ossi Aura, PhD

CONTENTS

The Chain of Management represents the entirety.

Published 18th September 2020

Link: https://www.ossiaura.com/blog-in-english/the-chain-of-management-represents-the-entirety

The chain of management represents an entirety, which starts with the strategy of the organization and ends in customer results – it benefits the customer as well as your financials. The chain of leadership combines leadership, management, and human productivity. It is based on the research and development work that I have gotten to do with Guy Ahonen, Tomi Hussi and Juhani Ilmarinen. Based on research and analysis on companies, I am certain that the entirety makes the results – this entirety is represented by the chain of management.

Organizational strategy is a starting point to managing people.

Organizational strategy determines the goals of productivity. The strategy simply states what are the big things that are to be done. Strategical goals can be associated with financial success, customer benefit, responsibility, and personnel.

Managing people needs contents, goals, responsibilities, and indicators.

The strategy's and work's requirements determine the contents and goals of people management. The content of a company can be determined with a simple question: 'What does high-quality and productive work require from the personnel and the work community?' The subject should be approached from the customers' point of view, after all, it is them who we do the work for.

One should ponder and decide, with what talents can we maximize customer experience and ensure responsibility. What kind of know-how do these two demands from the manager and personnel? How can these know-hows be concretized into goals and indicators that measure them?

After deciding goals and indicators, it is crucial to ponder together that how can they be reached. While doing this you can agree on different peoples' roles and responsibilities. The management, manager, and staff each have a different role in developing the entirety. While determining roles it is good to answer the question: 'What can I do to reach the goal?'

Being a good manager – leadership supports productivity.

Good leadership is an important step towards human productivity and customer benefit. An encouraging, committed and appropriately stout manager can encourage their employees do their work with good motivation and in high quality. Especially motivation and affecting their own work are things that should be discussed both privately with employees and in groups. *Trust and openness are vital in these discussions.*

Human productivity makes results.

Human productivity is a combination of know-how motivation and working ability. Know-how can be separated into common workmanship of the trade and affecting your own work – owning your own work. The possibility to affect your own work also means superior consideration of a customer's individual needs. Considering a customer's needs is the key to customer satisfaction in many fields of work.

Motivation and commitment to your work are enablers of the aforementioned 'customer extra'. While motivated, we do everything better. It is beneficial to invest in improving motivation in all possible ways like removing annoyances and bringing up customer benefit.

Working ability is a basic requirement for a long working career, without working ability the working stops. Every work task determines its required working ability and it can be understood by observing the work's physical, mental, and social demands. *About working ability, I would not want to talk about traditional maintaining of working ability, but instead about improving working ability.* Abilities that are demanded by the work need to be trained!

The customer gets good service and the company profits

The chain of management culminates in customer benefit and the financial gains achieved with it. Good work brings with it a good customer experience and satisfaction, and with them it brings customer commitment. Long lasting customer relationships are a key requirement in producing sustainable development and good financial results. In the public sector one may speak of effectiveness alongside financial results.

An organization's ability to be reformed is an important result of the chain of management. Capable and motivated personnel – including management, managers, and employees – are capable of being reformed. Connection to the strategy and its agility is crucial – a good strategy also covers requirements to reform in business and in personnel abilities.

The CEO's decisions raise profitability

Published 24th September 2020

Link: https://www.ossiaura.com/blog-in-english/the-ceos-decisions-raise-profitability

The CEO's role is especially important in the company's profitability and growth, it is clear as day. And the headline's message is self-evident. In this context the decisions of the headline refer specifically to decisions concerning personnel and human productivity.

Research background

The potential of management in developing a company's profitability is immense! A while back I calculated (https://www.ossiaura.com/auran-faktat-blogi/johtamisen-potentiaali-9-mrdeur), that through the development of management companies could get 9,4 billion euros more operating profit. When all companies develop management to the level of the best one third, that is possible.

The calculation is based on a research published in January 2019, Henkilöstötuottavuuden johtaminen 2018, in Finnish (*Human Productivity Management 2018)*. Its reports and results can be found here. In the research we (Ossi Aura, Guy Ahonen, Tomi Hussi and Juhani Ilmarinen) researched management practices and calculated the coverage of them based on the companies' financial statements.

In the February of 2019 we published Johtaminen ja tuottavuus, in Finnish) (Management and Productivity) research paper in the Aalto University's publication. The paper's footnote of the headline tells a lot: **managing personnel as a success factor**. In that paper we analyzed 225 industrial companies' management practices and financial statements between the years 2009-2016. The research results highlight the significance of the management's decisions in raising profitability.

What do we recommend to a CEO?

In the industrial company research, we gave some recommendations based on the results. We, the recommenders who are two professors, **Guy Ahonen** and **Timo Kuosmanen**, and two doctors, **Ossi Aura** and **Juha Eskelinen**. To CEOs, our recommendations are the following:

Based on the research results and our own experiences the recommendations may be made into a TOP-3 list to different stakeholders as follows:

Company management, especially the CEO

1. Decide clear and measurable goals for improving staff capabilities.
2. Decide responsibilities for developing capabilities in a process involving different people.
3. Ensure that there are sufficient temporal and financial resources to improve staff capabilities.

Aura, Eskelinen, Ahonen, Kuosmanen (2019) Management and Productivity – managing personnel as a success factor, Aalto University, Helsinki, link: http://urn.fi/URN:ISBN:978-952-60-8368-1

The essence of the recommendation is to ensure the high quality of capabilities that are vital to a company.

1. **Decide clear and measurable goals for improving staff capabilities.**

In point one, we highlight the importance of deciding goals. Without clear goals the work is awkward and fumbling. A measurable goal means deciding on a goal and its indicator at the same time. If the goal is to improve personnel motivation, then at the same time the method of measuring personnel motivation should be decided. In our research series that began in 2009 we have always highlighted the importance of deciding goals. A known, clear goal boosts working.

2. **Decide responsibilities for developing capabilities in a process involving different people.**

As stated in point two, discussing the responsibility of the improvement of personnel capabilities is important, as without responsibilities goals will not be reached. In our researches we have surveyed the responsibilities that are given to the superiors. The portion of the companies that have made this decision has varied between 24-32% between the years, the focus group is companies that employ 20-1000 persons. Figure 1 points out that superiors' responsibility has also financial significance.

3. **Ensure that there are sufficient temporal and financial resources to improve staff capabilities.**

Resources are naturally an essential part of development. Our research series and the two aforementioned researches indicates that managing resources is more important than money. Good management and development bring results, but they cannot be achieved with only money. Of the superior's resources we have surveyed capability, motivation and time. Usually that 'time' is critical – in 2018, only 19% of companies evaluated the superiors' temporal resources as good or excellent. In the research the matter was surveyed from the point of personnel development.

What significance does a CEO's decisions have?

As singular decisions the points 1-3 have great significance when it comes to profitability. Figure 1 shows a conclusion of the results.

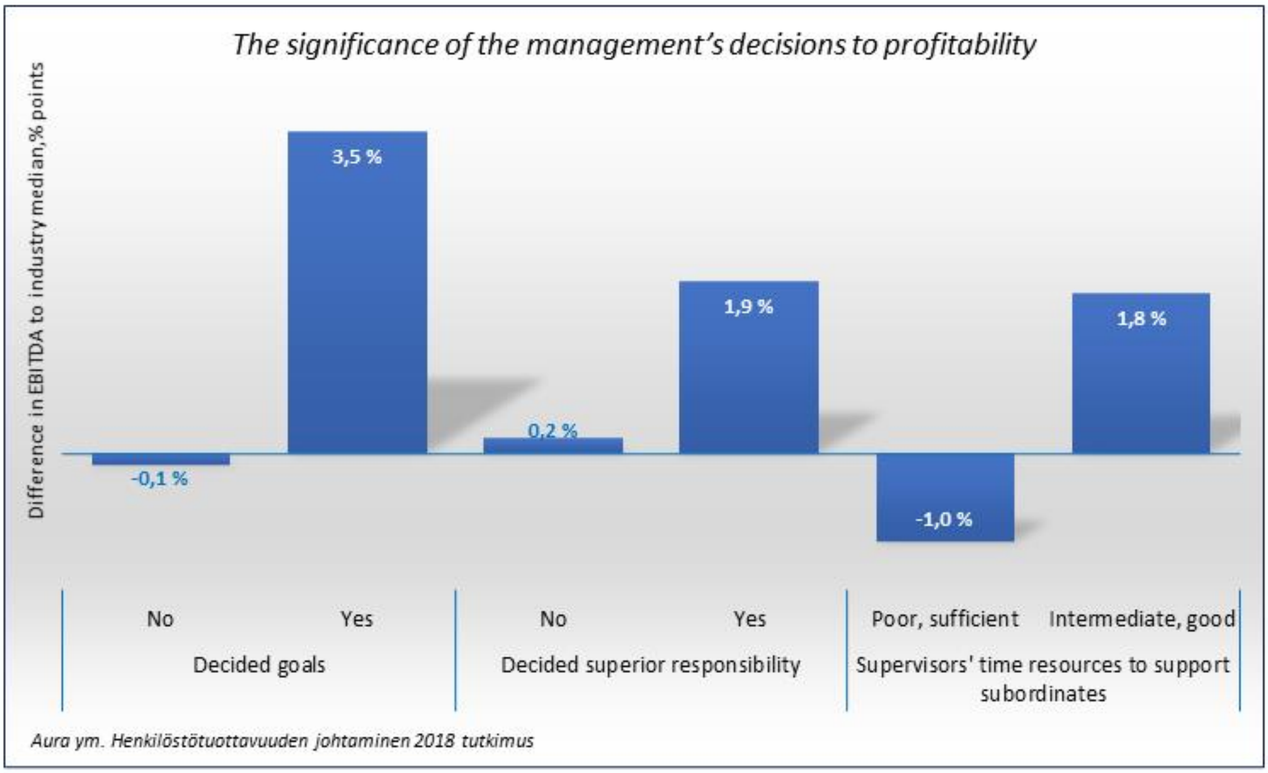

Figure 1 The significance of the management's decisions to profitability.

The figure's interpretation is clear: the management's decisions are reflected on the operating profit by an amount of 2,0 - 3,5%. At a net revenue of 100 million euros the company that has made these decisions will make 2 – 3,5 million euros more in operating profit compared to a company that has not. At a net revenue of one billion euros the difference is 20 - 35 million euros – an incredibly significant sum.

At the end I would like to present the main goal of every managemental level.

> *Our strategical main goal is to improve human productivity by 15% – along with it our personnel will make all our business goals happen!*
>
> - *Ossi Aura, 24.9.2020*

Management Decisions Bring Money!

Published 7th October 2020

Link: https://www.ossiaura.com/blog-in-english/management-profitability

Together with Guy Ahonen, Juhani Ilmarinen and Tomi Hussi, I have made the Strategic Wellbeing Management research series since 2009. This year the name of the research was changed into Human Productivity Management – we also began to include the companies' monetary resources based on public financial statements.

I will be blogging about this subject many more times to come (in Finnish) – and the report will be ready in December. But here is one of the most important results of the research to everyone who is interested in human productivity or companies' productivity capability in general.

The new research combines management and profitability

The basic setup of the research was clear: how do personnel related management decisions and practices affect financial performance? We surveyed management practices with questionnaires that inquired human productivity, work well being and work activity. Financially one of the most important variables was the operating profit percentages, which we compared to a TOL3-level industry median. The operating profit – and especially its difference to the median in percentages represents a company's profitability well.

Management is clear – it is decisions!

In our researches we have calculated an index on management levels, and following the name change of the research we are calling it the Human Productivity Index, HPI (HTJI in Finnish). The HPI is comprised of the scoring of management practices, the score is higher when the management is good and development processes are put into action.

Divided into three levels, the managemental basic decisions clearly differ, as shown by Figure 2.

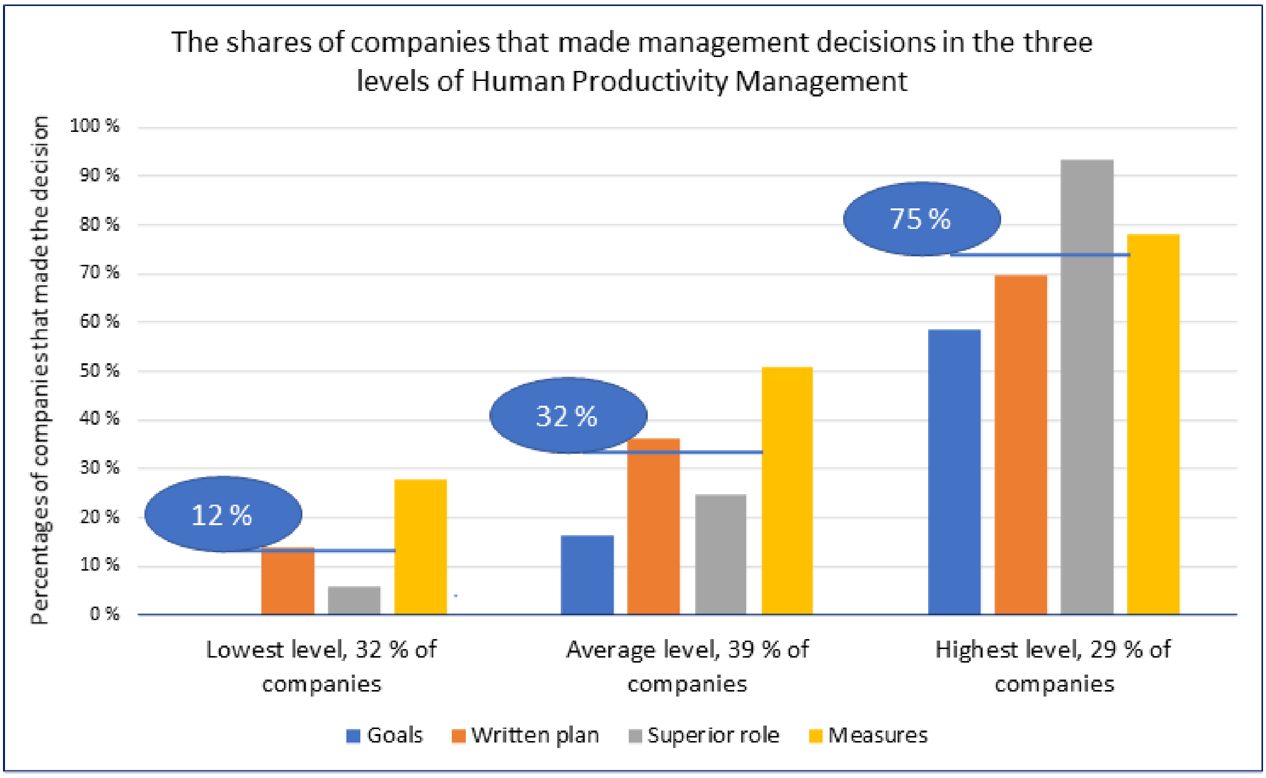

Figure 2: The decision of human productivity management made by companies in three levels.

In the lowest level of management, the basic decisions were made by 12% of the companies. A goals decision was not made by a single company. 14% of the companies had a plan, 6% had a manager role and 28% had indicators. 32% of the companies were on the lowest level. On the middle level there were 39% of the companies and 32% of the companies had made decisions. On the highest level there were 29% of the companies and 75% of them had made decisions.

Management levels were divided based on a large questionnaire, but making those basic decisions reflects on everything else as well. When the decision of a manager role is done, managemental jobs and processes are done with greater efficiency etc.

Managemental decisions bring operating profit!

The levels pictured in Figure 3 show the difference in the companies' financial performance clearly. In poorly managed companies the operating profit was 3% lower than the median of the industry, while in properly managed companies the operating profit was 3% higher than the industry median.

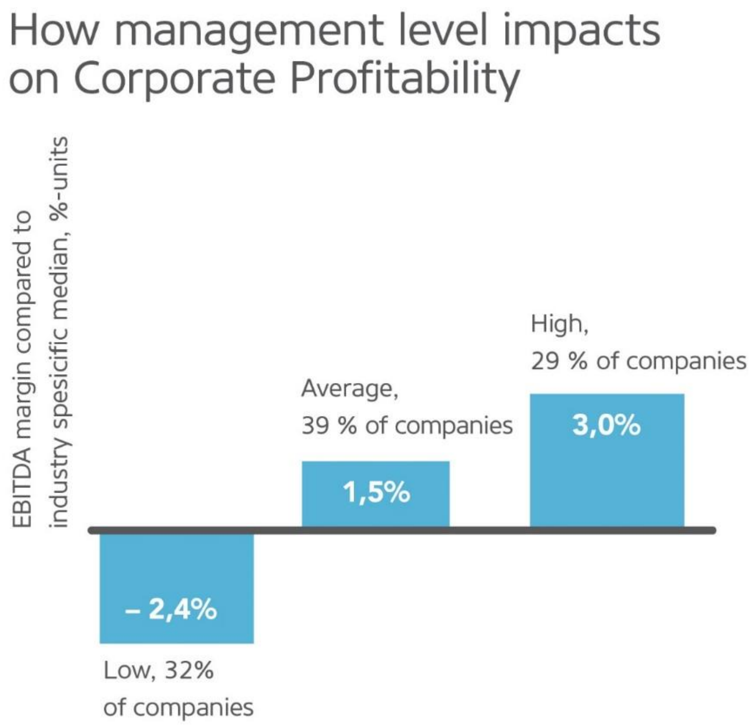

Figure 3. The connection between managemental practices and a company's operating profit.

The result presents a clear formula: with good management you get +3%, with bad management you get -3%. The average result of +1,5% above the industry median shows that the questionnaire was answered by companies that perform a bit better than average. Based on operating profits and the companies' own financial evaluations, there were certainly also poorly performing companies in the research material.

How much is 3%?

In Figure 3 the differences in the operating profit are plus/minus 3%. But how much is that? This question may be answered when we look at the research material's financial numbers a bit closer. A bit shy of 200 companies' average revenue was 33 mil. euros a year and the operational profit was 2,8 mil. euros, that corresponds to 8,6% of the revenue. According to the results, poorly managed companies had an operational profit of 5,6% out of their revenue and well managed companies had 11,6%. This brings remarkable differences to operational profit moneys.

A poorly managed company gets a million in minuses, while a well-managed company gets a million in plusses!

A million more or a million less operational profits means a +/- 35% difference to the average operational profit. We could slightly round the numbers in a company of a generous 150 persons – with good management you get a million more operational profits – with bad management you get a million less.
It is the CEO's choice whether they want two, three or four million!

Good management is the result of systematic and organized work!

The results that are presented here are simply astounding – can management on its own bring millions in operational profits? According to the results, yes. But in the background there of course is a larger entirety. In a properly managed company, everything works well: responsibilities are clear, management work is invested in, etc. Personnel, capability, know-how and well being is taken into consideration when doing anything – it is just that simple!

This makes the matter also very challenging. Getting to that point requires many years of systematic work. The basic decisions are to be made with business in mind and after that implement it into the company's processes. By this I mean that capabilities that are vital to the business are developed and managed. Deciding them is a good first step, then it is known what is managed – and after that a goal can be set.

What changes self-determination during a crisis

Published 13th October 2020

Link: https://www.ossiaura.com/blog-in-english/how-management-of-self-determination-changes-during-a-crisis

During the spring of 2020, we have collected data for a study management of self-determination in Finland. 252 randomly selected companies responded to our survey. This research was a continuation of a series of studies we started 2009 with the team PhD Ossi Aura, Professor Guy Ahonen, Professor Juhani Ilmarinen and PhD Tomi Hussi.

A part of self-determination is encouraging personnel to work and decide independently

The entirety of self-determination has multiple elements, of which one is encouraging personnel to work and decide independently. In our research this was done with two questions in "normal circumstances" and one question in "Covid-19 crisis circumstances".

In the normal circumstances, which was emphasized with the "before the corona" addition, the first question was as follows: *How do superiors function in your company when it comes to managing work and personnel?* The follow-up questions were: *Do superiors encourage independent decision making and working* and *Do superiors encourage their employees to solve problems independently*. The answer choices to the follow-up questions were: "never (1), rarely (2), sometimes (3), almost always (4), always (5)". For the analysis of this blog, the answers were summed up, producing the variable "Encouragement to self-determination in normal circumstances".

The question for the Covid-19 circumstances was: *Was the personnel encouraged to independent decision making in their own work?* The answer choices were: "not at all (1), a little bit (2), moderately (3), a lot (4), very much (5).

The change in self-determination was calculated

Based on the answers to the questions mentioned above, change to self-determination (encouragement) was calculated on a company-by-company basis. The change was from normal times to Covid-19 times. The changes in companies were divided into 4 levels, the distribution of which is displayed by Figure 4.

The results of Figure 4 are clear: 2/3 of companies saw reduced encouragement to be independent during the pandemic. 1/5 of companies had encouragement levels remain as they were. Only 1/8 had encouragement levels increase. This raises a question: What caused the change? Or at least: What factors explain the magnitude of the change?

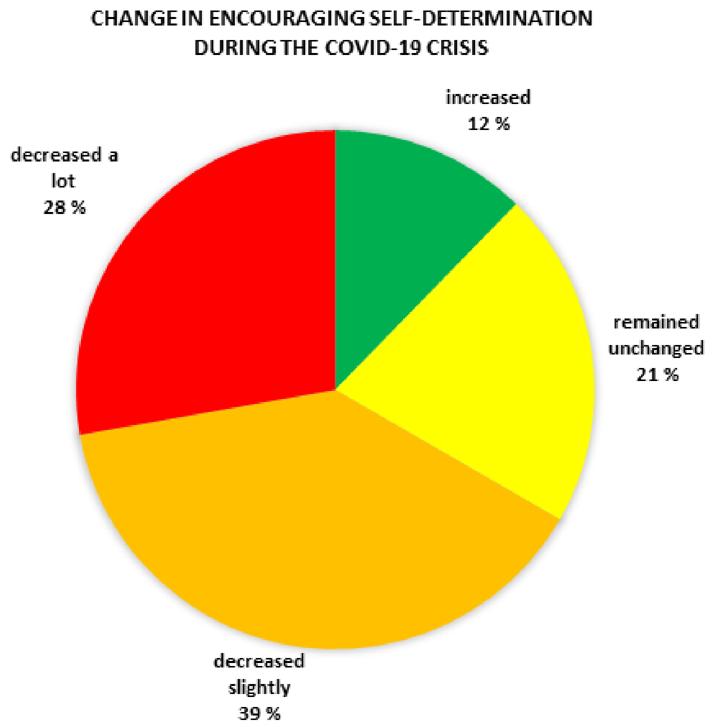

Figure 4: Change in self-determination encouragement from normal circumstances to Covid-19 circumstances. 252 companies in Finland.

Human centric management supports self-determination also during crisis

I condensed the result of multiple analyses into that sub headline: human centric management supports self-determination encouragement also during crisis. And the greatest factor may again be found in the management's strategy! The more human subjects and well-being are presented in the management's strategy work, the better self-determination is even in the pressures of the pandemic. See Figure 5.

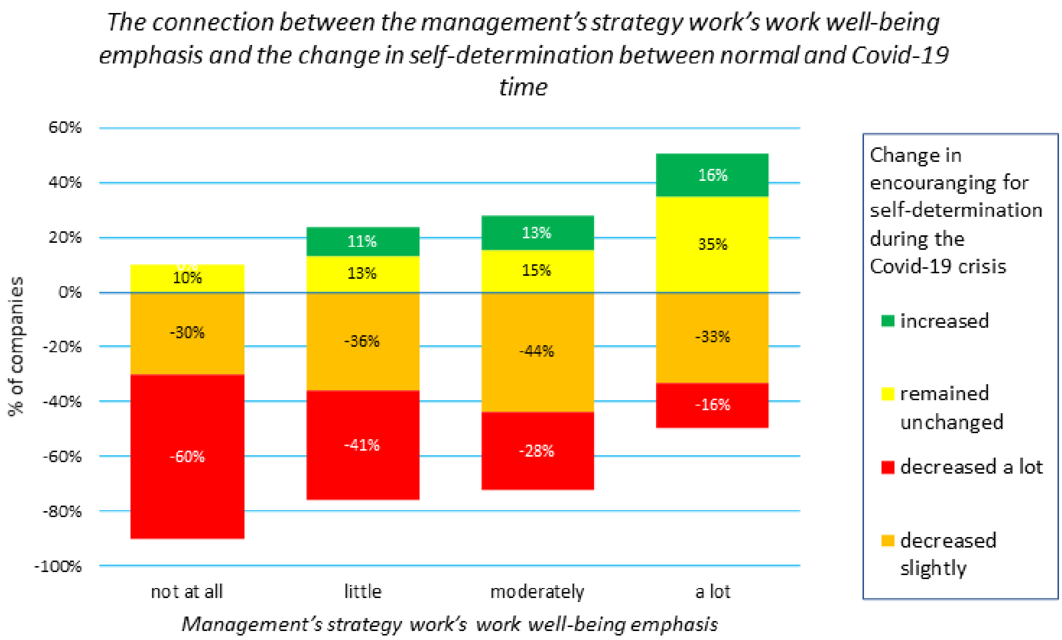

Figure 5: The connection between the management's strategy work's work well-being emphasis and the change in encouragement to self-determination between normal time and Covid-19 crisis.

In Figure 5 the companies have been divided into 4 groups based on the management's strategy work's 'human emphasis'. The differences in self-determination management between these groups are immense. In the "a lot" category of companies over 51% of companies saw increased or unchanging levels self-determination, whereas in the "not at all" category of companies 10% of companies remain on the same level during the crisis. Reducing self-determination encouragement of course produced the opposite results. The emphasis of work well-being in strategy work had visible effects in all size groups.

The amount of remote work increases self-direction

During the Covid-19 crisis, a large proportion of companies referred staff to remote work - in those industries where it was possible. I did an analysis of how the transition to telecommuting affected encouragement of self-direction- was it perhaps 100%?

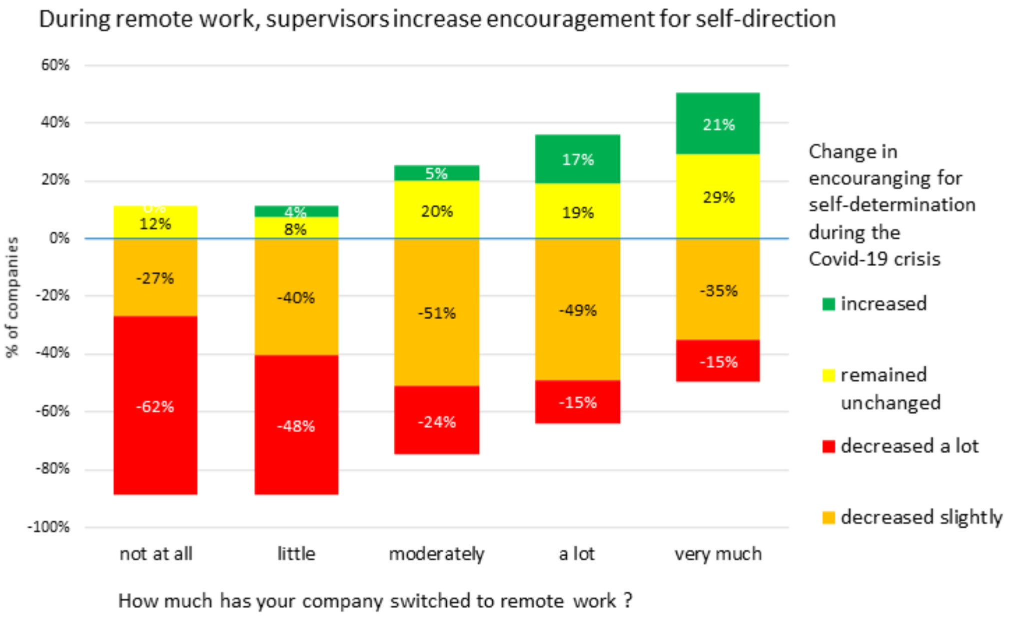

Figure 6: The significance of strategic linings in the change of self-determination encouragement.

Figure 6 shows that the amount of remote work was reflected in the change in encouraging for self-directedness. However, teleworking does not automatically mean an increase in incentives for self-direction. Of the companies with a high transition to telework ("very much"), only 21% had an increase in encouragement for self-directedness.

To conclude

This blog and its results may be condensed into a singular sentence.

When human matters are tightly on board in the management's strategy work and the leadership is human centric, the self-determination is strong, and it is preserved even during crisis.

Change management is goals, communication, and activity

Published 29th October 2020

Link: https://www.ossiaura.com/blog-in-english/change-management

Change management has been at the top of leadership training in the recent years. A good manager should be a good change manager. I disagree – a good manager needs to be a good manager. The core of good management contains all the qualities of change management on its own, therefore no separate change management is required. However, what are needed are: decisions on goals, open communication and activity in managers work.

Change management is normal, good management

For a long time, I have agonized change management and its special position. Isn't good management in the modern world continuous reacting to change and acting according to those changes? Of course, if the management is bad – lacking goals, lacking responsibilities, lazy and unmonitored, a separate program to alter the management is required. Good management – at least when it comes to human productivity – is systematically stout: decide goals, responsibilities and roles, function actively and measure changes often enough, so that the changes to the business and the world may be reacted upon quickly. And through strategic wisdom and intuition future changes might be predicted.

The contents of the change management model from the leadership research

Over the last few years I have done leadership research on companies' superiors, during which, I have surveyed the concreteness of their goals, the leadership's know-how, working methods and activity, experienced leadership and human productivity. I modelled the leadership research material into the change management's three sectors:

Goal driven: the concreteness of the goals in competence, motivation, atmosphere, workplace safety, work performance and the profitability of business.

Communication: conversation with employees about goals, capabilities, work responsibilities, new work things and development ideas, giving feedback, active motivating as well as actively listening to personnel.

Leadership activity: activity in work organization and work practices development, following the development of your own field, knowing customer needs and reacting to customer feedback, following the profitability of your business.

Communication is the most active, goals have the most room for development

In my modelling of change management, communication was the strongest aspect and goals required the most improvement. In its entirety, the change management factor's average was 77,9 and varied between 50 and 90. This is displayed in Figure 7.

Figure 7 shows that 90% of the superiors are placed in the change management factor somewhere between 66 and 88. The average and average spread of the change management factor indicate the following: poor is below 66, tolerable is 66-74, average is 74-82, good is 82-90 and excellent is over 90.

The superiors' human productivity support change management

Change management is goals, communication, and activity. Next, I tested how the superiors' and leaders' own human productivity reflected in the change management levels.

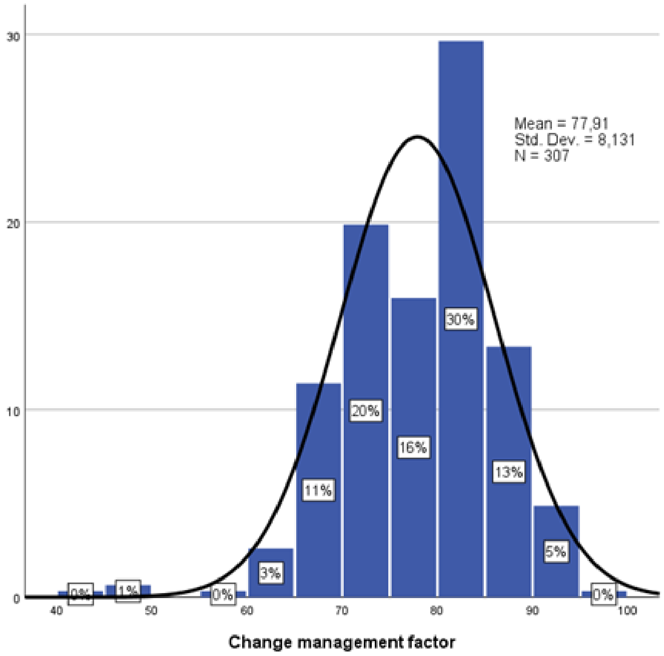

Figure 7: The distribution of the change management factor.

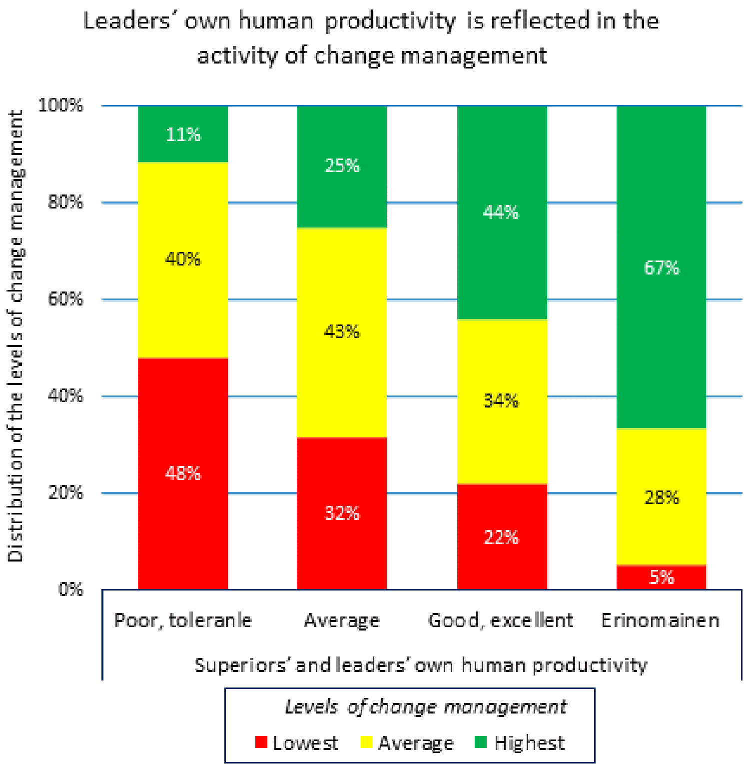

Figure 8: The human productivity levels of the superiors and leaders reflected on the change management levels.

The interpretation of Figure 8 is clear as day: excellent leaders with good human productivity are also good change managers, and vice versa, those who have poor human productivity are bad change managers. We are at the core of the managers own well-being, tune and dynamicity. Human productivity after all consists of the combination of motivation, commitment, know-how, working ability and controlling your own work.

Affecting human productivity also consists of all its fields, but the greatest emphasizes are on motivation and know-how, managing all the aspects of your own work.

If human productivity is an important fuel of change management, how is it developed?

Figure 8 visualizes the great importance of human productivity in the activity of superiors' change management. From that awakens a question, how is the management's and superiors' human productivity developed? And the answer is the same is it is with personnel: with the support of your superior, trust and encouragement.

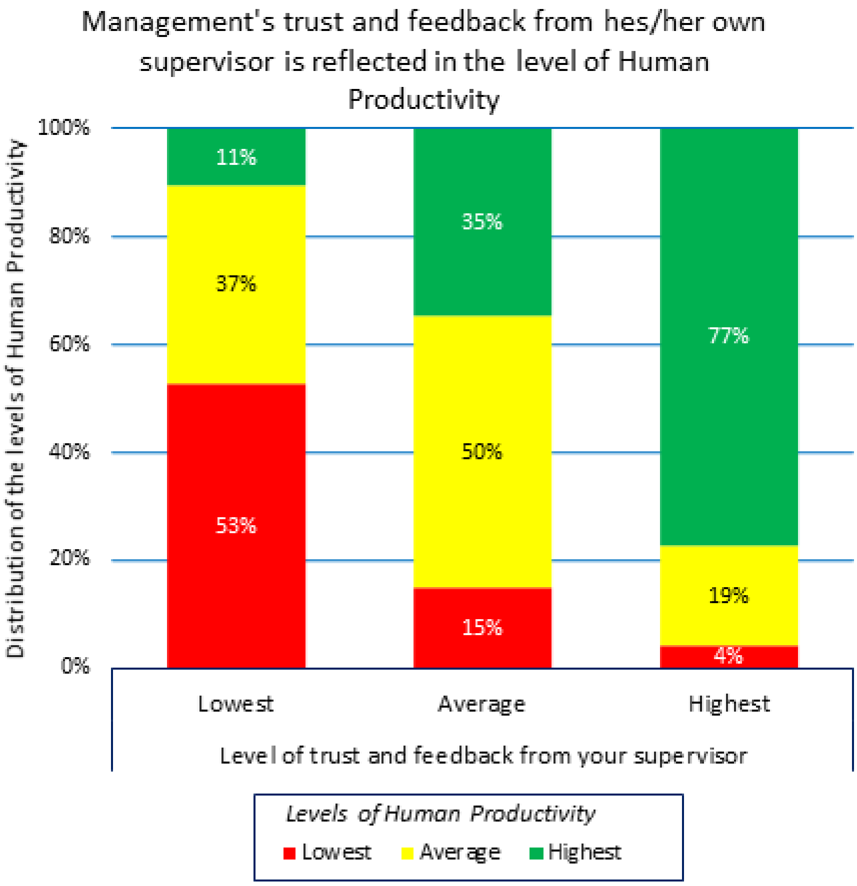

Figure 9. The effect of a superior's experienced trust and positive feedback on human productivity in the superiors and management.

The superiors given trust and feedback is composed of the sum of the two questions in Figure 9 example. Which is divided into three groups based on averages and average spread. On the 9-10 level of superior's support, 77% belong into the highest group of human productivity. In the weakest trust and feedback group, 53% of superiors belong into the lowest group of human productivity. Such is the strength of a superior's support to a person in a superior position!

That's not all! Change management activity also has a connection to profitability!

The "Työkaari" project by The Technology Industries of Finland gives a good test group of 35 SMS-companies for analyzing change management's financial effects. And it does have some! In the group of worst change management, the profitability (EBITDA) was 3%-units lower than the industry median, in the average group it was 1,4%-units lower and in the best group it was 1%-unit higher than the median. Change management has significance in the finances – if you want to separately speak of change management, that is.

The difference between the good and bad change management showed as a 4%-unit difference in profitability between the best and worst companies. That is a big difference.

To conclude – the short syllabus of change management

The definition and analyses that I have made give clear results and conclusions:

- there is no separate change management – there is only management, in which at a good level changes are reacted to and people are managed in a changing environment,
- human productivity is to be led well, it ensures good practices of leadership,
- superiors and leaders are to be led well as persons, ensuring that they experience good leadership, this is the essence of managing management,
- the human productivity of superiors and the management grows, and it has a positive effect of the change management activity,
- change management is good management, in which goal driven function, good communication and managemental activity are combined,
- good change management is reflected on profitability and through that on sustainable growth.

These interpretations and economic convincingness could be made into a graph like Figure 10!

Figure 10: The circle of change management – as a part of good management.