HR as Partners in Organisation Development

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Building resilience in organisations

Our research into the features of resilient organisations[1] shows that these organisations have a number of specific capabilities that promote their ability to anticipate and respond to deep strategic change. Furthermore, our work has also identified that there are specific *organisation development (OD)* " *pathways"* along which these capabilities can be built and strengthened.

HR is the natural owner of the OD space and is, therefore, ideally placed to lead the initiative for building greater resilience in our organisations. However, this is not occurring as frequently as it should. Our findings suggest two key requirements that could enhance the effectiveness of HR professionals in these endeavours:

A. An understanding of the OD pathways that lead to organisation resilience

B. A shift from the "vendor" position in the internal customer paradigm towards a position of "business partner".

These requirements are outlined in the paper below. We also suggest some practical initiatives that HR professionals can implement as they seek to play a meaningful role in building organisational resilience.

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[1] Eight traits of Resilience, Chorn, HR Monthly, November 2006 (see website www.centstrat.com for a copy of the paper)

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What do we know about resilient organisations?

Our research suggests that resilient organisations display a number of key characteristics in the way they conduct their business. These are discussed in greater detail in our earlier publications, but may be summarised as follows. Resilient organisations:

1. **Use a wide array of information and information sources to make decisions:** Traditional information sources are supplemented by many ad-hoc processes. Executives are encouraged to seek out customer and internal information first hand – ie go to where the information is generated.

2. **Generate a broad portfolio of strategic options:** A good number of manageable "experiments" are underway at any point in time. The range of experiments is diverse and management accept that failure is inevitable – indeed, it is seen as a sign of innovation.

3. **Remain aware of industry breakpoints:** Management recognise that the base business cannot last forever and are vigilant for any signs of change in industry conditions and customer preferences.

4. **Develop effective risk and governance processes:** Management go beyond traditional risk measures such as compliance and fraud, and actively manage earnings driver risks (eg customer concentration) as well as cultural risks (eg change management processes). Non-executive boards and advisors are also provided with good quality information to allow them to oversee operations effectively.

5. **Separate corporate and business strategy:** Separate (and different) processes are used to develop corporate and business strategy. Corporate strategy deals with "what" business to invest in and business

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strategy addresses "how" to operate within those business arenas. Because of the inherent conflict of interest between those two focuses, they are best conducted in different forums.

6. **Actively align the organisation with its multiple operating environments:** Recognise that different operating styles and capabilities are required in different market segments. Allow the organisation design to accommodate different structures for different parts of the market.

7. **Develop a strong sense of purpose and values:** Shape the purpose statement (vision, mission etc) in such a way that it is expressed in outcome terms. Aim for a non-perishable expression of purpose, ie the product is seen as a "variable" in the business, rather than the business itself. Staff are not motivated by shareholder returns. Also, the choice of values should relate to the essence of the business purpose, rather than a collection of "feel-good" characteristics.
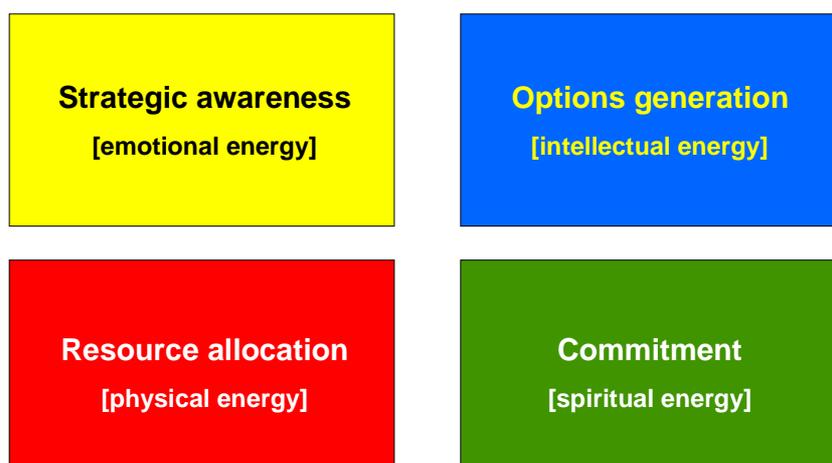
8. **Manage the organisation as a portfolio – one size does not fit all:** Recognise the need for different sub-cultures and styles in the different parts of the organisation. Avoid using restrictive performance management and remuneration practices that drive a standardised set of behaviour across the organisation.

How does organisation development build these characteristics into organisations?

After identifying the characteristics associated with resilience, we addressed the question of how to develop these characteristics in organisations.

We found four forms of organisational capability and energy that are responsible for these characteristics – and each can be developed via a particular pathway of OD.

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Four forms of organisational capability and energy

Strategic awareness **[emotional energy]**	**Options generation** **[intellectual energy]**
Resource allocation **[physical energy]**	**Commitment** **[spiritual energy]**

Each capability is supported by a different energy form. These forms of energy may be likened to the organisational muscles that give it the ability to do different things. Therefore, by focusing on the development of the different organisational energies (muscles), we can build the requisite capabilities for resilience. This is much the same as **exercising** (and developing) different body muscles in order to build specific athletic capabilities.

Energy form	Organisation capabilities
Emotional energy	Promotes strategic awareness within the organisation and allows it to formulate well considered responses
Intellectual energy	Generates strategic options and opportunities and allows the organisation to question its own viability
Physical energy	Optimises the application of scarce organisational resources and enhances the leverage of these
Spiritual energy	Engenders passion and commitment amongst staff for the shared goals of the organisation

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What OD pathways (exercises) build these energy forms and capabilities?

Four OD pathways are indicated to build these energy forms:

Pathway	1
Energy	Emotional (EQ)
Capability	Strategic awareness and considered responses
Initiatives	• Set up an issues management process. The process identifies issues of significance to be addressed by the organisation, and then creates teams to deal with each of the issues. Action plans are developed and then presented to management for their approval and funding. The teams are then empowered to implement the plans. • Set up "pathfinder" groups to solve complex problems or identify new opportunities. Team are made up of contrary thinkers who are unencumbered by senior roles, but are close to the customer and technology. The teams are funded to pursue their ideas through a managed stage-gate process. • Create separate forums for the development of corporate strategy (what business are / should we be in) and business strategy (how do we compete in this business). Corporate strategy is best formulated by a broad range of perspectives and stakeholders who can act dispassionately, while business strategy is best formulated by the management structure of the particular business unit.

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Pathway	**2**
Energy	Intellectual (IQ)
Capability	Generation of strategic options and ability to question viability / direction of organisation
Initiatives	- Conduct strategic thinking and planning forums that include the opportunity to develop alternative scenarios for the future. Focus on developing the capabilities for alternative futures rather than attempting to predict the future. - Encourage a debate on defining the "business" of the organisation (what business are we in). Focus on the development of different growth pathways for the business that include at least: - Increasing productivity and operational effectiveness - Improving customer intimacy and collaborative ventures - Innovation in product and service offerings - Monitor a range of business indicators that provide an objective perspective on the performance of the business. Examples include: - Stakeholder satisfaction - Customer value - Industry trends - Technology projections.

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Pathway	**3**
Energy	Physical
Capability	Allocation of scarce resources in an optimal way across the different areas of application in the organisation. Achieve maximum leverage

Initiatives	• Develop a performance management system that allows a close alignment between performance criteria and the strategy of different parts of the organisation. Usually achieved by having a small number of <u>core</u> competencies / KPIs that apply across the whole organisation, and specific <u>focus</u> competencies / KPIs that apply to the different units and functions
	
	• Achieve the full benefit from non-executive board members and advisors by keeping them informed and fully engaging them in discussions on <u>corporate</u> strategy
	
	• Set up processes to manage the total risk faced by the organisation. This is likely to include:
	  o Traditional risks – such as natural hazards, compliance and fraud
	  o Earnings driver risks – such as customer concentration, product innovation and intellectual property
	  o Cultural risks - such as change management, cultural differences and the alignment of incentives with business strategy.

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Pathway	**4**
Energy	Spiritual
Capability	To engender passion and commitment among staff for the shared goals of the organisation

Initiatives	▪ Develop a statement of business Purpose and Values that capture the essence of the organisation. Amongst other things, this means:
	
	   o Express the business purpose in outcome terms ie what do we want to achieve as an outcome for our customers? (not shareholder returns)
	
	   o Treat the product / service as a variable of the business, not THE business
	
	   o Limit the use of generic, "10 commandments" style values. They add little to defining who you are as an organisation, and should be taken-for-granted. Focus on those values that are closely related to your business strategy and describe the essence of who you are and how you operate
	
	▪ Use the statement of Purpose and Values in communications to staff and customers. Make it part of the daily life in the organisation. Refer to it in the business strategy, when making organisational announcements and advertising
	
	▪ Ensure that the senior leadership act as exemplars to the Purpose and Values at all times. This role modelling has a profound influence on the culture and the way the organisation functions.

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HR as business partners

In order to play a meaningful role in these OD pathways, HR professionals need to work as "business partners" rather than internal vendors who serve a range of internal customers.

The internal-customer paradigm has two inherent weaknesses in the case of professional services such as HR:

- It assumes a relatively "smart buyer", ie the customer understands what he/she wants and can specify the requirements and standards against which the vendor must deliver. This is not always the case with best-practice HR and OD initiatives

- The relative power imbalance (in favour of the customer) does not allow the vendor to operate as an "equal" and debate the issues vigorously with the customer for fear of losing "the business".

This internal vendor situation makes it more difficult for the HR professional and line manager to sit down as equals and jointly develop an optimal solution – particularly when this solution may fall outside the line manager's knowledge and experience.

In the case of a business partner, the HR professional has a mandate to add value to the line manager's business and assume some responsibility for the growth and development of the organisation. The partner relationship enables them to sit down as equals and debate the best way forward for the business. This is the best position from which to undertake the various initiatives indicated in the four OD pathways.
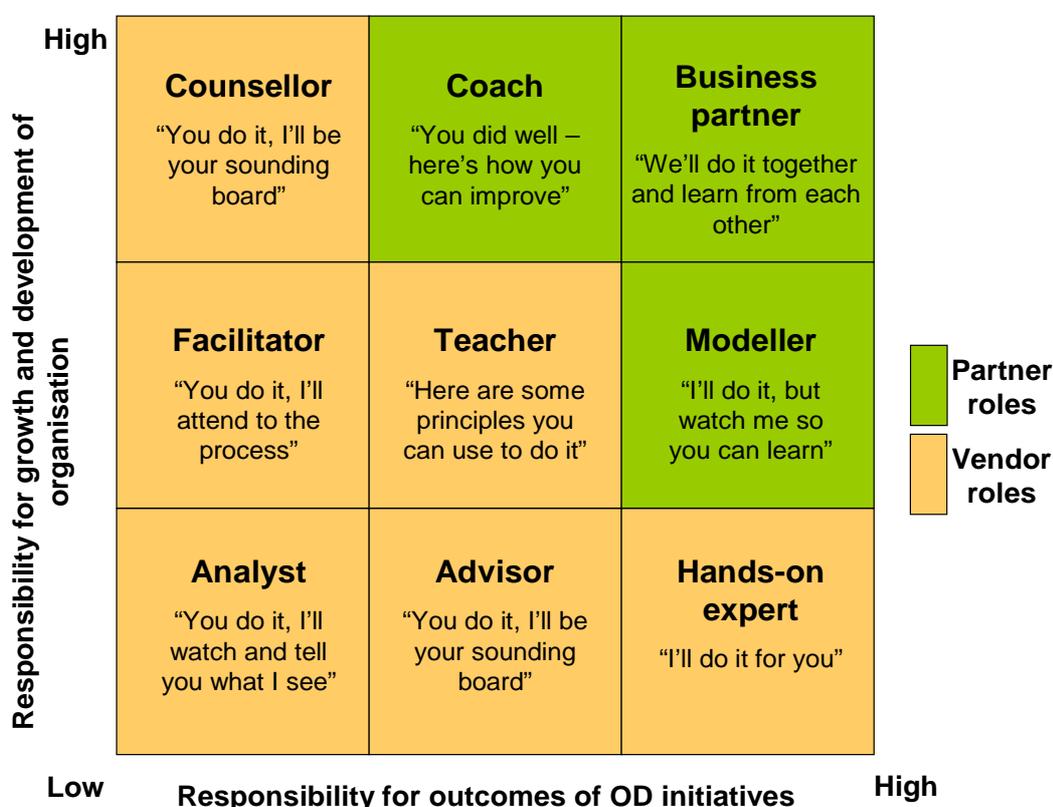
In order to shift from a vendor position to that of a business partner, two key aspects of the HR professional's role must change.

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From vendor to OD partner

The key distinction between the roles of vendor and business partner is the degree of active responsibility taken for:

- The growth and development of the organisation
- The successful outcomes of the various OD initiatives.

These two aspects of the HR professional's role need to change in order to shift from the position of vendor to that of a business partner. The diagram below explains this in further detail[2]:

High	**Counsellor** "You do it, I'll be your sounding board"	**Coach** "You did well – here's how you can improve"	**Business partner** "We'll do it together and learn from each other"
Responsibility for growth and development of organisation	**Facilitator** "You do it, I'll attend to the process"	**Teacher** "Here are some principles you can use to do it"	**Modeller** "I'll do it, but watch me so you can learn"
	Analyst "You do it, I'll watch and tell you what I see"	**Advisor** "You do it, I'll be your sounding board"	**Hands-on expert** "I'll do it for you"

Partner roles

Vendor roles

Low   **Responsibility for outcomes of OD initiatives**   **High**

This means that the HR professional needs to engage the organisation proactively to drive those OD initiatives associated with organisational resilience. A different dynamic is required between HR professionals and line managers.

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[2] Adapted from Champion, Kiel and McLendon, 1985

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Clearly, the line manager is still accountable for the performance of his / her business unit. But the HR professional is also responsible for ensuring that best-practice OD initiatives are implemented to drive growth and resilience.

This means an ongoing strategic conversation between the line manager and HR professional. One in which the shorter-term performance objectives of the line manager are balanced with the longer needs for growth, development and organisational resilience. This is a more difficult and demanding role for the HR professional, but one that can be facilitated by creating a true sense of business partnership between the line managers and the functional experts.

How can HR professionals become more effective in building organisation resilience?

Our work suggests a number of things that can be done to enhance the role of HR professionals in the building of organisational resilience. They include:

1. Understand the nature of organisational resilience

Recognise that resilience is a function of four key organisational capabilities and energy forms. Each of these capabilities / energy forms can be developed by way of a particular OD pathway. These pathways and their related initiatives are outlined in the paper.

2. Recognise the role played by the OD process

The four OD pathways can substantially contribute to the development of resilience in the organisation. And HR is the natural owner of OD. But, HR professionals have to adopt a partnership perspective and role in order to be fully effective within the OD space. This means that they need to become more proactive in assuming responsibility for organisation growth and the outcomes of specific OD initiatives. A different relationship between HR professionals and line managers is called for – one in which the CEO will play an important part in setting up.

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3. Assess the current state of your organisation with respect to the four capabilities and energy forms

Hold conversations and forums with your management team about the current state of your organisation. It is not too difficult to assess the relative state of the four key capabilities and then to identify some priorities. Try not to attempt everything at once. Better to do a solid job in one area and then move onto the next. Build an OD calendar where you outline the various stages and steps, and then inform the organisation of your progress.

4. Put the initiatives in place within the various OD pathways

The OD initiatives identified in the paper are those with the highest impact in each of the capabilities and energy forms. Engage your colleagues and implement them in a systematic way. Monitor the progress and stay actively involved.

A final word

The current business climate will test the resilience of organisations and their management teams. Currently, we witness many organisations taking short-term actions to cut costs and limit investment in the very areas that promote resilience. Sadly, much of the research shows how short-sighted this is and how these organisations ultimately exacerbate their position in this way[3] [4].

It is never too soon or too late to invest in your organisation's resilience. And the HR profession is ideally positioned to lead the way.

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[3] Seize advantage in a downturn, D Rhodes and D Stelter, HBR, February 2009
[4] Moving upward in a downturn, D Rigby, HBR, June 2001

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About the author

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Norman Chorn is a strategy and organisation development practitioner with some 20 years experience in both the private and public sectors.

His work has three primary areas of focus:
- Creating strategy for competitive advantage
- Developing effective organisations and structures – organisational change
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