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The challenges of organizational agility: part 2

Steven H. Appelbaum, Rafael Calla, Dany Desautels and Lisa N. Hasan

Abstract

Purpose – Planned episodic change programs, rigid processes and traditional structures, optimized for efficiency rather than agility, are no longer appropriate in a context where competitive advantage is fueled by high-speed innovation, supported by a more entrepreneurial mindset. The purpose of this paper is to offer a review of relevant research to provide an informed case for continuous strategic transformation facilitated by enhanced organizational agility. The concept of agility is explored, defined and a framework for categorizing agility-enhancing capabilities is presented. Specific aspects of this agility framework are examined to better understand how these interrelated competencies contribute to overall corporate performance in this fast-paced world.

Design/methodology/approach – A range of published empirical and practitioner research articles were reviewed to study the concepts of organizational agility and transformation as critical factors contributing to sustained competitive advantage, organizational performance and survival in the increasingly competitive global context. This literature review explores how organizations are overcoming the challenges imposed by their traditional structures, cultures and leadership models and identifies dynamic competencies to be developed to achieve a greater level of corporate agility.

Findings – Increased organizational agility increases the ability to respond proactively to unexpected environmental changes. The commitment to continuous transformation and agile strategies implies changes at all levels of the organization from its structure, through its leadership and decision-making dynamics, down to the skills and interpersonal relationships of the individuals implementing the agile mission.

Research limitations/implications – There is a gap in the literature with respect to agility, namely that most research focuses on the characteristics of agile organizations, with little attention given to how to develop agile capabilities and embed the commitment to continuous change deep into the corporate DNA, beyond the process level, into the psyche of the people driving the organization.

Practical implications – Managers should consider agility as an overarching principle guiding strategic and operational activities. Fostering agility-enhancing capabilities will be paramount in ensuring the successful integration of agility as a performance enhancing paradigm.

Social implications – For small- and medium-sized companies with limited resources, this reality makes staying relevant an uphill battle but also opens windows of opportunity. The challenge of the next century for large organizations will be to rekindle their innovative agile beginnings and for start-ups to continue to foster their dynamic capabilities as they grow.

Originality/value – The paper provides practical and empirical evidence of the importance of enterprise agility and specific dynamic capabilities on firm performance.

Keywords Performance management, Agility, Organizational transformation, Dynamic capabilities

Paper type Literature review

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Agile leadership

Leadership style

Part 1 of this paper covered transformation, organizational agility, evolution or revolution, dynamic capabilities, agile strategy and adaptable organizational structures. Part 2 moves further along the leadership continuum toward comprehensive agility required for future transformation. The ability to manage and reassemble, rapidly and decisively, complex networks of resources and relationships capable of taking advantage of short-lived opportunities is key to sustained competitive advantage in today's volatile business environment (Kotter, 2014; McGrath and MacMillan, 2009; cited in Leavy, 2014). Our review of the literature has focused primarily on how organizations are overcoming the challenges imposed by their traditional structure, culture and

leadership models in their quest to combine internal stability with external agility and how these transformational change programs contribute to overall organizational agility, operational performance and survival.

de Oliveira *et al.* (2012) conducted an empirical study to analyze the influence of leadership style and factors associated with organization agility on project performance. Their main finding was that the combination of all these elements yields the highest project performance (de Oliveira *et al.*, 2012, p. 653). The analysis carried out in this study confirms the intuition, expressed by scholars and business leaders alike, that top-down, disciplinarian style leadership is neither appropriate nor conducive to collaboration and innovation (Hamel, 2009). Their findings indicate that:

[...] transactional leadership fails to significantly contribute to the performance of innovation projects [...] [while] a considerable relationship [exists] between transformational leadership and project performance [...] Project performance is influenced by all agility factors: communication, continuous improvement, continuous delivery, flexibility and team maturity. These, in turn, are mainly affected by individualized consideration and inspirational motivation (de Oliveira *et al.*, 2012, p. 669).

Leadership dynamics

Leadership dynamics and the motivation of knowledge workers were also studied by Schuiling (2014), whose 25-year study describes the change efforts and action research projects conducted by a Dutch multinational along its journey from command and control leadership to collaborative community. This in-depth look into the interpersonal relationships, at both vertical and horizontal hierarchical interfaces, sheds light on how organizations can achieve such a profound cultural transformation by involving knowledge workers in strategy development and creating opportunities for workers to take charge of the processes for which they are both responsible and accountable. This study provides an exhaustive list of interaction rules that can guide organizational members through the complex, and otherwise unstructured, process of changing the nature of interaction patterns. In this case study, the interaction rules “that allow [managers and knowledge workers] to negotiate the felt difficulty and identify their own roles in working on it in a creative, responsive way” (Schuiling, 2014, p. 221) contributed the most to organizational agility. Understanding organizations as emerging from the collection of interactions, places unprecedented importance on engaging in humble inquiry, seeking out diverse points of view, in both strategic and interpersonal spheres, and the creation of a safe environment for the exploration of tensions and other emotions as part of the work required to create a climate where workers are “involved in decision-making [...] [and supported by] training in technology, and a reward system which reinforces agility-promoting efforts” (Crocitto and Youssef, 2003, p. 388).

Risk bearing attitudes and decision-making environments

The greater involvement of decision makers, at all levels of the organization, warrants an investigation into the impact of decision-making attitudes and environments on the level of organizational agility. As explained by Mishra *et al.* (2014) in their empirical study exploring precisely this issue, a precursor to this question is the ability create a meaningful measure to quantitatively benchmark agility.

Their findings demonstrate that “decision-making attitudes (neutral, risk-averse and risk-taking), affect the quantitative evaluation of the overall agility degree, which is correlated with a predefined agility measurement scale” (Mishra *et al.*, 2014, p. 1084).

More specifically, for a risk-averse group, the enterprise agility level has been categorized as “merely agile”. The fair or neutral decision-making group has analyzed the same enterprise agility level as “moderately agile,” while for an adventurous decision-making group, the organizational agility level has been evaluated as “very agile” as decision making is increasingly driven by their risk-taking attitude (Mishra *et al.*, 2014, p. 1107). Thus, the greater the level of risk a decision maker is willing to tolerate, the greater the level of organizational agility measured. These findings are in line with McGrath and MacMillan (2009), as cited in Leavy (2014), who advocate that everyday innovation and agility can only be achieved by embracing informed risk-taking and acknowledging the value of lessons learned from intelligent failures and the healthy disengagement of unprofitable projects.

Given the importance of transformational leadership that is comfortable with experimentation, open to decentralized decision making and capable of rallying the diverse network of social relationships around a common purpose, how can corporations develop and foster these new, unconventional, management skills?

Leadership development

Varney (2008) explores precisely how “strategic HR professionals [may] create the conditions for leadership learning to play a key role in supporting organizational transformation” (Varney, 2008, p. 5). Focusing on a major corporation’s turnaround, this case study, attributes much of the company’s success to its leadership development program. With the implementation of this development program, the company bounced back from negative earnings and a \$2 share price, to very high positive earnings in 2007, which continued through 2008 and 2009, to yield a share price of \$30. Although the author argues that leadership learning is not an exact science and not the only tool for organizational transformation, she states that “while there is no single recipe for success, research has highlighted three contextual perspectives that strategic HR professionals can pay attention to in order to invest their development time and budgets wisely – space, stimulus and self” (Varney, 2008, p. 6) (see the Appendix). It is fair to assume that for an organization to remain agile in its internal workings, leadership programs should be put into place so that all organization members can better contribute to the corporate goals and vision. These programs ensure that corporations support their members as they learn to become the flexible, multi-skilled individuals, having cross-coordination and collaboration capabilities that are now required in addition to their functional expertise (Meredith and Francis, 2000; Gulati, 2007).

Agile people

Employee satisfaction

The link between employee behavior and organizational transformation and agility is another aspect of the literature that was examined. According to Burke *et al.* (2005), “studies indicate that satisfied employees will ensure that their organization achieves its business goals” and that “employee satisfaction influences organizational performance and customer satisfaction” (p. 359). Kulas *et al.* (2007) add to this by stating that “it is crucial for organizations to improve and sustain employee satisfaction because of its visible effect, which also includes employee turnover, deviant behavior and property and production deviance.” Therefore, how employee satisfaction plays a critical role in organizations can be observed. In a study done on a South African water utility company, three surveys were conducted on large samples for three separate years. Although it is not worth mentioning the data points that were studied in this case, what is notable from this study is that “organizations will be able to leverage on their areas of strength and to initiate relevant interventions for their developmental areas” (Ledimo and Martins, 2014, p. 209), which is something that will remain very important for organizations to remain responsive as the internal foundations may change over time.

Team striving and agility

Keister (2014) identifies a gap in the literature with respect to agility, namely that most research focuses on the characteristics of agile organizations, with little attention given to how to develop agile capabilities and embed the commitment to continuous change deep into the corporate DNA, beyond the process level, into the psyche of the people driving the organization. This mixed-methods study is founded on the premise, supported by a strong body of clinical research, indicating that “change agility occurs when people are engaged, ready to take on new challenges (Ryan and Deci, 2000), open and generating new ideas (Fredrickson, 2001), learning (Bandura, 1977) and feeling vital (Sonnentag and Niessen, 2007), all of which also describe a state of thriving” (Keister, 2014, p. 300).

Based on this definition, this qualitative study found a significant positive correlation between high levels of team thriving and high levels of change agility and argentic behaviors that promote group efficiency, collaboration and innovation, similar to the three of the four C’s (coordination, cooperation and connection) proposed by Gulati (2007). Furthermore, attunement, a sensory awareness of the

environment's dynamics, was shown to "amplify the relationship between thriving and change agility, making attunement an attribute of thriving teams that can be leveraged to develop a team's change agility" (Keister, 2014, p. 314). With this observation we have come full-circle back to our initial discussion of the importance of strategic planning and decision making being informed by the environment at all levels of the organization and across all corporate boundaries.

Sustainability

Sustainability is a key topic that is widely recognized as affecting every single organization's long-term growth and prosperity prospects. But this was not always the case. The rise of sustainability as a major global concern over the past few decades, provides a unique laboratory for examining how small and large organizations have put their agile capabilities to the test in responding to such a significant shift in the competitive landscape. This particular lens provides some interesting insights into applying agility to improve performance.

In the words of Muja *et al.* (2014):

Global corporate strategies are revealing the boundaries of organizational capabilities and the limits of the natural resource capacity that is needed to sustain business operations. Sustainability has emerged as a strategic response adopted by many corporations to reduce resource dependency and consumption costs in an effort to secure existence as a going concern while also demonstrating corporate citizenship.

From this initial position, as a way to respond to mounting cost pressures and marginal requests to demonstrate environmentally responsible practices, for "a growing number of organizations, sustainability has recently been elevated from 'doing' to the level of 'being', which involves integration into their mission, vision and shared values" (Muja *et al.*, 2014, p. 249). Muja *et al.* (2014) continue by stating that corporate leaders, must champion any transformation that the organization is trying to perform in the implementation of sustainability within the company.

In essence, implementing corporate sustainability has become vital for any organization to survive and continue to perform well and meet stakeholders' expectations:

Corporations are familiar with the socioeconomic aspect of sustainability through ongoing CSR and corporate governance activities; voluntary corporate engagement in sustainability programs is often motivated by risk management (e.g. compliance) and by the notion that participation in sustainable activities yields improvements in corporate image (e.g. ethical, charitable, and philanthropic) and competitive advantages including customer loyalty. [...] [However], "organizations that engage in sustainability as a cross-functional activity directed towards problem solving experienced better economic performance than those who approached sustainability for image-, market-, risk- and profitability-related dimensions alone. Taken together, sustainability contributes to improved margins and increased revenue growth, which ultimately yields greater shareholder return and ongoing opportunities for business growth" (Muja *et al.*, 2014, pp. 250-51).

Based on these findings, organizations must approach the integration of sustainable practices as a complete and in-depth strategic transformation, if they want to survive in today's world. Consequently, companies that have a higher agility level are bound to have a better chance to reap what they sew.

The nature of sustainability also has a major influence on an organization's capabilities of performing with agility, as it is a topic which is continuously in flux. "The study of sustainability will always be the study of organizational change and adaptation. Change is constant in sustainability; it is the content of change that evolves over time as the demands and needs of the general environment shape the need for proactive corporate adaptation" (Gallo, 2010, p. 86). We hear of companies, old and new, integrating corporate social responsibility (CSR) initiatives to better themselves and have a more wholesome image in regards to the public and its shareholders; however these companies must realize that these initiatives must be perpetual in order to maintain that image. Gallo (2010) mentions that there are "stories of the new vanguard of organizations which appear to form with their CSR or sustainability strategies fully articulated at inception, these would include companies such as The Body Shop, Patagonia, Herman Miller and Grameen Bank. However, even these sustainability leaders undergo continual change and evolutions as new environmental and social issues emerge as challenges or opportunities" (Gallo, 2010, p. 85).

In the first of the three essays presented by Gallo (2010), survey data collected from 922 senior-level executives is used to create a portrait of how the concept of sustainability is perceived by

organizations and upper-management. One telling conclusion derived from this study is that “firms that have been leaders in environmental and social management that continue to evolve and improve their sustainability performance [...] are acting proactively, sometimes years ahead of competitors and even the marketplace. There are no deadlines to be met, so they have the time to implement change in a fashion that may take longer but that preserves other important firm capabilities” (Gallo, 2010, p. 102). So, although the purpose of greater organizational agility is to increase the speed of response to change, the strategic commitment to agility, environment scanning and continuous improvement supported by strong leadership actually affords the agile organizations more time to react to what they see coming miles in advance.

Conclusion

Findings from the literature of this two part paper demonstrated that various elements of an organization's framework can have a direct impact on organizational agility. An entity's strategy, structure, capabilities, employees and leadership all play a role in affecting agility. The subsequent link between increased agility and business performance is also well demonstrated in the literature, highlighting the importance of enterprise agility in today's dynamic business environment. By reinforcing enterprise agility, firms react faster and more appropriately to unpredictable changes.

Becoming and maintaining an agile organization is not easy. It is a journey, perhaps without an end. Companies increasingly need to foster the ability to respond proactively to changes within increasingly competitive, global markets. For small- and medium-sized companies with limited resources, this reality makes staying relevant an uphill battle but also opens windows of opportunity. The challenge of the next century for large organizations will be to rekindle with their innovative agile beginnings and for start-ups to continue to foster their dynamic capabilities as they grow.

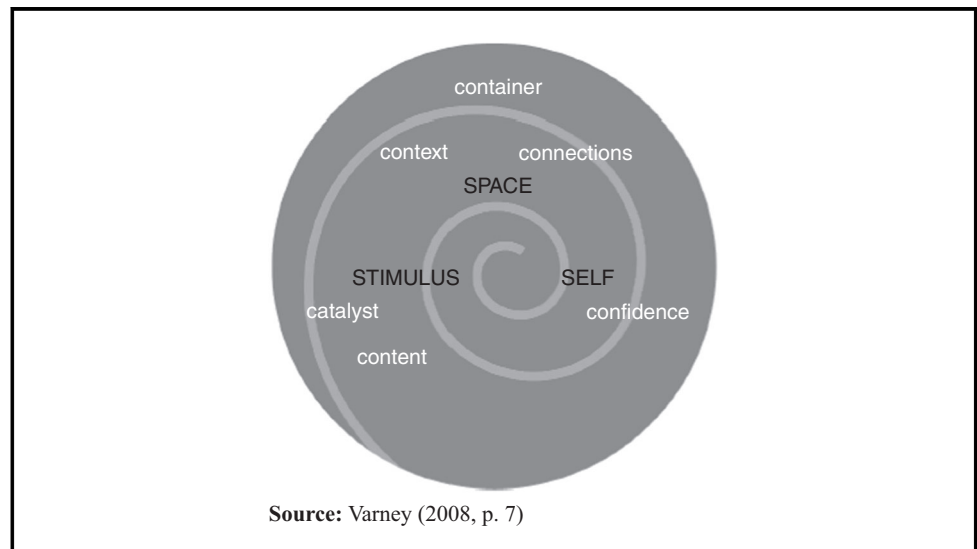
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Appendix

Figure A1 Enabling conditions for learning



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