

Organisational Agility – The New Normal

How to Measure and Improve Your Organisation's Agility



Organisational Agility – The New Normal

Preface



Strategies used in yacht racing can also be successfully employed by those in the executive suite.

Organisational Agility is achieved by being alert to both internal and environmental changes – opportunities as well as challenges – and the ability to use available resources in a timely, flexible, affordable and relevant manner, in order to respond to those changes effectively.

An agile organisation embraces change by moving quickly, decisively and effectively to anticipate, initiate and take advantage of change, yet remains robust enough to absorb any set-backs. Out of competitive necessity, it successfully exploits opportunities and sustains performance over time, as the environment changes by absorbing and reacting to major disruptions, yet avoiding major collisions. Thus agility is not just about being fast, but also entails the capacity to remain in touch with customer needs.

Take the metaphor of a racing yacht competition: all members of the crew are aware of the end goal, however they also know they will have to change tack along the way to respond to changing maritime conditions and competitors' moves. They are clear about the direction and challenges, and trust the skipper's decisions, yet are always on the lookout for any danger, opportunities, and the actions of competing vessels, continuously trying new ways to become faster and outperform their close competitors. Therefore, it's essential to stack the deck in your favour by not only planning for the unexpected, but be ready to change course quickly if and when necessary. The strategies employed in a yacht race are just as applicable in the business world.

ACE, Allied Consultants Europe, is a strategic partnership of nine leading European management consulting firms. We are experts in the fields of strategy, organisation change and business performance and have been working together – as one – since 1992. In 15 offices all over Europe more than 600 consultants offer local know-how and international expertise to our clients in both the private and public sectors. ACE regularly conducts European surveys. The following report is based on more than 500 questionnaires we received during March and April 2010 from our clients and business contacts alike. We would like to thank you all for your support and for giving us your valuable time and opinion on this “new normal” for our Organisational Agility survey.



Table of Contents

Executive Summary

How to Measure and Improve Your Organisation's Agility	5
How to Become (more) Agile	6

Organisational Agility – The New Normal

Changing Tides Require Quick Responses	7
Importance of Agility and the ACE Agility Index to Measure It	8

Our Key Findings

High Ambitions for Greater Agility	9
Agility and Success are Closely Linked	10
Matching Your Agility Level to Your Environment	11

The ACE Agility Index

The Six Dimensions of Organisational Agility	13
Key Drivers of Agility	14
Importance of the ACE Agility Dimensions	15
Focus on the Few, Most Important Agility Dimensions	16
The Role of Leadership & Management in Building Agility	17
Innovation Driving Agility	18

The Key to Improving Your Agility

Major Agility Creating Activities	19
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Conclusions and Beyond

Shifting from the Old to the New Normal	20
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The Survey

Some Statistics on Our Participants	21
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Appendix

Definition of Terms	22
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Agility is vital – for organisations
and yacht racing alike.



How to Measure and Improve Your Organisation's Agility

Executive Summary

1. Organisational Agility – The New Normal

The vast majority (72%) of top European executives polled in this survey state they plan to increase their Organisational Agility, indicating that their ideal level of agility is “high” to “very high”. Such ambitions are a competitive must if organisations are to thrive, if not survive, today's complex and fast-changing environments. In fact, approximately 90% of executives consider Organisational Agility to be a core differentiator and contributor to their business success.

And they are right. Our survey reveals that being agile increases overall business success. Agile organisations have a stronger focus on innovation, and are clearly “drivers of pace and direction” in their respective industries.

We believe that these are important ingredients that allow an organisation to respond quickly to their customer needs, which ultimately enhance customer experience and satisfaction.

2. Measure Your Agility with the ACE Agility Index

ACE has created a tool to measure an organisation's level of agility. It can help to determine how agile your organisation specifically needs to be in order to operate successfully in your market environment. For the purpose of this survey, we focused on the internal, human aspects of organisational agility and defined six dimensions to determine the agility level of organisations.

The Six Dimensions of the ACE Agility Index:

1. Leadership & Management – The style of your leadership and its alignment to your strategy, the strength and speed of decision-making, the clarity of communication and the degree to which it is trusted, will all influence your organisation's appetite for agility.

2. Innovation – The degree to which an organisation has in place a systematic approach for sharing insights on market trends and continually generating new ideas, as well as the degree to which it uses internal and external networks to share ideas, affects an organisation's ability to adapt to changing customer demands and technological advances.

3. Strategy – The way in which your strategy is developed, balancing rational with intuitive input, encouraging internal dialogue, and how clearly your strategic intent is communicated and the level of stretch you impose, all contribute to providing an agile mindset and ambition.

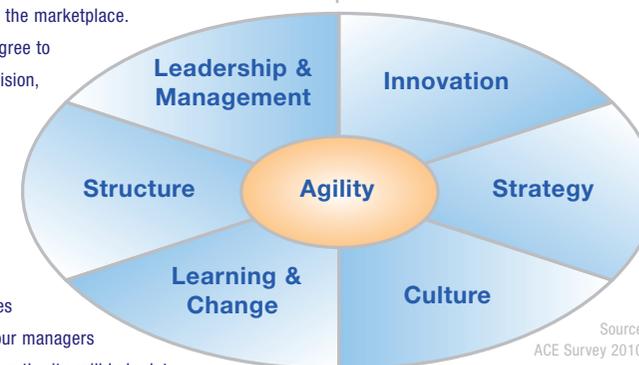
4. Culture – The way your employees' collective values and opinions guide behaviour will impact on how agile your organisation can be. This culture can be influenced by your policies and practices on areas such as transparency and openness of information, and also how you recognise and reward employees for successfully responding to changes in the marketplace.

5. Learning & Change – The degree to which the organisation has a shared vision, has an appetite for change and the capability to enact the changes, and how it deals with the consequences of past decisions, all impact an organisation's level of agility.

6. Structure – The strength and robustness of operations and processes combined with the degree to which your managers have clear delegated decision-making authority, will help determine your ability to respond to the challenges in the marketplace.

For each of the six dimensions, more than 500 top executives in Europe characterised their organisation with respect to agility. Together with their feedback on overall performance and their position in their respective markets, we have been able to create a picture of success factors for building an agile organisation.

The most important evaluated enablers for organisational agility for European leaders are “Leadership & Management” and “Strategy”; the most underestimated area by the same leaders is “Innovation”.



Source:
ACE Survey 2010:
Organisational Agility

How to Become (more) Agile

3. How to Become (more) Agile

Our findings reveal that all the dimensions within the ACE Agility Index eventually contribute to an organisation's agility, and consequently to its business success. Here we define actions that have the most impact in boosting your organisation's level of agility. However, there are some areas that are considered more important than others, which you may want to tackle first when improving your Organisational Agility:

- **Leadership & Management:**

Stimulate your employees' capacity to think “out-of-the-box” by **stretching goals** that force them to challenge their “business-as-usual” attitude. Align your whole organisation with a consistent and very transparent **value-based leadership system** which is lived and promoted by your top managers.

- **Innovation:**

Regularly **exchange ideas with external partners** and openly **discuss trends and forces** in the market with your employees – this will positively influence your learning curve and improve your propensity to innovate within your organisation.

- **Strategy:**

In order to energise the whole organisation, **a strategic internal dialogue** will not only help to improve the level of agility within your business, but also **raise strategic awareness**, which itself will have a positive influence on agility.

To enable you and your management team to reflect on concrete ways to reinforce agility, our survey helps to identify key actions and levers used by highly agile organisations.

Key Agility-Creating Activities Undertaken by the Most Agile Organisations in Europe

Agility Dimension	Action
Leadership & Management	1. Objective setting approach characterised by stretch goals.
	2. Value-based leadership approach (e.g. leadership guidelines).
	3. Team building workshops for management team.
Innovation	1. Seeking and encouraging the exchange of ideas with external partners.
	2. Regularly discuss trends and forces in the market.
	3. Creating flexibility to fund new and unpredictable opportunities for future success.
Strategy	1. Nurturing an adequate internal strategic dialogue to energise the whole organisation.
	2. Raise strategic awareness (e.g. strategic workshops, strategic discussions).
	3. Constantly re-evaluating running projects on a strategic basis.
Culture	1. Increase transparency of information for employees.
	2. Implementation of guiding principles; clear direction, so that all employees understand their contribution.
	3. Formally enable internal and external networking.
Learning & Change	1. Energising and enabling people to take responsibility and contribute to change.
	2. Fostering a learning organisation as a crucial part of the strategy.
Structure	1. Balance efforts to gain operational excellence with the need for agility in all departments.
	2. Using working methods to foster multi-skilling of employees (e.g. job rotation, job mobility).
	3. Cooperating with external partners.

Source: ACE Survey 2010: Organisational Agility

Changing Tides in Complex Markets Require Quick Responses

Organisational Agility – The New Normal

Organisations today face rapidly changing and complex environments. They need to cope with a huge influx of daily information on which they base their decision making. Painful global market volatility experienced over the past few years has only added to the pressure that organisations face in achieving the almost impossible task of forecasting and planning in unpredictable environments. “In volatile markets, plunging into the fray is more productive than sitting on the sidelines and trying to develop the perfect plan,” states Donald Sull, professor at London Business School.

Imagine a yacht race over the ocean: skipper and crew have to plan their route and strategy based on internal and external information, such as weather conditions, competitors' behaviour, potential damage to equipment etc – rather like your “business-as-usual” situation in real life. But they, like you, also need to be prepared for “the perfect storm”¹. If the crew does not react quickly, they risk losing ground, damage to the yacht, or ultimately sinking.

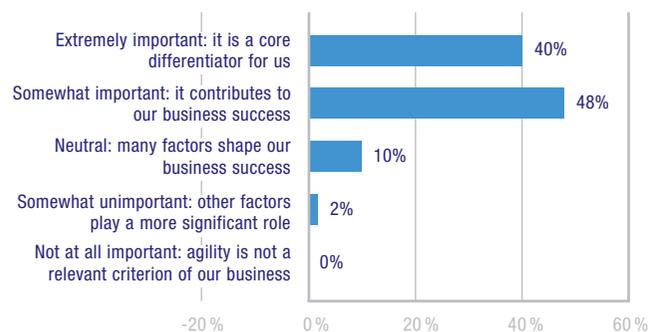
This is confirmed by 533 European executives who participated in this survey, with the vast majority describing their operating environment as both complex (88%) and changing rapidly (70%).

Meanwhile, a recent Google report² describes the sociological shift regarding both consumers and employees as a “shift in power: from brand to consumer, employer to employee...”. So, organisations, both public and private, are having to respond to internal as well as external challenges at the same time, in order to be successful. This requires agility in thought and action. This is the “new normal”.



Changing tides: How capable is your organisation of navigating through the rough waters of change?

Importance of Agility to Overall Business Success



Source: Economist Intelligence Unit survey, January 2009

Reacting Quickly to Survive and Thrive

It seems then that the new normal for organisations requires having the ability to react quickly and appropriately to their rapidly changing conditions.

A recent EIU³ briefing paper confirms how highly important “Organisational Agility” is rated, and considered to be one of the key success factors for the overall growth and sustainability of an organisation (see chart on the left).

¹ Gary Hamel, “building a company that is as nimble as change itself” in his book “The Future of Management”, 2007

² International study by The Future Foundation for Google Enterprises, 2010 “The Decisive Decade”

³ EIU: Economist Intelligence Unit: Organisational Agility, 2009

Importance of Agility and the ACE Agility Index to Measure It



Stack the decks in your favour:
Plan for the unexpected and be
prepared to change course quickly.

Different sources stress the growing importance of Organisational Agility. According to a regular survey on CEO's top 10 challenges carried out by The Conference Board Inc., the growing importance of "speed, flexibility and adaptability to change" ranked amongst the top three challenges; 47% CEOs described it as the most important challenge in October 2008 (up from 25% a few months earlier). Meanwhile, MIT research⁴ suggests that agile companies achieve faster revenue and profit growth. And a survey on business agility conducted by the Business Technology Management Institute (BTM)⁵, confirms that agile companies accrue more financial benefits compared to their average industry peers.

This raises the crucial questions of "what is actually meant by agility?" and "how can we become more agile?" This report sets out to answer these questions.

The ACE Concept of Agility

Given the growing importance of organisational agility, ACE – as a strategic network of nine leading consulting firms in Europe – together with its clients explored this topic to provide a more comprehensive understanding of the subject, compared to other studies carried out to date. We also provide thorough answers to the following vital questions:

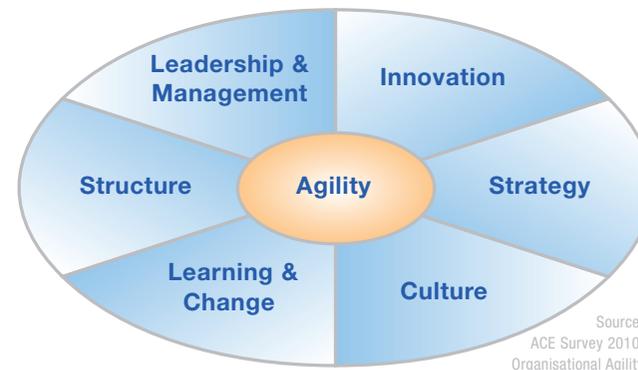
- **What exactly is Organisational Agility and why is it so important to organisations?**
- **What makes an organisation successfully agile?**

Organisational Agility is achieved by being alert to both internal and environmental changes – opportunities as well as challenges –

and the ability to use available resources in a timely, flexible, affordable and relevant manner in order to respond to those changes effectively.

For this report, ACE has defined an Agility Index, which enables us to score an organisation's level of agility and identify the gaps an organisation needs to fill, in order to boost its agility. This index is based around six human-based dimensions that we have found to be crucial in making an organisation agile.

The Six Dimensions of the ACE Agility Index



For each of the six key areas, more than 500 top management respondents all over Europe indicated how they characterise their organisation with respect to agility. Together with their feedback on overall performance and their position in their respective markets/environments, we have been able to create a picture of success factors for building an agile organisation.

High Ambitions for Greater Agility

Our Key Findings

European organisations have clearly understood the importance of organisational agility for their business and their future outlook on growth and profitability. Not surprisingly, the vast majority are not satisfied with their current level of agility, and aim to increase it:

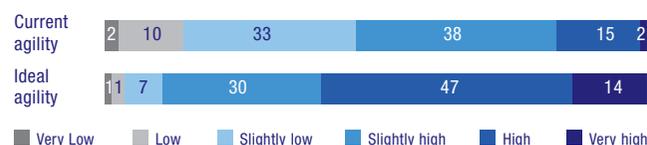
Desire for Greater Agility

Increase my organisation's agility	Stay at same level	Lower my organisation's agility
72%	22%	6%

Source: ACE Survey 2010: Organisational Agility

We asked participants to indicate their “organisation's current level of agility” and compare it to their “ideal level of agility”. Not only do 72% of Europe's top managers plan to improve their agility score, but more than 60% of all respondents believe that their “ideal level of agility” should be “high” or even “very high”.

Current Versus Ideal Agility (in %)



Source: ACE Survey 2010: Organisational Agility

The majority of **public organisations** consider their current level of agility as “very low” or “low” (55%) compared to only 42% of **private enterprises**. Yet, their future aspirations are very similar; approximately 60% of both public and private firms are aiming for “high” or “very high” levels of agility. The public sector therefore faces a much greater challenge in achieving their ideal level of agility. The vast majority of **large organisations** (over EUR 500m turnover) prefer to have greater levels of agility; more than 79% of them have the desire to increase their level of agility compared to 63% of **small organisations** (up to EUR 50m) that are already more agile than their larger peers.

Geographically, there are also interesting differences between the European countries. Scandinavian organisations (in Denmark and Sweden) regard themselves as the most agile in Europe, followed by Switzerland. Conversely, British, Dutch and German firms consider themselves to be the least agile.

Being agile is of great of importance – to global players in our markets and sailing yachts alike!



Agility and Success are Closely Linked

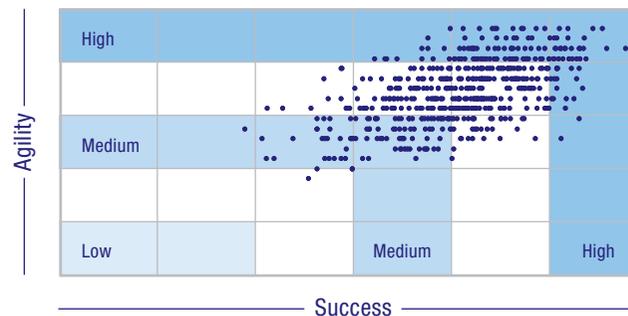


Organisational Agility is a major success factor for today's organisations to be ahead of their competitors.

Past research has already indicated that there is a correlation between the performance and agility of an organisation. Our survey results clearly confirm this. The most successful participants, based on their responses on a number of Key Performance Indicators (KPIs), are also the most agile organisations benchmarked within the ACE Agility Index. There is no highly agile organisation that is not successful.

Respondents, across the public and private sectors, that are both successful and highly agile, outperform their industry peers the most on KPIs, such as **competitiveness** and **reactivity**. For them, an important enabler to success has been their clear focus on responding quickly to changes in the marketplace.

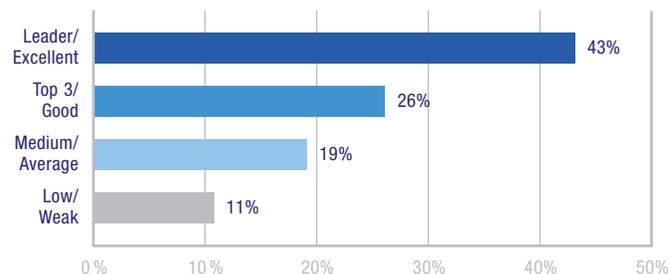
Relationship Between Success and Agility



Source: ACE Survey 2010: Organisational Agility

Furthermore, our survey concludes that highly agile organisations are significantly more likely to be market leaders or show excellent performance compared to their industry peers. Our findings suggest that one of the reasons that these businesses are market leaders/excellent performers is because they are agile, and are able to remain so.

Highly Agile Organisations Market Position



Source: ACE Survey 2010: Organisational Agility

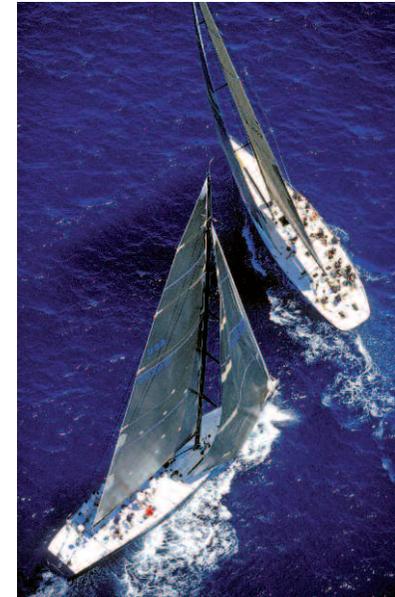
Matching Your Agility Level to Your Environment

But how agile do you have to be in order to be successful? Some environmental dynamics require competencies other than pure agility. For example, operational excellence is more likely to be your focus in environments that are slow to change and less complex, in order to maximise on efficiencies. However, if the environmental dynamic is fast moving, but still not so complex, then a more entrepreneurial competency is required, to help adapt to changes without being overburdened with complexity. In a slow-moving, yet complex, environment, a strategic planning capability that can model the complexity and allows time to build future scenarios, is usually required. But if your environmental dynamic is both fast moving and complex, then Organisational Agility is the capability that's most in demand. Yet, this does not imply that you should not focus on a certain level of standardisation and process efficiency; on the contrary, excellence in processes that do not

change will set free resources within your organisation, which can then be deployed to achieve higher agility as and when needed. Based on our survey findings, it's this latter environment that is fast becoming "the new normal" across all sectors. And in our view, only the most agile organisations have the ability to change course quickly and decisively in response to changes in their environment.

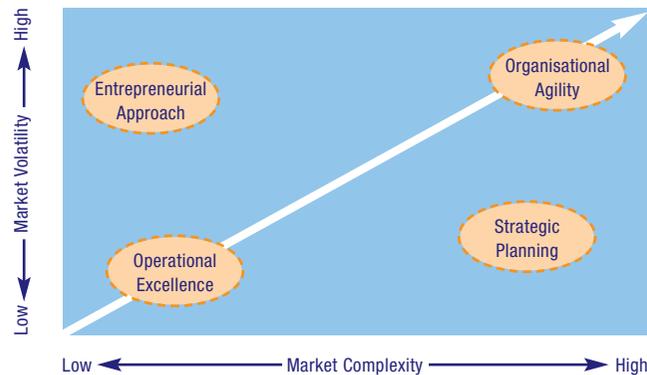
When we measured the environmental dynamics (the combination of speed of change and complexity) of our respondents, we observed that the greater the environmental dynamic, the higher the level of agility – meaning that organisations naturally adapt to their environment in order to survive. The question is, is your organisation agile enough for the environment that you are in?

Furthermore, our findings also reveal that the faster the environment changes, the more organisations aspire to having a "very high" ideal level of agility:



In both sailing and business, change is a constant: Whether faced with the rapidly shifting ocean currents and winds aboard a boat or changes to your business environment, you must be flexible enough to quickly adapt and take advantage of those changes.

Agility Market Matrix



Source: ACE Survey 2010: Organisational Agility

Desired Ideal Agility Versus Speed of change (in %)



Source: ACE Survey 2010: Organisational Agility

Is your organisation agile enough to successfully navigate through the waters of change?



The Six Dimensions of Organisational Agility

The ACE Agility Index



Learning the ropes of performance:
Different levers will power your
organisation in different ways.

An agile organisation embraces change by moving quickly, decisively and effectively to anticipate, initiate and take advantage of change, yet remains robust enough to absorb any set-backs. Out of competitive necessity, it successfully exploits opportunities and sustains performance over time, as the environment changes by absorbing and reacting to major disruptions, yet avoiding major collisions. It's not only fast, but continues to take risks whilst remaining in touch with customers' needs.

Can this Organisational Agility be measured? Yes, but as it is such a broad subject, we would need to incorporate a definition that included its systems, processes and people. So, for the purpose of this survey, we focused on the internal human aspects of Organisational Agility and defined six dimensions to determine its level.

The Six Dimensions of the ACE Agility Index:

1. Leadership & Management – The style of your leadership and its alignment to your strategy, the strength and speed of decision-making, the clarity of communication and the degree to which it is trusted, will all influence your organisation's appetite for agility.

2. Innovation – The degree to which an organisation has in place a systematic approach for sharing insights on market trends and continually generating new ideas, as well as the degree to which it uses internal and external networks to share ideas, affects an organisation's ability to adapt to changing customer demands and technological advances.

3. Strategy – The way in which your strategy is developed, balancing rational with intuitive input, encouraging internal dialogue, and how clearly your strategic intent is communicated and the level of stretch you impose, all contribute to providing an agile mindset and ambition.

4. Culture – The way your employees' collective values and opinions guide behaviour will impact on how agile your organisation can be. This culture can be influenced by your policies and practices on areas such as transparency and openness of information, and also how you recognise and reward employees for successfully responding to changes in the marketplace.

5. Learning & Change – The degree to which the organisation has a shared vision, has an appetite for change and the capability to enact the changes, and how it deals with the consequences of past decisions, all impact an organisation's level of agility.

6. Structure – The strength and robustness of operations and processes combined with the degree to which your managers have clear delegated decision-making authority, will help determine your ability to respond to the challenges in the marketplace.

We have created an Agility Index based on the survey results and these six dimensions. By using this methodology, we have been able to compare the agility levels of organisations, regardless of country, size or sector.



Source:
ACE Survey 2010:
Organisational Agility

Key Drivers of Agility



Make sure you know which levers to pull to improve your overall agility.

Across both public and private organisations, the average agility score in our survey is 4.1, which translates into “slightly high agility” out of a range from 1-6 (where 1 represents “very low agility” and 6 “very high agility”).

Agility of Participating Organisations

Agility Index	Score Range	Organisations
Very high agility	6.0	0%
High agility	5.0-5.9	10%
Slightly high agility	4.0-4.9	51%
Slightly low agility	3.0-3.9	32%
Low agility	2.0-2.9	6%
Very low agility	1.0-1.9	1%

Source: ACE Survey 2010: Organisational Agility

There is a significant correlation between the calculated ACE Agility Index scores and the perceived “current levels of agility” indicated directly by each responding organisation; it seems their self-perception is quite accurate – the higher an organisation scored its own current level of agility, the higher it actually ranked in the ACE Agility Index.

Key Drivers of Agility

Our survey reveals that there is no simple solution or best way to improve Organisational Agility; instead we found different aspects that can have an impact on agility. It is like being on open waters – different factors like the wind, the ballast weight on your yacht or the reaction time of the crew, will all directly influence your ability to win the race.

The following pages are aimed to offer “food for thought” as each of the discussed drivers will be able to help your organisation to improve its agility.

- **Size matters:** Smaller organisations demonstrate significantly higher levels of agility than their bigger competitors; also, if we look at the group of highly agile organisations, the majority of them are small (51%), followed by medium (30%) and large organisations (19%).
- **Market leaders are more agile:** The ACE Agility Index also shows an important correlation with an organisation’s market position compared to industry peers/similar organisations; market leaders/excellent performers all demonstrate higher levels of agility.
- **Implementation is key:** Organisations that are more able to implement the following activities are also found to be more agile.

List of Agile Actions

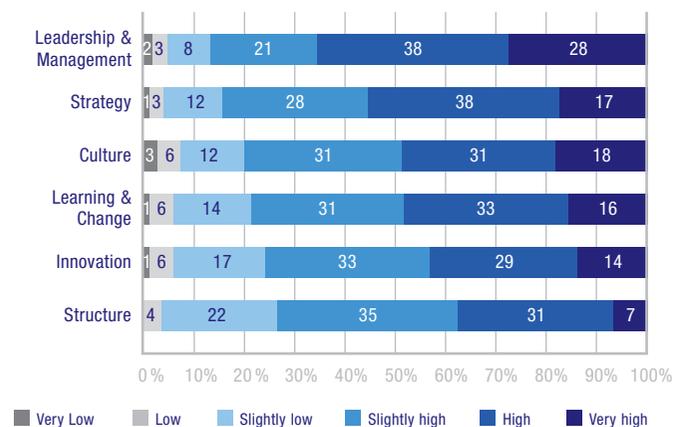
Key Activities that Agile Organisations Implement
1. Cut costs, where necessary
2. React to changing market/environment position
3. Navigate quickly to change
4. Successfully launch new products/services
5. Attract and retain top talent

Source: ACE Survey 2010: Organisational Agility

Importance of the ACE Agility Dimensions

Across all sectors, two-thirds of respondents rank “Leadership & Management” as the most important enabler for agility (66% rank it as highly important). By contrast, only 38% of the private sector consider “Structure” as a highly important dimension, followed by “Innovation” at 45%. Indeed, in the public sector only 37% rate “Innovation” as important. Yet, our analysis found that Innovation is a significant contributor to being both agile and successful. We explore this further on page 18.

Importance of the Six Dimensions in Relation to Agility – Today (in %)



Source: ACE Survey 2010: Organisational Agility

It is interesting to note that highly agile organisations rank the importance of the six dimensions differently compared to organisations with low agility as the table opposite illustrates. Specifically, innovation in organisations with high agility, is ranked



second highest. Note also the low level of importance perceived by the low agile organisations on all areas, except Leadership & Management and Strategy:

Leadership and teamwork onboard or in executive suites are crucial for success.

Ranking of Low Versus Highly Agile Organisations

	Organisations with low agility	Organisations with high agility
1	Leadership & Management (29%)	Leadership & Management (52%)
2	Strategy (20%)	Innovation (33%)
3	Learning & Change (14%)	Strategy (30%)
4	Culture (11%)	Culture (28%)
5	Innovation (11%)	Learning & Change (24%)
6	Structure (6%)	Structure (15%)

Source: ACE Survey 2010: Organisational Agility

The Role of Leadership & Management in Building Agility

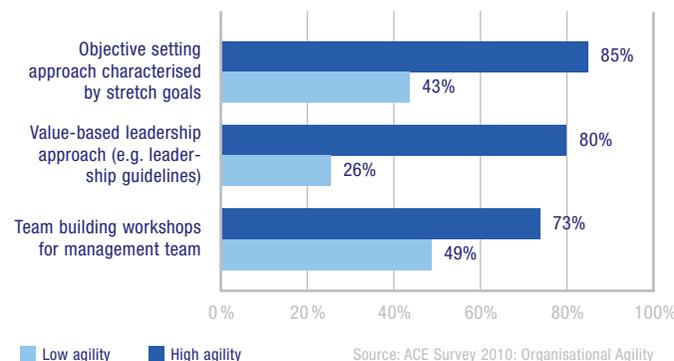
Top executives all over Europe rate Leadership & Management as the most important dimension; regardless of whether they are a small or large organisation, or an agile or less agile one, they all agree. So do we. The reason is quite simple: without a clear understanding of how to energise and lead the employees in your organisation, even the best strategy will most likely fail to succeed in the long term. Management sometimes tends to “over react” when under pressure, either going into the safe control mode by over analysing markets or, hastily taking immature decisions, which is then often wrongly perceived as flexibility. Your leadership therefore needs to represent the “skipper at the helm of the boat” who can navigate your organisation through troubled waters in a confident fashion.

Based on our survey results, we suggest starting with the following Leadership & Management actions (described in the chart opposite) to improve your level of agility. Comparing the survey responses of highly agile versus less agile organisations, we have discovered some interesting differences in actions taken. Highly agile organisations show a clear tendency to make use of the actions displayed opposite more often. Our results indicate that they are crucial for being agile, and should be taken seriously by organisations seeking to improve their level of agility.

Some Examples:

– **Stretch goals:** In order to stimulate your employees' willingness to go the “extra mile” for your organisation, they need to feel “invited” to dare to innovate and drive change by challenging the status quo. Stretching goals means pushing your limits and raising the bar of your objectives so high that it's impossible to reach by

Actions Around Leadership & Management



continuing “business as usual” (for example, to increase customer satisfaction by 10% is a normal objective → to increase by 50% is a stretched goal). Employees and management need to come up with extraordinary ideas and ways to achieve this. However, you also need to ensure that an inability to reach any “extreme” objective is not perceived as failure either.

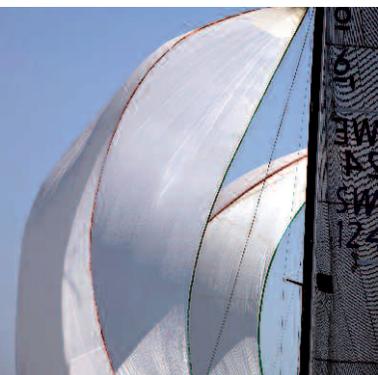
– **Value-based leadership:** As Steve Jobs, co-founder of Apple, puts it: “The only thing that works is management by values...”. It is about consistently living the right values throughout your whole organisation.

Make sure the walk matches the talk, and senior management behaviour is consistent with your core values. See findings of our previous ACE survey on the “Value-Driven Organisation”, 2007 on www.ace-alliedconsultants.com/publications.



Smooth operator? Like the skipper, it's vital that the leader at the helm of your organisation is able to navigate you smoothly through any troubled waters that you encounter along the way.

Innovation Driving Agility



Like the wind in a sail, let innovation push your organisation closer to its goals.

As indicated earlier, innovation is perceived as a less important dimension amongst all top executives (see chart, page 15), but we have found it to be one of the most significant enablers not only with respect to agility, but also with business success and its market position. Our findings also suggest that agile organisations are more aware of the importance of innovation (see table, page 15).

When we asked participants about their market position regarding innovation, we found that those who describe themselves as a “driver of pace and direction” or at least being a “fast follower” (private organisations) or having a “good/excellent ability for innovation” (public organisations) are actually significantly more successful. We therefore invite you to spend some more time on this specific dimension within the ACE Agility Index.

Agility Dimensions Ranked as “Very Important” by Company Size

	As of Today	Next 2-3 years
Large organisations	Leadership & Management, Strategy, Culture	Leadership & Management, Learning & Change, Strategy
Medium organisations	Leadership & Management, Culture, Strategy	Leadership & Management, Strategy, Culture
Small organisations	Leadership & Management, Culture, Innovation	Leadership & Management, Innovation, Learning & Change

Source: ACE Survey 2010: Organisational Agility

Smaller organisations that tend to be more agile than their larger peers as we have already demonstrated earlier, know that innovation is important for them. Does this suggest they are more agile as a result of their awareness of innovation?

We asked top European managers which concrete actions they have undertaken in the past 2-3 years with respect to innovation and agility, and here we discovered significant differences, in what they did and how.

- Highly agile organisations **support, encourage and exchange ideas with external partners** (96% versus 43% of less agile organisations).
- Highly agile organisations regularly **discuss trends and forces in the market** more often than their less agile peers (89% versus 29%).
- They also focus more on **creating flexibility to fund new and unpredictable opportunities for future success** (65% versus 15%).
- Conversely, organisations with low levels of agility consider budgets and reward systems more important, and therefore focus more on these actions. Although these factors may need tackling first, it's not enough to become more agile.

Given the overall importance that innovation has on being successfully agile, it is worth considering embarking on an innovation programme that encompasses the above actions to re-energise your business.

Major Agility Creating Activities

The Key to Improving Your Agility

Organisations today face three major challenges⁶ which relate to the three most important dimensions (Leadership & Management, Strategy and Innovation) revealed in this survey:

1. Accelerate dramatically the pace of strategic renewal.
2. Make innovation everyone's job, every day.
3. Create a highly engaging working environment that inspires employees to give the very best of themselves.

In endeavouring to meet these challenges and overcome the obstacles surrounding them, management will require focus, energy and determination to eventually achieve the targeted results. Our survey demonstrates why improving Organisational Agility is important, how it is closely linked to the overall performance of your business and which areas are more crucial than others for improving agility. Our findings also offer concrete suggestions on where and how to start improving your organisation's level of agility. Having already touched on a few actions around "Leadership & Management" and "Innovation", we now would like to explore further actions around the remaining agility dimensions, which can also impact on your Organisational Agility.

The following overview is a range of activities the majority of highly agile organisations have taken over the course of the past 2-3 years to improve their level of agility.

Agility-Creating Activities – How do you score?

Agility Dimension	Action	Scope to Improve	Good Enough	Ideal
Leadership & Management	1. Objective setting approach characterised by stretch goals.			
	2. Value-based leadership approach (e.g. leadership guidelines).			
	3. Team building workshops for management team.			
Innovation	1. Seeking and encouraging the exchange of ideas with external partners.			
	2. Regularly discuss trends and forces in the market.			
	3. Creating flexibility to fund new and unpredictable opportunities for future success.			
Strategy	1. Nurturing an adequate internal strategic dialogue to energise the whole organisation.			
	2. Raise strategic awareness (e.g. strategic workshops, strategic discussions).			
	3. Constantly re-evaluating running projects on a strategic basis.			
Culture	1. Increase transparency of information for employees.			
	2. Implementation of guiding principles; clear direction, so that all employees understand their contribution.			
	3. Formally enable internal and external networking.			
Learning & Change	1. Energising and enabling people to take responsibility and contribute to change.			
	2. Fostering a learning organisation as a crucial part of the strategy.			
Structure	1. Balance efforts to gain operational excellence with the need for agility in all departments.			
	2. Using working methods to foster multi-skilling of employees (e.g. job rotation, job mobility).			
	3. Cooperating with external partners.			

Source: ACE Survey 2010: Organisational Agility

⁶ Gary Hamel "The Future of Management", 2007

Shifting from the Old to the New Normal

Conclusions and Beyond



Plain sailing: By improving your organisation's agility, you too can sail ahead of your competitors.

One of the major conclusions from the survey is that there appears to be a new order emerging in the way that leading organisations operate. The traditional thinking was based on two principles: The **Hierarchical Principle** (where each level in the organisation has a clear and defined role in a top down strategic process; top management designs the strategy, middle management communicates it; line management ensures it happens) and the **Linear Principle**: (a logical chain initiated by strategic thinking, followed by design of the organisation and finally completed by development of management).

However, these well-founded principles appear to be challenged today by both the current levels of complexity and increasing speed of response required by the external environment. To meet their respective challenges, public organisations as well as private enterprises need to foster and excel in a new set of capabilities, as defined in this report.

It requires a capability in capturing the pulse of change and accepting that it is more about “acting in time” rather than “being right”. It impacts how your strategy will be defined (less top-down, more of an involving strategic process), how you manage to transfer ownership to your employees to empower them to take over responsibility and make them go the extra mile – all of which are crucial enablers for agility.

Such a movement requires a change in mindset with regard to how you lead, how you innovate and how you strategise. It also requires you to underpin this approach with processes and structures that provide a firm platform upon which you are able to adapt to market changes.

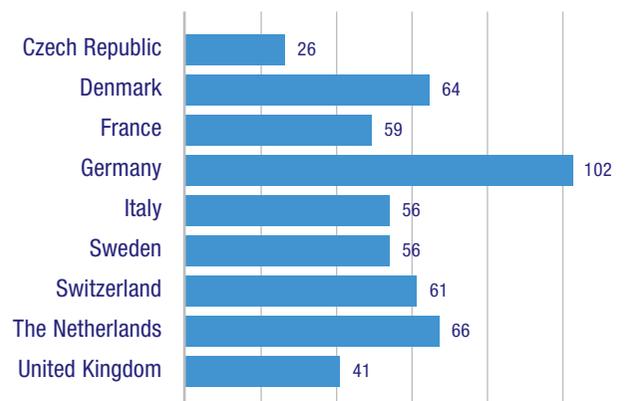
So where to start? By taking part in this survey, you can gain an insight into how agile your organisation is, and we can benchmark your firm against our Organisational Agility Index, to help you to identify the most effective actions to enable you to sail ahead of your competitors with greater agility and success. For more information, contact the ACE Partner in your country, provided on page 23.

Some Statistics on Our Participants

The Survey

ACE, Allied Consultants Europe, regularly conducts web-based surveys within its nine European partner countries. The 2010 annual survey was conducted online during March and April 2010. In total, we received more than 600 responses from public and private organisations across all ACE member countries (including Czech Republic, Denmark, France, Germany, Italy, Sweden, Switzerland, The Netherlands and United Kingdom).

Number of Respondents per Country



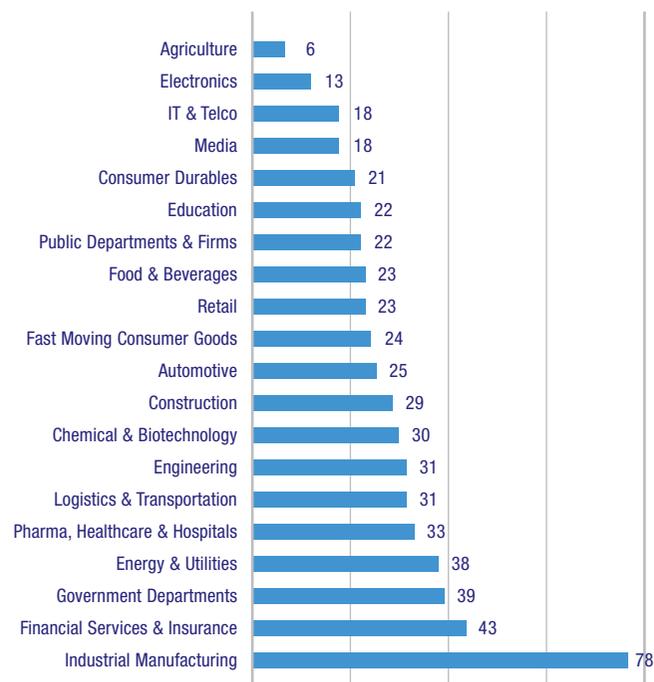
Participants from all sectors are represented, but the private sector is dominant

The survey participants are mainly from the private sector – almost 75% of those who responded belong to this group. But organisations from other sectors, such as the public sector (9%) and the third sector (16%) are also represented in our survey.

In the public sector, both local and national organisations participated in the survey. In the third sector (organisations between the public and private market), several organisations are active in care and cure, hospitals and education.

Within the private sector, a large number of participants are active in industrial manufacturing, financial services & insurance, engineering, construction, chemical and consumer durables.

Industry Sectors (in total)



Given the strategic importance of the survey's topic, we targeted senior management. As a result, half of the respondents (49.5%) are either the entrepreneur or top management level. Approximately, 32% represent the divisional level, of which one half are HR directors.

Around 35% of all respondents are small organisations with an annual turnover/budget up to a maximum of 50 EUR million, followed by 36% mid-sized organisations (with an annual turnover/budget between 51-500 EUR million) and 29% large organisations with an annual turnover/budget of more than 500 EUR million.

More than two-thirds (70%) of all respondents indicate that they are in a leading position within their industry/market environment based on their market share. Only 6% consider themselves with a lower positioning. When asked about their position on innovation, one-third describes themselves as "drivers of pace and direction".

Definition of Terms

Appendix

In order to better understand our report and interpret our findings in the right way, we have defined the most important terms here below.

Agility Index	The agility index is the agility measure developed and calculated by the ACE HR team, ranking our respondents across the 6 dimensions according to their agility results. It ranges from 1 (low agility) to 6 (high agility).
Agility dimensions	The six dimensions we have identified as key enablers for organisational agility:
• Leadership & Management	The style of your leadership and its alignment to your strategy, the strength and speed of decision-making, the clarity of communication and the degree to which it is trusted, will all influence your organisation's appetite for agility.
• Strategy	The way in which your strategy is developed, balancing rational with intuitive input, encouraging internal dialogue, and how clearly your strategic intent is communicated and the level of stretch you impose, all contribute to providing an agile mindset and ambition.
• Innovation	The degree to which an organisation has in place a systematic approach for sharing insights on market trends and continually generating new ideas, as well as the degree to which it uses internal and external networks to share ideas, affects an organisation's ability to adapt to changing customer demands and technological advances.
• Learning & Change	The degree to which the organisation has a shared vision, has an appetite for change and the capability to enact the changes, and how it deals with the consequences of past decisions, all impact an organisation's level of agility.
• Culture	The way your employees' collective values and opinions guide behaviour will impact on how agile your organisation can be. This culture can be influenced by your policies and practices on areas such as transparency and openness of information, and also how you recognise and reward employees for successfully responding to changes in the marketplace.
• Structure	The strength and robustness of operations and processes combined with the degree to which your managers have clear delegated decision-making authority will help determine your ability to respond to the challenges in the marketplace.
Environmental dynamics	Based on how the respondents described their environments regarding speed of change and complexity.
Large organisations	Organisations with a turnover or budget more than EUR 500m.
Medium organisations	Organisations with a turnover or budget between EUR 50m and 500m.
Small organisations	Organisations with a turnover or budget below EUR 50m; see also EU definition: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm

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