

COMPENDIUM OF CRF RESEARCH

“I find CRF to be one of the top organisations in providing networking, competency knowledge and thought leadership. Whether I am making connections at a networking event, hearing insights from seasoned professionals at a panel session, or sharing my own thoughts at a roundtable discussion, CRF is a valuable resource. It is an instrumental partner and go-to resource for me and my team in helping us understand the latest trends and providing thought leadership on a variety of business and HR topics.”

JJ Thakkar, HR Director – Strategic Marketing, Rolls-Royce

“CRF seems to get it consistently right about what the key topics are, that we as HR professionals are wrestling with. In my opinion, their research papers are highly relevant and valuable and the conferences attract people at the highest level in HR. Their European arm is also proving to be a useful networking forum for like-minded individuals.”

Jennifer Monon, Senior HR Director, ING

“I CONTINUE TO BE IMPRESSED BY THE WAY CORPORATE RESEARCH FORUM LINKS THE BEST OF LEADING ACADEMIC INPUT TO THE REAL ORGANISATION AND PEOPLE ISSUES FACED BY BUSINESS IN TODAY’S UNCERTAIN ENVIRONMENT.”

Amy C. Edmondson, Novartis Professor of Leadership and Management, Harvard Business School

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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 190 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 3457 2640 or at richard@crforum.co.uk. Alternatively, please visit our website at www.crforum.co.uk.

INTRODUCTION

“IN TODAY’S WORLD, KNOWLEDGE AND INNOVATION DRIVE SUCCESS FOR ORGANISATIONS. CORPORATE RESEARCH FORUM OFFERS SENIOR HR EXECUTIVES A UNIQUE OPPORTUNITY TO LEARN FROM PEERS, SHARE INNOVATIVE APPROACHES TO HR, AND CONNECT WITH GLOBAL THOUGHT LEADERS.”

Patrick M. Wright, Thomas C. Vandiver Bicentennial Chair in Business, Director, Center for Executive Succession, University of South Carolina

Founded in 1994, CRF has been researching the field of Human Resource Management (HRM) for more than twenty years. An influential focal point and network for over 200 members, CRF has come to understand the evolution of the HR function and its reputation, what does and does not work within this sector, the fads that require dismissal, and the facts that deserve attention. Indeed, CRF seeks to directly address current challenges, all the while maintaining an independent view that leads to measurable improvement in the organisational performance of its members. In simple terms, the research, discussion, and practical application of contemporary topics lie at the heart of CRF’s mission.

Over the years, CRF has functioned in a context of increasing globalisation, digitalisation, and demographic change. Today, organisations are under pressure to foster innovation, efficiency and speed, agility, and commercial acumen. In this regard, HR is failing to perform to the optimum. Indeed, poor definition and ambiguous responsibilities sometimes render the HR function unproductive.

Fundamental to the productivity and success of HR in this turbulent societal context are the following principles: (1) analysis before action; (2) clear definition of terms; (3) theoretical foundation; (4) a clear business case; (5) delivery; and (6) evaluation. Underpinning these principles is the notion that HR is not for HR’s sake. Rather, it should deliver business strategy and goals. As such, it is important to examine people, organisations, processes, and costs to locate problems and identify solutions. Terms must be defined so as to ensure work is focused. It is important to use available knowledge whilst understanding that there is no single set of theories which is universally applicable. A structured, thought-through plan is needed to help organise activities and allocate resources; and evaluation is crucial to understanding whether the desired business outcomes were achieved. In all, CRF sees definition, direction, and excellent delivery as integral to successful HR.

At odds with those who argue that there will be no role for HR in ten years’ time, CRF believes that with the right responses the role of HR will be enhanced. HR needs to become an outward looking function, clear in purpose and rich in commercial acumen. Delivering effective HRM in this turbulent and rapidly changing context is difficult work, and is best carried out by experienced, business minded experts working from a theoretical foundation. CRF looks to stimulate this role, helping organisations to create a future-fit HR function capable of flexibility, adaptability, and success.

01

HIGH IMPACT HR – HOW DO WE CREATE A MORE BUSINESS-RELEVANT FUNCTION?

“BUSINESS EXPECTATIONS ARE INCREASING AT AN EVER FASTER RATE. WHAT THIS OFTEN MEANS FOR HR IS IT’S STRUGGLING TO KEEP UP WITH RESPONDING TO WHAT THE BUSINESS WANTS TODAY, NEVER MIND GETTING AHEAD OF THE CURVE IN PROACTIVELY SHAPING THE PEOPLE AGENDA FOR THE ORGANISATION.”

Christopher Johnson, Senior Partner, Mercer

This report considers the current state of the HR function and looks at the role HR should play in helping organisations develop and execute strategy, and what HR can do to become more business-relevant. It sets out actions for HR to improve its strategic contribution and build commercial acumen. Practical examples and case studies are also featured.

- 1 HR has to adapt to stay relevant in today’s fast-changing business environment. It is more important than ever to build and sustain a professional HR function that’s commercial, close to the business, and has clear alignment between business strategy and HR plans and activities. While HR has on the whole been very good at delivering HR services with increasing efficiency, developments such as automation and artificial intelligence will make much of what HR currently does redundant. HR needs to refocus on delivering the people and organisational elements that make organisations succeed. However, the reality for many organisations is that HR is often disconnected from key business priorities, and it is unclear how HR contributes to critical strategic and commercial objectives. This report considers the current state of the HR function, and looks at the role HR should play in helping organisations develop and execute strategy, and what HR can do to become more business-relevant.
- 2 We find there is often a gap between what CEOs and other senior executives expect from HR and what they get. CEOs are looking for HR to help orchestrate and execute the business strategy, not just turn the wheel on HR processes. They are looking for HR to act as a business-centric function, leading the leadership team through the people and organisational elements of the business strategy, and helping build the capability for strategy execution. And yet, HR is often insufficiently engaged in the commercial realities of the business, driving an HR rather than a business agenda. We highlight five key areas where HR can fall short.

 - HR isn’t closely enough attuned to the organisations it serves.
 - In seeking to drive effective performance, HR tends to gravitate towards developing and supporting individuals at the expense of developing the organisation.
- HR doesn’t bring enough, or the right bits of, the outside world in.
 - HR’s work is often not based on robust theory or evidence.
 - HR can be ‘numbers-shy’ and ‘technology-shy’.

3 In order to address these issues, a key priority for HR is to be clearly aligned to the organisation’s strategic direction. While this may not mean that HR has to be instrumental in deciding which strategies to pursue, it does mean that HR needs to work closely with the line to understand what it will take to execute the strategy effectively, and to put in place plans and programmes to make this happen. This requires HR to have a deep understanding of what the business strategy is, and ensure HR’s analysis of what is required from a people and organisation perspective is anchored in the organisation’s goals related to sales and profit growth, innovation, quality, cost control, and customer experience.

“ONE AREA WHERE HR CAN MAKE A UNIQUE CONTRIBUTION IS BRINGING INSIGHTS TO THE TABLE FROM OUTSIDE THE ORGANISATION. TOO MANY HRDS ARE INTERNALLY- OR SECTOR-FOCUSED. THEY TEND TO BENCHMARK AGAINST PEERS OR COMPETITORS. AND IF WE’VE ALL GOT IT WRONG, HOW ARE WE GOING TO SPOT THAT OUR MARKET IS BEING DISRUPTED AND ACT IN TIME?”

Louise Smalley, Group HR Director, Whitbread

- 4 Another priority is for HR to adopt a commercial mindset in analysing problems and situations. This means:
 - having a deep understanding of how the business works and using this as the basis for analysis of what HR should do
 - being able to talk the language of business
 - being comfortable with numbers
 - thinking business-first and developing solutions to address real business needs, rather than pushing products
 - having the foresight to anticipate what will be needed, not just react to events.
- 5 HR needs to be clear about its purpose within the organisation, and how that links to the organisation’s value proposition. This needs to be communicated to the organisation. There are four key areas where HR must deliver.
 - Providing core operational services at the required level of quality and cost.
 - Creating a high performance work environment.
 - Managing talent.
 - Improving organisational and individual performance.
- 6 HR should be guided by a core set of operational principles that provide the foundation for what HR does and how. CRF’s research over twenty years suggests that the following are essential elements of an effective operating model for HR.
 - **Analysis before action** – identifying what problem the proposed course of action is designed to fix, and why the proposed solution is the best answer.
 - **Definition of terms** – being clear about what the core terminology of HR, such as performance, talent and engagement, mean within the specific context of an individual organisation.
 - **A robust underpinning theory** – HR initiatives need to be founded on sound principles of social science, such as cause and effect and validity.
 - **A sound business case** – although it is difficult to show a monetary return on investment in HR activities, it is important that HR’s plans are given a similar level of scrutiny as other business initiatives.
 - **Delivery against a clear HR plan** – HR should have a written plan that describes what it is committed to doing and how that links to business objectives. This helps HR communicate with stakeholders and assess its performance.
 - **Evidence** – decisions about HR actions and priorities should be based on experience, experimentation, data and learning, not just intuition.
 - **Evaluation** – there needs to be a feedback loop, both quantitative and qualitative, that enables HR to assess its performance and identify how to improve.
- 7 There are no easy answers to the tricky challenges faced by HR today and looking into the future. There is no one-size-fits-all model that can be applied to every organisation or situation. HR needs to develop strong commercial, analytical and consulting skills in order to craft solutions that address the unique business needs and priorities of the organisation it supports. HR must avoid becoming obsessed with ‘best practice’, instead focusing on solutions that tailor good practice to the needs of individual organisations. By investing in hiring and developing high quality, business-focused people into the function and making sure HR plans focus on what is required to enable business success, HR has the best chance of remaining relevant through turbulent times.

02

RETHINKING TALENT MANAGEMENT

“SOMEONE’S SITTING IN THE SHADE TODAY BECAUSE SOMEONE PLANTED A TREE A LONG TIME AGO.”

Warren Buffett

Talent management regularly appears at the top of the priority list for CEOs and this research takes a critical look at organisational talent management practices. Together with insight from organisational case studies and a CRF member survey, it suggests key priorities for reshaping talent management and highlights key success factors.

- 1 How to identify, attract, develop and engage the critical talent needed to execute strategy is a key issue for organisations today. Talent management regularly appears at the top of the priority list for CEOs. Studies show organisations that are more sophisticated at talent management also achieve better business results. However, levels of satisfaction with the results of talent management among both executives and the HR function are low. A survey of 231 respondents from CRF member organisations conducted as part of this research found that only 17% rated their organisation as effective at predicting and planning for future talent needs, and only 20% were satisfied at the outcomes of their organisation’s talent management efforts.
- 2 Talent management has to take account of a number of social factors that are affecting the shape and attitudes of the workforce today.

 - Responsibility for managing careers continues to move away from employers toward individuals.
 - Career paths are less clear cut than in the past, and delayering has reduced the opportunities for upward progression.
 - On the one hand employers no longer routinely offer lifetime employment, and on the other hand employee loyalty and engagement is low and passive job-seeking is high.
 - Talented individuals are less attracted by careers in large organisations and increasingly seek careers as freelancers or entrepreneurs.

We find, however, that little new thinking has emerged in talent management in recent years. Tools and processes in use today don’t look very different from those in place a few decades ago. The field and its practices appear to have evolved only incrementally.
- 3 Global competition, scarce skills and demographic shifts pose challenges for employers.

 - Local competition in emerging markets is making it ever harder for global players to find and keep the talent needed to grow.
 - Competition for talent remains high, with critical shortages in key areas such as skilled trades and engineering.
 - The rise of professional networking sites such as LinkedIn have lubricated the movement of talent in dramatic ways over the last decade.
 - Some countries face constraints on future growth due to labour shortages.
 - The profile of the workforce is changing, with older workers choosing to remain in employment post-retirement age and Millennials already making up around half of the workforce.
- 4 We identify the following key priorities for reshaping talent management.

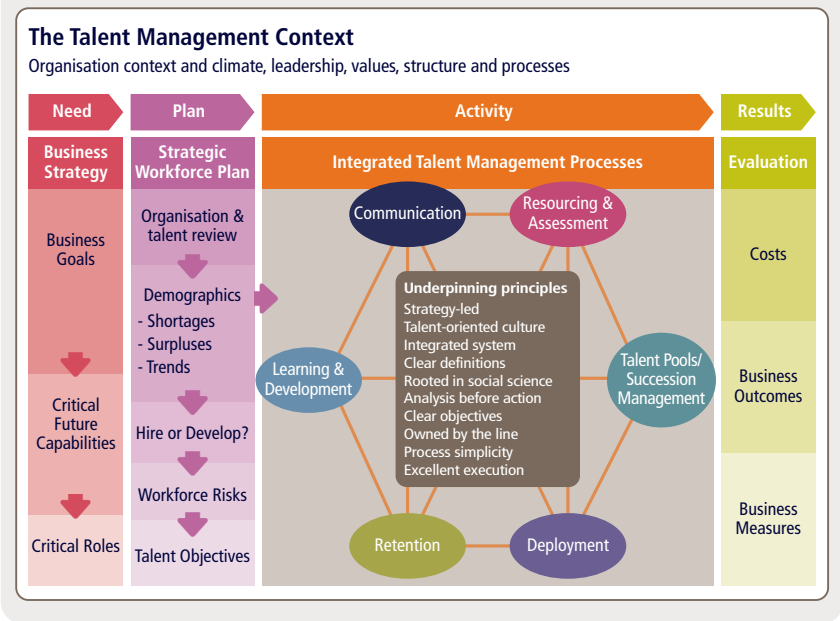
 - Clear alignment with business strategy and the corporate culture, to enable the organisation to execute plans effectively through people.
 - Robust but adaptable workforce plans, so HR is clear about the actions required, but also has flexibility to respond to changing business conditions.

“THE RIGHT TALENT IS THE FUNDAMENTAL BUILDING BLOCK WHEN IT COMES TO CREATING AN ORGANISATION CAPABLE OF INNOVATING AND CHANGING AND USING THIS AS A SOURCE OF COMPETITIVE ADVANTAGE.”

Ed Lawler, Distinguished Professor of Business, University of Southern California

- Building an organisation culture that values and prioritises people development.
 - Simple, effective processes that can be executed by business leaders, who must ultimately take responsibility for developing talent.
- 5 A key element of connecting business strategy with talent management activities is to identify and focus on critical roles, which are those that have the biggest impact on the organisation’s ability to build and sustain competitive advantage. This is where organisations need to focus their investment in developing talent, and they should also ensure the best talent is deployed to these positions.
 - 6 One of the common criticisms of talent management is that it focuses too much on the process of identifying talent, and not enough on making sure those identified as talent have opportunities to learn and progress. The best way to develop future leaders is by giving them job experiences that allow them to build and practise the skills required of leadership, along with coaching and feedback. Therefore, effective talent management programmes need to have at their heart processes for assigning people to strategically-relevant job experiences that provide the opportunity to develop key skills.
 - 7 Technology is playing an ever-greater role in talent management. Many organisations now have sophisticated systems that make it easier to match talented individuals to positions within the organisation, and to undertake talent analytics. Technology also affords greater transparency, allowing people to share their experience and aspirations with their employer. This is placing a burden on organisations to open up the ‘black box’ of talent processes, share the organisation’s plans for individuals with them, and give people more insight into what leaders think of their performance and career prospects.

Figure 1: CRF Integrated Talent Management Model



- 8 CRF has developed an integrated, strategy-driven Integrated Talent Management Model (see Figure 1). The Model is underpinned by some principles we think are critical for well-designed talent management activities.
 - Led by business strategy and corporate culture.
 - Systems-driven, so actions are implemented consistently across different people and organisation processes.
 - Owned by the line, supported by HR.
 - Built on effective execution of processes that are kept as simple and targeted as possible.
- 9 We conclude by identifying some key success factors for effective talent management.
 - Talent planning needs to begin with imagining the future state of the organisation based on the business strategy, and working back from there to establish the steps to build the capabilities required.
 - It’s easy to get hung up on identifying ‘who’ is talent, but it’s more important to focus time and investment on developing and preparing talented people for critical roles. Talent management needs to prioritise outcomes, not processes.
 - Line leaders need to be committed to following through on actions around developing people, and HR needs to support them to make these actions happen.
 - Visible commitment to action from top leadership is one of the key differentiators of organisations that are excellent developers of talent.
 - Strategic talent management requires the HR function itself to develop a higher level of skills, including the ability to think strategically, deep business insight, expertise in the science that underpins talent management, and the courage to speak up and influence business strategy.

03

LEARNING – THE FOUNDATION FOR AGILITY AND SUSTAINABLE PERFORMANCE

“A NEW TYPE OF THINKING IS ESSENTIAL IF MANKIND IS TO SURVIVE AND MOVE TOWARDS HIGHER LEVELS.”

Albert Einstein

The way learning is delivered is fundamentally changing. This research report tracks key trends and developments affecting the Learning function, the challenges L&D faces to make sure it remains business-relevant in a highly complex business environment, as well as the skills learning professionals need to remain successful in the future.

- 1** We live in an age of ‘Digital Darwinism’, where business models can be disrupted at a stroke and once-successful organisations can go out of business almost overnight. Success in today’s world requires organisations to be agile: to make timely, effective and sustained changes to stay ahead of the competition in a fast-changing business context. The ability – for both organisations and the people who work in them – to learn fast, innovate and adapt has never been more important. Learning is a critical strategic lever that organisations can deploy to build and sustain a market-leading position. Learning can be a source of competitive advantage and should be high on the business agenda.
- 2** The Learning function should be taking a leading role in supporting organisation growth and building the capacity for innovation, change and performance improvement. Yet we find that the Learning profession is often under-powered, tucked away within HR, lacking business credibility, insufficiently focused on building the capabilities required for business growth, and struggling to demonstrate the business impact of its activities.
- 3** The way learning is delivered is fundamentally changing. Key trends discussed in this report include:
 - Learning is moving out of the classroom and online. The increased use of technology is offering the prospect of making learning more directly relevant to people’s jobs, decreasing the ‘transfer gap’ between learning and performance, and making learning resources available wherever and whenever needed.
 - Learning is becoming increasingly democratised and personalised. Learning content is being made available to an ever-wider audience who can choose how they navigate their way through the resources available.
 - The role of the Learning function is shifting: it’s increasingly about ‘curating’ content from both within and outside the organisation, and deploying technology to enable individual learners to take control of what, how and where they learn.
- 4** While these developments have many implications for the role and capabilities required of the Learning function, we need to be careful not to lose sight of the fundamental role of learning, which remains the same: the purpose of learning should be to enable delivery of the business strategy. New technologies and delivery methods are only useful to the extent that they enable learning to fulfil this core purpose.
- 4** If the Learning function is to remain business-relevant in a highly complex, fast-changing business context, the challenge is five-fold.
 - a.** Learning has to focus on developing the critical capabilities needed to execute the business strategy. Learning should be targeted in areas that enhance the organisation’s competitive advantage. Delivering a generic curriculum of online courses is not good enough. The Learning strategy has to be clearly defined, aligned to the corporate strategy, and differentiated from competitors’. Design and evaluation of learning needs to begin with the question: what business problems are we trying to solve?

“THE LEARNING FUNCTION SHOULD BE CONCENTRATING ITS ENERGY AT THE INTERSECTION BETWEEN LEADERSHIP, ORGANISATION DEVELOPMENT AND STRATEGIC CHANGE. THIS IS WHERE IT CAN HAVE GREATEST IMPACT ON STRATEGIC BUSINESS OUTCOMES. IT’S A GREAT OPPORTUNITY FOR THE LEARNING FUNCTION, BUT IT NEEDS TO REVISIT ITS PURPOSE AND CAPABILITIES IF IT’S GOING TO HAVE THE CAPACITY TO MEET THE DEMANDS BEING MADE OF IT BY THE C-SUITE.”

Michael Chavez, Chief Executive Officer, Duke CE

Figure 2: CRF Learning Matrix

Working on the organisation	<p>Organisational/Productive</p> <p>Working in teams on increasing efficiency or productivity in the existing business. Examples include:</p> <ul style="list-style-type: none"> • after-action reviews • delivering management training on a social learning platform • quality circles and application of other team-based continuous improvement methodologies. 	<p>Organisational/Generative</p> <p>Using the collective wisdom of the team or organisation to come up with new solutions, identify new markets, and challenge existing assumptions. Examples include:</p> <ul style="list-style-type: none"> • convening groups to identify the top ten emerging disruptive innovations in your market and work out how they might affect your business model • online strategy ‘jams’ • co-creation through action learning.
	<p>Individual/Productive</p> <p>Learning that’s focused on helping an individual improve performance in their role. Examples include:</p> <ul style="list-style-type: none"> • sales training • watching a video on how to manage a difficult conversation with a team member. 	<p>Individual/Generative</p> <p>Helping individuals learn key skills to enable them to generate new ideas or strategies. Examples include:</p> <ul style="list-style-type: none"> • teaching people critical thinking or strategic modelling skills • teaching individuals design thinking methods.
	Productive	Generative

collective performance and learn together. We argue that creating a ‘learning organisation’ that’s capable of continuously learning and adapting is one of the most effective responses to the complex environment in which organisations operate.

d. As learning moves out of the classroom, the Learning function is having to cede control over who learns what and where. This makes it even more critical that Learning professionals have deep expertise in how adults learn, so they can design highly effective learning products, and help educate learners and their line managers in how to sustain behaviour change. It’s also important to make sure that the work context supports application of what’s being learned, and that line managers are engaged to support their teams’ learning.

e. The challenge for Learning professionals is to build the capabilities required to act as credible business partners to support the organisation in achieving its goals. This means having strong business acumen, to understand the organisation’s strategy, markets and future direction, and diagnose business-oriented learning solutions. The key challenge for the Learning function is to be ahead of the game in terms of understanding where the organisation is heading, and to define and communicate how learning can help the organisation and its people achieve their objectives.

b. Learning has to play a key role in supporting growth and innovation. We contrast ‘generative’ and ‘productive’ learning and argue that learning has to orient towards enabling generative learning in order to support sustainable business growth. Productive learning (learning about what we already know with the goal of improving productivity or quality) is necessary for optimum performance in today’s business but is insufficient to ensure long-term sustainability. Generative

learning involves creative problem solving and coming up with new possibilities. It is also essentially a collaborative endeavour. These principles are summarised in the CRF Learning Matrix (see Figure 2).

c. Learning needs to focus on building high-performing organisations – not just improving the performance of individuals. While most learning activity is focused on supporting individuals, greater impact can be achieved by helping teams and organisations improve their

04

STRATEGIC WORKFORCE ANALYTICS

“THERE’S A SHIFT IN MINDSET NEEDED IN HR. THE FUTURE OF HR WILL BE ABOUT USING DATA AND TECHNOLOGY TO IMPROVE THE PERFORMANCE OF THE WORKFORCE. OUR ORGANISATIONS ARE EMBRACING DATA IN EVERY ASPECT OF WHAT THEY DO. AS A FUNCTION, WE CAN’T AFFORD TO BE LEFT BEHIND.”

Dave Millner, Executive Consulting Partner, IBM Workforce Science

Analytics is the identification, interpretation and communication of meaningful patterns in data. Through the application of analytics to business data to describe, predict and improve business performance, analytics has started to become an important topic area within the HR community. This research takes a critical look at what can be achieved through the workforce analytics and the conditions required for successful implementation of HR analytics projects.

- 1** Workforce analytics is generating a buzz in the business world today, but does the reality live up to the hype? This report explores how organisations are using workforce analytics and how the emerging tools and techniques in this field can be successfully deployed to address the most pressing workforce-related business issues and improve organisational performance.
- 2** Workforce analytics is the process of discovering, interpreting and communicating meaningful patterns in workforce-related data to inform decision making and improve performance. It is not only about data analysis but also about change management – generating meaningful insights to drive behaviour change and increase organisational effectiveness.
- 3** Before embarking on workforce analytics it’s important to understand how people-related factors such as employee engagement or turnover actually drive tangible business outcomes such as reducing costs, increasing productivity or improving quality or innovation. Analytics projects often start in the wrong place – they focus on the insights that can be gleaned from the data that’s available. A more business-oriented approach starts by identifying the elements that determine an organisation’s unique position in its market – its competitive advantage. The next step is to build up a wider picture of the organisation as a system, looking at how organisational factors, such as team dynamics or job design, and people factors, such as the performance of individual employees, contribute to creating and sustaining competitive advantage. Workforce analytics should focus on identifying opportunities for improvement in those elements of the organisation model that have the greatest impact on successful strategy execution.
- 4** To avoid falling into the trap of wasting resource by analysing issues that have little impact on organisational outcomes, each step in the analytics process has to be tackled in the correct order. Having a clear methodology can help ensure that analytics interventions are focused on the most pressing business questions, that key stakeholders are identified and engaged, and that the conditions are created for successfully implementing recommendations.
- 5** Many claims are being made for the potential of workforce analytics to help achieve business goals, but for most organisations this is still an emerging field. Many organisations are struggling with poor quality data and a lack of analytical capability within HR. There is often too much focus on HR for its own sake, and insufficient emphasis on business outcomes. Organisations frequently start by building a statistical model to predict turnover, but while

“ON THE ONE HAND, WE HAVE AT OUR FINGERTIPS ACCESS TO THE MOST POWERFUL COMPUTERS, THE LARGEST DATABASES ON ORGANISATIONAL PROCESSES, AND EVER-EXPANDING INFORMATION ON CONSUMER BEHAVIOUR AND THE WAY COMMERCE IS CONDUCTED WORLDWIDE. ON THE OTHER HAND, ORGANISATIONS STRUGGLE AS MUCH AS EVER TO ACHIEVE STRATEGIC OBJECTIVES AND IMPROVE ORGANISATIONAL EFFECTIVENESS.”

Alec Levenson, *Strategic Analytics: Advancing Strategy Execution and Organizational Effectiveness (2015)*

this may be strategically relevant for some businesses, many start here because it is more straightforward than other types of analysis and the data are readily available. Other common applications of workforce analytics we've seen include data-driven strategic workforce planning, examining the connection between employee engagement and business performance, and reviewing the effectiveness of compensation and reward practices.

- 6 Our research has identified some key conditions for success in deploying workforce analytics.
 - a. Start with the business strategy to identify where analytics interventions are likely to add the greatest value to business outcomes.
 - b. Focus on generating actionable insights, not just crunching data. This means having an agreed set of business issues to analyse, and clear hypotheses to test.
 - c. Use existing scientific research to guide the questions to explore in the analysis – relying on previous research can help shortcut the process of developing hypotheses.

- d. Be clear at the outset what actions the organisation would be prepared to take as a result of what the data analysis reveals. There's no point undertaking workforce analytics unless there is appetite in the business to do something with it.
- e. Engage key stakeholders to increase the chances that analysis is followed through with actions that lead to desired changes in behaviour, systems and processes. Critical stakeholders for workforce analytics include the HR Director, who plays a vital role in creating the context for a commercially-oriented, data-driven HR function, HR business partners, who can act as advocates for analytics in the business, and business leaders, who are ultimately accountable for implementing recommendations.

- f. The most successful workforce analytics interventions typically combine business, people and organisational data. Workforce analytics teams rarely have all the data or expertise they need, so they have to collaborate with other business analytics teams across the organisation.

- g. It's easy to get so caught up in sorting and cleaning existing data that you lose sight of the bigger picture. The right data strategy may also include generating new data, combining internal and external data sources, or analysing both qualitative and quantitative data.
 - h. It's necessary to build appropriate governance and prioritisation processes to ensure that decisions about where to focus workforce analytics effort have a clear line of sight to the business strategy.
- 7 Historically, HR has not enjoyed a strong reputation for analytical and data-driven practice. It needs to invest in building both skills and a more data-driven culture and mindset. This is a key challenge for the future of HR.

05

ASSESSING POTENTIAL

“IN REALITY, THERE ISN'T A SINGLE DEFINITION OF POTENTIAL. TO ME, INSTEAD OF FOCUSING ON SINGLE CONSTRUCTS, THE BEST WAY IS TO BUILD AN INTEGRATED FRAMEWORK THAT ALLOWS YOU TO ANSWER THE QUESTION 'POTENTIAL FOR WHAT?'"

Allan Church, VP Global Talent Assessment and Development, PepsiCo

This report looks at the key factors that shape potential and asks the question – ‘potential for what?’. It explores organisational practices with regard to the assessment and development of potential and draws on a number of member case studies and findings from a CRF survey.

- 1 How to spot, assess and develop high potential future leaders is one of the key challenges for talent management today. It is high on the agenda for boards, CEOs and HR Directors. In today's volatile, dynamic business world, the ability to identify what's required of future leaders and take action to prepare is likely to be a critical competitive differentiator.
- 2 We define potential as the capacity of individuals to reach and be effective in senior leadership positions, and to grow and broaden their career at an accelerated pace, with sustained growth over a longer time frame (at least three to five years).
- 3 We explore the components of potential. Although there are many models and definitions in use, the relevant science has found the following to be the best predictors of potential.
 - a. Intelligence is a necessary but not sufficient determinant of potential.
 - b. Certain core personality traits, such as high conscientiousness, low neuroticism, extraversion and openness to experience predict future leader effectiveness.
 - c. Emotional intelligence – self-awareness and the ability to read situations and inspire and motivate people – is an important factor.
 - d. Individual motivation is critical in determining whether innate potential translates into high performance.
- 4 As well as considering ‘bright side’, positive personality characteristics, it is also important to test for and help individuals understand potential derailers. These tend to be strengths which, when overplayed, can become a liability. Examples include boldness, which can translate into overconfidence or arrogance, or diligence which can lead to perfectionism and micromanagement.
- 5 We find many organisations tend to overplay past performance in estimating future potential, when the first does not necessarily predict the second. Whilst past high performance may be an important consideration for identifying possible high potentials, many high performers struggle to develop new skillsets required for effectiveness in more senior, complex positions.
- 6 Learning agility – the capacity to learn from experience and apply that learning to new scenarios – is a key topic of interest in the field of potential assessment. It is important to identify individuals who have this capability, give them opportunities to learn, and support them to extract the learning from these experiences.
- 7 Potential cannot be considered in isolation, and any potential programme needs to be designed to reflect the unique organisation context and business strategy. A key question to answer in designing potential

“YOU HAVE TO BE VERY CAREFUL ABOUT THE EXPECTATIONS YOU SET ABOUT WHAT IT MEANS TO BE A HIGH POTENTIAL, IN TERMS OF CAREER OPPORTUNITIES AND STATUS IN THE ORGANISATION. YOU NEED TO ENGAGE IN HEALTHY DIALOGUE ABOUT WHERE THE INDIVIDUAL IS AND WHAT THEY NEED TO WORK ON TO BUILD THEIR LEADERSHIP CAPABILITY. THAT’S A MUCH MORE USEFUL DISCUSSION THAN AN ABSTRACT CONCEPT OF ‘YOU’VE GOT POTENTIAL’, WHICH CAN BE FAIRLY MEANINGLESS UNLESS IT’S PUT IN CONTEXT OF ‘POTENTIAL FOR WHAT.’”

Jessica Foster, Global Practice Leader, Executive Development, RHR International

assessment is ‘potential for what, in this organisation?’ The report explores ways of answering this question in your organisation.

- 8 We explore current practices in assessing potential. While some organisations have developed tried-and-tested practices over many years, we found many organisations are still in the early stages of implementing potential programmes, or are just starting out. Levels of satisfaction with current performance are fairly low, with less than half (47%) of the senior HR executives who responded to our survey declaring themselves satisfied with their organisation’s efforts. The principal concerns from the survey were poor connections between potential programmes and business strategy, a lack of objectivity in assessments, and insufficient follow-through in terms of developing high potentials or making talent decisions as a result of assessments.
- 9 Current approaches to assessment rely heavily on line managers’ judgments as to whether someone is a high potential or not. Better programmes build in line manager training and support, and challenge individual managers on their ratings by having strong calibration of results across teams or functions. The best approaches to assessment involve an objective, multi-trait, multi-method methodology, resulting in different data points that can be compared for each individual. While this is more common at senior levels, few organisations take a multi-method, data-driven approach to potential assessment for all employees.
- 10 Once high potentials have been identified, it is important to be clear about what follows in terms of development opportunities, career and succession planning. Many organisations offer differentiated development for high potentials, or link development options to different categories on the nine-box performance/potential talent grid. It is critical that individuals identified as potential successors to key business roles are not just put on a static list, but also given opportunities to build experience and grow.
- 11 We conclude with some practical suggestions for improvement.
 - a. Establish a clear connection between business strategy and how potential is defined in your organisation.
 - b. Be clear about accountabilities. Active involvement and buy-in from senior management and high quality support and expertise from HR/Talent are key.
 - c. Use a potential model and definition that’s rooted in science and is validated for your organisation.
 - d. Design an objective, data-driven assessment process that predicts and assesses the elements of future leadership effectiveness in your organisation.
 - e. Have a clear talent ‘deal’ for developing both high potentials and key individual contributors.
 - f. Make sure you evaluate and measure the results achieved. Design the approach to evaluation before you start assessing, and be clear about what success looks like and how it will be measured.

06

CREATING AN INCLUSIVE CULTURE

“ONLY WHEN COMPANIES START THINKING ABOUT DIVERSITY MORE HOLISTICALLY – AS PROVIDING FRESH AND MEANINGFUL APPROACHES TO WORK – AND STOP ASSUMING THAT DIVERSITY RELATES SIMPLY TO HOW A PERSON LOOKS OR WHERE HE OR SHE COMES FROM, WILL THEY BE ABLE TO REAP ITS FULL REWARDS.”

David Thomas and Robin Ely

This report explores the role leaders play in creating and sustaining an inclusive culture. It finds that actions to build an inclusive culture need to focus on three key areas: the values, behaviours and decisions made by leaders, the expectations of individual employees and organisational systems and processes.

- 1 Today there is general agreement that it is desirable for organisations to have a diverse workforce that more closely reflects the population and customer base. Organisations have invested heavily in diversity programmes over the last few years. However, progress has been disappointing, particularly the proportion of senior women in the workforce. We think one of the underlying reasons is that organisations have focused on increasing the numbers of employees from underrepresented groups, rather than tackling the organisation culture that determines whether those people feel included and thrive.
- 2 We define an inclusive culture as an organisational environment that allows people with different backgrounds, characteristics, and ways of thinking, to work effectively together and to perform to their highest potential. In an inclusive culture, people feel that their contribution is valued, and their voice is listened to and respected. We contrast diversity – which is often focused on increasing the numerical representation of minorities in the workforce – and inclusion – which is about creating an environment that values the different contributions that a diverse workforce can bring.
- 3 Our study found that investing in an inclusive culture is seen to have broad benefits, including better financial performance, connection with customers, innovation, attracting talent and employee engagement. For many organisations it is also simply the right thing to do.
- 4 A survey of CRF members found that just over half (55%) of respondents report that their organisation has an explicit goal of creating an inclusive culture. However, there is a lack of clarity about what this looks like in practice, with only a third of respondents having a clear definition or set of criteria which guides their efforts. There is clearly also a long way to go. Less than half (41%) of respondents described their current culture to be 'highly' or 'somewhat' inclusive.
- 5 Organisations which have succeeded in creating an inclusive culture tend to focus on two key areas.
 - The values, attitudes and behaviours of leaders, both at senior leadership and front-line management level.
 - The systems and processes that define how work gets done, and who is recruited, promoted, rewarded and exited from the organisation.
- 6 Senior leaders play a critical role in driving an inclusive culture. We found the following differentiators of inclusive organisations.
 - The CEO and top team visibly 'own' the inclusive culture agenda. This means both saying the right things and following up consistently with actions.

“OUR RESEARCH IN GENDER DIVERSITY AND TALENT MORE BROADLY SHOWS THAT UNTIL INCLUSION AND DIVERSITY ARE EMBEDDED INTO THE FABRIC OF THE ORGANISATION IT WILL NOT SUSTAIN OVER TIME. AT MERCER WE SEE IT AS PART OF OUR ENGINE FOR GROWTH AND INNOVATION. TO BE SUCCESSFUL, WE HAVE TO MAKE SURE THAT OUR PRACTICES MATCH OUR POLICIES, FOR EXAMPLE AROUND ACCESS TO FLEXIBLE WORKING.”

Fiona Dunsire, CEO, Mercer UK

- Accountability for developing and sustaining an inclusive culture is broadly shared among leaders at all levels, and is not just seen as HR’s responsibility. This includes setting targets, tracking metrics, and making sure there is regular dialogue across the organisation about progress so far, and what else needs to be done.
 - The case for building an inclusive culture is explicitly linked to the core purpose, business strategy and values of the organisation.
- 7** We find that what really makes a difference to how individual employees experience the culture on a day-to-day basis is the relationship with their line manager and colleagues. Managers create a sub-culture within their teams that determines how each team member subjectively experiences the employment relationship. This has significant implications for manager selection, development and performance appraisal. We found inclusive managers tend to demonstrate the following behaviours.
- Treat every team member as an individual, adapting the way they interact to suit that individual’s needs.
 - Create a climate where everyone has a voice, for example by running meetings that accommodate different personality types.
 - They are aware of how personal biases can affect decision making, and build in checks and balances to ensure fairness.
 - Build relationships with their subordinates which are based on trust, and foster trust between different members of the team.
- It is important to note that, while inclusive teams may be more innovative and productive in the long run, they require effort to build and sustain cohesive working.
- 8** We discuss how systems and processes can be redesigned to support an inclusive culture. The field of behavioural economics has shown that, even if people intend to act rationally, they still make decisions based on snap judgments, shortcuts or biases. ‘Nudges’ can be incorporated into people processes to tame this innate human characteristic. These have the effect of steering – rather than coercing – people towards making more inclusive choices. Practical applications include the following.
- Making sure opportunities for progression within the organisation are fair, such as paying attention to who gets the plum assignments or big-ticket clients which are a prerequisite for promotion, or requiring that the shortlist for promotion to the next level up in the organisation is in proportion to the gender split of the level below.
 - Making selection more objective, for example, making recruitment ‘blind’ by removing irrelevant biographical detail from CVs, crowdsourcing ratings from multiple appraisers, or using machines to screen applications.
- We found that most effort to date has been put into making recruitment processes fairer, which is resulting in a more balanced pipeline at the entry level into the organisation. However, the key challenge for organisations remains how to create a context where people from minority groups are retained and promoted over the longer term.
- 9** We conclude by highlighting the following key elements that require focused attention.
- Creating an inclusive culture requires a systemic view, with a joined-up approach covering all elements of the relationship between the individual and the organisation.
 - Leaders play a key role, but it is also important to engage employees, to raise their expectations and encourage them to take accountability for the culture.
 - Decisions about what actions to take need to be built on evidence. Before initiatives are rolled out, careful consideration needs to be given to how the impact can be measured, and what data can be collected.

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