

The rise and rise of Organisation Effectiveness

A quick search on LinkedIn will confirm the growing popularity of the term 'Organisation Effectiveness' (OE) as a job title within larger HR functions. KPMG's own experience of working with HR Functions across multiple sectors has seen a similar increase in the use of the term. And yet, there seems a lack of consensus on what OE is, and by extension how Heads of OE are spending their time. Prompted by one of our clients with a specific interest in defining an approach to driving OE, KPMG in the UK recently conducted research with 10 Heads of OE to find out how people were interpreting the term.*

Our research suggested that whilst there is still no common agreement on what OE means and how it should be approached, there are at least three themes or lenses that are being applied to the topic;

1. A 'soft' approach which focuses on identifying, and supporting the business to resolve, hard issues which are important for multiple stakeholders but neither critical nor urgent enough for the business to resolve on its own. Examples of such issues include aspects of diversity & inclusion and regulatory culture change.
2. A focus on Talent strategies and Organisation Design (OD), ensuring that the right skills and capabilities are efficiently aligned to market requirements for performance in the short and long term.
3. A 'hard' approach on performance metrics, focusing on strategic alignment and execution across the organisation by cascading the CEO's objectives throughout the organisation.

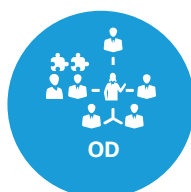
We followed up the research with a breakfast discussion held with senior OE practitioners from six FTSE 100 companies spanning Consumer Goods, Insurance and Telecoms. In addition to the three lenses above, four key areas for consideration emerged through the discussion:

- The role of the OE professional in fine-tuning the operating model
- The focus of OE changes depending on the circumstances
- The interface between the Head of OE and HR Business Partners
- The pursuit of organisational agility through the Head of OE

Role of the OE professional in fine-tuning the operating model

Most OE professionals tend to sit within a Group function, or else a very large multi-country divisional structure or global function. As one breakfast participant said "no operating model is perfect, and every operating model has its downside". Whether it be a centralised model with too little autonomy at the edges, or a devolved model with a lack of consistency or efficiency, one role that OE professionals may be taking – consciously or otherwise – is to make interventions to balance the model and optimise it. This may take the form of senior team alignment events, improving decision making, taking a broader view on talent requirements and succession planning, detailed organisation design, reviewing the workforce's Employee Value Proposition (EVP), using frameworks and data to compare business units, or delivering change management capabilities to embed transformations.

The majority of organisations we interviewed included a combination of the following activities in their definitions of the OE role:



*We have also seen the emergence of a similar role – Head of LTROD, or Learning, Training, Resourcing and Organisation Development. This seems to cover similar functional areas, but act more as a span-breaker than an integrator, which is how OE is positioned more usually.

The focus of OE changes, depending on the circumstances

Another of our participants described how their focus varied over the business cycle, and depending upon need. So, for example, there may be a requirement to focus hard on organisation design and efficiency at a one point in time, or with one division, but elsewhere the focus may be more on longer term organisational health and wellbeing. Similarly, in the telecoms company represented, some divisions were more traditional and required a different focus and different approach than the division which was at the forefront of digital and therefore needed to be significantly more agile. There was a general agreement that flexibility in approach and agenda was important and that 'one size' would not fit all.

Interface between the Head of OE and HR Business Partners

In terms of discharging the duties of a Head of OE, an important area of discussion was the relationship with the Head of HR Business Partnering for a particular BU or Division. One Head of OE had clearly differentiated roles and responsibilities by agreeing that the Head of OE intervened in any issues at CEO-2 or above level, with all other matters picked up directly by the HR BP. Others had established a relationship where the HR BP and Head of OE worked together on key issues, but with the HR BP owning the client relationship. Others admitted ongoing difficulties between the two roles in terms of having access to and maintaining trust with end-clients.

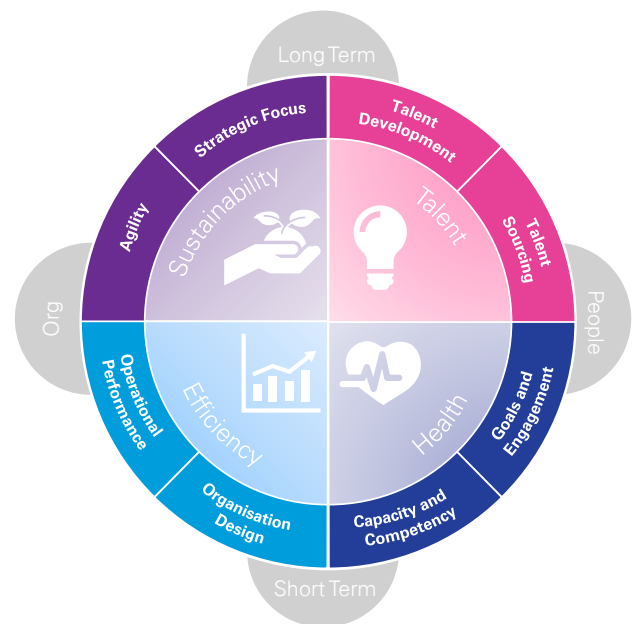
The pursuit of organisational agility through the Head of OE

An area which almost all participants in both the research and the breakfast discussion wanted to develop additional capability was in supporting their organisation to become more agile. Agility was defined by participants as being able to quickly identify opportunities and threats from the external environment; having clear accountabilities across the organisation for who should address these changes; and being able to rapidly move resources towards making the most of them. Our participants felt the OE function is increasingly looking to drive the agility and alignment of the organisation by acting as the 'glue' connecting the corporate centre with local delivery through the deployment of culture and OD interventions, in addition to the change management support already provided.

A model of Organisation Effectiveness

As our research found, there is no simple best practice model for OE. However, working alongside one of our clients in the Power and Utilities sector, KPMG helped to design an OE framework which allowed the business unit leader to take an evidence-based view of their current effectiveness across a range of factors, and make decisions on where to allocate resources to further enhance effectiveness. The framework also allowed

benchmarking across the different teams within the business unit, and over time, between Business Units. This was possible by selecting enough consistent metrics in order to allow cascades and comparisons. Other metrics were unique in each area depending on what the area leader wanted to find out, and what their key targets were.



The model works across two dimensions – long term/short term, and people/organisation. Combining these gives four areas of focus; a strategic *Talent* agenda, ensuring an organisation has the talent required to be successful in the future; a shorter term *Health* focus, ensuring an organisation has the clarity and capacity required to deliver the current business plan; a short term *Efficiency* focus, ensuring that the organisation is designed and performing in a lean way; and a longer term *Sustainability* focus, which takes into account strategic alignment and organisational agility. Each area is then subdivided into specific clusters of business-relevant metrics, depending on the business area.

By applying the model to a BU within our client, we were able to highlight areas where the leadership team were not currently focusing their efforts, and to allow them to make explicit choices about which dimensions of OE they wanted to prioritise, now and going forward.

Conclusion

OE is more than an eye-catching new job title, it is a serious attempt to pull together the strands of thought and practice that can help balance efficiency and effectiveness, short term and long term objectives, stability and agility. The rise of evidence-based HR is at the heart of the growth in Organisation Effectiveness as a discipline and as a role. We welcome its emergence, and also welcome comments and views from other practitioners and commentators on the rise and rise of OE.

To find out more about the impact of these trends on your organization and potential strategies for response, please contact:

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