# the importance of being agile

Agile organizations have processes and structures that allow them to know what is going on internally and externally, as well as the mechanisms to act on that knowledge in a timely fashion.

**By Faisal Hoque**

ILLUSTRATION: JON WATSON

The word "agility" is often used to describe nimble startups unencumbered by corporate hierarchies with multiple procedural layers and legacy products. People erroneously think that only companies that capture the attention of an adoring public illustrate what it means to use agility to create and expand a business.

Conventional wisdom says that the old guard, the loyalists of corporate America, can't be innovative or agile. This is far from the truth. By developing an environment in which strategic exploration and business agility occur, enterprises can establish and sustain their competitive position. Agile organizations have processes and structures that allow them to know what is going on internally and externally, as well as the mechanisms to act on that knowledge in a timely fashion.

To remain competitive, enterprises must plan intelligently, make the most efficient use of available resources and take quick, effective action. The key to thriving is being able to identify, understand and respond to accelerating change and disruptions as they happen.

Companies must find new ways to streamline business activities to eliminate redundancy and costly exceptions, while creating higher value. Leading companies have mastered the ability to reduce costs—despite the rising costs of doing business—by increasing their ability to respond and adapt to frequently changing business conditions.

Often, the right response at the right time can be the key to gaining a competitive edge. BTM Research supports this position through findings that identify agility as the right response to today's tough business climate, illustrating that the ability to be agile makes the difference between taking advantage of change and falling victim to it.

The findings show that these companies are agile because they have converged their management of business and technology. Organizational constructs, processes and management behaviors drive business agility and lead to improved financial performance.

Traditional practices did not stress the need for agility and innovation, but business now runs very differently than it did in the past. Boundaries no longer exist, and we play on a global field, where unforeseen changes in the marketplace and the competitive climate can arise at any time.

In today's business world, agility and innovation are essential to the growth and survival of an organization. Constant change is the new dynamic of the global economy, which makes agility more necessary now than at any time in history.

## WHAT'S IN A NAME?

Business leaders often use agility to describe their business plans and strategic initiatives, but it's frequently little more than a vision. So, what does agility really mean to business, and how does it help achieve higher levels of efficiency and success?

Agility requires planning, processes and structures. Technology-based initiatives have long enabled organizations to coordinate activities with their business partners. For instance, many companies share their forecasts and plans with suppliers and distributors to extract networkwide efficiencies.

Although efficiencies can be extracted through the coordination of activities across a business network, such processes don't sense and respond to unforeseen events. Simply put, such business networks improve performance in a predictable environment, but provide a false sense of security under rapidly changing conditions.

Agility requires the dynamic configuration of processes across a business network. Such efforts allow companies to know what is going on internally and externally, enable them to move quickly to take advantage of the changes they need, and give them the imagination to see themselves in a different light.

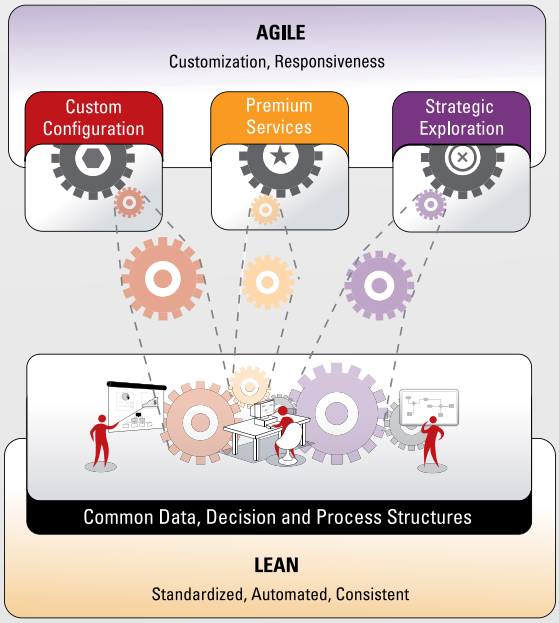
Regardless of where one begins the journey toward agility, a converged management of business and technology often plays a crucial role in establishing the strategic position required to adjust or change based on unforeseen market circumstances.

To do this, agile companies establish formal relationships with customers, partners, suppliers and the public. These relationships act as their antennae, or sensors, of change, and warn or predict shifts—whether opportunistic or threatening.

Being agile requires organizations to translate that information into the ability to sense and respond accordingly to each situation. Designing and managing business processes and technology enablers in an integrated way can shape these capabilities. Through this type of structured process, immediate action can be taken. Such actions incorporate agility as part of an organization's DNA.

## ATTRIBUTES OF AGILITY

Recent BTM Research, conducted in partnership with IBM, examined the attributes of agility and the ways in which successful companies employ technology to achieve it. The BTM Business Agility Index revealed the key role business agility holds in economic performance, and how business technology convergence can accelerate the establishment of a strategic position that drives such action and bene-

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fits. Furthermore, the findings specify the behaviors and constructs that drive agility: They are defined as a repeatable management practice that can be implemented in any organization, regardless of size or industry.

The index was built on a framework that describes the processes, structures and behaviors that make up business agility: management behaviors, business technology architecture and operational practices. The first phase of this study, conducted during the first quarter of 2010, examined publicly traded U.S. companies across multiple industry groups, using a range of financial measures, including value, performance, growth, margin, capital efficiency and stock price volatility, to measure the financial effects of business agility.

The results show that companies with very mature business agility characteristics (the business agility leaders) exhibited superior financial performance, including:

- 13 percent to 38 percent performance advantage in capital efficiency and value;
- 10 percent to 15 percent performance advantage in margin;
- 0.2 percent to 5 percent performance advantage in revenue and earnings growth; and
- 23 percent to 29 percent less stock price volatility.

BTM assessed corporations across dozens of market sets and sizes by top-line revenue. Their performance ranged from Level 1 (with incomplete or missing elements) to Level 4 (having all elements of business agility). Only a few enterprises were fully agile, approaching a Level 5 rating.

## BUSINESS AGILITY REQUIREMENTS

Enterprises must meet three requirements to achieve business agility:

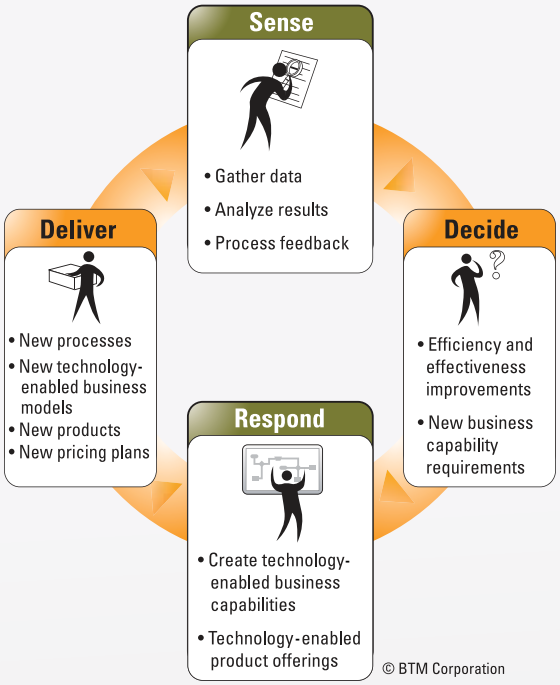
1. Companies must have the processes and structures in place that indicate what is going on both internally and externally. They also require the mechanisms to act quickly on that knowledge.

They must facilitate learning from various processes to respond to changes in their environments. This learning must operate at different levels and within different areas of the firm, and it should be based on recurrent sense-and-respond cycles. (See graphic on next page.)

Business technology can facilitate these learning processes by supporting the collection, distribution, analysis and interpretation of data associated with business processes; by generating response alternatives and decisions on appropriate courses of action; and by orchestrating selected responses.

2. Enterprises must emphasize both improvement and innovation. Opportunistic firms emphasize improvements, but often fail to foster innovation. They follow best practices, listen to the customer and are good at improving current capabilities. Innovative firms, in contrast, focus on innovating processes through new technologies, services and strategies. They generate "next" practices, but have a limited focus on fine-tuning current operations.

When market pressures are high and the environment is turbulent, the ideal is an agile firm that combines improvement and innovation initiatives to constantly




reposition itself. Agile firms are able to improve existing practices and innovate new ones because they have an enterprise architecture in place that forms a construct in support of the overall strategy.

3. Another key requirement is having distributed and coordinated authority. Agile firms must adopt radically different forms of governance and translate their mission and objectives into information that can be easily interpreted by constituents.

These companies must replace traditional command-and-control approaches with mechanisms that facilitate coordination both within and across locales. These mechanisms must provide individuals, groups and units with the autonomy to improvise and act on local knowledge, while orchestrating coherent behavior across the enterprise. Processes—the assignment of tasks and responsibilities—must be supplemented with personal accountability.

## BUSINESS PROCESS ENABLERS

For as long as formalized management practices have been in existence, organizational process has been an object of much-needed improvement. Despite this multi-decade focus, business technology processes in many companies remain unmanaged, and, consequently, haphazardly executed. Such unmanaged processes cannot detect and adapt to changing market conditions, and that can be fatal in today's business environment.

To enable agility, processes must cross both internal and external company boundaries. Process improvements and innovation initiatives must span an enterprise's business network, which includes its customers, suppliers, distributors and regulators.

Agility requires the dynamic configuration of processes across a business network, based on changes in customer requirements. This shift toward real-time business networks requires five key enablers:

First, managers must focus on process enablement of customer requirements. Agility requires that customer requests be sensed and interpreted so they can be negotiated and translated into the specifications of production and then distributed across the business network.

Second, managers must ensure the process enablement of business network intelligence. This requires the aggregation of disparate information, and the filtering and distribution of this information to points of relevance.

Third, business managers must emphasize partnering agility. Agile partnering requires that firms initiate, reconfigure or possibly sever ties with others. Both core and non-core activities can be distributed across business partners.

Fourth, managers must focus on process enablement of activity allocation and coordination across the business network. The distribution of activities for real-time configuration of products and services requires visibility of contracted resources and capacities, along with service levels to complete these activities.

Fifth, managers must emphasize process enablement of relationship governance. This requires the negotiation of outcomes and the approaches to achieve them. Business and process models can facilitate negotiation of contracts, including service-level agreements.

The quest for success in an organization begins with repeatable, day-to-day disciplines through the converged management of business and technology.

Research conducted by the BTM Institute has shown that genuinely agile and innovative organizations have moved toward the convergence of business and technology management.

One sign of a converged company is that the people making decisions on business and technology are the same people: In other words, they are conversant in both areas and involved in both areas. They have an understanding of the business mission and an appreciation for the technologies that enable it.

In contrast, enterprises that fail to take a multidisciplinary approach can't move quickly or intelligently to seize a competitive advantage or respond to threats.

Convergence relies on repeatable, cross-disciplinary management capabilities that will drive agile, innovative and extended enterprises. Convergence occurs in the establishment of organizational structures, processes, information flows and automation that unite decision making from the boardroom to the project team.

Converged organizations are able to adapt and move rapidly in response to events and change. This is a direct result of the two sides of an organization acting in unison, with full knowledge of what resources they have available and what they need to do to act on either an opportunity or a threat. ST

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