



Whitepaper

# Aligning Key Themes in Human Resources to Lean | Agile Values & Principles

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# Introduction

**Lean | Agile has evolved as the predominant, most effective way of working in today's turbulent times. And while Lean | Agile actively addresses critical aspects of Human Resources (HR), like engagement and performance, it also highlights the disconnect of traditional HR practices in the digital age. It is time for HR to embrace the realities of 21st Century people and organizations and to change the face and significance of HR forever.**



Rapid transformation is affecting industries across the globe, and almost every organization today is forced to respond to issues of volatility, uncertainty, complexity, and ambiguity (VUCA). These new challenges can no longer be mastered through industrial age structures and practice.

The zeitgeist in these turbulent times is Lean | Agile. It has evolved as the predominant, most effective way of working across the entire organization. These responsive enterprises maintain competitiveness by transforming their business activities to leverage the digital age. They act by a) acknowledging talent, knowledge, and leadership as the new currency for competitiveness and by b) embracing Lean | Agile values, principles, and practices at scale.

The vigor of Agile practices lies in their ability to unite Agile thinking with the alignment needs of (large) initiatives and organizations, while at the same time acknowledging the critical role of intrinsically motivated employees to success.

This means providing the right environment for people to prosper and do their best work and putting increased pressure on Human Resources (HR) practices. And while Lean | Agile can actively address critical aspects of HR like engagement and performance, it also highlights the disconnect of traditional HR in a Lean | Agile world.

This challenges HR to realign their People approach and impose a far-reaching transformation to bring HR into the 21st Century by shifting from process-oriented HR Management to empowering Lean | Agile People Operations. Something that will change the face and significance of HR forever.

The following key practices describe various aspects of modern People Solutions and provide guidance to Leaders and their People Partners on how to align HR with the demands and realities of a Lean | Agile Enterprise:

- 1 Embrace the New Talent Contract
- 2 Foster Continuous Engagement
- 3 Hire for Attitude and Cultural Fit
- 4 Shift to Iterative Performance Flow
- 5 Take the Issue of Money off the Table
- 6 Support Impactful Learning & Growth

# Key Themes

## 1 Embrace the New Talent Contract

**Intrinsically motivated people are the real driving force behind Lean | Agile Enterprises. Their drive and desire to make a difference build the foundation for the new talent contract. The ensuing power shift will give Agile people a voice in shaping the way their organization, leaders, and HR interact with them – not only when it comes to career development but across the whole HR value chain.**

In this age of disruption, enterprises must respond to the new realities by fundamentally reinventing their mindsets, behavior, leadership, and ways of working. The driving force behind Lean | Agile organizations are the people. It is their ideas, experiences, and interpretations as well as their ability to convert information, knowledge, and expertise into creative, innovative solutions that keep businesses moving forward. The results of their intermediate work are often intangible and require improvisation, the use of judgment in ambiguous situations, and interactions with others.

Modern employees are learning workers who thrive on this kind of challenging, meaningful work. But they also seek meaning and purpose along with appreciation and respect. They are intrinsically motivated; they want to take responsibility and be actively involved. So, in order to innovate and contribute, they must be allowed to manage themselves with the necessary autonomy and empowerment.

All of this shapes the new talent contract. Embracing it means a move from micro-management and command & control to inspiring leadership. It also means recognizing the power shift that comes from accepting the drive of Agile people. [see Fig. 1: The New Talent Contract]

This, inevitably, also affects the way HR interacts and engages with both management and the workforce. Employees will claim a voice in shaping the way their organization takes care of them – not only when it comes to their career development but across the whole HR value chain.

Like management practices, People Operations are less prescriptive and more flexible, empowering, and accommodating; and HR solutions are co-created and constantly evolving. This is an integral part of building places of work that are full of inspiration and engagement.

Fig. 1: The New Talent Contract

A 21st Century Employee:

- Needs meaning and purpose
- Strives to be a valued and valuable member of a winning team and organization
- Wants to be challenged and acknowledged
- Expects to be guided by mentors and coaches
- Demands an opportunity for growth
- Thrives under inspiring leadership
- Values a strong employer brand and corporate responsibility
- Is mobile and social and is used to have unlimited and immediate access to data, knowledge
- Craves an experience
- Aspires Lifeworking

Source: Just Leading Solutions 2016

## 2 Foster Continuous Engagement

**Passionate and dedicated people are highly engaged, and engagement has never been more imperative to business success than in the knowledge economy that marks the digital age. Lean | Agile Enterprises understand the power of inspiring people and the abilities of collaborative, empowered teams. They set the stage for their employees to thrive and continuously invest in the market value of their people.**

Tapping into the intrinsic motivation of people and keeping them deeply engaged has never been more imperative. Yet, the vast majority of employees worldwide are dissatisfied, disillusioned, and disengaged. [see Fig. 2.1: Facts about Disengagement]

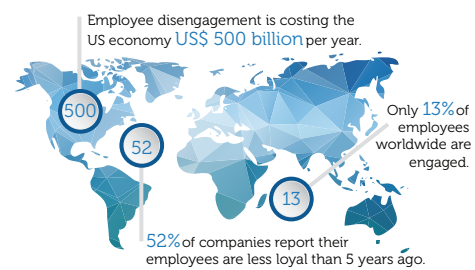
Agile Enterprises understand the power of bringing intrinsically motivated people together to form collaborative, empowered teams, setting the stage for them to thrive. Unsurprisingly, Agile teams are more passionate and involved. And it is simple: engagement – although often dismissed as an idealistic HR notion – translates directly into better business performance and success. [see Fig. 2.2: Benefits of High Engagement]

Furthermore, engagement encourages retention. Having said that, the best way to lower (involuntary) turnover is to actually invest in people. The concept of improving the market value of employees and making them more attractive for competitors may seem counterintuitive. But actively developing people takes away their need to switch jobs in order to improve and advance.

Agile practices allow people to evolve through challenging work, powerful collaboration, constant reflection, continuous feedback, and relentless improvement – all deeply embedded into the workflow. In other words, Agile does not distinguish between learning and working; working equals learning and knowledge workers are learning workers.

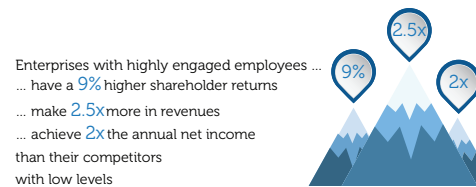
Hence, the goal of Agile Enterprises is not to retain talents but to engage them and let them grow and thrive. By doing so, they develop a flourishing talent pool.

Fig. 2.1: Facts about Disengagement



Sources: Gallup via Employee Engagement & Loyalty Statistics 2014 by B. Carter | Office Vibe "13 Disturbing Facts About Employee Engagement", Nov-2014 | American Management Association (AMA) Database 2015

Fig. 2.2: Benefits of High Engagement



Sources: Torben Rick, Infographic 2014 | Employee Engagement 2014, Daily Infographic

### 3 Hire for Attitude and Cultural Fit

**Hiring in a Lean | Agile Enterprise is no longer about simply finding people with the right technical skills. Alternatively, they pursue people whose expertise is coupled with abilities to thrive in self-organizing, responsive teams. Their Talent Acquisition is a team-based approach; a dedicated HR team not only supports a hiring and onboarding process in line with Agile thinking but also proactively connects with talented people long before a vacancy opens up.**

Building a vigorous workforce starts with identifying, attracting, and hiring the right people. But finding top talent is increasingly difficult, which leaves organizations to deal with considerable financial impacts. [see Fig. 3.1: Hiring Challenges]

This is how Agile Enterprises get a competitive edge on Talent Acquisition:

- **Build a strong employer brand**  
Agile is a magnet for talented people. Enterprises can – and should – endorse and promote their employer brand accordingly.
- **Proactively attract & engage talent**  
Recruitment starts long before a new vacancy comes up. The Talent Acquisition team must continuously reach out and connect with interesting people to pull them into the talent pipeline.
- **Employ for attitude & cultural fit**  
Professional expertise is important, but Agile teams prosper when they hire candidates with the right attitude and cultural fit. After all, their success depends on the collective and collaborative skills of the team. [see Fig. 3.2: Interview Questions]

Fig. 3.1: Hiring Challenges

8 in 10 organizations already have difficulty filling positions.



Unfilled positions cost U.S. economy **US\$ 160 billion** a year.



Costs per hire have increased by **15%** in four years.

Source: Insight Foresight 2015, Bounty Jobs

Fig. 3.2: Interview Questions

Interview questions to assess candidate agility:

- Were you able to flex your behavior when you realized the path you were on was not working and how reflective have you been?
- How successful have you been at partnering with others to generate creative solutions and plan collaborative strategies for success?
- What have you learned from successes and failure in your career?
- How did you course-correct when encountering roadblocks?



Source: Just Leading Solutions 2016

- **Inspire candidates with a larger sense of purpose**  
Agile people need a sense of purpose. Letting candidates experience what drives the organization is the best way to inspire them. This is strengthened by being genuine and dependable throughout the whole process.
- **Make a solid, team-based decision**  
Talent acquisition is a shared responsibility, and no hiring decision should be made without the backing of the team. After all, no employee can thrive without team support. Therefore, the team must be actively included in the hiring process.
- **Excel at onboarding**  
Agile practices are unbeatable in getting new people up to speed once on board. Prior to that, however, pre-integration activities, interactions, and access to information can further enhance the onboarding experience without losing out on the otherwise idle period between contract and first day at work. Post onboarding support includes communication and touch points to avoid unnecessary hire's remorse.

A high-quality recruitment process reduces the risk of bad hires and subsequent disruptions to the flow and performance of the team(s).

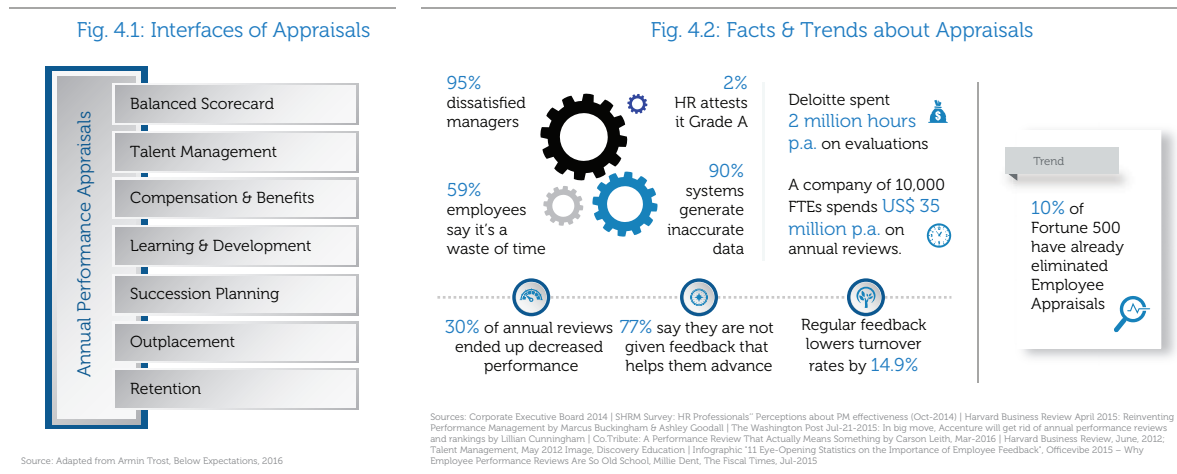


## 4 Shift to Iterative Performance Flow

Employee appraisals are undoubtedly the most scrutinized (and possibly least effective) HR tool. Lean | Agile Enterprises eliminate annual reviews and push the reset button on traditional Performance Management by shifting to an Iterative Performance Flow. Thereby, they (re-)optimize the system for optimal cadence, alignment, responsiveness, and growth while decoupling it from other HR instruments.

Performance Management is the most criticized HR process today. Initially installed to align goals and foster joint efforts, it has since become the pivotal point for HR practices like Compensation and Talent Management. [see Fig. 4.1: Interfaces of Appraisals]

Despite a long list of complaints, organizations continue to invest top dollars into a broken practice. However, the tides are shifting, and organizations of all shapes and sizes are already eliminating employee appraisals. [see Fig. 4.2: Facts & Trends about Appraisals]



Here is how Lean | Agile Enterprises move to an Iterative Performance Flow:

- **Align performance cycle with iterations**

The accelerated pace of today's business world makes it increasingly difficult to think in multi-year periods and set rigid top-down annual goals. Agile runs on an iterative, interactive process with iterations representing the new performance cycles.

- **Utilize plannings to share vision, set inspiring goals, and clarify expectations**  
Being able to inspire people is imperative. When Agile teams plan, they come together to understand the business context and vision, set and synchronize goals, clarify expectations and dependencies, and commit to the objectives for the next iteration. This replaces static individual goals with verifiable, collaborative objectives.
- **Continuously inspect and adapt**  
Agile in general and ceremonies like Reviews and Retrospectives in particular are all about inspecting and adapting. Hence, the focus is no longer on assessing individual goals but on continuous improvement – not only on a personal level but also on an enterprise level (a part neglected in traditional performance appraisals).
- **Eliminate annual performance ratings in favor of continuous feedback**  
Instead of employee ratings, Agile organizations shape a culture of mutual respect where candid dialogues and continuous feedback consistently take place between leaders, employees, and peers. This focus on relentless improvement is a key part of embracing agility and achieving its full impact. It also fundamentally increases the intensity and quality of discussions on personal accomplishments and growth potentials.
- **Embed learning and development into the workflow**  
Companies must constantly evolve, and Agile ways of working are all about learning. It gives people the time and space to improve at their pace by utilizing innovative iterations and stories like FedEx Days, Hackathons, Wicked Wednesdays, etc. This truly embraces the essence of knowledge workers and also respects the responsibility of the enterprise to create a workflow that allows for active learning and growth.

These new ways of working fulfill the original goals of performance evaluation far better than any annual appraisals. By bringing a Lean | Agile mindset to all HR practices, People Operations continuously engages, interacts, grows, and recognizes talent – without the need for an employee appraisal to act as a trigger – making annual ratings and forced rankings obsolete.

The Iterative Performance Flow is all about optimal cadence, alignment, responsiveness, and growth – not about monetary incentives.

## 5 Take the Issue of Money off the Table

**Compensation and bonuses are still used as the predominant way to incentivize and recognize people. However, Lean | Agile Enterprises avoid individual cash incentives that are toxic for their teams and instead move to more meaningful ways of reward and appreciation that acknowledge the fact that people are driven by mastery, autonomy, and purpose. They also bring more flexibility and transparency to their reward solutions and invest in the health and wellbeing of their people.**

The industrial era belief that money is the strongest (and only effective) motivator for employees is firmly rooted in many organizations. Unsurprisingly, compensation and cash bonuses are still used as predominant way to incentivize and recognize people – an expensive yet ineffective tool. [see Fig. 5.1: Reality of Money as Retention Tool]

Fig. 5.1: Reality of Money as Retention Tool



Ever since Daniel Pink's "Drive" (and decades of scientific studies), it is clear: Agile people are driven by mastery, autonomy, and purpose. Meaningful reward and appreciation for them comes in forms of pride in achievement, social contacts, interesting work, new challenges, growth opportunities, and self-fulfillment.

The way to take the topic of money off the table is by paying employees fairly and competitively and then doing whatever it takes to get them to forget about pay. This includes having open and honest communication about pay and matching compensation with adequate non-monetary reward and recognition.

Here are some guidelines to help rethink a total compensation approach:

### Base Salary

- **Pay adequate base salaries**

Roles in Agile teams are based on generic value statements rather than specific individual job descriptions. Consequently, every job is less stringent and instead requires a high degree of flexibility as well as an ability to activate and apply relevant expertise. Adequate base salaries, therefore, compensate not only the role but the person's skills and experiences.

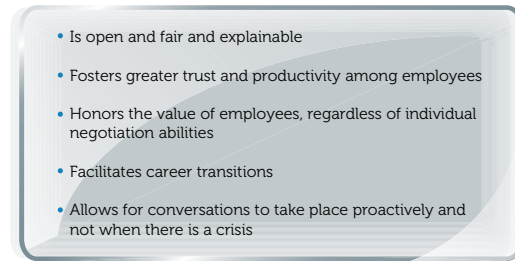
- **Decentralize salary decisions**

Compensation must be easy to deliver – and change. This means empowering managers to set salaries and pay increases. These adjustments must be decoupled from an annual

process to allow for a more flexible schedule. Leaders are guided in their decision by peer reviews and transparency as well as adequate data and expert advice provided by a specialized compensation team.

- **Bring transparency to the salary structure**  
A transparent salary structure brings many advantages like fostering greater trust and honoring the value of employees, regardless of their personal negotiation and lobbying skills. However, every company needs to evaluate (and test) carefully what degree of transparency is feasible in their environment. [see Fig. 5.2: Benefits of Transparent Salary Systems]

Fig. 5.2: Benefits of Transparent Salary Systems

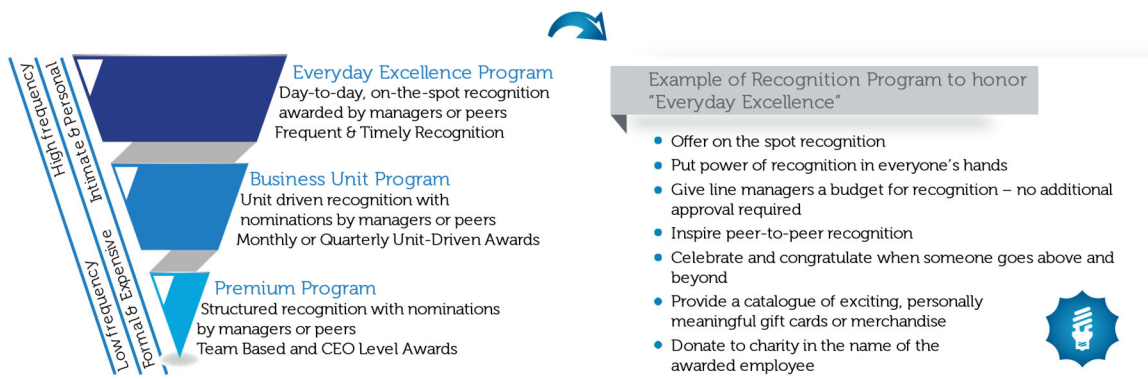


Sources: Adapted from "See What Happened When These Companies Made Their Employee Salaries Public" by Ritika Puri, Mar-2015

## Incentives

- **Avoid toxic individual bonuses**  
Because Management-by-Objectives (MBO)-based individual and team bonuses are toxic for an organization that thrives on collaboration and responsiveness, they should be eliminated entirely. On the other hand, fair and transparent incentives that honor collective performance and corporate success (for example, equity and profit-sharing plans) allow employees to participate financially in the achievements of the enterprise. Avoid incentives that might provide an undesired motivation for people to stay or interfere with the company's need to move an employee out quickly.
- **Combine various forms of recognition**  
Impactful appreciation must be aligned with corporate values. Each enterprise must find a suitable combination of low-frequency, formal recognition with more frequent and intimate personal acknowledgements. Once set, the power of recognition is put into everyone's hand. [see Fig. 5.3: Recognition Program]

Fig 5.3: Recognition Program



Sources: Adapted from Nokia New Recognition Framework, HR Tech World Congress 2015

## Benefits

- **Provide benefits that people value**

Benefits are more than pension plans and healthcare; they are about making the lives of people easier and better. Flexible schedules, remote offices, parental leave, financial guidance, time off, and unlimited vacation time are examples of tangible benefits that help people to be worry-free so they can find their optimal flow and work-life blending.

- **Invest in the health and wellbeing of people**

Companies face unnecessary “waste” in form of stress, anxiety, burnout, and chronic health issues. Investments in the wellbeing of employees is not only the right thing to do; it also translates directly into revenue. [see Fig. 5.4: Employee Health & Wellbeing]

Fig. 5.4: Employee Health & Wellbeing



7 in 10 IT workers regularly/occasionally consider switching careers due to stress.



Medical costs fall by US\$3.27 per dollar spent on wellness programs.



Annually, employers pay up to US\$300 bn in stress related health care and missed work.

Sources: GFI Stress Survey 2014; IT staff head for the exits due to work-related stress | Infographic '10 Essential Pillars of Employee Engagement', Officevibe 2015

A balanced compensation approach is part of “taking the topic of money off the table”. It promotes a broader understanding of an effective incentive system – one that appreciates the appeal of growth opportunities.

## 6 Support Impactful Learning & Growth

**Lean | Agile Enterprises are learning organizations who thrive on relentless improvement – as a company and also as individuals. They match traditional teaching methods with contemporary ways of obtaining and sharing knowledge. They provide growth opportunities across the organization, with Lean | Agile Leaders, Career Coaches, and Talent Scouts all playing a central role in shaping meaningful growth and individual career paths.**

Learning and growth have always been intertwined. But it takes on a completely new dynamic in a world of accelerating change – wherever shorter half-life of facts and knowledge are a reality.

Here are some points to guide the journey:

- **Create a learning organization**

While working is a key part of learning, Agile people must also understand how knowledge grows, changes, and is overturned. They must be given a way to acquire relevant new skills and competencies as well as the ability to transfer learning. That is why a learning organization offers contemporary learning and teaching methods, captures and distributes intellectual capital, and provides transparency and access to knowledge and skills.

- **Empower employees to take the lead**

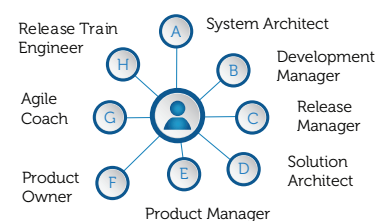
In line with the new talent contract, employees are not only empowered when it comes to their work, they are also in charge of their own development.

They access knowledge, attend learning sessions, build a network, and shape their progress and career path according to their own needs and perceptions. This journey is strongly guided – but not driven or controlled – by People Operations and Lean | Agile Leaders.

- **Illustrate prospective role-based career paths**

Modern careers are more about personal choices and meaningful growth than climbing a (rapidly disappearing) hierarchical ladder. Consequently, career paths are becoming more fluid, multifaceted, and individualized than ever before. A catalog of prospective role-based career paths can illustrate typical growth paths without limiting the options to a pre-set career model. [see Fig. 6.1: Prospective Role-Based Career Paths]

Fig. 6.1: Prospective Role-Based Career Paths



Sources: Sources: Just Leading Solutions, 2016

- **Establish individual career coaching**

A dedicated team of career coaches connects with each person individually in order to outline an individual career profile with a learning and growth plan that is continuously being reviewed and adjusted as needed.

This ensures that boosting the (internal) market value of people is always in focus. It also equips the organization with a previously untapped understanding of their talent pipeline. HR no longer depends on a rating from an annual appraisal because they know their people on a personal, authentic level.

- **Apply Agile workforce planning and talent scouting**

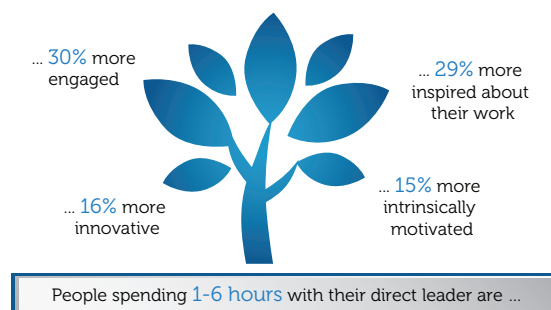
Allowing for flexible careers requires Agile workforce planning and talent scouting. People Operations must understand the organization and its changing needs and be able to positively match that with the circumstances and aspirations of the people.

- **Enhance growth through Lean | Agile leadership**

Lean | Agile Leaders are lifelong learners, teachers, and people developers. They engage in continuous listening, communication, and feedback in order to identify development areas and boost learning. These constant interactions are crucial to the success of both individuals and teams. [see Fig. 6.2: Impact of Lean | Agile Leaders]

The best leaders not only develop people, they also let them spread their wings – even if it means letting them take on a new challenge in a different role/place within the organization. While it opens up an attractive world of growth opportunities, it also boosts skill sharing and knowledge transfer across the enterprise.

Fig. 6.2: Impact of Lean | Agile Leaders



Sources: IG Leadership Survey 2014

It is the aligned and combined effort of employees, leaders, and HR that enables the organization to become a learning network with an unbeatable talent pool – the foundation of a resilient Lean | Agile Enterprise.

# Summary

The face of organizations is changing fast – and drastically. Lean | Agile reinvents the way we work and helps us build an engaged, talented, and vigorous workforce. It is a valuable stepping stone to guide your HR into the 21st Century. No matter where you are in your transformation journey towards a modern responsive enterprise, the time is right to embrace Lean | Agile People Operations and become equipped to deal with the challenges of today's organizations and people.

So, Agile Professionals: Reach out to your HR organization and invite them to Agile trainings, ceremonies, and learning sessions; and support them in bringing a Lean | Agile mindset to their People approach.

Likewise, HR Professionals: Connect with Agile teams and experience firsthand the power of Agile; and become educated and knowledgeable about Lean | Agile values, principles, and practices.

Investing in Lean | Agile People Operations is an investment in your people – in your future.





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