The business case for Business Agility – and how to achieve it

Note – This document is aimed at C Suite, senior teams and those that need to influence them. It gives evidence and justification in support of business transformation with examples and references for further reading.

The fast pace of change in a complex, interconnected world presents many challenges for organisations. The term 'Business Agility' is often used to discuss the adoption and evolution of values, behaviours and capabilities that enable businesses and individuals to be more adaptive, creative and resilient in turbulent times. Business Agility is about much more than just another enterprise-wide set of processes. To be truly agile, an organisation needs to operate in a very different way, with leadership, values and norms all reinforcing an inclusive culture and mindset.

This white paper offers an independent viewpoint on the benefits of Business Agility, by showing the evidence from real-life results.

The value of Business Agility as an approach for today's organisations is the combination of effective strategies, new thinking and recent understanding that has been proven to help businesses thrive, and outperform their peers. Organisations today can only fulfil their vision and mission by anticipating and constantly adjusting in the face of volatile conditions. This paper presents a case for Business Agility from three perspectives:

Strategic agility – MIT research shows Agile firms grew revenue 37% faster and generated 30% higher profits than non-Agile companies

> **Employee engagement** - businesses focused on passion and purpose outperformed S&P 500 companies by a factor of 14 times over a 15-year period
>
> **Innovation** – Google's new products such as GMail have been powered by the '20% time' concept, empowering employees to work on projects of their own choosing

The paper suggests all three are needed for an organisation to perform to its full potential. By building these capabilities organisational strategy can respond to market changes, employees are better engaged, and businesses can innovate to retain their competitive advantage – not just protecting but building a more resilient organisation. Many successful organisations have shown that clear vision together with ethical, noble and heroic purpose leads to organisations exceeding their goals.

The tenets of Business Agility are relevant for organisations at every stage of their growth and maturity, from start-ups to multinationals. Whilst the Agile movement has its roots in the rigorous and demanding software development industry, its proven value is now sought across all functions and across all industries. This paper includes case studies and examples from businesses large and small in all functions from strategy to HR, marketing to finance.

Each section will take you through an introduction to the perspective, the evidence showing how attention to agility improves business success, and what organisations can do to set themselves on the path to an effective Agile future. Each section ends with reflections to help you identify the best way forward for your business.

We aim for this to be a practical guide; one that you can keep coming back to, and which will continue to offer you a route map towards greater Business Agility.

Geof Ellingham
Chair, Agile Business Consortium – Spring 2018

The case for strategic agility

What is strategic agility?

Strategic agility has been defined as the 'Dynamic process of anticipating or adjusting to trends and customer needs without diverging from the company vision'[1]. What is needed for strategic agility is the willingness of leaders to change, the internal readiness to adapt to changes in the environment, effective channels for knowledge exchange and the ability to sense, adapt to and exploit changes in the marketplace.

The need to adapt to changing market conditions has always been a requirement of businesses; it is not new. However, the current need for organisational strategic agility is unprecedented for two reasons; the speed of change and the complex, interconnectedness of the world. Significantly, the need for unskilled labour to perform routine tasks has dramatically reduced, with software or robots taking on this work and moving the human workforce into a knowledge and skill-based economy.

This has impacted organisational structure. The historical emphasis on stability and repeatability, with 'top down' management and a mechanistic, process-driven approach no longer produces the right results. Business success is no longer a direct result of turning human effort into financial gain.

Today's business environment is extremely volatile. The pace of change is becoming faster and faster. A combination of human creativity and systems thinking[2] is essential to success in such a context. Individuals, small groups and leadership teams no longer have the capacity, time or depth of knowledge to provide all the answers. The C-suite role needs to be about creating an adaptive and responsive environment, rather than one that prioritises stability and predictability at the expense of the ability to flex as required.

The need to adapt is also driven by changes to sociological norms, with millennials (those moving into the workforce after 2000) and Gen Z (the generation immediately following the

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[1] Fartash, 2012.
[2] Systems thinking is a holistic approach to analysis that focuses on the way that a system's constituent parts interrelate and how systems work over time and within the context of larger systems.

millennials) expecting to have the space to develop and grow within an organisation, and to influence how that happens. Theirs is no longer an objective relationship with work; for them the workplace needs to involve shared values, feelings and intuition.

All of this means that the strategic approach cannot be fixed. It needs to be fluid and adaptable, and sufficiently flexible to benefit from the contribution of an empowered and emotionally involved workforce.

The economic evidence: strategic agility

Organisations need to be change-ready and able to respond to shifting market conditions. What is the benefit of being strategically Agile?

> **Research conducted at the Massachusetts Institute of Technology suggests that Agile firms grow revenue 37% faster and generate 30% higher profits than non-Agile companies.[3]**

The UK's biggest multi-channel broadcasting company, UKTV.[4] removed command and control hierarchical structures, created a flatter workforce and saw its market share increase from 4% to 10% – doubling its value in less than 5 years.

In the Honda organisation, hierarchy is suspended when a problem occurs so that any worker can present possible solutions to the highest executives involved.[5] This allows ideas to be drawn from the people that are closest to the problem and who understand it best.

At Harley Davidson the relationship between leadership and the workforce is strong, with management and unions working in partnership towards shared goals that benefit both the company and the workforce. The company 'Freedom with Fences' policy allows employees to take risks and challenge any ideas and concepts that the organisation develops. Every employee has access to every level of the organisation, including the CEO. The shareholder value for Harley Davidson has increased by 333% over a fifteen-year period.[6]

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[3] Project Management Institute's Pulse of the Profession® In-Depth Report: Organisational Agility
[4] https://corporate-rebels.com/uktv/
[5] Firms of Endearment, 2014
[6] Firms of Endearment, page 116

A policy at BMW challenges resource usage and reduces waste. Employees can question the existence of their own role in the knowledge that they will be retrained for another job rather than lose their livelihood. [7]

The Timpson business was established in 1865. It is one of the UK's leading retail service providers employing over 3,400 colleagues, with 1,325 owned stores and 110 "Snappy Snaps" franchises throughout the UK and Ireland.

The success of Timpson shows how strategic agility contributes to success. The shoe repair market had been in decline since the 1960s and threatened the survival of the organisation. By changing the strategic focus of the business and diversifying, Timpson has become the UK's fastest growing specialist locksmith service. The values of the business, based on trust and respect, have helped drive this success and are listed in the 'Magic Dust' section of the Timpson website:
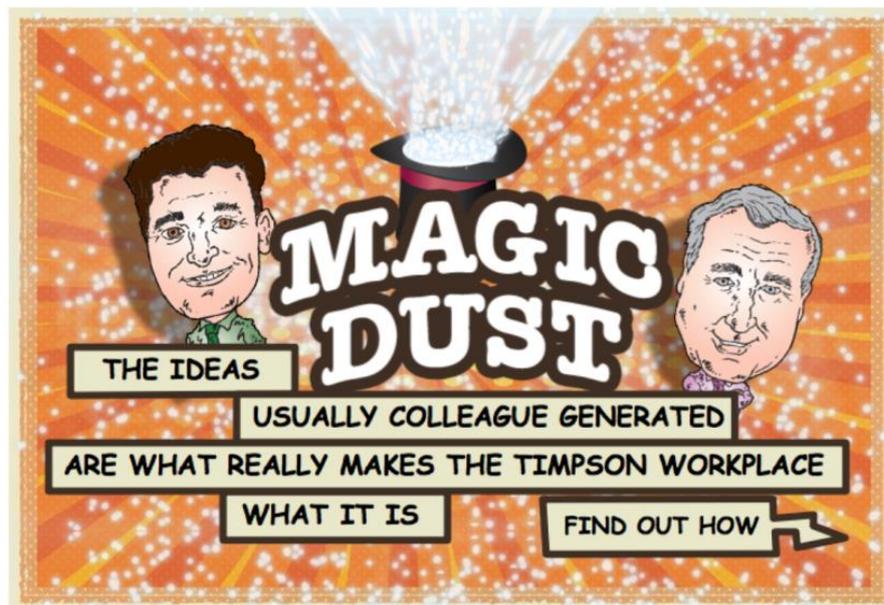
Here is a summary of the key Timpson values – what they consider to be common sense principles[8]:

- Aim to be the best – a fall of 5% in profit can cause misery and make the business difficult to manage [note that Timpson puts the emotion first]

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[7] Firms of Endearment, 2014 – page 79 (We will need to standardise the referencing but for now I'm making it explicit to make it easier for reviewers)
[8] https://www.timpson.co.uk/about/magic-dust

- Enjoy change – think only 5 years ahead, let your imagination run riot, and keep investing
- Visit the business – meet your people. Information from your eyes and ears is worth more than any spreadsheet
- Keep looking for ideas – they crop up in the most unusual places when you least expect them. Give them a go and don't fear failure
- Show leadership – the CEO should listen, consult and make decisions to set strategy
- Win hearts and minds – the CEO should avoid telling people what to do. Gain support, explaining the vision and what is needed.
- Communicate regularly – a weekly newsletter goes out to all staff –
- No secrets – colleagues have a right to know what's going on
- Upside down management – customers are king, those that serve customers are next. The Chairman is at the bottom.
- Amaze customers – should be the first line of any strategy
- Obsessed with our people – almost everything depends on our team
- Pick great people – we need people who 'get it'
- No big shots – Timpson is a team
- No head office – central administration supports those that run the business
- No politics – be transparent about succession and don't waste time on politics
- No cheats, no drongos[9] – every drongo should follow a disciplinary route leading to dismissal
- Great place to work – nothing is too good for our star performers
- The bonus scheme – actual wages in the branch x 4.5 = branch target. Sales minus target x 15% = bonus
- Training – invest in people, a major asset
- Be fair – do to others what you would wish to be done to you
- Know your people – your people are your business. The more they know you, the more they'll trust you
- Lifelong employment – promote lifelong employment to give people a chance to progress
- Support people in trouble – show an interest in life outside business

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[9] a stupid or incompetent person, Oxford English Dictionary

- Praise – the most underutilised management tool
- Charity – employees like raising money, customers admire us
- Celebrate success – make everyone proud of achievements
- Have fun – people who have fun make serious money
- Family business – makes it easier to be guided by common sense

Steps to improve strategic agility

Organisations should not be mechanistic; their capability and potential largely lie in the people that will fulfil their strategy. To be adaptive and ready for change, organisations need to focus on three key areas:

- Helping individuals respond to change and uncertainty by creating shared purpose

- Understanding how organisational networks influence behaviour

- Promoting wellbeing, safety, growth and development

1. Helping individuals respond to change and uncertainty

Human beings are motivated to move away from threat and towards reward. The emerging field of neuroscience suggests certain types of social challenge are treated by the brain in the same way as physical pain, meaning that uncertainty about the future can seriously derail focus and productivity.[10]

Increasing reward stimuli creates dopamine, a neurochemical strongly associated with reward and motivation. Stress and uncertainty have the opposite effect, causing people to lack focus and struggle to think creatively. Anticipating and receiving information reduces uncertainty and releases dopamine[11]. Having regular updates, even where these may be negative, leads to a more settled and productive workforce.

ACTION POINTS

- Communicate regularly, providing updates even where there is little positive news

- Recognise the need for certainty by explaining the rationale for the strategy

- Use storytelling to help people to imagine their part in a new way of things

- Integrate visual communication with text so that new ideas and knowledge can quickly be absorbed

- Create a feedback channel for responses, comments, concerns

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[10] David Rock – SCARF model
[11] Bromberg-Martin and Hisaka, 2009

2. Understanding how organisational networks influence behaviour – a systems thinking perspective

Within an organisational context, individual performance is influenced by more than ability. Individual behaviour and business outcomes are both significantly affected by Peter Senge's 'Webs of interdependence'[12]. Senge stresses the danger of focusing solely on intelligence rather than the value that a person can produce when working within the complex structure of an organisation. This is when different people can pick up different perspectives to create a more collective intelligence.

Agile organisations reduce the rigidity of status and hierarchical structures to allow information and ideas to flow, and to encourage greater collaboration and sharing of perspectives. Trust needs to grow for this to happen and starts by providing a psychologically safe environment[13] for all to work in.

ACTION POINTS

- Free people and teams to collaborate and create new perspectives
- Combat silo working and allow value to flow freely
- Plan for short-term horizons so that strategy can adjust to market conditions
- Allow decisions to be made quickly by those closest to the problems

3. Promoting growth and development

An organisation can only achieve strategic agility where its people and teams are open to having a growth mindset[14], and are prepared to experiment, learn, grow and adapt to meet new challenges.

Innovation is a central concept at the heart of Business Agility. In a world where so much is new and still changing, past experience is no longer as valuable a reference point as it used to be. Where attitudes to development allow people to experiment, without fear of reprisals resulting from apparent 'failure', then progress can be made based on empirical evidence of what has been proven to work in the real world.

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[12] Peter Senge, The Fifth Discipline, 1990
[13] https://hbr.org/2017/08/high-performing-teams-need-psychological-safety-heres-how-to-create-it
[14] Carol Dweck

ACTION POINTS

- Build a culture where personal growth and self-development are valued

- Make career paths clear and visible

- Create a safe environment to encourage innovation and learning

Strategic Agility: Points for Reflection:

- Who drives strategy and who leads change – are they different?

- Is change a part of your organisation's 'business-as-usual'?

- What and who influences the prevailing culture of your organisation?

- How people-centric is your organisation?

The case for employee engagement

What is employee engagement?

Employee engagement can be described as a combination of employee experience and employee effectiveness.

> **Employee engagement represents the levels of enthusiasm and connection employees have with their organization. It's a measure of how motivated people are to put in extra effort for their organization, and a sign of how committed they are to staying there.**[15]

The 2017 Trends in Global Employee Engagement report[16] shows an overall fall in employee engagement across the world. This has serious implications for productivity. Bain[17] reports that where satisfied employees are productive at an index level of 100, then engaged employees will produce at 144, nearly half as much again.

In the UK, 12.5 million working days were lost due to work-related stress, depression or anxiety in 2016/17.

> **Gallup has been measuring employee engagement in the US for nearly two decades and has highlighted that only 30% of people are engaged at work.**[18]

This all paints a dismal picture. As the *Engaging for Success*[14] report to UK government points out, "If it is how the workforce performs that determines to a large extent whether companies or organisations succeed, then whether or not the workforce is positively

[15] https://academy.cultureamp.com/hc/en-us/articles/204539759-What-is-Employee-Engagement-
[16] https://insights.humancapital.aon.com/talent-rewards-and-performance/trends-in-global-employee-engagement-2017?utm_source=ceros&utm_term=engagement17
[17] https://hbr.org/2015/12/engaging-your-employees-is-good-but-dont-stop-there
[18] http://news.gallup.com/businessjournal/188033/worldwide-employee-engagement-crisis.aspx

encouraged to perform at its best should be a prime consideration for every leader and manager, and be placed at the heart of business strategy." [1] [SEP]

Any attempt to improve engagement must start with a consideration of what engagement is. Engagement cannot be turned on or off with a switch, but is a continuum which can span from people being merely content towards them being truly inspired.

The Pyramid of Employee Needs

INSPIRED EMPLOYEES...

Get meaning and inspiration from their company's mission	Are inspired by the leaders in their company

ENGAGED EMPLOYEES...

Are part of an extraordinary team	Have autonomy to do their jobs	Learn and grow every day	Make a difference and have an impact

SATISFIED EMPLOYEES...

Have a safe work environment	Have the tools, training, and resources to do their jobs well	Can get their jobs done efficiently, without excess bureaucracy	Are valued and rewarded fairly

SOURCE BAIN & COMPANY   © HBR.ORG

Insights from Culture Amp's 2018 employee benchmarks[19] show that fast growing companies are maintaining high levels of engagement and retention. These organisations can both attract and retain talent, making them able to find and keep the best people.

The principle of business based on shared values is gaining traction and showing strong results. The **Conscious Capitalism** movement suggests that business should be based on a purpose beyond profits and on empowering Agile leadership instead of the traditional command-and-control model. Increasingly organisations are talking about their values and philosophies, rather than what they do or what they produce. The foundation of shared

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[19] https://blog.cultureamp.com/2018-employee-benchmarks

beliefs is what makes people connect, both within an organisation and also with their customers and stakeholders.

> **"In our business with almost 150,000 people, engagement is a key concern. In businesses of our scale, you don't even get started without engagement," Justin King, CEO of Sainsbury's[10]**

The business world is making room for emotion. Professor Chris Roebuck promotes the concept of ICARE leadership, because he believes that relationships underpin business success. He highlights that people tend to respond to negativity with negativity, positivity with positivity. Creating emotional bonds with leaders, and being confident that they are supporting us, generates the neurochemical oxytocin, which makes us feel good and more enthusiastic to give our best and be better able to collaborate with others.

> **"The emotional relationship is what powers people giving their best, not just telling them to do the job." Prof. Chris Roebuck**

The economic evidence: engagement

Moving employees from satisfied, through engaged, to inspired is not an ethical 'nice-to-have'. This is now critical for business success. Research from Bain & Co[20] has shown that, from a quantitative perspective, **it would take two and a quartersatisfied employees to generate the same output as one inspired employee!**

The McLeod Report[21] looked at the relationship between engagement and organisational performance and found that where employees felt good about the workplace there was **lower absenteeism, as well as improved customer service and advocacy**.

The Corporate Leadership Council reported that **engaged organisations grew profits as much as three times faster than their competitors**. They report that **highly engaged**

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[20] https://hbr.org/2015/12/engaging-your-employees-is-good-but-dont-stop-there
[21] Engaging for Success, a report to government by David McLeod and Nita Clarke, 2009, UK *Engage for* Success Movement

organisations have the potential to reduce staff turnover by 87 per cent and improve performance by 20 per cent.[22]

The 2006 Meta-Analysis by Gallup[23] looked at 23,910 business units and compared units with engagement scores in the top quartile with those who had below average engagement scores. Those business units in the top half of engagement scores had **27 per cent higher profitability** than those in the bottom half.

> **Most employees are not coin-operated, and more money does not lead to more engagement.**[24]

High engagement within organisations is hugely important and has proved to be beneficial time and time again:

- Companies with high engagement can produce an earnings-per-share 2.6 times higher than competitors with low engagement (Gallup)
- Companies with high engagement could increase revenue by up to 43% (Hay)
- Bank branches with high employee engagement achieved 16% higher profit margin growth than those with lower scores (Standard Chartered)
- Accenture managed to increase net revenue by 21.6% in 6 months by implementing an engagement initiative
- Companies with high engagement scores improved operating income by 19.2% compared to a decline of 32.7% in those with low scores in a 12-month period (Towers Perrin)
- High engagement can halve days lost though sickness (CBI)
- High engagement can reduce risk of talent loss by 987% (Corporate Exec Board) *Prof. Chris Roebuck, Agile Business Conference 2017*

> **Research shows the single biggest cause of burnout at work is not 'work overload' but being too long in a work-setting without experiencing your own future unfolding.**[25]

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[22] Corporate Leadership Council /Corporate Executive Board (2008). 'Improving Employee Performance in the Economic Downturn'

[23] Harter, JK et al (2006) Q12 Meta-analysis Gallup

[24] https://hbr.org/2015/12/engaging-your-employees-is-good-but-dont-stop-there

[25] Bob Keegan | Harvard School of Education [source: nextjump.com

The book *Firms of Endearment* showcases businesses that focus on passion, purpose and furthering stakeholder group interests, and demonstrates that these outperformed S&P 500 companies by a factor of 14 over the period 1998 – 2013[26]

Businesses featured in the Fortune 100 *Best Companies to Work For* (based on the criteria of trust, pride and camaraderie) enjoyed stock market returns **three times higher** than the average between 1997 and 2011. The 2018 league table is topped by Salesforce:

- Salesforce achieved its success by creating a Great Place to Work For All, for its commitment to philanthropy (employees get paid 56 hours per year to volunteer, for example), and for creating a globally-cohesive culture.

- "The intersection of our values—trust, growth, innovation, and equality—and our actions creates our Ohana culture," said Marc Benioff, Chairman and CEO, Salesforce.

Among millennial employees, those who experience their company as a great workplace are 20 times more likely to plan a long-term future there than those who do not.[27]

Steps to improve engagement

The steps that are most likely to improve employee engagement and productivity fall into four main areas.

1. Communicate
2. Build an Agile culture
3. Demonstrate Agile leadership
4. Promote wellbeing

Communicate

Regular and clear communication is the linchpin for engagement. Our brains are hard wired to keep us safe, and as a result are predisposed to take a negative view (to be 'on the safe

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[26] www.firmsofendearment.com
[27] http://fortune.com/2018/02/15/best-companies-salesforce/

side'). When there are gaps in information, we are likely to assume the worst, often resulting in needless worry, and a reduced commitment to workplace goals. Communication is needed to encourage a shared vision, create a culture based on shared values, and foster collaboration.

ACTION POINTS

- Communicate the values and emotions that drive the business
- Make information easy to absorb through brevity and visualisation
- Establish a common language and terminology to avoid ambiguity
- Articulate the organisation's values and show how these improve the world

Build an Agile Culture

Agile Culture is about creating an environment that is underpinned by core values, behaviours and practices to enable the organisation to better adapt to change. Within a company that has adopted an Agile Culture, uncertainty can be handled more effectively by a team that is naturally more adaptive, flexible and innovative.

Culture cannot be imposed. Senior A change of culture is not something that is announced by senior leaders, it is something that has to be built organically, based on actions not words. Culture can be defined as 'the way things are done around here'. It's important to display openly and clearly 'how things are done'. The white paper *Towards an Agile Culture* [28] provides detailed definitions of the elements within an Agile culture together with guidance on this subject. Here are some things that organisations can do to make a start:

ACTION POINTS

- Model desirable responses and behaviours in an open and visual way
- Share and openly reward and praise the behaviours you would like to see repeated
- Support self-belief and improvement
- Empower people at all levels to utilise their talent in delivering the shared vision

Demonstrate Agile leadership

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[28] https://www.agilebusiness.org/sites/default/files/file-downloads/towards_an_agile_culture-v4.pdf?token=LMqmDKa01

Agile organisations avoid a command and control leadership style, looking rather to empower an appropriately skilled and competent workforce to get on and do the job. Bureaucratic and hierarchical approval ladders for decisions and actions add time and reduce the ability for an organisation to respond quickly to the needs of the market. Often, these approval ladders also move decisions away from the very people that understand their impact, making decision-making ineffective for furthering visions and goals.

Nine clear principles of Agile Leadership have been defined in the Agile Business Consortium white paper *The Nine Principles of Agile Leadership*.[29]

The nine principles of Agile leadership are:

1. Actions speak louder than words – Agile leadership is about not only driving and promoting change, it is also about being the change.

2. Improved quality of thinking leads to improved outcomes – high quality thinking will result in meaningful action.

3. Organisations improve through effective feedback – soliciting meaningful feedback and acting on it.

4. People require meaning and purpose to make work fulfilling – building and sharing a common understanding and purpose, with a vision of change that is meaningful and applicable to the organisation.

5. Emotion is a foundation to enhanced creativity and innovation – when individuals work with their emotions, they achieve more of their potential.

6. Leadership lives everywhere in the organisation – realising the leadership potential of all its people helps accelerate the organisation's ability to learn and adapt.

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[29] https://www.agilebusiness.org/resources/white-papers/culture-and-leadership-the-nine-principles-of-agile-leadership

7. Leaders devolve appropriate power and authority – people work best when they are enabled, engaged and energised; empowering individuals is a necessary skill of the leader as they balance the emerging needs and tensions of the organisation.

8. Collaborative communities achieve more than individuals – the healthy functioning of the group together with the preservation of psychological safety allow leaders to encourage learning and development while also balancing sustained output and performance for the benefit of the organisation.

9. Great ideas can come from anywhere in the organisation – people who are close to a problem usually have the best ideas about how to solve it.

ACTION POINTS

- Invite and act on meaningful feedback, creating a safe environment for feedback as a source of personal growth
- Unify and align values into shared and inspired actions
- Devolve power and authority to energise and motivate people and teams

Promote well-being

Workplace stress seriously gets in the way of performance, literally shutting down the performance of the creative thinking part of our brains. By paying attention to wellbeing, organisations can improve engagement and performance – with profit being the logical result.

A case study in the Harvard Business Review showed that when Wachovia Bank[30] introduced mini-breaks – a time to switch off, drink a glass of water, have a healthy snack and ignore social media – all the business's metrics improved. Better rested staff resulted in improved customer service and increased sales.

Some organisations now offer physical exercise options during working hours to benefit from the increase in focus and mental capacity that results. Many organisations now

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[30] https://hbr.org/product/manage-your-energy-not-your-time/R0710B-PDF-ENG

encourage mindfulness and offer sessions for employees to develop their skill to focus only on the task in hand, reducing distraction and controlling where their attention is placed.

> **A healthy and happy workforce can reduce costs by more than $1,600 per employee, with reduced leave days caused by disability or unplanned sickness.[31]**

The company Next Jump is dedicated to changing workplace culture to focus on employee engagement and personal growth and development. As a result, they invest in promoting the wellbeing of their own workforce to create a strong physical base for growth. Next Jumpers are encouraged to visit the gym twice a week, and are provided with healthy meal choices daily so that fitness becomes both easy and accessible.

ACTION POINTS

- Encourage physical fitness through onsite programmes
- Offer healthy food and easy access to water
- Show interest in people and their emotional needs
- Promote mindfulness for improved focus
- Provide flexible working options where possible

The case for employee engagement - Points for reflection:
- How much joy is in your workplace?
- Do you know if your staff share your values?
- What is your organisation's strategy for well-being?
- Consider the balance between control, creativity and collaboration in your organisation

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[31] *People & Strategy*, The Professional Journal of HRPS, Volume 38 Issue 1, Winter 2015.

The case for innovation

What is innovation?

Innovation can be defined as creating a new way of doing things. It could relate to a new process, a device, technology or product development. The crux of something being genuinely innovative is that it should be fresh, new, and derive from uncharted territory.

The need for innovation as a critical component of business success is undisputed, and yet PA Consulting reports that **despite the rapid change of technology, business and society around them, 37% of organisations say their approach to innovation has not changed at all in the last three years, or is now only changing minimally.**

The same report reveals that 2 out of 3 organisations will disappear without innovation.[32] The barriers to innovation are great, both from a human and from an organisational perspective. By definition, innovation changes 'the way things are done around here', which means that deep cultural transformation is needed to make things happen. Following well-worn paths is always going to look more attractive! When things have not been done before, there is no clear sequence of steps. This makes progress difficult, literally needing more brain power and energy. Some researchers, such as Dan Pink, have also suggested that people need a different form of motivation for right brain activities. Extrinsic motivation such as increased pay is not very effective for inspiring innovation and creativity. Instead, shared beliefs and values are needed to drive innovation. The impact of this is expanded in the Agile Business Consortium white paper that details principle five of *The Nine Principles of Agile Leadership*:

Emotion is a foundation to enhanced creativity and innovation[33]

Emotion is a critical part of organisational culture and underlying emotions direct both behaviour and decision making. For organisations to be truly innovative, they need to accept increased levels of risk to become really open to exploring unknown territory, as the levels of uncertainty increase in proportion to levels of innovation.

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[32] https://www.paconsulting.com/insights/2016/innovation-matters/
[33] Principle 5 of The Nine Principles of Agile Leadership. Agile Business Consortium, 2017

> **"At Virgin Wines, we create a culture where people can be brave. They make decisions about what they think may help them in their job. If things do not work out, but they have thought the idea through, then there is no issue – no matter how far-fetched that idea may be." JAY WRIGHT, CEO VIRGIN WINES[34]**

This makes a move away from traditional control and governance systems essential to allow more flexibility and to enable the ability to respond to changing conditions. For instance, the Beyond Budgeting[35] movement eschews an annual budgeting and forecasting cycle in favour of a system that responds to the real potential of different investment opportunities as they arise.

The economic evidence: innovation

Organisations that achieve Business Agility are better placed to innovate to meet the evolving needs of fast changing market conditions. Only these organisations will be able to sustain their competitive advantage and survive. The evidence from businesses that have succeeded in removing boundaries and the obstacles to innovation is unequivocal.

3M describes itself as 'a global science company that never stops inventing' and has annual sales of $30 billion. Its success has often be attributed to its 15% time policy, which started as far back as 1948 and allowed employees to use some of their paid time to create their own ideas and work on the things that inspired them. This became a key part of their business strategy, and resulted in their now iconic adhesive paper product range being created in the 70s. [36]

> **A culture of innovation [at 3M] means that senior management encourages employees to spend a significant portion of their time on products and research that go beyond their usual scope of responsibilities.[37]**

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[34] http://www2.paconsulting.com/rs/526-HZE-833/images/Innovation-Matters-Report.pdf

[35] The Little Book of Beyond Budgeting, Dr Steve Morlidge, 2017

[36] https://www.fastcodesign.com/1663137/how-3m-gave-everyone-days-off-and-created-an-innovation-dynamo

[37] http://www.innovationcoach.com/2012/05/innovation-3ms-lessons-to-be-learned/

In its early days, Google managed to boost the growth of their business through '20% time'. This directly resulted in major developments such as Google News, Gmail, and AdSense. Founders Larry Page and Sergey Brin highlighted the idea in their 2004 Initial Public Offering (IPO) letter:

> "We encourage our employees, in addition to their regular projects, to spend 20% of their time working on what they think will most benefit Google," they wrote. "This empowers them to be more creative and innovative. Many of our significant advances have happened in this manner."

Successful innovations demonstrate the impact that tapping into the right motivators can have[38]. Dan Pink[39] points out that Wikipedia succeeded where Encarta failed for one reason. The growth of Wikipedia was driven by intrinsic motivation, with contributors who believed in its values and were emotionally connected to the task. Encarta was relying on external motivators, such as reward, or fear of retribution should a task remain uncompleted.

Innovation is successful when the customer is put at the heart of the initiative. Government Digital Service (GDS) is a part of the Cabinet Office and responsible for the digital transformation of UK government. User experience was the core focus for the GOV.UK project and the prototype (alpha) for this digital transformation programme was built in just 10 weeks. This was the seed from which the full range of GOV.UK digital services has grown. GDS was set up in 2011, its goal was to turn 1,884 separate websites into a single site for government. The GOV.UK website is now visited more than three million times every day. It has won design awards and has international recognition as leading the field for digital services.

The Corporate Rebels organisation has pointed to Haier as the most pioneering company of our times. The world's number one home appliance maker, with over 70,000 employees, the organisation manages to be highly adaptive, responding to market changes with optimal timing. The whole organisation is structured to allow flexibility and autonomy, and always centred around customer needs and feedback from the customer.

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[38] www.corporate-rebels.com
[39] 'Drive' Daniel Pink 2009

Not all innovations will be successful. For innovation to lead to business success, organisations need to create a culture where 'failure' is regarded as learning, a step towards success, where new ideas are welcomed from anywhere in the organisation[40] and where the best ideas can be correctly identified and given the backing they need to come to fruition.

Steps to improve innovation

Innovation is one of the most difficult challenges that organisations face and the principles that lie at the heart of Business Agility point the way to success.

To innovate, survive and thrive, businesses need to:

1. Be prepared to invest - and take risks

Successful innovation involves investing money, time, energy and thought – and crucially being prepared to take risks at all levels. Organisations need to work incrementally, be able to experiment and test ideas, then learn even though some initiatives may need to be aborted. Leading experts may need to be connected with the customer to explore new ideas, taking the risk that thought leadership may be shared outside the company. Prototypes need to be shared early with the customer, risking negative feedback.

ACTION POINTS

- Provide a safe space for people to explore, grow, and form new ideas in the areas that interest them
- Recognise that in more unpredictable environments there is greater reliance on collaboration and iterative evolution
- Create a culture where learning and feedback is the source of improvement

2 Focus on customer experience

In traditional organisations, the culture has always been to innovate internally based on pre-existing corporate standards. The customer only becomes involved once the product is fully formed, impressive, and presents no risk to organisational reputation or the experts that

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[40] Principle 9 of Nine Principles of Agile Leadership, Agile Business Consortium 2017

have created it. To respond faster to changing market needs, organisations now need to put the customer at the heart of everything they do, and this includes a higher level of transparency; revealing what is being developed at the earliest stages. Where there is a full focus on the customer experience, collaboration occurs throughout development so that customers become a part of the process rather than only the recipient of the final solution.

ACTION POINTS

- Wrap the organisation around a focus on the customer experience
- Select the right initiatives, prototype and solicit feedback
- Communicate and collaborate with the customer frequently

3   Balance agility with control and governance

In an environment where market conditions are changing very rapidly, speed of response becomes critical for success. The Agile school of thought has sometimes been criticised for encouraging swift changes of direction, seemingly backed by little thought and analysis. Responsiveness is essential to innovation, but this has to be supported by appropriate control and governance to ensure success. In many cases, this may mean a slower start before an initiative begins, setting a clear and unambiguous vision towards which it becomes possible to flex the ways and means.

ACTION POINTS

- Set up an empowering form of leadership that sets the goals and then gets out of the way
- Create enough control and governance so that people can respond whilst staying true to the vision
- Prepare strong foundations before initiatives begin

The case for innovation - Points for reflection:

- Would new ideas be considered from *anywhere* in your organisation?
- Are well established systems and processes restraining natural growth and creativity?
- Can you identify the touchpoints where your customer feedback is gathered and analysed?
- How free are your people to explore their passions?

Conclusion

There is mounting evidence to support the view that Business Agility delivers the results needed to build successful organisations. Key to this are:

- Strategic Agility;

- Employee Engagement, and;

- Innovation.

Some of the Agile business practices widely thought of as 'new' have their roots in the past, and good practice is evolving to meet the challenges that the future brings.

It's important to note that not all organisations or case studies that demonstrate Business Agility are labelled as 'Agile'. The techniques and approaches of Business Agility are not individually unique to an Agile approach. However, when you draw them together you find a Business Agility framework capable of leading organisations small and large through the complexities and challenges introduced by a world dominated by fast-moving change.

Business Agility offers guidance for staying focused on strategic delivery; helps us nurture the employees that will be responsible for the future success of our organisations; and suggests the cultural shifts that are needed to enable true and continuing innovation.

About the Agile Business Consortium

The Agile Business Consortium is the leading not-for-profit professional body for promoting and enabling Business Agility worldwide. We work with partners and alliances to promote Agile practices, and to develop, curate and share Agile resources with the wider world. The direct descendent of the DSDM Consortium, we encourage an agnostic and client-centred approach to the use of Agile methods and frameworks.

Since its creation in 1994, the consortium has been leading and promoting the Agile way of working, supporting thousands of people and organisations around the world on their Agile journey.

Business Agility means having flexibility with purpose, and allows organisations to make important decisions and carry out important work, quickly and safely. Agile businesses work faster, better and deliver greater value for money – delighting customers, motivating staff and so driving profit. Our Agile philosophy and practices improve all aspects of an organisation, from HR and finance, to project management, product development and organisational change.

For more information on transforming your organisation through Business Agility, visit our website and take advantage of our huge selection of free resources, or visit the Agile Dojo – your one-stop shop for all things Agile.

We are the brains behind AgilePM®, AgileBA® and AgilePgM® and organise the longest running Agile Business Conference in the world. With the support of APMG International we have accredited over 300 training organisations worldwide and certified over 100,000 Agile Project Managers, Business Analysts and Programme Managers; and we're still growing.

The content of this white paper is drawn from the thinking and research of members of the Agile Business Consortium. If you are not a member of our community, we invite you to join us.

www.agilebusiness.org