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What can Agile Principles applied to Human Resource Management offer growing companies that is not otherwise available?

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Abstract

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Contents

Glossary

HR   Human Resources

HRD   Human Resources Department

HRM   Human Resource Management

LC   Learning Consortium for the Creative Economy

1 Introduction

1.1 Topic, Theories and Relevance

There is an ever-growing need for organisations, including all their departments, to be more adaptive and able to respond to change at any given time. Human Resources (HR) is a fundamental and wide-reaching function in an organisation. Their challenges are essentially the challenges of the whole organisation, and similarly their priorities, should be seen as the priorities of the whole organisation. HR can handle anything from employee contracts and legal issues to cultivating and maintaining company culture. Therefore, the work of HR, and by contrast especially the lack thereof, can be easily noticed in any organisation.

This thesis is observing the current trends in priorities in the field of Human Resources and aims to investigate whether adopting an Agile mindset and methodologies, can offer anything valuable to Human Resources and even whole organisations, that might otherwise not be available. Noteworthy trends in HR during recent times have been the increasing emphasis placed on employee engagement and employee retention, as discussed in a report by Lattice. (Lattice, 2023) While Gartner has listed change management as one of the top five priorities for HR Leaders in 2023. (Gartner, 2022)

It seems that with the Great Resignation having ended in 2022, organisations have increasingly placed their focus on engaging and retaining existing employees instead of focusing on attracting in new talent. In the ever-evolving post-pandemic economy, organisations have also realised the importance of managing change in attempt to have some control over it. It is becoming essential for organisations to embrace more forward-looking HR strategies, in order to survive, compete and ultimately win in this globalised world. (Tessema, et al., 2022)

Through the expansion of the creative economy, (the economy in which success depends on continuous innovation and addition of value), leading firms have been starting to adopt new management practices to keep up. Different frameworks of Agile, such as Scrum or Lean, have become increasingly popular especially in organisations operating within the creative economy. (Denning, 2016a) Through this thesis we will come to learn that the essence of Agile is understanding change, to be able to adapt and respond to it and doing it through a people first rather than process first mindset. (Agile Alliance, 2023) Thus, we aim to investigate could this people first and understanding of change mindset and methodology be beneficially adopted into the field of HR.

1.2 Research Method

This thesis is an extended literature review that has two objectives: (1) to map the evolution of human resources management (HRM), in theory and practice; (2) to identify what, if any, additional value can be generated by the application of Agile management principles to the HR function. It is the second objective that is central to the thesis, informing the way the evolution of the theory and practice of HRM is conducted. That is to say, the purpose is to show how, if at all, Agile management principles can address whatever shortcomings or inadequacies of HRM, as theorised and practiced until now, that can be identified.

HRM is, like any social practice, a dynamic field. Earlier emphasis on the design of work tasks (time and motion studies) came to be supplemented and even replaced by focus on questions of motivation and employee wellbeing (human relations). These two approaches to HRM can be treated as poles of a spectrum in their most "pure" or extreme forms: whereas "scientific management" saw the worker as a productive machine whose tasks had to be designed such that efficiency would be maximized, "human relations" took a more psychological and even empathetic view of workers as human beings subject to motives, incentives, and environmental factors such as cooperation with colleagues.

The literature review that follows maps the way in which the "pendulum" of HRM in theory and practice has swung between each pole of this spectrum, in response to economic conditions, technological change, and management research, among other factors. Along the way, the permanent challenges and problems of HRM are observed. Thereafter, the more recent development and evolution of Agile management principles are analysed with a view to (a) placing Agile on the HRM spectrum, and (b) identifying what it adds to our understanding of HRM theory and (potential) practice, with a specific focus on how it might address challenges and failures of HRM as traditionally understood and practiced. What, if anything, does Agile bring to HRM that is both new and value enhancing?

2 Human Resource Management

2.1 Human Resource Management

Human Resources (HR) in its most basic institutional form is a department in an organisation in charge of managing the employee life cycle, meaning recruiting, hiring, onboarding, training, and terminating employees as well as handling administrational tasks such as benefit programs. Over the last few decades HR has grown from a solely administrative role ("personnel management") to an indispensable department and a strategic partner for organisations' executive management. It is a vital and valuable department in an organisation focusing on attracting and retaining skilled talent to drive organisational and business growth. (Kenton, 2023) One of the key roles of HR in the fast-changing business environment of today is to stay up to date with relevant laws as well as the ever-changing industry trends in that can affect the organisation and its employees. (Kenton, 2023) There are two other important HR functions that are worth mentioning as well. Firstly, taking care of employee well-being, as employees that are both mentally and physically well, are often more productive. And secondly, creating a performance management system to monitor how consistently employees meet their targets or goals, and how often they fall short from what is expected of them by the organisation. The HR

department aims to support the employee to be well and do well, but ultimately, they work for the benefit of the organisation. (The Economic Times, 2023)

While HR or HRD stands for the department, Human Resource Management (HRM) is the holistic strategic approach to managing, all those tasks while also cultivating and managing the organisation's culture. (Kenton, 2023) The aim of HRM is to cultivate a strategy to attract new talent to the organisation, onboarding them well and continuously developing their skills, taking care of their well-being to retain them as an asset to the organisation and letting go employees that are failing to match the organisation's needs. (Kenton, 2023) The end goal for the strategy is to develop the organisations workforce or human capital, ultimately seeking to improve and grow the organisation itself. (Kenton, 2023)

As do all departments, HR too faces a number of challenges. One of these challenges faced by HR departments as well as whole organisations is how to avoid over-reliance on bureaucratic forms of management, which can make processes slow and clumsy in contrast to a constantly evolving economy and markets that require fast responsiveness and adaptation.

Bureaucracies are types of organisations which ideally operate in an impersonal and rational way that is based on rules and a hierarchy of authority (as opposed to flexibility or camaraderie). It is defined by hierarchical coordination and control, strict chain of command, division of labour and legal authority. Although bureaucracies can provide structure and a framework of equal treatment to everyone, using it effectively as the form of management in modern constantly evolving organisations can prove difficult due to its strict rules and processes, as Rockman states:

> "Because the characteristics that define the organizational advantages of bureaucracy also contain within them the possibilities of organizational dysfunction, both the flattering and unflattering depictions of bureaucracy can be accurate. Thus, the characteristics that make bureaucracies proficient paradoxically also may produce organizational pathologies" (Rockman, 2023).

Bureaucracy is still present in varying quantities in organisations practicing "traditional HR". This term is used to describe management styles where employees are largely seen as resources to be exploited and as costs to be reduced. In organisations that practise traditional HR, the ultimate goal is primarily to maximise shareholder value, and thus the core task of HR in these types of organisations is to implement management's directives to deliver greater efficiency. These initiatives to improve the efficiency of a top-down management strategy, is becoming increasingly more and more problematic. (Denning, 2018c)

3 Management Theories

Throughout time various theories and schools of thought around management have emerged. Some are more and some less relevant and prominent in the management practices today. Some of the theories still relevant today are the theories 'Theory X and Theory Y' by Douglas McGregor, drawing from the earlier work on 'Scientific Management' by Frederick W. Taylor and the 'Human Relations School of Management theory' by Elton Mayo. This is because they continue to define the fundamental characteristics of people management in modern organisations. In this section, I shall conduct a broad look on these theories, highlighting the key aspects in them and what they manage to do within the field of management.

3.1 Theory X and Theory Y

Theories X and Y are the work of Douglas McGregor (1906-1964), an American social psychologist and Massachusetts Institute of Technology (MIT) professor. The two opposing theories demonstrate the effects of managers' personal beliefs on their management style. (Mind Tools, 2023)

Theory X is considered an authoritarian style of management, which often includes micromanagement and precise task specification to make sure work gets done properly. It assumes that people naturally dislike and are unmotivated

towards their work, which is why it believes in a regular enforcement of a 'punishment or reward' system to motivate its employees by punishing weak performance and rewarding good performance. This style of management is rarely used in its pure form today, but elements of it are often present in big corporations with a large number of staff and strict schedules, as well as strictly hierarchical organisations. Theory X style management can be effective with blue collar workers working simple repetitive tasks or e.g., in emergency situations where it is necessary for someone to take charge and give strict orders to everyone. However, using Theory X style management in modern organisations with a flatter structure and a high number of white-collar workers is likely to eventually lead to high voluntary turnover and can even damage the organisation's reputation. (Mind Tools, 2023)

Theory Y on the other hand assumes employees are self-motivated and therefore work on their own initiative and need little direction. According to Theory Y employees view work as challenging and fulfilling and seek responsibility while eager to be involved in decision making. This management style is trust-based and encourages collaboration within the team as well as together with the manager. Theory Y is effective when managing e.g., a team of experts who need little directing and more support. It is often preferred by organisations with a flatter structure that encourages everyone to be confident to take on responsibility and to be involved in decision making. Theory Y has become the more preferred management style in organisations, highlighting the employees' aspiration to have a meaningful career. (Mind Tools, 2023)

Although McGregor believes that the managers' personal beliefs and assumptions are the main source of the chosen management style, there are many other factors that can influence it. These factors are e.g., the organisational structure, the skill level of employees, and whether the work they do is repetitive or challenging. (Mind Tools, 2023)

Burke points out, that although theory-supported research since the 1950s has continuously expressed the value of being a manager in alignment with Theory

Y assumptions, it appears that people and organisations are reluctant to accept and endorse its beliefs and value through and through. (Burke, 2011) Burke refers to an article by Bill Saporito, where Saporito expresses his curiosity towards the evidence versus the practice of Theory Y management, and discusses various studies done on the topic. Even though there was substantial research supporting the value and impact of Theory Y style participative management, not many examples of it being consistently practiced were to be found. One of the studies demonstrated that organisations with a participative management style outperformed companies with a non-participative management style in an impressive 13 out of 14 financial measures. Another example Burke (Burke, 2011), brings up, supporting the participative theory Y style management, was done within General Foods (now Kraft Heinz) in the early 1970s, to one of its subsidiaries Gaines Foods, which had just assembled a new plant. The new plant's management was designed according to the following criteria:

- primary tasks would be accomplished by teams not individuals and first-line supervisors would be team leaders rather than traditional bosses;

- status differences would be minimised;

- participative management and consensual decision making were the modes of operating the plant. (Burke, 2011)

There was a set of principles, which formed the bottom line of who to hire to the new plant. One of the principles was compatibility with collaborative ways of working, and another was that the final decisions on who to hire was made by the team the new employee was joining. A year into the new plant's existence, productivity had been way above original expectations and absenteeism was less than one percent. In addition, only two people had left the organisation during that year; however, it is worth noting that the number of people initially hired was not mentioned. According to Burke, this study demonstrated at least partially the importance of carefully hiring people who themselves hold Theory Y style assumptions, when hiring to a team with a participative management style. However, at least in this case of General Foods, the attempt to spread the

proven successful participative style of management to the already established units in the organisation which did not agree with the Theory Y assumptions, was met with resistance, and therefore failed. Burke goes on to explain, how from further investigations into the issues of introducing and adopting participative management into organisations, an interesting paradox emerged. It seemed that participative management was met with more resistance when introduced in a participative manner, and therefore needed to be introduced in a manner of command and control to be embraced and adopted. (Burke, 2011)

3.2 Scientific Management Theory

Frederick W. Taylor (1856-1915) was an American mechanical engineer who is known as the "Father of Scientific Management" through his method of taking a scientific approach to work and his successful experiments revolving around time and motion to develop his theory of work efficiency. Scientific management led to increased productivity in factories while keeping the costs low, which ended up greatly aiding the emergence of mass production. (Mee, 2023)

According to Taylor:

> "The principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee. The words 'maximum prosperity' are used, in their broad sense, to mean not only large dividends for the company or owner, but the development of every branch of the business to its highest state of excellence, so that the prosperity may be permanent" (Peek, 2023).

It can be concluded from Taylor's words, that as important as it is to grow organisations financially to benefit the shareholders, it is equally important, or even a requirement for said growth, to develop the employees' skills in harmony with the organisation. His theory is based on four core principles, which he saw as the main components to increasing efficiency and achieving maximum prosperity:

1. Each element of work can (and should) have a science to it.

2. Employers should select, train, and develop employees using a scientific approach.

3. Employees and employers must collaborate.

4. Employers should divide work and responsibilities among employees.

Taylor's theory emphasises efficiency and collaboration coupled with science to achieve prosperity for both the organisation as well as the employee. Although his ideas were ahead of their time, his methods have been also criticised as restrictive for individual growth. While his theory often focused on making workers more efficient, it also made many feel like they are robots focusing on simple repetitive tasks instead of personally contributing to the business. (Peek, 2023)

3.3 Human Relations School of Management Theory

Elton Mayo (1880 – 1949) was an Australian professor of psychology and industrial research at Harvard Business School. (Hollis Archives, 2020) Mayo is considered the founder of the human relations movement and has even earned the title "father of human resources management" from his vast contributions to the field. (Peek, 2023)

Mayo's most famously known work was based on the Hawthorne Experiments, through which he observed employee productivity in changing conditions and developed his theory on the basis of the observations conducted there. He concluded that employees are more motivated by social aspects of work such as recognition and camaraderie than by monetary rewards. Similar to McGregor's Theory Y and Taylor's Scientific Management, Mayo applied a science-based approach to demonstrate that employees were not lazy by nature. (Peek, 2023) His approach to management focused on the employees' feelings and he argued that interpersonal relations should be at the centre of focus for management theory, and integrating employees to organisations should be its main goal. His theory was that by listening to and considering

employees' ideas and complaints, as well as by recognising their human needs, employers would increase both morale and productivity. (Hollis Archives, 2020)

To support his theory, he developed a matrix (Figure 1) to demonstrate the probability of a given team's success. In his matrix the ratio of group norms and group cohesiveness demonstrate the team's effectiveness. By norms Mayo means workplace rules, both formal and informal, and by cohesiveness the ability of the group to work as a team. (Peek, 2023)
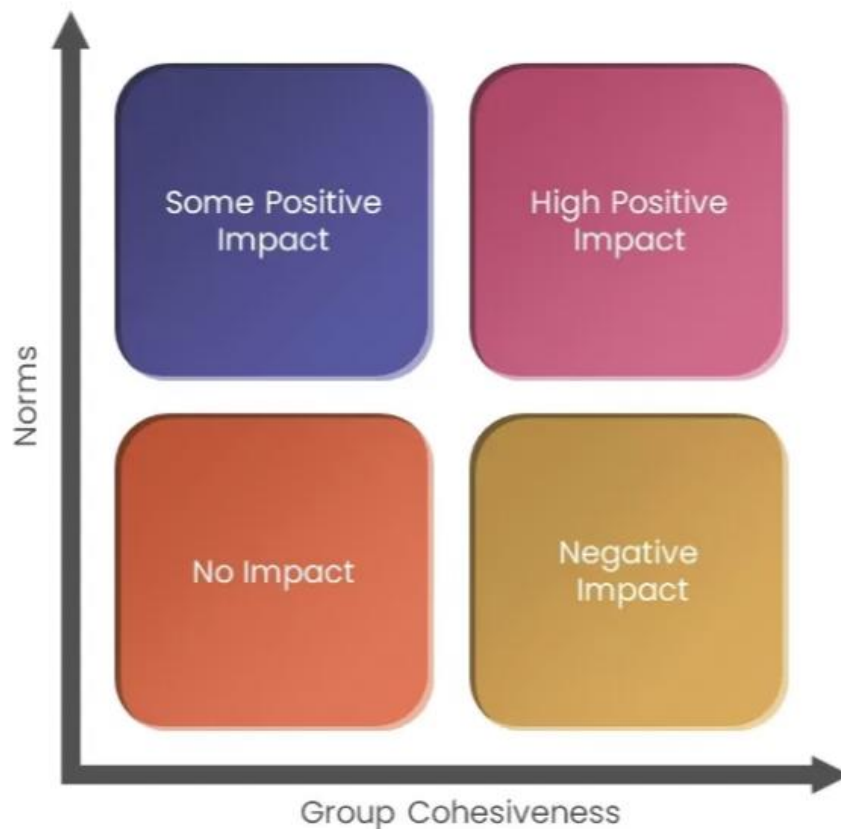
Mayo's Motivation Theory

Norms

| Some Positive Impact | High Positive Impact |
| No Impact | Negative Impact |

Group Cohesiveness

Figure 1 - Mayo's' Motivation Theory (SlideBazaar, 2023)

Essentially, the bottom left corner of the Matrix represents a place of low norms and low cohesiveness. This would mean, for example, lack of clear common rules and team operating principles as well as an unalignment of the team,

leading to poor teamwork. A team in this state would most likely be ineffective and have minimal impact as there is no motivation to perform well. Contrarily, on the opposite side of the matrix, the top right corner represents a place of high norms and high cohesiveness. They would have clear objectives for their work and common rules on how to work, while also having a sense of harmony within the team and communicating openly. According to Mayo, a group in this state would have a notable positive impact, which they achieve by working together with alignment. (Peek, 2023)

3.4 Theory Z

Reflecting on the theories of Taylor and Mayo, there are some clear similarities we can highlight e.g., the science-based approach as a major one. As mentioned before, Mayo's focus was on the employees' feelings, arguing that interpersonal relations should be at the centre of focus for management theory. Similar features can be found from Taylor's idea, like the emphasis on the importance of collaboration between employers and employees. In both the employee has been placed on a pedestal of sorts, highlighting the employee's importance in the organisation. They both reflect a kind of individualism which can also be found in the emergence of Theory Z.

The reason for the emergence of Theory Z back in the 1970's and 1980's was the notion that Japanese organisations were arguably being the most productive in the world and were starting to enter the North American and European markets. (MindTools, 2023) Theory Z was put together by American professor William Ouchi. It is a combination of Japanese management philosophies with American culture. It was born out of the merging of the benefits of both Japanese collectivism and American individualism. (Encyclopedia of Management, 2023) According to Mulder, Ouchi's theory adds and additional component to McGregor's Theory X and Theory Y. (Mulder, 2018)

Theory Z assumes that employees want to enter into partnerships with their employers and colleagues and seek a connection with both. Additionally, it assumes that employees expect support and cooperation from their organisations and managers. Lastly it assumes the importance of culture, in fostering traditions and supporting work-life balance. (Mulder, 2018) Theory Z is characterized by long-term employment, slow promotion cycles, collective decision making, individual responsibility, job rotation, and holistic concern and caring for employees' personal circumstances. (Mulder, 2018) As shown by the characteristics, Theory Z assumes a participative style of management and believes in individual responsibility, which both align with theory Y assumptions as well. Job rotation is also worth mentioning. Its aim is to help employees into being generalists rather than being strictly specialists. (Mulder, 2018)

Ouchi argued that Theory Z style management could lead organisations to increased employee job satisfaction, lower rates of absenteeism and turnover, higher quality products, and even better overall financial performance. (Encyclopedia of Management, 2023) However, varying results have emerged from research on weather organisations using Theory Z management have been outperforming organisations with different management styles. There are studies that propose that organisations with Theory Z management have been presenting benefits in the areas of employee satisfaction and commitment as well as in terms of financial performance. However, other studies exist which suggest that organisations with theory Z management did not outperform others in any way. (Encyclopedia of Management, 2023)

To summarise Theory Z, is an attempt to combine the best of both worlds – eastern and western management philosophies. While according to some it is also an attempt to blend together McGregor's theories X and Y. (MindTools, 2023) We can gather that Theory Z is the result of observing the performance of companies from two countries – noticing a trend of higher performance coming from Japan and being conscious of the growing possibility of losing market share to them – leading to a notion to learn from Japanese companies, and aiming adopt practices from them to America, in a way that does not fully

compromise the existing organisational culture, thus ending up with a hybrid management model and theory. Many of the characteristics of Theory Z are applicable today, such as individual responsibility and caring of employee's personal circumstances, aiming for long-term employment and collective decision making. On the other hand, slow promotion cycles and job rotation are presumably less welcome.

4   Current Management Priorities

As mentioned before, it is important for HR to stay on top of the industry and labour market trends. According to a report by software company Lattice (Lattice, 2023), retention and employee engagement have risen in the list of HR and organisational priorities. And according to a report by Gartner, one of the top five priorities for HR in 2023 is change management. (Gartner, 2022)

Retention and employee engagement are crucial areas of talent management and change management is an increasingly important area of HR where succeeding can lead to increased profitability as well as organisational growth. (Winningtemp, 2022)

In the following sections we will dive into what each of these priorities is about and what is their objective in an organisation. The aim is to understand where the challenges lay within these functions, and why they have become such a priority to HR teams across the world.

4.1   Retention

"The grass is always greener where you water it" (Gibson, 2019, p. 1), as Julie Gibson said in her article comparing the attention, we give new customers versus existing customers. This also applies well to the context of talent retention. It might seem that there is so much talent out there in the market and organisations can be prompted to fill in open roles and fix their problems by focusing their energy on attracting in new talent to the company. However, this

"watering of the grass on the other side", as Gibson put it, may lead to the existing employees feeling unvalued and overlooked, thus encouraging them too to look for a job elsewhere, where they are given the attention and made feel valued.

Talent management refers to the overall handling of talent, including attraction, development, and retention of high potential employees, who are ideally also strategic assets to the organisation. (Bailey, et al., 2018, p. 206) Talent retention is all about the organisation putting in systematic effort to make employees feel valued, making sure their needs are being taken care of, along with fostering their careers and talents. (Bailey, et al., 2018, p. 215) Talent retention can be seen as an important part of talent acquisition and organisational growth, as it may be hard to attract new talent if they see that the organisation is struggling to keep the existing employees engaged and put. Therefore, the importance of talent retention is far reaching in the organisation, yet it can be easily overlooked.

In the recent years retention has climbed up the ladder of HR priorities. According to the report by Lattice regarding people strategy in 2023, (Lattice, 2023), when HR Managers got asked about the expected investment in retention, 83% of respondents said they are looking to invest somewhat more or significantly more in retention, while only 17% said that they will invest less or make no change in their investment to retention. This indicates the importance and current trend of organisations prioritising their current employees over new talent.

In the context of retention, losing an employee is referred to as employee turnover and it is divided into two types: voluntary turnover and involuntary turnover. Voluntary turnover means that the employee chooses to leave the organisation and is therefore employee initiated. Involuntary turnover on the other hand is employer-initiated and means the employer terminates the contract and the employee gets fired. This can be result to e.g., poor performance or downsizing. Common reasons for voluntary turnover include

lack of growth opportunities, issues with management e.g., micromanagement, workload and there simply being a poor match between the employees' skills and the job. (University of Minnesota, 2016, pp. 181-186) On the other hand, the factors that can prompt employees to stay include flexible working patterns, focus on the development of employees, job satisfaction and having an effective management style established through stable leadership. (Bailey, et al., 2018, p. 216)

One factor that should always be taken into consideration regarding the importance of retention is turnover costs. They are also divided into two types: direct turnover costs and indirect turnover costs. The former would include e.g., the cost of leaving, replacement costs and transition costs. While the latter would calculate the losses to production and to performance. (University of Minnesota, 2016, pp. 181-183)

Retention could seem as something, that should be fundamentally important to organisations, which raises the question of why it has suddenly become such a high priority. An answer can be found by exploring the phenomenon called The Great Resignation, which occurred between 2020 to 2022. In 2021 alone up to 47 million Americans quit their job voluntarily, which is the highest recorded rate of voluntary turnover. (Fetter, 2022) The main cause of the Great Resignation was likely the intense competition for talent, indicated by a high number of job vacancies as well as a decreased unemployment rate. Some of the reasons people quit their jobs were low pay and lack of promotion opportunities, indicating that people were simply getting better offers elsewhere. It has also been suggested that the Covid-19 pandemic was a largely contributing factor in peoples' decisions to quit their job. Whether it was due to a re-evaluation of life priorities, or something more practical such as struggles with arranging childcare due to remote learning. (Fontinelle, 2022)

The Great Resignation had considerable impact on the organisations (employers) through substantial financial losses, while also being visible through declining engagement, morale, and productivity. (Shuster, 2022)

According to Shuster, it is important for organisational leaders to understand why employees are leaving their jobs and the organisation, to be able to turn the situation around. She refers to a Talent Retention Report done by iHire in 2022, for which over 2500 American employees were surveyed to find out why people were leaving their jobs. According to the report by iHire, the top five reasons for people to leave their jobs were:

1. being unhappy with their manager;

2. being unsatisfied with the salary;

3. having poor work / life balance;

4. lack of recognition and appreciation; and

5. lack of growth / advancement opportunities. (Shuster, 2022)

From this list we can observe that four out of five reasons relate to company culture as well as leadership, while only one, is about compensation and salary, as Shuster too had observed. To move from the Great Resignation to increased retention, in other words cut down voluntary turnover, organisations must understand that employees are looking for recognition, being valued as well as growth opportunities, which are all core elements of a concept directly related to retention, called employee engagement.

4.2 Engagement

Employee engagement has recently risen to a high status in HR and organisational priorities. (Lattice, 2023) There are still rather limited studies done on the concept of engagement, or its effectiveness, yet organisations across the world have deemed it a priority, nevertheless. However, the academic community has also increasingly shifted its focus towards employee engagement but have yet to agree on a unified definition of it. (Bailey, et al., 2018, p. 243)

Smith describes employee engagement as the level of enthusiasm and dedication an employee is feeling towards their job, and notes that it has clear links to job satisfaction and employee morale, which are both also prominent factors of retention. (Smith, 2022) Referring to psychologist William Kahn's work and words, the authors of the book *Strategic Human Resource Management* describe personal engagement as: "the harnessing of the organisation members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances" (Bailey, et al., 2018, p. 245). While researchers of the Kingston Employee Engagement Consortium defined engagement as: "being positively present during the performance of work by willingly contributing intellectual effort and experiencing both positive emotions and meaningful connections with others" (Bailey, et al., 2018, p. 246). According to them engagement has three sides to it: intellectual engagement, affective engagement, and social engagement. Intellectual engagement referring to the natural inclination to become absorbed into work tasks, affective engagement referring to the experiencing of positive emotions in relation to work, and social engagement representing the sharing of values and sense of connection an employee has to their colleagues. To summarise the Kingston researchers' idea of employee engagement it comes down to the made intellectual effort, the experienced emotions and the quality of interpersonal relations related to work. (Bailey, et al., 2018, p. 246) While Kahn's conceptualisation of engagement focused on how present employees were during work, the Kingston researchers deemed interpersonal connections also as a key component.

Swedish employee engagement platform Winningtemp defines employee engagement as the relationship an employee has with their job as well as the organisation they are working for. According to them high levels of engagement contribute an organisations success in various ways such as decreased turnover of staff, increased productivity, lower numbers of absences and even increased profitability. Having engaged teams in place, is therefore not just to create great company culture, but can also show as enhanced performance and improved customer service and loyalty, which can ultimately lead to the

organisation's growth. As the five drivers for more engaged employees, they list: meaningful work, room for personal growth, working under good leadership, getting recognition for the work that is done, and finally working in a dynamic team with good chemistry. Winningtemp suggests that employee engagement can be measured through tracking numbers on absences, employee productivity, staff retention and turnover rates, internal promotions and even customer happiness with the service they get. (Winningtemp, 2022)

Winningtemp also categorises employee engagement into five levels which range from disengaged to strongly engaged. Disengaged meaning employees who strongly dislike their job and their organisation and in worst cases even actively sabotage company culture. Opposingly strongly engaged representing employees that love both the organisation they work for as well as their job, employees that can be described as committed and even passionate towards their work. (Winningtemp, 2022) According to Winningtemp one of the big challenges organisations have regarding employee engagement, is the misconceptions towards the concept itself - not understanding what engagement is, nor understanding the workforce's thoughts or feelings. (Winningtemp, 2022)

In study conducted by Alan M. Saks regarding employee engagement, over a hundred employees from varying jobs and organisations completed a survey including measures of job engagement and organisational engagement. One of the findings of the study was, that there is a meaningful difference between job engagement (work role) and organisational engagement (role as a member of the organisation). The results of Saks' study indicated that in the presence of perceived organisational support, both job and organisational engagement would be anticipated. While also finding that both types of engagement related to the employees' attitudes, intentions, and behaviours. Both job and organisational engagement were found to predict organisational commitment, job satisfaction and even intention to quit. (Saks, 2006) What can be gathered from Saks' study is the impact of engagement as a predominantly influencing factor to employee retention, as the level of engagement is deemed an eminent

factor of the employees' level of performance as well as their intent of staying at the company among other findings.

4.3 Change Management

Change is both the action of becoming different as well as the process of transforming something. (Oxford English Dictionary, 2017) In the context of organisations, change can be planned and deliberate, led by the organisational leaders, or on the contrary change can derive from external environmental pressures beyond the control of the organisation. Change can affect anyone from sole proprietors to large multinational corporations all the way up to entire industries and economies. (Bailey, et al., 2018, p. 305)

'Planned change' is the term used when assuming that change is indeed something we can manage and organise as well as lead forward. In this same concept the person managing and leading the change is referred to as a 'change agent'. (Bailey, et al., 2018, p. 307)

In an organisation, there are many ways change can happen or be created, as well as many levels of how the change affects the organisation. When the change is something big that affects the whole organisation, it is referred to as 'Transformational change', which means fundamental changes to an organisations structure, strategy, and culture. It is change that ultimately affects everything and everyone in the organisation in one way or the other. (Bailey, et al., 2018, p. 306) As an opposite to transformational change, when referring to small changes that would affect only one department, they are referred to as 'Incremental Changes'. (Bailey, et al., 2018, p. 306) Some examples of what an organisation might seek to change are:

- its processes or the way it operates;

- its values, culture or shared beliefs;

- its strategy, mission and objectives;

- the products or services it offers.

There is no one definition to change management and there is a great deal of discussion over the term, however, one of the many ways of formatting the meaning, as presented by Bailey et. al. is: "the process of continually renewing an organisation's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers" (Bailey, et al., 2018, p. 306). They continue by stating that most disputed aspect of the definition of change management is whether change is something that 'happens to' or in turn is 'done to' an organisation.

Managing organisational change has been regarded one of the key roles that the HR department can play in organisations today. However, many HR departments are not involved in managing or leading change in any way according to most evidence on the matter. (Bailey, et al., 2018, p. 305)

What we can gather is that change is prominent in all organisations occurring in various ways. It can generate uncertainty and therefore, it is important to have some sort of guidance on how to deal with these kinds of issues. One way of responding to change is by being adaptive, as opposed to trying to prevent it from happening. One known approach, where being adaptive to change is a key factor, is through Agile Methodologies, which I shall discuss in the following chapter.

5 Agile Methodologies

5.1 Agile Software Development

The concept of Agile came about in 2001 when a group of seventeen software developers who were also considered to be independent thinkers and "organisational anarchists" got together to share their ideas on how to adapt to and address issues they as software developers and their organisations were facing. (Highsmith, 2001) Their get together resulted in the creation of the Agile

Manifesto, which is a set of four core values and twelve principles. The Agile Manifesto with its values and principles is presented in (Figure 2).

Figure 2 - Agile Manifesto. Values and principles. (AgileAlliance, 2023)

As traditional processes are often created in a way where the process is set in stone and the people involved are replaceable, Agile methodologies acknowledge and adopt the opposite point of view, that people are not a replaceable resource. (Fowler, 2005) With Agile, the people are the foundation upon which the methodologies and frameworks are built. The essence of Agile is understanding change, to be able to adapt and respond to it, which would not be possible with a 'process first people second' mindset or framework. (Agile Alliance, 2023)

Agile sprouted from the field of software development, generated numerous software development frameworks, grew into a mindset, and continues to expand and evolve through departments and organisations. Agile Software

Development is an umbrella term for various frameworks. Some of the most known Agile frameworks include Scrum, Lean Development, Kanban, and XP (Extreme Programming), which are often mentioned when discussing Agile. (Agile Alliance, 2023)

Agile is characterised by the values and principles of the Agile Manifesto. The objective of the set of values and principles they assembled is to provide guidance on how to deal with uncertainty, and how to create and respond to change. The Agile Manifesto (Figure 2) begins with the sentence: "We are uncovering better ways of developing software by doing it and helping others do it", which captures the essence of the concept, development, adaptation, and collaboration. When Agile is seen and treated as a mindset rather than just a set of different frameworks, it can be adapted and implemented to different fields. (Agile Alliance, 2023)

5.2 Agile Mindset

Stephen "Steve" Denning is an Australian author and management consulting professional. He has written more than five books, which include *The Agile of Agile*, *The Leader's Guide to Radical Management* and *The Leader's Guide to Storytelling*. Denning is also known from his column in Forbes.com where he has written over 600 articles on the Creative Economy, focusing on radical management and innovation, including numerous articles about Agile. (The SD Learning Consortium, 2023)

In his article 'How to make the whole organization "Agile"', Denning dives into the Agile Mindset. He refers to research done by the LC (Learning Consortium for the Creative Economy), which is composed of a group of firms put together by Scrum Alliance, where they investigated the effectiveness of Agile management practices as well as the possibility for old bureaucratic organisations to become Agile. One of the main findings of this research was that Agile is primarily a mindset and having that mindset is essentially more important than any other aspect of Agile. (Denning, 2016a)

Denning described the findings by the following words:

> In the successful implementations, Agile was not treated as something that could be formalized in an operating manual. Instead, Agile was seen as a different way of understanding and acting in the world. The successful firms were "being Agile," not merely "doing Agile" within their existing management framework (Denning, 2016a, p. 13).

From this investigation the LC found that the firms who had successfully implemented Agile management, reached higher employee engagement as well as greater responsiveness to customer needs and improved customer satisfaction among other findings. (Denning, 2016a) Based on the reports by the companies the LC investigated, adopting Agile had positive effects on both the business objectives by increasing customer satisfaction, and concurrently on employee satisfaction coming from increased engagement.

According to Denning the Agile mindset advocates for an interactive relationship between the employees, the managers, and the customer, as opposed to a more traditional bureaucratic top-down management mindset, which leaves out the most important factor - the customer. (Denning, 2016a) Denning listed the characteristics of an Agile Mindset followingly:

- Goals, attitudes, and values that focus on added value and innovation for customers and users, rather than a preoccupation with short-term profits.

- Managers seeing themselves, and acting, as enablers, rather than controllers, so as to draw on the full talents and capacities of knowledge workers.

- The use of autonomous teams and networks of teams, in some cases operating at large scale with complex and mission-critical tasks.

- The coordination of work through structured, iterative, customer-focused practices, rather than bureaucracy.

- Embodying on a daily basis the values of transparency and continuous improvement of products, services and work methods.

- Communications that are open and conversational, rather than top-down and hierarchical.

- The embrace of physical workspaces that are noticeably open, egalitarian and collaboration friendly. (Denning, 2016a)

Adopting the Agile mindset therefore implies, as Denning too states, an ideology of enablement. (Denning, 2016a) Enablement, by definition, means giving someone the authority or means to do something, which therefore also implies trusting the capabilities and judgement of the employees to do their job and make the right decisions for the organisation. However, it would be up to the organisation to cultivate a culture and environment where employees feel confident to take on this responsibility. (Figure 3) indicates the differences between a "pre-Agile" mindset and an Agile mindset. The most obvious difference is the way Agile includes the customer into the circle of communication and allows communication in all directions. (Denning, 2016a)

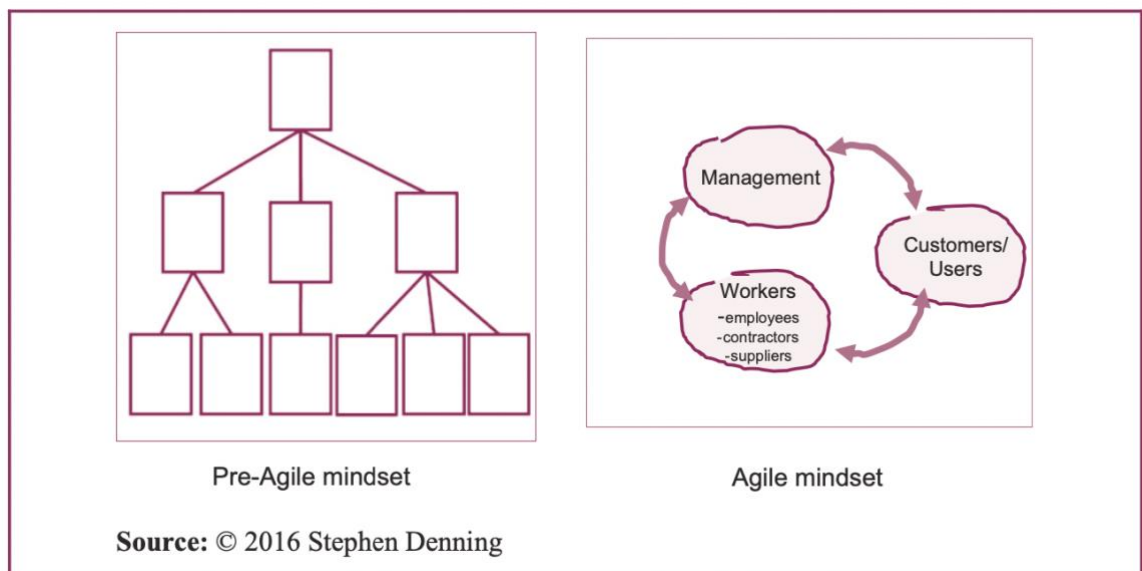**Source:** © 2016 Stephen Denning

Figure 3 - The shift to an Agile mindset. (Denning, 2016a)

To go back to one of the findings of the research done by the LC, where it was noted that the organisations which had successfully implemented Agile were

"doing Agile" not just "being Agile". It is crucial to understand the difference. As Agile is a mindset, it cannot be just implemented or "done". It must be commonly understood and internalised, and then, carried out in the culture - the way of "being", thinking, and working within the team and organisation. (Denning, 2016a) Which would ideally lead to working in small teams, with a strong focus on the customer, collaboratively working towards a common goal, aiming to avoid bureaucracy and silos. (Denning, 2016b) We will discuss these goals further in the following chapter regarding the Laws of Agile.

Lastly, Denning discusses the transition to an Agile mindset. During site visits as a part of their research, the LC found that adopting an Agile mindset often happens gradually, however there are different ways in which the mindset could be introduced. These ways include understanding the limitations of control-minded management practices in our fast-moving world, recognising the shortcomings in producing and improving products both time and quality wise, seeing some other team (or organisation) implement Agile practices and actively learning more about it through books or even taking part in related training. Denning notes that until the leaders and managers of the organisations observed by the LC acquired the Agile mindset, they would struggle to implement Agile management. Interestingly, they also discovered cases where organisations had successfully implemented Agile management; however, when they brought in a new manager, who did not have an Agile mindset, the already established Agile management would start to decline. (Denning, 2016a) This shows the importance of each individual and their mindset to an Agile organisation. It seems that the old idiom: "one bad apple spoils the bunch" applies in the case of Agile too.

5.3 The Three Laws of Agile

Agile has three primary laws which it is divided into. Denning explains the three laws of Agile, which form the building blocks for the methodology in his article 'Understanding the three Laws of Agile'. The laws are the following: The Law of

the Small Team, The Law of the Customer and The Law of the Network. (Denning, 2016b)

Denning describes The Law of the Small Team as an "almost universal characteristic of Agile organisations" (Denning, 2016b, p. 3). The law is about employees sharing a mindset that work should be done in teams which are small and autonomous, while also being cross-functional. The idea of working in smaller teams, however, is not new as Denning too stated. It had been continuously suggested throughout the 20th century by many of the well-known names in the world of HR management, including previously mentioned Elton Mayo. (Denning, 2016b)

The Law of the Customer is all about delivering continuous value to the customer and demonstrates the shift in power in the marketplace from the seller to the buyer. Factors that assisted this shift were globalisation and the advancement and increase of the role of the internet. (Denning, 2016b) Denning describes the Law of the Customer with the following words:

> Everyone in the organization has a clear line of sight to the ultimate customer and can see how their work is adding value to that customer – or not. If their work isn't adding value to any customer or user, then an immediate question arises as to why the work is being done at all. The firm adjusts everything – goals, values, principles, processes, systems, practices, data structures, incentives – to generate continuous new value for customers and ruthlessly eliminates anything that doesn't contribute (Denning, 2016b, pp. 5-6).

He implies that if value is not being delivered to the customer, the team or organisation should immediately start adjusting and re-evaluating what they are doing. It sounds rather harsh, yet it simultaneously seems reasonable. The Law of the Customer does raise the customer on a pedestal and gives them a considerable amount of power. However, it can give organisations willing to prove to their customers they care about them and their needs by going to lengths to deliver value to them, an advantage. The Law of the Customer puts emphasis on an external focus to grow competence to create new competitive

advantages while delivering value to the customer and serving their needs. This is in contrast to bureaucratic organisations, where the ultimate focus is inward due to a fixed mindset to defend their existing competitive advantages and of course make money for its shareholders. (Denning, 2016b)

The third law, The Law of the Network is about and for the hierarchy of the organisation. According to Denning, "Agile practitioners view the organisation as a fluid, interactive and transparent network of players that are collaborating towards a common goal of delighting customers" (Denning, 2016b, p. 6). The aim of this third law is to tackle the bureaucratic hierarchy of organisations and turn it into an agile network as can be seen in (Figure 4). The aim for the organisation is to become a network of high-performing teams that take initiative to solve common problems together with other (also Agile) teams. According to Denning in Agile organisations, it is recognised by the managers that all employees are capable of innovation and that competence should not be overlooked based on the position of the employee. There often is some type of hierarchy in Agile organisations as well. However, the hierarchy is more of a hierarchy of competence, rather than a hierarchy of authority. (Denning, 2016b)
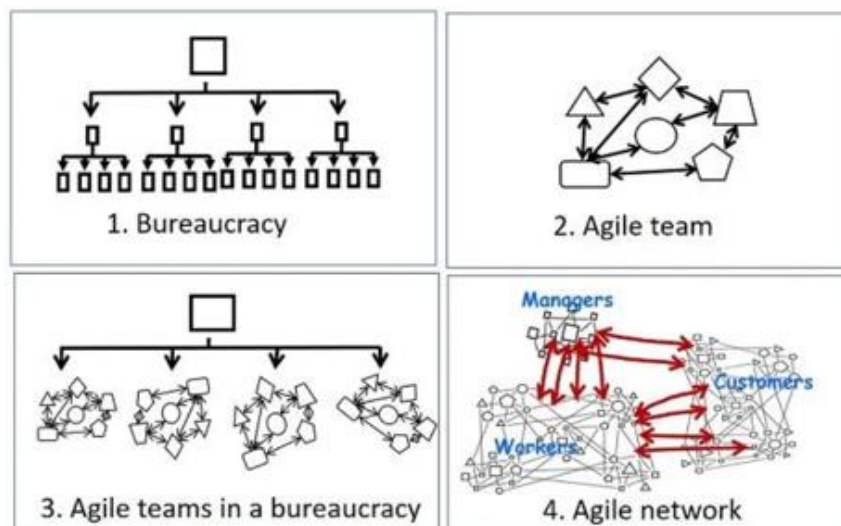

Figure 4 - Bureaucracy vs. Agile Network. (Denning, 2016b)

Ultimately Denning deems the second law the most important. As delivering continuous value to a customer, according to him, is the one that bridges the

three laws together by demonstrating why Agile organisations should operate in such a way. (Denning, 2016b)

5.4 Agile Talent Management

In his article 'The emergence of Agile people management', Denning demonstrates the way traditional HR has evolved first to Agile-lite HR and then to Agile talent management. (Denning, 2018c) Traditional HR, as mentioned briefly before, stands for management styles where employees are largely seen as resources to be exploited and as costs to be reduced. Agile-lite HR represents the first steps organisations can take towards a more Agile management style, without jumping headfirst into the Agile mindset. Thirdly, in Agile talent management employees are seen as key contributors to the both the formulation of strategy and to the organisations goal of delivering continuous value to customers. (Denning, 2018c) With the power in the marketplace having shifted towards the customer, to win in the current setting, organisations are increasingly forced to be able to generate continuous value at scale, while cultivating an interactive and personal relationship with customers. An organisation's ability to flourish, is increasingly depending on the employees – the talent. Denning points out that: "the differential performance between a beginner and an expert can be up to 1:8 on average, or even 1:100 in the most extreme cases" (Denning, 2018c, p. 4). He states that leaders of organisations must realise, that today it is the employees who create the value in an organisation, which is why they should be at the top of the leaders' priorities. With this heavy emphasis on talent and the shift of power to the customer, top-down bureaucracies are struggling to deliver, as such a slow-moving hierarchical management style is blocking their ability to be flexible and continuously adapt to changes. (Denning, 2018c)

Agile-lite HR, as mentioned earlier, is the idea of upgrading the traditional HR practices through a set of process improvements. These improvements include simplifying the performance review process, investing in improving managers' coaching skills, placing value on upward feedback from employees to team

leaders, dropping separate bonuses and using online learning modules that employees can access anytime, among other suggestions. However, although Denning sees potential in the process improvements, he debates whether they will on their own be enough to cultivate a culture of self-oriented teams to continuously generate value to the customer. He states that among changing HR processes, to keep up, organisations must change the way management is conducted on a very fundamental level. (Denning, 2018c)

In 'The emergence of Agile people management', Denning states the four key elements that define a talent-driven Agile organisation which are:

- Design for agility,
- An internal market that governs the deployment of talent,
- Make work meaningful,
- Understanding organisational culture. (Denning, 2018c)

Designing for agility emphasises the ability to adapt to the unpredictable changes that can disrupt or even reshape a whole industry. The idea is to have less people overseeing corporate profit, strategy, and direction and in turn more people in customer-facing teams, in order to leave major decisions to be made by few cross-functional committees, and in turn allowing the rest of the decisions – the majority – to be delegated to enabled teams and individuals. (Denning, 2018c)

What is meant by 'an internal market governing the deployment of talent'? It involves making a shift in the internal organisational hierarchy, shifting from a traditional hierarchy of authority to a more talent driven hierarchy of competence, aiming to lead to a more fluid organisation. (Denning, 2018c)

Making work meaningful stems from the understanding that an overly formal or even controlled workplace will simply never seize the full potential of the employees' creativity and might even create a socially lifeless environment, to which it is more difficult to attract and retain great talent to, which is, as mentioned before, the key to thrive in an unpredictable economy. Denning

mentions companies including Facebook (now Meta), where employees are focusing on the solution before the profit, because it is believed that focusing on the solution and finding (and implementing) it will naturally lead to profit. Denning claims that this solution-first mentality reflects a modern understanding of the need for flexibility, in an environment where the dynamic of the marketplace can shift at any moment. (Denning, 2018c)

The fourth and last element, understanding organisational culture, might be the most crucial one, as according to Denning: "creating meaning will in turn depend on the organisation's culture" (Denning, 2018c, p.7). Which is why Denning deems it crucial for higher management to understand the social architecture of their organisation and keep track of it. Denning states that tracking and fostering organisational culture is an everlasting task, as designing and redesigning the organisation and its culture are something that can be never finished, as something new will always emerge. Defining and setting comprehensive ground rules for the processes as well as behaviour, will provide teams with a commonly understood vocabulary, that helps them to communicate their ideas and work together towards their common goal, creating and delivering value to the customer. Denning argues that by setting common ground rules organisations should be able to cultivate and foster a mindset – an agile mindset – that supports the required or inevitable change. (Denning, 2018c)

Lastly, Denning notes that organisations that enable their talent – employees – to be a part of building their strategy, will look entirely different from the older organisations we might still be imagining in our heads – the hierarchical organisations, with layers upon layers of managers. (Denning, 2018c)

6 What Can Agile Offer HRM

6.1 Summary of Findings

The past few decades have brought along many changes – including change itself having become a constant, rather than being seen as something that happens only every once in a while. Given all that has been investigated in this thesis – the role of HR, key management theories, current HR priorities and, most importantly, Agile methodologies – there is a lot of alignment between what companies are prioritising and what Agile could offer. Of course, not all companies are keen to jump to change their management styles and mindsets, but based on this research I do believe even the most bureaucratic and hierarchical organisations will slowly start to shift towards Agile. Maybe not because they want to, but because in order to stay in the game, they will be forced to.

The three current HR priorities previously highlighted were retention, engagement and change management. To recap, retention is about the organisation making a systematic effort to make sure employees needs are met as well as making them feel valued and fostering their career development. Engagement on the other hand is a key element of retention, as it has to do with the relationship an employee has with their job and the organisation they work for. Engagement in short is about the made intellectual effort, the experienced emotions and the quality of interpersonal relations related to work. And last of the priorities, change management, is about the ability to 'control the controllables' in the face of change while renewing the organisations' structure and direction accordingly.

The investigated topic, as a possible "solution" to achieving current HR priorities, is Agile methodologies which ultimately come down to an organisational culture characterised by the Agile mindset. The Agile mindset implies an ideology of enablement, advocating for a trust-based interactive relationship between the employees, the managers, and the customers – the

network. The mindset must be commonly understood and shared and then carried out in the culture, by designing the organisation for Agility and making work meaningful among other important aspects. Agile organisations also follow three laws – the law of the small team, the law of the customer and the law of the network – which together through cross-functional teams and a shared goal of delivering continuous value to the customers are able to collectively and interactively work to achieve the common goal.

As said before HRM is, like any social practice, a dynamic field. It is constantly evolving and developing, and highly dependent on people, who come with many different skillsets, mindsets, needs, expectations, and preferences. When comparing Agile to the more traditional management theories still widely in being used today, we can find both similarities and differences amongst them. Both Theory Z and Theory Y assume a participative style of management and individual responsibility, which is similar in Agile talent Management although taken a bit further, where employees are being enabled to make majority of decisions as individuals or teams, without major interference of management. Alternatively, this is the opposite of Theory X where employees have no decision-making power at all, and also differs from Taylors Scientific Management, where although collaboration between employees and managers was of importance, the employees were ultimately only expected to take care of the task assigned to them, sometimes even in a robot-like manner.

Mayo's argument of employees' feelings and interpersonal relations needing to be at the centre of focus for management (listening to their ideas and complaints and taking care of their human needs), can also be seen as a fundamental element in managing organisations operating within the creative economy, where continuous innovation and creativity are then again fundamental elements of reaching the main objective – delivering value to the customer. Organisations operating under a bureaucratical manner unfortunately could end up cutting off the wings of creativity permanently if employees are not being heard. One way of making people feel heard and seen, is putting them first, instead of prioritising processes and treating people as disposable. It was

also found based on the reports by the companies the LC investigated (described in chapter 5.2) that adopting Agile had had positive effects on both the business objectives by increasing customer satisfaction and concurrently on employee satisfaction coming from increased engagement. We can observe here the Agile mindset leading to both more engaged and satisfied employees, but also more satisfied customers.

Reviewing the common reasons for voluntary turnover and drivers for higher engagement, we can find a clear correlation between engaged employees and high rates of retention, as was also found by Saks trough his studies. Common reasons for voluntary turnover included lack of growth opportunities, issues with management and lack of recognition, while drivers for higher engagement included working under good leadership, room for personal growth and recognition for the work that is done. We can thus assume that increasing the level of employee engagement will respectively increase employee retention. Bearing in mind of course, that there are other factors that can affect retention rates too, such as salary and work-life balance to mention some.

When going back to bureaucracies (the types of organisations which ideally operate in an impersonal and rational way that is based on rules and a hierarchy of authority, as opposed to flexibility or camaraderie) and trying to combine it with the idea of engagement (the made intellectual effort, the experienced emotions and the quality of interpersonal relations related to work) we can observe that two of the three defining factors of engagement are presumably shut down in organisations operating in an impersonal and purely rational manner. Here too, it is important to note, that modern bureaucracies are often not strictly impersonal. Nevertheless, organisations that operate with a strict hierarchy and set of rules, are not leaving much room for said emotions and the quality of interpersonal relations, thus, making it difficult to foster a culture of engagement.

On the other hand, when we observe the elements of engagement as well as elements of Agile, numerous similarities can be found. As demonstrated

previously, social engagement represents the sharing of values and sense of connection an employee has to their colleagues. We can find correspondents in the Agile mindset such as working in autonomous teams, embodying values of transparency and continuous improvement and communicating openly in a conversational manner. Similarly, in Mayo's matrix, teams in the high norms and high cohesiveness bracket rely on common rules and clear objectives leading to alignment, as well as open communication across the team. Meaningful work on the other hand was listed as one of the five drivers of engagement by Winningtemp, similarly, to being listed by Denning as one of the four elements of an Agile talent driven organisation, making it a common objective. Last on Denning's list of elements, was understanding company culture, which was deemed important in order to create meaning to the work. Engagement is simultaneously a major factor of upkeeping a great organisational culture. Therefore, we can observe an interesting overlapping or even an entanglement between the elements of employee engagement and Agile, through the importance of meaningful work and organisational culture.

Denning explained in that Agile talent management too has rules, as demonstrated in chapter 5.4. These rules were designing for agility, having an internal market to govern the deployment of talent, making work meaningful, and most importantly understanding organisational culture. These rules, however, are not the traditional rules in the sense that they do not assume authority, but instead invite collaboration and the betterment of the organisation. They emphasise designing the organisation to be able and competent to adapt and respond to any unpredictable change, emphasising competence and basing hierarchy on it instead of authority, creating an environment where creativity can thrive and understanding that in order to upkeep great organisational culture, which in turn is what supports making work meaningful, is something that must be paid attention to, in order to be maintained. Similarly, to Mayo's matrix of success, presented in (Figure 1). It too emphasises the importance of group norms and cohesiveness as factors affecting a team's success. This supports the idea, that even the most agile of teams and organisations need common guidelines, and in a sense, as said about the Agile

mindset, we can gather that it is important for employees to thoroughly understand and share the common mindset and values, for such methodology to work smoothly and effectively.

Change management quite visibly aligns with the whole concept of Agile, but especially with one of the four core values written in the Agile manifesto in (Figure 2) which is 'Responding to change over following a plan'. Adopting the Agile mindset and actively doing Agile (living by the characteristics of the Agile mindset presented in chapter 5.2), can be seen as a clear enabler of driving and responding to both incremental change (smaller changes) and transformational change (fundamental change affecting the whole organisation). As mentioned before, a core element of Agile is adapting to and responding to change, therefore we can expect Agile having a lot to offer HR through both the mindset itself, but also through its methodologies and frameworks.

6.2   Challenges

Of course, adopting a rather high maintenance methodology, such as Agile has its challenges too. As running an Agile organisation would assume having Agile employees. When eventually some employees do want to leave and more talent is needed, questions emerge regarding how to find new employees at the same rate. Assumingly hiring new talent who both have an Agile mindset fitting the company culture and are competent to fill the role at hand, could be hard to find and slow to recruit, leaving organisations in trouble especially if suddenly many employees end up leaving simultaneously. Also (as mentioned in chapter 5.2), when hiring new talent that does not share the Agile mindset, especially in the case of managers, the new hire can create a decline in the otherwise already commonly shared Agile mindset, possibly leading to a decline of the positive impacts of Agile in the organisation in a wider scale. This puts a huge emphasis and question, around how to hire talent to an Agile organisation, and how to be sure the potential new employee shares the necessary mindset.

Organisations considering adopting Agile can also face resistance to the change in general. Whether it is due to a lack of understanding of the new mindset and its laws and rules or simply difficulties adapting to the new practices, it is an important factor to note. Of course, through proper coaching and training it is possible to help people understand, and through understanding be less likely to resist the change.

6.3 Limitations of the Study

Readers should consider that limited amount of literature was reviewed, and therefore the conclusions of this thesis are subject to the literature reviewed. The possibility of a wider literature review leading to different conclusions remains. Additionally, there are much more functions in HR, and the effects of Agile to them remain unknown, as they were not observed during this research. This research also did not consider the impacts of Agile in the context of different cultural aspects, as they might also affect its effectiveness greatly. Further research on the topic should take these factors also into consideration.

7 Conclusion

To conclude we can find that Agile can bring value to HRM. It provides HRM with mindset to cultivate organisational culture, to foster engagement, which then again was shown to lead to increased retention. Agile also provides HR with a mindset and frameworks, to adapt and respond to change, as it is becoming more important than ever, to have an organisation be ready to respond to change. Thus, operating through a shared and commonly understood mindset as well as common guidelines, Agile can lead to both more engaged employees, assumingly leading to higher retention, but also more satisfied customers, leading to not only the benefit of HR, but also to financially benefitting the organisation. It must be taken into consideration however, that challenges regarding adopting Agile exist and were found. Therefore, further research on the topic is suggested, for example in the area of cultural contexts as well as its applicability and value of Agile to other areas of HR.

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Appendix 1