

Organisation Agility

“Agile firms know that their strategies, capabilities, and business models are ‘wasting assets’. They understand that the current pace of change means the factors which have value and help to make their organisation competitive today will soon become obsolete. Organisations need to be able to adapt to survive, but they need to be agile to remain ahead of the competition.”

Chris Worley and Gillian Pillans, Report authors.

Executive Summary

“Agility is a dynamic capability that allows an organisation to make timely, effective, and sustained responses to environmental change. It is more than ‘good management’ ... Agility allows the organisation to adapt, over and over again, in meaningful ways to support above-average performance over long periods of time.” **Worley et al, 2014**

1. Agility is an advanced and dynamic management capability. It allows the organisation to make timely, effective and sustained changes, to stay ahead of the competition in a fast-changing business context, and deliver sustained high performance relative to peers over long time periods.
2. Agility is key to long-term superior performance, but it is also relatively rare. In an analysis of CRF member organisations, we found that only 17% met the financial standard of agility.
3. Agile organisations possess four ‘routines’ – that is, unique ways in which they develop and execute strategy and accelerate/drive change.
 - The **Strategising** routine describes how agile organisations establish an aspirational purpose, develop a widely-shared strategy and manage the climate and commitment to execution.
 - The **Perceiving** routine concerns how agile organisations monitor their environment to sense changes, and rapidly communicate these perceptions to decision-makers who interpret and formulate appropriate responses.
 - The **Testing** routine describes the unique approaches agile organisations have to setting up, running and learning from experiments.
 - The **Implementing** routine describes the ability and capacity of agile organisations to implement both incremental and discontinuous change.

Our survey results suggest that the more of these routines an organisation has the better it will perform. Organisations that have deployed three or more routines tend to be more agile than those with two or fewer.
4. We tested out the agility routines with a selection of CRF member organisations. We found the following differentiating characteristics of higher performers.
 - A clear sense of purpose, beyond making money, that is consistent with the promises they make to customers and is played out in the day-day-day experience of employees.
 - A high-trust, transparent culture, where employees are treated like adults, are trusted to act in the organisation’s best interests and are encouraged to ‘tell it like it is’.
 - A strong sense of accountability, with clear ownership of objectives and results, and expectations that people will deliver what’s required without the need for micro-management or second-guessing.
 - Flatter, more flexible, externally-focused organisation designs that maximise the ‘surface area’ between the organisation and its external environment, and break down organisational silos through informal networks and cross-functional integration.
 - Open and transparent communication flows between the top and bottom of the organisation, and across internal boundaries.
 - Flexible resourcing, so there is enough capacity to redeploy resources in response to changing demand.
 - A culture that’s open to learning from experiments and using that learning for continuous improvement.
 - Change is viewed as continuous, not episodic, and change management capability is widely distributed and embedded throughout the organisation.

“We find that, increasingly, organisations are realising that the ability to transform themselves constantly is a key source of competitive advantage.” **Matt Crosby, Head of Expertise, UK and Ireland, Hay Group**

5. We consider the implications of organisation agility for HR, both in terms of designing agile HR practices and HR’s role in supporting the organisation to become more agile. Depending on the people strategy, the design of the HR function and the capability of HR professionals, HR can either help or hinder the organisation’s attempts at becoming agile. As a minimum, HR must be fit for purpose – that is, deliver services that support the business strategy and be capable of continuous improvement. But agile HR has two distinct additional features.

- **Flexibility:** processes can be operated effectively under different circumstances.
- **Speed:** processes operate at a speed that reflects the cycle time of the business, the pace of change in the business and its external environment, and have high levels of transparency.

In practice, ‘flexibility’ might mean managing talent differently in a new venture compared to a well-established business within the same organisation. ‘Speed’ may require moving away from default annual processes in areas such as goal setting, resource allocation and rewards.

6. As well as operating differently, we find that the capabilities required of HR are different in agile organisations.
- Strong business and commercial skills are integrated with a deep understanding of the business strategy and external environment.
 - Analytic and consulting skills to diagnose appropriately, and competence in organisation design and implementation to develop suitable solutions.

7. We consider the practical steps organisations can take on their journey towards agility.

- Action should be guided by diagnosis. Do you have a clear corporate identity? Does it resonate both internally and externally? Is your strategy clear and widely shared and understood? Which agility routines do you already possess and which need to be developed?
- Implementing an organisation development process should focus on three key areas.
 - i. The skills and knowledge required to make the capability operational.
 - ii. The systems and structures that make the capability repeatable.
 - iii. The experience and learning that make the capability effective over time.

8. Building organisation agility requires organisations to take a ‘whole-systems’ view.

- The agility routines are built on basic management practices, but it’s the ability to build an integrated system of routines and practices that confers agility.
- Becoming agile is not about implementing a one-off change programme or ‘transformation’. Agility requires ongoing commitment to continuous learning and adaptation.

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