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Changing Tires on a Moving Car: Management Processes that Support Agility

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Christopher G. Worley
Professor of Strategy and Entrepreneurship
NEOMA Business School

Thomas Williams
Managing Director
PwC Strategy& (US) LLP

Edward E. Lawler III
Director
Center for Effective Organizations
Marshall School of Business
University of Southern California

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Christopher G. Worley
Professor of Strategy and Entrepreneurship
NEOMA Business School
59 rue Pierre Taittinger
Reims, France 51100
Email: christopher.worley@neoma-bs.fr

Thomas Williams
Managing Director
PwC Strategy& (US) LLP
1000 Wilson Blvd. Suite 2400
Arlington, VA 22209
Email: tom.williams@pwc.com

Edward E. Lawler III
Distinguished Professor
Director
Center for Effective Organizations
University of Southern California
3415 S. Figueroa St., DCC 200
Los Angeles, CA 90089
(213) 740-9814
Email: elawler@marshall.usc.edu

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When DaVita's former COO, Joe Mello, first described their Accountability and Responsibility Charting (ARC) process, we were flummoxed.[1] ARC is DaVita's way of allocating resources to initiatives that address current issues and future opportunities. It sounded important, so we asked, "How does that work?"

"Well, it begins with the team just staring at the chart, and we do it five or six times a year depending on how fast things are changing."

"What do you mean 'staring' at it?"

"You know, staring. Looking at it and studying it. The group just looks at it in silence for a few minutes and each person considers whether those are the right initiatives, and if the organization is resourced correctly to address the challenges facing us today and tomorrow."

What the group "stares" at is a prioritized table of projects and the extent to which each project has a clear and shared purpose, plan, and metric of achievement; the right leader with enough capacity to do the job; the right people and other resources to get it done; and the right learning processes.

"And then there is a debate. Often it gets pretty heated, whether we have the right initiatives and whether they are set up for success."

We heard story after story like this when we interviewed executives at agile organizations. Compelling stories about adapting traditional management systems and processes to support effective operation *and* change. We realized that these were important stories describing things that were ingenious, simple, flexible, and speedy. These organizations had found a way to change tires on a moving car.

The term "agility" gets tossed around a lot these days.[2] Strategists tout the virtues of strategic agility, fast strategy, and resilience.[3] IT professionals push agile software development. Management gurus write about ambidexterity, reconfigurability, front-back structures, and customer-centric designs.[4] Still others promote the concepts of lean operations, agile manufacturing, agile learning, and adaptive leadership.[5] Illuminating specific facets of agility helps managers understand the pieces, but our research led us to believe that agility is something more, and much more powerful. (See Research Box)

The Research –
Building on prior adaptability, resilience, ambidexterity, leadership, and change research, the ideas presented in this article are the result of an on-going research program exploring two questions. First, are high levels of business performance sustainable over the long-term? Second, if so, what factors account for it?

To answer the first question, we adopted methods from McGahan, Foster and Kaplan, and others.[6] We used Compustat's Annual Financials database to gather performance data for the largest public firms in 22 industries between 1980 and 2012. We viewed the data directly, year by year and over time, to understand the patterns of performance. Ultimately, we took a managerial, rather than an investor, view of performance and measured relative profitability within an industry peer group. When each company's annual rate of return on assets (ROA) (return on equity (ROE) for financial services firms) was compared to its industry average, we found three performance patterns that are detailed on our book:

- Companies that *out-performed* their peers at least 80% of the time (16% of the sample);
- Companies that *under-performed* their industry peers 80% or more of the time (18% of the sample);
- Companies that *thrashed* above and below the industry average, oscillating between periods of great success and abject failure (66% of the sample).

To answer the second question, what distinguished out-performers from thrashers and under-performers, we conducted structured management interviews and administered a 60-item, intra-company survey in more than 50 firms from the financial database representing all three performance patterns. The interview and survey questions were based on an extensive review of the strategic change, adaptation, and organization design research. We hypothesized it was their ability to anticipate and effectively adapt to changes in their competitive environments over this 32-year period that determined their performance.

Based on these data, we developed the perspective that agility is a capability comprising four routines: strategizing, perceiving, testing, and implementing. When we compared the survey data for outperformers with the data for thrasher and under-performers, important differences emerged. High performing firms possessed three or four of these routines and were more likely to have shared leadership philosophies, robust strategic planning cycles, transparent information systems, flexible resource allocation systems, and externally focused structures. This article describes the unique features of these various management processes.

Agility is the capability to make timely, effective, and sustained organization changes.[7] As with any capability, agility is a repeatable organizational resource. Rallying the troops and marshalling resources to produce a breakthrough new product is not agility. Formulating a shrewd strategy is not agility, nor is making an industry altering acquisition. Brilliant, one-time actions litter the highway of business history. These actions may be examples of successful change, but by themselves, they do not confer agility. Agile organizations don't just adapt once, they successfully change their most essential features over and over again.

Agility takes time and management dedication; it cannot be built on sand. Sound management processes, like DaVita's ARC, play an essential role supporting daily operations *and* facilitating changes in the capabilities most central to the firm's success. Many agility prescriptions lack an appreciation for this not-so-glamorous aspect of agility: the role of management processes in supporting adaptability over time.

Agility Routines and Management Processes

An organization's management processes should be designed to enable four key routines of agility. The ***strategizing*** routine establishes the purpose, direction, and market position of the organization as well as a "culture of candor"[8] where organization members are expected to challenge the status quo. The ***perceiving*** routine connects agile organizations to their external environment; they can accurately sense and interpret relevant shifts better than their peers do. More important than innovation alone is ***testing*.** Agile companies are good at setting up, running, and learning from both large and small experiments. Finally, the ***implementing*** routine delivers the day-to-day changes in products, technology, operations, structures, and systems and orchestrates the development of new capabilities, business models, and strategies. No organization can rightfully claim to be agile unless it can demonstrate the ability to carry out successful transformations, restructurings, product rollouts, and policy/process changes.

Routines and capabilities are what allow organizations to get things done reliably and repeatedly.[9] Some routines and capabilities, such as lowering costs or improving quality, enable the organization to keep pace with a changing world, while others, such as designing superior customer experiences or reducing time-to-value in new markets, can provide distinct advantages. Still others, like agility, make it possible for the organization to change.[10]

Management processes, the fundamentals of planning, organizing, controlling, and motivating described by Drucker, Mintzberg, and others long ago, operationalize routines and capabilities. They align goals throughout the organization, develop capital and operating budgets to support goal achievement, define roles and responsibilities, hold people accountable for results, and reward employees in a systematic fashion. Management processes are the nuts and bolts of the agility routines (Exhibit 1).

The perceiving routine, for example, comprises an environmental scanning process that explores future scenarios, a structuring process that puts a high percentage of people in contact with various stakeholders, and a communication process that moves information easily and to the right places. An effective testing routine is a function of being able to move resources quickly and flexibly, an innovation process that supports “trying things out,” and a way of learning from experiments.

However, agile organizations recognize that strategies and capabilities are wasting assets. Environmental change practically guarantees their obsolescence. As a result, executives in agile organizations are suspicious of management bromides to preserve, protect, and defend a current position by raising switching costs, keeping intellectual property secret, or making specific, large, and irreversible commitments. These are vain attempts to sustain the unsustainable. In seeking to preserve an advantage, many organizations overcommit to institutionalization. They become inert and vulnerable to environmental shifts. The agility routines and their associated management processes keep the organization on its toes and help to prevent rigidity from settling in. They provide the rare ability to string together a series of momentary competitive advantages that sustain high performance.

Exhibit 1 – Agility Routines and Management Processes

Routine	Management Process/System Description	Traditional Management Principle
Strategizing	A widely shared and discussed purpose or mission (other than profit or growth) with embedded values-in-use that drive behavior on a daily basis	Planning Motivating
	A strategic planning process that results in a relevant competitive position in today’s market, distinguishes the firm from other companies, describes the business model (how we make money), and is flexible enough to change on short notice	Planning
	A cultural sense of “who we are” and “what inspires us” that aligns with the organization’s brand and reputation; a long-term strategic approach that encourages the organization to change	Motivating
Perceiving	The ability to explore the future deeply	Planning
	A structuring process that connects many people in the organization with different parts of the business environment	Organizing
	The ability to move information from the environment to decision makers rapidly, in an unfiltered way. Information flows easily, in both directions, between the bottom and top of the organization	Controlling
	Business, financial, competitor, and organizational information is easily found and widely shared in the organization	Planning Controlling
Testing	A flexible resource allocation system that readily deploys capable resources (people, money, time, tools) to potential opportunities for experimentation	Organizing Controlling
	Thinking of new ideas, new businesses, new ways of working, and other innovations is encouraged in the organization	Planning Controlling
	Learnings from successful and unsuccessful experiments are captured and applied with each new round, so that the company’s capabilities are continuously improved	Motivating Controlling
Implementing	There is a pragmatic ability to change collective habits, practices, and perspectives. It is embedded in line operations, not isolated in staff groups	Organizing Motivating
	A human resource strategy that values the building of new skills, competencies, and knowledge is clearly articulated	Planning Motivating
	Flexible incentive systems in the organization – both monetary and non-monetary – reward both effective performance and change	Motivating Controlling

	A philosophy of shared leadership embraces everyone in the organization as a source of influence and expertise	Motivating

To support this dynamic capability, all management processes have to be designed well AND some processes have to be designed for change. Well-designed management processes are “fit for purpose.” They support the execution of existing capabilities by aligning resources to the strategy, supporting other management processes, and improving continuously in the single-loop learning sense. Management processes that are critical to adaptation must also be designed for change - they are flexible and fast.

Designing Good Management Processes

We know a fair amount about what makes for a well-designed management process. Good management aligns resources to the strategy, incorporates the continuous improvement, “plan, do, check, act” closed-loop logic of the Shewhart cycle,[11] and supports other management processes. They are a necessary but not sufficient condition for survival. Companies, including Circuit City, Motorola, Borders, Sears, Sony, Xerox, and Rubbermaid, once touted for their excellent management practices fell on hard times because these practices did not support operations in a changing world.

In most cases, management processes fail at the “check” step because the measures of performance are inadequate or incomplete, the organization makes invalid assumptions regarding performance, or it skips the step entirely. Failure to appropriately “check” and “act” contributed to the Challenger and Columbia space shuttle disasters as well as the BP Macondo catastrophe in the Gulf of Mexico. Bad management is not limited to the ravings of megalomaniacal CEOs or the larcenous activities of Enron executives. It is usually much more subtle and insidious. Planning, budgeting, and organizing systems should focus attention and resources on the strategy and economic logic of the firm and channel resources to the most important activities. Many organizations fail to do these basics well or consistently.

Devon Energy was at the forefront of “shale gale” that blew through the U.S. in the mid-2000s. Armed with hydraulic fracturing (“fracking”) technology, assets acquired from Mitchell Energy in 2002, and its own expertise in horizontal drilling, the business model was straightforward: secure acreage cheaply, then drill, complete, and produce as much as you can as fast as you can. In an environment of high oil and gas prices, a management system evolved that encouraged padded budgets and aggressive drilling schedules because bonuses were based on beating those targets.

The success of the shale revolution in general produced a glut of natural gas supply in the U.S. and prices collapsed in 2011. In addition, Devon’s new wells, costing between $6 million and $11 million each, were not as productive as old wells had been. To keep up with the environmental shift, Devon had to develop wells smarter and cheaper rather than faster, but its management systems provided no visibility into these necessary dimensions.

Devon failed the “plan” and “check” steps of the Shewhart cycle and continued holding managers accountable for the wrong results. Managers measured their worth to the company by the number of drilling rig lines they ran, not the return on investment they generated. The system rewarded activities that destroyed value and stranded capital. Return on invested capital dropped to the fourth quartile among its peer group before Devon management realized it was essentially paying large bonuses for poor performance. What appeared to be good management turned out to be very bad, indeed.

The reality is that the powerful routines of agility are inaccessible to organizations that do not get the fundamentals right. For all of agility's sophistication, an organization's ability to sustain above average profitability depends on well-designed and executed management processes. Two very different companies from our database –The Brioche Pasquier Group (BPG) and Netflix -- do the management basics really well.

The Brioche Pasquier Group

At Brioche Pasquier, the multinational French bakery company, a rolling three-year strategic plan developed with high levels of participation and input from the field serves as the basis for a six-month planning and operations cycle known as "priority actions plans" (PAPs). Under its "power of sites, lightness of HQ" philosophy, each production and sales facility has P&L responsibility for its local market, and the PAP contains a set of initiatives focused on enhancing current and future results. If the three-year plan highlights the importance of developing a more sophisticated sales and business development capability to capture future market share, site-level PAPs may address sales capability development as well.

The PAP also contains initiatives from a bottoms-up process. Knowing the strategic plan's highlights, managers facilitate a 2-3 hour "mini-diagnosis" with their teams every six months. The meeting encourages employees to identify the difficulties, defects, and dysfunctions encountered in their work and develop improvement initiatives. Although most initiatives are local, enterprise-wide changes can also be suggested. Managers bring these proposals to the plant level for inclusion in the PAP.

Managers and supervisors then convene to arbitrate, integrate, and reconcile local proposals with the strategic plan, assure that available resources are synchronized to support cross-departmental actions, and communicate priorities to other departments. A coordination seminar among production managers and the key functional staff validate the site's PAP. All this happens in a couple of weeks.

The aligned initiatives and projects are codified into individual or team-based CAPs or "Contrats d'Amélioration Pasquier." CAPs focus on improving current performance but also recognize that "slack resources" can be used to try out new ideas or solve problems that will support future success. Over the next six months, managers organize team meetings to report on capability development, productivity/quality improvements, future objectives, and coordination efforts necessary to support priority actions. Local CAPs might, for example, support the sales capability development objective from the strategic plan by trying out different in-store sales demonstrations, improving competitor intelligence gathering processes, or refining sales procedures.

Over time, CAPs have replaced job descriptions in the company. Every six months, individuals and teams identify objectives and actions related to their work and intended to improve the short-term performance of the company or develop future capability. At the end of a six-month cycle, plant leadership reviews and assesses the CAPs. When the projects in the CAP improve performance, a monetary bonus for achieving individual or team/collective objectives is distributed, funded by the amount of costs saved or value realized.

Netflix

Netflix's management philosophy is captured by the concept of "freedom and responsibility." The notion has gone viral thanks to the Netflix Culture document.

Sheryl Sandberg, Facebook's COO, called it "the most important document ever to come out of the Valley." If you want to understand what it is like to lead and work in the creative side of Netflix, the deck spells it out pretty clearly. It is one of the most creative realistic job previews imaginable and the cornerstone of its management processes.[12]

Netflix assumes everyone in management is a leader, never settles for a mediocre hire, pays a very high salary, and gives managers plenty freedom and responsibility, not more rules to follow. Reflecting that philosophy, the planning and goal alignment process is kicked off by a quarterly business review. Everyone walks out of that meeting with a clear understanding of key issues: what is important, what is working, what is not working, what the next steps are, and how the organization is thinking about growth for every product and market. That information is available to anyone in the organization. Managers are expected take responsibility for their contribution and align their teams accordingly. Netflix believes that the best managers get great outcomes by setting the appropriate context, rather than by trying to control their people. Context setting involves discussing strategy, assumptions, roles, priorities, and metrics and objectives. Thus, "freedom and responsibility" is a leadership negotiation and goal setting process. Each individual has the freedom to sign up for goals and objectives they want to be accountable for but must take responsibility to align them with what is best and right for the organization.

Netflix believes all managers should be good leaders, and all leaders should be good managers. They do not separate the two. Planning, leading, and holding people accountable at Netflix are part of an "organization capacity" to get the right stuff done. Leading people is not a function of one's position in the hierarchy or an individual trait to be taught to the high potentials. It is a system. There is an expectation that anyone can take initiative, make decisions, and influence others in line with the firm's strategy. Feedback from team members, supervisors, managers, or customers, is part of a larger system of transparency. It does not matter if you are an engineer, a content-team dealmaker, or a marketing executive. You get feedback from your peers, you get it regularly from your boss, and you get it from your subordinates. It is the nature of the culture to give feedback all the time because there is a strong, shared belief that to get the best product, the best result, the best service, or the best marketing, people should weigh in with their perspective.

As a result, Netflix has become really good at aligning itself around the 3-5 things that are most important and most likely to increase the chances of winning. It expects individuals to understand the context of their work and to spend time with their teams worrying about the right objectives. They do not worry about which performance management form to fill out (because there is no formal process). What is important is getting alignment on direction and getting results the right way. Failure to do that, according to the freedom and responsibility framework, "will get you a good severance package." As a result, there is not a lot of wasted time and effort.

These two cases demonstrate how well-designed management processes work together to support a strategy and the capabilities required for success. These processes constitute a whole cycle of work. Planning and control processes support the strategy and put resources against key capabilities; goal setting and recognition systems hold people accountable; and all systems follow through and improve. Organizations in our sample that could not pass the good management process standard were unable to sustain above average performance. But having good management processes did not guarantee sustained high performance. That was a function of whether certain processes were flexible and fast.

Designing Agile Management Processes

Good management processes support strategy and capability execution; *agile* management processes help to change capabilities and other organization features quickly when that is necessary. Netflix has shifted its capabilities at least three times since its founding - from distributing movies on DVD to movie streaming, from negotiating for distribution rights to creating and developing their own content, and from piggy backing on others' server farms to building and operating their own content delivery network. They are currently learning to operate through international regulations as a global business. From a single brioche plant and local market, Brioche Pasquier learned to operate and coordinate multiple factories, products, and production technologies; orchestrate supply chains across national boundaries; and adapt their capabilities to a multinational environment. These transformations were facilitated because the way the management processes were designed helped make those transitions go smoothly.[13]

But not all management processes must meet the additional criteria of flexibility and speed. Some management processes, like those governing the core business at Netflix and the manufacturing and delivery processes at BPG just need to be good because the operations they are controlling need to be reliable. Six sigma and other continuous improvement tools are essential. Other management processes that are central to adaptation, however, must also be fast and flexible to prevent unnecessarily disruptive or difficult transformations from delaying the implementation of new strategies or capabilities. The car can keep moving even as the tires are changed.

Agile management processes depend first on their link to a good management principle - agreement on the intended outcome or objective. In addition, flexibility depends on the process being able to accept a diversity of acceptable inputs and being open to how to achieve the outcomes. Second, agile management processes operate at an appropriate “clock speed,” adjusting the cycle times to reflect the cadence of the business through simplicity and transparency. (See Exhibit 2)

Increasing Flexibility in Management Processes

What agile management processes have in common is flexibility, the ability to operate effectively without being tied unnecessarily to a fixed set of steps. This is different from simple process improvements and it is rarer and more difficult than you might think. Management processes often are viewed like any other production process – they must be efficient, reliable, and standardized. Doing the process right often becomes more important than doing the process well.

Flexibility is achieved by clear agreements on what the management process is supposed to do, functional links to a portfolio of inputs, and giving people the freedom to operate the process as necessary given the circumstances. While the purpose of the process must be tightly agreed to, the information needed by the process, the sources of that information, and the means to the ends should not be fixed or narrow.

Exhibit 2 – Making Management Processes Flexible and Fast

Well-designed Management Processes	Agile Management Processes	
	Flexible Management Processes	Fast Management Processes
• Aligns resources/behaviors to business strategy	• Tight alignment around the purpose and outcomes of the process	• Cycle times adjusted to fit the rhythm of the market

• Follows a continuous improvement “plan-do-check-act” logic • Supports and aligns with other management processes	• There is a focus on effectiveness over efficiency – how the process is conducted can vary • Accepts a wide variety of inputs and input sources without hurting effectiveness	• Simple, not overly complex, processes that are easily explained • Relevant information is widely shared and transparent

For example, there is good agreement that the purpose of goal setting is to ensure individual and team alignment to annual strategies and objectives. This is part of being “fit for purpose.” However, just aligning top down objectives is not enough for agility. Goals can come from customer requests, compliance mandates, internal customer requirements, or personal development, and how to get that alignment should not be overly specified.

Cambia Health Solutions, the Pacific Northwest’s diversified healthcare provider and Blue-cross, Blue-shield affiliate, provides managers with guidelines for goal setting and appraisal. The objective of the process – to review, update, and align goals quarterly - is clear. The guidelines require three types of goals -- strategic, operational, and personal -- to ensure that multiple inputs are considered without systems or managers being overwhelmed by input options. How the conversation takes place is flexible. It can happen one-on-one or in a group. Supervisors and employees (and by implication the whole organization within its strategic framework) can adjust the emphasis of work – on the present or the future, on the organization or the department, and on the department or the individual, depending on the time and situation.

The PAP process at Brioche Pasquier is flexible because the goal to develop a clear and shared plan is widely understood and it has two primary input sources, a top-down source in the form of a strategic plan and a bottom-up source in the form of the mini-diagnosis process. Each of these sources includes financial, human resource, customer, and operational inputs. The PAP's starting point is a changing portfolio of objectives and strategies reviewed annually at the company level but with a three-year perspective. Knowing that the long-term direction of the firm is a rolling one created with broad participation provides guardrails for prioritization at the plant level but also sends the signal that nothing is permanent. The plant-level PAP reflects the local input from the workforce about what is not working and what needs fixing today, but also what future potential and capabilities need investment. The long term and the short term, the strategic and the operational are balanced. How each site develops the PAP is left to local preferences (and represents a source of innovation) as is the balance of different initiatives to best fit their market and customer conditions. Overall flexibility for the firm is achieved by flexibility at the site.

The planning, leading, and controlling processes at Netflix are flexible because its freedom and responsibility values are widely shared and accepted as a way to operate; they serve as the key input sources. Freedom inputs include individual development and career objectives, feedback from colleagues, and intimate knowledge of the manager's business. Since leadership is defined as shared and distributed, not centralized and scarce, the freedom inputs are particularly diverse. Responsibility inputs include information from the quarterly business review and role expectations. Netflix's planning process is similar to BPGs in that business reviews send objectives down the organization to achieve "good" strategy alignment but the leadership philosophy empowers managers to innovate on actions and programs given their job function, product, and market.

Leadership processes in agile firms encourage diversity over uniformity. Netflix encourages diversity in leadership style by eschewing "validated" leadership competences that symbolize a “one best way” to lead. Instead, there are clear boundaries on behavior described through values in the culture document and reinforced via intensive, multi-source feedback norms and recognition systems. Distributed decision-making is controlled by a shared purpose, shared understanding of the strategy, and a set of shared values in use. Netflix’s freedom and responsibility framework ensures a portfolio of inputs, gets alignment without over-specifying behaviors, and encourages effectiveness and variety over standardization.

Increasing the Clock Speed of Management Processes

Agile management processes are also fast. Agile organizations match process cycle times to the pace of environmental and business change, keep things simple, and provide an enormous amount of transparency into the system’s operation. Clock speed does not just mean fast, although that is one dimension. Organizations that have caught the bug and are moving to faster cycle times may be doing so just for the sake of speed. However, making people do things in a hurry is not agility. Agility is having management processes that help the organization do the right things at the right time.

Traditional management processes demand commitments to performance targets for defined periods, often a year. As a result, if they motivate behavior at all, they cause individuals to focus on achieving goals and acquiring skills that may be out of date if rapid change is occurring. All too often, even though the skills and goals quickly become outdated, employees resist change because their bonuses and salary increases depend on the “commitments” made to achieve them. Similarly, annual incentive cycles tied to annual budgets can hold responsiveness and change hostage for a year.

The Brioche Pasquier Group finds a semi-annual cadence for its PAP fits best. If the PAP processes operated any faster, it could distract managers and resources from keeping core production and delivery process operating efficiently. Netflix operates on a quarterly basis. The content and business development side of Netflix operates in an amazingly uncertain and fast-paced area and needs to ensure that resources are aligned to changing objectives more frequently.

An appropriate cadence is a function of simplicity and transparency. Organizations that try to operate their old annual management processes faster will find it frustrating and difficult. Annual processes disconnected from the pace of change in the market are notoriously more complex than they need to be. When there is plenty of time to prepare, review decks become enormous and detailed. Agile organizations choose simplicity, elegance, and effectiveness over complexity, sophistication, and documentation. The planning process at BPG can be memorized in minutes. The freedom and responsibility philosophy at Netflix is compelling and straightforward once it is experienced.

Improved clock speed is also enhanced through transparency. In agile organizations, transparency is not just top-down but more importantly bottom up. Executives from the headquarters office at BPG share their thinking about the long-term views of the company every six months. They travel to plants and involve employees and managers in a variety of planning, strategizing, and operating processes. While the rolling strategy moves information down, the mini-diagnoses and site level PAPs move information up. It is quickly moved around and available to decision makers. This availability allows the cycle to close on time, allows better decision to be made, and it reduces the time, wasted energy, and second-guessing in the political system. There is very little that is not widely known at BPG.

Similarly, Netflix is not afraid to put information into the hands of the people who do the work and they put a lot of effort into moving information around. The quarterly business review cascades the information down, while decisions, initiatives, projects, and performance outcomes move information and status up. Planning, leading, and motivating processes have good clock speed because the transparency is two way.

Conclusion

Agility routines are operationalized by management processes that work together to implement and refresh the strategy. The ability to identify, develop, and execute new capabilities successfully over a series of economic cycles and environmental changes is what allows agile organizations to maintain high levels of performance. This involves setting and clarifying strategy as well as establishing a climate that challenges the status quo. It means perceiving changes in customer demands, competitor moves, regulatory changes, reading the tealeaves of financial analyst recommendations, and a whole host of other environmental signals. It requires testing out potential changes and modifications in existing products and services, and implementing those changes.

Management processes contribute to the operation of critical capabilities and agility routines. Current performance requires management processes that continuously move through plan-do-check-act cycles to align activities to key goals, hold people accountable, and keep the firm on track. However, agile organizations also require certain management processes to operate with flexibility and speed. They must be able to adjust and adapt their nature and form as often as environmental change demands it without skipping a beat. Agile organizations do management processes right and differently.

The pivotal role played by management processes has important implications for managers. First, pursuing radical design ideas, breaking all the rules, and ignoring the fundamentals of managing and leading organizations makes for great headlines, but cannot create an effective and adaptable organization unless the basics are right. There is little sense in pursuing dynamic networks, global matrix models, or flexible manufacturing technologies if the organization cannot do management processes well. Some of these processes also must be designed for flexibility and fast cycle times. Input diversity, encouraging variance in approaches, simplicity, and transparency all contribute to the effectiveness of agile management processes.

Second, there are no quick fixes in the transformation to agility. In every organization we studied, even the ones that possess high levels of agility, the story was always the same: "There's still so much we need to learn." Becoming agile requires patience and committed leadership. It is a journey that never ends. While there are ways to accelerate the transformation, becoming agile requires time, effort, and attending to how the different organizational systems work together. Alignment, another classic management principle, is as relevant in the future, as it is today.

END NOTES

[1] Mr. Mello is currently serving as CEO of DaVita Healthpartners, DaVita's 2012 acquisition.
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[12] The "freedom and responsibility" document has come under some scrutiny by those who correctly observe that the policies derived from the document apply only to employees that are not involved in the core DVD distribution and streaming business. What these shortsighted observations fail to acknowledge is that these are the missing pieces of planning, organizing, and controlling an "ambidextrous" organization. We know a lot about how to efficiently and effectively manage Netflix's core business (and other similar business models), but we know very little about designing organizations for continuous innovation and change. The "freedom and responsibility" policy provide insights into how to make creativity and innovation routine.

[13] Netflix and Brioche Pasquier managers will readily admit that the first transition did not go smoothly. Their response to the difficulties is most telling. Indeed, Netflix's learnings from its initial capability changes that allowed future changes to go more smoothly. Netflix's missteps in introducing movie streaming served as an important testing and learning opportunity. They reviewed what worked and what did not and made important adjustments in their planning and decision-making processes based on that experience. Similarly, BPG's learnings from acquisitions in Spain and Italy allowed it to enter the UK and the United States more efficiently.