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Chartered Institute of
Personnel and Development

HR and its role in innovation
Part 1 – November 2012

Innovative forms of organising: Networked working



future-fit organisations



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Contents

Preface	2
Innovative ways of working and HR practices: the case of Marks and Spencer and One Team	5
References	11

Acknowledgements

This report was written by Nicholas Kinnie, Juani Swart, Veronica Hope-Hailey and Yvonne van Rossenberg of the Work and Employment Research Centre in the School of Management of the University of Bath.

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Preface

The CIPD's 2012 *Learning and Talent Development* (L&TD) survey indicates that innovation is a big challenge for organisations. Competing in a global economy in difficult times requires new ways of thinking and doing. It's easy to think of innovation as invention, challenging product development and refinement. However, in reality a great deal of innovation is about rethinking and reorganising systems, processes and structures. It's about changing the way people work together and how work is performed and organised.

The CIPD commissioned University of Bath researchers to help capture that essential but neglected feature of innovation. If the UK is to lift its currently poor productivity performance, given the mix of our economy, it is likely to be through improving the way work is organised to release innovation and thus productivity. Through a series of thought streams we will give deep insight into how some key organisations, operating in different sectors and facing an array of challenges and opportunities, have managed to innovate and improve. In this Part 1, we use a case study to explore networked working as an innovative form of organising. In Part 2 we provide a detailed statistical profiling of innovation across the UK, based on our 2012 L&TD survey research. We then look at the innovation context in the public sector in Part 3 and the innovation angle for creative and knowledge-intensive firms in Part 4. The series will afford inspiration for HR professionals seeking to change the future of their own organisations. We set the streams out below:

- 1 Innovative forms of organising: networked working
- 2 Profiling innovation: statistical research from the CIPD (UK)
- 3 Enabling innovation in the public services
- 4 Ambidexterity: the challenge of innovation in creative and knowledge firms.

Our approach

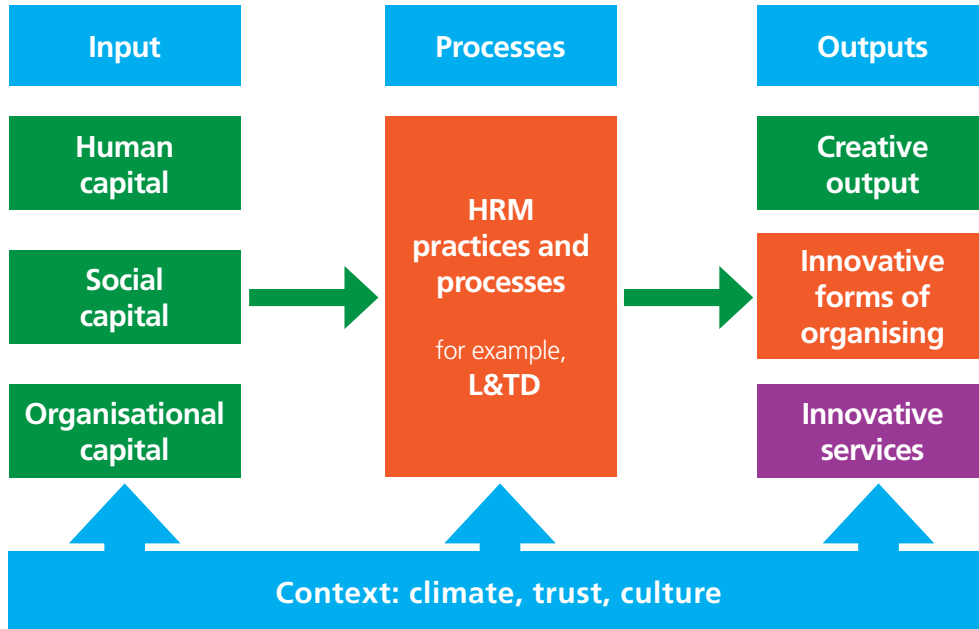
A key strength of the project is our decision to work with a renowned research team at the Work and Employment Research Centre (WERC) from the University of Bath School of Management. The Bath researchers have a track record in turning innovation research into practitioner insight and business value. They have specific expertise in understanding the connections between knowledge-sharing and innovation and human capital in professional service firms and also have extensive expertise in exploring innovative forms of organising. The research is guided by the Bath HRM and innovation framework, which we describe below.

The Bath model of HRM and innovation

The Bath team use a framework based on the input of various 'forms of capital' such as human, social and organisational capital. They look at how such capitals are translated as inputs through processes such as HR policies, procedures and managerial actions into outputs such as innovative organising, innovative services and creative outputs. These innovation processes are supported and underpinned by the business and external context, the climate of the organisation – both internal and external – and behavioural and organisational issues such as the level of trust and the culture and values of the organisation. The approach is shown in Figure 1.



Figure 1: HRM and innovation



The team has collected extensive data – which have been gathered during the past ten years – on the link between innovation and HR practices in professional services firms and highly creative organisations. In particular, they have insight into how HR practices enable organisations to engage in either exploratory or exploitive innovation within their core client-interface processes. Professor Juani Swart explains the general relevance of innovative ways of organising to the contemporary workplace:

The future of work will be influenced by more networked ways of operating. Firms are more likely to manage people whom they don't employ directly. This fundamentally challenges how we define an 'employee' and has a massive impact on our profession – we need to rethink how we view what an employee is.

Networked working across boundaries

The first thought stream in the series is, as Professor Juani Swart of Bath University explains, the innovative implications of working through networks and collaborating across boundaries:

If you take this view, there are a number of approaches you can adopt. One extreme is that you rely mainly on volunteers, as in the case of LOCOG. This may not be sustainable for all organisations. A much more challenging, but sustainable, way of organising is to collaborate more closely with what may be your competitors. This sophisticated and innovative way of organising is what this case study and thought piece is about. The firms and the individuals really need to think and behave differently from how they operated before.

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That type of organisation and that variety of employment relationship is very different from what has gone before, so there is inevitably a challenge and opportunity for HR in developing and supporting this approach:

Now the challenge for the HR professional is that we need to adopt a perspective – much like Janus, the Roman god of beginnings and transitions – where we need to consider our own firm's employment practices, but we also need to establish employment practices at the level of the network. Now that's what's so innovative about this case study.

It's precisely this approach that is illustrated in this report, which is a detailed exploration of UK retailer Marks and Spencer and its One Team network. The report focuses on cross-boundary working and its potential for releasing innovation, performance, employee engagement and business value.

Dr John McGurk

Adviser, Learning and Talent Development
CIPD



Innovative ways of working and HR practices: the case of Marks and Spencer and One Team

Although many of us still work for a single employer, we increasingly experience work in a much more networked way than a few years ago (Marchington et al 2009, Swart et al 2007, Kinnie et al 2006). Think about the last project team in which you were involved: the chances are the members were drawn from both inside and outside your organisation. Despite this we know very little about the management of human capital in a cross-boundary, or networked, context. Indeed, we might go further and say that much of current HR thinking, strategy, structure and practice is predicated on and reflects more traditional hierarchical structures. We therefore need to develop our understanding of these contemporary ways of working and how organisations use innovative forms of organising to manage human capital across boundaries.

A prominent way of working across organisational boundaries is to organise work in projects, which are widespread, both within and between firms, in sectors such as pharmaceuticals, car manufacture, advertising, marketing and media and consulting. Complex, so-called 'mega-projects' or integrated project teams (IPTs) are the principal way in which large-scale major construction projects, such as Terminal 5 at London Heathrow Airport and the London Olympic Park, and IT integration projects, such as the change to online self-assessment tax returns for HMRC, are designed, developed and then operationalised. These changes reveal an interesting paradox: these potentially fragmenting changes, which could mean that organisations may not be able to maximise the value from their human capital, are taking place at the same time as greater emphasis is placed on the central role of human capital in organisational success (Takeuchi et al 2011).

Increasingly, we are faced with the task of managing employees across organisational boundaries. In more traditional organisations we tended to equate employees with the people whom we managed; but more and more we are finding a disconnect between those whom we employ and manage. We may, for example, employ people but not manage them on a face-to-face basis because they may be providing outsourced services on a client's site, as in the recruitment process outsourcer Alexander Mann Solutions (AMS). Alternatively, the clients of AMS find they are interacting on a daily basis with staff who are not their employees but are central to their success. Indeed, Paul Fielden, Associate Partner in IBM, said in a recent interview for our research, *'I can draw on over 150 IBM people to staff projects for my clients, but I only directly manage three of them.'*

These innovative forms of organising have multiple benefits because they allow firms to leverage the knowledge, skills and experience of staff whom they do not employ, but there are also various challenges. The financial services firm which outsources their call centre operations to India achieves both cost and expertise advantages, but they know these call centre workers are perceived by their customers as the public voice of their organisation. These innovative ways of working in 'adhocratic', project-centred, knowledge-intensive networks throw up challenges for achieving the traditional HR aims of integration, alignment and consistency (Marchington et al 2011). The consultant will have to display commitment not only to her employer, but also to her client, team and her own professional development. Indeed, many of these HR practices sit more comfortably in an environment where there is a single focus of commitment rather than the potentially multiple foci of commitment found in the networked way of working where employees are habitually working across organisational boundaries (Kinnie and Swart 2012).

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We need to consider the consequences for HR if the source of competitive advantage shifts from the single firm to the complex network involving literally thousands of firms. This means that the classic HR practices for recruitment, talent development and retention are no longer solely the property of an individual firm. In particular, we need to consider:

- What are the potential benefits of these innovative, networked ways of working?
- What are the potential conflicts and tensions?
- How are innovative organisations responding to these challenges?
- What lessons can be drawn from their responses?

To address these questions we draw on research carried out for the project commissioned by the CIPD examining the HR role in innovation and creativity. In particular we refer to a detailed best practice case of 'One Team' established by Marks and Spencer and their logistics providers. Before we consider this case in detail, we need to consider the benefits and challenges posed by the network way of working in more detail: we consider these at the level of the network, the firm and the individual (see Table 1 for a summary).

Benefits

In broad terms the principal benefits at the network level come from the collaboration between the parties: put simply, the whole is more than the sum of the parts. Synergies emerge when firms co-operate. Some projects are so big that they can only be carried out on a network basis. The construction of Terminal 5 involved over 20,000 firms working together (Davies et al 2009). These projects are so big and complex that they require access to a diverse range of skills that are not found within a single firm. Moreover, these network-level projects allow human capital to be deployed flexibly as the project moves through the stages of planning, design, build and operate.

Table 1: Benefits and conflicts associated with networked ways of working

Benefits	
Network	Collaboration benefits Access specialist resources to tackle complex problems not otherwise available Leverage knowledge and skills of staff who are not employed Use resources flexibly
Firm	Complete work with reputational and branding benefits Learn knowledge and skills from others which will have long-term value Create opportunities to develop staff to help attraction and retention of staff
Employee	Work on challenging projects needing innovative solutions Develop knowledge and skills and build reputations Access the latest technology
Tensions and conflicts	
Network	Competition-based problems Failure to collaborate because of latent competition Difference of agreement on objectives, for example cost vs technical sophistication
Firm	Employees put the interests of the client or project first Failure to integrate learning from the network Balancing the human capital resource needs of the client/project and those of the firm
Employee	Conflicting targets, loyalties and discretionary behaviour Limited opportunities for learning decreases motivation Personal costs of social and professional isolation

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There are also various benefits from the perspective of the firm. Perhaps the highest level of advantage is the reputation and brand value derived from being associated with a successful project. High-profile projects give the firm a chance to demonstrate and authenticate their expertise. A successful advertising campaign not only benefits the client, but also the advertising agency which created it; a major consulting project for a high-profile public sector organisation showcases the knowledge and expertise involved. A second advantage is associated with the development of cutting-edge knowledge and skills as highly talented individuals learn from collaborators in the network and as they work with clients. It is important that the firm develops practices and space which can facilitate the transfer of knowledge from the project back into the firm. This may have strategic value because it allows them to gain first-mover advantage, given the exposure to the development of unique skills, over their competitors in the long term. This in turn provides development opportunities for staff which may help the attraction and retention of talent.

Working on collaborative projects has many attractions for professionals eager to develop their knowledge and skills. Challenging projects which require innovative solutions will hold particular attractions for the very able and ambitious professional. Working for high-profile clients, perhaps with 'big names', will provide the opportunity to learn and build a reputation. The attractions of working with the latest technology and a large budget should also not be underestimated.

Overall, therefore, the networked way of working has strong benefits at the network, firm and employee level. However, there are also a set of challenges associated with this innovative way of working.

Tensions

The challenges at the network level tend to be associated with the latent competitive pressures existing within the network. These pressures may exist for a variety of reasons: although they are collaborating, the partners are always on the lookout for the next opportunity to play a bigger part in the network and, outside the network, they will be competing for business with other clients. A failure to collaborate may come about because of a lack of agreement over the aims of the project: one party may be looking for the best technical solution while another will be looking for the most cost-effective outcome.

There are also a series of tensions from the perspective of the individual firm. Some employees may put the interests of the client or project before those of their employing firm. The consultant who has 'gone native' may give priority to the interests of the client rather than their employing firm during negotiations for new business. A second problem may be the failure to learn from their clients or network partners or an inability to integrate any learning inside the firm. This may be because of an overemphasis on operational issues ('hit that delivery date no matter what') or a simple lack of communication skills from highly technical employees. Finally, there may be a delicate balance to be struck over the allocation of human capital to the network and the firm. Although the secondment of staff clearly benefits the client and the employee, it may weaken the stock of talent of the employing firm, either temporarily or permanently.

There are also a series of conflicts for individual employees. Perhaps the most striking is that the cross-boundary worker may feel they are operating at the boundaries in what is known as a 'liminal space', 'betwixt and between' organisations lacking an organisation which acts as an anchor for them. They may feel pulled between their allegiance to their client or network partners and their employing firm (Kinnie and Swart 2012). This may be expressed in terms of differences over targets to be achieved, the party with whom they should identify or engage in extra-role behaviour. This may be very tangible when the consultant is tempted to move 'client side', attracted by a more settled and reliable job, albeit one which is less financially rewarding. Second, the desired opportunities for personal learning may in practice become very limited as the work for the client or the project evolves. What was initially seen as cutting-edge and the place for the technological warrior to flourish and grow may evolve into a more mundane and routine piece of work because of budget cuts and looming deadlines. Maintaining the motivation of highly skilled and demanding staff is a particular challenge in this environment. This may be a problem



when these professionals face personal challenges associated with working away from home on the client site and becoming isolated from professional colleagues, who often provide a much-needed knowledge support system.

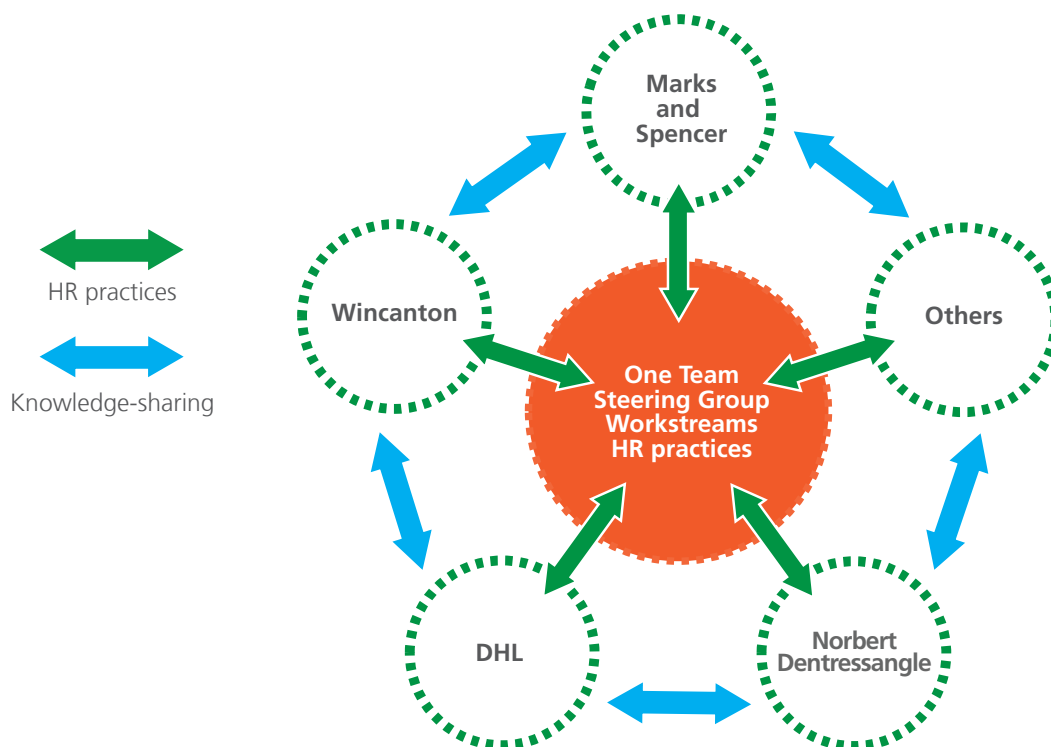
Innovative forms of working hold potential benefits and conflicts at the level of the network, firm and employee. We believe that we need to understand much more clearly the ways in which managing HR can contribute to the realisation of these benefits and the management of the challenges. We now draw on a detailed case study of Marks and Spencer and, in particular, the One Team network to illustrate the key role HR practices can play in maximising the gains of networked working.

HR in innovative forms of organising: the case of One Team

One Team was established in 2010 by Marks and Spencer, a major UK retailer, led by Jason Keegan, Head of Logistics-Strategic Network, when they teamed up with a number of logistics and fulfilment solution providers, including DHL, Norbert Dentressangle, Wincanton, Tesam Distribution, LF Logistics, CML and Torque (see Figure 2).

Although the network was instigated by Marks and Spencer, the third-party logistics providers (3PLs) have participated extensively in the operation of One Team. The shared aims of the One Team network are to work together to improve the performance of the Marks and Spencer general merchandise logistics network by sharing knowledge and best practice between the parties. To do this they have structured their decision-making and created HR practices at the level of the network to create the required human, social and organisational capital. The various stakeholders in the network acknowledge the need to establish network-level skills, relationships and processes and therefore develop HR practices at the level of the network. These

Figure 2: HR in innovative organisations: One Team



HR practices to develop network-level skills, relationships and processes

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practices acknowledge the importance of developing social as well as human and organisational capital to support and enrich the network. Unlike the traditional HRM model that focuses on human capital, the networked model reflects the importance of being able to work within a network and recognises that the knowledge and skills required cannot be developed without strong social relationships. These relationships fill the liminal space between the parties; they are the ties that hold the network together.

Two key managerial structures provide the organisational capital which is integral to the operation of One Team. First, a steering group was established jointly by senior Marks and Spencer staff and each of the 3PLs to take overall responsibility for the direction and scope of One Team and to establish a common purpose among the members. Second, six workstreams were established to take responsibility for particular aspects of One Team activities, such as values and behaviours, marketing and communications, and collaboration. These involved managers below the steering group from Marks and Spencer and the 3PLs acting semi-autonomously, but reporting to the steering group regularly. Both of these managerial structures were vital to supporting the development of shared knowledge and skills and for developing social capital.

Senior Marks and Spencer managers saw the enhancement of talent management throughout One Team as one of their clear objectives. They facilitated this by advertising all relevant job vacancies across all members of One Team via the shared website and encouraging secondments between the One Team partners. This encouraged staff to move between the 3PLs and Marks and Spencer in ways they would not have done previously. Indeed, this provided Marks and Spencer with the opportunity to identify future talent and to retain this within the network. Employees had the opportunity for career development in ways that they would not otherwise have been aware.

Key internal resourcing decisions were also made over which staff would be allocated to the workstreams. Critically, these staff were drawn from a variety of levels and might just as easily include a team leader as a senior manager from a 3PL site. Staff in the workstreams had clear opportunities to develop their personal skills and knowledge. First, each workstream had a high degree of autonomy over how they achieved their objectives. The members had the freedom to develop new ideas and to innovate. Second, since the members of the workstream were drawn from multiple levels in One Team, junior staff could find themselves working alongside quite senior staff from Marks and Spencer and other 3PLs. Apart from the knowledge and skills development opportunities, these staff had career benefits because they had a chance to 'get themselves noticed'.

Alongside these more informal development opportunities were a series of formal training and development activities at the level of the network aimed at generating human and social capital at the level of the network. The aim here is to develop multi-level agility to encourage the sharing of knowledge and best practices. For instance, a training needs analysis within One Team showed there was a need for members of the 3PLs to understand their interpersonal styles and managerial approaches in greater detail. This led to the development of a training programme which identified team members' preferred communication styles that enabled improved communication with cross-boundary teams and enhanced social relationships.

Performance management and reward practices were also established at the level of the network. Efficiency targets were set for each site and performance was measured weekly. Each site had complete knowledge of its own performance and the performance of others within the league table which was established. This provided a strong incentive to improve performance, which was highly visible throughout One Team. Once these targets were set each local manager sought to make changes to improve their performance which could then be shared throughout the network, either in the workstreams or via the website. There were also One Team reward mechanisms to recognise the contribution of individual employees. Every month an employee was recognised for their outstanding contribution and these were then entered into a quarterly competition. This network-level practice provided a financial and recognition incentive for employees to share rather than hoard their knowledge.



One of the key drivers is the involvement and participation practices that exist at the level of the network. There are a series of practices designed to encourage all members to adopt a One Team perspective and to strengthen the relationships at all levels and to build social capital. First, regional champions were established who meet face-to-face regularly to build relationships and share knowledge. Second, various social activities, which are supported by the website, take place between members of the sites at all levels to build awareness of One Team and make contacts. Third, employees at all levels have the opportunity to contribute to the One Team suggestion scheme for efficiency savings discussed above. Finally, all employees have access to a Marks and Spencer discount scheme and are encouraged to wear the One Team uniform rather than the uniform of the 3PL that they work for.

It is important to understand that the networked HRM model results in the generation of flexible human capital which can be effectively deployed at the network as well as the individual firm level. These efficiencies resulted in very significant cost savings of £12 million for Marks and Spencer in 2011 and have generated further networked ways of working, such as career opportunities with collaborators and competitors, the development of unique skill sets and innovative solutions. This HRM model therefore supports a positive spiral of networked benefits.

Conclusions and implications

Innovative organisations are becoming more widespread and involve creating value at the level of the network and the firm. These innovative ways of working pose profound challenges to ways of thinking about HR which are based upon more traditional organisations.

Innovative ways of working require us to adopt a network-level perspective on human capital management – to realise that human capital management needs to take place at the level of the network *and* the firm. Our case example illustrates that a duality of HRM practices (firm and network-focused) needs to be adopted as employees work simultaneously for a logistics provider and Marks and Spencer. This is in stark contrast to the mega-project or the IPT where staff are seconded and dedicated to the project. The ability to manage flexibly at both the firm and network level clearly holds benefits for all parties involved. This involves collaborating with members of the network, including clients and competitors, in a range of areas, including the management of human capital.

These changes require us to rethink what we mean by human capital – it is no longer simply the people whom we employ, manage and work for us – crucially it is also those we do not employ that work for us as much as those that we do employ but work for clients or network partners. It is the relational capabilities of the firm which take centre stage in the networked world with important implications for individual HR practices. The One Team case study demonstrates that the network challenges can be overcome through very careful design, implementation and maintenance of collaborative mechanisms, which include:

- human capital practices including recruitment and selection, promotion and involvement at the level of the network and the firm
- social capital practices designed to support the desired relationships and values
- organisational capital practices which include the necessary procedures and structures to hold the network together.

These human, social and organisational capital practices constitute the 'glue' that holds network-based organisations together and allows the benefits to be realised.



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Future-fit organisations is one of the themes in our Sustainable Organisation Performance research programme. The other themes are stewardship, leadership and governance and building HR capability, and we also offer insights from Asia. Within each of the themes we will research a range of topics and draw on a variety of perspectives to enable us to provide insight-led thought leadership that can be used to drive organisation performance for the long term.

insights from Asia



building
HR capability



stewardship,
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