

# The Impact of Work Force Agility on Business Performance

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## White Paper

Agility is an issue that is becoming more and more prominent in businesses across industries. While it is a common goal, its meaning can be somewhat ambiguous. Depending on the context, agility can mean different things to different organizational units. But one common thread persists: the accelerating speed of change. Change is not only driving organizations to keep up and anticipate, but more so to be its catalyst in order to be competitively positioned.

The speed of change is not a new phenomenon. In the 1960s, researchers noticed how technology was impacting the rate of change; how the ‘nature of change was changing’ and how normal expectations and rules for dealing with change no longer applied.<sup>1</sup> From these studies, the term ‘turbulent environment’ was coined. Companies that could not adapt quickly enough struggled for survival. Today, companies battle for their corporate lives as change progresses at an alarming pace with the predication that we will see “more change in the next 30 years than we saw in all of the last 100.”<sup>2</sup>

Many organizations are not able to endure and lose the battle as is evident in the changing list of Fortune 1000 companies. According to *Built to Change: How to Achieve Sustained Organizational Effectiveness*, “An analysis of Fortune 1000 corporations shows that between 1973 and 1983, 35 percent of the companies in the top 20 were new. The number of new

companies increases to 45 percent when the comparison is between 1983 and 1993. It increases even further, to 60 percent, when the comparison is between 1993 and 2003.”<sup>3</sup>

In a series of *Major Issues* surveys conducted by the Human Resource Institute, managing change has been perennially ranked among the top work force-management issues since the 1990s.<sup>4</sup> The findings clearly support the need for an agile work force:

- 82 percent of respondents report that the pace of change experienced by their organization has increased compared with five years ago
- 69 percent say that their organizations had experienced disruptive change (severe surprises or unanticipated shocks) over the previous 12 months
- Higher performers viewed themselves as agile and resistant
  - See change as an opportunity
  - Say that the pace of change has accelerated, but is still predictable
  - Having better change capacities at the individual, team and organization levels
  - Engage in strategies to improve change management skills

<sup>1</sup> “The Causal Texture of Organizational Environments”, F.E. Emery and E.L. Trist, *Human Relations*, vol.18 (1965), pp. 21-32

<sup>2</sup> “A Great Nation, How Americans can lead and prosper in a changing world”, Technology CEO Council © 2007

<sup>3</sup> “Built to Change: How to Achieve Sustained Organizational Effectiveness”, Edward E. Lawler III and Christopher G. Worley, Jossey-Bass © 2006

<sup>4</sup> “Agility and Resilience in the Face of Continuous Change: A Global Study of Current Trends and Future Possibilities”, Institute for Corporate Productivity (i4cp)

Change management has become a significant corporate undertaking because it is critical to business success. With emerging technologies, rapid innovation, new business models, regulatory compliance and fierce competition, change has become more intense and relentless. From this rapid-fire environment, the need for agility has emerged as a front burner issue.

This paper examines:

- The qualities of business agility
- Challenges the restrain agility
- And how leadership, technology, business-critical information and other organizational aspects can improve an organization's agile ability.

### Defining Agility

Fundamentally, an agile business “can move quickly, decisively and effectively in anticipating, initiating and taking advantage of change.”<sup>4</sup>

But what are the traits that give businesses the agility edge? In *Agile Business for Fragile Times: Strategies for Enhancing Competitive Resiliency and Stakeholder Trust*<sup>5</sup>, the following are listed as qualities of companies that are successfully agile:

- Maintaining a continual focus on profitability and revenue growth
- Understanding central priorities and the importance of assessing and reporting on value
- A sustained commitment to communications that starts at the top
- Acquiring and filtering pertinent information from and to key constituents, rapidly
- Testing assumptions and frequently measuring results
- Having a performance culture

- Enabling shared decision making
- Adapting rapidly to change

It further states that companies that embrace these traits have a “survivability edge that allows them to observe, react and factor market changes into an embedded discipline of continual cost and growth refinement.”

To be truly successful in creating and sustaining an agile business, leaders must exemplify these qualities in order for agility to permeate the entire organization. Executives must effectively drive and manage change to strategic goals; create environments that encourage innovation, collaboration and problem-solving; recognize and reward high performance; ensure effective and efficient communication; and identify and minimize barriers to change. Executives who understand, cultivate and infuse these traits throughout the organization create a workplace of high performers. The critical role of leadership in fostering and developing an agile work force is underscored by executive education programs such as “Strategic Agility: Leading Flexible Organizations” from Harvard Business School’s Executive Education Program and “High-Performance Leadership” from the University of Chicago Graduate School of Business.

As the need for agility moves down the managerial chain and into the functional units, it can manifest itself in different ways. At the level of an individual contributor, agility is demonstrated by the ability to quickly solve day-to-day business problems, to identify new processes and frameworks for speed of delivery, to cross global and functional lines without faltering and to accept, respond and initiate change. Employees who adopt and thrive in the reality of change have a propensity to be high performers.

While the need for agility is obvious, its pursuit can be riddled with obstructions that impede it.

<sup>4</sup> “Agility and Resilience in the Face of Continuous Change: A Global Study of Current Trends and Future Possibilities”, Institute for Corporate Productivity (i4cp)

<sup>5</sup> “Agile Business for Fragile Times: Strategies for Enhancing Competitive Resiliency and Stakeholder Trust”, Mary Pat McCarthy and Jeff Stein, McGraw-Hill © 2003

### Challenges that restrain agility

Leaders need to fuel agility, but many senior executives lack the necessary management skills and often display management styles that produce opposite effects. Intimidating employees to get results ends up suppressing productivity and creativity, producing uninspired and unimaginative work with minimal effort and contribution. Rhetorical communications cause mistrust and ambivalence, while lack of communication provides nebulous goals and strategy. Dismissing feedback from employees or ignoring problems can end in disaster as projects fail, opportunities are missed and workers lose motivation. Ignoring employees who under perform or avoid responsibilities shifts the burden to their co-workers, creating resentment.

Senior management needs to lead the way to an agile organization through example of honest and frequent communications and by creating a safe haven of trust and relationship building. Relationships need to expand beyond peer-to-peer to an interconnection of the entire work force. “We can no longer simply look out for ourselves—we must look out for everyone. The commitment to mutual success must be a part of the culture and embedded in every action we take.”<sup>6</sup> This connectivity is the underpinning of a culture that fosters agility.

Culture is not the only area in which leaders need to set the tone. A void in the work force is looming on the horizon. With millions of baby boomers approaching retirement age, the U.S. Bureau of Labor Statistics (BLS) has determined that “as early as 2010 there won’t be enough workers to staff the nation’s jobs.”

With a relatively small pool of workers, the competition for talent will be hot. While 50 percent of employers report on the

value of “loyalty, reliability and strong work ethic” of this generation, few employers have identified plans to encourage them to work beyond traditional retirement age.<sup>7</sup> The experience and expertise that will be lost with this generational shift will put businesses in jeopardy.

While businesses are anxious about this trend, few have done anything to prepare for it. The burden will fall largely on the remaining work force. “Organizations that understand the immediacy of the baby boom exit and thoughtfully prepare for it will be in the best position to achieve unmatched success.”<sup>8</sup>

### The Role of Technology in Achieving Agility

Impediments to work force agility can also be generated by what is frequently thought of as a means of revolutionizing businesses. Technology, while seen as a core asset for driving and managing change, can also be a primary obstacle in preventing change. Increasingly, technology is becoming more complex with a myriad of system platforms that inevitably need to integrate with one another. This assimilation of technology, which requires regular installations, upgrades and frequently, customization, can slow down an organization’s ability to keep pace as well as introduce risk to existing processes. In parallel, business is demanding greater output of these systems, which requires more data and analysis. Digitizing, manipulating and generating this content in useful forms are not only subject to human error, but very costly in time and labor. With every 25 percent increase in the complexity in the tasks to be automated, the complexity of the software solution itself rises by 100 percent”<sup>9</sup>. Platforms that attempted to service the needs of the entire enterprise have proven to be one of the most costly

<sup>6</sup> “Powerhouse Partners: A Blueprint for Building Organizational Culture for Breakaway Results”; Stephen M. Dent and James H. Krefitt; Davies-Black Publishing © 2004

<sup>7</sup> Report: Retiring Baby Boomers Expected to Hurt U.S. Companies; Inc.com; 3/07

<sup>8</sup> Preparing for Baby Boomer Retirement; CLO Media; James J. L’Allier, Ph.D. & Kenneth Kolosh; 6/2005

<sup>9</sup> “Facts and Fallacies of Software Engineering”; R.L. Glass; Addison-Wesley Professional; 1st edition (October 28, 2002)

<sup>10</sup> Kyung-Kwon Hong, Young-Gul Kim, The critical success factors for ERP implementation: an organizational fit perspective, Information and Management, v.40 n.1, p.25-40, October 2002

<sup>11</sup> “How CIOs can drive growth, business flexibility and innovation in a flex-spon-sive\* company”, IBM Global Service, April 2007 )

software expenditures organizations have ever incurred and have ended up producing such complex and difficult issues that 75 percent of implementations were considered failures.<sup>10</sup>

Service-oriented architecture now promises to be the solution and is frequently referenced as a means to agility. One study on the business value of SOA found that 100 percent of respondents saw increased business flexibility from their first SOA project.<sup>11</sup> But other research contradicts this, saying that it could take decades for most companies to realize its benefits; a timeline that diminishes SOA's capability to support real-time business needs.<sup>12</sup>

The vision that enterprise technology would streamline and simplify business has fallen short. Rather than the ability to respond quickly to change, technology, in many cases, is causing rigidity. Senior management is exacerbating the problem. People issues remain the number one hindrance to IT progress.<sup>13</sup> Business executives are in denial, resisting acknowledgment of the situation, partly because they do not have the skills to comprehend its complexity and partly because they do not want to hear about the problem. CIOs and managers rate business alignment as their top priority. However, the view from business leaders is that IT departments are not innovative, but rather conservative.<sup>14</sup>

If IT can reinvent itself from focusing on reducing costs to supporting a workplace that enables high performers to work on “non-routine tasks that support or facilitate unstructured, exploratory, creative, teaming, leading and learning activities,” it can help to drive business.<sup>15</sup> IT must also let go of the notion

that it must manage all of the related processes from needs analysis to testing, sharing these responsibilities with other business units.<sup>16</sup> By managing this metamorphosis, IT can help to increase an organization's agility rating.

### The Changing Nature of the Workplace

The workplace is also transitioning with global expansion, virtual locations and mobile offices. Rather than being a hindrance to agility, studies have consistently shown productivity gains of 15 percent with the distributed work force.<sup>17</sup> Further, the distributed work force is found to reduce basic support costs, attract and retain talent, reduce the business risk of disruption and reduce the impact of business on the environment.<sup>18</sup>

So why isn't a distributed work force on the top 10 list of achieving agility? According to the authors of *Corporate Agility: A Revolutionary New Model for Competing in a Flat World*, there are “eight reasons that distributed work isn't the next big thing in business, despite the clear evidence in its favor.”

- Inherent human inertia against externally imposed change
- Organizational inertia
- Management habits and industrial age thinking
- Fear on the part of middle managers
- Fear on the part of front-line workers
- Uncertainty about communication and relationships in a distributed environment

<sup>12</sup> “Information Technology, The Trouble with Enterprise Software; MIT Sloan Management Review, Fall 2007

<sup>13</sup> Achieving Agility: Growth, Agility and High Performance Workplace Strategies Are Intimately Linked., Tom Austin

<sup>14</sup> MIT Sloan Management Review; Information Technology, The Trouble with Enterprise Software: Has Software become too complex to be effective?; Cynthia Rettig, Fall 2007

<sup>15</sup> “Gartner Says a High-Performance Workplace Will be Essential to Business Success During the Next Decade”; Gartner Research, 2005

<sup>16</sup> “Achieving Agility: BPM Delivers Business Agility Through New Management Practices”; Gartner Research, 2006

<sup>17</sup> C. Grantham and A. Campbell, “Organizational Assessment in the Distributed Work Environment: Using Measures of Intellectual Capital in the Planning Process,” in *International Perspectives on Telework: From Telecommuting to the Virtual Organization*, Paul Jackson (ed.) (London: Routledge, 1997).

<sup>18</sup> “Corporate Agility: A Revolutionary New Model for Competing in a Flat World”; Charles E. Grantham, James P. Ware and Cory Williamson; AMACOM © 2007

- The CEO “Edifice Complex” that leads to visible corporate facilities
- Plain old complexity—distributed work is truly a big change

### The Critical Role of Information

Whether it's a distributed work force or employees in a corporate facility, the constant shifting of business requires a critical component that crosses all business units and functional roles. The work force must be able to access information that will provide knowledge for needed skills, to stimulate thinking and for creating innovative ideas. With the speed of change, information is proliferating at such a disturbing rate that it has overloaded our ability to gather, process and comprehend it.

Faced with this overabundance of information, senior leaders are frequently paralyzed in their decision-making. If these professionals expect to be decisive, they need to employ new techniques to be able to make decisions with limited information and they need to break away from the belief that good decisions are based on culling and analyzing volumes of data. “If we are to learn to improve the quality of the decisions we make, we need to accept the mysterious nature of our snap judgments. We need to respect the fact that it is possible to know without knowing why we know and accept that — sometimes — we're better off that way.”<sup>19</sup>

It's also critical that the information available to the work force is in context; it needs to apply to the situation within the framework of business and function. Again, research shows that existing IT infrastructures are barriers because they are unable to deliver information in context, inhibiting quick response and encouraging procrastination.<sup>20</sup>

With the inability for internal infrastructures to deliver needed information, the work force is looking outside of company's resources and is spending inordinate amounts of time searching. It's reported that workers spend 12 hours each week on information gathering tasks.<sup>21</sup> Additionally, “...the information they are finding is of no value or is incorrect”<sup>22</sup> The alarming consequence is that “...ineffective search and delivery strategies are hampering business competitiveness, impairing service delivery and putting companies at risk...”<sup>23</sup>

Without the right information at the time of need, the work force will falter in executing initiatives and will jeopardize the success of the organization. Businesses must find ways to streamline information gathering to provide quick and precise access. This will enable the work force to move quickly, decisively and effectively in anticipating, responding and driving change.

Business must take action in acknowledging and understanding how these challenges, and others, impact work force performance and ultimately organizational success.

### Embracing agility within your organization

Close assessment of how your organization operates and of employee response to change can be first steps in helping to determine your agility level. Management hierarchies need to be examined to see if they are restricting innovation, actions and decisions. Employees should be viewed as companies' greatest assets and their reactions to change should be understood. Development of a culture of open communication from the top down and from the bottom up can help ensure the flow of information, while scrutiny of business units and their interaction can reveal their ability to be agile. Technology infrastructure must support the exchange of your company's business information and intelligence.

<sup>19</sup> “Blink: The Power of Thinking Without Thinking”; Malcolm Gladwell copyright 2005

<sup>20</sup> “The Essence Of Business Agility - Looking at the line manager as a consumer of business technology will yield a nimbler company”; By C.K. Prahalad, M.S. Krishnan, Venkat Ramaswamy, Optimize (<http://www.optimize.com/issue/011/leadership.htm>) September 2002, Issue 11

<sup>21</sup> BusinessWeek Online, Special Report: Executive Guide to Search, Marc Strohlein, 6/2006

<sup>22</sup> Accenture Newsroom Survey, 1/2007

<sup>23</sup> Butler Group Report “Enterprise Search & Retrieval” - 10/2006

Programs that support and cultivate leadership development, talent management, change management and skill development should be part of your company's operating process and should be continuous and encompass all employees. Immediate access to trusted information should be in the context of the work flow and readily available within the work place environment regardless of location.

Companies that close their eyes to the need for agility and resilience in this turbulent world will surely lose competitive traction as others quickly advance to take the lead.