crf research

CORPORATE RESEARCH FORUM

Compendium of CRF research

"My team and I are always impressed by the CRF events and research we participate in. It strikes the important balance between credible academic research and practical business application which is so crucial in today's commercial world."

Sandy Begbie, Chief Operations Officer, Standard Life

"CRF provides valuable insight through research and events which are credible, pragmatic and engaging – helping us stay on the forefront of what's next in the rapidly changing world in which we operate."

Mark Sandham, SVP, Organisational Effectiveness & HR Operations, Thomson Reuters

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"CRF provides excellent opportunities for HR professionals to hear from a variety of thought leaders on highly relevant topics."

Irene McDermott Brown
Group Human Resources Director, Barclays

Introduction

Corporate Research Forum (CRF) is a research-led membership organisation that has published thought-provoking research on contemporary issues relating to people management, learning and organisation development for over 20 years. Within this short document we are delighted to present the executive summaries from a selection of some of our most recent work.

We trust you find these summaries of interest and they provide a flavour to the issues we explore, the rigour of our work and the focus on practical recommendations in our studies. Our work blends the latest academic thinking with practical insights to create "applied research", which our members find of significant value.

If you are interested in discussing membership of CRF or receiving the full copy of one of the reports please contact Richard Hargreaves, Commercial Director, on richard@crforum.co.uk.

About CRF

Founded in 1994, Corporate Research Forum (CRF) is a membership organisation whose international focus is on research, discussion and the practical application of contemporary topics arising from people management, learning and organisation development. CRF has become a highly influential focal point and network for over 150 members representing a cross-section of private and public sector organisations.

- Its annual programme of research, events and publications fully reflects members' interests, in addition to the annual international conference. Side meetings and interest groups are also initiated to meet challenges that members might have.

- Contributors are acknowledged experts in their field with a worldwide reputation as leaders and innovators in management thinking and practice.

- Sharing and collaboration among members is a key feature of CRF's activities. We actively encourage networking at all events, and especially through member lunches and HR director dinners.

- CRF is led and managed by highly-regarded former HR professionals who have a passion for delivering excellence in the leadership and development of organisations and people.

CRF's goal is to be valued for excellence, rigour, relationship building and providing an independent view which, together, lead to measurable improvement in members' people and organisation performance.

For more details on how your organisation can benefit from membership to CRF please contact Richard Hargreaves, Commercial Director, on +44 (0) 20 7470 7104 or at richard@crforum.co.uk. Alternatively, please visit our website at www.crforum.co.uk.

"I love the substance and style of CRF. It's an upbeat, thought provoking, future-focused forum where you can tap into the latest topics and network with smart people. If you are a busy HR professional who wants to stay sharp, it's a super investment of your time."

Mary Alexander
Senior Director Human Resources, Europe, Middle East & Africa, PayPal

1

EMPLOYEE HEALTH AND WELLBEING – WHOSE RESPONSIBILITY IS IT?

"For me, the view of the importance of health and wellbeing, particularly mental health, has changed within organisations over the last few years. There's a growing acceptance that it's a good thing to do, from both a business and a human point of view." **Catherine Kilfedder, Head of Wellbeing, BT**

This report considers the current impact of health and wellbeing at work, the actions employers are taking, and the business reasons for investing in health and wellbeing. The report also features a number of case studies illustrating how organisations are thinking more strategically about health and wellbeing, viewing it as an essential feature of their employee value proposition and employer brand.

1   Employee health and wellbeing – and the employer's role in helping employees adopt and sustain a healthy lifestyle, and return to health after illness – has become a hot topic over recent years. This report considers the current state of health and wellbeing at work, the actions employers are taking, and the business reasons for investing in health and wellbeing.

2   Health is defined as 'being free from illness or injury', whereas wellbeing is much broader, bringing together physical, mental, and social health into a broader concept of 'life satisfaction'. Current approaches to employee health and wellbeing are increasingly focused not just on helping ill staff get better but on proactive steps to prevent ill-health, educate employees and build resilience.

3   Many organisations are thinking more strategically about health and wellbeing, viewing it as an essential feature of their employee value proposition, employer brand and how they engage with the community. We found many organisations in transition, either revisiting the programmes they offer or developing a more coherent strategy.

4   The factors behind employers' growing interest in this area include the following.

   • As economic conditions improve, organisations recognise that staff have taken the strain through the recession.

   • There is a growing body of evidence that investments in health and wellbeing are worthwhile.

   • Employees' expectations, especially those of new generations joining the workforce, are higher.

   • Demographic change, particularly the ageing workforce, is likely to put greater pressure on employers in future.

   • Employers are filling gaps left by government's failure to offer preventative services.

   • They recognise that it's the right thing to do.

   It can be difficult to prove a financial return on investment in health and wellbeing, but we consider the body of evidence pointing to a positive impact on health outcomes, bottom-line measures and productivity.

5   We investigate the current state of health and wellbeing. Life expectancy continues to rise and workplaces are generally much safer and healthier than 30 years ago. However, the incidence of 'lifestyle' diseases such as cardio-vascular disease and diabetes is on the up. Mental health is also a major concern, being one of the top two reasons for absence from work.

   • In the UK alone, the direct cost of absence to employers is estimated at £17bn.

   • The estimated annual median cost of absence per employee is £595.

   • Presenteeism – being at work but unable to work productively due to ill health – is also rising, increasing the burden of cost on employers.

6   The features of an effective health and wellbeing strategy include the following.

   • A clearly defined strategy, linked to business objectives and outcomes.

"Companies that are in the more advanced stages of health and wellness tend to have more effective workforce plans as well. They often integrate health and talent strategy – recognising that they are two sides of the same coin." **Wolfgang Seidl, Partner and Head of Health Management Consulting, Mercer**

- A coherent set of evidence-based actions, rather than gimmicks or 'random acts of wellness'.

- Activities reflect the specific demographic profile and health needs of the workforce.

- A focus on prevention of disease, as well as support for those who fall ill.

- Activities designed to support long-term lifestyle and behaviour change in unhealthy populations.

- A robust approach to communications, so employees know what services are available and are encouraged to use them.

- Proper evaluation of outcomes.

  Through exploring examples and case studies, we look at how various organisations have applied these principles in practice, and what specific actions they have taken.

7 We find that the best employers do not just spend money on high-quality health and wellbeing services; they also focus on developing a 'culture of health', which is characterised by

- senior leaders and line managers who are engaged in and committed to the health and wellbeing of their staff

- a work environment that promotes good-quality work, gives people sufficient control over their work and builds a physical environment that's conducive to health

- open, honest communications, particularly around 'taboo' subjects such as mental health.

8 We consider why interest in 'resilience' has grown of late and how organisations can develop it in the workforce. We also explore the growing popularity of mindfulness and positive psychology, and look at what sleep research tells us. We consider how organisations can apply these concepts to improve the wellbeing of their employees.

9 We conclude that ultimate responsibility for health and wellbeing lies with individuals themselves, but employers are playing a greater role in creating healthy environments, helping their people to make good lifestyle choices and providing support where it's needed.

2
COACHING – BUSINESS ESSENTIAL OR MANAGEMENT FAD?

"There is a challenge with 'everything' being solvable by coaching – this is not the case. It is not the be-all and end-all solution, nor should its impact be diminished when it is done well."
Respondent to CRF member survey

This research paper considers the state of the coaching market, key trends, the conditions required to make coaching effective and the current state of evaluation. The report also features findings from a CRF member survey and a number of organisation case studies.

The report findings conclude: the use of coaching is increasing - as a methodology, it is here to stay; organisations could be more thoughtful about their approach to coaching; systematic evaluation is still patchy, but anecdotal evidence of effectiveness is widespread.

1   This report considers the state of the coaching market, current trends within organisations, the evidence that coaching works, and how coaching can be evaluated.

2   We define coaching as a series of results-focused conversations between coach and client, designed to help the client come up with their own solutions to the issues discussed.

3   The coaching market has seen rapid growth over recent years, with both coaching spend and the number of practising coaches having increased considerably. A CRF member survey found that 56.2% of respondents had 'increased' or 'significantly increased' spending in the last three years. Similarly a majority of respondents expected spend to 'increase' or 'increase significantly' over the next three years. The supply of coaches remains fragmented, with one-man-bands and small coaching companies predominating.

4   The principal reasons companies use coaching are:
  • helping leaders prepare for the transition to a more senior role
  • to provide ad hoc support for leaders' personal development
  • integrated into leadership development programmes to help embed learning
  • providing an independent sounding board for CEOs and other senior executives.

There has been a move away from 'remedial' coaching, with much greater focus on helping high performers get even better.

5   There is, however, a risk that coaching is simply a management fad or fashion. Common criticisms of coaching include:
  • it is simply a substitute for good management, which should be the responsibility of line managers, not coaches

  • having a coach has become a 'badge of honour'
  • coaching has become a 'panacea', when other development interventions such as training, mentoring or a stretch assignment may be a better solution
  • inadequate assessment of coaching's contribution to business outcomes.

6   We find that organisations have become more professional about how they manage coaching, and the internal and external coaches who deliver it. Many organisations coordinate coaching centrally, although budgets are usually held in business units. Coaches are increasingly selected from pre-vetted supplier lists, with consistent application of well-defined selection criteria.

7   A key trend is the rise of internal coaches, with expenditure increasingly being diverted from external coaches to developing in-house capability. The reported benefits of internal coaches – aside from lower cost – include a better understanding of the business context, greater flexibility, and the opportunity to make coaching available to more junior populations who largely miss out on executive coaching.

8   We found little scientific evidence that coaching works, as there have been no large-scale trials measuring the greatest impact of coaching. However, research suggests that trials which have found psychotherapy to be effective can be applied to coaching. The research identifies the following active ingredients, which appear to have the greatest impact:
  • the characteristics of the coaching client, such as their commitment to change and their work environment
  • a strong, trust-based relationship between coach and client
  • the quality of goals set during a coaching assignment

"If you did nothing else … other than go around your organisation requiring a far higher standard of clear goal-setting, that alone would be transformational." **Anne Scoular, Managing Director, Meyler Campbell**

• in contrast, the techniques and approaches selected by the coach appear to make little difference to outcomes.

We also find the quality and calibre of the coach to be critical.

9 Practical reasons why coaching works were identified, including:

• providing space to think, consider issues and options in depth, and practise new techniques in a safe environment

• greater commitment to implementing ideas that the individuals develop themselves.

We also note that successful coaching is highly dependent on the support of the employer, and the organisational context within which the client works.

10 We considered how to find a good coach. First, clarity about business needs and objectives is critical. Second, the process for selecting a coach needs to be rigorous. Good practices include conducting a sample coaching session before engaging a coach, and checking their references. We found that the bodies that accredit coaches are increasing their influence, but accreditation does not provide a guarantee of quality.

11 Criticisms commonly levelled at coaches are discussed. These include:

• a lack of senior-level business experience

• insufficient understanding of – and ability to apply – psychological tools and techniques.

12 We describe a four-stage process highlighting good practice that can be applied to obtain maximum benefit from coaching. The stages are:

• establish the business case and goals for coaching

• select and manage suitable coaches

• set up and manage coaching assignments

• review and evaluate effectiveness.

13 The difficulties of evaluating the business impact and effectiveness of coaching are recognised. Suggestions include:

• designing the evaluation approach before coaching commences

• establishing a baseline against which outcomes can be measured

• focusing on outcomes, not inputs or activity.

However tricky evaluation may be, it is vital that organisations build this into their coaching activities.

14 Throughout the report, we consider the potential impact of some key trends in coaching, including:

• increasing use of technology

• the impact of positive psychology and neuroscience

• the growth of team coaching.

15 We conclude that coaching has the potential to help individuals improve performance and learn new skills, but that success is highly dependent on having clear business objectives for coaching, selecting high quality coaches, setting specific, measurable goals for coaching assignments, and the commitment of the individual who is coached. There are examples of good practice, but for many organisations, current approaches fall short. This is an area where HR has the opportunity to set an example, ensuring a clear 'line of sight' between the use of coaching and business outcomes.

3

TRUST

"Sustained business success requires hard, honest work. So does building and maintaining trust. And you won't achieve that success – organisationally or personally – without trust."
Andrew Lambert, report author

Our report on trust examines how organisations manage trust conundrums and dilemmas in the 'real' world. It seeks to identify what leaders and the HR function can do to resolve seemingly irreconcilable tensions and foster engagement. The report also features six case studies highlighting how organisations are tackling issues of trust – either as part of ongoing operations or in response to a crisis situation.

What's the issue?

1   Trust is a fundamental factor in all human activity – the basis for sustaining relationships, and determining well-being. It is a pre-requisite for social cohesion, critical in forming and sustaining groups and organisations.

2   Trust is also the life-blood of business. The entire financial system rests on trust in value behind currencies, debt and equities. Organisations, leaders and brands survive in competitive markets only if they are trusted. Trust underpins strategic imperatives, including investment, performance and productivity, learning, talent management, business improvement and innovation.

3   Businesses and people have always had to work in a societal context in which trust issues abound. Healthy competition requires behavioural boundaries, shared norms and rules – in business as in sport. These are weak or absent among many of the world's states, political, racial and religious groups – competing for influence, economic advantage and scarce resources – generating tension and destructive forces.

4   Technological advance poses particular challenges for society and business. The new media revolution fuels powerful democratising forces, eroding traditional power bases and deference to authority, and exposing politics and business to 24/7, 360 degree scrutiny. At the same time, control systems are extending their reach beyond combating cybercrime to mass surveillance, and political and economic espionage. Businesses need to decide whether to have the kind of mature internal debate that politicians have so far failed to facilitate.

5   How are businesses doing in the trust stakes? Not particularly well, as evidenced by

- a continuing procession of scandals and failings across a range of public and private sector organisations – and implicating whole sectors, such as financial services, pharmaceuticals and energy

- low survey ratings for employee engagement and trust in leaders, the latter exacerbated by growing disparities in reward ratios and limited evidence of justification for top pay levels

- a growing debate within business about how malpractice is bringing the entire capitalist system into disrepute, loudly echoed by protestors against big global business dominance.

Getting a handle on trust

6   Our first conclusion is that too many organisational leaders have focused more on generating financial returns than building trust across the range of stakeholders. Some have favoured investors over customers and employees; others may just have been inattentive.

7   Secondly, we conclude that boards and top teams tend not to have a serious discussion about what trust means until they get into serious trouble. The level of understanding of personal and organisational psychology is often weak, and the practice of looking hard in the mirror does not come naturally. Also, many reach the top as a result of skill in politics and power games, and thence manipulating trust.

8   Yet there are organisations and leaders setting out their stall as genuine forces for good, in society and in business, echoing visionary leaders of the past. We highlight a number of case studies demonstrating this.

"Trust is the glue of life. It's the most essential ingredient in effective communication. It's the foundational principle that holds all relationships." **Stephen Covey, author**

9   The challenge is to underpin fine aspirations with real understanding of trust and embedding this in all aspects of corporate behaviour and performance. To convince a sceptical world, responsibility has to be core, not a pretty CSR report and a bit of charity.

10 The first step is truly to understand the meaning of trust and how to translate this into individual and collective behaviour. The essence of trust is dependability and mutuality within relationships. In personal and business life, sustaining these is a daily struggle. Only by recognising the pressures deriving from 'enemies of trust' and focusing on the benefits of trust can wise choices be made. Trust is an emotion; it does not respond well to logic and management processes.

11 Interrelationships between trust and other important concepts need to be understood, for example engagement, respect, social capital, brands (including the employer brand), and contracting – in particular the psychological contract and employee value proposition.

Challenges and dilemmas

12 The report explores the role of essential organisational disciplines – such as governance, purpose and strategy, culture, organisation design and effectiveness, risk, and values and behaviours – in enhancing trust. It also considers the implications for people processes, including managing performance, reward, development and learning, talent management, recruitment and retention, succession and exiting people.

13 Challenges and dilemmas include managing tensions between transparency and security, competition and collaboration, growth and contraction, cost-reduction and innovation. Trust issues also occur in change , re-structuring and M&As, and in deploying technology and adapting to a digital world.

14 Ultimately, resolving these challenges is a question of leadership. Much focus is rightly placed on top leadership qualities and behaviours, especially the CEO. However, attention also needs to be given to the trust-related responsibilities, qualities and behaviours of

• boards, not least because they generally appoint and oversee executive leaders

• distributed leadership throughout the organisation

• functional leaders – HR and others – and their departments, who do much to shape policies and practices.

15 Our overall recommendation is for organisational leaders to demonstrate more awareness of the linkage between trust and their responsibilities to build lasting value and legacy, and to be held to account for this. Investors and other stakeholders should also understand what good trust building looks like, and include this in their dialogues with organisational leaders.

4

EMERGING APPROACHES TO ORGANISATION DESIGN

"The long-term human resources role is to build social capital by creating richly connected interpersonal networks across the organisation." **Galbraith, 2000**

This research report focuses on the impact of emerging organisation design solutions and how they can help manage complexity and innovation. The paper specifically focuses on: organisational agility; performance; team-based work designs; the role of internal and external networks; virtual and network organisations and designing for sustainability.

1   Competition, interconnectedness, globalisation and the pace of change inherent in today's business climate mean that organisations need to be designed to cope with complexity. This report considers the challenges faced by complex global businesses, and the design choices they face.

2   The principal theoretical approaches to organisation design are highlighted, in particular the work of Jay Galbraith and his STAR model, which emphasises that business strategy is fundamental to organisation design, and that processes, reward systems and people practices need to be aligned with the organisation structure to deliver the chosen strategy.

3   We find that large organisations operating across multiple dimensions are faced with the dilemma of whether to maximise the benefits of synergy and scale or focus resources to achieve responsiveness and specialisation. Many of the companies we interviewed take a 'surgical' approach to organisation design, seeking simultaneously to achieve leverage in certain areas while maintaining focus in others.

4   We explore the 'lateral organisation', consisting of processes, networks and projects that complement the vertical hierarchy and allow work to be done across formal organisational boundaries. The lateral organisation is an important tool for managing complexity, allowing decisions to be devolved and made at speed. The use of lateral approaches also means the organisation design can be adapted more rapidly and flexibly than changing the formal hierarchy. Lateral approaches need to be designed with the same degree of rigour as the vertical structure.

5   The impact of emerging organisation design solutions is considered, in particular how they can help manage complexity and innovation. We specifically focus on:

- organisational agility and how it leads to superior business performance;
- team-based work designs;
- the role of internal and external networks;
- virtual and network organisations; and
- designing for sustainability.

6   One of the key design challenges for organisations is achieving a suitable balance between organising so that individual business units have all the resources under their control to maximise performance in their local market, and organising to optimise the overall system through coordinating activities centrally to extract maximum scale and leverage. We find that there are few large organisations at either extreme of this continuum. Leading firms 'surgically' decide where to connect and where best value can be obtained from allowing units to operate independently, deploying a combination of approaches in line with their strategy. Most organisations we interviewed, however, are on a journey towards some form of coordination to optimise the overall system.

"Globalisation, technology advances and the changing competitive landscape are increasing the need for connections between businesses, countries and markets. Organisations need to develop to manage the complexity involved in global operations, and to adapt quickly to changing circumstances."
Susan Mohrman and Gillian Pillans, report co-authors

7   The role of the corporate centre in today's complex multinational organisations is in flux. The emphasis is on finding the right balance of leveraging resources and knowledge by carrying out work on behalf of the organisation, such as through shared services and centres of excellence; and coordinating activities across the dimensions of the organisation by:

- providing frameworks or fostering networks or linkages; and
- determining values, objectives and a shared sense of purpose that unite far-flung parts of the organisation.

Organisations carefully consider what aspects – such as risk, technology, brand, and reputation – will be centrally managed and where integration will be achieved through lateral networks and processes.

8   Governance is a key issue for organisation design. The complexity and global reach of today's large organisations mean traditional, hierarchy-driven controls are inadequate. Lateral structures are necessary to complement controls emanating from the centre. Organisations also need to combine 'hard' approaches to governance – such as cross-dimensional councils and boards – with 'soft' approaches focused on developing a common sense of purpose and values to drive consistent behaviours.

9   Knowledge is a critical source of sustainable competitive advantage. Organisations must be designed explicitly to identify, develop, sustain and leverage knowledge. Networks have a key role in helping foster innovation and improve business performance through deploying knowledge across the dimensions of the organisation. Networks increasingly extend beyond the boundaries of the organisation, with firms building extensive network connections to external contributors.

10 We highlight a paradox faced by organisations today: shareholder demands and economic conditions mean firms must achieve scale and operational efficiency, while simultaneously finding new sources of growth through innovation. Emerging organisation forms such as ambidextrous and network organisations help address this challenge. New technologies that facilitate online collaboration allow companies to reach beyond their boundaries to develop new ideas through open innovation and crowdsourcing.

11 Emerging practice in organisation design has significant implications for the HR function. The demands of managing complex, multi-dimensional organisations require different leadership approaches, and different solutions for talent management, change management and reward. However, there are opportunities for HR to take a leading role, both in helping design the organisation and in improving organisation effectiveness.

12 Organisation design is a difficult subject which requires organisations to find a path through the inevitable tensions, contradictions and trade-offs. There is no single answer that is suitable for all organisations, or for any one business through time. The key is to find solutions that allow the inherent tensions to be managed while allowing the organisation to adapt quickly to changing circumstances and strategies.

5

PLANNING FOR SUCCESSION IN CHANGING TIMES

"The most powerful message from this study is that organisations seeking a more agile response to business change are moving in the direction of a more agile succession approach to match - simple, flexible, robust and leading to context-specific action on development and job filling." **Wendy Hirsh, report author**

This research report examines the purpose, nature and practical uses of succession planning. Detailed evidence came from a CRF survey and many practitioner interviews which highlighted that a new focus is emerging on integrating strategic planning with people management and business drivers – while making processes more flexible and agile.

1 This study examines the purpose, nature and practical uses of succession planning: "a process by which one or more successors are identified for key posts – or groups of similar posts – and career moves and/or development activities are planned for them."

2 Detailed evidence was gathered from 50 survey respondents in 36 CRF member organisations – plus interviews with 21 senior HR professionals/directors in 17 case organisations, and six subject experts.

3 Over three-quarters of respondents use formal succession planning and more intend to do so. The few which do not, report lower commitment at the top to addressing succession issues, poorer information on potential candidates, and lower satisfaction with their ability to fill senior positions.

The business drivers

4 The high interest in succession planning is being driven by the following.

   • Changes in the skills and experiences required in leadership/management roles, especially when moving into emerging markets and for strategic refocusing.

   • Increased concern with succession at the top – especially for CEOs – as part of corporate governance and because of the organisational vulnerability that follows an unplanned departure.

   • The growing importance of senior professionals and experts as a source of competitive advantage.

   • Increasing reliance on small numbers of individuals in operationally critical, but not necessarily 'senior', roles, for delivering business results.

   • For all these workforce groups, external recruitment is seen as too risky to meet business needs with the speed, quality and increasingly specific skills required.

5 Organisations agree on two purposes for succession planning. First, it mitigates the short-term business risks of not being able to fill key job roles when they fall vacant. Second, it drives the longer-term development of pipelines of people to meet future business needs. Part of the developmental purpose is diagnostic – to identify where pipelines are weak and the specific skills, knowledge or experience lacking in the workforce.

The focus of succession planning

6 Succession planning as a process is adapting to these changing needs.

   • Virtually all the organisations in this study are moving towards combining and integrating succession planning with broader talent management approaches.

   • Talent approaches tend to start at the people end and identify high potential employees, usually seen as those with leadership potential. Succession planning, on the other hand, by starting with types of role, focuses on employee development more specifically – especially career experience and functional skills – thus growing credible candidates for real jobs.

   • As regards timeframes, 'emergency' and 'ready now' successors are in the spotlight, in addition to those with short-term (one-to-two years') and longer-term (usually three-to-five years') potential.

   • Succession planning retains its focus on senior leadership/management roles for over 80% of survey respondents. In over half the sample, succession planning was used for selected 'critical' roles at a range of levels; and for selected professional roles or groups, 44% and rising.

"Succession management is difficult because it's about the future; it can be about unpleasant realities; it needs 'joined up' thinking and communication and it's about politics." **Andrews Munro, 2007**

- The corporate centre is usually directly responsible only for small numbers of very senior roles, but also ensures appropriate devolved processes are in place within regions, divisions or functions.

7   Succession or talent reviews, also called forums or succession committees, are becoming more strategic in scope, being used by over 60% of respondents.

Links to job filling and development action

8   Organisations expect successors to achieve their planned or similar jobs, as a return on the investment in them. Nearly three-quarters think succession plans influence senior appointments – but under half actually track whether posts are filled by successors.

9   Succession planning should link to development actions, especially for specific skills or to give wider career experience – often in a different function, unit or location.

10 Increasing transparency of succession planning is strongly espoused, but the effective career dialogue which this requires remains weak. Less than half of respondents have regular career conversations with successors or high potentials – and only a third train their managers to identify and develop talent.

Effective implementation

11 Just having a process 'kit' for succession and talent is not enough. Succession planning must be integrated with other people management processes, especially assessment and actions for job filling and development. A strong business focus needs to be retained – and leading organisations have the capability to operate and sustain the succession process in a consistent, robust way.

Towards a more 'agile' succession approach

12 There are signs that something we might call 'agile' succession planning is emerging from the well-established 'developmental' approach. This will

- identify successors for selected roles where the business is vulnerable – not just senior management

- plan for these selected roles at appropriate levels of detail – often for groups of jobs not single posts – and with relevant timeframes

- identify external as well as internal successors, where appropriate

- continue the long-term trend towards involving individuals in planning and delivering their own skill and career development

- mix and match the open job market with managed career moves when filling vacancies.

13 If succession planning can respond to this need for agility, then it will become a key mechanism for speeding up responses to shifting business demands and increasingly diverse employee aspirations.

6

DEVELOPING AN EFFECTIVE HR STRATEGY

"However beautiful your strategy, you should occasionally look at the results." **Winston Churchill**

This report considers whether HR strategy should exist within its own right or as part of the wider business strategy. The report provides steps that HR Directors can implement to be more involved in strategy development and identifies the key skills that today's HR practitioners should have to participate fully in defining the business strategy and developing effective HR strategies.

1   To develop an effective HR strategy, HR needs to understand the business strategy it is there to support - along with the business, economic, demographic and social context in which the organisation operates. Although our research uncovered many leading organisations where HR is involved in developing business strategy, there is still much progress to be made for the function to be considered truly 'strategic'.

2   We considered whether HR strategy should exist in its own right or simply as part of business strategy. We concluded that a single document, covering business and people strategy is preferable, though the key factor is to have clear line of sight between business priorities and HR actions. We distinguish between **people strategy** - the people-focused aspects of business strategy - and **HR strategy**. This is often confused with the HR functional plan, or the HR actions which support both business and people strategy. Hence our adoption of the term 'people strategy' throughout this report.

3   Strategy develops through formal processes, the outputs of which are strategy documents and plans. However, strategy also results from 'little', daily strategic decisions across all levels of an organisation. With rapid, ongoing and disruptive changes in business, organisations have to find ways of combining formal processes with the adaptability to react to such challenges.

4   Most organisations have some form of regular strategy review process, although this may not be an annual event. HR directors generally are involved in strategy discussions, but their contribution depends, ultimately, on their personal capability - and the organisation's view of what HR can contribute to strategy.

5   HR directors report that they spend more time on strategic activities now than five years ago, and less on administration. Those surveyed in 2011 spent about 18% of their time acting as strategic advisors to the executive team.

6   There is a perception that HR has traditionally focused on implementing, rather than developing, strategy. Often this may still be true, but we found that HR in leading organisations tends to be involved in strategy from start to finish. Our research identified four specific roles that HRDs can play in developing corporate strategy.

- Full contributor.
- Facilitator.
- Subject matter expert.
- Implementer.

These role definitions reflect the extent to which an HRD is involved in both the **content** and **process** of strategy. While some of these roles can be combined, in practice, it is difficult for an HRD to act as both full contributor and facilitator.

7   The key contributions HR makes to strategy content are talent management, succession planning, organisation effectiveness, executive compensation, and supporting strategic change - mergers and acquisitions and entering new markets are two examples. We found HR increasingly provides internal and external data to support corporate strategy.

"As talent and engagement have emerged on every CEO's radar screen, people have become a critical basis for competition. Failing to integrate people into business strategy is like trying to play golf without a driver." **Professor Pat Wright, University of South Carolina**

8   Our research identified the following key skills that HR professionals should have, or develop, to participate fully in defining business strategy and developing effective HR strategies.

- Analytical skills to interpret developments in business, market, regulatory and social environments.
- Business acumen and a good understanding of customers, investors and other stakeholders.
- Understanding business metrics and being able to describe, and justify, HR's contribution to business results.
- Personal credibility so as to be taken seriously as a strategy contributor.
- Deep knowledge of HR tools and techniques and their application to business strategy and issues.

9   This report provides steps that HR directors can take to be more involved in strategy development. While recognising that the organisation culture or the CEO can influence the degree to which they participate in strategy discussions, they can improve their position by

- developing their personal skillset
- expanding their business knowledge and understanding
- providing credible data for the executive team.

10   Our work reveals the following features of an effective people strategy.

- A focus on business needs before deciding what to do.
- A good understanding of how the organisation's people and capabilities enable success.
- Clear linkages between HR actions and business outcomes.
- Tracking and communicating performance against metrics.
- A feedback loop for evaluating the effectiveness of strategy and supporting the planning cycle.

11   Leading academics on strategy urge that it should be made explicit. This means ensuring it is clearly communicated to and understood by all employees. HR has a crucial role in communicating strategy, enabling line managers and their people/teams to work towards that strategy, and ensuring they have the capability to do so.

12   Today, HR is more likely to be involved in strategy discussions - being able to contribute but also to improve the quality of strategic thinking in HR. Clear line of sight between business strategy and HR actions is essential. HR can also guide their organisation to become more strategic by

- helping the executive team improve its effectiveness in strategy development
- developing strategic awareness skills across the workforce
- communicating strategy well.