Linking business agility with people management practices

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Summary: Organisations pursuing - agility often struggle with strategic alignment issues. In this paper, we link business agility, as a competitive strategy, and strategic Human Resources Management (HRM), and investigate how HRM can facilitate business agility by creating a suitably organised workforce. By means of an explorative case study of agile small and medium-sized enterprises (SMEs) in New Zealand and Switzerland, we describe hypotheses about a new HRM archetype. In these knowledge-intensive organisations from the service sector, HRM grows into a distributed and collaborative people management practice across the whole organisation. Characterised by self-organisation, it emphasises individual and collective learning, encourages continuous sensemaking and connecting to a common purpose.

Keywords: Agility, Agile HRM, People Management, SME, agile transformation, business agility, case study

Verknüpfung von Unternehmensagilität mit Personalmanagementpraktiken

Zusammenfassung: Organisationen, die ihre Agilität steigern wollen, sind oftmals herausgefordert in Fragen der strategischen Ausrichtung. In diesem Beitrag verknüpfen wir Agilität (im Sinne einer Wettbewerbs-Strategie) und strategisches Personalmanagement, und untersuchen, wie durch entsprechend organisierte personelle Ressourcen Agilität gefördert werden kann. Mittels einer explorativen Fallstudie aus agilen, kleinen und mittleren Unternehmen (KMU), beschreiben wir Hypothesen über einen neuen Archetyp für Personalmanagement. In diesen wissensintensiven Organisationen aus dem Dienstleistungssektor entwickelt sich Personalmanagement zu einer verteilten und kollaborativen Praxis, die sich über die ganze Organisation spannt. Charakterisiert durch eine weitgehende Selbstorganisation, betont sie individuelles und kollektives Lernen, ermutigt die Auseinandersetzung mit Sinnstiftung und ermöglicht, sich mit einem gemeinsamen Zweck zu verbinden.

Stichwörter: Agilität, Agiles HRM, People Management, KMU, agiler Wandel, Business Agility, Fallstudie

1. Introduction

Future Swiss and New Zealand economic growth relies on nimble, knowledge-intensive SMEs that use existing resources not only efficiently, but also effectively (Gallego et al., 2012). This *agilisation* is a strategic response to an increase in complexity and dynamism

in the business environment, as well as changing needs of the organisation's members (Rigby et al., 2016). Striving for *business agility* (Overby et al., 2006) presents a suitable strategic initiative for coping with ongoing transformation needs and requires corresponding role behaviour of employees.

In the 1980s, Schuler and Jackson (1987) conceptualised the strategic Human Resource Management (HRM) approach as the right fit between a firm's competitive strategy (in agreement with Porter (1980), and supporting HRM practices. The resulting HRM archetype facilitates the implementation of an organisation's competitive strategy by creating a suitably organised workforce (Cascio & Boudreau, 2012). Linking business agility and strategic HRM, this paper empirically investigates companies that follow an agility strategy – so-called *business agilists* (Werder & Maedche, 2018). In particular, we explore how HRM can ensure alignment with strategic goals in this context. Consequently, the theoretical contribution of this paper is twofold.

Firstly, this paper contributes to current Human Resource (HR) research that is struggling to define what is *new* about agile HRM (Cappelli & Tavis, 2018*)*. McMackin and Heffernan (2021) differentiate between "HR for Agile" and "Agile for HR". The first concept refers to HRM supporting organisational development, while the second refers to the operational strategy of applying agile principles to an existing HR function. This paper focuses on "HR for Agile": highlighting its critical role in strategic development (Heilmann et al., 2020). With this perspective, HRM is under pressure to prove itself as a strategic driver of agility (Saha et al., 2017). In this diffuse field, qualitative research and its rich descriptions may further an empirically-based theory for agile HRM.

Secondly, this paper contributes to the discussion of HRM practices in agile SMEs. Previous HRM research primarily focuses on large organisations (Harney & Alkhalaf, 2021). However, the SME context is distinctive both in terms of the HRM challenges faced and potential HRM practices and interventions (Klaas et al., 2012).

2. Business Agility and the organisational changes needed

2.1 Business agility as a competitive strategy

For many organisations in a complex and ever-changing environment, speed and innovation are of essence. Pursuing *business agility* presents a suitable strategy, circling around the ability to respond and adapt quickly to changing needs (Holbeche, 2018). According to van Oosterhout (2010), business agility builds upon existing concepts in management theory such as dynamic capabilities (Teece et al., 1997), market orientation (Kohli & Jaworski, 1990), absorptive capacity (Cohen & Levinthal, 1990), and strategic flexibility (Grewal & Tansuhaj, 2001). Van Oosterhout (2010, p. 17) describes business agility as "the ability of an organization to swiftly change […] beyond the normal level of flexibility to effectively manage highly uncertain and unexpected but potentially consequential internal and external events, based on the capabilities to sense, respond and learn". The key principles include a) a strong future focus, b) customer-collaboration, c) iterative ways of working, d) experimentation and innovation and e) empowerment of all involved. These principles share an underlying set of values, which revolves around respect, courage, commitment and openness (Kropp & Meier, 2015).

There are several paths towards business agility. Some might choose an agile strategy model from the start. Others tend to transition via three different paths (Brousseau et

al., 2019): a) all-in, with a wide commitment and a series of transformation waves; b) step-wise, with a systematic yet more discreet approach; and c) emergent, as a bottom-up approach. As born-agile organisations are rare outside the technology sector, most organisations must undergo a transformation to develop *business agility*. Such transformations vary in pace, scope, and method, but seem to contain piloting new agile operating models alongside an increasing number of initiatives to enable scaling and continuous improvement.

2.2 From business agility to an agile workforce

The literature distinguishes between *doing* agile and *being* agile (Fernandez & Fernandez, 2008). *Being* a business agilist means agile principles and values permeate every layer of the organisation – beyond a mere adoption of certain tools or methods (Werder & Maedche, 2018). While structure and processes tend to ensure coherence in traditional organisations, agile organisations have to fill this alignment gap differently. Business agility cannot be mandated top-down, but is rather the result of a shared culture. While only few studies have examined its characteristics (e.g. Siakas & Siakas, 2007). Rebentisch et al. (2018) derive the following eight dimensions of *agile culture*: (1) fast, team-driven decision-making; (2) continuous learning and improving; (3) autonomy and empowerment of people; (4) supportive and collaborative management; (5) team orientation; (6) intensified personal communication; (7) open information sharing and (8) comfort with change and uncertainty. In such a cultural environment, a common *purpose* can provide a higher level of alignment that spans beyond objectives and increases the ability of individuals and teams to reconfigure autonomously. This can be compared to a jazz band, where members are independent, yet listen to each other and are linked by a common purpose (Rey et al., 2019).

Case studies of business agilists reveal that success does not simply come from eliminating structure, but from combining a sense of purpose with self-organisation (Carson et al., 2007). *Self-organisation* refers to the phenomenon that order emerges from within the system itself – if it is granted autonomy. Thus, self-organisation is the spontaneous formation of an *organised whole* out of a set of interacting elements (Heylighen, 1989). Agile organisations promote this kind of *shared leadership* by increasing decision-making capacity throughout the organisation. This presupposes access to relevant and timely information and increased communication (Hopp & van Oyen, 2003). Teams are usually small, cross-functional and responsible for their whole product or service as well as their work methods – as long as they are in line with the organisation's purpose, values and principles (Parker et al., 2015).

The result is an *agile workforce* built around dynamic talent that adapts easily to new opportunities and delivers the right skills at the right time (Heilmann et al., 2020). This is particularly important for organisations co-creating services together with their customers and rely on the creativity and adaptiveness of their employees (Nielsen & Montemari, 2012). An agile workforce enables scalability by ensuring both flexibility and strategic alignment of the skills needed in the organisation (Wright & Snell, 1998). Dyer and Ericksen (2006, p. 12) speak of "the speed and ease with which transitions are made from one aligned human resource configuration to another". Accordingly, the relevance of skills development cannot be overemphasised (Hopp & van Oyen, 2003).

2.3 Implications for agile HRM practices in SME

People seem to be the main driver of agility, yet are an asset that cannot be directly controlled (Meyer et al., 2017) – amplifying the vital role of HRM in agile organisations. The previous chapter established business agility as the result of a shared culture. Only when all organisational members fully understand the agility strategy, can they implement it autonomously. This process may be illuminated with help of the concept of *sensemaking*. Sensemaking is the ongoing retrospective rationalising of experiences by contextualising them with learnt narratives (Tsoukas & Chia, 2002). According to Weick et al. (2005) organisational sensemaking happens when individuals ask themselves *what's the story here*, followed by *what should I do now*. In self-organisation, individuals will naturally engage in sensemaking processes to understand the world around them. To facilitate and guide these individual processes and channel them towards connected, organisational learning is a challenge – and an opportunity for creating HRM practices around it. This requires a form of HRM that is different from the centralised planning and managing often present in traditional organisations. Some agile organisations have already started to redesign their HRM to develop new functional practices (McMackin & Heffernan, 2020).

However, practitioners look at HRM literature in vain for theory-led practice – especially for SMEs (Harney & Alkhalaf, 2021). Considering SMEs' scarcity of resource, their often people-centric business models and the proven impact of HRM on their performance, this is rather surprising (Bacon & Hoque, 2005; Brand & Bax, 2002). Moreover, SMEs rarely uses formal HRM structures, policies or training for its managers (Heneman & Tansky, 2002), despite being heavily reliant on its leaders (Lai et al., 2016) and an often relational HRM (Psychogios et al., 2016). Often tacit and following informal guidelines, HRM knowledge in SMEs is not easily codified and transmittable (Klaas et al., 2012). Although, this informality may contribute to SMEs' flexibility (Brand & Bax, 2002).

Joining these two strands of literature, HRM in agile SMEs may contribute to strategic alignment by facilitating an agile workforce – characterised by continuous skills development and a shared purpose within self-organisation. How that may be done exactly is less understood. Our research is therefore guided by the following question: *How can HRM help agile SMEs ensure alignment with strategic goals?*

3. Research Design

The *how*-question indicating a little-known, contextual phenomena guided us towards a qualitative multiple-case study (Eisenhardt & Graebner, 2007). This data-rich and exploratory approach allowed us to compare different HRM practices and how they are embedded into the organisation, allowing analytic generalisation (Dooley, 2002; Yin, 2012). To offer explanations grounded in practice, cases needed to be likely to exhibit the phenomenon in question while ensuring comparability. Consequently, information-rich cases were selected with a theoretical approach, narrowing it down to SMEs and expert organisations in the service sector (Patton, 2002). Including many first movers towards business agility, the search for cases centred around the technology sector.

Companies that matched initial criteria (e.g. through openly accessible information) where contacted for a phone chat around their current HRM approach – seeking companies that lived up to *being* agile. As both countries were available for data collection, organisations in Switzerland and New Zealand were considered. The larger pool of candidates

proved worthwhile, as it turned out to be rather difficult to find suitable companies. While numerous candidates looked promising initially, their understanding of business agility often excluded HRM. These criteria lead to the selection of eight companies, as shown in table 1:

Table 1: selected cases

Country	Name (Founded)	Employees	Services	Interviews and roles
NZ	Company A (2009)	50	IT	▪ Senior Leadership (x2)
NZ	Company B (2006)	40	IT	▪ Senior Leadership (x2) ▪ Agile Coach
NZ	Company C (2008)	31	IT	▪ Senior Leadership (x2) ▪ HR
CH	Company D (1996)	250	IT	▪ Senior Leadership ▪ HR (x 2)
NZ	Company E (2012)	26	Consulting	▪ Senior Leadership (x2)
NZ	Company F (2003)	120	Consulting	▪ Senior Leadership ▪ Consultant
NZ	Company G (2000)	28	IT / Consulting	▪ Senior Leadership ▪ HR
CH	Company H (2007)	170	IT / Consulting	▪ Senior Leadership ▪ HR

Qualitative data was collected from 19 semi-structured interviews (January to October 2019), and interview partners received narration prompts in advance. These brief prompts invited interviewees (in this order) to:

- (1) elaborate on *company values* – allowing to investigate how these are linked to a business agility strategy.
- (2) share stories of *HRM practices* they deem quintessential for how they operate, along the whole employee lifecycle – enabling to explore how these practices may be linked to fostering an agile workforce.
- (3) explain how these practices fit into their *structure* – exemplifying how HRM could be organised in an agile context.

At least two interviews were conducted per organisation to mitigate personal bias. The organisations nominated interview partners, as the request for HRM role holders might have pre-emptively limited results. Interviewees were encouraged to bring along documents to support their storytelling (e.g. websites, programmes). The interviews, lasting an hour each, were audio-recorded and transcribed in full. The interviewer's role focused on ensuring conversational flow, while being mindful not to introduce new themes, as the knowledge gain included the choice and contextualisation of HRM practices.

Suitable for large quantities of text, in-depth exploration was conducted using topic analysis (Mayring, 2000). Allocation of codes took place in a systematic yet flexible process, using the software MAXQDA (Richard & Morse, 2007; Schreier, 2014) – with several passages coded by both researchers to counteract unconscious bias. A multiple-

cycle coding allowed to remain close to the data, while establishing connections with narration prompts and theory. Only overarching themes that could be grounded in all eight cases were pursued further. The final coding system was used to structure the results in the following chapter, revealing evolving patterns how HRM helps these organisations to ensure alignment with strategic goals.

4. Empirical Findings

4.1 Values: focus on a common purpose in a complex environment

A strong *common purpose* is actively cultivated in these organisations. For a leader in company A, employees need a "clear line of sight" because "if you're working on a level down here, not knowing what you're trying to achieve as a company, you're never going to succeed." Practice confirms that purpose, values or principles cannot be mandated, but have to be continuously made the subject of interaction. An HR expert in company G explains how employees "rate themselves on how well they contributed to the company culture over the last fortnight." All organisations agree that their way of operating depends on seeing people as being trustworthy, resourceful and whole individuals – or as "having the answers to their own questions," according to a leader in company G.

The emerging theory observes that formal aspects are often overvalued in pursuing business agility. For the companies studied, business agility is about *experimenting* with various approaches, and adapting them to suit their needs. A leader in company C calls any mechanical adoption of methods "un-agile," as "you've got to be willing to question everything." For a leader in company A, the goal is to "create a learning organisation […] where we're curious, we're wanting to learn and we're embracing the potential for change," with *accepting uncertainty* as a vital first step. A leader in company B explains: "our starting point is, we're probably unconsciously incompetent. Let's get consciously incompetent. Let's work out what we don't know." *Transparency* is quoted as a prerequisite for learning your way forward in this environment. Empowered employees cannot make decisions in the company's interest if they lack understanding of organisational goals or access to relevant information. "We try not to keep anything hidden at all because it's not useful," a leader in company G explains. In practice, shared decision-making via consent allows to "better articulate why we're doing something," as a leader in company A clarifies.

4.2 Sensemaking practices: focus on learning and self-reflection

Learning featured most prominent throughout the interviews and seems be at the core of HRM. The learning practices embedded throughout the employee lifecycle focus on sensemaking rather than simply acquiring knowledge. Employees are constantly encouraged to challenge, connect, problem solve and negotiate meaning. When sensemaking becomes a habit, it aids alignment within self-organisation, as a leader in company G concludes: "it's good to always check-in on what you're trying to achieve. That there's no cognitive dissonance."

Informal learning featured dominantly, i.e. where neither the path nor the goal is predetermined. On a collective level, learning practices include time off client projects, often focusing on interdisciplinary skills such as communication or resilience. Company G, for example, established a fortnightly, self-organising R&D day, where employees collaborate

ad-hoc on own projects, share learnings and build new skills. Many companies also invest in forming networks around areas of expertise, that act as "places to come together, communicate and give support," according to a consultant in company F. On an individual level, employees have universal learning budgets, allocated time for learning or are even encouraged to invest what they deem necessary within their roles. A leader in company C illustrates: "the core principle is to try and figure out what people need on an individual level." A leader in company E confirms: "we have a one size fits one approach."

These organisations see *individual and collective learning* as two sides of the same coin in making self-organisation work. "We expect people to be responsible for their own learning," a leader in company G emphasises, yet "everyone has a responsibility to make sure that we are learning our way forward as a company." This dual focus can be a challenge. As an HR expert in company H illustrates: "You can't just focus on personal fulfilment, it has to be aligned with the company goals and your roles."

Learning is often connected to *coaching or mentoring* to foster self-reflection. These relationships are characterised by "empowering without having any actual control," as a coach in company B explains. This role shift can be challenging, as a leader at company H puts it: "initially, you fall back into this pattern of wanting to help." A leader at company A adds: "we bring the problems to them, rather than trying to solve it ourselves." A coach in company B reflects: "your impact is not measured by what you do. It's what you can get others to do."

4.3 HRM within the organisation: focus on networks and self-organisation

It is of little surprise that business agility looks different in each organisation. Some companies (A, B, E) use a leadership structure, while others (D, F, H) choose a fluid role-based approach or a mixture of both (C, G). They describe their structure as a snapshot in time, a result of experimentation and new insight. As a common thread, however, HRM seems to be *distributed*. HRM work is heavily "embedded into how we do things," an HR expert in company G explains. Even if dedicated roles are present, HRM work is shared by a network of people, taking place outside of traditional power structures and making people expertise widely. "Usually in HR, you only coach line management," an HR expert in company H juxtaposes. A high degree of *self-organisation* also seems characteristic. Mandatory trainings are limited to e.g. software introductions. Instead, organisations focus on continuous and informal learning. An HR expert of company G reflects on early days: "I found myself in the middle of an organisation that was all about learning and growth. That's when my learning really started to accelerate."

A leader at company G explains: "people don't have managers because they are capable of managing themselves." While management no longer adds value, leadership clearly does. Accordingly, the few designated HR *experts* are passionate about people-related topics and see it as their calling to share their knowledge and help grow HRM capabilities in all employees. Because ultimately, every organisational member is *responsible for HRM*, as a leader in company E sums up: "everyone is accountable for the employee experience." Theory recounts struggles of giving up power or fear of losing control. In the cases studied, however, the question about willingness to *accept power* is just as pressing. When setting up a leadership circle, a leader in company B was surprised that not many people were interested. An HR expert in company D points out that "at the very start, you need a bit of time. You can't just flick a switch." The companies agree, however, that sharing

power and decision-making capacity increases both speed and accuracy of decisions. A leader in company B reflects: "the team makes better decisions than me most of the time. Most decisions can be broken down into smaller decisions that require a deeper understanding and knowledge than what I possess."

For these companies, their people-centric approach supersedes pure business motivation, as a leader in company F exemplifies: "when we started the company, we said regardless of what we do, our purpose is to unleash potential in people and enrich their lives." *Finding the right people* who will thrive in this environment can pose another challenge. "Someone proactive is better suited to this system than someone who waits for the weather to improve, so to speak," a leader at company D contemplates. A leader in company H acknowledges that while some may feel initially overwhelmed, "we don't have to reinvent the whole system for these people, but we have to support them in learning how to navigate it." For a HR expert in company D, being comfortable with change and self-development is paramount "because the system is constantly evolving." Embracing change also implies being *comfortable with failure*. "We talk about learning moments. Not mistakes," a leader in company B insists. A leader in company A weighs in: "You need to be happy that people can experiment and try stuff and fail."

5. Discussion

In search of a provisional title for HRM in agile SMEs, we will subsequently refer to HRM as *people management (PM)*. The term pays tribute to a systemic understanding of an HR function deeply rooted in organisational science (Neill et al., 2007). Following this train of thought, PM research no longer orients itself towards the professionalisation of the HRM department, but instead takes a genuine people-centric stance and explores the relationship between HR practices and a company's strategic goals. PM in agile SMEs has the potential to fill the alignment gap in these highly dynamic organisations. The research findings show that *good practice* in *agile PM* or "HR for Agile" already exists. While organisations need their own unique concept, there seem to be some common aspects.

5.1 Managerial implications

Without delegating responsibility, knowledge-intensive organisations cannot survive (Langfred & Moye, 2004; Teece, 2015). Agile SMEs may benefit greatly from PM and leadership practices that foster *self-organisation* and are centred around *learning and sharing*. With increasing complexity, employees have to constantly train themselves and coordinate their work autonomously around changing business needs. This kind of agile workforce requires a high degree of transparency with freely accessible information and a strong common purpose. Practice also shows the necessity for suitable decision-making mechanisms that are compatible with self-organisation (e.g. via consent, as the absence of a serious objection) as well as tools and platforms for seamless collaboration.

In this environment, *shared leadership* practices evolve from the recognition that highly adaptable organisations cannot rely on a few individuals (Bolden, 2011). Leadership roles are assumed by multiple, potentially all, organisational members: temporarily, through elections, function-based, spontaneously (Pearce & Conger, 2003). Responsibility is distributed according to individual skills, expertise and relationship networks (Kühl et al.,

2005) – complementary to self-organisation instead of contradicting it. However, organisations need to be ready to share power just as individuals have to be willing to accept it.

PM in agile organisations seems to be shared similarly. As a result, *PM skills* are needed by many, and become a broad training objective. The few designated PM experts turn into *knowledge brokers* for spreading PM expertise. With practices being co-created with stakeholders instead of being designed by a hierarchical entity, PM grows into a *collaborative practice*. As leadership and PM are aimed at empowering individuals instead of managing them, boundaries are increasingly blurry. Conversely, PM experts may get involved in client work or become a part of an inter-organisational PM network. In doing so, they broaden their skills, gain insight into customer needs and strengthen relationships. For SMEs, this may mitigate the financial pressure on nurturing PM expertise.

5.2 Theoretical implications

Linking current PM practice to existing theories provides a new lens for the effective implementation of agility strategies. *Distributed PM* emphasises development-based practices as an integral part of everyday work experience and a strong overall learning culture. As a key difference to non-agile organisation, PM practices in agile organisations are *characterised by self-organisation* and may even be seen as an extension of the existing concept of shared leadership.

Personal and organisational (i.e. individual and collective) learning becomes a core responsibility of all employees. This *dual focus* might in itself present a strategy to pursue strategic alignment. Informal learning takes precedence, as it can be tailored to specific needs and fosters connections to real-life challenges. However, informal learning and a fluid, role-based structure may create new tensions around *skills visibility and career development*. Increasingly fluid boundaries stress the need to revisit role descriptions around PM. Even the term *HR expert* might be critically reviewed in light of a more meritocratic or distributed approach. Following these ideas may lead to establishing PM
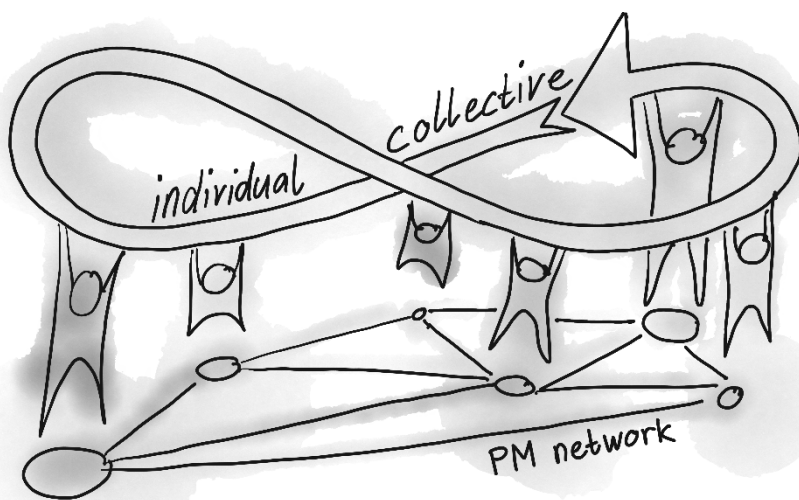

Figure 1: PM networks supporting an agile workforce

networks that continuously support learning with a dual focus (as symbolised in figure 1) – oscillating between the individual and the collective. These *PM networks* could also be utilised to develop more flexible approaches to career paths, that increase the visibility of individual skills and connect them with current organisational needs. Roles that we label as HR experts today, may become an integral part of these networks: co-creating practices with other network members at eye level and focussing on growing PM skills across the organisation.

5.3 Limitations and future research

The small number of cases might be expanded in a follow-up study, pursuing the ideas of distributed PM, PM networks and challenges associated. The application of the results to other sectors or organisation sizes may also be considered. Moreover, focusing on the employee perspectives may prove fruitful. Due to the hand-picked, explorative cases across two countries with comparable parameters (e.g. size, economy), the current sample can be viewed as rather homogenous – making cultural influences negligible. Potential for global generalisation or investigation of cultural influences might be explored in further research. Our study also established a strong connection between personal and organisational development, making it difficult to delineate *HR* or *PM* as a clearly defined field.

6 Conclusion

It becomes adamant that people are at the heart of enabling business agility. Their ability to continuously interpret the world around them, learn and connect, allow these organisations to create a sense of coherence amidst the rapid speed of change and uncertainty. In this paper, we showed how a new HRM archetype may ensure alignment with strategic goals in agile SMEs, by *developing collaborative and distributed PM practices that support sensemaking across the organisations*. Individual and collective learning is aimed at fostering self-organisation around a common purpose. The result is an agile workforce that can adapt quickly to changing needs – in line with the chosen competitive strategy.

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