



STEERING CHANGE AT ROLLS-ROYCE

Sarah Armstrong, Chief People Officer at Rolls-Royce, talks to Senior Editor **Bridgette Hall** at Criticaleye about guiding the company's workforce through transformation, focusing on skills and capabilities and her insights on leading a legacy brand towards a future of innovation



For over a century, Rolls-Royce has been a symbol of technological innovation and advanced engineering. Their expertise spans aerospace, where they are leaders in jet engine manufacturing, to pioneering developments in the marine and energy sectors.

However, the magic that imbues these engineering marvels goes beyond nuts and bolts. It's fuelled by a very human element – the talent, dedication and innovation of the individuals who bring the Rolls-Royce legacy to life.

Chief People Officer (CPO)

Sarah Armstrong has been with the company for almost two decades.

Although she has always been in HR, she has worked in almost every part of the business, from nuclear to civil aerospace, before taking the reins as CPO in 2022.

In this interview with Criticaleye, she discusses the challenges of navigating a rapidly evolving industry, her role as a business leader in steering the organisation through transformation and uncertainty and her advice for taking the step up to CPO.

BH: Rolls-Royce is experiencing a lot of change at the moment. Could you describe your focus as CPO?

SA: We are in year two of a multi-year transformation journey spearheaded by our Group CEO, Tufan Erginbilgiç who joined in January 2023. As CPO, one of my biggest focus areas is co-piloting this transformation through the implementation of a new operating model and ways of working to increase organisational effectiveness. >



How we are configured is just one part of the jigsaw. To truly unleash the potential of our new operating model, we have to future-proof our organisation through a fit-for-purpose talent strategy, optimal skills and capabilities mix, as well as target behaviours and culture. We also have a big focus on driving high performance which means re-thinking our performance management and reward and incentives approach. In essence, we are targeting the levers which will be most effective in driving cultural change and making this stick. I see my role as key in enabling Rolls-Royce to continue to win in an ever-changing landscape.

BH: Could you elaborate on your role as the CPO in ensuring the alignment of the people strategy with the leadership team's overall transformation agenda?

SA: I believe that for any CPO to deliver maximum value creation in their role, it is super critical that they have an excellent understanding of the business (strong business and commercial acumen), a very good working relationship and partnership with the CEO and CFO (the magic triangle) and effective relationships with the executive team and Board.

I want to emphasise having an intimate understanding of the future business and growth strategy. It is important to know not only what the implications are from a human capital and talent strategy perspective and how to translate this into concrete tactics and steps and have an executable roadmap of activity, but also to be able to influence and shape these. I have a two-way influence loop (I listen and understand but then have the ability to influence the CEO, CFO, ExCo and Board).

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I also maintain a regular cadence with my leadership team to ensure that everything we are doing is in tight alignment. I attend all the divisional business reviews with my direct reports to ensure we are up to speed on what is happening at regular intervals throughout the business.

As a CPO who has worked in all parts of the business, I bring an understanding of its dynamic, some history and experience and the ability to see what needs to change. It's that balance of knowing and protecting what makes us great versus what needs to be challenged or changed.

All of this helps to ensure we are working in lockstep with our business leaders and tightly aligned with the transformation agenda.

BH: In today's rapidly changing workplace, what does a high-performing HR function look like to you?

SA: A high-performing HR function needs to have one foot in today and one foot in tomorrow, which means a strong balance of performing and transforming at the same time. The environment has become so much more challenging and complex and this requires a different level of thinking and operating. We have to rapidly shift away from a traditional way of thinking about structure and roles and quickly adopt the opportunities which agile-based working and digital and AI provide. This requires a quantum shift in how we think about what work we do, how we do it and our unique value proposition as HR professionals.

With this in mind, a high-performing HR function will be one which is able to make this transition more immediately to ensure we can support the business and respond to future needs.

So, you need the right functional expertise that includes some of the traditional areas of HR, such as performance, reward, talent, learning, leadership and employee relations. But I always want my team to be thinking about the business, have commercial acumen and think about themselves as business leaders. You have to think about how you will help the business drive value and achieve its strategic goals for the future. >



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BH: How do you align HR initiatives with the organisation’s strategic goals and financial objectives?

SA: You have to work with your business leaders to understand where value creation is in the organisation because that will influence how you think about change and what the right operating model is within that. You need to ensure you’re not doing anything just because it’s the latest HR fad, you are doing it because it will enable your business to achieve both its financial and strategic goals.

We have a strong focus on ensuring top-down and horizontal alignment of objectives across all functions. This helps to ensure we are all focused on creating value in the right areas and heading in the same direction.

BH: As technology transforms workplaces, how do you approach the potential impact on the jobs and the skills needed within your organisation?

SA: Digital and AI will have a profound impact on work and how it’s performed. You have to think about its impact on how jobs will be done, what this means for future skills and how quickly some skills will become outdated in the future.

I think the challenge for most organisations will be to keep up or risk falling behind significantly due to the pace of change being so rapid and accelerated. We have already been thinking about this topic for a while now: how change impacts the organisation and what this means for key capabilities and functions. We

have a good line of sight into where some of the opportunities exist and what the reskilling agenda looks like.

BH: Looking ahead, what are some of the key macro trends and challenges you see impacting the world of work and what are your priorities as CPO?

SA: The world of ESG continues to shift and change and I think the role of the chief people officer in ESG will continue to strengthen. Balancing a focus on commercial reality versus social responsibility is especially challenging and there’s also a lot of geopolitical uncertainty right now.

Organisational effectiveness and efficiency are other priorities, although they link to digital, AI and different ways of working. More broadly, you have to >



think about how you keep driving that effectiveness and efficiency across the organisation so that you've got sustainable business performance. Capabilities and skills development are still high on the agenda, so ensuring that things like your early career programmes are fit for the future is important.

In all that context, employee experience is still vital.

BH: What has driven your continued passion for HR, and how have you cultivated your business acumen to become a more strategic HR leader?

SA: I've always been in HR; although I've had chances to step out of it, I've always chosen not to. So, it's something that I have a passion for. But I also focused on developing myself as a business leader, thinking about how organisations operate, understanding the financials, having a curiosity for the commerciality of the business and wanting, certainly earlier in my career, to work across different elements of the businesses to make sure that I've got that breadth of understanding. It is about having a passion for how people make an organisation.

BH: Beyond core HR expertise, what additional areas of knowledge or experience do you believe are crucial for success in a chief people officer role?

SA: There isn't a single pathway to becoming an effective CPO. I think you need to have hands-on experience in architecting and driving transformation and understanding the people nuances

that need to be factored in. You also need to be a strong business operator and have very strong business and commercial acumen. Without this, you cannot effectively diagnose business needs and, in turn, influence and shape the agenda.

You need to have a strong track record in driving constant change where the goalposts are ever shifting. Gone are the days when change was a static event. Now, to be a successful CPO, you need to continuously push and challenge yourself and your team to think differently. Also, you need to understand the role of the Board and corporate governance and your role as CPO. Gaining an understanding of this is important.

BH: In your experience, what leadership style has been most effective for managing and motivating a team?

SA: Like most leaders, I have had to learn to lead through others and not do things myself, which I found tricky earlier in my career. You have to trust your team to do things without constantly micromanaging or checking everything they're doing. As part of that, you have to build trust within your team that if things go wrong, you will have your team's back. So, it's learning to step away and trusting others to do their job.

As a senior leader, your job is also to 'contain' tricky situations. It's my job to say, 'well, we will find a way through it.' I think that 'containment leadership' is critical. As a senior leader, you need to be able to stay calm and find a way through to give confidence to others. ■

19/09/24 VIRTUAL EVENT

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