



ORGANIZATIONAL AGILITY AS A COMPETITIVE FACTOR

The “Agile Performer Index”

- + **Financial performance:** why agile organizations are more successful
- + **Digital maturity and agility:** industry benchmark check
- + **In comparison:** how C-level and middle managers rate their organization’s agility
- + **Becoming an agile organization:** measures and inspiring practices

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01 EXECUTIVE SUMMARY

❖ *Agile companies are significantly better performers compared to their peers.*

The most agile companies in any one industry are, on average, 2.7 times more successful than their peer group. Agility is confirmed as a significant competitive advantage and a key to success in a dynamic, digitally transformed market environment.

❖ *Agile management is a guarantee for entrepreneurial success.*

Only 5% of the companies investigated manage above-average performance despite low agility. This underscores the strong correlation between agility and performance, demonstrating an acute need for action by companies that have not yet introduced agile structures and practices.

❖ *Agility is the organization's capability to adapt promptly, effectively and sustainably to achieve performance advantages.*

Agility is more than just being able to respond ad-hoc to new situations. Agility contributes to success primarily when it embraces all the dimensions of an organization's design: purpose and strategy, collaboration and operational-level activities, organizational structures, leadership and people.

❖ *Transforming a company into an agile organization is a long-term challenge. Most importantly, it's a challenge that takes in every aspect of the organization.*

The Agile Performer Index demonstrates that top-level executives rate their company's agility higher than do people in middle management: a clear indication that even when the move to greater agility is initiated by C-level decisions, it is still imperative to engage and inspire every level of the organization.

❖ *Contrary to expectations, digital maturity is not the driving force for agile practice.*

The highest degree of agility is achieved in the Travel & Transportation and Professional Services industries. At the bottom of the ranking are the Energy sector and – lagging well behind – Financial Services. Telecommunications, Media & Technology (TMT), an industry that has experienced years of disruptive change through digital transformation, ranks in the lower midfield. Industries with greater digital maturity may take a more critical view of their own agility, acknowledging a need for change only when they experience considerable pain and pressure by the competition.

❖ *An organizational "fitness test" determines agility compared to competitors, and individual heatmaps help to identify optimum points for initiating change.*

With the help of science-based analytics, an organization can learn whether agility is already codified into its business practices and, if not, which areas it can address to become more agile – sustainably, efficiently and continuously. After analyzing over 60 transformation programs of well-known companies, goetzpartners has developed four basic sets of measures – "fitness programs" – to help organizations improve their agility and therefore their performance.

*Success today
requires the
agility
and drive to **constantly**
rethink, reinvigorate, react,
and reinvent.*

BILL GATES

02 INTRODUCTION

Innovations – and sometimes revolutions – in technology are not the only challenges facing organizations. Relentless competitive pressure, ever-more volatile markets, geo-political uncertainty, and increasingly complex demands from customers and staff compel organizations to transform their structures, systems, and processes from the ground up.

At the heart of all these changes are people in different stakeholder roles – as customers, suppliers, C-level executives or operational staff. Highly qualified gen-Y and gen-Z talents expect work to be challenging and inspiring, with great pay and career prospects. Most importantly, they also demand flexible working structures, with the ability to decide when and where to work. They expect a wide choice of projects to be available with opportunities for self-realization. Delivering on these expectations is a huge challenge for management. Meanwhile, customers expect their providers to understand and anticipate rapid changes to formerly entrenched ways of doing business, and to respond with a continuous stream of innovation.

In an environment like this, how can organizations gain and keep a distinct competitive advantage? How will managers engage their staff as peers rather than as subordinates, as people who demand to work autonomously rather than taking and carrying out orders? How can the worn catchphrases on company noticeboards, such as “Be agile” and “Think digital,” be transformed into real-life organizational practice?

goetzpartners has created a diagnostic tool, the Agile Performer Index, which helps organizations to define a clear starting point for agile action with a view to stepping up their performance. The tool is complemented by a sophisticated, science-based set of measures through which organizations of all sizes can achieve continuous, efficient and sustainable improvement in their agility.

COMPETITIVE ADVANTAGE THROUGH AGILITY

In the Agile Performer Index, goetzpartners and the NEOMA Business School clearly demonstrate the correlation between agility and entrepreneurial success. The more agile the company, the better it performs financially. The purpose of the study was to investigate what agility can really do for organizations. Is it just a temporary trend? With the right methodology, can agility deliver sustainable success? Or is it no more than a buzzword, a pretext for questioning deep-seated structures? Resulting from a broad survey among 285 leading European companies that was based on the methodology of Prof. Christopher G. Worley, a renowned expert on agility and organizational development, the Agile Performer Index documents that agility programs are a suitable way for organizations to achieve lasting performance and competitive advantage.

Using the index results as their basis, the authors also investigate how organizations can become more agile, and what tools they need to do so. It examines which factors contribute to agility, and highlights the practical interventions through which organizations can make themselves more agile. This gives executives a set of practice-oriented recommendations on how to effectively establish and increase the agility of their own organizations.

The challenge is to make organizations fit and agile for an already dynamic present and an even more turbulent future. The Agile Performer Index testifies how important agility is for organizations if they wish to be successful. ||

SEBASTIAN OLBERT
Partner, goetzpartners

DR. HANS GERD PRODOEHL
Managing Director, goetzpartners

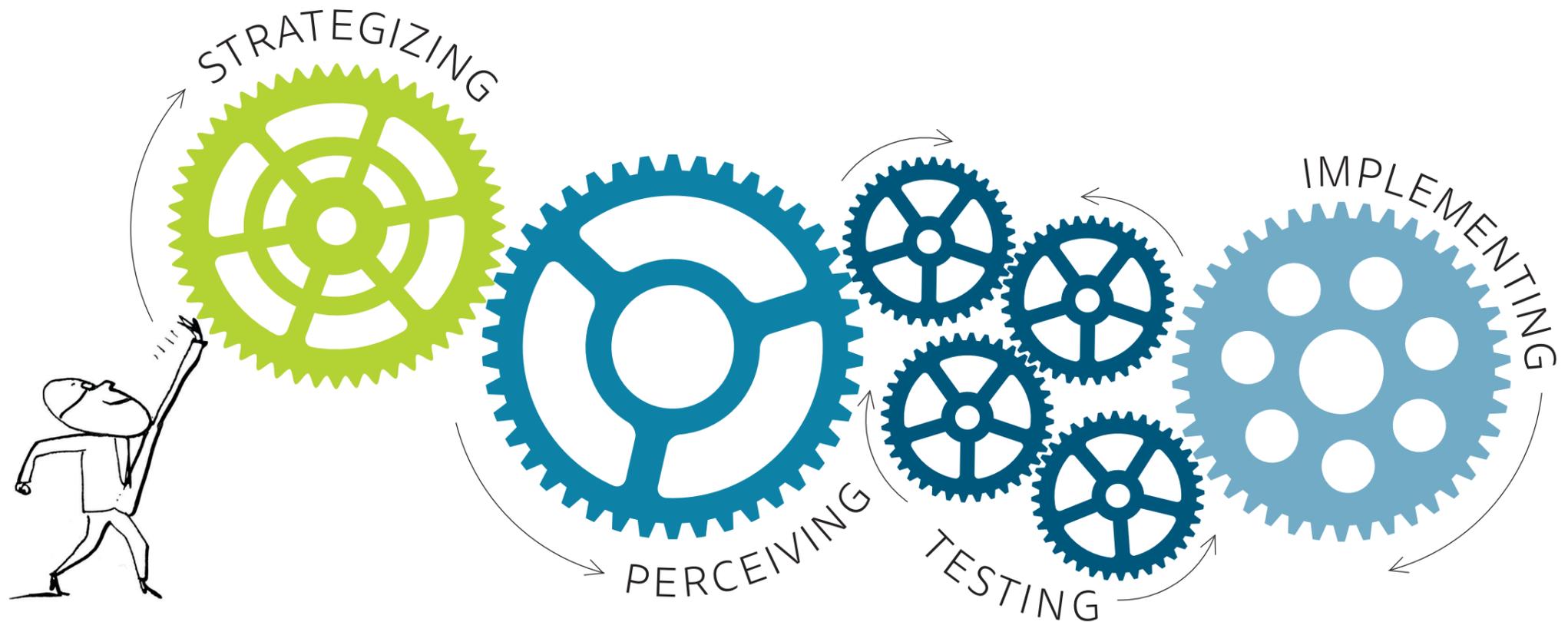
PROF. CHRISTOPHER G. WORLEY
Professor, NEOMA Business School

AGILITY

Agility is today widely understood to be the highest form of organizational adaptability. An organization's reaction to external developments, followed by timely action within internal processes and product portfolios, is vital to prevail in a continuously changing market environment. In this report, the authors investigate whether this capability is also reflected in the company's financial performance.

Agility is an organization's ability to make timely, effective, and sustained changes resulting in performance advantages.

On the basis of the survey, the Agile Performer Index identifies 14 factors that make for an agile company. These factors can be organized into **FOUR AGILITY ROUTINES**:



STRATEGIZING

This routine describes how top managers create an environment where the organization's purpose – its "raison d'être" – and strategy are widely disseminated and shared, constantly challenged, and continuously evolving. Everyone is motivated to take responsibility for their own actions and regard the organization as their own.

AGILITY FACTORS:

- ❖ **STRATEGY** We have developed robust, flexible strategies valid across the company that integrate the needs of our customers, the competitive environment and the contribution of our employees.
- ❖ **IDENTITY** We are known in the external environment for our innovative, adaptable and customer-oriented attitude, and we believe this philosophy and these values represent the way we work.
- ❖ **PURPOSE** We have defined and communicated an inspiring, values-based corporate purpose that sustains the company on its path into the future.
- ❖ **SUSTAINABILITY** Sustainability is fundamental to our activities and processes. Alongside change and innovation, it is an essential element in the purpose, values and beliefs of our company.

PERCEIVING

This routine builds a synaptic organization with internal and external links that continually gather and assimilate information. The perceiving routine enables the organization to identify changes early, to communicate them to decision-makers and enact appropriate responses.

AGILITY FACTORS:

- ❖ **STRUCTURE** Our employees work in structures with a strong focus on the marketplace. As many people as possible have direct contact with the external environment and especially customers.
- ❖ **INFORMATION FLOW** We ensure that information can flow quickly, transparently and unfiltered between operational-level people and decision-makers, both vertically and horizontally. Our managers keep staff up to date on how the company is performing.
- ❖ **FUTURE ORIENTATION** Incorporating the future and its alternative possibilities is an essential part of all management reviews. All employees are encouraged to contribute their ideas.

TESTING

This routine utilizes time-limited, reversible organizational structures to conduct a variety of experiments. These are based on an expectation of learning, dialogue and continuous innovation.

AGILITY FACTORS:

- ❖ **INNOVATION** Our daily routine inspires employees to innovate and take appropriate risks.
- ❖ **RESOURCE DEPLOYMENT** Our systems for allocating resources (people, budgets, tools) are flexible and can adapt to changes in the market environment.
- ❖ **LEARNING PROCESSES** Experiments and learning processes are indispensable to the process of continuous change in our company, and we share learning outcomes and inspiring practices on a broad basis.

IMPLEMENTING

This routine describes the ability of an organization to enact change, and to measure implementation in terms of business outcomes. The basis is a dual organization with interconnected, distributed structures that encourage a culture of openness.

AGILITY FACTORS:

- ❖ **CHANGE** The ability to execute complex and continuous change in our company, including enacting and measuring outcomes, is well coordinated and works better than competitors.
- ❖ **LEADERSHIP** We develop leaders at all levels. Our approach is heterarchical, and we encourage all employees to share their leadership qualities within the company.
- ❖ **PERSONAL DEVELOPMENT** It is part of our daily routine to give people the opportunity to develop, and to promote and encourage new knowledge.
- ❖ **REMUNERATION** We have a flexible remuneration system, with a clear and timely correlation with the company's performance and with the knowledge and skills of individual employees.



practice. This also holds true in the opposite direction, for example, when scrum teams are introduced at the operational level without also preparing executives for their new role, or without considering geographical constraints that can make it difficult to set up cross-functional teams. The agility paradigm must be instilled into every part of the company, in terms of both culture and structure. Everyone, whatever their role in the organization – be it in product development, accounting, sales or customer service – should regard themselves as part of a collective process pulling in the same direction and united by the shared values of an inspiring mission.

In the turbulent and increasingly uncharted waters of the world economy, organizations have to find an approach in which change is not a one-off exception, but part of everyday routines. For this to happen, the organization's basic setup has to be amenable to change. Operational activities, processes, products and in-company collaboration become dynamic applications that are able to adapt quickly and flexibly. Resources and budgets are allocated wherever they can deliver competitive advantage to the organization – which means constantly revisiting the strategy and reassessing the direction of the transformation journey. Rather than a one-off adjustment to new circumstances, agility requires continuous, overall transformation. ||

THE AGILE PERFORMER INDEX

The Agile Performer Index demonstrates that agility and performance are clearly related.

goetzpartners and the NEOMA Business School surveyed 285 executives from European companies. Respondents were asked to rate the extent to which their company possessed certain systems and processes. The 40-plus questions were aggregated into 14 equally-weighted agility factors, which were organized, again with equal weighting, into the four agility routines: Strategizing, Perceiving, Testing and Implementing. The authors used these routines to evaluate the agility of the company, and then investigated potential correlations with available data on company performance.²⁾ For the purpose of this survey, “success” was equated with financial performance – return on assets for manufacturing companies, and return on equity for financial service providers and insurance companies.

The Agile Performer Index correlates agility and performance using agility routines and its underlying factors. Moreover, the survey provides detailed insights into how widespread agile methods are within the organization, highlighting which industries, types of business and regions are pioneers in terms of agile transformation. It is also possible to identify the sectors in which the advantage of agile approaches are recognized poorly or not at all. Interested users can quickly place their own organization within the index, as well as make comparisons and draw conclusions across various levels.

PURPOSE & STRATEGY



LEADERSHIP & PEOPLE



VALUE-ADDED OPERATIONS



COORDINATION & COLLABORATION



STRUCTURE



Seen in these overarching terms, agility is a capability: a capability that penetrates the entire organism of the organization and enables it to adapt itself rapidly, effectively and sustainably in order to achieve performance advantage. An agile organization can therefore do much more than respond ad-hoc to environmental dynamics and innovation as a way to counter fast-paced changes to the competitors' portfolios.

Based on studies by Worley and his colleagues,¹⁾ an organization's agility compared to competitors can be measured by the number of agility routines it possesses and how deeply the routines are applied.

The four routines form an agility paradigm that embraces the entire organization. This paradigm must and will change the entire culture of the company. The mutual impacts between the five main design dimensions create an agile organism out of the company.

Like the human body, the **COMPANY ORGANISM** can only function if all its design elements work and interact properly. Transforming to an agile organization requires intervention in each of the design dimensions above. For example, it won't be enough just to work with managers on agile structures without also ensuring people at operational levels have the skills to put the innovations into

¹⁾ Worley, Christopher and Pillans, Gillian: Organization Agility, Corporate Research Forum, 2015; Worley, C., Williams, T., and Lawler, E. The Agility Factor. Wiley/Jossey-Bass, 2014; Lawler, E. and Worley, C. Built to Change, Wiley/Jossey-Bass, 2006.

²⁾ Performance data over the ten-year period between 2005 and 2014 was examined. Success, defined as sustained, above-average performance, was measured by the number of years the firm's performance exceeded the industry median.

03 AGILITY AS A COMPETITIVE FACTOR

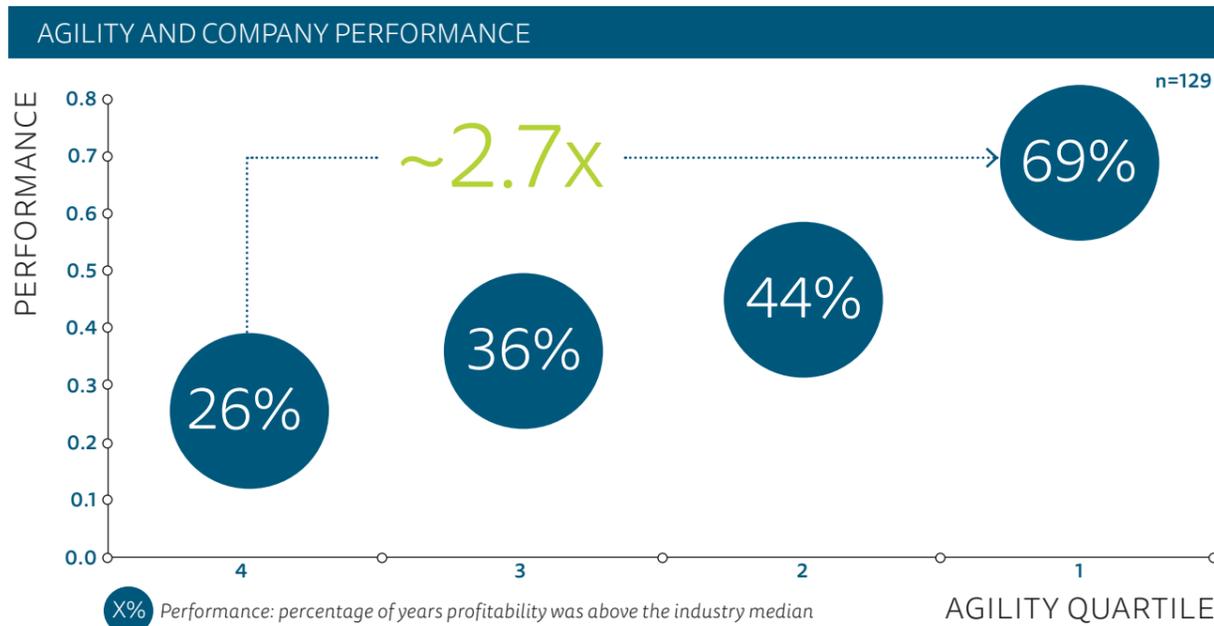
Continuing with established, orthodox structures is no way to head into an uncertain future that promises fast-paced bursts of innovation and disruptive developments. Change is putting every industry – from media, telecommunications and financial services to energy and engineering – under enormous pressure to succeed, creating an imperative to be more agile across every design dimension.

Our research suggests that agile organizations are significantly more successful than their competitors over the long term. A comparison of agility levels with financial performance reveals that the most agile companies are 2.7 times more successful than the average of non-agile companies.

To obtain these insights, the companies surveyed were organized by agility score³⁾ into quartiles. Top quartile firms posted above-average performance seven out of the last 10 years (69%); those in the lowest quartile were able to outperform their competition only 26% of the time. ||

The Agile Performer Index confirms:

Agility is key to being successful in a dynamic, digitally transformed competitive environment.

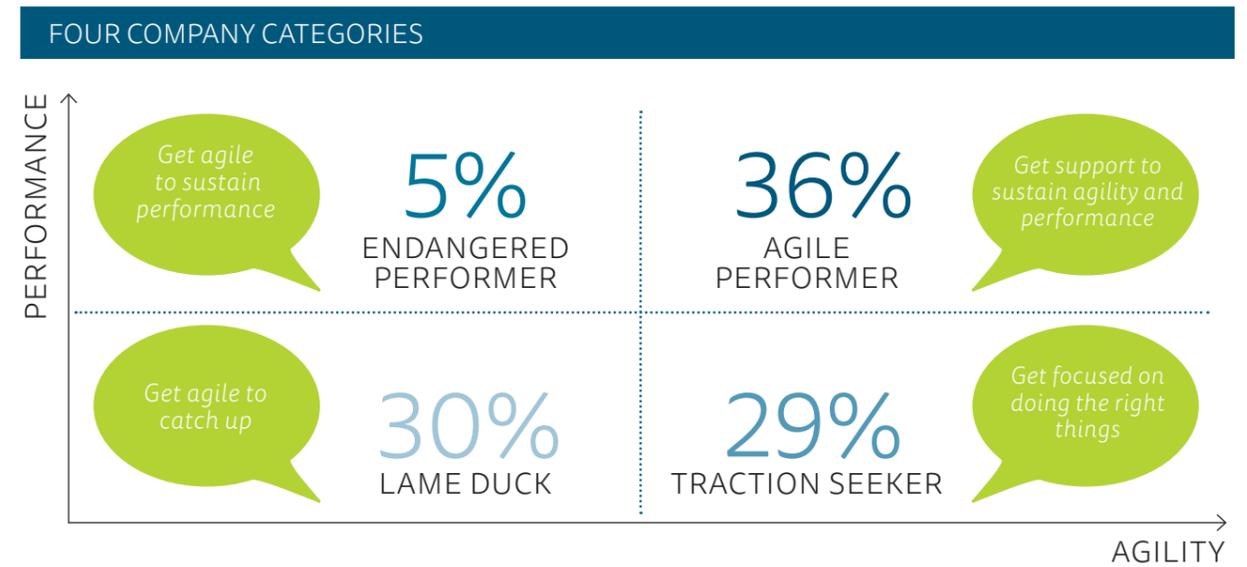


3) The agility score is calculated based on a survey with over 40 questions, each with a possible score from 1 to 5. The answers are aggregated to the 14 agility factors with an equal weight for each factor, which in turn are equally aggregated to the 4 agility routines maintaining the possible score from 1 to 5 for each routine. The sum of the 4 routines' score is multiplied by 5 leading to a total score ranging from 20 to 100. The potential minimum score of 20 is indexed to 0, scores higher than 20 continuously increase from 0 to 100.

04 FROM LAME DUCK TO AGILE PERFORMER

Clustering of the investigated companies within a performance matrix also shows:

In today's competitive environment, success is difficult if not impossible without the agile routines.



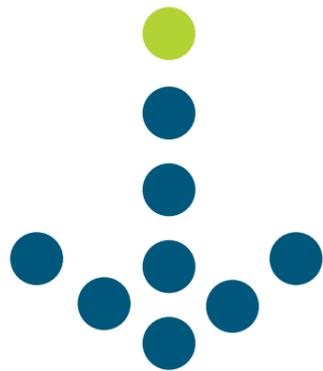
By classifying organizations along the axes of agility and performance, four categories emerge:

ENDANGERED PERFORMERS: Five percent of the companies in our sample were able to achieve above-average success despite having low agility; their performance belies their capabilities. The small number of firms in this category suggests that in the current market environment, good performance is very difficult to achieve without the agile routines. The companies in this category urgently need to take action: they should implement as many of the routines as they can to shore up their success over the long term.

LAME DUCKS: About one-third (30%) of the companies investigated scored low on both agility and sustained performance. Companies that fall into this category should take a closer look at the agility factors and figure out how they compare with competitors. This will reveal the likely hotspots that the company should address first to become more agile and draw level with competitors.

TRACTION SEEKERS: Just under a third (29%) of the firms have above-average agility scores, yet still perform lower than expected (and no doubt lagging behind on their own expectations). It is important to investigate exactly how the company codifies and practices agility. For example, is it focusing on the wrong things and putting too much energy into activities that have little or no impact? The analysis reveals pointers on how to leverage agile action into specific advantage, and which measures can help to make this happen.

AGILE PERFORMERS: 36% of the companies investigated showed above-average performance and agility. As Agile Performers, they are at the same time "best practitioners" acting as role models for other companies in their environment. The goal for these players is not to lose their leadership, but – with appropriate support – to continue to leverage their high agility as a success factor.



BECOMING AN AGILITY LEADER: A VALUABLE STEP

A closer look at the performance comparison shows that ongoing efforts to drive and evolve agility deliver a clear payoff.

Organizations that have already taken the first steps towards agility can also benefit by aligning their actions even more closely to the agility routines.

As shown in Figure "Agility and company performance" on page 10, companies in the third quartile of agility scores outperform their industry 36% of the time on average. For companies in the second quartile, this rises to 44% of the time. As a result, the most agile organizations, which outperform their competitors 69% of the time, are nearly 3 times as successful as those in the fourth quadrant, nearly twice as successful as those in the third quadrant, and 1.5 times as successful as those in the second.

Agile management has substantial marginal utility: agility followers – Lame Ducks and Endangered Performers that introduce agility later and to a lesser extent than their competitors – can benefit by pushing ahead with further efforts. The step to becoming an agility leader delivers a substantial payoff in terms of performance and profitability. ||

05 FROM AGILE THINKING TO AGILE PRACTICE

Agility impacts on the entire organization. However, there can be a strong disparity across the organization in terms of how agility is viewed, as shown by the more detailed analysis of the index results of various management levels:

AGILE THINKING AT C-EXECUTIVE LEVEL DOES NOT NECESSARILY MEAN THE ORGANIZATION IS AN AGILE PERFORMER AT AN OPERATIONAL LEVEL.

C-level executives surveyed in the Agile Performer Index rated their own company's agility higher than middle managers. This observation is valid across all four agility routines. On a scale of 0 to 100, respondents from middle management gave an average score of between 59 and 68 points for Strategizing, Perceiving, Testing and Implementing. Senior managers, on the other hand, give their company an average of 72 to 76 points.

The result reveals a disparity in perception between C-level executives and lower levels. One potential reason for the difference is that, like any other transformation, a shift to greater agility requires time, targeted communication, and learning to cascade through the entire organization. A decision to be more agile taken at C-level will not, in itself, establish agility at operational levels. The new approaches have to be actively brought in throughout the entire organization.

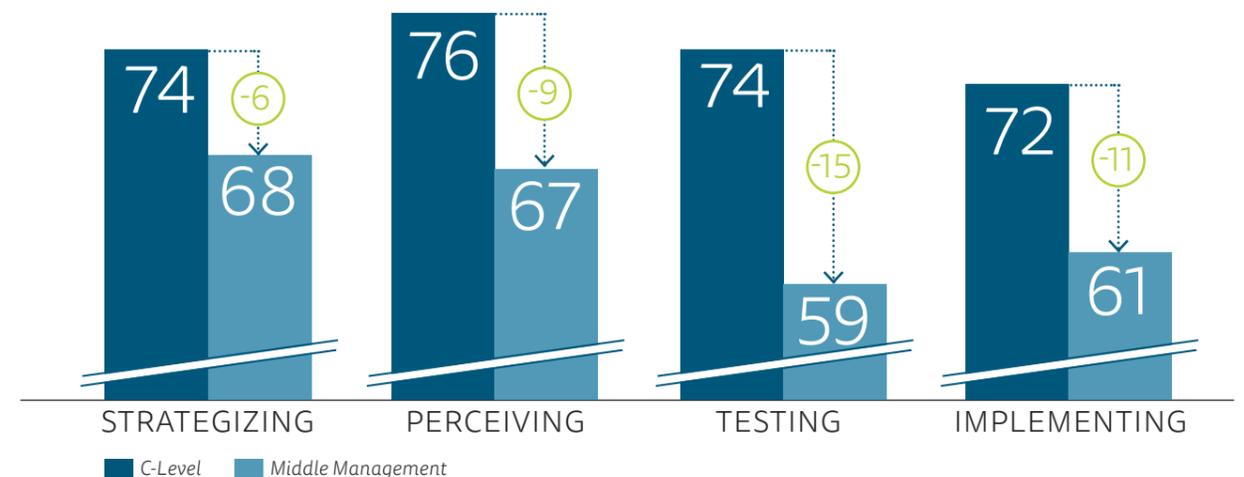
The disparity in views could also be explained by the different expectations. Owing to their role, senior executives tend to be more outward-looking, and "talk the talk" of agility because the market demands it. For middle management, on the other hand, new agility measures have greater impact on their everyday work – so they are likely to give a more critical appraisal of the envisaged benefit of agility because they must "walk the walk."

What is true in both cases is this:

TRANSFORMING A COMPANY INTO AN AGILE ORGANIZATION IS A LONG-TERM LEARNING CHALLENGE – ABOVE ALL, IT'S A CHALLENGE THAT TAKES IN EVERY ASPECT OF THE ORGANIZATION.

Being an overarching capability, agility has an impact on the entire company organism. For this reason, such changes cannot be implemented selectively. Rather, the act of aligning itself to agile principles will in fact change the company continuously, efficiently and sustainably – and this change cuts right across every aspect of the organization. The transformation is initiated by strategic decisions at the senior management level. However, the organization is not properly agile until agile practice has been introduced along every dimension, from hierarchy-free design of structures to iterative working methods in product development. ||

DIFFERENCES IN PERCEPTIONS BETWEEN MANAGEMENT LEVELS



06 DIGITAL MATURITY AND AGILE THINKING

When deciding how to become more agile, it helps to take a sideways look at other organizations in your own and other peer groups to get inspired. The Agile Performer Index clearly shows that organizations in every industry can benefit from more agility. However, penetration is not the same everywhere: the index reveals major differences between individual industries, and also between companies of different sizes, in terms of how deeply the agile routines are entrenched.

Agility scores vary significantly between industries. Travel & Transportation (73 points) and Professional Services (73 points) score highest on average. Healthcare (69 points), Consumer Goods, and Telecommunications, Media & Technology (68 points each) are clustered in the midfield. The lowest scorers are Energy (66 points) and – lagging well behind – Financial Services (62 points).

Surprisingly, the digital maturity of an industry appears inversely related to average levels of agility:

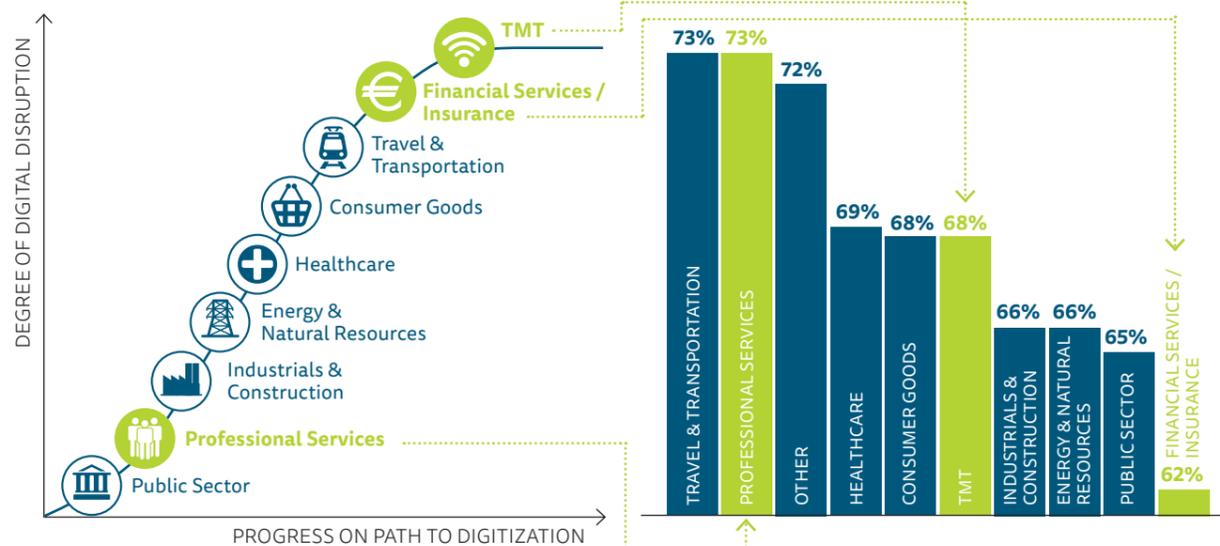
INDUSTRIES WITH COMPARATIVELY ADVANCED DIGITAL MATURITY – SUCH AS TELECOMMUNICATIONS, MEDIA & TECHNOLOGY OR FINANCIAL SERVICES – TEND TO RATE THEMSELVES LOWER ON THE AGILE PERFORMER INDEX.

One might expect that TMT companies or financial service providers would already be engaging with the challenges of digital transformation. These are, after all, digitally mature industries in which competitive landscapes and customer expectations have changed beyond recognition. However, sectors that have already undergone significant digital transformation give themselves low scores on the index. Discussions with study participants revealed one reason: sectors with advanced digital maturity set the benchmark for agile practices very high. Self-assessment in these industries tends to be heavily critical, resulting in lower index scores.

DIGITAL MATURITY AND AGILITY

LEVEL OF AGILITY EXPECTATION...

...BUT PARTIALLY INVERSE RATING



AGILITY IN SMALL AND LARGE COMPANIES



AGILITY LEADERS PROFIT WITHIN THEIR INDUSTRY

Bearing in mind this effect, a thought-provoking first step for any organization is to see how it ranks its own agility compared to other players in the same industry. It is assumed that organizations will be starting from a similar situation and will have similar requirements. Benchmarking within the industry gives organizations valuable insights into how agile they are compared to competitors, and how strongly agility correlates with performance in their peer group.

When looking at individual industries, greater agility clearly delivers measurable benefit – and substantial marginal utility. In every industry, agility leaders profit because they are so far ahead of the low-agility contenders. This effect is particularly pronounced in Consumer Goods, Energy and Industrials & Construction.

THE MOST AGILE COMPANIES IN AN INDUSTRY ACHIEVE SIGNIFICANTLY HIGHER PERFORMANCE THAN THEIR LESS AGILE COMPETITORS.

SMALL AND NIMBLE

If one compares organizations within Europe on the basis of size, one point stands out: small and medium-sized enterprises (SMEs) in Europe successfully leverage an average of 2.6 agility routines, whereas large corporations on average have only 1.8. At 44%, a very high proportion of SMEs deploy all four agility routines, and only 14% use none. For large corporations, this ratio is reversed: 27% have already introduced all four agility routines; one third (33%) state that they have not yet implemented any at all.

HIGHLY AGILE EUROPE

In international terms, European organizations appear to be slightly better on agility. For the purposes of the comparison, the agility scores of European participants were referenced against those of over 80 leading US-based companies. Both studies were led by Prof. Christopher Worley, who conducted the study on the US market in cooperation with the Center for Effective Organizations at the USC Marshall School of Business. The result: 38% of respondents in the USA have mastered three or four agility routines, compared to 46% in Europe. The difference is not as high as it appears because the US sample consisted of a much higher percentage of operational managers. However, the European firms score higher on the Sustainability factor which drives higher Strategizing scores. In terms of agility, European organizations are more than able to hold their ground against competitors in the USA: looking across the Atlantic isn't the only way to identify highly agile organizations with inspiring practices to emulate.

The complexity of smaller companies appears to make it easier to implement agile routines than in large companies, where the less flexible setup can frustrate efforts to make “continuous change” the organization’s guiding principle. Smaller companies, with greater immediacy in their contacts with customers, shorter decision chains, flat hierarchies and, last but not least, a lack of legacy structures that are no longer fit for purpose, are light-footed enough to respond more rapidly to external change.

Large companies therefore may look to smaller competitors or start-ups to learn about agile management practices and seed these practices into their own organizations. However, there is no one-size-fits-all answer to whether and how such practices can be adapted to the particular requirements of a large organization. Stakeholders will need to investigate in detail what structures are in place, and what the organization wishes to achieve. They all need to find their own way to transform their company into an agile organism. ||

07 FITNESS TRAINING FOR THE AGILE ORGANISM

The Agile Performer Index demonstrates that organizations can benefit significantly by aligning their strategy, structures and operations in service of the agility paradigm. In the current economic landscape, where continuous change has become the norm, this is a key prerequisite for adapting continuously, sustainably and efficiently to endless waves of change.

The first reference point for organizations that wish to improve their agility and therefore their performance is a sober assessment of current practices. This gives organizations an idea how agile the other players are in their own and other industries. Are agility routines widespread, or is the industry just embarking on the journey to greater agility? Which routines are the focus? In which dimensions of an organization's design are they applied?

The organization can then take a look at itself, and work out where it stands within its peer group with respect to the significance of the various agility routines and agility factors. This provides pointers on where the organization should maintain agility at its present level without investing too much extra effort, which factors it needs to build and reinforce – and also any issues where the organization lags behind its competitors.

AGILITY IS MOST EFFECTIVE WHEN IT EMBRACES THE ENTIRE ORGANISM OF THE ENTERPRISE.

The most flexible infrastructure won't have much impact if there is no agility in product development or customer relationships. Likewise, fantastic agility in strategy development will come to nothing if the organization's culture and governance remain stuck in the same old grooves as before.

For this reason, goetzpartners has linked the four agility routines with the five design dimensions of the company organism:

GOETZPARTNERS AGILITY TOOLBOX

AGILITY ROUTINES (based on 14 agility factors)

	STRATEGIZING	PERCEIVING	TESTING	IMPLEMENTING
PURPOSE & STRATEGY				
LEADERSHIP & PEOPLE	<p>> 80 MEASURES</p> <p>> 60 AGILITY PROGRAMS ANALYZED</p>			
COORDINATION & COLLABORATION				
VALUE-ADDED OPERATIONS				
STRUCTURE				

DESIGN DIMENSIONS

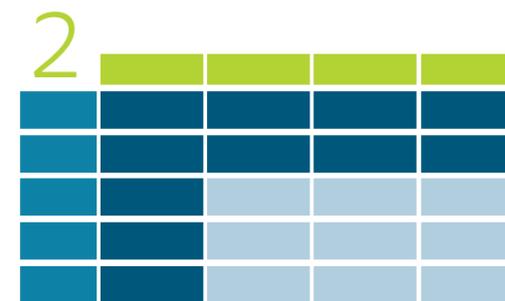
FOUR FITNESS PROGRAMS FOR GREATER AGILITY

On the basis of this matrix, goetzpartners has analyzed more than 60 transformation programs of well-known companies and identified a total of more than 80 individual measures to drive the transformation towards an agile organization. The focus of the program is adjusted depending on the organization's starting point and terms of reference. goetzpartners summarizes the measures into four programs that engage with challenging questions and steer organizations through the process of improving their agility and also their performance.



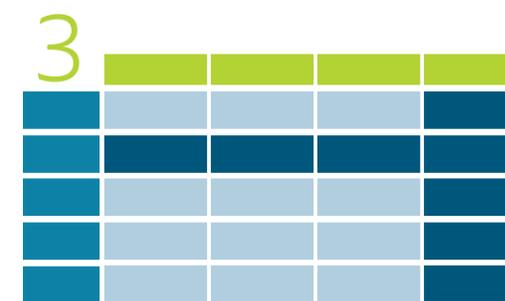
BASIC PHYSICAL WORKOUT

- Improve the basic constitution of an organization, focusing on an optimized alignment between value-added operations and the structures that focus attention and resources on those processes. Immediately introduce new possibilities for interdisciplinary and interdepartmental collaboration that drive flexibility
- Ensure continuous, transparent and fast communication with feedback loops, including necessary adjustments to organizational structures
- Leverage changes in structure and operations to drive the health of testing and implementing routines



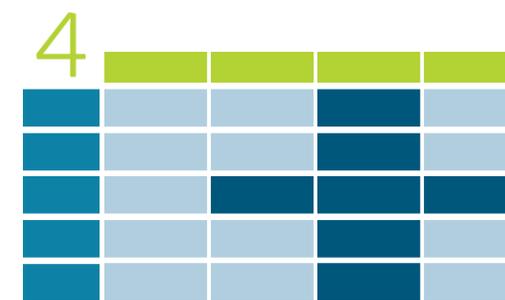
MENTAL STRENGTH

- Create a motivating organizational purpose that is internalized by everyone on staff and lived in everyday routines
- Communicate the relevant strategy through all organizational units and levels
- Develop leadership capabilities and support managers along the new strategy, helping them to successfully manage new challenges in an agile environment
- Transform governance to accelerate agile practices



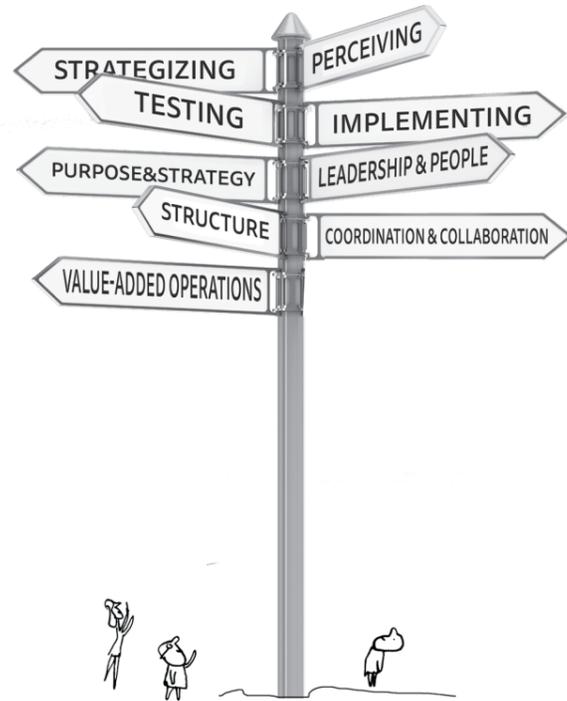
HR PENTATHLON

- Build and develop the human capital of the firm
- Align the entire HR strategy to the organization's purpose and strategy: from recruiting and professional development, to motivating people and inspiring loyalty
- Redesign incentive systems both for individuals and entire team units to channel efforts in new strategic directions
- Continuously develop people where possible, and equip the workforce with skills required in the future
- Make the Implementing muscle strong and the organization changeable



INNOVATION JUMP

- Work the organization's design elements to orchestrate temporary and reversible organizations and projects
- Manage on the basis of experiments, feedback loops, self-reflection and a dialogue-based, trust-based approach to learning
- Develop products and realize projects according to the "Act & Adapt!" principle, applying design thinking techniques on the basis of direct feedback from the market and customers
- Create a testing engine able to fuel innovation

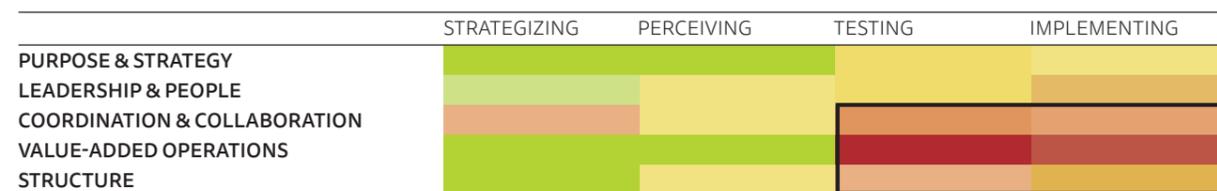


A "fitness test" - based on the Agile Performer Index - helps to identify which program best responds to the organization's present situation. Although agile performers pull on all levers of the matrix, there are individual pressure points for each company.

But where's the best place to start? Initiating measures across all five design dimensions, and all four agility routines, will soon overstretch the organization and overwhelm its people. In all likelihood, the organization will end up in the "Traction Seeker" quadrant, struggling to get measures to work. Based on the survey, goetzpartners has therefore developed an approach to identify key pressure points within an organization. The resulting individual heatmap for a particular organization indicates where the agile transformation journey should begin, and which fitness program is most suitable. ||

HEATMAPS (exemplary for healthcare industry)

BY INDUSTRY



BY COMPANY



Learning from the *best*

The measures developed by goetzpartners are partly inspired by agile companies working in different sectors of the economy. Thanks to examples such as these, goetzpartners has a constantly growing repository of inspiring practices with currently more than 80 different individual measures from more than 60 companies. Here are some of the companies from which inspiration can be drawn:

DOMINO PIZZA

Domino constantly motivates and empowers its staff to contribute their own ideas, and encourages teams to continuously learn from other industries and markets. Staff at all levels of the organization study the ideas of other innovative companies in other sectors – and even look to Silicon Valley for inspiration.

GOOGLE

Google has a dedicated unit of 450 people whose job it is to come up with fresh concepts and strategies for creative work environments that will encourage innovation. This also includes remuneration systems that reward employees when they assume risk and responsibility, regardless of the actual success of the project.

HILTI

Hilti makes systematic use of its connections with customers to evolve its own products. For instance, Hilti regularly brings numerous experienced installers of industrial piping systems into projects to evaluate the Hilti drills. The sustained, close ties with these users give Hilti insights for further developing its own product portfolio, and expanding into new segments with new products.

HITACHI DATA SYSTEMS

At Hitachi Data Systems, performance management has been reduced from a 12-page form to a one-page document focusing on the employee's role in supporting the business strategy. Now it's designed to be a forward-looking dialog focused on eliminating the obstacles to success.

LEGO

Lego provides software via the internet, where the developer community can create new Lego products. To give just one example, the enhancement of Lego's mindstorm robot was designed by this approach.

PIXAR

At Pixar everybody is encouraged to communicate with everybody in order to achieve a networked organization. Pixar offer in-house courses for different functional directions, where people can interact and get connected on various topics.

SPOTIFY

Spotify creates "squads" of people who all work together in one room and work toward a long-term mission. Each squad is "self-contained" – it has all the capabilities and tools it needs to design, develop and test products and bring them to market. The squads are essentially mini startups within the organization, acting as autonomous, self-organized teams, and experts in their product area.

UNILEVER

"Projects half" is an ongoing program at Unilever which reviews internal processes to ensure they are fit for purpose. The aim is to double the impact of processes while halving the effort, by removing waste and bureaucracy. The project runs as a continuous cycle, focusing on ten core processes at a time.

VILLEROY & BOCH

Villeroy & Boch is systematically connecting with other companies in order to further develop its product portfolio: results include a ceramic-based loudspeaker housing as output from cooperating with the electronics company Loewe, and a light system for a new hotel bathroom jointly developed with Swarovski.

XEROX

Ensuring a fast response to customer feedback is the goal of Xerox's Sentinel program. The company uses email contact with customers to obtain simple feedback. Customers click a smiley or a frowning emoji – and in the case of negative feedback, an interactive software program obtains more information about the problem the customer is experiencing.

*Agility
will not be a
passing fad.*

08 CONCLUSION

*The question for
organizations isn't
whether to become
agile – it's*

how.

The Agile Performer Index makes clear that agility will not be a passing fad. The close, long-term correlation between agility and organizational performance and the generally low levels of agility ensure it. But there's more to agility than just rolling out a couple of agile procedures in individual projects or units, or being able to make quick-fire decisions. Agility is a whole new capability: the organization's ability to adapt promptly, effectively and sustainably when and where it results in a performance advantage. As the report shows, agility is most effective when framed and implemented as an overarching and systemic transformation. This entails establishing an agility paradigm and understanding the company as a holistic organism. Along the trajectory to this goal, the organization engages with the five key dimensions of its design: Purpose & Strategy, Coordination & Collaboration, Value-added Operations, Leadership & People and Structure. Addressing these together drives the development of Strategizing, Perceiving, Testing and Implementing routines and builds the agile capability.

The starting point is always a sober and clear assessment of the status quo in the organization itself, ideally in conjunction with peer-group benchmarking to determine how agile competitors are. The Agile Performer Index is a science-based diagnostic tool for organizations. In addition, with its workable recommendations for action and examples of best practice from small and large agile pioneers in every industry, goetzpartners can help organizations to become more agile – continuously, efficiently and sustainably.⁴⁾ ||

4) Based on Winby, S. and Worley, C. "Management processes for agility, speed, and innovation," Organizational Dynamics 43(3), 2014

09 THE AUTHORS



SEBASTIAN OLBERT

Sebastian Olbert is a partner at goetzpartners and advises chiefly on Strategy Development, Digital Business Models and Organizational Transformations. He has strategically planned and implemented numerous transformation programs for large enterprises and leading Mittelstand companies.

Sebastian Olbert is an expert in making companies agile. This includes both classifying an organization's degree of agility and implementing the necessary routines along the key dimensions of the organization's design. As the author of the "Agile Performer Index", he can determine the most appropriate measure for the level of development of the organization in question. Sebastian Olbert developed the goetzpartners "fitness programs" specifically for this purpose.

Before joining goetzpartners, Sebastian Olbert spent several years at Accenture Strategy. He completed his Master's Degree in Business Administration at the Julius Maximilian University in Würzburg.



DR. HANS GERD PRODOEHL

Hans Gerd Prodoehl is Managing Director of goetzpartners and Co-Head of the TMT business. He is also responsible for projects at the interface between private and public sectors, and has advised numerous companies and governments both nationally and internationally.

Hans Gerd Prodoehl has published several books and scientific essays. His most recent book, "Der abstrakte Mensch – Paradoxien des Wirtschaftslebens im 21. Jahrhundert" (The Abstract Human – Paradoxes of Economic Life in the 21st Century) was published by Springer Gabler Verlag in 2017. It shows how people and businesses are evolving – or must evolve – in order to function optimally in the accelerated, complex and volatile lifeworld of the 21st century. He is also the author of the publication "Synaptisches Management. Strategische Unternehmensführung im 21. Jahrhundert" (2014) (Synaptic Management. Strategic Corporate Leadership in the 21st Century).

Before joining goetzpartners, Hans Gerd Prodoehl worked in various functions in the state government of North Rhine-Westphalia. He studied economics, political science, sociology, and German at the universities of Berlin and Marburg/Lahn, and wrote his doctoral thesis in sociology on the "Theory of Everyday Life".



PROF. CHRISTOPHER G. WORLEY

Christopher G. Worley is professor of strategy and entrepreneurship and Strategy Director for the Center of Leadership and Organization Effectiveness (CLEO) at NEOMA Business School in France. He also remains a senior research scientist at the Center for Effective Organizations at USC. He is the former director of the Master of Science in Organization (MSOD) program at Pepperdine University. Christopher G. Worley earned his Ph.D. from University of Southern California.

In addition to his articles, chapters, and presentations on strategic change and organization design, he is author of five books, including "The Agility Factor", "Management Reset", bestseller "Built to Change", "Integrated Strategic Change", and seven editions of "Organization Development and Change", the leading textbook in the field.

Christopher G. Worley is a member of the Academy of Management, NTL, the OD Network, and the Strategic Management Society. He is on the editorial board for the Journal of Applied Behavioral Science.

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CONTACT

DR. HANS GERD PRODOEHL
 Managing Director
 T +49 – 211 – 600 425 – 74
Hans-Gerd.Prodoehl@goetzpartners.com

SEBASTIAN OLBERT
 Partner
 T +49 – 89 – 29 07 25 – 503
sebastian.olbert@goetzpartners.com

PROF. CHRISTOPHER G. WORLEY
 Professor, NEOMA Business School
 T +33 – 3 – 26 77 46 24
christopher.worley@neoma-bs.fr

Edited by: Text100, Munich, Germany
 Design: milk & honey advertising, Munich, Germany
 Translation: Hannah Lea, Unterhaching, Germany
 Proofreading: Leinhäuser Language Services GmbH, Munich, Germany
 Illustrations: Serge Bloch, Paris, France
 Photography goetzpartners: Esther Neuman, Munich, Germany
 Printing: DruckStreich, Taufkirchen, Germany

goetzpartners
Prinzregentenstr. 56
80538 Munich, Germany
T +49 – 89 – 29 07 25 – 0
info@goetzpartners.com

www.goetzpartners.com

NEOMA Business School
Reims Campus
59, rue Pierre Taittinger
CS 80032
51726 Reims Cedex, France
T +33 – 2 – 32 82 57 00
cleo@neoma-bs.cr

www.neoma-bs.com