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Peter Cheese, Chief Executive, CIPD

Given today’s context of tough change, organizations need to be able to innovate as well as develop and implement strategy quickly and efficiently. The key to this is agility – a set of capabilities that can help organizations to rapidly adapt to changing circumstances. At the same time, resilience is also essential if benefits are going to endure over the longer term and if employees are to be kept on board. *The Agile Organization* focuses on how to build both agility and resilience at individual, team and organizational levels. It draws on a wealth of research, including the lived experience and learning of managers and HR and organization development (OD) professionals to show how it is possible to “square the circle”, becoming more sustainably agile while also enhancing employee engagement and resilience.

*The Agile Organization* showcases the latest thinking – new organizational models, groundbreaking themes and case studies – that illustrate how organizations are addressing the challenge of developing organizational agility. Packed with helpful checklists and practice pointers, this book is a “go-to” guide for senior leaders and managers, HR and OD specialists who want to help bring about organizational transformation and create the new resiliently agile “business as usual”.

Professor Linda Holbeche is a developer, consultant, researcher and coach in the fields of leadership, strategy, HR development, change management and organization design and development. She is Adjunct Professor at Imperial College London and a Visiting Professor at City University London’s Cass Business School, at the University of Derby, and at London Guildhall Faculty of Business and Law where she is Co-Director of the Centre for Progressive Leadership. She is also a Fellow at Roffey Park.
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Introduction

Organizational agility is a hot topic these days – and is it any wonder? In a world undergoing continuous and multifaceted change, so fast-moving is the business landscape that organizations must adapt swiftly simply to survive. Organizational agility, or the ability to continuously adjust and adapt strategic direction in a core business, is increasingly considered the vital business success factor.

The term ‘VUCA’ is often used to describe the volatile, uncertain, complex and ambiguous world we now inhabit, with its turbulent financial and commodity markets and geopolitical instabilities. Financial turbulence has increased in intensity and persists longer than in the past. Business cycles are much shorter. The financial crisis that began in 2008 rendered many business models obsolete as organizations throughout the world were plunged into chaotic environments. In a 2010 study by IBM the overwhelming majority of chief executive officers (CEOs) described their operating environment as unlike anything they had seen before. The days when traditional management models – such as strategic planning based on extrapolations from the past – were enough to keep organizations ahead of the curve seem long gone.

In a VUCA world no company consistently beats the market. Megatrends such as demographics, digitization, connectivity, trade liberalization, global competition and business model innovation are leading to the emergence of new competitors and driving new ways of doing business. Organizations are also experiencing unpredictable consumer sentiment, increasing complexity, rising uncertainty, an overload of information and a lack of resources. The impacts of many of these trends are uncertain – but there are some common themes and multiple interdependences between the drivers, which suggest that their effects will be complex and enduring. This combination of factors is forcing many companies to rethink where future business success will come from since previous success is no guarantee of future prosperity.

The only certainty is that before long every organization will be challenged to change in ways for which it has no precedent and the old ways may no longer be the best ways. The ability to change continuously and effectively will be key to survival and future prosperity. Of course the alternative
to business transformation is to stand still, Canute-like, in the face of the incoming tide of change; but that might not prove the wisest course. In other words, these profound changes in the global business environment require new ways of leading and managing organizations and fresh answers to the question: what do organizations have to do to survive and thrive in today’s fast-moving, complex times?

That’s what this book is about.

Essentially, I shall argue that if business leaders and people who work in organizations are to thrive in today’s fluid landscape they must adopt agile practices and the mindsets that underpin them. I also maintain that agility is not a stand-alone capability; it must be complemented by organizational resilience, or the ability to learn and recover from significant setbacks. How organizations pursue agility impacts their resilience and their capacity to act. If agility is pursued purely as a cost-saving exercise, people are likely to feel treated as expendable costs and will be less likely to release their discretionary effort to make things happen for the organization. Thus the organization will be unlikely to achieve the beneficial ‘value’ outcomes of agility such as adaptability, speed, innovation and sustainability. This book points out what to guard against to avoid agility being achieved at the expense of sustainable value. It proposes ways in which organizations and their stakeholders, especially the people who work for them, can attempt to have the best of all worlds.

Who is the book for?

In writing a book it is usual to address one key audience. In the case of organizational agility, there are several audiences and these are the people I consider to be the key players in agile. These include:

- Executives who act as sponsors of strategic change – they play a key role actually and symbolically in forging the way ahead. They need to develop their agile leadership abilities, which include knowing when to step away and let others get involved in decision making.

- Line managers are central to day-to-day operations and for many employees represent the reality of their relationship with the organization. They too need to play different roles in agile, becoming coach and supporter to self-managed teams.

- Functional specialists in HR, Organization Development, Internal Communications, Marketing, Knowledge Management, Finance and IT all have roles to play in designing policies and strategies to support the development of more agile working practices, and must work together to produce well-integrated outcomes.

- The workforce itself, in all its component parts, including outsourced and contract workers. These are the eyes and ears of the organization,
on the front line of discovery through their work with customers. They need to be willing to play a proactive role in agile execution and innovation.

- Finally, external stakeholders – boards, shareholders, communities – can only benefit when these internal stakeholders shift the paradigm and breathe life into the agile organization.

In some cases I have highlighted the specific roles of different key players – for instance through case study examples or whole chapters. I have included checklists at the end of each chapter to help different audiences reflect on where they may need to collaborate on specific issues to improve their organization’s agility and resilience.

**How is the book organized?**

This book sets out to answer a number of questions relating to organizational agility, such as:

- What makes an organization agile? Is agile something you do, or something you are?
- Where is the ‘people bit’ of agile?
- Is there such a thing as an ‘agile culture’?
- How does continuous improvement differ from whole system transformation?
- How can you develop organizational ‘change-readiness’, or increase ‘dynamic capacity’?
- What is the system of change that leads to real transformation and what are the principles upon which this is based?

In framing answers to these questions I work through a model that I introduce in Chapter 3 outlining the ‘what’, ‘why’ and ‘who’ of organizational agility and resilience. In developing the model I have built on the work of various theorists to whom I am indebted. In particular I wish to credit the work of Dave Francis and Sandra Meredith, whose 2000 model originally inspired my thinking. The remaining chapters of the book explore the ‘how’ of organizational resilience and agility.

**Chapter 1: Why go agile?**

Here I set the context and outline the business case for organizational agility, working through a number of broad cultural, economic and environmental factors and megatrends such as digitization, which are leading to the
development of new markets, businesses, channels and consumer expectations – at speed. While some might argue that the need for agility applies only to specific types of business, such as high-technology, I maintain that organizations of every sector and industry will be under increasing pressure to develop greater agility as these context effects grow more substantial.

I define organizational agility and some of its related elements such as innovation. I explore how many organizations aspiring to become agile are pursuing agility through cost-cutting, downsizing, offshoring or outsourcing non-core activities, working through networks of suppliers and ‘partner’ organizations. I consider what enables an organization to become more adaptable and resilient so that it can respond to a changing environment more quickly and find ways to thrive in that new and challenging environment. The connection between organizational resilience and the employment relationship between employers and employees is discussed. Implications for the skills and mindsets of people working in resiliently agile organizations are highlighted.

Chapter 2: Why are agility and resilience so elusive?

As the chapter title suggests, examples of truly agile organizations are rare while evidence of lack of agility abounds. Here we consider some of the reasons why that might be the case. We start by setting the search for agility in a historical context, looking at the changing nature of the ‘white collar’ employment relationship between employers and employees and the changing balance of power in that relationship. We then consider a range of structural and cultural practices that add to complexity and anchor organizations in the past. We also examine the new leadership mindsets and skill sets required for leading in fast-moving, ambiguous business environments. Finally we look at some of the people ‘push’ factors for change, not least talent shortages and changing workforce demographics, which are driving a new focus on getting right ‘the people bit’.

Chapter 3: The resiliently agile organization

This is an overview of the resiliently agile model and related capabilities and routines. The model comprises four quadrants – agile strategizing, implementing, linkages and people practices. Central to the model is agile culture and people. The model’s elements are explored in turn in later chapters of the book.
Chapter 4: Agile strategizing

We discuss differences between conventional strategy making and the process of strategizing – in particular the importance of involving the people who will execute strategy in its formulation. We draw lessons from long-lived successful companies about the centrality of shared purpose and how this might be developed. We consider the role of top leadership in strategizing, and the skills involved, especially knowing where to go ‘tight’ and ‘loose’ with respect to control and enabling greater autonomy.

Chapter 5: Agile implementation

Closing the conventional gap between strategy formulation and implementation will require new ways of operating, new disciplines and the adoption of new routines and high-performance work practices, such as self-managed teams, so that innovation and speed become embedded capabilities in the new, agile ‘business as usual’. We discuss lean methodology, agile project management disciplines and how to create an internal climate conducive to innovation. We consider the implications of these agile practices for the roles of line managers in particular.

Chapter 6: HR’s role in building a high-performance work climate

In this chapter we look at some of the many ways in which the Human Resources (HR) function can contribute to building a culture of high performance and innovation. Here we focus in particular on how HR strategies relating to performance management, reward and benefits are changing to reflect context shifts and to support specific organizational strategies such as innovation.

Chapter 7: Agile linkages

Organizations increasingly pursue agility and flexibility by working across and beyond conventional boundaries of time and place. We discuss emergent flexible organization forms and focus on the rise of virtual working, looking in particular at the role of the virtual manager. We examine some of the challenges of working in strategic alliances, including their implications for managers, and consider what can help alliances to work effectively.
Chapter 8: Agile people processes

In this chapter we start to look at the ‘people’ aspects of agility: in particular some of the challenges of attracting and developing a flexible workforce – specifically those people deemed to be ‘talent’. All too often these people challenges are addressed piecemeal, with separate, short-term solutions and the temptation is to rush straight into action to ‘fix’ the problem. A more strategic approach is needed in order to equip organizations with the people they need now and for the future, so here we consider how approaches to strategic workforce planning, talent management, development approaches, retention strategies and succession planning can become more agile.

Chapter 9: Nurturing employee engagement and resilience

Simply having the ‘right people’ in the ‘right’ place at the ‘right’ time is not enough to ensure agility. People need to be willing to give their best and also willing to adapt to changing requirements. Here we consider the central link between employee engagement and employee performance, commitment and retention. We look at what is involved and consider the roles played by executives, line managers, HR/Organization Development (OD) and employees themselves in creating a work context conducive to employee engagement. We also consider typical human responses to change and how organizations can help to maintain employee engagement and build employee resilience during times of change.

Chapter 10: Change and transformation

Conventional planned change based on the idea that organizations are machines that can be ‘re-engineered’ has a poor track record of success yet it remains a preferred management approach. In this chapter we look at how ‘planned’ change can be effected in a way that achieves win-win outcomes for organizations and employees. In particular we consider the importance of getting stakeholders on board and involving people in the change process.

Chapter 11: Building a change-able culture

In this chapter we look at stimulating the development of a change-able culture, building a receptive organizational context for innovation, change and
high performance. We look at what a ‘change-able’ context might look like and how to build a social movement for change and improvement within organizations. In particular we explore the role of leaders in culture change.

Chapter 12: Agile leadership

The question we consider in this chapter is how to build leadership across organizations – not only by developing people and teams in ‘formal’ leadership roles, but also catalysing a culture of shared leadership and accountability at all levels. We look at the shifts taking place in leadership practice, including towards values-based leadership. We consider what these shifts mean for the skills and mindsets required of leaders – and how these can be developed. In particular we look at how leaders can build a culture of shared leadership, the bedrock of sustainable agility and renewal.

My aim is to demystify the theme of organizational agility and resilience and to draw some practical insights. I have therefore included checklists throughout the book and case study examples where possible to illustrate how some of the theory can be put into practice.

Notes


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