



ORION
Transforming HR

Agile HR:

Mindset not Methodology

Acknowledgements

We would like to thank the clients and colleagues who have shared both individual and organisational perspectives on the subject of agility. These include: Harrods, Premier Foods, Sky plc, Global Radio, Rolls Royce, BT, Thames Valley Police, Shop Direct, Metro Bank, Heathrow, Santander, Eon, Royal Mail plc, The Co-Operative, House of Commons, Halfords, Pearson, Marks and Spencer plc, Atos and JP Morgan Asset Management.

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Introduction

Change is the common thread that runs through all our working lives. Irrespective of sector or size of organisation, the need to respond effectively to the changing demands of customers and consumers at ever increasing speed is generally what determines survival. Wider changes impacting the way we work, how we view work and what this will mean for the whole concept of what is work are all questions taxing the best brains. In an increasingly turbulent world, the ability of organisations to anticipate new opportunities and respond and transform effectively has been given a new name – agility.

As a firm whose focus is maximising the effectiveness of HR, we spend every day helping organisations change – transformation is what we do. Much has been written about the need for and characteristics of organisational agility but much less on the role HR has to play, how effective it is and what impact this is having on how the HR functions of today need to evolve. These questions have formed the basis of this research study.

Executive Summary

Our research brought together discussions and insights from over 30 leading organisations across both public and private sectors. The participants were senior HR professionals at Director or Group Director level, able to share both individual and organisational perspectives on the topic of agility.

The organisations who participated were facing very different challenges, ranging from the impact of macro-societal issues such as the changing nature of crime and warfare to the digitalisation of the high street. However, all saw the need for organisational agility as either business critical or highly relevant and universally agreed that the demand for agility was on the increase.

Definitions of the concept of agility varied. For some it was enshrined as a company value, whilst for others it was understood and embraced as a concept but not explicitly stated as driver of success. Although the meaning of agility differed according to context, what was a constant was the fact that agility was seen as being as much about mindset and behaviours as structure and process. It follows logically, that the people levers organisations have to build and maintain agility are much more about leadership, capability and the wider talent agenda than they are about the tactical HR practices of flexible contracts and variable reward. The good news is that the HR functions we spoke to recognised the need to focus their efforts and energies in these areas, with many citing significant shifts in practices.

However, it would appear that there is still room for improvement and there were questions as to whether the developments in HR have been sufficient. This is from a number of perspectives – impact on both the business and the HR function. Levels of effectiveness in areas such as having the insight to spot new opportunities, building cadres of versatile leaders and managers and effective change management were not yet rated highly – all areas where one would hope that HR's contribution would make a significant difference.

Investment in building these capabilities with the right skills and infrastructure in HR has not been a priority – with 52% of HR transformation programmes still focusing on HR Operations. This echoes themes in our 2014 research study into the 'legacy of Ulrich'¹ where over-indexing on operations and underinvestment in talent was identified as a key lesson still to be learnt. Your outlook on life – glass half full or half empty – will colour your response to our final question. 50% believed their relationship with the business was now more strategic as a result of changes in approach, but 50 % believe it has remained the same.

¹ What did Ulrich ever do for us? Orion Partners 2014

Who did we talk to?

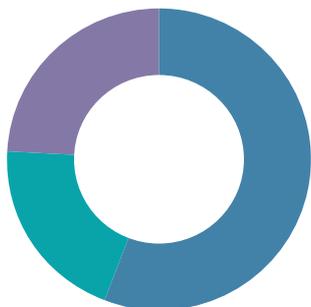
The organisations we spoke to covered the full spectrum, including retail, manufacturing, financial services, media and high-tech, food, construction and public service. Of these:

- 53%, were organisations employing 10,000+ employees with HR functions of over 100 staff
- 67% had an HR function with discrete teams of HR Business Partners, HR Operations and Specialist Centres of Expertise
- Only 24 % retained a more 'traditional' HR structure of generalists and administrators.

"It's about having a healthy paranoia to anticipate what's coming and then having both the operational capability and right behaviours to respond."

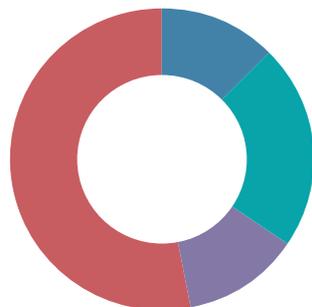


HRD GLOBAL MANUFACTURER



SIZE OF HR FUNCTIONS

100+	56%
50-100	20%
less than 50	24%



SIZE OF ORGANISATION

1-500	12.50%
1000-5000	22%
5000-10000	12.50%
10000+	53%

What did we want to know?

Our questions had four main areas of focus:



BUSINESS CONTEXT

- What are the main forces for change affecting your organisation?
- What is the organisation's strategic response to these changes and how are these reflected/integrated into your People Strategy?



DEFINING AGILITY

- How do you define agility?
- What does this mean for your organisation?
- What does it mean for you personally?
- What are the characteristics of an agile organisation?
- How important are they to your success and how effective are you?



PEOPLE PRACTICES

- Which people practices have the most impact on agility?
- To what extent have these needed to change in response to increasing demands?



HR DELIVERY

- To what extent have you needed to adapt your HR Delivery model to help increase organisational agility?
- Which parts of your function have been most affected?
- How has this affected your relationship with the business?

What is driving the need for organisational agility?

As alluded to in our introduction, change and the increasing pace of change is a constant. Following the turmoil induced by the global financial crisis, from which it feels like we are only just recovering, we were interested to understand the major forces for change affecting participating organisations. The positive news is that contraction is no longer at the top of the list of forces for change, and growth is a significant driver – but the top three drivers – irrespective of sector or size were common across all organisations.



CHANGING CUSTOMER NEEDS



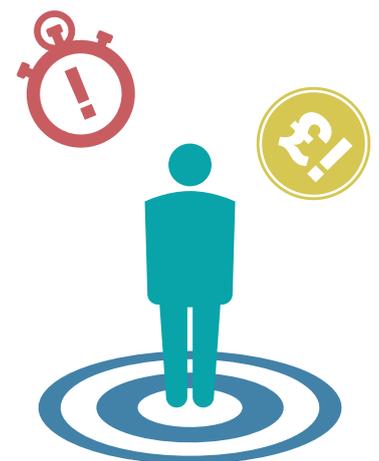
MARKET COMPETITION



DISRUPTIVE INFLUENCES OF TECHNOLOGY

All three of these elements were often intertwined in the minds of respondents. Retailers and media organisations were not the only ones to cite the 'amazonification' of their world in which customers and consumers increasingly want a personalised, flexible and more cost competitive choice. From manufacturing to policing – the 'want it now, on my terms at the best price' characterises the environment for all.

The customer in the HR context is not only the end consumer of product or services but also the employee or potential employee. It was also clear that there is a fundamental shift in the nature of people's relationship with work – how and where they want to work and how they expect this to relate to their non work life. Many organisations have yet to genuinely understand what this will mean for the world of work.



“You need to start with clarity on what you stand for – there is a risk of dilution when you’re seeking to be flexible.”



DIRECTOR OF OD, MAJOR RETAILER

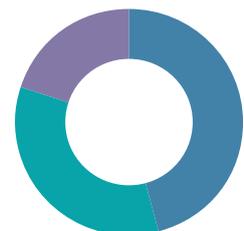
In a world of uncertainty, the majority understood the criticality of a clear purpose and vision on which to anchor the organisation. 68 % were able to confirm that they had a clear purpose, vision and mission with a highly effective strategic planning purpose while only 10% cited a lack of clearly defined approach to strategy development. Although many talked about flexibility and pace in the context of strategy, the stability provided by clarity was seen as equally critical.

Disappointingly, HR appear less confident that they have a people strategy that is an integral component of the business strategy. Only 46 % of those surveyed feel able to describe their strategy as fully integrated. Obviously, this is not just a reflection of the HR function –they don’t own the people strategy. However, with a critical facilitation role with and on behalf of the business – we would have hoped to have seen evidence of a greater degree of alignment. However on balance, the fact that 80% of those surveyed had a strategic response is positive in itself and feels like a significant step in the right direction .



WHAT IS YOUR PEOPLE STRATEGY REPONSE?

We have a clear people strategy that is an integral component of our business strategy	46%
We understand the importance of people issues and consider them when developing our strategic plans	34%
We under prioritise people issues in our business planning process	20%



What does agility mean to you?

Our next area of focus in the research was the concept of agility itself and what organisations saw as the benefits of improving agility.

There were varying definitions of what agility was depending on the context. However all participants cited the ability to anticipate and respond to change as being a defining characteristic. All the organisations we spoke to believed agility to be either business critical or important to their success with 87% seeing the need for agility as increasing over time.

“It’s about choice maximisation – with a focus on capability and readiness rather than process and plan.”



HRD MEDIA

WHAT ARE THE IMPACTS YOU LOOK FOR AS AS RESULT OF INCREASED AGILITY	Ranking	Business Critical	Important	Desirable	Irrelevant
Increased Revenues	72%	65%	30%	5%	
Satisfied Customers	72%	78%	22%		
Faster to Market	62%	45%	20%	20%	15%
Improved Engagement	59%	37%	52%	11%	
Improved Efficiency	59%	68%	26%	6%	
Reduced Risk	59%	21%	42%	31%	6%
Faster Completion of Projects	59%	53%	42%	5%	

Irrespective of sector or size, the need for responsiveness was consistent. However, in the detailed conversations we had this was seen as much an outcome of mindset and behaviours as it was slick process and structure – not just what you do but how. We found this particularly interesting as it echoed much of our previous research into the characteristics of effective HR functions².

“It’s about fluidity – here people step into vacuums to create the right solutions.”



HRD RETAIL BANKING

² The How Factor: <http://www.orion-partners.com/the-how-factor-have-you-got-it/>

What underpins organisational agility?

We asked participants to rank the characteristics that defined an agile organisation, particularly those that might be used to benchmark levels of agility in the organisation. We then asked them to rate their effectiveness in these areas. It was here that we found some of the most interesting results of the research.

WHAT'S BUSINESS CRITICAL?

ABILITY TO SPOT AND RESPOND TO NEW OPPORTUNITIES



INSIGHT TO IDENTIFY NEW OPPORTUNITIES



LEVERAGE TECHNOLOGY



CADRE OF VERSATILE LEADERS



WHAT'S HIGHLY RELEVANT?

ITERATIVE PROJECT MANAGEMENT



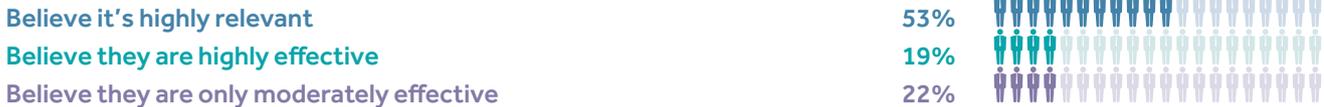
CROSS FUNCTIONAL COLLABORATION



CHANGE MANAGEMENT



RISK MANAGEMENT



What are the factors that underpin agility?

We have a specific interest in the contribution that people management practices and the HR function itself make to organisational agility. When we look at levels of effectiveness there are a number of areas that feel like a real own goal for HR and its role. None of the organisations we surveyed believed they had a cadre of versatile leaders. When asked about cross functional collaboration the answers were similarly scary.

Clearly, whilst disappointing, these figures will be the result of a number of factors and are not purely the accountability of HR. However, it would seem fair to say that they are areas in which HR should expect to be making a strategic impact – applying specialist expertise in the areas of talent management and organisational design and development. Equally alarming is the percentage figure who rate themselves as effective at change management – only 3%. Again HR is not fully accountable for change management – but should be playing roles as a change leader, change agent and change advisor. Such low levels of effectiveness do not reflect well on HR.

How does effective people management impact agility?

Having looked at both the need for, and the impact of agility – we wanted to turn the lens on the people management levers that organisations can pull to influence success. In line with the themes that indicate that behaviour and mindset are as important as process and structure, it is not surprising that talent management – in all its guises – scored most highly. Leadership development came in as the number one priority, quickly followed by talent management and capability development. Those practices seen as having the least impact were more of a surprise. The ability to ‘switch on and off’ through flexible employment contracts that we might have envisaged as the ultimate in ensuring workforce agility, was only rated as important by 12.5% of participants.

“It’s about creating fluidity – giving people time to think – and think creatively under pressure.”



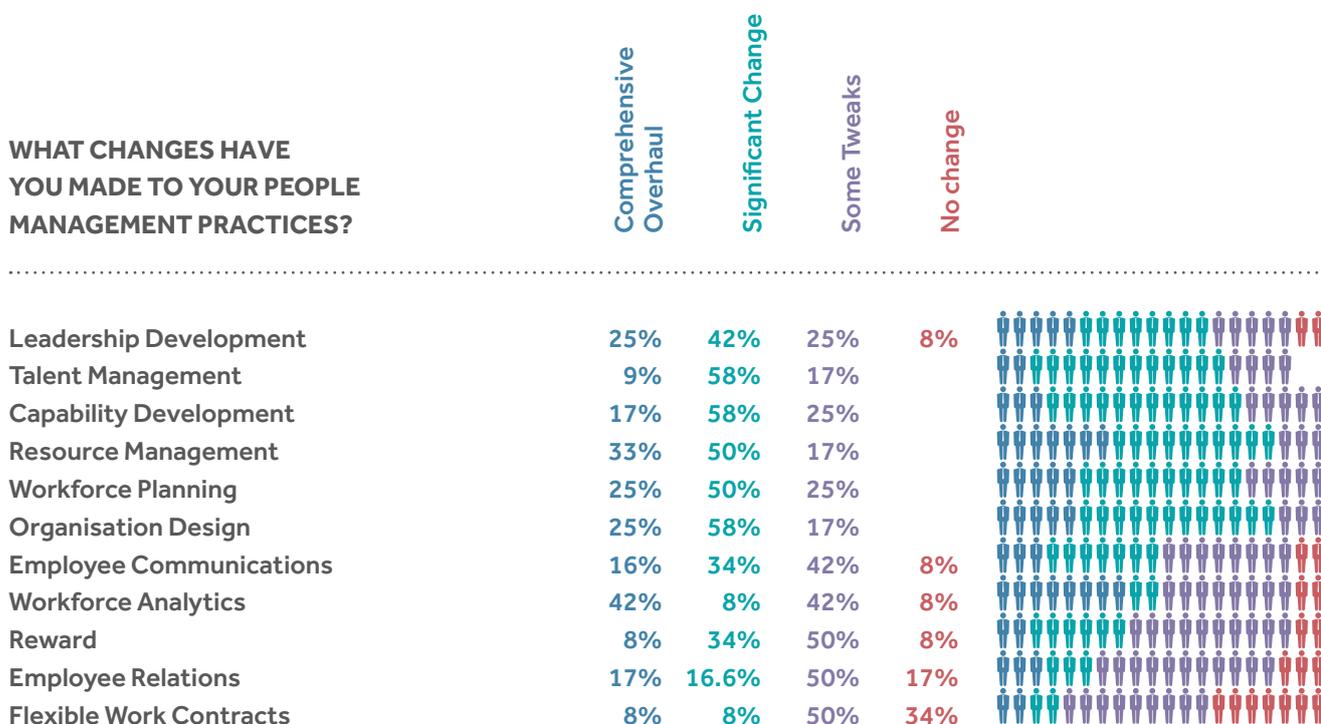
WHAT PEOPLE MANAGEMENT PRACTICES HAVE THE GREATEST IMPACT ON AGILITY?



What Needs to Change?

As transformation specialists, we also wanted to understand where most change had been required. And again, talent management in its widest sense is where most organisations have seen the need for change.

The vast majority – ranging from 67-83% across different talent practices – have invested in transforming their approach. It was interesting that areas such as resource management, organisation design and workforce planning were where the greatest level of change had happened and that these were seen as less critical than leadership, talent and capability development. Based on our work with numerous HR functions, these results are not surprising. Many of these latter categories are areas where HR functions have historically provided only a basic and reactive level of support as receivers of instructions from the business, involved in operational execution rather than playing an influencing role. It also echoes other research we have undertaken into the topic of talent management³, where a lack of clarity around talent management as well as the ability to develop an integrated talent strategy has been evident.



³ <http://www.orion-partners.com/test-your-talent-how-does-your-approach-to-talent-strategy-measure-up/>

What does this mean for the HR function of the future?

Eighteen months ago we took a long hard look at the state of the HR function and in particular on how transformation initiatives and changes to the HR service delivery model had impacted HR's contribution. We took the opportunity in this study to revalidate some of our findings. 68% of those involved had made changes to their operating models to be more agile and most – 67%, had adopted an 'Ulrich' style model of HR Business Partners, HR Operations and Centres of Expertise. However, as our original study⁴ found – the focus of these transformation initiatives has still potentially been overly focusing on the area of HR Operations, with less emphasis on the parts of the delivery model that we know have more of an impact on the strategic capabilities of the function.

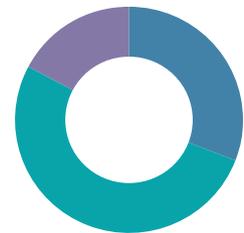
"It's not just about speed – it's about being curious, taking on a wide range of inputs and being able to respond."



HRD RETAIL

WHERE HAS FOCUS OF THE CHANGE BEEN?

Business Partners	31%
HR Ops	52%
Specialist Centres of Expertise	17%



The fact that only 27% of those surveyed felt they could lay claim to an integrated talent process that covers resourcing, performance, development, reward and succession still makes for pretty scary reading. It would appear to have improved – by 2% – as it was only 25% in the original research (though clearly the sample group is not identical). There are obviously some parallels to be drawn with these results and the level of perceived effectiveness against the factors underpinning agility that we examined on page 12 of this report. We see little in the way of a significant shift in how HR is tackling talent – despite there being more need than ever.

⁴ What did Ulrich ever do for us? Orion Partners 2014

The So What?

It would appear from this study that HR has a significant role to play in driving organisational agility. The work that many HR functions have done to improve their effectiveness - streamlining operational activity and building more strategic capability means they are much better positioned to play their part. This being said there are still stark contrasts between the relative importance of the factors that organisations believe to be critical to agility and perceived effectiveness. Leadership, flexibility and visibility of talent, effective change management – all areas where there is still much to be done. Although many have recognised the need to improve the people management practices that drive success in these areas – the question still remains as to whether these changes will achieve the desired outcome. As we have said previously – HR is not and should not be the sole owner of these challenges as they are business challenges. Perhaps this is still at the heart of the issue – that creating and driving shared ownership of the people agenda is the trick that HR has yet to pull off.