Which way now for HR and organisational changes?

IES Perspectives on HR 2018

Institute for Employment Studies

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We researchers can be quite an introverted and conservative breed when it comes to change, even when, as IES has been doing over the past twelve months, we are working with clients on some very lively areas. These include spreading innovative management practices, organisational and technological change, and HR function transformation.

I must preface this introduction to our 2018 *Perspectives on HR* series, with the fact that crystal-ball gazing is, I'm afraid, not an IES core competence. Workforce and HR planning, on the other hand, definitely are, and have been ever since our foundation in 1968.

Although not a subject of one particular essay, the context of high political and economic uncertainty which Brexit has helped to engender in the UK in 2018 was the backdrop and driver of much of our work and thinking in the year, most notably the two workforce planning guides we researched and wrote for CIPD (2018a, 2018b).

Engaged for success?

Our *Perspectives* in 2018 in fact contain a number of historic reflections on the evolution of contemporary employment concepts and challenges as the best, evidence-based means of understanding and addressing them in the future.

Take that slipperiest of concepts, employee engagement; perhaps the most multi-defined and mis-understood term in the whole HR lexicon.

Are we talking about engagement with the job, or to the organisation, or both?

This was the topic of Megan Edwards' *Perspectives* paper, *Bridging the gap.* The gap Megan refers to is two-fold. First is the widening disassociation between the leadership and the workforce in many organisations, as inequality has grown (OECD, 2018) and employee communications and involvement worsened. This undoubtedly helps to explain what are by international standards low and inter-related levels of employee engagement and workforce productivity in the UK (Bevan, 2018). This is a gulf that the Financial Reporting Council has been working to address, through its newly-revised Corporate Governance Code requirement in 2019, for large quoted companies to engage with their workforce more effectively.

Second is the gap Megan describes between:

■ overblown-hype and simplistic universal 'solutions' that characterise much of the $1 billion, 153 million Google-hits industry of employee engagement; and

■ research evidence and reality on what employee engagement is and how HR practices can best be deployed to nurture it to the benefit of the organisation.

The paper 'explores the theoretical underpinnings and history of engagement to establish a more robust concept for organisations to adopt and apply'. Megan's contribution to the employee engagement research evidence comes ten years after IES carried out the literature review that formed an important part of the government-backed Engaging for Success initiative. This paper's update of the research concludes, similarly, that 'there are not a definitive set of quick fixes'; but rather 'an overall package of an engagement strategy [that should be] crafted in response to the diagnostic data collected from your people […] considered within the specific context of the organisation'.

Crucially, this has to be delivered by, and be dependent on, 'the engaging manager, who has the unique role in translating research best practice into everyday reality for employees'. We will be keenly watching the effect of the new Code; and hope that this paper and the research it summarises continues to have a widespread impact, influencing and improving future corporate practice.

A healthy dose of realism on artificial intelligence at work

As with employee engagement, and Brexit, you may be equally fed up with marketing literature and hype on 'HR and artificial intelligence (AI)'. As was I, until I read Peter Reilly's paper on the *Impact of Artificial Intelligence on the HR Function*.

Again, this paper accurately challenges the breathless hype and clearly defines, and dissects, the real impact of drones, robots, driverless vehicles and the rest on national productivity and employment.

Placed in the context of fifty years of mostly inaccurate predictions of the impact of new technology, 'from wholesale job extinction through to a delightfully-leisured existence', Peter systematically considers the likely benefits and risks of AI in the next decade across the full range of HR activities. These range from improving transactional and operational efficiencies, through to enhancing the role of data-based analytics in driving evidence-led policy and HR business impact.

Like Megan's engagement paper, Peter concludes with practical tips for our clients and HR professionals on 'building a data-savvy function', while ensuring that there is 'cultural fit' and that 'systems learn from humans', as well as vice versa. His concluding quote from the truly great Stephen Hawking emphasises the importance of purpose and choice in people (as well as technology) management: 'our future is a race between the growing power of technology and the wisdom with which we use it: let's make sure the wisdom wins'.

Rewarding performance and money management?

There is wisdom aplenty in perhaps my favourite essay in 2018's *Perspectives* series, by Wendy Hirsh, on *Effective performance, development and career conversations at work*.

My first presentation at the CIPD's national conference many years ago was on performance management and, as Professor Keith Grint famously concluded then, 'rarely in the history of management can a concept have promised so much and delivered so little' (Brown, 2010).

As Wendy observes, this record of relative failure often reflects the focus of HR functions and line management training 'on the procedure (especially the form to fill in), not the practical skills needed' by managers, in communicating, coaching, developing and engaging staff through a continuous performance management process.

Here again, Wendy highlights research showing that, rather than blindly 'following the fad' of 'rating-less reviews and crowdsourced, real-time feedback', in fact these 'cutting edge practices do not necessarily replace the old formal annual performance review, but [in more effective applications] are often used alongside it'. A mix of tried-and-tested practice combined with innovation and insight.

'Back to the future' was very much to the fore in Catherine Rickard's piece summarising the practical implications of the case study research we carried out and launched in 2018 for the Money Advisory Service What Works Fund on employee financial wellbeing (IES, 2018). The roots of the HR profession lie in the welfare work and provisions of philanthropic, forward-thinking Quaker businessmen; and IES has been researching the links between financial wellbeing and employee performance for the last decade.

Almost more concerning than findings on the extent of financial and debt problems being experienced by a growing proportion of UK workers (only 28% have a savings buffer equal to three month's income), was that:

'While we found many HR functions keen to meet and get involved, their senior management teams often remained resistant and reluctant to take it any further.'

The current low incidence of financial wellbeing strategies (only evident in a tenth of employers) and employee financial guidance (not provided by two-thirds of employers) does, however, seem set to shift. It was on the future HR agenda of more than half of employers surveyed by Willis Towers Watson (2017); and, in this first year of the UK's new Single Financial Guidance Body, remains very much on IES' research and consulting agenda.

The last decade has been a tough one earnings-wise for the majority of the UK's workforce. We have seen a scale of real-pay cuts probably not experienced in this country for more than two hundred years. My own paper giving an overview of the key lessons and trends in pay and rewards, '*Fairness, Flexibility and Affordability*' concludes that too many employees have suffered from employers' over-emphasis on these latter two 'market-driven' criteria, with widespread and damaging effects on our society and national productivity. The last twelve months has seen the, perhaps long overdue reaction, of a

renewed emphasis on the 'fairness agenda'. This is most evident in legislation ensuring that employers address low pay and their gender pay gaps, and is quite apparent in the growth of IES' job evaluation and pay progression work.

This rebalancing is continuing in 2019, with legislation likely to curb the excesses of the gig economy and extend pay reporting to cover ethnicity, and possibly disability too. Meanwhile, IES will be carrying out both research and advisory work linking government policy and employer practice in this critical area.

HR and organisational change

In this uncertain and shifting environment that is buffeting employers and employees, it was perhaps hardly surprising that one of our *Perspectives* papers this year focused on the topic of *Change capability in the agile organisation.* Authored by Alison Carter and Sharon Varney, leading consultants in the field and insightful IES experts, the paper offers key content and lessons drawn from IES events, research and consulting assignments.

Here again, although 'every which way you look, organisations are being urged to embrace "agile"', the authors put an evidence-based reality check into the process. The paper notes that, while 'the vision of a fast-moving adaptive organisation is appealing, most organisations have quite some distance to travel to achieve such a vision', and the majority of them fail.

So far, we have learned that that journey depends on 'making the human aspects of change […] a particular target for attention' and better understanding both 'the conditions that contribute to change-readiness at the team level; and […] the personal attributes that help teams change'.

My own favourite amongst the many nuggets of wisdom from the research contained in this paper is their final observation: 'agile usually means doing more innovation relative to daily routine operations', the two in parallel and in an appropriate balance, not one or the other.

As IES' work for the NHS has highlighted, 'developing […] tools for negotiating the sometimes difficult processes of change is important but doesn't always require inventing something totally "new" or from "outside"': answers will often 'already exist under your radar, within your organisation'.

Change, reward, engagement, wellbeing, AI, performance management, talent, and learning and development. Quite a list, and plenty for HR professionals to dig their teeth into, for what are set to be equally testing times for UK organisations, and their workers, in the coming years.

As always, if you'd like to discuss how you can integrate any of the learnings from these papers into your HR and people management activities, please get in touch.

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6   Which way now for HR and organisational changes?

Effective performance, development and career conversations at work

Wendy Hirsh

This paper takes a critical look at the widespread exhortation that managers should have more frequent and more effective conversations with employees about their performance, skills and learning, potential and career development. It's all very well to tell managers to have such conversations, but what do effective discussions in these inter-related areas of people management look like and how do you make it easier for managers to conduct more of them?

> *'Let us make a special effort to stop communicating with each other, so we can have some conversation.'*

<div align="right">attributed to Mark Twain (Martin, 1979)</div>

HR is certainly telling managers to have more 'conversations' with their staff, and who would argue with that? But the modern workplace seems designed to discourage the essentially human habit of using discussions to find out what's going on, resolve issues, get advice, give encouragement and agree what we need to do. Formal meetings clog up managers' diaries, so that when they do meet with the people who work for them the conversation can feel rushed and superficial. The time in between meetings, when managers could be 'walking the talk', is too often eaten up with emails.

We know from a Work Foundation study led by Penny Tamkin (2010), that leaders who achieve outstanding business results put conversations right at the heart of how they organise their working day. They see conversations as the most effective way of getting things done. They decide who they need to touch base with and what they are seeking to get out of the numerous, often informal, conversations they initiate every day. 'Talk is work' is how one of these leaders put it.

Such conversations are often about work performance, nearly always with the aim of improving the individual's ability to cope with a particular issue, person or situation. This often means finding out what is worrying them. We are anxious when we may not have the skills or experience to execute a task, but we also worry when we feel generally stressed or when a relationship with someone is upsetting us, or when we have problems outside work. Effective leaders do not let worries fester. They also spend a surprising amount of time and effort understanding and supporting the career aspirations and interests of the people working for them and those they mentor, understanding the motivational power of giving personalised career support. Team meetings are conversations too; effective leaders use them more for discussion and for generating ideas than for top-down communication.

What are effective conversations doing?

There is a strong academic consensus about the ways in which effective performance and development conversations can lead to improved and sustainable organisational performance. Essentially these conversations are activating four main levers, all of which apply to talent and career conversations too:

■ **Alignment and goal setting** helps the individual employee understand what is expected of them and aligns their individual work priorities with business needs, often via understanding team or unit priorities. Business alignment is in itself important, but goal-setting can also be intrinsically motivating, especially if employees have a significant input into setting their own goals or priorities (Locke and Latham, 1990). This applies to development and career goals as well as to performance priorities. SMART objectives, beloved by HR, are not the only way of expressing goals and, indeed, do not work well for either very routine jobs or extremely open-ended ones.

■ **Constructive feedback** helps the individual know how they are doing. It gives recognition for work well done, which is so motivating to receive. It also explores what is not going so well, and what the individual can do to improve. Constructive feedback is also central to career or talent conversations. Some people under-estimate the potential they are showing at work relative to their peer group. Others start applying for promotion way too early or before they have thought about what kind of role will suit them.

■ **Agreed skill and/or career development actions** may not come out of every conversation, but they are central to improving the employee's business contribution. Effective performance management is essentially developmental in nature (Fletcher, 1995). Development certainly includes skill acquisition but also the application of skills, behaviours and know-how to tasks or situations. In effective talent management, the organisation needs to support the employee in agreed career development actions, often by facilitating access to relevant work experiences (Hirsh and Tyler, 2017). Agreeing actions is often a useful way to conclude a conversation and the next conversation should follow up what was agreed.

■ **Motivation through individual attention and exploration.** In addition to the three levers above, effective conversations make the employee feel attended to as an individual. This in itself is motivating, as Likert (1959) explained nearly sixty years ago. More recently, West and Dawson (2012) found that poorly conducted appraisals left NHS staff feeling less engaged than having no appraisal at all. So how a conversation is conducted is just as important as what it covers. Whether the conversation is about perceived poor performance or identifying the next step for someone seen as having high potential, it needs to be particular to that employee at that moment and relevant to their situation (Cederblom, 1982). Likewise, we all need to feel that we have been listened to. Good conversations often have to be quite exploratory to get to the bottom of a performance issue, understand a source of anxiety, or explore an individual's career options (Kidd, Hirsh and Jackson, 2004).

'When somebody comes in to see you, they have to leave your office feeling better than when they walked in. That can actually be quite complicated to achieve, particularly when they come in with problems, or you may even not be happy with their performance. But you have to make them feel that they're in a better place at the end of the discussion than when they arrived.'

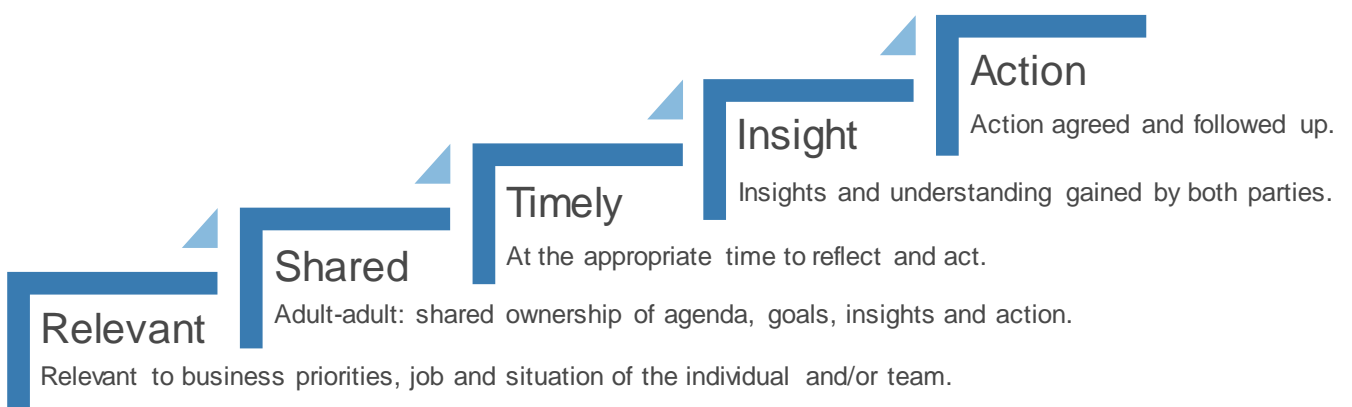Line manager in Hirsh and Tyler, 2017

Not all of these four levers will be equally relevant to every effective performance or development conversation, but managers who understand them are better placed to facilitate useful conversations, and respond to what the employee is saying and feeling.

How are effective conversations conducted?

Having established what we are trying to achieve in these conversations, what do managers and employees need to know about how to behave and what to bear in mind to make a conversation effective?

The STAIR graphic below (albeit with initial letters not quite in this order) shows five characteristics of effective performance and development conversations for managers and individual employees to remember. These features emerge from IES' experience in our research, consulting and training for line managers, and also from literature reviews including Bevan (2014), Cappelli and Tavis (2016) and Gifford (2016). Several of these key features are both cognitive (in our heads) and behavioural (what the other person sees and hears). For example, sharing ownership is both a way of thinking (eg aiming for win-win outcomes) and also a way of behaving (eg encouraging the other person to suggest ideas and listening with interest and respect). Several aspects of this model are embodied in coaching, but not all managers know what we mean by asking them to behave as coaches. Also, managers are bringing information and their own observation of the individual to these conversations, which is not always the case in coaching.

Features of effective performance and development conversations

Action
Action agreed and followed up.

Insight
Insights and understanding gained by both parties.

Timely
At the appropriate time to reflect and act.

Shared
Adult-adult: shared ownership of agenda, goals, insights and action.

Relevant
Relevant to business priorities, job and situation of the individual and/or team.

Source: Hirsh, 2017

Starting at the right-hand end of the framework, effective conversations nearly always lead to action. This might be considered obvious in conversations about job performance, but turns out to be the case for effective career conversations too, which typically prompt a range of actions on varying timeframes (Kidd, Hirsh and Jackson, 2004). In order to get to agreement about relevant action, effective conversations bring fresh insights to the employee and the manager (or the other person the employee is talking to). Such insights are more likely if conversations are relevant and timely, with genuinely shared ownership. Two consenting adults are a minimum requirement – not one reluctant manager and a stressed employee or vice versa. Semi-formal conversations, like regular one-to-one meetings, lend themselves to mutual agenda-setting and can be flexible in addressing a range of issues and actions over time.

Six routes to more effective conversations

If the HR profession is serious about more effective conversations at work, then it needs to concentrate on what helps these happen and get some of its own bad habits out of the way.

1. More frequent one-to-one conversations

As we all know, saving everything up for a once a year 'big bang' flouts the principle of continuous improvement and development, which requires timely feedback and support. The very simple idea of regular 'one-to-ones' has helped many organisations embed relatively more frequent work-related conversations between employees and their managers.

One-to-ones are more than a chat, but not so formal that they constrain the conversation or feel intimidating. What we might call 'semi-formal' conversations are often just right for addressing performance and development. If one-to-one air time is planned in, it becomes easier to use different occasions for different purposes. One-to-ones don't have to be face-to-face. Once you know someone, a phone or video call can be very effective. One-to-ones also encourage the giving of feedback as events happen. This can be through a quick word face-to-face or on the phone, via email, or an app. Once we talk a bit more, it just gets easier to raise issues whenever we need to.

Some organisations invent their own terminology for regular one-to-one conversations. We have worked recently with a company using the term 'check-in' for conversations of different kinds. For example, they have a suggested career check-in agenda which is different from a performance check-in. Managers can spread different check-ins across the year with each member of staff. 'Check-ins' sound both quick and focussed, but not too formal. This suits this organisation's busy frontline, shift-working environment.

HR needs to lighten its design of more formal performance and/or development reviews. Some organisations are completely dropping the formal annual performance review. Where the annual review remains, more frequent one-to-ones can make its agenda less complicated and its documentation less time-consuming.

2. Don't cram talent management and career development into a formal performance review conversation

It is natural for performance conversations to include identifying action areas for performance improvement and, therefore, skill development needs related to the person's current work. It often takes a follow-up conversation to turn those action areas into specific ways in which the skill need will be addressed and to identify who will help with this.

It is a step further to start talking about an individual's potential and their career development. It is simply not useful to try jamming the whole skill and career development agenda into the back end of a formal appraisal meeting. Time is running out, both parties are tired and maybe not feeling all that positive. This is not a good moment to say 'so where do you want to be in five years' time?' Showing someone a nine-box talent grid at this point is even worse. Better perhaps to find out if that person does want to talk about their career next steps and then fix this follow-up conversation for another day.

Employees do need the chance to discuss their careers and to get feedback on how their potential is perceived, but they need this conversation when it feels relevant, rather than in April.

3. Get the form out the way

If people think the purpose of a performance and development conversation is to fill in some paperwork to placate HR or senior management, its value evaporates. If you are saying that the conversation matters, try structuring conversations around simple questions, not headings on a form. It does the same job, but feels less like administration and data collection.

Make it a golden rule only to ask people to record information that someone will use, and be clear who will be able to see it. Don't measure the effectiveness of performance management by how many forms are filled in. Use pulse surveys or your regular employee attitude/engagement survey to find out if employees have had conversations about their performance, development or careers and ask them how useful these conversations have been.

4. Harness the power of team discussions

It can be more efficient and more engaging to set priorities and identify areas for improvement and development at team level. It takes some of the load off one-to-one conversations and also leads to more effective communication and participation within the team. Again, a simple question-based set of prompts for managers can aid team conversations and help connect them with one-to-ones.

5. The line manager is not the only person to talk to

HR has got into the lazy habit of assuming that performance, development and career conversations should be predominantly between the employee and their line manager. However, the line manager is not the only, or necessarily the best, person to give an employee performance feedback and recognition. Hence the recent interest in 'crowdsourced feedback' (see box on p7).

Likewise, the manager is not the only person to talk to about development. We know that peers and subject-matter experts may be best placed to deliver on-the-job coaching. Senior leaders can be especially valuable for career conversations and to act as mentors and career sponsors. They are also likely to be involved in talent or succession forums and are often well placed to spot opportunities for lateral moves, projects and so on. HR professionals, especially business partners and those working in learning and development roles, should have the knowledge and skills to give well-informed and relatively impartial development advice.

HR needs to get its head around identifying and explaining more varied sources of development support and not just pretend that the line manager can do it all.

Gerry Ledford and his colleagues at the Center for Effective Organizations, University of Southern California, have been researching changing practice in the field of performance management (Ledford et al, 2016). In particular they have looked at the effectiveness of combinations of what they call 'cutting-edge practices': ongoing feedback, ratingless reviews and crowdsourced feedback (getting real-time feedback from a wider range of people). These practices do not necessarily replace the old, formal annual performance review: they are often used alongside it. Ongoing feedback through more frequent conversations takes centre stage in organisations adopting newer approaches. However, it is interesting to note that getting feedback from a wider range of people turns out to be important too. Ledford notes that 'the combination of ongoing feedback and crowdsourced feedback is more effective on many outcomes than either ongoing feedback alone or ongoing feedback plus ratingless reviews.'

6. Stop calling conversations 'difficult'

Asking managers to have 'difficult conversations' is a bit like asking someone to come with you on a horrible holiday. Why would you do it? Conversations with some people in some circumstances can be difficult, but many discussions about performance and development are interesting and satisfying. There are often no right answers, so these conversations should not feel like a kind of test for the manager. It's not the manager's job to fix everything. It is their job to let in a bit of light and air and attempt some shared problem-solving, not just with the individual employee but with others who can help too. At a more basic level, if managers simply show interest, normal human concern, give thanks and a helping hand when needed, we would be talking less about burn-out, disengagement and other contemporary ills.

'People are frightened of having a career conversation … but at the end of the day it's just about having a conversation with another human being.'

HR Director in Hirsh and Tyler, 2017

Treat conversations as an aspect of culture change

The kinds of conversation we have been describing here are a gateway to a culture that has a stronger and more continuous focus on improving performance, enhancing skills and helping employees make the most of their potential. So if we think about these conversations as manifestations of organisational culture, we are more likely to remember to do the things that we know reinforce any culture change. These are communication; training; monitoring; rewarding the desired behaviours; assessing relevant capability and attitudes in recruitment and promotion; and modelling by senior executives.

Managers are often trained in performance management, but this tends to focus on the procedure (especially the form to fill in) not the practical skills needed for effective conversations and how to follow them up with actions. Some managers are now being trained in coaching skills, which is a big step in the right direction, but it is still rare for managers to receive training in how to facilitate an effective career conversation. Individual employees are less likely to be trained than their managers, but we all need the skills to manage our own development and careers.

As mentioned above, monitoring how many appraisal forms or personal development plans are filled in online, does not tell you whether they are doing any good. Better feedback is obtained by including specific questions about this in staff attitude or engagement surveys, or in quick polls. We could also be giving feedback on the frequency and quality of conversations via a phone app or social media.

We know role modelling from senior leaders makes a difference. We should expect them to be mentioning their own one-to-one meetings; the things they are trying to improve, both individually and as part of various teams; their own learning priorities; and who has helped them in their own career. Most importantly, they need to stop promoting people who fail to support and develop other employees.

So, is this the year when you will be able to say that you have had really useful conversations about your own performance, development and career? If you manage other people, will they say that you are a really useful and motivating person to talk to? If you work in HR, try asking employees and managers whether you and your function help them to have more effective performance and development conversations at work. Then act on their replies.

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Change capability in the agile organisation

Alison Carter and Sharon Varney

It seems that every which way you look, organisations are being urged to embrace 'agile'. The May-June 2018 cover feature of the Harvard Business Review 'Agile at Scale: How to create a truly flexible organisation' (Rigby, Sutherland and Noble, 2018) argues that some companies, like Spotify and Netflix, 'were born agile and have become more so as they've grown up' whilst the rest of us have to make the transition from traditional hierarchies to more agile enterprises. A new book The Agile Organization (Holbeche, 2018) focuses on becoming sustainably agile, innovative and resilient whilst simultaneously enhancing employee engagement.

There are numerous examples of established organisations that have struggled or failed to adapt effectively: most recently Marks and Spencer and Toys R Us. The vision of a fast-moving adaptive organisation is appealing but IES experience indicates that most organisations have quite some distance to travel to achieve such a vision. This is particularly evident when it comes to the challenges thrown up by large-scale change (Bevan, Plsek and Winstanley, 2011). Many strategic change initiatives fail: most often because of the 'people dimension'. Seventeen years of IES research into employee engagement (eg Marvell, Robinson and Hirsh, 2014; Tamkin and Robinson 2012) has consistently shown that it's all too easy for front-line staff to feel that change is being foisted on them, and for employees to suffer 'change fatigue'. Making the human aspects of change, rather than the organisational impacts, a particular target for attention is crucial to the success of change initiatives.

IES argues that developing change-readiness and change-capability is crucial for organisations on their journey towards 'agile'. With that in mind, a current joint IES HR Research Network and Henley Forum research project is exploring questions around developing change-capable teams from two perspectives: firstly, the conditions that contribute to change-readiness at a team level; and, secondly, the personal attributes that help readiness and capability of teams. Working in partnership with organisational change practitioners from nine organisations, we expect the project to improve understanding about the practical levers that can help organisations introduce and embed change.

This article presents emerging thoughts on the topic.

Why focus on teams?

Work teams, abundant in almost every organisation, are often overlooked. Yet teams are not merely an administrative convenience, they are often the primary unit of production in organisations and therefore key to meeting performance goals and strategic objectives.

Agile organisations need to keep their teams performing at a high level, especially during periods of turbulence and change.

What do we mean by 'change-capable'?

The term 'change-capable' has two meanings in this context.

Firstly, change-capable is having enough people who, as a team, are adaptable and responsive to changing situations. It is not the same as being blown about by the winds of fate. It is the psychological flexibility or 'mindset' to react and change swiftly in response to decisions or changing circumstances. Some might think of it as a passive capability in that teams or individuals can change, not that they will change. It is an important capability: an agile organisation is only agile if its people can change energetically and quickly and without shock to its component parts. Organisational resilience in the face of crises and problems is a benefit of this.

Secondly, change-capable is a longer-term organisational process and 'skill-set' to anticipate when change is needed and to be able to carry it out. Change-capable here is an active process: consciously creating a plan and enacting it if it needs to do so. The hallmark of a strong, agile organisational structure is one that's ready to respond intelligently and swiftly when required.

An agile organisation needs to be change-capable in both senses described above. However, organisations and teams can become arthritic as they grow older (and often bigger). Arthritis limits agility. The vitality needed for change can be leached away as an organisation grows 'comfortable' in its particular niche within a wider society or context. Without disruptive market conditions or other external pressures (regulatory, technological etc.) for major change, there is less likelihood of change and less opportunity to test or practice change capabilities.

Why is introducing and embedding change difficult for organisations?

Change brings the new, the unknown and (possibly) the threatening. Resistance to change can have deep roots and valid causes. This can bring about inertia against change in teams, and cause even the most (theoretically) agile of organisations to lose its (imagined) agility. IES argues that there is a need to recognise that change fatigue is real and that putting the human and emotional aspects of change at the forefront, is crucial to the success of any change initiative.

Rational versus emotional

The failure rate of change initiatives is estimated to have remained constant over the last 40 years (Bennett and Bush, 2013) suggesting organisations haven't been learning from past mistakes. Historically, ineffective leadership or poor implementation has most often been blamed for failure but a growing number of researchers suggest employee attitudes

toward change are a factor affecting the success of organisational change efforts. According to psychologists Vakola and Nikolaou (2005) attitudes towards change in general determine whether change can be 'received with excitement and happiness or anger and fear'. In practice, therefore, the way employees feel about change at work may be influenced more by their own attitudes towards change in general rather than the merits or otherwise of each/any specific change coming down the track. In his seminal book on covert processes at work, Marshak (2006) argues against too much rationality and logic:

> *'1. Most change agents rely primarily on rational approaches to foster organizational change.*
>
> *2. Most change initiatives actually involve significantly non-rational dynamics and processes.*
>
> *3. Most change agents still insist on operating as if organisational change is a purely rational process.'*

<div align="right">(Marshak, 2006)</div>

Spending time working with teams and individuals on their openness and readiness for change may be worthwhile for organisations as the evidence shows that positive attitudes towards change are related to positive work outcomes (Chih, Yang, & Chang, 2012; Giauque, 2015) and help attain organisational goals and succeed in change processes (Eby et al, 2000). Increased awareness about one's own reactions to others and situations also mitigates against 'mindless' behaviours, where people function on auto-pilot, which has negative consequences when it comes to change (Aviles and Dent, 2015). As part of our IES/Henley Forum project, our nine organisational collaborators are experimenting with an evidence-based survey and discussion tool newly-designed to assess the extent to which key teams are 'ready for change'.

The 'good enough' mantra

IES has previously argued that organisations exist within an ecosystem (see Carter, 2017) and there is an inevitable tendency for 'survival of the good enough' to replace 'survival of the fittest'. In quasi-evolutionary terms, there is no pressure to adapt further if an organisation is good enough for the conditions it currently faces (at this point evolutionary biologists are grumbling mightily about the analogy). To be strictly accurate, organisations are probably more Lamarckian than Darwinian. If organisations learn from their previous experiences, the offspring (the new organisation structure) should have the learned characteristics. If it doesn't, the leaders haven't been paying attention. The 'good enough' mantra discourages spending time, effort and money on change but can also be a cover for resistance to change, from the board to the shop floor.

Inertia

Change weariness can afflict even the most dedicated of teams and individuals, particularly if there is a constant cycle of changes with no chance to judge the success or

failure of current change iteration. To those at the sharp end, it can feel as if change for the sake of change has become an organisation's mission, if changes are not given chance to play out and the results become known. Change fatigue is a drag factor, a friction, on any change.

Teams and individuals may also experience change wariness. To leaders, a previous change might have been viewed as entirely or broadly successful; the view from within delivery teams might be very different. Front-line staff interviewed by IES over the years have often described past changes which met official outcome objectives as abject failures in terms of leaving teams at the sharp end without the people or resources to deliver expected outputs. If a team perceives the last change as a mess, why will things be different now?

A track record of not 'doing change' very well can be an organisational albatross, one that not even hiding behind management consultants and temporary 'implementation leads' will disguise.

Improving change capability

There are ways to mitigate these problems. Let us now consider them.

Listening and feedback mechanisms

Communication should work in both directions: leaders also need to listen. If organisations are a form of organism, then the organism that doesn't listen to pain signals coming back to its brain could suffer horribly, and may even die.

In IES' experience of working with organisations on employee engagement and change, a period of facilitated reflection on previous change is usually extremely helpful. When it comes to readiness for change in general, consider for yourself one recent exercise refined as part of our IES/Henley Forum Change ready, change capable teams research project. Think of a time when you felt most ready and able for change at work. Specifically what it was about 'you', 'your team', 'your organisation', the 'situation' which made that possible? Then think of a time when you felt least ready and able for change. Specifically what it was about 'you', 'your team', 'your organisation', the 'situation' which made that possible?

Exercises similar to these can be very useful as a precursor to a team discussion about what the team itself wants to do differently when the next change comes along. If possible, conduct change-ready sessions with intact teams so they can identify new skills, behaviours or ways of organising themselves which will be useful for the next specific change.

At a generic level, the learning from these reflective exercises can be useful for individuals (whichever team they may be in when the next change lands) and for all team leads. As long as the learning is captured and disseminated in some useful way, this is organisational learning in action. Agile organisations need to learn from past mistakes and successes.

Visioning

When it comes to introducing a specific change, research suggests that there needs to be a compelling vision for change that explains why the future changed state will it be better than the status quo (Bevan, Plsek and Winstanley, 2011). IES suggests that this vision needs to be felt by staff at an emotional level: it's not enough for it to be described only in terms of its rationality. Using a customer or employee 'story' illustrating how things will be better can be useful to connect emotionally with people. If your favourite story isn't engaging people, find another description for what the change can achieve. Local champions, line managers or mentors can all offer support to identifying which messages might work best for which audiences.

Reframing task for specific teams

In one organisation IES worked with, the goal given to a team to 'implement x change to achieve y business outcome' was reframed by the team as 'how best to support our colleague, who struggles with change, and our customers and each other as we make this work'. This 'reframing' of the purpose and task shifted the dynamic within the team to a more generally positive atmosphere: previously neutral people were convinced to help and the new task seemed simpler (less uncertainty) and more within their own control (more autonomy). Interestingly, this resonates with research evidence from neuroscience which tells us that the brain seeks to minimise threat and maximise reward. This is important for leaders who want to understand and get the best out of their people, maintaining engagement levels and a focus on the task in hand during the whole change process. Scarlett (2016) summarises the conditions that do this as SPACES as reproduced in Figure 1.

Figure 1: SPACES

Source: IES adapted from Scarlett, 2016

Embracing the grit in the oyster

There is a role within a change process for a heretic, the unorthodox thinker who does not toe the party line who tasked with asking awkward questions before and during a process of change. Doubts expressed early on can then be addressed before they turn into major problems. The heretic will be an annoyance, an irritant to the change process. Their role is to help: problems spotted early are problems that can be avoided in the change process. The irritant, the grit in the oyster, is what lies at the centre of every pearl.

Spotting a pitfall and avoiding it is a prime example of the usefulness of approved heresy, but it will only work if an organisation is agile enough to react to the heretic's warning.

Developing agile-smart leaders

Leadership is about creating the conditions for people and organisations to succeed and achieve significant goals, so it's worth reflecting on what agile means for leaders. From a macro perspective, research has considered the organisational approach and the capabilities needed by top executives and others in order for firms to achieve organisational adaptability (often referred to as ambidexterity).

Birkinshaw and colleagues (2016) suggest that there is no universal set of dynamic capabilities which can help firms adapt to change that is 'discontinuous' rather than incremental (Birkinshaw, Zimmermann and Raisch, 2016). Within the context of an agile organisation, Holbeche (2018) reinforces the need for leaders to pay attention to teams:

> *'Leaders must keep sight of the importance of teamwork, flexibility, agility and broad vision in local optimization and to prevent siloes.'*

(Holbeche, 2018)

Pendleton (2018) uses the analogy of a jazz band in describing the team leadership challenge to create agility. He proposes that the challenge for leadership development in creating organisational agility is to focus on equipping leaders with the full range of leadership skills that can be used if and when the situation demands: the ability to evolve, rehearse, experiment and improvise. He explains thus:

> *'Leadership has to be fluid, allowing specific people to lead when they have the key skill and then step away from leadership to make room for other contributions. Leading and supporting take turns and both matter.'*

(Pendleton, 2018)

What else can HR do to increase organisational agility?

This is the question at the heart of IES' Annual Conference in October 2018 where we invite HR, OD, leadership and change leads to join our expert speakers in discussing how we can become change-smart in a fast-moving world. We aim to drill down in particular into workforce planning, leadership development, engagement and managing talent for

uncertainty and agility, and share the progress of our organisational collaborators in developing change-ready, change-capable teams.

In the meantime, there is a clear role for HR/OD/change leads in helping the wider business to understand what constitutes change-capable teams. Without change-capable teams, an organisation will be agile in name only. In practice, what change-capable means in a specific context may not be clear-cut at all to team members or team leaders. HR specialists can find it useful facilitate conversations within their organisations about creating more agility: What is currently helping/hindering and what might we be done to accelerate the process?

Reinvigorating efforts to develop a learning culture would seem called for in supporting the basic building blocks enabling agility: people being open to new ideas and ways of working; feeling comfortable bringing up issues openly and honestly; valuing time for reflection; knowledge sharing; learning from past experiences; and encouraging multiple points of view. For an organisation whole system with the capacity for identifying and addressing difficult and unexpected challenges, specific training, coaching, change championing or other initiatives need to be backed up by an organisational learning culture (Carter, 2017).

Corporate/HR systems, organisational culture and working practices all need to enable employees to adjust to new ways of working and to acquire new skills. Holbeche (2018) recommends shifting performance management from short- term to longer-term approaches and fresh approaches to talent management.

In the ever shrinking spaces between big change interventions, HR functions might usefully test some interventions with business-critical teams which have the potential to deliver on the promise of improving the basic skills and mind-sets needed for change. For instance, IES has already experimented with organisations to utilise a range methods directly in support of change, eg appreciative inquiry (AI), visioning, co-production and high-involvement working practices. In the context of seeking to improve change-readiness in general, IES (jointly with Cranfield University) experimented during 2017-18 implementing a novel mindfulness-based training intervention for teams in UK Defence. Within the health sector, IES has supported the evolution of a health coaching approach since 2013. Initially co-created by a GP and a training provider as a skills-based training programme to support a specific change in individual working practice (often within an individual clinician's own control), it has grown as a social movement though peer-to-peer recommendation. To embed it within an NHS setting and to get full benefit from its potential to change the health outcomes for patients, it has subsequently been adopted/sponsored by some top leaders within the NHS. Scaling up this change requires leadership and an evidence base. Developing models and tools for negotiating the sometimes difficult processes and outcomes of change is important but doesn't always require inventing something totally 'new' or from the 'outside'. As in the previous NHS example a possible answer may already exist, under your radar, within your own organisation. Scaling up is not an easy task nor necessarily cheaper; but it might be context sensitive and therefore an easier 'sell'.

(Two) frequently asked questions

IES is often asked two questions when it comes to agile. Firstly, whether an organisation's adaptability is merely the sum of its employees' resilience and agility. IES argues (and other researchers seem to agree (eg Lucy and Shepherd, 2018)), that organisational adaptability and resilience is not just the sum of agility and resilience at the individual level: this is a necessary first step but is on its own insufficient.

Secondly, we are asked whether everyone has to be 'agile'. We say 'no' and suggest a targeted approach. Agile usually means doing more innovation relative to daily routine operations. New products and new processes should come on-line faster in an agile organisation and be more responsive to customers; that's the aim but quality control of today's outputs is still important. Do leaders at every level need to 'get' agile? Yes, if you want to make agile the 'business as usual', but not every team and every employee and not all at the same time.

Conclusions

Unless employees and teams are change-capable, the journey towards an agile organisation is unlikely to succeed. Organisations can provide the necessary resources for agility (including the necessary knowledge, skills, equipment and a culture of learning). Whilst this is an essential pre-requisite, we argue that these resources on their own are insufficient. The addition of collective change-readiness and change-capability creates the optimal organisational state for organisational agility.

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Building the business case for employee financial wellbeing

Catherine Rickard

IES has been researching the links between financial wellbeing and employee performance at work for almost a decade. Indeed, we conducted one of the first surveys of employee financial wellbeing in the UK in 2009 (Cox, Hooker, Markwick, 2009). Unfortunately, over that period, the extent of financial problems suffered by people in the UK has grown, with a substantial proportion of people facing increasing financial challenges and risks (Cox et al, 2017). Employee Assistance Programme helplines seem to be evolving into debt management and tax support and dealing with the related stress, and the associated 'scary statistics' are probably well known to this audience by now: 40 per cent of adults say they are not in control of their finances (MAS, 2015); only 28 per cent of people have a savings buffer equal to three months' income (MAS 2015); and a third of employees' state financial worries are their biggest concern (Neyber, 2017), affecting sleep patterns and ones performance at work.

Despite the spark in interest around employee financial wellbeing over the last couple of years – indeed, the government-backed Money Advice Service (MAS) launched the UK's first Financial Capability Week in 2016 – there still seems to be a lag in employers taking action to support their employees' financial wellbeing. Only about 10 per cent of organisations have a financial wellbeing strategy and over two-thirds do not offer any form of financial guidance (Thomsons, 2018). Despite this, research indicates that the implementation of financial wellbeing programmes is on the corporate agenda of more than half of organisations within the next three years (Willis Towers Watson, 2017), so perhaps we will begin to see some positive change.

In soliciting participants for our latest MAS-funded research study, we found many HR functions keen to meet and get involved, whilst senior management teams remained resistant and reluctant to take it any further.

Previous research by IES and the CIPD (Cox et al, 2017) highlighted that poor financial wellbeing impacts on employees' health in terms of poor psychological wellbeing, higher stress and anxiety levels, and lower levels of good health. This in turn impacts organisational productivity in terms of poorer job performance, short-term decision-making, a reduced ability to concentrate, lower productivity and absenteeism. This suggests that involvement in employee financial wellbeing could contribute to higher organisational performance and productivity.

Employers have a pivotal role in improving employees' financial wellbeing as reward and access to benefits form the most important foundation for employees to manage their financial situation. HR is also perfectly placed to secure preferential deals on key benefits

for employees such as retail discounts and private medical insurance; and the internal communication network in an organisation provides an existing and potentially effective conduit for financial education and information (Cox et al, 2017).

In January 2017, IES and the Chartered Institute of Personnel and Development (CIPD) launched the IES/CIPD financial wellbeing practical guide for employers (Rickard et al, 2017). This guide is designed to help promote and guide effective employer actions in supporting their employees' financial wellbeing. In the 18 months to June 2018, IES tested the key stages of this guidance, with financial wellbeing support being delivered to employees in two large public sector organisations, with funding from the Money Advice Service's What Works Fund.

The project aimed to build a business case within each organisation for supporting employee financial wellbeing; assess the level of support needed by employees through the launch of a baseline employee survey; and assess the effectiveness of actions taken.

Build a business case

The key findings from the study highlighted the role of HR in building a business case for supporting their employees' financial wellbeing. The study found that building a business case has to be the very first stage in the journey for organisations to help their employees make better financial decisions. For key stakeholders to understand and value the need to support employee financial wellbeing, the business case must be specific to the organisational context, as even in working with large reputable employers where HR staff were supportive of wellbeing initiatives, the research highlighted the potential difficulties of 'selling' the business case at senior levels. Without their endorsement for activity in this area, it is clear that any financial wellbeing strategy HR may wish to implement will not be realised.

Making the well-evidenced links in the business case between improved financial wellbeing and improvements in productivity, employee engagement and improved corporate social responsibility reputation can help to capture senior interest and buy-in for engagement in employee financial wellbeing support. Any desire of the organisations to be seen as 'leading edge' on this and to strengthen their employment brand was also seen as a key element of the business case.

Our study also found that a champion is pivotal at the senior level and in HR/reward to secure buy-in and support for actions on improving financial wellbeing and providing a definition of financial capability/wellbeing to senior level (and to employees) is an important stage to ensure engagement. HR needs to make a clearer case that if employees are suffering financially then the business suffers; and this is not just an issue of pay levels but the costs and financial stresses that their employees are facing and suffering. 35 days holiday seems an amazing benefit provided by one of our clients, yet many employees in our work with them told us they would rather have 10 days more work and pay to cope with the costs of travelling to and working in central London.

Assess need for support

Our research also found that generally there was a lack of understanding of the current state of employees' financial wellbeing; with engagement or reward surveys currently not covering this area and any existing actions had tended to be seen as financial education and 'add-ons' to total rewards. To remedy this, we conducted quantitative baseline employee surveys in each organisation in summer 2017 (333 and 748 online responses were achieved across the two organisations respectively) to identify the employee need for financial wellbeing support. The baseline surveys explored several areas:

■ Financial wellbeing measures – comprising dimensions such as employees being able to cope with household bills, or having savings for the future.

■ Financially capable behaviours – the behaviours that employees exhibit or the actions they take, for example, saving regularly, keeping track of finances, or working towards longer-term goals.

■ Financial enablers and inhibitors – the things that make behaviours or financial wellbeing either easier or more difficult for employees to achieve. They encompass attitudes and motivations and skills and knowledge such as confidence in talking to those who could give advice.

Overall, the surveys found that, broadly, between one quarter and one third of employees across the two organisations reported that financial worries had impacted their job performance; and their health; between 15 and 20 per cent had lost sleep due to financial worries; and around 10 to 15 per cent had found it hard to concentrate at work as a result of financial worries. All factors which have a negative impact on organisational performance and productivity.

Stakeholders in the study organisations were aware that there were some employees who had not had a pay increase in real terms for many years due to the one per cent pay cap which has been a key part of the government's austerity programme since 2010. They felt the organisation's role should be about supporting employees to help their money go further. Their aim was to demonstrate that, whilst financial wellbeing support would not directly affect pay levels, it could improve financial wellbeing by getting employees to maximise their earnings through, for example, fully accessing the benefits offering available to them.

The employee surveys were considered by stakeholders to be an effective tool to assess employee need for financial wellbeing support . The results highlighted needs within both organisations for support of their employees' financial wellbeing by identifying areas where employees may benefit from support, information and guidance. Importantly, the surveys also demonstrated that over half of the employees at both organisations agreed that there was a role for their employer to provide financial support and guidance in the workplace; an appetite which has been reflected by other external research (eg Capita Employee Benefits, 2017; Standard Life, 2011). At both organisations, employees were most interested in receiving financial education on the topics such as retirement and pensions, savings and investments and wills and estate planning.

Roll-out financial wellbeing initiatives

The survey results were also useful in helping the organisations to get initiatives off the ground initially, and subsequently to build a more strategic and impactful approach. While the HR departments saw the value of a more comprehensive and strategic approach to employee wellbeing in which the financial aspects were incorporated, the research also highlighted that specific and focused initiatives eg pension sessions or access to independent financial advisers (IFAs), seemed to be better supported and valued. In addition, an audit of all relevant activity, across different parts of a business, could highlight various strands of existing financial wellbeing support within the organisation (eg various financial or wellbeing benefits; an Employee Assistance Programme that offers debt counselling etc) that require repackaging and communication under an employee financial wellbeing umbrella. This would represent an easy win for employers that are 'starting out' in supporting employee financial wellbeing.

The employee surveys also highlighted that there is most demand among employees for support with traditional benefits, eg pensions. Therefore, for organisations starting out in supporting employees' financial wellbeing, further 'easy wins' may be found in initially focusing efforts and resources on traditional initiatives which build awareness, such as pension roadshows, rather than attempting to get senior support for more innovative solutions such as employee loan providers. Many initiatives are also relatively low cost to undertake – MAS, for example, provides access to its own suite of financial support tools to employers free of charge. Ignorance and outdated attitudes seem to be the major barriers, rather than cost.

The evaluation also highlighted that getting actions going on financial wellbeing and sustaining them within organisations is challenging. More progress may be made by HR regularly reinforcing the business case for providing this type of support, but ultimately further research and evidence needs to be conducted on what types of activities employers are engaging in to support employee financial wellbeing and their levels of effectiveness; and HR needs to help address the 'myths' and misplaced concerns associated with implementing financial wellbeing strategies that could help progress the concept within the workplace.

Some senior management teams still obviously regard this as a matter just for the individual and worry about the risks of being seen to provide financial support and advice. The fears are misplaced and that support is becoming increasingly essential. HR has to do a better job in addressing these misconceptions and getting the financial wellbeing concept rolling into practice in their organisations.

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Bridging the gap: an evidence-based approach to employee engagement

Megan Edwards

Shooting on to the HR scene in the early noughties; employee engagement is a prime example of a concept that has truly captured the attention of HR and management professionals. Type 'employee engagement' into Google and you get 153 million hits, representing an industry valued at over $1 billion in the US alone (Bersin, 2015a). In today's organisations, the term 'engagement' is used so frequently it could be accused of becoming the latest in a long chain of management fads. These concepts are often impressively packaged and sold at scale as the latest answer to your business challenges, but to what extent are these solutions built on a robust evidence base?

Despite the research in the engagement agenda developing, a so-called 'engagement gap' appears to be growing in organisations. With evidence demonstrating that a highly-engaged workforce has robust links to organisational success, with high levels of disengagement putting organisations at risk. To what extent are HR and people-managers using the evidence base to shape their engagement strategies?

Firstly, this article explores the theoretical underpinnings and history of engagement to establish a robust concept for organisations to adopt. Secondly, it will argue the concept is not one-dimensional and engagement can occur at many levels within an organisation. Finally, based on the evidence base, the drivers of engagement will be discussed, outlining the strategies that organisations, HR professionals and people managers can take to improve levels of employee engagement.

What is employee engagement?

Defining engagement is a contentious issue and definitions vary widely across both academic and practitioner domains. Whilst conceptualising engagement may feel like an academic point, it is essential for an organisation to know what engagement means to them before embarking on trying to measure and improve it. The lack of a clear definition will certainly be contributing to the aforementioned 'gap', therefore organisations hoping to improve engagement must spend time defining what it means to them.

An early and widely used definition of engagement dates back to the 90's and is reported as the 'harnessing of organisation members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances' (Kahn, 1990, p. 694).Engagement is therefore here defined as being 'role specific'.

In everyday life, we all occupy various roles we are familiar with (eg being a daughter, a mother, a sister, a worker). The same concept was applied by Saks (2006) to our working life, as there are many roles an employee can occupy in the workplace, such as: an occupation or professional role, a job/work role, the role of a team member, a departmental member and an organisational member.

Saks' seminal research explored the most pertinent roles an individual engages with at work, the job role and the role as an organisational member, and established that that job and organisational engagement are related but distinct concepts.

For organisations, this is a key distinction to make, as different types (or levels) of engagement operate in distinct ways which must be reflected in any organisational strategies aimed at improving engagement. Firstly, someone can be highly engaged with the organisation but have low levels of job engagement or vice versa. Secondly, job and organisational engagement are predicated by different HRM practices. Finally, job and organisational engagement motivate different organisational outcomes. Implications of these factors are discussed throughout this article.

How does engagement work?

The theoretical underpinnings of engagement have been hotly debated. However, a widely accepted view applies social exchange theory (SET) to the concept (Saks, 2006). This perspective is based on the premise of a 'social exchange' between an individual (an employee) and an 'exchange partner' (eg a line manager). That is, workplace relationships develop via a set of social interactions to create an invested, interdependent, trusting relationship over time. Ultimately, workplace relationships are thought to be a key facilitator in driving engagement by creating a 'you scratch my back, I'll scratch yours' approach.

Whilst there are a countless number of potential exchange partners within a workplace, two are considered most prominent: the direct line manager and the organisation (Masterson, Lewis, Goldman, and Taylor, 2000). IES has long argued the vital role the line manger plays in engagement, developing an 'engaging manager' tool (IES, 2018a) based on our extensive and ongoing research. However, line-managers do not have an easy time of it. Robinson (2018) identified that line managers often find themselves in a managerial role with little experience or support, juggling the competing pressures of people management with their 'day job', whilst themselves having frustrations when trying to fulfil their role. These factors negatively influence a line-managers ability to engage and motivate their team, therefore it's HR's role to step in and act. HR can start by asking a series of questions:

■ Are there gaps in our people-management training?

■ Does any training focus on positive aspects of people management?

■ Do line-managers understand the important role they play in engagement?

■ Is there any training focused on the personal wellbeing on line-managers themselves?

■ How are line managers supported?

■ How do we communicate to line-managers?

For further discussion of these questions and information about how to support line managers, see IES's research for NHS employers (Robinson, 2018).

Why engagement matters

There is a considerable body of evidence demonstrating that engaged employees can significantly contribute to organisational success such as improved performance, profitability, productivity, customer satisfaction-loyalty as well as reduced levels of absenteeism and turnover (Harter, Schmidt, & Hayes, 2002). It is thought that a highly-engaged workforce offers a special kind of competitive advantage to organisations. This is due to the inherent difficulty of imitation by competitors; it is claimed that it is easy to adapt your product and price but creating a highly-engaged workforce is something entirely different. However, the UK is still facing an 'engagement gap', with 68 per cent of employees reportedly 'not engaged' and 21 per cent actively 'disengaged' (Gallup, 2017).

As discussed previously, employee engagement is not a one-dimensional concept, and is instead made up of different levels of engagement; the most well-researched being the job and the organisation. This distinction is important for organisations to grasp, as job and organisational engagement are influenced in differing ways and are associated different business outcomes. Previously, this distinction has not been drawn in research and practice; targeting a multi-dimensional concept with a one-dimensional lens will maintain the engagement gap.

Outcomes associated with job engagement

As employee engagement has typically been investigated at the job level, there is a robust evidence base demonstrating the relationship with a range of positive outcomes. Benefits include; enhanced job satisfaction (Saks, 2006), improved job performance (Rich, Lepine, and Crawford, 2010; Xanthopoulou, Bakker, Demerouti and Schaufeli, 2007) and reduced levels of intention to quit (Saks, 2006; Yalabik, Popaitoon, Chowne and Rayton, 2013).

Outcomes associated with organisational engagement

Due to its relatively short time on the scene, there has been less research exploring the outcome of organisational engagement. However, there is good evidence demonstrating the link with organisational citizenship behaviours (OCBs). OCBs are voluntary, discretional behaviours that fall outside of an employee job description or contractual role. Behaviours could range from helping a struggling colleague to 'going the extra mile' on a work task. OCBs are positively related to organisational success (Campbell Pickford and Joy, 2016)

For organisations that are experiencing a specific problem, it is important to work backwards to identify the problem they are trying to solve, establishing which level of engagement, be it 'job' or 'organisation' engagement, is associated with the desired outcomes and create an engagement strategy which incorporates drivers of that specific level of engagement.

Diagnosing engagement levels

Nowadays, we often read about the 'death of engagement surveys'. Practitioners are calling out surveys for being overly lengthy, box-ticking exercises that get rolled out once a year with no real purpose. However, is this the fault of the survey or the organisation? Evidence suggests the latter, as large and complex organisations (such as the NHS) still endorse the use of surveys to provide a 'wealth of data' that can be used to 'develop management', 'improve staff experience' and 'enhance overall organisational performance' (NHSE, 2018). For the NHS, the key is how it uses and acts on the data it gathers. A survey, after all, is just the start and the real value comes from analysing the data, putting a strategy in place and communicating effectively back to staff.

Survey length

The traditional design and distribution of a survey is also contributing to its so-called 'death'. Surveys needn't be the length of War and Peace; shorter surveys can be used effectively to diagnose engagement levels at both job and organisation level, with some engagement scales using just 6 questions (See Fletcher and Robinson, 2013).

Question format

Whilst open text questions add depth to a survey, too many can often significantly add to the time it takes to complete the survey and analyse those responses. To counter this, does your organisation have the capacity to supplement surveys with focus groups or interviews, to delve into the issues and identify the real issues in your organisation?

Choosing the right moment

The distribution of surveys often presents a problem. Annual survey results give a static snapshot of a moment in time, and the timing could also bias results – low scores observed in January by any chance? Critically, organisations should measure levels more often, taking advantage of pulse surveys, to give an accurate reflection of current engagement levels. Regular measurement helps organisations get to know their people and enables HR to incorporate feedback more quickly into HRM practices which address the current challenges being faced.

Choosing the right medium

It's not just 'when' to send a survey that organisation's needs to consider, but also 'how' it is received by your staff. With a shift to thinking about the 'employee experience' – a holistic approach that combines engagement, culture and performance management – organisations must utilise technology, such as pulse surveys and smart phone apps, to meet the growing employee expectations in this digital age.

# An evidence-based approach to improving engagement

Following diagnosis, HR has the difficult job of translating the data into strategy. An evidence-based approach, addressing the needs of the employees by using the research presented in the article along with IES' extensive engagement research base (IES, 2018b), offers the best chance of success.

From an academic perspective, there have been two prominent streams of research exploring the drivers of employee engagement. The first focuses on the characteristics of the job and the second stream explores the complex social nature of engagement. Grounded in robust evidence, Figure 1 shows the drivers and outcomes associated with both job and organisational engagement (each is discussed in detail below). This article will discuss the evidence base in three sections:

■ Unique drivers of job engagement.

■ Unique drivers of organisational engagement.

■ Shared drivers of both job and organisational engagement.

Notably, these are not a definitive set of 'quick fixes' and the influence of each driver will vary depending on the organisational context . They can, however, be used to form the 'overall package' of an engagement strategy, providing as it is crafted in response to the diagnostic data collected from your people. Additionally, a common theme across the driver is the unique role the 'engaging manager' has in translating research best practice into everyday reality for employees. So, for each driver listed on the left-hand side of Figure 1, several recommendations for HR practice are discussed.

Figure 1: Drivers and outcomes of employee engagement

Source: IES
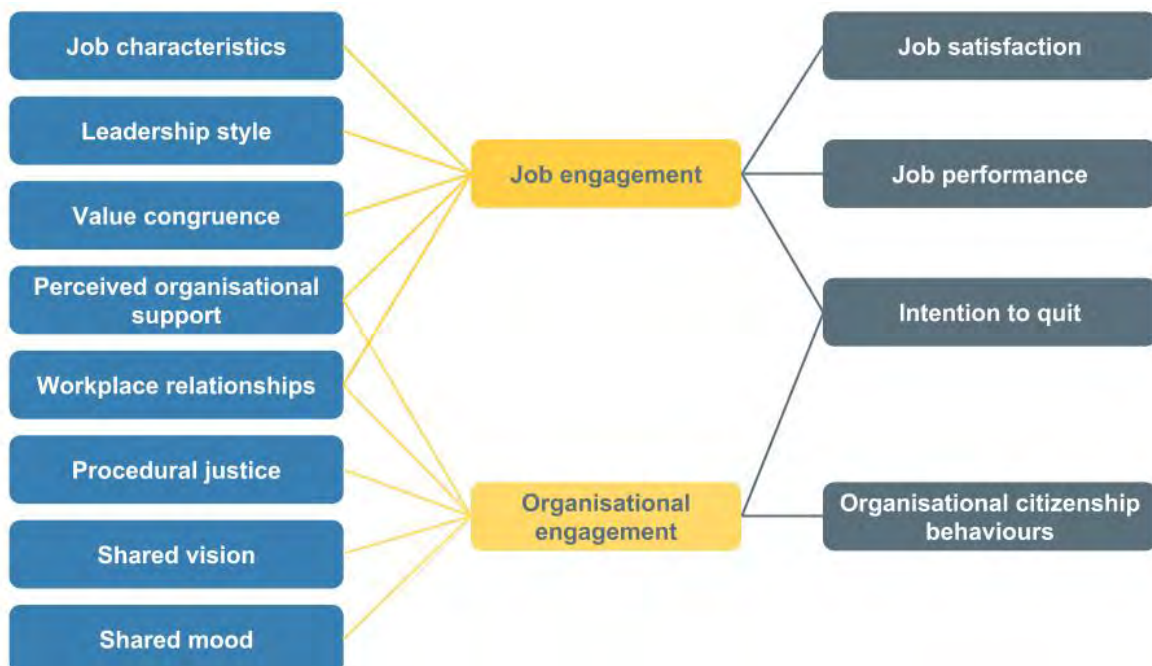
Drivers of job engagement

Job characteristics

The characteristics of the job or the task are one of the most well-researched areas of employee engagement. Stemming from the work of Hackman and Oldman (1980) and Bakker and Demerouti (2007) there is robust evidence of the positive contribution a well-designed and enriched job has on engagement.

When designing any job to maximise engagement, ideally it should provide:

- work that is challenging to the individual;
- a variety of work tasks;
- the opportunity to use a number of different skills;
- autonomy and the use of personal discretion;
- the opportunity to make a meaningful contribution; and
- feedback mechanisms.

Value congruence

Value congruence is the extent to which the values and behaviours expected by an organisation align with the behaviours an individual values as a part of their own self-image. That is, when an employee is expected to behave in a way which is similar with the way they like to see themselves (their preferred self-image) they are more likely to find their roles inviting, valuable, and worthwhile and more willing to fully engage themselves (Rich et al, 2010). On the contrary, when values are misaligned and individuals are expected to behave in a role in a way which is incongruent with their preferred self-image, they feel devalued, taken advantage of, and less willing to give themselves to their role (Kahn, 1990).

A number of steps can be taken to improve value congruence:

- Design recruitment practices to identify individuals with similar values to that of the organisation.
- Use mentoring, socialisation opportunities, and an aligned set of people management practices to communicate a consistent set of values.
- Focus on strategies that directly impact trust and communication:
  - Practicing transparent and fair decision-making processes.
  - Frequent and open communication.

However, strategies to improve congruence must be implemented with caution as not to sacrifice diversity within an organisation.

Leadership style

Transformative leadership has become increasingly popular in management practice and evidence has demonstrated that it plays a role in increasing employee engagement. Additionally, the support received from the line-manager relationship plays an important role in nurturing job engagement. This is characterised by the perceived line-manager support, but also encompasses the existence and quality of a positive two-way relationship between a line manager and an employee (Balain and Sparrow, 2009).

Drivers of organisational engagement

Procedural justice

Procedural justice refers to the perceived fairness of the processes and procedures in place to achieve organisational outcomes. For example, if the process of allocating work tasks within a team is based on a set of fair parameters (such as resources, skills, job role, experience), even if the outcome isn't favourable for an employee the negative consequences are reduced. When a process leading to a certain outcome is thought to be unfair, the employee's reactions are directed at the whole organisation, rather than at the task or the specific outcome (Cohen-Charash and Spector, 2001). Increasing perceptions of procedural justice can be achieved by:

- evaluating processes to identify unjust decision making;
- articulating processes and procedures to ensure transparency; and
- using open and frequent communication to improve trust in leadership and mangers.

Shared vision

A shared vision encompasses the positive emotions that employees feel about the organization's outlook of the future and the commitment to reaching a particular, clearly-defined vision or purpose. A clear vision should be well communicated and embedded in everyday practices. If possible, involve staff of all levels in creating the vision – this will increase the feeling of ownership and commitment and motivate behaviours in line with the vision.

Shared mood

Shared positive mood captures how employees feel about their work in the organisation and the organisation itself. High-quality, positive relationships at work engender positive emotions. Strategies to develop such high-quality relationships are discussed further below.

Drivers of job and organisational engagement

Perceived organisational support

Perceived organisational support (POS) refers to a general belief that an organisation values the employee's contribution and cares about their wellbeing (Rhoades and Eisenberger, 2002). POS is higher within organisations that have:

■ fair operational and human resource practices;

■ low levels of organisational politics;

■ supportive and inspirational leadership and management;

■ supportive working conditions, including manageable demands placed on an employee (in terms of overload, conflict, and ambiguity) and the availability of resources to meet demand (such as autonomy, support and feedback).

Workplace relationships

Workplace relationships can often be forgotten, especially with the rise of virtual organisations and online communication. However, relationships play a key role in an engaged workforce and individuals can vary their levels of engagement based on the satisfaction and the strength of workplace relationships. One of the most important workplace relationships to foster engagement is the one an individual has with their line manager. However, that is not to discount the other relationship such as peers, team members and the organisation itself (typically represented by interactions with the senior leadership team). Trust is thought to provide the basis for interpersonal relationships (Blau, 1964). Individuals with trusting interpersonal relationships in supportive organisational environments are more able to take risks, expose their real selves, and try and perhaps fail without fearing the consequences

Developing workplace relationships is something which occurs overtime, there is no 'quick fix'. Relationships require investment, nurturing and patience to produce beneficial outcomes desired by organisations. Some strategies to improve the quality of the relationship include:

■ Acknowledgement that relationships are two way – managers/organisations must give, as well as take, to create a state of 'interdependence'.

■ Developing trust in the organisation by:

   ● having open, mutual, clear and regular communications;

   ● increasing the regularity of communication; and

   ● displaying genuine emotion during interactions.

As highlighted previously, the line manager plays a crucial role in nurturing engagement, see IES' engaging manager research (Robinson and Hayday, 2009) for further evidence and discussion. Shared drivers offer organisations a unique benefit; a single intervention

has the ability to improve job and organisational engagement, potentially reducing cost, time and resource. Most importantly, for higher chances of success, an engagement strategy must be focused on what it is trying to achieve, eg job or organisational engagement, and incorporate multiple drivers which are flexed for the specific organisational context and the needs of your people.

> **Actions for employers and HR**
>
> - **Understand** the differences between job and organisational engagement; use business data to identify where attention should be focused at the current time.
> - **Use technology effectively**, to regularly measure levels of job and organisational engagement.
> - Based on your data, create an **evidence-based strategy** that keeps your employee needs at its core.
> - **Involve your line managers** – share data, provide specific training in line with the strategy and be on hand for day-to-day support. Don't forget that line managers are integral for translating strategy into action.
> - Be agile – **incorporate changes** into the strategy based on real-time feedback (but don't forget to keep line managers in the loop).

Conclusions

Contrary to popular belief, employee engagement is not a single concept; instead it consists of different levels, ranging from the job to the organisation. Each level of engagement motivates different beneficial organisational outcomes and is predicted by a unique set of drivers. Organisations must decide what engagement means to them, in order to effectively measure and improve it. This article presents multiple drivers of job and organisational engagement, which organisations can incorporate into a holistic strategy and embedded into people management practices and systems.

Using diagnostic measures to 'get to know your people' and an evidence-based approach to improve engagement will put organisations in a far better position to achieve their desired outcomes. However, there is no one 'magic solution'; the combination of drivers that will be effective will differ over time and context, therefore HR must consider the whole package within the specific context of the organisation.

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The impact of artificial intelligence on the HR function

Peter Reilly

Throughout its 50 year history, the Institute for Employment Studies (IES) has seen many predictions on the impact of new technology on people's work and jobs, from wholesale job extinction through to a delightfully-leisured existence.

PwC's latest July 2018 UK Economic Outlook (PwC, 2018a) repeated past predictions that substantial numbers of jobs would be lost through AI and related technologies, though the proportion of jobs predicted to be cut by 2037 has fallen to 20 per cent, rather than the previous 30 per cent. Still, it is roles in manufacturing, public administration, and transport and storage that are most under threat. More noteworthy is the claim that an equal number of jobs will be created as will be lost. Previous references to compensating 'opportunities' (PwC, 2017) have helpfully been changed to more specific forecasts. Job growth, PwC suggests, will be in health (+22%), professional, scientific and technical services (+16%), and education (+6%).

The thrust of the argument is that AI, robotics, drones and driverless vehicles will push up productivity and generate income which can be spent on the public good and research and development (which will further boost the economy).

Similarly, the World Economic Forum (2018) believes that double the number of jobs could be created as lost through the application of new technologies, but, again, this requires concerted efforts by governments and employers for this new work to materialise. The new jobs are likely to require very different skills (typically people-centred ones) and there will probably be a time lag between the new jobs being created and the old jobs being lost (Gratton, 2018). McKinsey believes, therefore, that re-skilling and upskilling workers should become a top chief executive and government priority (Illanes et al, 2018).

Words of caution

At IES, our experience and research over the years would suggest that a word of caution might be in order, with regards to the speed and depth of such change.

In 1988, I won an International Publishing Corporation (IPC) award with Riley Advertising (no relation) for a recruitment advert for AI technologists. At Shell Research, where I worked, effort was going into developing expert systems trying to find ways of replicating how experts (like doctors) made decisions. Of course, much progress has been made since then, but has change been evolutionary rather than transformative? To what extent has this kind of technology merely added useful tools to the HR armoury, rather than

allowed HR to make a radically-different or massively-enhanced organisational contribution?

Take another area, more relevant to HR and the subject of this essay. In 2003, IES published eHR: An Introduction (Kettley and Reilly, 2003). The report aimed to introduce a 'rapidly evolving field' which was said to include 'an electronic network of HR-related data, information, services, databases, tools, applications and transactions'. The topics covered in the research encompassed portals and intranets, manager and employee self-service, human resource information and enterprise systems, whilst offering an examination of the e-enablement of processes like remuneration, performance management, recruitment, and learning. As the report explained, for some organisations, the application of technology was merely a way of becoming more efficient, whilst for others it was a key component of functional transformation. So, what has been achieved in the fifteen years since the report was published?

Certainly, costs in HR administration have indeed been taken out, though it is sobering that a quarter of organisations are still using paper in their payroll processes according to a survey of HR executives and managers conducted by Bain & Company (Heric, 2018). An earlier report for the NHS demonstrated the role e-technology was having in HR departments across the economy (NHS Confederation, 2010), but noted that its impact was relatively modest and more was being achieved through the standardisation and simplification of HR processes and structural change caused by the introduction of shared services.

Processes related to performance management and reward are examples of those where technology has made tasks easier to complete, but one doubts whether the full benefits have been realised: how many HR departments conduct proper analysis of their performance or reward review outcomes in such a way as to drive policy initiatives? Gender and equal pay analysis might become an exception, here. Nonetheless, which employers are fully using crowd-sourced feedback even though the technology exists to gather these opinions? Technology also provides hard data on employee performance, but 'not nearly enough attention has been paid to […] the effectiveness of machine feedback in changing behaviour and performance' (Ledford, Benson and Lawler, 2016).

E-HR has had more impact in other areas, such as in learning and, particularly, in recruitment. Besides the straight replacement of face-to-face learning by e-learning, 'digital learning' allows the inclusion of e-enabled communities of practice; e-books; web-delivered materials; the use of gaming and virtual reality; the exploitation of social media; and much more. However, according to the CIPD's 2015 Learning and Development survey, 'on-the-job training, in-house development programmes and coaching by line managers or peers remain the most commonly-used and the most effective development methods' (CIPD, 2015). Only 29 per cent of organisations reported e-learning as the most used and just 12 per cent found it to be their most effective method (Ibid). Again, despite its evident cost-efficiency, we have seen a rowing back from e-learning being viewed as the principal training vehicle, towards a recognition that electronic, blended and face-to-face learning all have a useful role to play, with e-learning often found to be more effective

for rule-based and mandatory, testable training, such as safety or risk management, but less suited to developing softer and higher-level skills.

Areas likely to be effected

Recruitment is perhaps the area which has been most transformed by technology. From changing and widening the sourcing of applicants, to online applicant systems and the selection of candidates for interview, the process has become faster and more efficient, and the relationship between applicant and employer revolutionised.

Nonetheless, this IT revolution has not lived up to its promises. The Bain survey (Heric, 2018) reported that three-quarters of respondents say that 'their current technologies have not yet achieved optimal performance'. Problems persist with regards to operating a plethora of unlinked digital tools and dispersed and unconnected data.

What about an AI-dominated world?

We should perhaps first make a point about terminology as there are lots of concepts that touch upon artificial intelligence (AI) which might strictly be limited to 'intelligent agents' that mimic 'cognitive' behaviour. In this article, we are taking a broad approach to include expert decision-making systems, simulation and modelling, robotics, natural language processing (NLP), use of technologically-driven algorithms etc. So, we are including assisted, augmented and autonomous intelligence (McKinsey, 2017) in the various ways that humans are supported, or replaced, by AI. Many technologies that were once seen as 'cutting edge' (and part of AI) have become routinised and therefore no longer noticed as part of the change process. The chatboxes (where a computer programme or an AI converses with a customer via speech or text) and cobots (robots collaborating with humans) we discuss here will, at some point, be mainstreamed.

If we now look 10-15 years forward, will change in HR driven by AI be similar to that which we have seen in the past 10-15 years: significant in some areas, under-developed in other areas? How much of this change will simply be improvement of existing features, the introduction of new functionality within the same system, or wholly fresh offerings (Mewald, 2018)?

AI development in relation to job clusters within HR

- Administrative roles to be found in payroll and records undertaking transactional tasks, such as data processing.
- Posts where there is operational HR support to managers (and sometimes employees) handling casework, recruitment, training etc.
- Policymaking and advice as executed in centres of expertise.
- Activities performed by business partners to strategically influence and shape the business from a people perspective.

Transactional work

AI will have its biggest impact in transactional work which is repetitive, rules-based and where high accuracy is demanded. Here, techniques such as robotic process automation (RPA) can speed up activities, reduce costs and be error free (so long as the input data are correct).

Technology can already e-enable a number of HR processes, say from manager/employee self-service, to records/payroll administration. In the more-advanced organisations, there is no HR intervention because managers and employees are trusted to make decisions or update records (within limits). In other organisations, HR teams still try to control the data updates, perhaps for good verification reasons or perhaps for residual control. In time, more and more of these transactions will be automated. CEOs will expect this to happen and there will be no acceptable technological excuses. Culturally, there will be a 'service now' climate. Thus, the challenge for some HR teams will be a mindset shift, more than any technological adoption challenge.

Moreover, processing carried out by robots 'is more advanced than earlier business-process automation tools' (Davenport and Ronanki, 2018) precisely because they mimic human behaviour by 'inputting and consuming information from multiple IT systems'. This means that they can glean, process and record data from multiple sources but with an ease that people can only envy.

On the positive side (for HR employment), data will become the lifeblood of the organisation, making for better-informed decision-making. Those who are the guardians of data will have an important role to play, even if they are low down the organisational hierarchy. They will be ensuring that data are clean, up-to-date and in line with the standard protocols. IT systems can enhance the checking process, making it more efficient and accurate, but human oversight might be required to investigate errors and gaps.

Operational HR

This type of work includes the bread and butter support to the organisation such as recruitment, training, case work, remuneration and performance management. It relies on HR administrative processes but engages especially with management customers in ensuring that these are effective in delivering business results.

There are a number of ways in which operational HR can be enhanced or developed. One is to exploit these ubiquitous data. This can have a number of applications. For example, just as higher education institutions use data to test whether students are at-risk of drop-out, companies can use AI to detect those at-risk of resigning.

Recruit Holdings (a Japanese staff servicing group) uses employee data, including personality assessments, working hours and performance evaluation, to compare employees to the data of those who have previously resigned. Those at-risk of resignation are interviewed by managers to identify any issues with their employment. (Nikkei, 2018)

Analytical processing will be enhanced too by the greater ease in handling qualitative data. Feedback will become more timely and continuous using phone apps delivering both free text and structured data. So, there will be customer inputs on HR services on a just-in-time basis, but also in reaction to HR policy or organisational announcements. Communication will become more interactive and dynamic; not one way or passive.

Another improvement will be to streamline recruitment. For example, at Unilever the time to hire has been cut by 75 per cent (Heric, 2018). Front-end recruiting activities in candidate processing are likely to be automated; first because the benefits of speed and accuracy will outweigh the benefits of human involvement. HR is likely to remain involved in some aspects of candidate selection even if the line manager has become the prime decision-maker. This might mean leading negotiations over the terms of an employment offer, settling start dates or queries about contracts.

At a more-significant level, AI proponents believe that systems can improve selection; using techniques such as 'vocal analysis' and reading 'microexpressions' can identify traits which match those of existing high-performing employees (Buranyi, 2018).

Other processes such as in reward and performance management (handling the bonus round, dealing with appraisals or managing job evaluation) can be sharpened up using AI tools, but perhaps more importantly, the technology can be used for easier analysis – looking for key training needs in personal development plans; spotting gender bias in performance assessment; challenging the accuracy of the job description to job evaluation scoring etc.; not only tracking compliance but also surfacing issues.

Employee interaction with HR may be radically changed by AI. Chatboxes can successfully replace humans in call centres, assuming they are not simple word-recognition programmes and have learning capacity such that they can handle progressively more-complex tasks as they 'learn' more, but also to know when to hand over to a human when the question is beyond their capability to answer. Cognitive insight may help uncover the patterns of calls and callers and improve the ubiquitous FAQ page into something useful. This may lead to better anticipation of what employees and managers want to know. Machine learning can also 'identify probabilistic matches – data that is likely to be associated with the same person […] but that appears in slightly different formats across databases' (Davenport and Ravenki, 2018). This could reveal, even at the individual level, both a positive thirst for information or a worrisome set of concerns (if the employee is searching in multiple places for facts about, say, sexual harassment and whistleblowing).

Voice may again become prime in communication (instead of screen) making call-centre interactions even more important to optimise where effort (whether it be robotic or human) is spent on the right content.

Currently, cobots are being used largely to do mundane jobs but over the next few years one can envisage them taking over more sophisticated tasks. Looking humanoid, and with analytical and allegedly interpersonal skills, cobots could replace HR assistants and advisers in giving support to managers and staff.

One specific advantage of using AI is the consistency of delivery with repetitious tasks. 'If you present an algorithm the same problem twice, you'll get the same output. That's just not true of people' says Kahneman (Kahneman and Brynjolfsson, 2018).

> The Marriott hotel chain uses a chatbot for initial interactions with job candidates by responding to standard questions, matching candidates' interests with vacancies and providing information on the company's culture and values (Heric, 2018).

The limit to their use could be any inhibition from humans of interacting with robots on anything other than straightforward matters (which could be handled via chatbots or more-developed, online tools) and the cobot's inability to learn fast enough to react to non-standard conversations.

Policymaking

One advantage already seen in the application of IT to HR policymaking, is its increasing ability to search data sources and inform the user. In policy terms, this might mean establishing the need for change and modelling its effects, or garnering benchmarking information on what other organisations are doing and what the research tells us about 'what works'. Of course, this happens now, but the speed and accuracy of finding patterns in the data will, in effect, be more profound. It might support a helpful mindset shift to respond to the evidence, rather than manager gut feeling.

Perhaps more fundamentally, there is AI's ability to provide 'a novel cognitive perspective' (Tata, 2018). This might be used:

- to challenge as much to inform;
- to offer a different perspective to ones offered by work colleagues (in the way the computer made a novel move in the game 'Go', to stump its human opponent);
- to disrupt groupthink (as a kind of Devil's Advocate, according to Tata (Ibid)); or
- to manage stakeholder participation and process their views (making consultative exercises so much faster, as well as richer in content).

This sort of approach lends itself to scenario planning and might encourage the wider and deeper use of this technique in workforce planning.

Strategic contribution of HR

Today's mainstream view is that neither robots nor computers will be able to undertake the strategic and complex tasks done by HR business partners or experts, suggesting that HR's contribution in this area will be unaffected and could even be improved by some of

the new information, analysis and tools available. This is because machines are good for analytical tasks but not 'elastic thinking'. 'If you want to create a general problem-solving brain […] the best way is still to find a mate and create a new human being' (Poole, 2018).

The argument could be made – as it was with the HR transformation of the early part of this century, combining standardisation, automation and consolidation – that time and resources will be saved by eliminating the 'grunge' work, thereby releasing HR to concentrate on high value-added work. This may not have happened to the extent expected because not only has the IT revolution been piecemeal, as noted above, but there has also been managerial resistance to HR 'devolving' people management tasks to them and a lack of skills within the HR function to take up the strategic baton (see Reilly and Williams, 2006).

Nonetheless, it could be argued, and is being argued by some HR leaders (eg Wood, 2017), that AI offers a real opportunity for HR to make its mark.

One vital strategic task that HR should undertake is to prepare the organisation for the AI revolution. This will mean ensuring that the workforce is 'change-ready' and prepared to embrace new technology. It means thinking through organisational structures and the role of managers so that knowledge is effectively dispersed around the business: there will be no place for silos and turf wars.

Leadership will be distributed. Power will flow in different ways to the company organigram. The 'learning organisation' may be a nearly 40-year-old term, but it could do with being reinvented as the requirement to create a community of open minds becomes a necessity. A culture of enquiry and innovation will be developed. In this context, and in a changed environment of customer demand and service delivery, who is to be hired, and how they will be developed, will have to be adjusted. Talent management may become even more important but executed in a different way. How to keep the employees who do not sit in IT development engaged will be a challenge in itself (Schwab, 2016).

HR can also contribute to working out where AI might replace humans. The function can compare the cost of a human with the price of, say, a robot with all the ancillary training of both employees still employed, and of the robot – not to mention the costs of displacing human effort. At a more abstract level, HR can provide insight on what sort of relationship there might be between humans and AI; how best to exploit highly-intelligent machines but in ways that benefit, rather than hinder, human progress. The need for such moral oversight is explained below.

HR should also be at the forefront of handling the consequences of organisational reskilling. Will it simply be a matter of redundancy for those with outmoded skills and the hiring of new people? This seems to be too simplistic, but as in previous restructuring questions, will need to be asked not just about whether new skills can be learned by existing employees, but also whether employees will be prepared to learn, attitudinally. Ironically, AI tools may be available to identify those that will fit best in the newly-created roles.

Risks for HR in the development of AI

The increasing use of AI is not without risks and not only has HR been mindful of them, but these concerns may limit the speed of adoption. As John Hawksworth, PwC's chief economist, pointed out 'legal and regulatory hurdles, organisational inertia and legacy systems will slow down the shift towards AI and robotics even where this becomes technically and economically feasible' (PwC, 2018b). Indeed, 'the appetite of HR leaders for more digital tools may outpace their ability to absorb the tools' (Heric, 2018). Furthermore, one of the impediments to this 'absorption' does, of course, lie in HR's domain: the shortage of AI skills and the difficulty of hiring sufficient talent.

Ethical design

'Robots are not humans' is stating the obvious. Borrowing and adapting a serious joke from Rowan Williams (2018); 'how can you tell the difference between speaking to some form of artificial intelligence and an actual human being'? 'Ask them how they feel about dying'. They do not have feelings (unless programmed to show them) and they have 'no moral code' (O'Shea, 2018).

So, it is up to us to design systems which reflect our proclaimed principles such as around equality, transparency, and confidentiality. Otherwise, the risk is that algorithms may be racist/sexist because their construction reflects the reality of the employment experience as opposed to the ideal. Systems can introduce unconscious bias. Companies like Amazon and Google have found that, for example, racial bias has crept into its processes when search programmes learn for themselves (Ibid). Organisations are full of prejudices and if the system is programmed or learns based on these prejudices, then you will get a flawed result: this is not the fault of the technology, but of system design/management. Thus, organisations need to be careful in the 'training data' that they give machines to use in case they see ethically flawed patterns, and act upon them.

More profoundly, as Henry Kissinger points out in his essay on the threats that AI offers, machines can go off and learn beyond human control and potentially communicate with other machines outside our knowledge. We have no idea where that might take us, especially if they have no end date or moral compass to guide them.

> *'AI, by mastering certain competencies more rapidly and definitively than humans, could, over time, diminish human competence and the human condition itself as it turns it into data.'*

> Kissinger, 2018

This leads the RSA to ask apropos to the distribution of the gains from AI: 'who owns the machines' (Dellot, 2017).

Having an audit trail

One challenge here with machine learning is divining what the machine has learned and on what basis it has come to its conclusions. Whereas previously in 'Classic' AI you set down rules by which AI operated, where the machine learns through doing, it becomes less clear on what basis the machine is moving forward. There may be decisions the outcome of which is hard to probe: 'you don't always know what is going on under the bonnet', as programmers say. This may be important when you need to generate an audit trail of how a system made a decision. If you use decision-making tools to augment or replace human input, a challenge might be raised on why someone is selected for recruitment or development; why a bonus is offered to a given person; why an individual is made redundant; etc. What's more, if there is a 'mistake', who will be liable: the programmer, system owner, or the HR person in charge?

This sort of complaint may happen under the General Data Protection Regulations (GDPR), since they specifically allow applicants to discover whether automated decision-making will be used and to challenge a recruitment outcome if the process did not involve human participation. For example, if software screens-out applicants, this may be contested.

Yet, again, Kissinger asks the more fundamental question:

> *'Will AI be able to explain, in a way that humans can understand, why its actions are optimal? Or will AI's decision-making surpass the explanatory powers of human language and reason?'*

<div align="right">Kissinger, 2018</div>

Individual ownership and control of data

GDPR is the latest, and may well not be the last, personal data protection regulation. This may well constrain HR analytics and limit the impact of AI on the work of the HR function. We are only now beginning to realise the privacy risks inherent in harvesting data from multiple sources, especially including that from social media. As is being pointed out (Devlin, 2018), so-called anonymized data is not so anonymous after all. Tests by data scientists have shown how relatively easy it is to identify people from 'metadata' and, as our virtual footprint gets bigger, this will become all the truer. This may lead to further legislative data control, but is also likely to mean internal organisational constraints on data usage. This may well impact on recruitment processes (preventing some of the more inventive sourcing approaches), employee engagement initiatives (we may know too much about individual preferences) and learning methods (innovative analysis of training needs).

Misled by the system

Design might not be ethically flawed but it can still be ineffective. Many of us have been sent in the wrong direction by satellite navigation systems. Algorithms have similarly, and more seriously, mis-led people – miscalculating benefits payments, denying people credit, misunderstanding their sleep needs, etc.

In the recruitment arena, that might mean selecting the wrong candidates for interview. The recruitment selection algorithm may either be insufficiently sensitive to marginal but important factors (eg A level exam results) or give unimportant factors too much weight (eg a pattern of adolescent illness). This risk is especially great where systems use 'kill' questions that exclude candidates on the basis of a single data item (eg criminal conviction) (Brown, 2018). Of course, this is all resolved by good programming, but will the system capture all the relevant variables and their combination? Perhaps yes, in simple systems, but in more complex interactions, not yet at least.

Doctors complain that their response to the mixture of psychological, visual and verbal clues is hard to replicate in AI form, not least because these clues may be patient-specific (where there is continuity of patient care). This is seen in the 111 phone support system and in the new apps endorsed by the Heath Secretary (Kenber and Lay, 2018). The same may be true of complex casework, say handling accusations of sexual harassment or bullying. If one problem is the risk of machine learning repeating our prejudices, another is that AI fails to replicate human intuition since we don't understand how human consciousness operates (Harkaway, 2018).

Similarly, algorithm-based systems may not capture the subtle connections between people which often drive business behaviour. AI is better at our conscious brain activity than our unconscious. Systems may be over-rational with deleterious effects as the University of Cambridge research (2018) points out:

> *'The way telecoms salespeople work is through personal and frequent contact with clients, using the benefit of experience to assess a situation and reach a decision. However, the company had started using a data analytics algorithm that defined when account managers should contact certain customers about which kinds of campaigns and what to offer them.'*

Pachidi in University of Cambridge, 2018

Underestimating humans (and machines)

This leads to the possibility that we exaggerate the competence of machines and belittle human capability. This was the conclusion at Tesla where Elon Musk recognised that the firm had over-automated in its desire to be more productive and had not realised that humans are especially resourceful in spotting and solving problems – in using their own initiative. As Soumyasanto Sen put it:

> *'Human beings are really good at the least routine, most complex, most collaborative, most creative work. And we're much better than computers at this stuff.'*

Sen, 2018

But there are converse problems when people think they know better than technology.

> *'In general, if you allow people to override algorithms, you lose validity because they override it too often. Also, they override on the basis of their impressions, which are biased, inaccurate, and noisy.'*

Kahneman and Brynjolfsson, 2018

Overestimating systems

There is certainly a risk of gung-ho executives trying to use AI in inappropriate circumstances either in the search for efficiency and cost savings ('we can cut out these expensive and troublesome employees') or in reaching out for the holy grail of the perfect decision. Stella Pachidi from Cambridge Judge Business School has already warned of the attraction of 'perfect information' (University of Cambridge, 2018), but there is the concomitant mistake of believing that only if we can take the human self-interest out of the equation can we get the right answer.

We have seen this 'false scientism' before in processes like job evaluation where 'objective' decisions are made. We must remember that machines still deliver judgements based on what they are programmed to understand is the intended goal. Learning machines may be harder to manipulate once set up but, as we have already said, that does not rule out flawed or manipulated design. Moreover, whilst AI systems may improve the accuracy of predictions or understanding, these may not be 100 per cent correct: there still remains a (smaller) risk of error.

At the current stage of development we may not even be at this level of risk. Research has found firms reluctant to use chatboxes in external customer-facing situations because of their 'immaturity' (Davenport, 2018). For example, Facebook's chatbots needed human help to answer 70% of customer requests (Ibid).

Also, executives need to recognise that AI can see and recognise patterns but lacks understanding of meaning, especially in language, but also pictorial inputs. So, care has to be exercised in deciding what AI systems can do and where their limitations lie.

Will business bet on technology?

There has to be an incentive for companies to invest in new technology otherwise they will not do it. This means owners of capital need to see that the machines will be cheaper than humans and deliver better results. The recession of the last eight to ten years has demonstrated, in the UK at least, a reluctance to spend money on new machinery given business uncertainty, favouring the use of cheap and disposable labour. Or instead, the new digitally-based firms (like Uber and Deliveroo) have harnessed relatively simple technology and linked it to the gig economy; maximising workforce flexibility and minimising cost.

There is, furthermore, an assumption behind many AI predictions that the new technology will be warmly embraced and lead to early, positive productivity gains. History tells us that often the road to 'improvement' is rockier than that. Take, for example, the introduction of new technology in the coal industry. This initially lowered productivity as it disrupted the social structures of the miners and their strong teamworking ethos (Trist and Bamforth, 1951). Could you imagine the same disruption to workplace cultures if the move to an AI-dominated world happens too quickly with insufficient thought given to how it will be received by existing staff?

Employee and consumer objections

There is also the question of how acceptable to applicants, employees, contractors and so on, the use of AI will be. Managers and their staff will welcome faster and more accurate HR processes. They might value better-quality data on which to make decisions. They might get used to robotics systems making suggestions. This is especially true where it is made clear that AI augments, rather than replaces, human intelligence. This is how an AI tool is positioned at Klick (a company which has taken the use of AI further than most and where there is no HR function).

> *'We haven't taken any of the decision-making powers away from our people and given them to the computer. The computer is just there to help.'*

Jay Goldman in Moulds, 2018

However, 61 per cent of job applicants would prefer face-to-face interviews to digital recruitment methods, according to a survey by ManpowerGroup Solutions (Brown, 2018). According to the survey authors, people prefer to make personal connections and feel the culture themselves as this can be a selection differentiator. Hays' What Workers Want report came to similar conclusions. People are happy to use technology, including social media and smartphone apps, in their job search, but want the personal link once they have narrowed down their choice (Hays, 2018).

As has been pointed out, the burden of responding to a myriad of online tests and assessments has been placed on the applicant (Buranyi, 2018). They have to adjust to the specific methods employed by the hirer. Not only is this time consuming, without the

human element they may not get any feedback on how they fared. This antipathy also drives some people to game the system by including false data to fool the computer.

With AI-led call centres we should understand the limits of what such communication tools can do. This is well put by Harkaway:

> *'Algorithms can knit together plausible conversation by sampling enormous numbers of exchanges between humans, but they have no greater understanding of those exchanges than would an enormous set of punch cards speaking a bellows and a brass trumpet.'*

Harkaway, 2018

Employees who complained about the impersonality of dealing with remote call centres when they replaced the HR adviser down the corridor will be even more disgruntled. Dealing with delicate or distressing situations is even harder if the emotional reaction down the other end of the phone/on the computer screen is self-evidently fake.

Employers have tended to shrug their shoulders against both internal employee and external applicant objections to the de-personalisation of HR processes and services. However, this reaction can only be sustained whilst employees have no choice. The especially talented, who are always in demand, will be able to lobby for a more human experience if that is what they want, and employers will oblige. Will this be one more example of a two-speed workforce – personalised for some, processed for the majority? As the IMF says: 'Our main results are surprisingly robust: automation is good for growth and bad for equality' (Berg, Buffie and Zanna, 2018).

Stifling learning

The transformation of the HR structure using the 'three-legged stool' model (shared services, centres of expertise, and business partners) already generated concerns over staff development and how colleagues would acquire the skills to progress or move between the organisational legs. Outsourcing and offshoring compounded the problem as it tended to remove the lower legs of the structure (Reilly and Williams, 2006). Now AI has the potential to damage development still further.

Despite the fact that recent research has shown that augmented workplaces score a third higher in prioritising learning and development (Hargrave, 2018), Stella Pachidi from Cambridge Judge Business School has warned: 'If routine cognitive tasks are taken over by AI, how do professions develop their future experts?' (University of Cambridge, 2018) She is concerned that sitting with Nellie (watching an experienced colleague do a task which you then copy) as a means of learning will be lost, unless of course a robot is charged with explaining what it is up to.

This is, again, a requirement to make implicit processes transparent and subject to scrutiny, in this case to aid learning. Moreover, thinking must not be dulled by replicating AI's logical and linear thinking. There must be space for human intuition and flair. Again, this is an example of not misunderstanding AI's strengths or underestimating human capabilities.

Threats and damage

As the recent worries about Russian interference in the US presidential elections has shown, hacking into IT systems, using mis-information and fake news can have serious implications. In the organisational context, the risk is that malicious or disgruntled individuals or unethical competitors could hack into systems, steal data and/or make alterations to decision-making algorithms. This might seem far-fetched and has not been a serious problem to date, though the recent Morrisons case points to the cost of malicious use of personal data (Faragher, 2018). However, if we become more dependent on AI, then our exposure grows. Blatant intervention may be spotted, but insidious change may not be.

In a rather different way, 'well-designed' processes may be corrupted in operation as users manipulate systems to suit their needs, especially if they find that it does not deliver the answers it wants. So, without being a luddite and destroying the technology, people can ignore or undermine it. This could happen where managers ignore the recommendation of the AI recruitment system and use their intuition instead, despite the evidence that AI is a better predictor of candidate success than humans (Agrawal, 2018). Relatedly, users might enter false data in the knowledge that it will deliver the wanted answer.

Tips for HR professionals

Growing computer power, ever-increasing amounts of data and greater theoretical understanding is meaning that AI technologies are developing at pace. Organisations must grasp the implications of this change. But as we have seen, the interaction between people and technology at work is highly situation-specific, and adapting to the situation is critical to enhancing the positive potential and minimising the harmful side-effects of AI.

Based on a number of sources identified in this paper, and 50 years of IES work with organisations, here are some tips for HR professionals on how to get the best from AI.

- Be clear on your **objectives** and what you want to achieve. For example, is AI simply a cost reduction or value add/service enhancement exercise?

- In doing this, be driven by **business needs**, not technology (though explore how technology could change the business). If the aim of the business strategy is to improve consistency and get predictable answers, then invest in technology. If the aim is to innovate through creativity, flair and emotional engagement, continue to encourage humans.

- Understand exactly where your **digital strengths and gaps** lie, and your opportunities to make progress, eg to unblock bottlenecks, handling high data volumes or shortening the time to analyse data.

- Develop a **'data-savvy' HR function** and, if you are an HR leader, develop those skills yourself, and develop them quickly.

- Develop good personal and professional **links with the IT function**, both to help HR take advantage of new opportunities and to see what the wider organisational implications will be of IT change.

- Build a **change and learning attitude** into your HR team.

- Ensure systems **learn** from humans and vice versa.

- Determine the **optimal point in AI** rollout where human intervention is necessary and where it is not counterproductive.

- **Test** systems in a variety of circumstances before rolling out to ensure that the results generated and are acceptable not just in efficiency, but also in cultural fit.

- Learn how to **think about errors in a more structured way**. Humans make errors and so will machines.

- **Maximise transparency** and ensure that how AI operates is widely understood.

- Look for lots of **small improvements** rather than chasing after a big bang change, and learn and evolve as you progress.

Perhaps we should leave the last word to Stephen Hawking:

'Our future is a face between the growing power of our technology and the wisdom with which we use it. Let's make sure that wisdom wins.'

(Hawking, 2018)

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