
Designing HR Systems for Agility

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The Agony of Alignment



Union Negotiations as Blood Sport



Why we did it

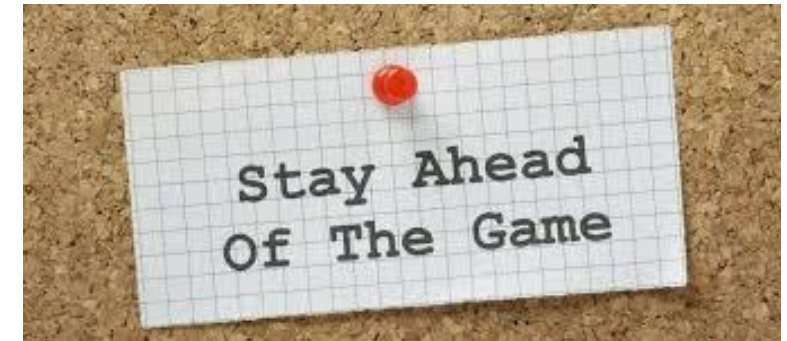
- Everybody talks about it – but does agility really drive performance? What is the role of HR?

4 great ways to get ahead in



Are visits to the Valley, no more ties and red sneakers sufficient?

Is agility the key?



But WHY?!?



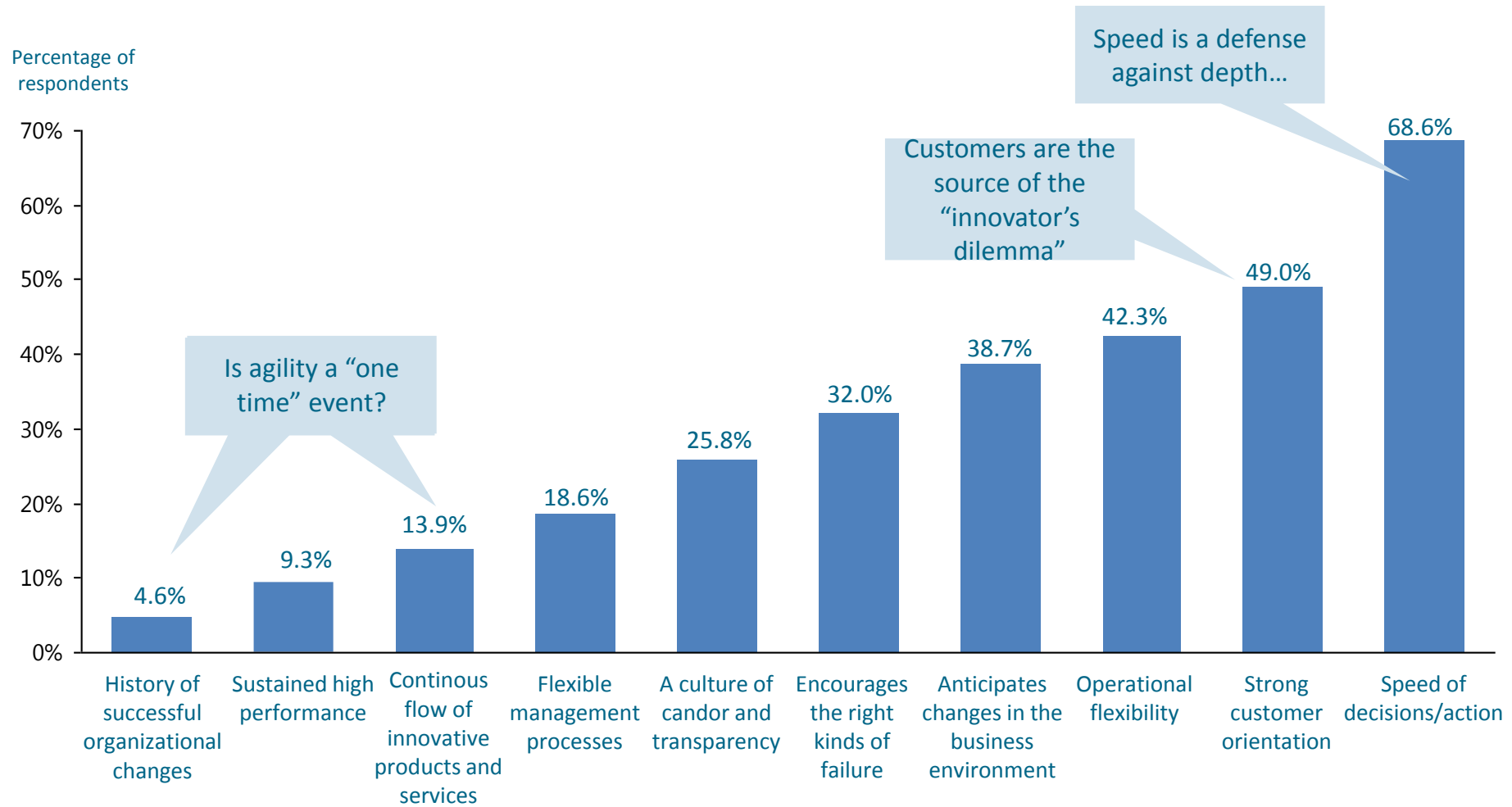
Is this enough?

Another change buzzword?

Question # 7
What do agile leaders do?

Good question!!!

Perceptions about Agility

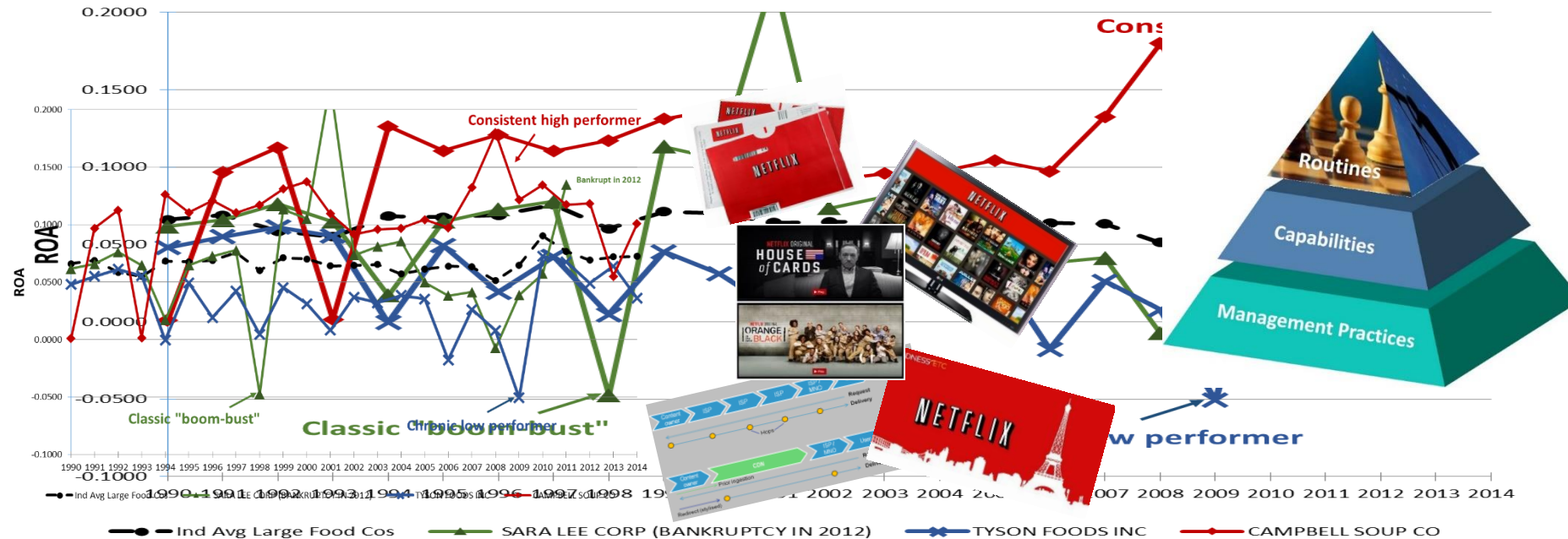


Agility is the ability to make timely, effective, and sustained organization change that generate a performance advantage

SUSTAINED, ABOVE AVERAGE PERFORMANCE
(Outcome)

SUCCESSFUL CHANGES IN CAPABILITY
(Outcome)

THE AGILE CAPABILITY
(Choice)



The Agility Routines

STRATEGIZING



How top management establishes an aspirational purpose, develops a widely-shared strategy, and manages the climate for execution

PERCEIVING



How the organization continuously monitors and communicates environmental perceptions to decision makers for interpretation and response

TESTING



How the organization sets up, runs, and learns from experiments

IMPLEMENTING

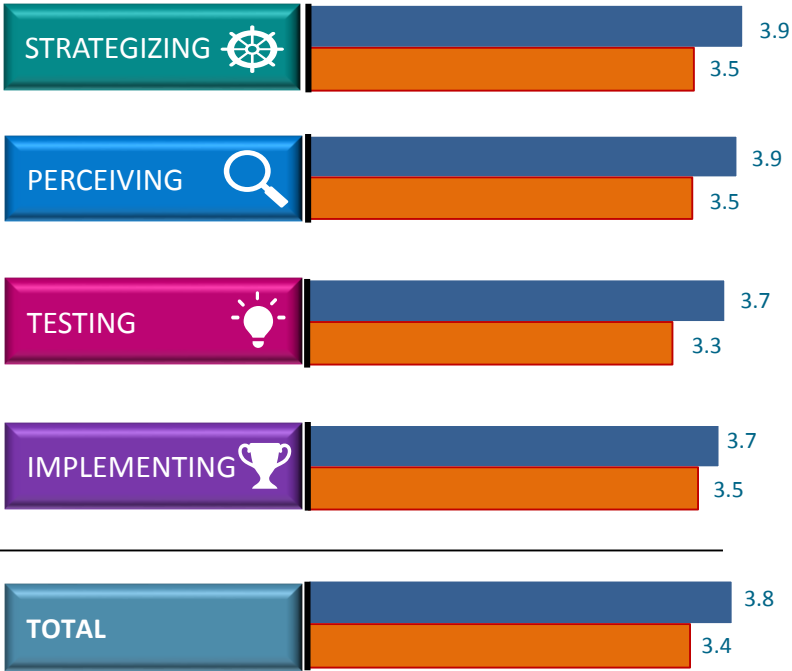


How the organization maintains its ability and capacity to embrace innovation and efficiency and to implement incremental and discontinuous change

Thresholds and Routines | EU vs. NA

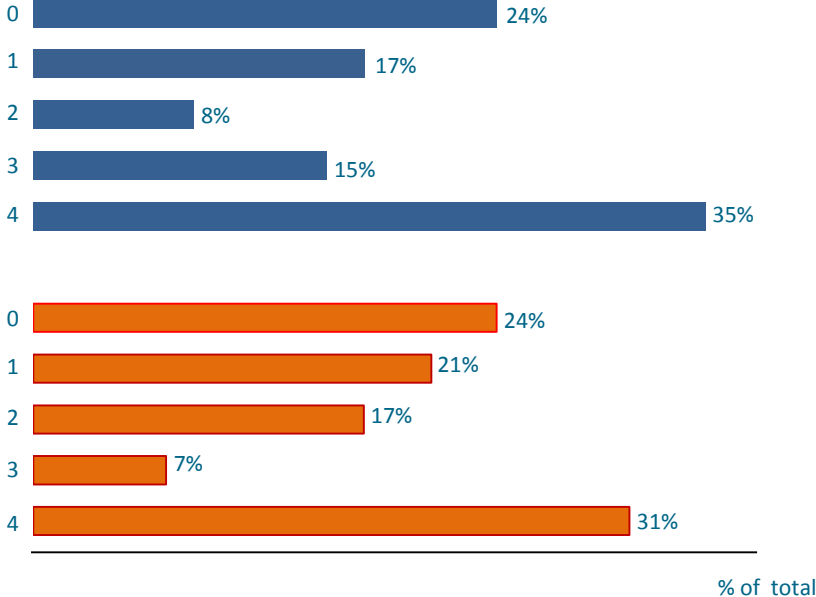
- Different samples...similar results

AGILITY ROUTINES THRESHOLDS EU VS. NA



COMPOSITION OF ROUTINES

of routines

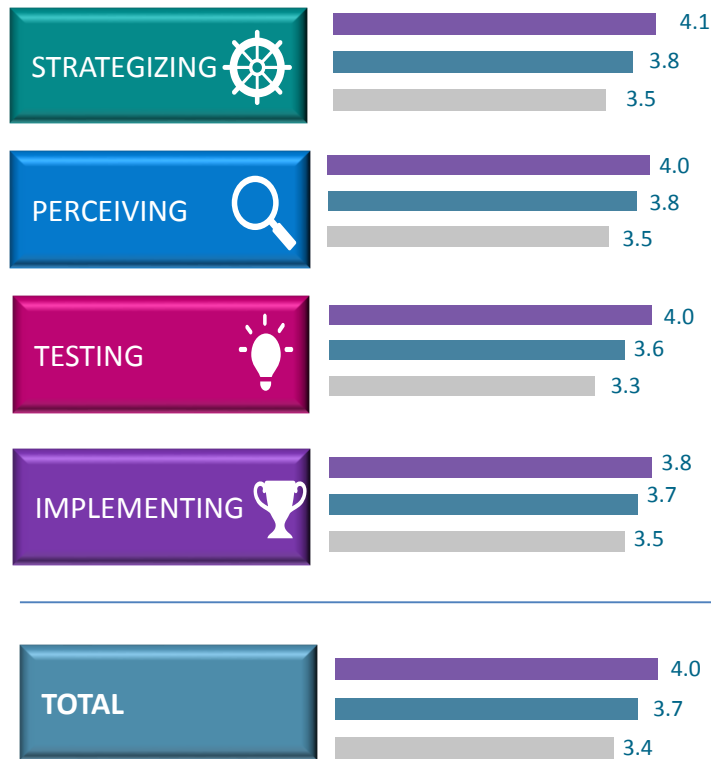


■ EU ■ NA

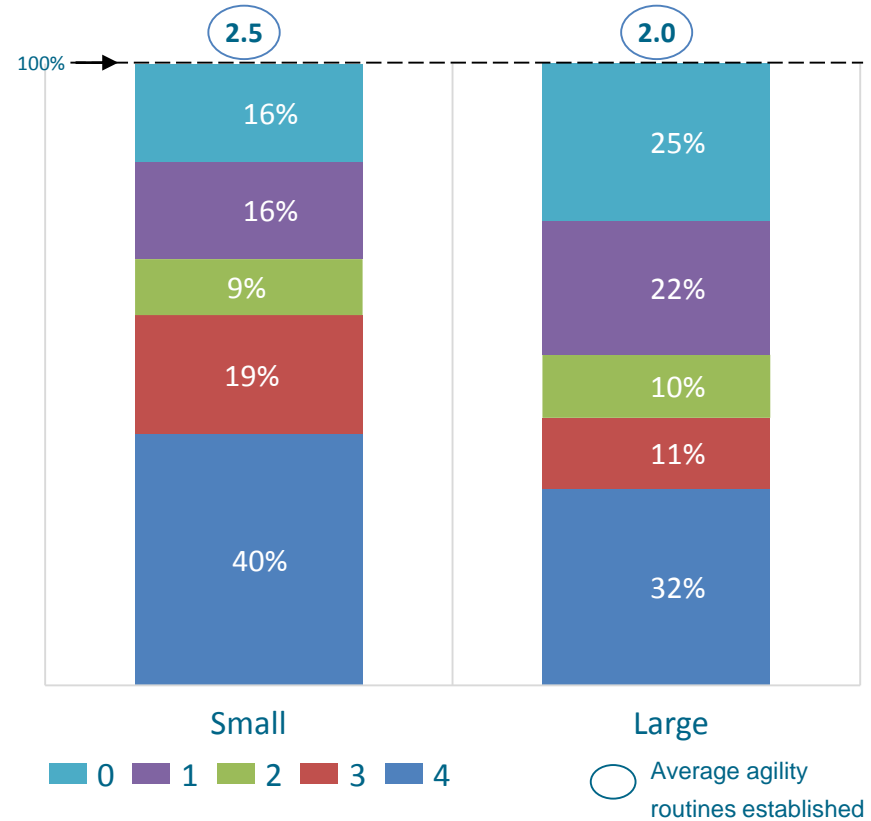
Thresholds and Routines - Small vs. Large Co.

- Prominent differences between small and large companies. More than 40% of small companies scoring well on all four routines and 25% of large companies not possessing a single agility routine

ROUTINE THRESHOLD LEVELS



ROUTINE DISTRIBUTION IN EU ORGANIZATIONS



Small Large NA Large

Agility and Performance – NA Sample

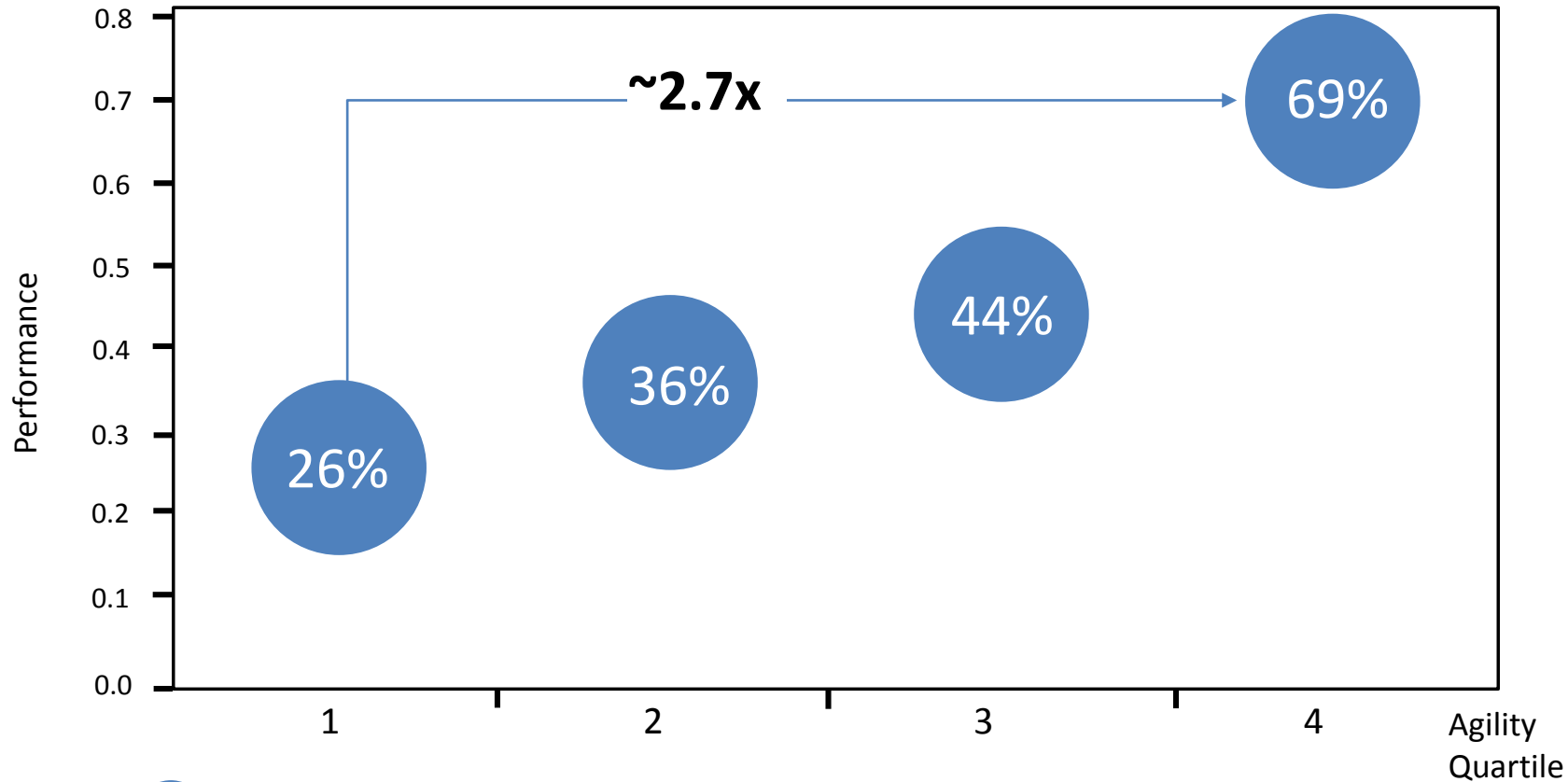
Firms with 3
or more above
average
routines are

7x

more likely to have
sustained, above
average performance
over a long period of time

Moreover, firms with 2 or fewer routines are 8x more likely
to have consistently below average performance

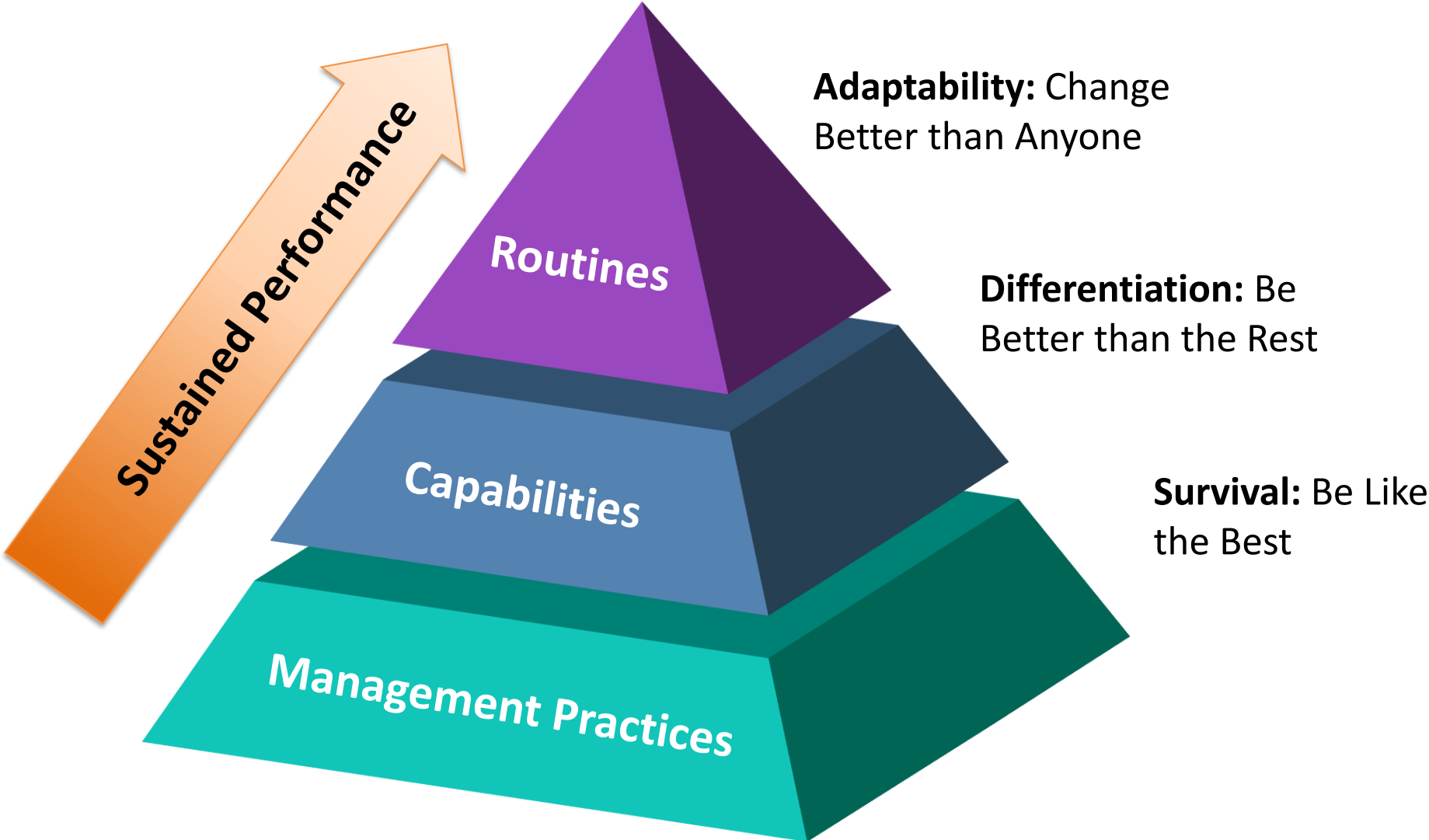
Agility and Performance – EU Sample



x% Performance: percentage of years the profitability was above the industry median

n=129

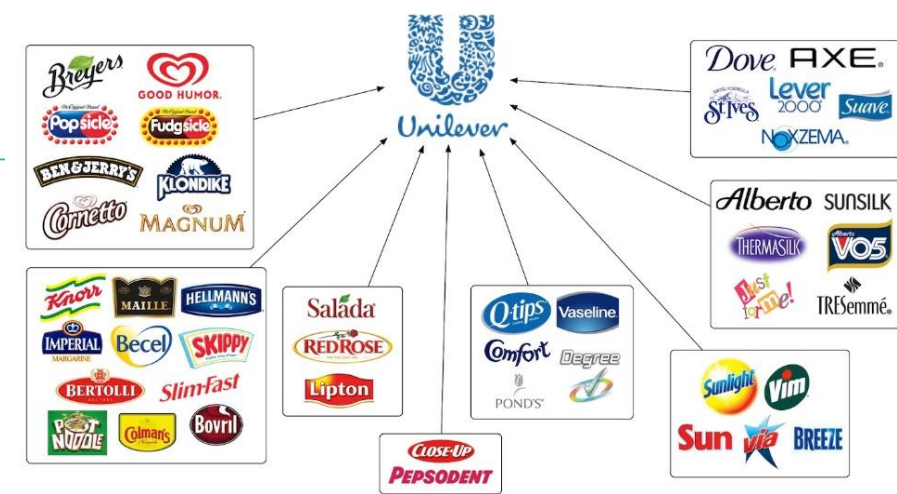
The Agility Pyramid



Agility and the HR Function

- **Objectives of the Study**
 - Replicate CEO's agility research in a different context
 - Explore the implications of organization agility on talent management, performance management, leadership development, and change management practices
 - Explore the HR competencies required to support agility





- **Big Picture**
 - Sustainable Living Plan - Double revenue; halve environmental footprint; improve the lives of people
 - Gaining traction in emerging markets – but local competition is smaller and more nimble
 - Recent acquisition target
- HR played a central role in “project half.”
- Change management is “light touch” and flexible rather than “cookie cutter.”
- HR led the organization through a “DO-IT” process to clarify accountability and decision rights
- HR processes align to highly dynamic planning and resource allocation processes

Doug Baillie, CHRO (retired): *“We still plan, as it sets the direction and expectations, but we’re not so wedded to the plan that we won’t make adjustments as circumstances change.”*



- **Big Picture:**
 - “Partnership” in everything we do
 - Global growth putting pressure on all systems
- **Strong emphasis on treating others as you would like to be treated. Working hard to not punish the challengers. “We treat people as adults.”**
- **A PMO focuses on making project teams effective – start up fast, breaking down silos, building collaboration, disbanding quickly**
- **HR drove a number of ‘Future Focus’ projects**
- **HR’s talent philosophy shifted towards thinking about talent as a global resource.**
- **Sets objectives (and pays bonuses) on a quarterly basis.**

Mark Moorton, UK HR Director: *“Quarterly objectives mean we can move things around quickly to adapt to what’s going on in the market and what needs to be done. It’s not just about setting objectives, it’s more about the ensuing conversation and discussion”*



- **Big Picture:**
 - International distribution and outsourcing organization growing quickly through acquisitions
 - Trying to maintain strategy (very decentralized) and still control operations efficiently
- HR sets the tone and context through a small number of umbrella HR policies, there are very few ‘must-dos’. Business units trusted to do what’s right.
- Acquired businesses given a large degree of autonomy. Ownership is maintained through a ‘light-touch’ integration and management framework but with clear financial targets
- Don’t overcomplicate structure and don’t over-invest. A more centralised structure might yield better economies of scale, but our ability to respond quickly when business conditions change more than compensates for this.
- Treats change as evolution, not revolution.

Celia Baxter, Director of Group HR: *“This is how we do it and it works for us. We ignore fads and fashions and plough our own furrow, but we don’t get complacent. HR has a good sense of when to get involved and when to ‘butt out’. It works better if we don’t try to make it more complicated.”*



PENGUIN



RANDOM HOUSE



PENGUIN HOUSE

- **Big Picture:**
 - Industry in disruption
 - Penguin (Pearson) and Random House (Bertelsmann) merger in 2013
- **Cultural norms of “Trust the expert” and “Proceed until apprehended”**
- **A formal talent process works alongside informal conversations among leaders. Key policy: “Managers cannot impede their people’s careers, and, as a quid pro quo, employees who are looking for a new job need to be open with their manager before they look for new opportunities”.**
- **The overall communications framework is built on transparency.**
- **Treating change as continuous allows the organization to build ‘change muscle’, becoming more expert over time.**
- **The people plan sets a broad framework with rules of engagement around key elements but leaves details up to individuals to resolve directly with their line manager. HR doesn’t have to act as ‘parent.’**

Neil Morrison, HR Director: *“We try to tell people about things that affect them as soon as we can. We prefer to deal with the shock of the truth rather than the fragmentation that comes from rumors and made-up stuff.”*

Shared leadership requires reciprocal relationships along three dimensions

Top-down influence

- Managers must articulate new directions and strategies in markets and environments that are constantly changing.
- People must accept and act on that influence.
- Executives do not determine the speed of change by how hard they push, but by how fast people accept the influence

Bottom-up influence

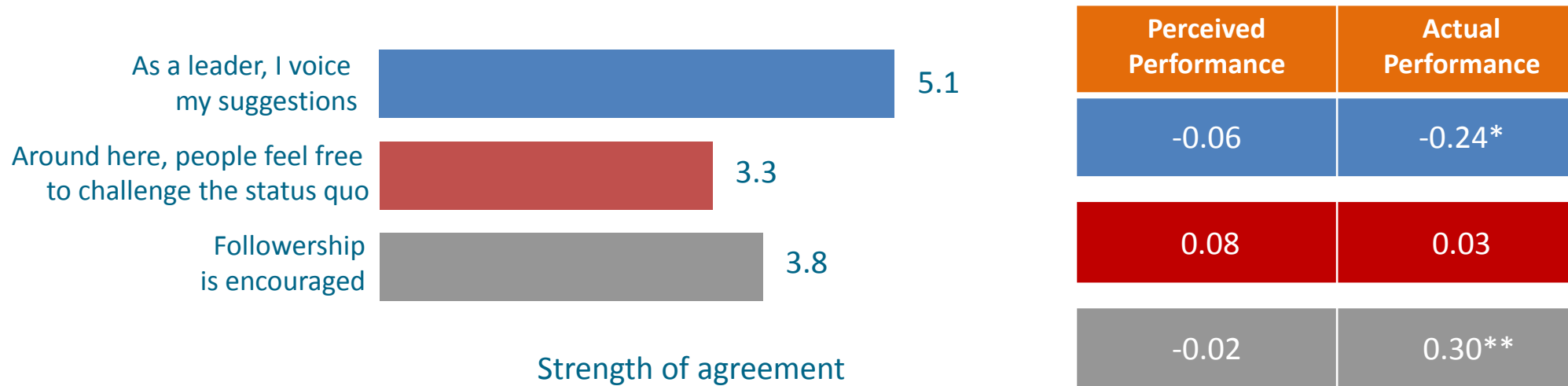
- Employees connected to customers, regulators, labor leaders, and communities discover information that demands a response.
- The top must accept the bottom-up influence so that they can allocate resources in timely ways and realize opportunities.
- Sensing without communicating is waste; communicating without interpreting is noise

Lateral influence

- Almost any large-scale change, growth initiative, product launch, or system implementation is too complex to be fully specified in advance and requires innovative cross-functional and cross-unit experimentation and collaboration.
- Good ideas need multiple inputs and multiple stakeholders to be initiated, tested, and accepted.

Leadership | Relation to Performance

- Adoption and encouragement of different leadership behaviors varies greatly and is not correlated with perceived performance. The relationship with actual performance is more complicated.



Perceived Performance: respondent rating – consistently above, cycling above and below, or consistently below industry average.

Actual Performance: percentage of years a firm’s profitability was above the industry median.

* p < .05; ** p < .01

Flexible HR Systems

- **Systems aligned to and seen as valuable by the business, not a distraction/irritation.**
 - The culture values high performance -- performance management is not just about a conversation between an individual and their manager.
 - Variable compensation and recognition clearly linked to desired business outcomes.
- **Talent is viewed as an organisation-wide resource, the responsibility of line leaders (not something abdicated to HR). Career moves to develop talent are easier to accept.**
 - People are not forgotten when they take an assignment in a different part of the organization and there's a way back into the business for people given high-risk assignments.
 - Talent lists are regularly checked and updated as business needs and the readiness of individuals change.
- **Goal alignment (e.g., Line of sight) happens top-down, bottom-up, outside-in, and horizontally. There are multiple goal sources (for example, a client-facing person's goals may be determined by client rather than internal metrics).**
- **Strategic workforce planning focuses attention on the future.**
 - Talent planning begins with business strategy – 'where we need to be' rather than 'this is who we have'.
- **Trying out different options and reviewing to see what works is encouraged. Taking calculated risks on people is accepted.**
- **Multiple formal and informal communication channels for feedback.**

“Fast” HR Systems

- **Goal setting, feedback, and reward cycle times appropriate to the business cadence.**
 - Is a once-a-year talent review, goal setting, or payouts right for your business?
 - Goals are regularly reviewed and realigned to reflect changing business priorities.
- **People don't stay 'ready now' for long without a move, or 'ready in two years' without making progress. Talent lists are updated regularly in line with the speed of change in the business, and people who are not progressing don't stay on lists of top talent.**
- **The time horizon for talent reflects the business strategy horizon (or even longer if you need to plan for scarce skills that take many years to develop).**
- **Assignment lengths are matched to the needs of individuals or the organisation.**
- **Policies are widely shared and visible. Goals achieved and incentives/recognition awarded are visible throughout the organisation.**

Agile Management Practices

Well-designed Management Practices	Agile Practices	
	Flexible Processes	“Fast” Processes
<ul style="list-style-type: none">• Aligns resources/ behaviors to business strategy• Follows a continuous improvement “plan-do-check-act” logic• Supports and aligns with other management processes	<ul style="list-style-type: none">• Tight alignment around the purpose and outcomes of the process• There is a focus on effectiveness over efficiency – how the process is conducted can vary• Accepts a wide variety of inputs and input sources without hurting effectiveness	<ul style="list-style-type: none">• Cycle times adjusted to fit the rhythm of the market• Simple, not overly complex, processes that are easily explained• Relevant information is widely shared and transparent• Sophisticated learning mechanisms

“We still have so much to learn...”



Q&A