



Leadership Connections

How HR deals with C-suite leadership

A research report from Ipsos MORI and Cirrus

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Foreword

Have leaders ever faced a more complex set of challenges?

As we emerge from the longest recession in living memory, markets remain volatile and uncertain. There has been a widespread erosion of trust. Organisations everywhere are dealing with the changing demands of customers and our unpredictable world. All of this places big demands on Corporate Britain, posing tough challenges for leaders and forcing many organisations to change the way they operate as growth slowly returns.

The interesting question is what legacy has the recession left? How did it change the nature of the workplace? Are we returning to where we were pre-2008, or is there going to be a “new normal”? What should the business leaders of Corporate Britain be focusing on as they seek to navigate their way through this new landscape? And what contribution should HR departments be making to their companies to best help them achieve this successfully?

Ipsos MORI and Cirrus have been delighted to work together on an important piece of joint research seeking to answer some of these questions. This report is the result of that research. It pulls out some key messages that throw down challenges both to CEOs and their HR directors if they are to collaborate to build a long-term, sustainable future for their businesses.

The research involved speaking to some of the most influential C-suite leaders and HR and business professionals in the country – both through Ipsos MORI’s survey of over a hundred Captains of Industry, and our interviews with a wide cross section of senior HR and business professionals. We are indebted to them for their contribution.

In this report, we have analysed and interpreted our findings. We have posed an agenda for C-suite leaders and HR professionals, that we hope stimulates a debate. Please do let us know your thoughts; we’d love to hear them.



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Introduction

We live and work in a more connected, globalised world where organisations operate in uncertain environments despite economic recovery. Businesses in many markets are dealing with new entrants with new, disruptive business models.

As British businesses emerge from the recession, one concern that has been voiced is that companies are being quite short-termist in how they are developing their future plans. For instance, in his introduction to the Cox Review (of Overcoming Short-termism in UK Business) 2013, Sir George Cox commented that, "Short-termism constrains the ambition of UK business, holding back its development and inhibiting economic growth."

Recent research from Ipsos MORI appears to provide some support for this, certainly in relation to how businesses managed their employees during the recession.

Ipsos MORI holds a wide array of norms for different aspects of organisational function which are refreshed regularly. This means we were able to look at how different aspects of organisational function changed in the UK over the course of the recession.

When we looked at how companies manage and develop their staff, an interesting pattern emerged (fig 1). We looked at two sets of data, which we aggregated into composite scores.

We called these:

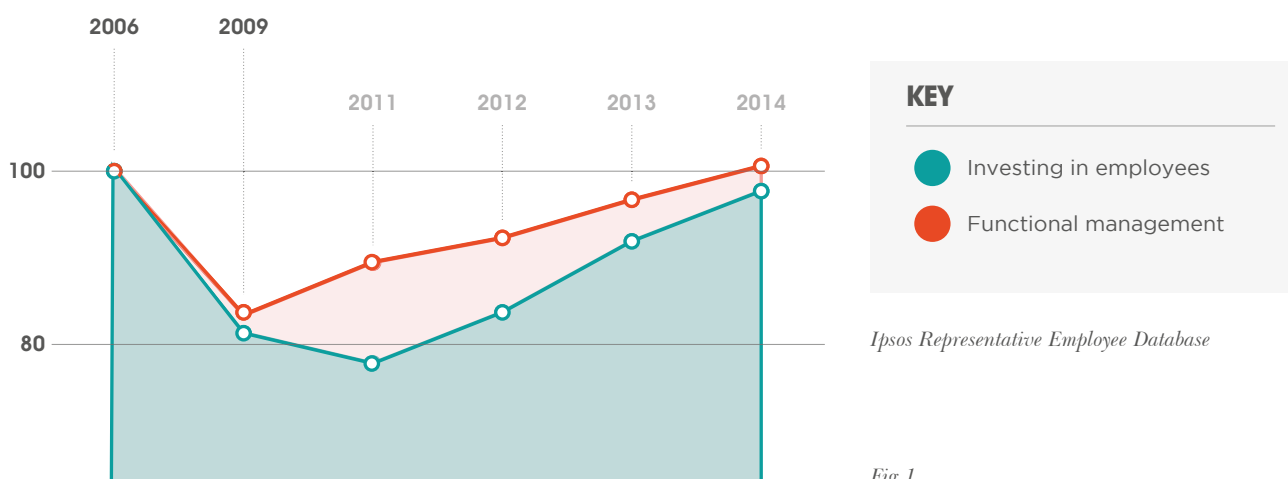
- **"Investing in employees"**, which included measures such as the company 'motivates you to perform at the highest levels', 'is genuinely interested in the well-being of employees' and 'is good at developing employees to full potential'
- **"Functional management"**, which included measures such as managers 'delegate effectively', 'effectively organise the work of the team' and 'set a good example'.

Clearly, the first of these is a long-term measure around developing employees for the future, while the second is much more short-term; just getting the job done. What was interesting was that as the recession started to bite:

- Both sets of measures fell
- But "Investing in employees" fell further (by 20% over three years)
- And it stayed low for longer.

In other words, through the recession, the emphasis of how companies managed their people shifted to become more short-term. And while our latest data shows that things have largely bounced back to pre-recession levels, the long-term investment in people is still lagging somewhat behind.

If companies are succumbing to a degree of short-termism, the risk is that this can undermine their success over the longer-term. The question therefore becomes, what do companies need to do to build a sustainable, long-term future?



In answering this question, one key area is clearly how the leaders set the course for the company. Cirrus developed a framework of Connected Leadership based on five themes that are all critical to a company's long-term success and sustainability.



SHARED DIRECTION

Creating a **shared direction** and purpose across your business



SHARED VALUES

Being authentic and creating a **shared values-based** culture across your business



SHARED DECISION-MAKING

Involving colleagues across the business in **shared decision-making**



COLLABORATION

Building **teams that collaborate** effectively across the business



BEING AGILE

Being agile in the face of changing circumstances facing your business

Connected Leadership embodies the shift away from the old style of command and control leadership and hierarchical structures. It is about leading through influence rather than control, which relies on effective communication and connection across the organisation based on a consistent set of assumptions.

For Connected Leadership to work effectively, a successful relationship between HR and the C-suite is critical. Connected Leadership requires a high degree of trust, not only between HR and the C-suite, but across the entire organisation – trust that each person and team will play a part in the process, and trust that each person and team will seek what's best for the whole business based on a shared purpose.

We were keen to explore how the Cirrus five-factor model of Connected Leadership resonated with the senior business leaders of Corporate Britain. How did they feel it supported the long-term, sustainable growth of their businesses? Which elements of the model were most important to them? How are they supported by their HR departments in delivering on this agenda? And where were they looking to HR for more support? These questions led to the joint research programme that we are delighted to share in this report.

For Connected Leadership to work effectively, a successful relationship between HR and the C-suite is critical.

The Research

Our research contained two strands:

1 **Strand 1 included questions in Ipsos MORI's 2014 Captains of Industry survey, widely acknowledged as the authoritative source of opinion on Britain's business elite. Key features of the survey include:**

- 108 interviews were conducted amongst C-suite leaders and chairmen between September and December 2014
- The companies included are all top 500 industrials by turnover, or top 100 financial companies by capital employed

2 **Strand 2 was made up of two elements of qualitative research:** in-depth qualitative interviews with 14 senior leaders and HR directors, conducted between September and December 2014; and a focus group discussion with eight people drawn from the interview respondents.



The Findings

Certainly, one of the findings from the qualitative research is that Britain's business leaders are alert to the risks of short-termism. A recurring theme was the need to build for the future in order to deliver sustainable growth.

"It's important to look to the future because you're investing now for five years' time...don't shed everything in the short-term."

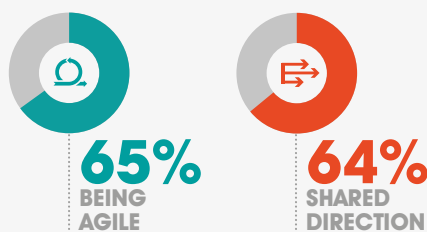
Jacqui Humphries Group People Director, Shop Direct

So if long-term growth is a driving force for our leaders, how should they lead their businesses to deliver this?

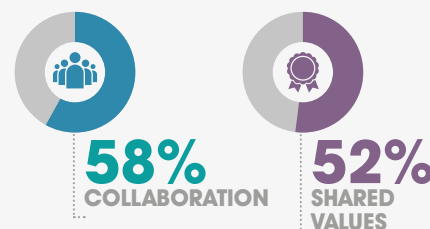
The Captains of Industry survey findings show some strong endorsement for the Connected Leadership model – and also give some valuable insight into how the different elements of the model fit together.

As the dials below suggest, the five elements of Connected Leadership appear to fall into three bands in the eyes of Britain's leaders:

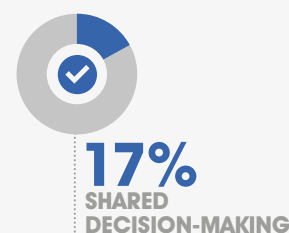
1 The biggest priorities, shared by almost two thirds of leaders are making sure their companies are being agile and have a sense of shared direction



2 The next band of priorities are collaboration and creating shared values. These are prioritised by just over half of British leaders



3 Finally, shared decision-making, perhaps surprisingly, is prioritised by only 17% of leaders



In other words, it appears that the five elements of Connected Leadership sit in a hierarchy.

The qualitative work refined this hierarchy further. In both the interviews and our focus group, the weight of attention was on the need to be agile and how to deliver this. This was seen as an important end in its own right, especially given the increasing demands from customers, and the increasing challenges from competitors and new entrants.

"Change is going to be a constant and speed is going to be the differentiator. The world is changing overnight in some instances. If you're agile, change can mean good things for your business. Just standing still means you don't have a strategy to respond to the latest customer demand, because in our digital world the customer is becoming much more aware. We have to be able to respond much more instantaneously to their feedback."

Caroline Massingham HR Director, N Brown

Base: British Captains of Industry 108 interviewed Sept-Dec 2014

“These days with very, very, very rapidly changing technology, very, very, very rapidly changing operating systems and business models, if you’re not agile then you risk dying. You have to be prepared to be a transformable business and regenerate in your business to reflect the changing technology and the changing working practices, and in addition to that, the changing marketplaces.”

Kerensa Jennings

Head of Strategic Delivery, BBC

At first glance, there is something paradoxical about this. Agility is all about responding to customers and challenges immediately, in the here and now – which could sound like the definition of a short-term response. How does this apparent short-termism fit with a company’s aim of securing long-term growth? The answer appears to be in what companies are looking for when they talk about agility. Our research suggests they are not talking simply about the short-term, immediate response to a challenge. Rather, what they want is to ensure their companies can keep doing this over the long-term. In other words, agility is not about the short-term response to a threat, it is about embedding the long-term capability to quickly identify and respond to emerging threats and challenges.

So how do you embed this long-term capability to be agile?

“Everybody wants everything now. The customer is much more demanding in our digital world. You’ve got to be agile, you’ve got to be fast, and you’ve got to have speed to market, to turn things around quickly. Customers expect access to everything immediately so you’ve got to have that agility.”

Tanith Dodge

Director of HR, Marks & Spencer

A big part of the challenge appears to be how people work:

“Although the need for agility is fuelled by technology, actually the technology doesn’t achieve anything in itself. It is about changing the way people work, the way they think, the way they view data, the way they interact with customers.”

Angela Spindler

CEO, N Brown

From the qualitative research, we see that the elements of Connected Leadership appear central to achieving this change in how people work. We found that each of the other four elements of Connected Leadership are seen as a central part of ensuring the company remains agile. Agility depends on companies being able to respond to challenges quickly – which means they don’t have to refer all the decisions up the chain and wait for a response. Companies need to empower their business units to respond to local challenges as they arise.

However, to do this effectively, there needs to be:

- A clear sense of shared direction
- A willingness to trust and collaborate
- Shared values.

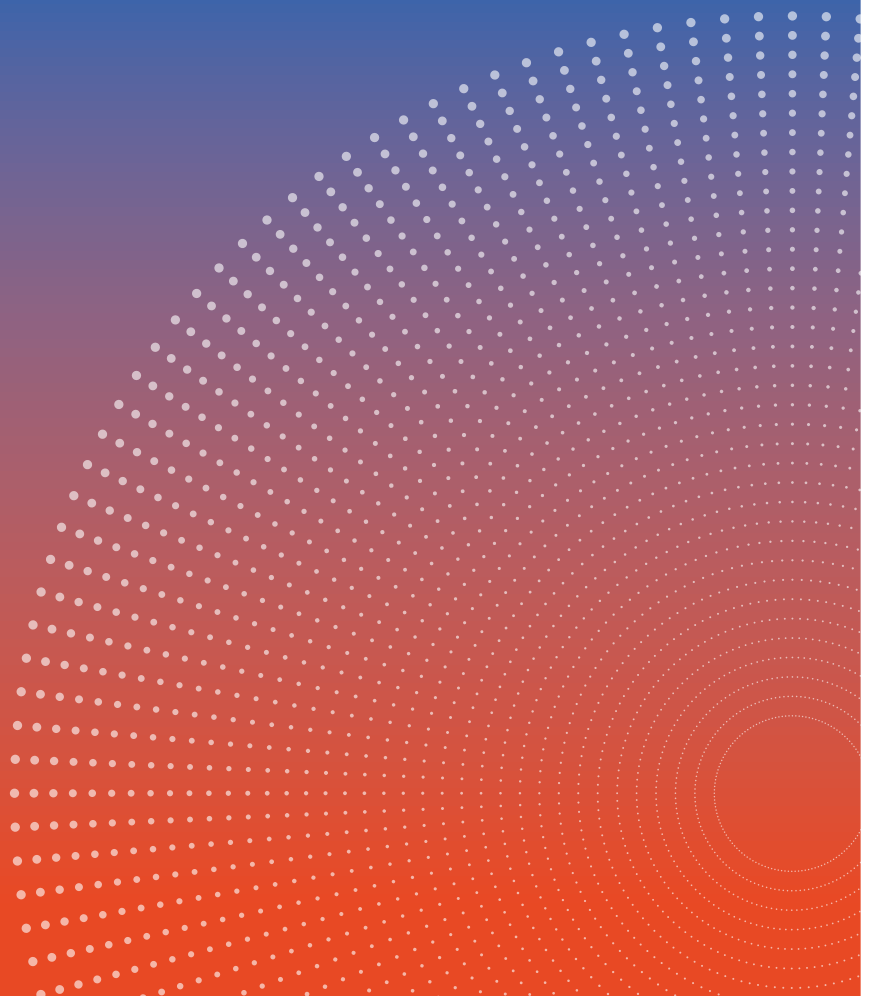
All of these are necessary to provide a framework and capability for local business units to make good, agile decisions which are in line with what the company is trying to achieve overall.

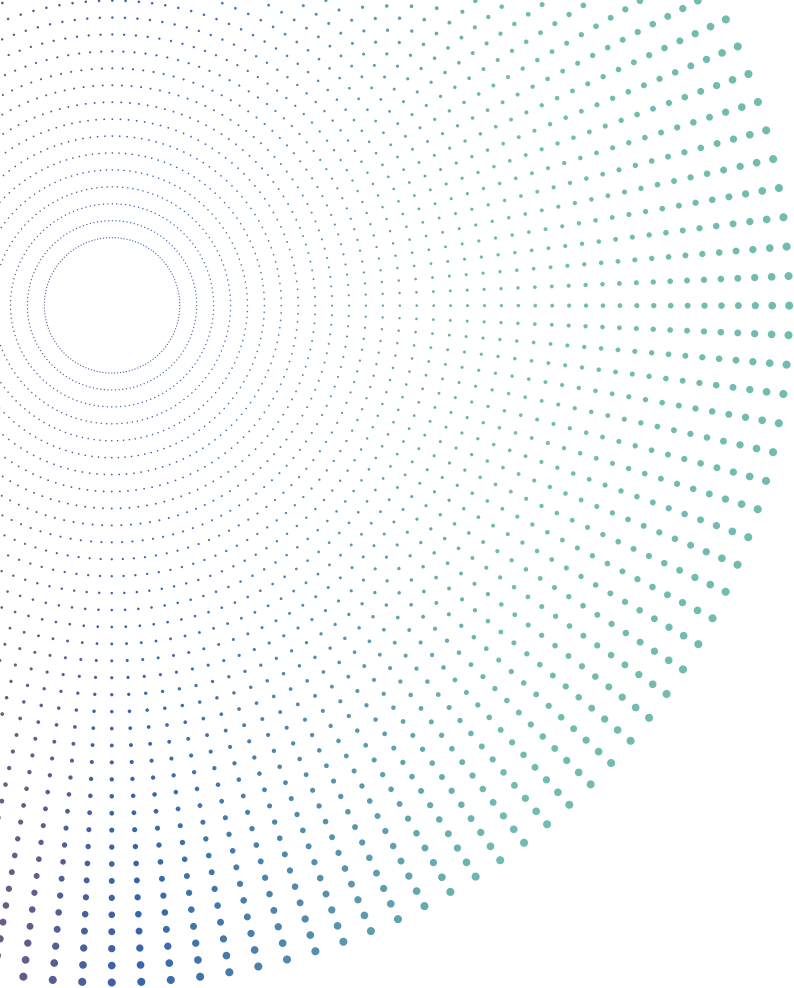
“Collaboration is linked to agility. When we have new projects and opportunities, we need to find the right people to make them work. Do we have the skills we need, or do we need to develop them? HR is uniquely placed to connect people across the organisation to grasp these opportunities.”

Julie Clarke

HR Director,
Technology Services, Xchanging

“Connected leadership is about becoming more agile, authentic, collaborative, creating a shared purpose and devolving decision-making across organisations.”





“Shared values are absolutely critical. As you’re going through transformation in particular, you need a set of values that enable people to behave in a certain way.”

Caroline Massingham

HR Director, N Brown

“You’ve got to have a shared purpose and direction in terms of what you’re driving as a business. In particular, a seamless customer journey requires all parts of the business to be joined-up...You need a strong coalition to drive results.”

Tanith Dodge

Director of HR, Marks & Spencer

“Cross-functional working is absolutely vital. That doesn’t happen effectively when people stick in their silos.”

Mark Stevens

Managing Director, CCD,
Provident Financial Group

Furthermore, the qualitative research also revealed why leaders gave shared decision making such a low score in the survey.

The survey talked about involving people in decisions, which to some sounds bureaucratic. Shared decisions, involving many across the organisation, were seen as slowing things down.

What leaders actually want is devolved decision making – i.e. decisions made as close to the customer as possible, which is seen as key to providing an agile response to the outside world.

“Realistically, the reason you recruit senior people is to make big decisions. Shared decision making is difficult to make happen. You’ve got to be realistic about it. Realistically, the reason you recruit senior people is to make big decisions. Shared decision making is difficult to make happen. You’ve got to be realistic about it.”

Jacqui Humphries

Group People Director,
Shop Direct

“How can CEOs not encourage devolved decision making to drive change? Many HR leaders can see a link there, but many CEOs don’t.”

Rob Thomson

Programme Manager,
Network Rail

“I believe in autonomy and not over-managing everything. As long you’ve got a shared purpose and a shared set of values then you don’t need everybody to participate in every decision. If you’ve got those things in place then you can trust people to get on and make the right decisions.”

Angela Spindler

CEO, N Brown

So what we take from this is that the Connected Leadership model resonates well as a framework for business success.

Furthermore, it appears that agility is seen as a first among equals, with the other four elements being key to delivering agility and business success (fig 1).

One final nuance is worth drawing out of this element of the research: while overall, agility is seen as the top challenge by leaders, there are some interesting variations between sectors. Agility is particularly key in the service, banking and retail sectors. In the industrial and construction sectors, however, there is far more emphasis on creating a shared direction. Interestingly, there is also a London effect: **London-based businesses are far more likely to prioritise agility (74%) than those outside London (58%).**

This is almost certainly a reflection of the different context and customer base in these different sectors. But even with these variations, the data suggests the Connected Leadership model resonates well across a range of sectors (fig 2).

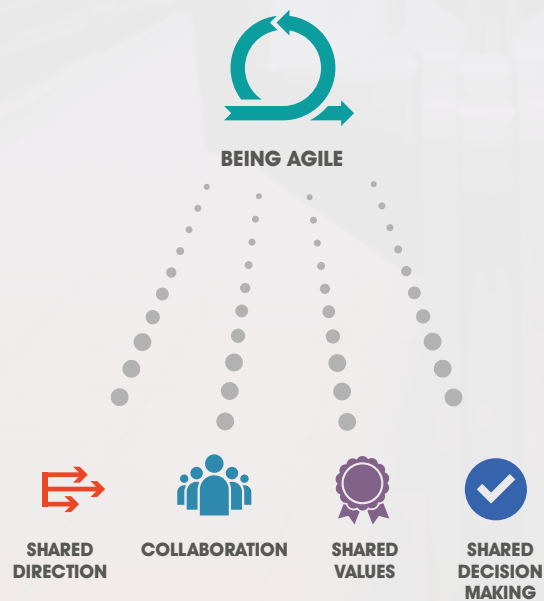


Fig 1.

Connected Leadership Across Sectors

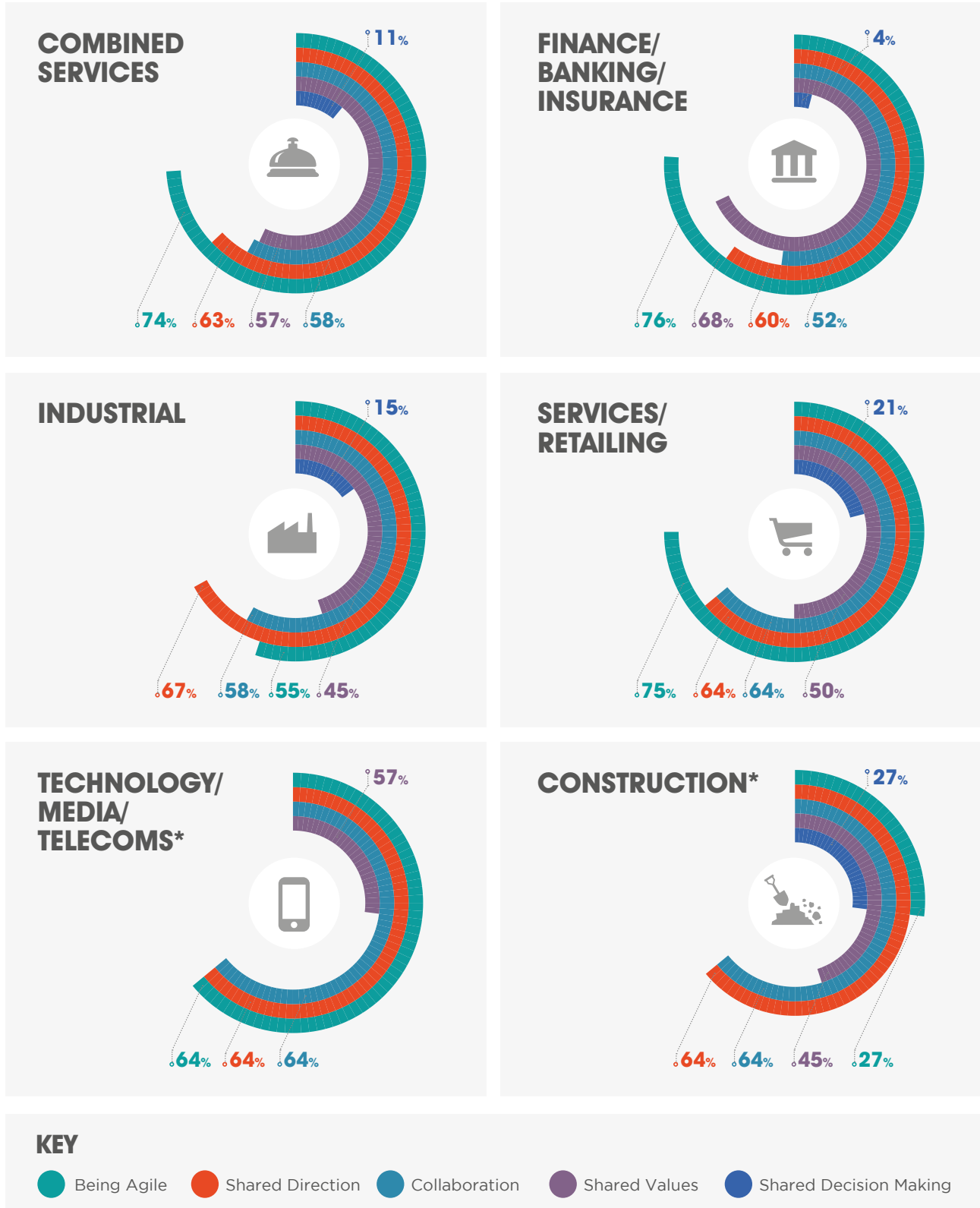


Fig 2.

Base: British Captains of Industry Sep-Dec 2014: Combined services sector (65), Financial/banking/insurance (25), Industrial sector (33), Services/retailing (21), Technology/media/telecoms (11), Construction (11) *small base size

The Role of HR in Supporting Connected Leadership

This senior level buy-in to the Connected Leadership model raises the question: how should HR departments support this agenda?

Within HR departments there was recognition of their key role in supporting business agility. But there was also awareness that they were sometimes not as agile as they could be.

“Because of the rate at which businesses are transforming, I think there’s a really important role for HR to play to make sure that the organisation is ready for that change. That’s where HR can really, really add value, because it’s all about the right talent, the right organisational design, engagement strategy in line with business strategy and how connected our people are to the customer, because that customer connection is becoming more and more important.”

Sarah Dickins
People Director,
Provident Financial Group

So how did the Captains of Industry see this? What does HR already do well, and where do C-suite leaders want more support? One of the clear pictures to emerge from the survey (fig 1) is that the area where C-suite leaders most want HR to do more – supporting business agility – is also the area where HR has the greatest opportunity for improvement.

It would seem that HR’s own reflections that they are not always as agile as they need to be are also borne out by how C-suite leaders perceive them.

“HR is seen to not always be agile because it’s not always perceived to be flexible enough. Traditionally, HR is very process-bound. Agility is most often driven by the demands of the outside world and customers instead of proactively by us. It is about responsiveness and pace.”

Liza Strong
Group Head of Organisational
Talent and Diversity, Royal Mail

Creating a shared direction and purpose is a factor that C-suite leaders rate almost as highly as agility. It is also an area where there is a dramatic difference between the importance leaders place on it, and the level of effectiveness they perceive HR has.

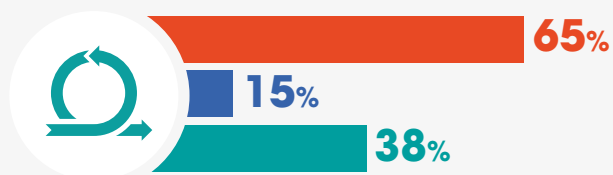
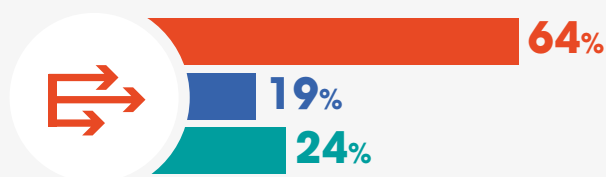
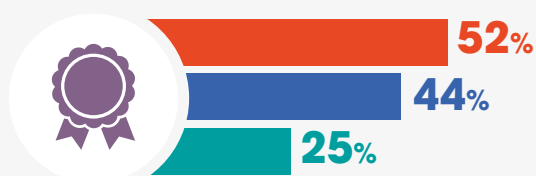
The question therefore is: how does HR step up to this challenge? How can they be a more effective advocate and facilitator of company agility? Certainly, there is a strong HR appetite to support their companies to become a successful, agile business.

“As a HR function, we should come in every day to work to support and facilitate, to enable the workforce and the organisation to deliver. We can make it safe and allow people to be brave and courageous.”

Imagine if we all brought in 25% more effort every day, where would we be?”

Liza Strong
Group Head of Organisational
Talent and Diversity, Royal Mail

Base: British Captains of Industry 108 interviewed Sept-Dec 2014

BEING AGILE**SHARED DIRECTION****COLLABORATION****SHARED VALUES****SHARED DECISION MAKING****KEY**

- Most important challenges for leaders
- HR most effective in
- HR should become more effective in

Fig 1.
Base: British Captains of Industry 108 interviewed Sept-Dec 2014

At the heart of this there is a recognition that this needs to be built on HR directors doing more to forge a stronger relationship with the C-suite. Indeed, some of the people we spoke to specifically went on to suggest that HR should use the strength of this relationship to challenge short-termism when they see it.

There were worries, however, that HR departments were not always rising to the challenge sufficiently quickly. The risk here, is that the HR function fails to get the influence it needs around the corporate board table to support and drive change.

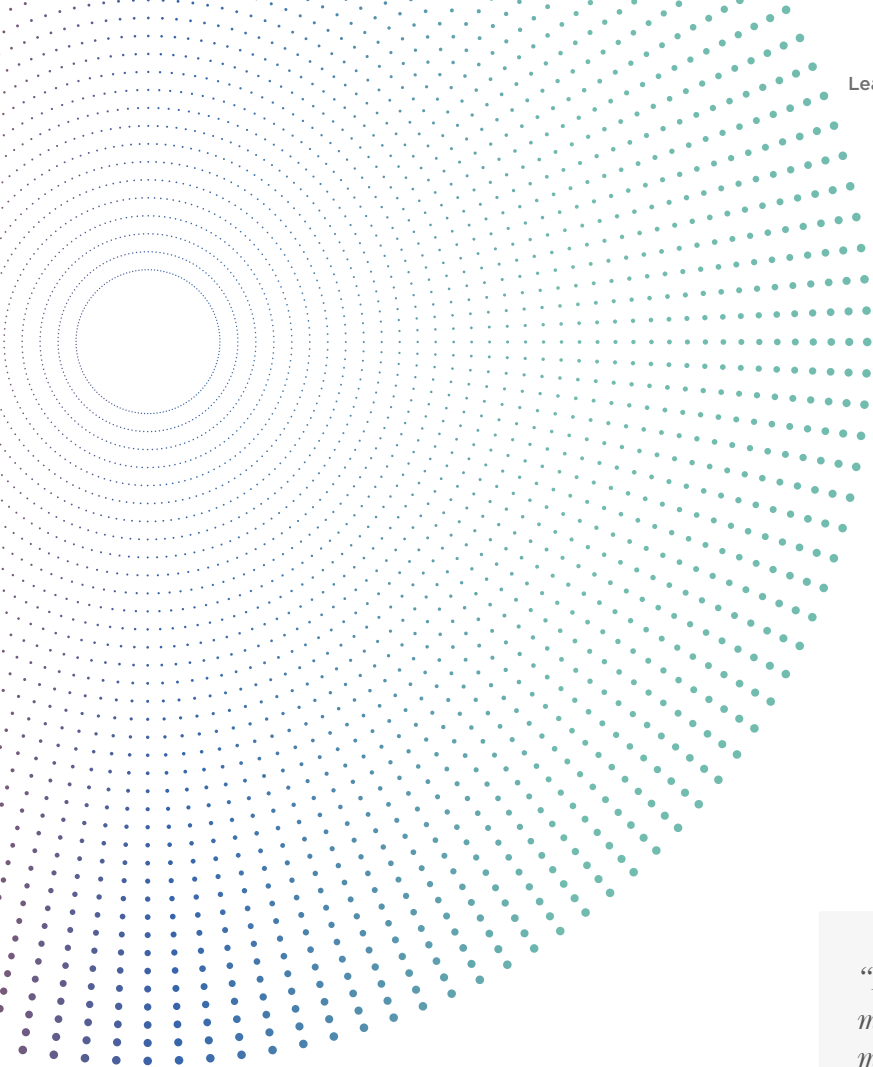
The opportunities are there, but there is also a call for HR to step up more to the challenge.

“The HR function needs to become more customer-focused. We can learn a lot from our colleagues in marketing.”

Julie Clarke
HR Director,
Technology Services, Xchanging

“HR needs to be brave. We’ve got to change the way we work with the organisation. We can connect and focus people across the business to our shared purpose, values and culture to deliver goals. It’s about empowering, listening and acting on feedback. Trust people, and let go. Just do it.”

Nicola Perrin
Head of HR, Allied Irish Bank



“HR has become more business savvy and more integrated into strategic decision making. Business leaders have become more aware of the people side of what they’re doing.”

Alicia Millar

EME Learning and
Development Manager,
Reed Smith

“I think the relationship that the HR function should have with the leadership function is about challenging the vision and making sure that you have the skills to deliver for the future. Retail in particular can be too reactionary, too in the moment, and not enough about the future.”

Jacqui Humphries

Group People Director,
Shop Direct

“A good CEO/HR director relationship is about partnership and sponsorship. Maybe HR needs to challenge CEOs on the short-term delivery focus and work together to re-prioritise on building long-term sustainability.”

Liza Strong

Group Head of Organisational
Talent and Diversity, Royal Mail

“HR has a fantastic opportunity to use its people insight to enable business performance. Being a business person, who happens to work in HR - rather than a HR person who supports the business - is the only way that we will become more agile and forward thinking. HR should champion ‘enablement’ in the workforce and suggest interventions which can help an organisation respond to changing market forces, rather than manage historic trends in people data. Let’s change the conversation and focus more on organisational outcomes and why interventions will help...even if those interventions are not HR ones!”

Alexis Dolling

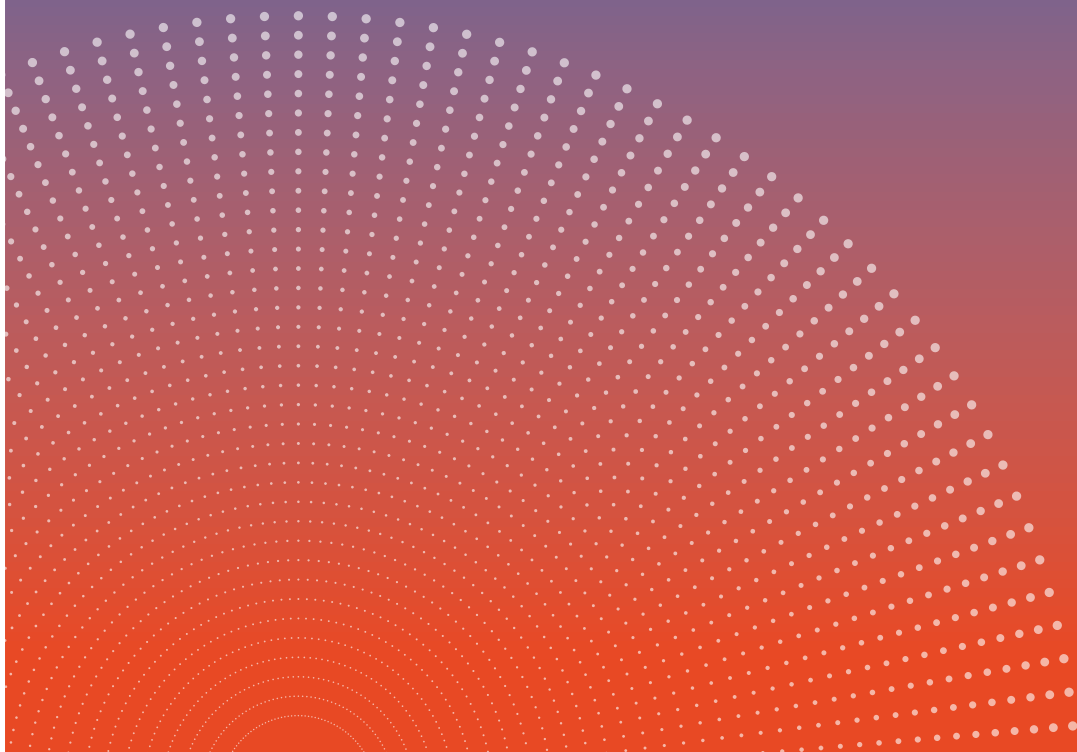
Development Lead,
Global Functions,
Europe, HSBC

“The biggest challenge that HR faces in the next three to five years is HR itself. HR needs to now look outside. It needs to learn from its mistakes.”

Dave Buglass

Head of Organisational
Capability and Development,
Tesco Bank

“Shared direction,
collaboration and
authentic and shared
values are all endorsed
by the majority of the
Captains of Industry.”



Conclusion

The message from this research is an optimistic one. First, Captains of Industry recognise that short-termism is not the answer.

For the clear majority, there is a desire to embed the agile capability to keep responding to threats, challenges and opportunities that get thrown at their companies.

What's more, there is agreement on the principles of Connected Leadership that we were exploring in this research. Shared direction, collaboration and authentic and shared values are all endorsed by the majority of the Captains of Industry. The qualitative work also highlighted the importance of devolved decision making. And all of these are seen as underpinning the agile capability necessary to secure a company's long-term future.

The Captains of Industry want more support from HR, particularly in the areas of agility and shared direction and purpose. And the research shows that the HR function is already evolving in many cases to meet these demands.

The research also pinpoints a remaining challenge for HR: that the perception of HR – and in some cases potentially the practice of HR – is still overly transactional. If this is the case, it will be difficult for HR departments to enjoy the level of collaboration and influence around the Board table that many want.

There is clearly a role here for HR in supporting their organisations to build agility and, more broadly, to embed the principles of Connected Leadership. Many C-suite leaders – as well as HR leaders – clearly want HR to be more involved in the game.

As HR continues to shift both practice and perception from the transactional to the true strategic partner, they are pushing at an open door. One message from this research is that many business leaders across the UK want HR to keep pushing.

About

Cirrus

Cirrus develops innovative learning and development solutions in the areas of leadership, talent and engagement. Working in partnership with international clients, Cirrus helps to create more connected, customer-focused and higher-performing organisations.

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Ipsos MORI

Ipsos MORI, part of the Ipsos Group, is a leading UK research company with global reach. The Ipsos employee specialism provides research and advice in employee engagement, leadership, talent and change management; we empower managers and increase organisational agility.

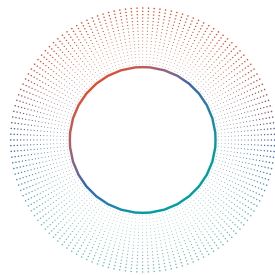
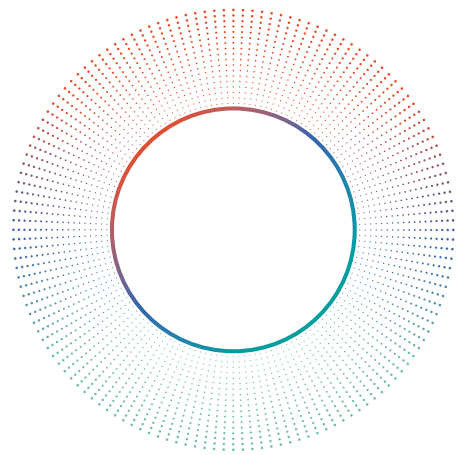
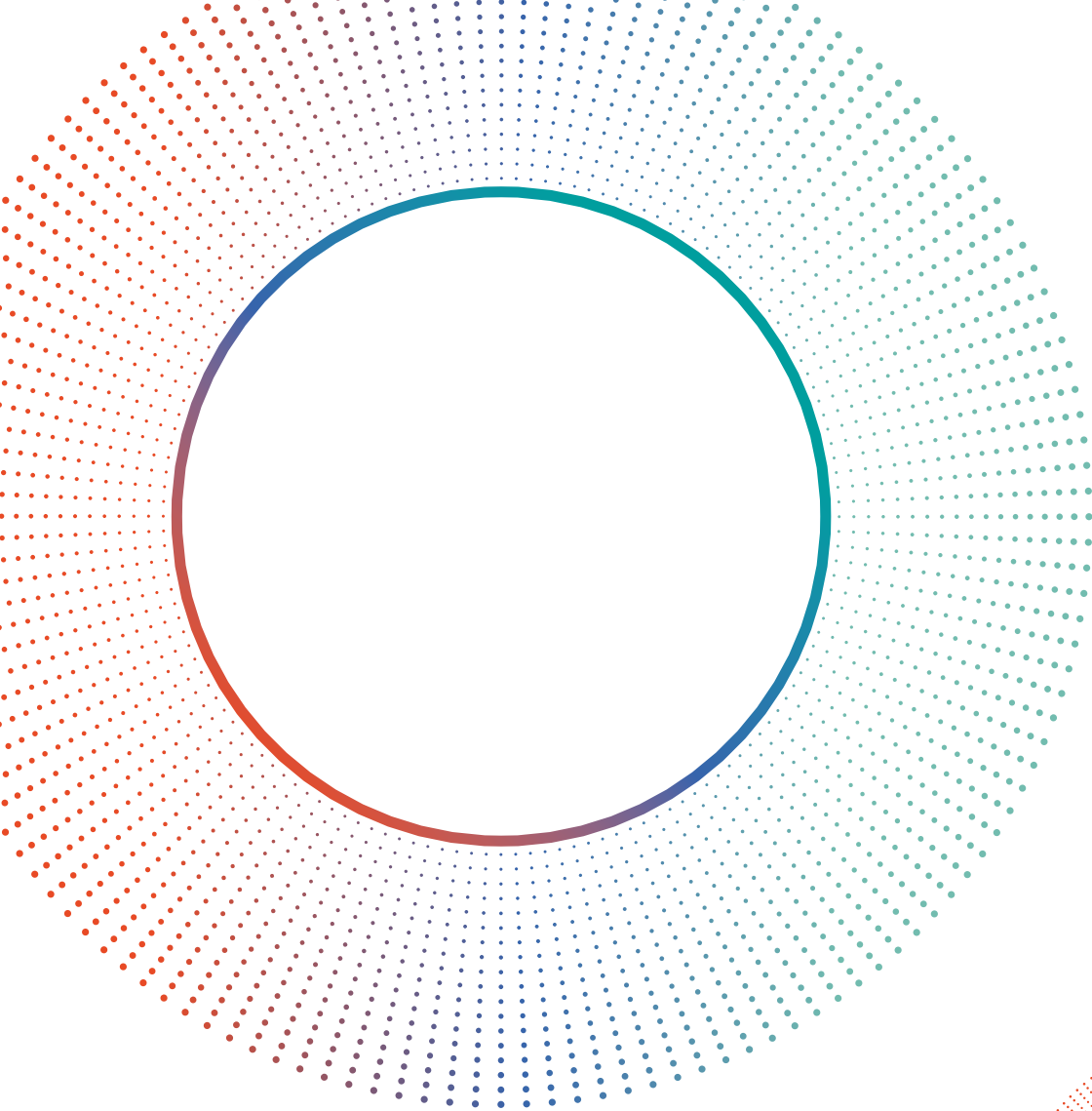
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