Linking Behaviour to Bottom Line Performance

Leadership, Intangibles & Talent Q4 2008

Welcome to the first issue of the Four Groups Leadership, Intangibles and Talent review. The purpose is to try to distil and comment on some of the more interesting and articles shaping the field. That said, the subject matter is not strictly defined but takes into account wider economic issues, particularly given the challenging climate. In this issue, articles have been included from the likes of Deloitte, IBM, McKinsey, The Hay Group and Towers Perrin. There is no set criteria for inclusion, just that an article, survey or blog entry should be thought provoking, challenging or state more than the obvious. Comments and feedback are of course welcome.

Summary for Q4 2008

Unsurprisingly, many articles are focusing on what it will take to emerge from the current downturn in a position of strength. As such the main themes focus on;

· Is creativity and intelligence being filtered out of the system?
· The need to let go of many of HR's traditional functions
· The need for senior level sponsorship
· The psychological change agenda
· Managing talent
· Ethics and employee branding

There seems to be considerable agreement that the organisations likely to manage and emerge from the downturn in the strongest position are ones which are; flexible, promote clear and consistent communication, are innovative and exhibit consistency between their internal and external behaviour. The theme tying all these attributes together is developing the ability to manage the intangibles of organisational behaviour, such as; social networks, collaboration, innovation and change.

Is creativity and intelligence being filtered out of the system?

Obviously the economic downturn is the hot topic. However, the article which really caught the attention, on the face of it, has nothing to do with the current economic situation. Bruce Charlton blogs[1] about a book he is currently writing. Focusing on structural deficiencies holding back the pace of scientific progress, Charlton argues that the way the scientific process is organised is best suited to 'plodders' rather than the 'creative' but sometimes 'erratic' thinkers who may be capable of genuinely revolutionary insight. Charlton points to the fact that success in modern science is often down to an ability to navigate the bureaucracy of academia as much as scientific ability and this has a serious impact on the pace and levels of innovation. Indeed, this leads Charlton to argue that creativity and intelligence are being filtered out of the system.

"We can only conclude that science is dull mainly because its requirements for long term plodding, perseverance

and social inoffensiveness have the effect of ruthlessly weeding out too many smart and interesting people." Charlton, Why are Scientists so Dull?

This is all good stuff and got me wondering whether a similar dynamic is impacting the ability of organisations outside of the scientific community to encourage innovation and manage change? In particular do large organisations actively promote people to senior positions who are likely to struggle with the twin challenges of innovation and radical change? As will be shown below, the consensus is that change is the new normal and companies are going to have to exhibit an agility and flexibility that has historically been difficult to implement. Maybe one of the reasons for this inability is the presence of senior managers who are fundamentally unsuited to work in this type of environment?

The need to let go of many of HR's traditional functions

Elsewhere, a number of broad themes are emerging. Many articles have sought to put a positive spin on recent economic events and articulate a number of opportunities which could potentially reshape the role of the HR function. One of the most comprehensive surveys this quarter is the Towers Perrin, People, Change and Performance: Emerging Issues in HR Service, Delivery and Technology[2]. This survey covers a wide range of HR issues, one of which concerns how the HR function could develop over the medium term. The report draws attention to a number of evolutionary issues which may shed light on the perennial conundrum of how HR can play a more

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approach **change** companies develop **hr** downturn economic emerging focuses going **innovation issues key** level likely **managing** number **organisations** people **report** role senior **success** talent technology

strategic role in the organisation. For instance, the report provides evidence that the focus on HR technology is moving away from the process or delivery side and is more focused on managing talent and performance through systems. In effect, HR practitioners are no longer slaves to automation and time saving technology, but are instead are placing more focus on the systems and technology which can deliver on a strategic level. This is welcome news and potentially marks a key transition in HR being able to develop a more sophisticated and valuable dialogue within the organisation.

Before this can happen however, the Towers Perrin report argues that HR practitioners will need to let go of many of the traditional HR functions;

"HR must relinquish some control over mundane administrative processes and grow comfortable with line managers and others playing a more active role in decision making. Second, HR must learn to do more with the technology that it already has — making it more effective and more integrated across disparate HR processes or technology platforms. Finally, success requires a well-planned and well executed change management process.

Unless these three key areas are adequately addressed, HR will continue to struggle to find the time — and the invitation — to make a more strategic contribution." Towers Perrin, People, Change and Performance: Emerging Issues in HR Service, Delivery and Technology

The need for senior level sponsorship

This perspective is reinforced by an interesting interview in the McKinsey Quarterly[3] with Beth Axelrod, head of HR at Ebay. In this interview, Ms. Axelrod discusses the difficulties that companies have in hiring and retaining women, strategies she has seen succeed, and her view of how HR can become a strategic partner with businesses.

Ostensibly the interview focuses on the difficulties companies have in hiring and developing women in the workplace. As a McKinsey alumnus and co-author of "The War for Talent" Axelrod unsurprisingly takes an analytical and research-based approach to the problem and urges organisations to focus on getting the basics right before anything else.

However, the most salient points focus on Axelrod's assertion of the need for senior level sponsorship and support for HR initiatives, a universal theme in whatever you are hoping to achieve. Without this key component, HR is not going to be able to leverage any of its specific knowledge, insight or view of the organisation. There is no doubt that the level of senior level sponsorship and communication determine the success of any corporate initiative, the challenge in these tough times is for HR practitioners to ensure that their colleagues prioritise these issues highly enough.

Relationships are paramount to creating a connection between people and the organisation and Axelrod notes the importance of informal networks within the organisation in encouraging the development and success of individuals. The development of social networking is another theme emerging from recent articles which is seen as a key tool for leveraging expertise and collaboration throughout the organisation.

Dovetailing nicely with this theme, over at Deloitte[4] there is an interesting discussion about the relevance and commitment of executives to the "our people are our greatest asset" mantra. The discussion succinctly highlights the additional challenges to living up to this statement which current economic circumstances present.

The psychological change agenda

The speed with which the unravelling of the global economy has taken placed seems to have focused minds on what I would loosely refer to as the new change agenda. In the current climate, change is not something which can be thought of as taking place on a periodic basis. In the future and in order to maximise flexibility and innovation, change is something which will be a constant and to achieve this organisations will have to engineer a considerable shift in workforce attitudes and perceptions.

Across the board there is acknowledgement that managing change is as much a psychological challenge as it is a procedural or systemic one. Focusing on behaviours and reaction to change is a key issue. This is likely to become more important over time as market conditions require companies need to constantly evolve. This is echoed by a couple of reports from IBM. In the first, the executives surveyed[5] said that in the future successful companies will be "hungry for change and disruptive by nature". Once again, the need for innovation and enabling greater collaboration across the organisation is widely acknowledged as a key component in the ability of organisations to successfully deliver strategic goals.

The second IBM survey[6] focuses on what they describe as "The Change Gap". This is the discrepancy between the CEOs expecting substantial change, a number increasing dramatically and the apparent effectiveness or outcome of change programmes, a number staying roughly the same. The report also discusses the relatively low level of success in change projects;

"What accounts for these vastly different rates of project success? We found in our detailed analysis of study results that achieving project success does not hinge primarily on technology – instead, success depends largely on people.....

Change challenges: The soft stuff is hard

The main obstacles identified were:

Changing mindsets and attitudes (58 percent)
Corporate culture (49 percent)
Underestimating project complexity (35 percent)." IBM, Making Change Work

Furthermore, the report goes on to echo the view that "change is the new normal." As part of this assertion, people are going to have to get used to less hierarchy, control and supervision. Dealing with this is going to present considerable challenges, particularly when it comes to communicating information across complex organisational structures and geographies.

Managing talent

Another key aspect of managing in the downturn is likely to be the approach taken to talent management. The Hay Group published an interesting take on this particular issue[7]. Advocating an approach based on the US Mutual Fund industry, the report highlights the danger of placing all your eggs in one basket rather than a more balanced broader brush approach.

Meanwhile a Towers Perrin report on managing in the downturn[8] advocates a three-pronged approach to managing talent.

• Effective senior management

• Taking a targeted and consistent approach to dealing with cost and risk issues
• Keeping employees focused and engaged

The report argues that organisations should see the downturn as an opportunity to focus on their most profitable activities and develop a consistent internal and external culture. All good advice but considerably easier said than done.

On a wider level and slipping somewhat under the radar is the Government sponsored DIUS report[9] into developing our brains from cradle to grave. A wide-ranging report, it focuses on three key areas; learning in the early years, wellbeing at work and an ageing population. Of particular interest in the wellbeing at work, the report identifies absenteeism and presenteeism as particularly pressing problems in the workplace.

Ethics and employee branding

Another area which can potentially help organisations manage the downturn is employer branding and organisational identity. The argument goes; the companies whose values are either inconsistent or lacking clarity are going to struggle to effectively manage, communicate and engage with their peo-

ple. Particularly when one takes into account the earlier assertion that in the future there is going to be less hierarchy and direct supervision. The first step in ensuring that information is understood across the board is to ensure that everyone is clear and understands the organisation's key values and direction.

A good example of how an employer brand is likely to develop is the future role of CSR, most commentators agree that this is something which is likely to gain in importance and it is down to organisations to show employees that their words are backed up by their deeds. The role of ethics within the organisation over the coming years is discussed in a Deloitte webcast (registration required)[10]. There is the suggestion that this is another key lever in the search for employee and customer engagement. This is an interesting area and again a key intangible, how best to measure the ethical climate of an organisation? Something that is likely to require considerable senior level commitment. The discussion advocates that now is a good time to put this theory into practice. Naturally there is a questioning of whether managers have the desire to engage in this subject at the moment. There are also some good tips on how to overcome resistance and apathy.

Finally, how important is innovation going to be during the downturn? Innovation is another of those key intangibles which are naturally difficult to measure and quantify. A McKinsey report[11] gives it a go. The headline figures suggest that organisations which take a balanced portfolio approach to innovation are more likely to achieve high performance. There is also correlation between the number of metrics used to measure innovation and successful outcomes. Will companies spend the time and effort to pursue this?

Conclusion

The clear message from these articles is that HR is potentially in a very strong position to play a key role in developing the way organisations operate and how they will emerge from current economic difficulties. A focus on the intangibles such as relationships, networks, culture and change is also likely key for long term success. The big caveat however is the level of sponsorship and support that is available from senior management. At times like this, it is easy to see how issues not specifically tied to the bottom line may well be given short shrift.

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Footnotes and References

1. Bruce Charlton "Why are Scientists so Dull?" http://fourgroups.com/link/?1

2. Towers Perrin "People, Change and Performance: Emerging Issues in HR Service, Delivery and Technology" http://fourgroups.com/link/?2 (opens as a pdf)

3. McKinsey Quarterly "The challenge of hiring and retaining women: An interview with the head of HR at eBay" http://fourgroups.com/link/?3

4. Deloitte "Are People Really Your Most Important Asset?" http://fourgroups.com/link/?4

5. IBM "Unlocking the DNA of the Adaptable Workforce" http://fourgroups.com/link/?5

6. IBM "Making Change Work" http://fourgroups.com/link/?6

7. The Hay Group "Adopting a mutal-funds model for talent management" http://fourgroups.com/link/?7

8. Towers Perrin "Managing Amid Market Turmoil: Top Priorities for Business and HR Leaders" http://fourgroups.com/link/?8 (opens as a pdf)

9. Department for Innovation, Universities and Skills "Developing our brains from cradle to grave" http://fourgroups.com/link/?9

10. Deloitte "Why Measuring the Corporate Climate for Ethics Should Be On Your Radar" http://fourgroups.com/link/?10

11. McKinsey "Assessing innovation metrics: McKinsey Global Survey Results" http://fourgroups.com/link/?14

About Four Groups

Four Groups have developed a new approach called 4G to understand behaviour, relationships and culture. 4G provides its users with insight into personal characteristics, how relationships develop within teams and groups and how culture can be best defined and managed.

4G provides organisations with information on how best to deploy and optimise the performance of their people. It also enables preventative measures to be taken which minimise the less productive aspects of interaction and group dynamics such as friction and misunderstanding between colleagues.

4G represents a systematic approach to managing the previously intangible aspects of organisational life. The methodology is easily replicable and can be implemented quickly and efficiently.