

Strategic resourcing & the flexible firm

Research report
Summer 2004



interim resources

Executive Summary

The main findings are:

- While flexible working arrangements are common, it is unusual for organisations to adopt a structured and strategic approach to resourcing. More often than not, no-one is responsible for a company-wide resourcing strategy.
- At managerial level, outsourcing, consulting/contracting, part-time employment and interim management are the main ways organisations seek to increase flexibility.
- Interim management is the most commonly used approach, with interim managers being used as a bridge between core and contingent workforces.
- However, HR tends to take a reactive and tactical approach to interim management, and hiring appears to be driven more by expediency than strategy.
- While interim managers are frequently used at senior level they tend not to be well managed by the organisations that employ them. As a result, skills transfer and learning do not take place as effectively as they should. There are also implications around corporate governance.
- Interim management is here to stay but has to be managed proactively to make a strategic contribution. If done well, interim management can become an important tool for making the flexible firm a reality.

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We are frequently asked to advise organisations on their resourcing practices so undertook this study, in conjunction with Ashridge, the business school, to explore current levels of understanding about strategic resourcing and its practice.

Our research reveals that HR professionals are not taking a structured approach to creating a flexible managerial workforce. It also finds a surprising lack of awareness around the possibilities of taking a strategic approach, despite recognition of the advantages. Yet, as the economic, political and social environments change, organisations are seeking better ways of structuring and resourcing their businesses to meet these changing needs.

At managerial level our study reveals that flexibility is generally achieved through outsourcing, consulting/contracting, part-time employment and interim management. The latter is the most widely used tactic although hiring interims often appears to be driven more by expediency than strategy.

Despite being a key way to achieve flexibility, interim managers tend not to be well managed, with lack of communication and clear responsibilities cited as frequent problems. Skills transfer and learning capture are also key issues. With processes and procedures for managing interims inconsistent and disjointed, there is a clear role for interim providers to take more of a lead in advising their clients on how best to select, induct and manage interims.

While interim managers are frequently used at senior level they are often not well managed by the organisations that employ them. As a result, skills transfer and learning do not take place as effectively as they should. There are also issues around corporate governance. Although the flexible firm has been described in business and management literature over the last decade, it appears to be early days in its development as far as strategic resourcing is concerned.

Bob Arnold, Director, Strategic Consulting at Chiumento

Ashridge

HR executives desire to become business partners and players at board level. Yet, research such as this uncovers time and again that in many companies the talk about HR strategy tends to be a mere fig leaf to cover up a fragmented and administratively-focused approach. It is vital for success that HR play a strategic role. But, in their struggle to be recognised as business partners, many HR professionals talk 'strategy' but act in an ad-hoc fashion, as demonstrated by our study. Only when each and every HR practice gets re-shaped and aligned with strategic imperatives will the two meet and HR earn its place as a player. The example of interim management shows that this can be achieved by a few simple, but crucial HR management steps:

1. Forecast talent requirements and evaluate options in advance of actual need
2. Co-ordinate and control the deployment of interim managers in light of the overall resourcing strategy
3. Monitor the effectiveness of interim managers and ensure timely feedback
4. Facilitate the transfer of knowledge and lessons learned to permanent staff
5. Carefully select and manage interim providers.

Arno Haslberger & Mary Kennedy
Ashridge, the business school
www.ashridge.com

Exploring the findings

The flexible firm

- Flexible working arrangements are widely used and are regarded as important for the future. However, 'flexible resourcing' means different things to different organisations.
- Flexibility in numbers is provided through self-employed contractors, often on short-term contracts, while flexibility in specialist skills is achieved by hiring interim managers.
- Permanent flexibility for non-core activities comes from outsourcing services such as payroll and benefits administration, IT and supply chain management, while flexibility to retain talent comes from job-sharing schemes and part-time contracts.
- In general, respondents believe their organisations have learned to absorb interim and other temporary employees quickly.

The role of interim management

- Interim management is the most important way of providing flexibility around key skills and is particularly relevant for managerial and senior roles.
- Interim managers are mostly used to provide skills that are unavailable internally, as well as specialist expertise and experience of specific issues.
- Once interim managers have been used in a particular area, the organisation is likely to continue doing so.

Success factors

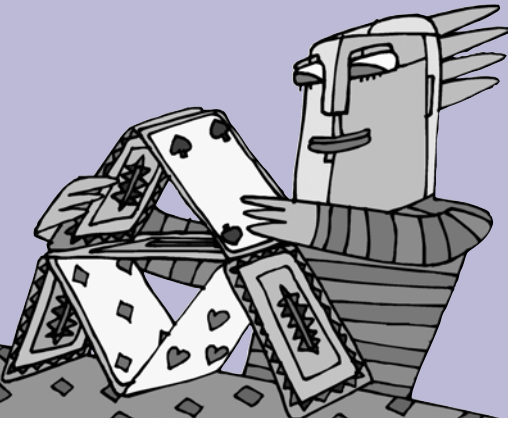
- Organisations tend to be satisfied with their interim managers' skill levels, motivation, performance and cultural fit.
- However, there are fundamental differences in opinions about what ensures success: while organisations want market understanding, this is not considered important by interim managers. Instead, they regard it as critical to understand the corporate culture.
- The interim employment market is forecast to grow in the future. Managed properly, it can become an important tool for making the flexible firm a reality.

Room for improvement

- Currently, few organisations appoint someone into a dedicated strategic resourcing role, which is resulting in ad hoc decision-making and management of resources. For example, many HR functions restrict themselves to the tactical recruitment of interim managers and to administrative duties such as drawing up contracts once a decision has been taken elsewhere rather than providing overall guidance on the best flexible working arrangements for the business. A key challenge for HR professionals, therefore, is to take a more strategic and 'joined up' approach to resourcing.
- Interim managers are often not well managed by the organisations that employ them. While HR would normally work alongside line managers to recruit and select permanent staff, there is a fragmented approach to recruiting and managing interim managers, with little coordination and no-one taking overall responsibility for the roles.
- Processes and procedures for managing interims are inconsistent and disjointed. In particular, communication is poor, with interims rarely receiving inductions or feedback on performance.
- Learning transfer between interim managers and their employers appears ad hoc, leading to dissatisfaction with the level of skills transfer that happens. This is a wasted opportunity in terms of knowledge and skills.
- There appears to be a clear role for interim providers to be more closely involved with flexible resourcing, by offering their clients more guidance on selection, induction and follow up.



Bob Arnold, Director, Strategic Consulting at Chimento, offers the following checklist for organisations grappling with making the flexible firm a reality:



- Put someone in charge of strategic resourcing.
- Understand where the business is going. Become familiar with the objectives and strategy for the business as a whole as well as individual business units.
- Define your organisation's core competencies and functions: resource these internally then create a similarly strategic approach for other areas.
- To do this, you need a clear view of your organisation's current capabilities vs its future needs. This can be established by an effective performance management process or through the development of a coherent succession plan.
- Be clear about the payback. Put in place performance targets and determine how these will be measured.

Use the following diagnostic tool to see how you're currently doing:

How effective is your current resourcing approach?

Assess your organisation against the following statements. Tick each box that applies.

1. Understanding our core capability

1. We have defined our core functions and processes as an organisation.
2. We have defined the core competencies required in each function/process.
3. We assess our managers against these core competencies at least once a year.
4. We quantify the change in management capability – up or down – at least once a year.
5. We have predicted any changes in management capability that will be required over the next three years.

2. Filling the capability gaps

1. We review gaps in our core capabilities at least once a year.
2. We make permanent strategic hires specifically to address capability gaps.
3. We engage interim managers specifically to address capability gaps.
4. We employ consultants specifically to address capability gaps.
5. We develop people internally specifically to address capability gaps.

3. Using resources strategically

1. Every piece of work undertaken by an interim manager has defined objectives.
2. Every piece of work undertaken by a consultant has defined objectives.
3. Every interim manager/consultant undergoes a formal induction to the company.
4. Every interim manager/consultant receives formal feedback on their performance.
5. Every interim manager/consultant is helped to understand the strategic imperatives of our business.

4. Delivering value-add

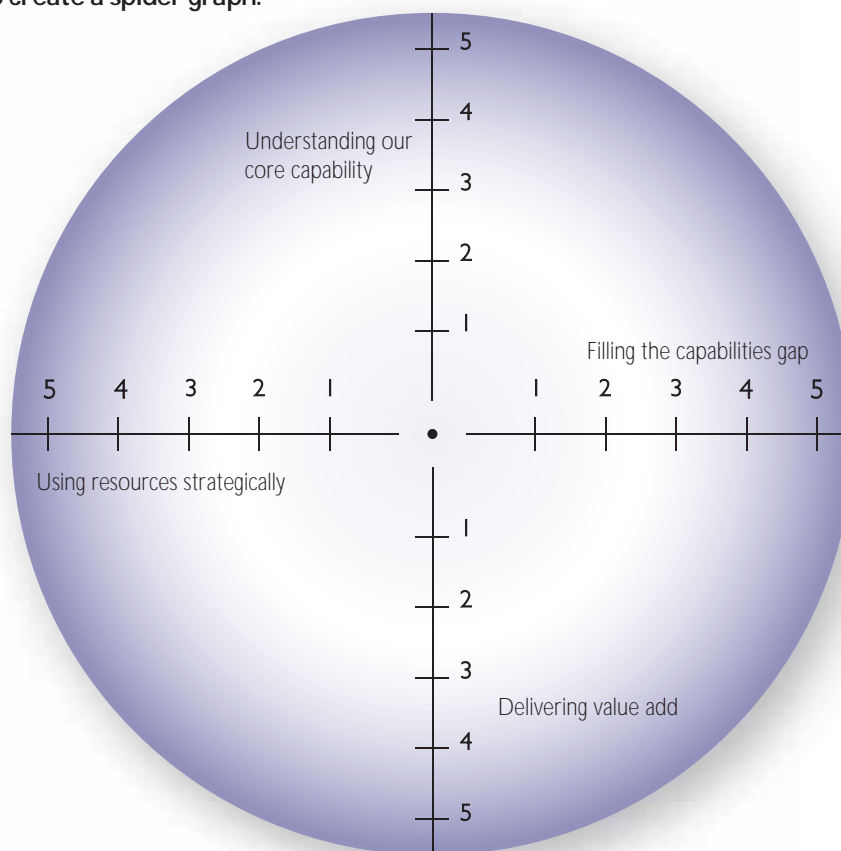
1. We measure the ROI (return on investment) on every project whether delivered using internal or external resources.
2. We capture the learning from every piece of work carried out by an interim manager/consultant.
3. We measure the extent to which our organisation's intellectual capital has increased on every project.
4. We actively help our core managers learn from the experiences of our interim managers and consultants.
5. We are able to demonstrate the relative value-add of interim managers/consultants vs employed managers.

Plot your scores here to create a spider graph:

Where have you scored well?

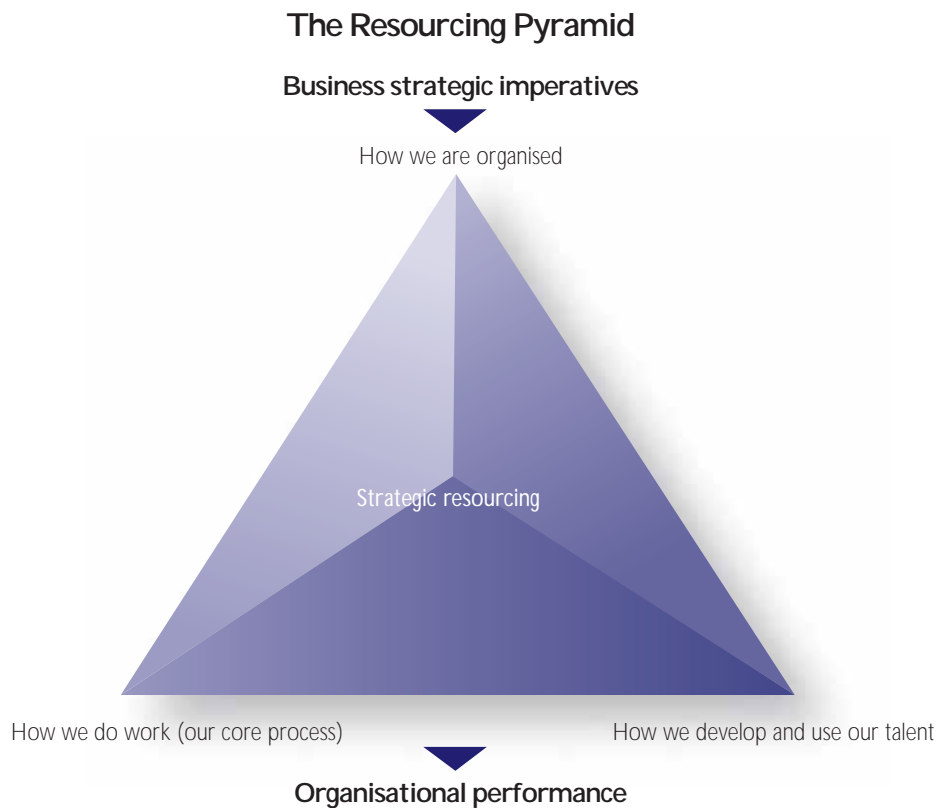
Where less well?

What can you do differently?



We find that most organisations score relatively well on 'Understanding our core capability' and 'Filling the capabilities gap'. The difficulties seem to arise with the two other quadrants. If you have scored 4 or 5 on these two axes then your organisation is at the leading edge. If you have scored less than three on these axes, then give us a call to find out how you could improve the effectiveness of your current resourcing approach.

To succeed, organisations need to develop more than just a flexible talent pool. Developing and using talent is just one of three building blocks that HR needs to consider to make strategic resourcing work. The other two elements involve looking at how the business is or should be organised, based on the business strategy, as well as how the organisation works, for example, the balance between core and outsourced processes. Understanding how these elements work and influence each other is key to making strategic resourcing a reality.



At Chiumento we help organisations to think through their people strategies, advising them how to best source and use their talent to deliver competitive advantage. We work through four key steps when helping organisations develop a flexible resourcing strategy:

1. We help organisations to understand their current capabilities
2. We look at how they are using these
3. We find out where the gaps are
4. We suggest options for addressing those gaps, now and in the future.

■ For an initial discussion on how the Chiumento's mix of expert advice, proven techniques and a distinctive, energetic approach could help you move forward your strategic HR issues please contact Bob Arnold, Director, Strategic Consulting on 020 7224 3307 or email him on barnold@chiumento.co.uk

How to get the most from interim management

- Make interim management part of the bigger resourcing picture.
- Plan assignments carefully – certain roles lend themselves more to interim management than others.
- Choose an interim provider that knows its talent pool intimately; the largest may not necessarily be the best.
- Do quality check on the interim provider – do they assess the competencies of candidates before including them on their database? Do they provide continuous learning/development opportunities? Do they conduct formal reviews at the end of each assignment with client and candidate?
- Don't hire interim managers as a distress purchase. Assess the business need and select the most effective approach to the challenges your organisation faces.
- Co-ordinate management and monitoring of interim managers and assign overall responsibility to one person to ensure company-wide effectiveness.
- Base your selection criteria on the right skills – interim managers believe that the ability to get on with people and develop relationships quickly is equally important as technical skills.
- Provide a thorough induction to the project. Set clear objectives and performance targets, striking a balance between clarity, accountability and flexibility.
- Give regular feedback. Companies that do tend to have more success with their interim managers.
- Put in place steps to capture interim managers' knowledge and skills and maximise their use in the talent pool .



■ A senior HR Interim could help you implement a strategic resourcing approach. To review potential candidates please contact interim@chiumento.co.uk or call 01865 882100.



Chiumento regularly undertakes research on Human Resource issues. To access other Chiumento research documents, go to www.chiumento.co.uk/infospace

**Chiumento**

The individual approach to HR

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