



Working Group: HR's Role in the Rise of Agile Organizations

Hosted by General Mills
Nyon, Switzerland | February 15, 2019

Participating Organizations:

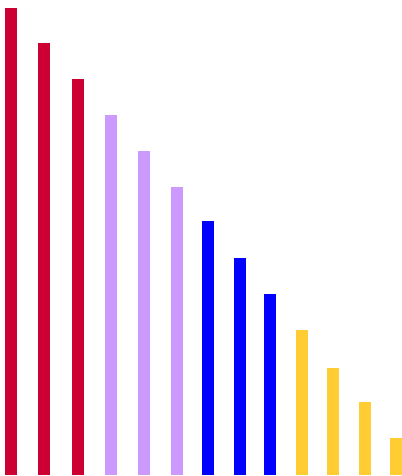
Boehringer Ingelheim
Boston Scientific
CPW
Cornell University
Coty
General Mills
GlaxoSmithKline
HP
Hewlett Packard Enterprise
IBM
Japan Tobacco International
Nestlé
Novartis
Oxfam
Procter & Gamble

Key Takeaways:

1. Agile is a mindset as well as a methodology. Organizations need to be clear on what they are trying to do (instill the right mindset in the organization through culture or create agile teams using different capabilities and processes) and have a complete plan to support it. Just because you have some processes in place (i.e. scrums, sprints or hackathons) does not mean you are an agile organization.
2. Three key characteristics are needed in agile organizations: External Focus, Experimentation and Embracing Change. Leaders also need to be strategically aligned and have the right infrastructure to help ensure success.
3. Top leader support and behavior are critical to the success of agile organizations. Empowering teams to make decisions without informing leadership is one of the most difficult behaviors for leaders to change.
4. What employees value from the work they do is changing. There is less need for a sense of belonging and stronger desire for a sense of purpose. Employees who are part of agile teams may be better able to achieve this.

Agile has long been the approach in the technical world to more quickly produce software in a collaborative, iterative way. Larger companies are attempting to replicate this in order to contend with smaller, faster competitors. As the benefits of working agile are spreading to other industries, Human Resources is being challenged to lead this effort at their companies and adopt this operating method as well. CAHRS partners gathered at General Mills in Nyon, Switzerland to discuss the implications of this situation.

The discussion was based on CAHRS research from 2015 entitled *Maximizing Business Success Through Organizational Agility* by CAHRS Research Assistants Nicholas Born, Kasey Kovack and Matthew Olson.




The Business Case for Agility

The CAHRS research study laid out the macro business case for agility. Things are changing so quickly that Fast Company predicted that 40% of the Fortune 500 would no longer exist in 10 years. Companies need to be more agile to respond to new challenges more quickly.

At the working group, some companies were struggling to get their leadership on board with the need to move to agile, especially if there was not a burning platform. One strategy is to find a key leader who will support embracing this and pilot it for the organization. Another way to introduce the concept is by combining leadership training and agile training — having leaders experiment without knowing what they are doing is agile. This will help them embrace an agile mindset, which is a key to success.

What is Agility?

Many people in the room asked for a definition of agility. The CAHRS research study defined organizational agility as the ability to respond to market conditions and environmental changes. It also differentiated between what it is and is not. Ultimately agility = adaptability + speed + execution. The group discussed that not every part of your company needs to be agile — some functions that are more transactional and repetitive may require more process in place. Other functions that are more innovative are better suited for agile. The real challenge in building a culture of agile is the move from command or top/down direction to trust, empowerment and decision making at all levels.


What is organizational agility?

The ability to respond to market conditions and environmental changes.

IS	IS NOT
A sustained capability to adapt	A static, one-time change effort
Strategic nimbleness	Fixed strategy
Proactive planning to enable timely responses	Reactive, uncoordinated responses
Embedded flexibility in all dimensions of the organization	Rigid processes and policies

Agility = adaptability + speed + execution

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Higher-level leaders are one of the biggest challenges with moving to agile. It is difficult for some to give up full knowledge and decision-making and trust those below them to make the right decisions. However, this is a key requirement in order to move more quickly. Leaders must provide resources, remove obstacles and trust their teams. Those present noted that moving to agile is very demanding from a communications standpoint. The discussion noted that different industries may be more nimble than others, especially highly regulated industries. Another company suggested implementing pilots instead of a full transformation — and the fact that technology capabilities are critical to scale up.

Where is Agility Needed?

The group further discussed the idea of a spectrum of agility produced by the research study. For example, industries that are facing short product cycles, changing consumer preferences and strong competitors may have a higher need for agility than those working in highly regulated and relatively stable industries. Within companies, there are different functional needs as well. Areas such as Research & Development are clearly suited for agile while those that are more regulated or have systematic processes (accounting for example) may not need to be as agile in their methodologies. That is not to say that a non-agile area remains static; it just means that agile methodology is best applied in other areas.

How do You Embed Agility?

The research identified three common characteristics in agile organizations:

1. External Focus
2. Experimentation
3. Embracing Change

In order to excel at these critical capabilities, the group discussed the need for the right Talent (with future capabilities), Enablers (HR levers like performance management), and Structure (organization design – knowing when to trigger a change and having a plan of attack; team structures — changing to rewards for teams, not individuals).

The group discussed how to approach moving to agile with legacy talent who may not have the capabilities or desire to work in this way. Companies present had used a variety of approaches: reset the current organization and upskill/retrain talent; replace current talent with new hires with the capabilities needed; and most common, a combination of retrain/upskill and external hiring. All agreed that no matter which approach is used, the critical difference is changing the mindset of individuals along with the culture of the organization.

Two other things are required for an organization to embed agile:

1. Strategic Alignment
2. Infrastructure

The research showed that strategic alignment is gained by sharing the business case for agility, creating an inspiring vision, mission and culture and having the right leadership competencies (such as ability to inspire, overcome risk aversion, empower local decision making and drive change). The group felt several additional leadership competencies were important: ability to let go, awareness of external environment and commitment to be curious. The right HR infrastructure is also important including HR technology, processes and structure as well as communication and information sharing.

The first characteristic needed in working agile is **External Focus**. Employees need to develop new capabilities that focus on the future, are more analytical and have perspectives that are more diverse. There are a number of structural approaches you can take to maximize external touchpoints (co-locate employees with customers, dedicated insights-driven teams, etc.), build external partnerships, and empower local teams. There were many examples of how the companies at the working group were bringing together agile teams including: reconfigurable on-demand teams, part-time job postings for projects, dedicated teams for agile projects or cross-functional agile teams brought together for specific time periods (i.e. eight weeks). One problem mentioned is that people do not want to go back to their old jobs once they have worked on an agile team and sometimes there are not additional projects ready for them. This implies more thoughtful planning is needed as agile scales in companies.

Other enablers to External Focus are capturing the customer voice using pilots/iterations for example, anticipating competition from unique places (i.e. adjacent markets) and systematically sharing insights through things like an

Advisory Council for CEO. One company also suggested reverse mentoring.

Experimentation was the second characteristic identified. This required new capabilities like design thinking, fail-quick, and growth mindset. Structures like separating Core & Experimental businesses, setting up a network structure and pushing down decision making to the local teams are important to support experimentation. Enablers such as providing avenues for voicing & assessing ideas as well as differentiated HR practices are also needed.

One company supported Experimentation through Innovation Champions who helped model the right behaviors and move the culture. HR practices such as compensation are an important lever — pay needs to be tied to strategic goals (versus outcomes) and reward experimentation. This may include moving to short-term goals with more frequent feedback. One company had leaders discuss goals quarterly — they did not use annual ratings — and the discussions were not related to compensation. Compensation was determined by the team itself dividing its salary budget, deciding who should get more or less. One company began giving an award for the biggest mistake made in the past year (based on lessons learned) to encourage more risk taking. The bottom line here is that your compensation system needs to support the agile behaviors you are instilling at your company.

The third characteristic identified through the CAHRs research in agile organizations was **Embracing Change**. From a talent perspective capabilities like courage, comfort with ambiguity and enterprise thinking are important. Structures should encourage cross-pollination, change teams and nimble structures and resources. Enablers include standardized approaches to things like removing non-value work, change management and preparing talent for change by reskilling/upskilling and cross training.

Companies attending the working group agreed that upskilling is critical. However, employee engagement on this matter is difficult when everyone is already so maxed out. One way to overcome this is incentivizing a certain number of hours of learning per week and recognizing this through badges. Companies that encourage lifelong learning and developing behaviors are having success. Some companies are struggling with determining their role in self-development vs. the individual employee's role. Several organizations mentioned using agile Coaches – internal or external resources who are helping them develop agile capability. All agreed that if using an external coach, the capabilities need to be transferred internally. However, it is a struggle, as many do not have the headcount to add full-time coaches. The question of having virtual agile teams came up, and one company with experience here shared that while virtual teams are more challenging, they can work with the right technology solutions.

Some questions from those just embarking on agile included how employees felt about their sense of belonging if they are constantly moving from team to team. Those with experience felt that people do not want to go back to traditional work and are more committed to the organization overall due to the focus on the customer. If there is a clear vision of what the teams are trying to achieve, recognition of accomplishments is very powerful. Employees develop a broader sense of purpose along with a new way of working — autonomy, empowerment, etc. Also, there are different models at the companies — some teams are short-term vs. work flowing to standing agile teams; some people are in a job with a certain percentage on agile teams, while some people are 100% agile. No company present was 100% agile. Some things that are important for agile teams to understand is that they are customer-centric, better if co-located, work less flexibly (intense, all-out for the length of the team), and are working to solve a problem where there is no idea of what is the solution.

The group discussed what is coming next for organizations that have embraced working agile. Some thoughts were to move from functional silos to cross-functional teams and moving to work based on the challenge, not the structure.

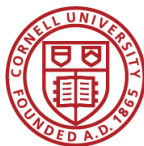
How do You Measure Agility?

How do you know when your company is ready for agile and how do you measure its success are questions that companies are struggling with. The research from 2015 showed organizations were using proxy measures for organizational effectiveness (team effectiveness, capabilities, organizational design, etc.) and business measures (market share, speed to market, revenue growth, etc.). This area continues to evolve as more companies work this way.

This Summary Report was prepared by Beth Flynn-Ferry for participants of the HR's Role in the Rise of Agile Organizations CAHRS Partner Working Group.

The Center for Advanced Human Resource Studies (CAHRS) is an international center serving corporate human resources leaders and their companies by providing critical tools for building and leading high performing HR organizations. CAHRS' mission is to bring together Partners and the ILR School's world-renowned HR Studies faculty to investigate, translate and apply the latest HR research into practice excellence.

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