

# How Agile Is Revolutionizing Human Resources

*An interview with Fabiola Eyholzer*

by Melanie Haiken



For Fabiola Eyholzer, it's not a question of whether human resources (HR) departments can benefit from going Agile. It's why there are any companies left that aren't embracing this new approach to what she calls "21st-century people operations."

Eyholzer, who is Swiss, comes from a finance background but has spent the last 16 years as a management consultant, developing a specialization in HR and operations. Six years ago, searching for a new leadership model, she discovered Agile, and now she travels the world helping clients ranging from tiny start-ups to Fortune 500 companies in crafting an Agile approach to human resources.

After coming to New York in 2012 as a consultant with Kienbaum Consultants International, she founded Just Leading Solutions, where she is CEO. Eyholzer, a Certified Scrum Product Owner® (CSPO®), is a frequent speaker at management conferences, business schools, and Agile events, offering her perspective on the benefits of Lean/Agile in human resources management.

Here's what she has to say about how companies can harness the power of Agile management to deliver HR solutions in the most effective way possible.

## **Why do you believe it's so important for companies to rethink human resources management?**

Look closely at HR, and you'll soon see that how we work is rooted in the Industrial Age. A lot of the concepts are 50 and 60 years old, and just don't work anymore. Today's workplaces have lots of new problems, but we're approaching them with the same mindset we had way back then. We know that people need to be motivated, and we think we need to throw money at them to make them motivated, but that's not the mindset of knowledge workers, who are intrinsically motivated and engaged in what they are doing. Sadly, often they come to work in places that are autocratic, controlling, uninspiring — in a sense they are soul-destroying. And there is no other way to really disrupt the way you're doing things.



If you just try to tweak little things, you're not going to change things fundamentally, and you'll fail.

### What are the steps involved in an Agile transition?

It's a two-part process when we talk about Agile HR. The first part is, how do we reorganize the HR organization itself to work in an Agile way, and that usually means training HR teams in Scrum or Kanban.

The second part is transforming the solutions that HR delivers, such as how do we hire, and how do we develop people. Typically, companies start out wanting to change the way they do specific HR instruments. Maybe they want to change the way they recruit, or the way they do training and development, or the way they do performance management.

But for those, it's a deeper change — you have to have that Agile mindset. Managers have to understand that there's a fundamental misalignment between Agile thinking and traditional HR processes and procedures, so we talk about how we can disrupt that and bring in Agile thinking.

### What are some of the common obstacles and challenges you encounter?

Trust is a huge issue that comes up when translating Agile values and principles into the way things are done in an HR setting. When we make policies, we often have in mind that one person who's going to

misuse or play the system, so we build distrust into our systems by regulating them too much. We think of what works to handle that one bad apple, and then all the solutions are built around how to avoid that small percentage of worst-case scenarios.

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But we say that's not the person you're doing this for. You're doing this for the best person you ever worked with, because that's who you want in your organization. The real question is, how do we engage the people we really want? Then we'll deal with the others. It requires continually staying in the Agile mindset, and that's what we help people do.



For example, if you look at performance management, the traditional ratings system has been shown to decrease the performance of top performers by 30 percent. It's not the weak performers who drop down, it's the good ones. You build distrust into the system and then the bad effects are felt by

the good people, those you want to retain. People join companies, but they leave bad managers, and we want to turn that around.

It's understandable — HR is all about being fair to everyone, so they try to come up with a system that's fair to everyone in any situation at every time.

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But that doesn't work, because then there's no flexibility and it can't adapt.

If you look at traditional HR tools, it's all command and control, but you can't tell people you have to trust people and then throw all these forms at them that they still have to fill out. It's the opposite of Agile, and at the end of the day it doesn't work out for anybody.

## So how does Agile performance management work?

Traditionally, performance management and incentives are done individually. If you, as an employee, do XYZ, you get a review from your manager and a certain amount of money. But obviously that's not in line with Agile, which is a team-based process. And it doesn't work — surveys show that 99 percent of employees are dissatisfied with the traditional employee appraisal process.

The problem is, performance management ratings were implemented in HR basically to force managers to have a conversation once a year and give feedback to people. But you can only have so many top performers, and you need a way to differentiate.

So they went to ratings because managers didn't want to have difficult discussions, which is what would really help people grow. It was an attempt to help managers to give quality feedback, but it backfired and we all know it.

With Agile, if we have an environment in which continuous feedback is just part of how we work, then we don't have to have annual performance reviews. So then managers ask me, "Then what do I base their raise on?" I tell them the trick is not to couple feedback with HR instruments like salary increases and promotion, because it changes the dynamic of the feedback. If I know your compensation and promotion is linked to what I'm telling you, then it changes the dynamic and it's not about feedback anymore. So in an Agile system, specific feedback is not reported back to the HR world. It's about helping people grow.

When it comes to promotion, it's the same thing. If we don't have a hierarchical ladder anymore, you can't climb it. So change is really going to be about growth, and that's how you view career steps. All too often, we promote the person who's the best at doing a specific job, but that might not be the best person for interacting with people, inspiring them, and developing them. That might be a different skill set and a different person might become a successful manager with Agile.

## How does recruiting work in an Agile model?

We start out by asking managers a series of questions: How many applications do you typically get for a position? How long does it take to get someone through the hiring process? How are your hires? What's your conversion rate? And we talk about how they would define a successful result; for example, that might be improving the quality of their hires.

But it isn't just about the results, it's also about the process. So then we ask them to envision a pleasanter process, what that would look like and feel like, and explain how Agile could change that. For example, in Agile, hiring should be a team decision, not just a manager and HR deciding who to go for. Because at the end of the day, it's the team that has to work with that person, so it should be the team that decides to get someone on board.

*I want to completely reshape the landscape of HR so it will really focus on people again.*

One way to do this is to have a hiring hackathon. This is an idea that comes from the IT world when you're hiring programmers. You might have three candidates in the pipeline and you invite them in for a day, partner them up with a team, give them a challenge, and then they start coding with the team. Then you move people around so they work with different teams, and at the end, team members give feedback on what it was like working with this person.



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Team members like the process because you're actually assessing the fit. And we find candidates like it too; they go out and tell colleagues how great it was working with you and going through the process, and then they feel good about the company and the job if they're hired.

### What does a truly Agile HR system look like?

HR is often seen as the policy and happiness police. But in the beginning, HR was created to be the people's people, and we have to become the people's people again. It's how HR people actually see themselves, but they're shackled by all the processes. What you want is a lot of flexibility. HR has to be a provider of possible solutions. Employees and managers have to be able to pull what solution is best for them. It's like with learning: Not everyone learns in the same way, and we have to come up with contemporary ways of learning — one person with small nuggets, another with a coach, another does well in a classroom setting. HR is the same way, and you can only do that with high-level interactions. HR has to start building trust by really getting out there and interacting with people, beginning with when they hire people and bring them on board.

I want to completely reshape the landscape of HR so it will really focus on people again.

### What's the final message you want people to take away about the importance of introducing Agile management to HR?

We have to create amazing places for people to work, places that bring out the imagination in people and tap all that potential. Transitioning to Agile is definitely a dramatic change, but the question is, can you afford not to move in that direction? Because it's really about bringing HR into the 21st century and helping companies create workplaces where people can engage and grow. And it's not just a nice notion — this is hardcore good business, because if you have people who are engaged, empowered, and passionate about what they're doing, they're much more productive.

Engagement surveys consistently show that 88 percent of people don't have passion for what they're doing. That comes at a huge cost; \$500 billion is lost in disengagement every year. Agile is the most powerful way of working to make that change. ●



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