# Chickens and Eggs; Causes and Effects; Agility and Digitalization

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# Apparently, agility has arrived – it only took 43 years*

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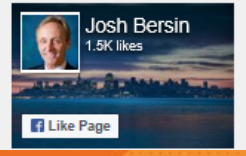
## Agile Organization Models Are Going Mainstream




### Moving to the New Organization Model

| | Today | Future |
|---|---|---|
| Organization Structure: | Hierarchical Business Functions | Projects, Squads, Teams, Shared Services |
| Teams and Projects: | Teams formed slowly over time | Teams assemble and stop quickly |
| Jobs and Roles: | Job descriptions, job levels, job titles | Assignments, tasks, expert roles |
| Managers: | Managers "own" teams and people's careers | Managers manage projects and "sponsor" people |
| Careers: | Jobs are "owned" by the manager and not shared | Jobs open in transparent marketplace |
| Flexibility and Space: | People "assigned" jobs by management | People sought out based on skills, work on multiple projects |
| Rewards: | People rewarded by level, tenure, experience | People rewarded by outcomes, reputation, sponsorship |
| Culture: | Inclusion, Sustainability, Diversity | Citizenship, Collective Thinking, Shared Values |

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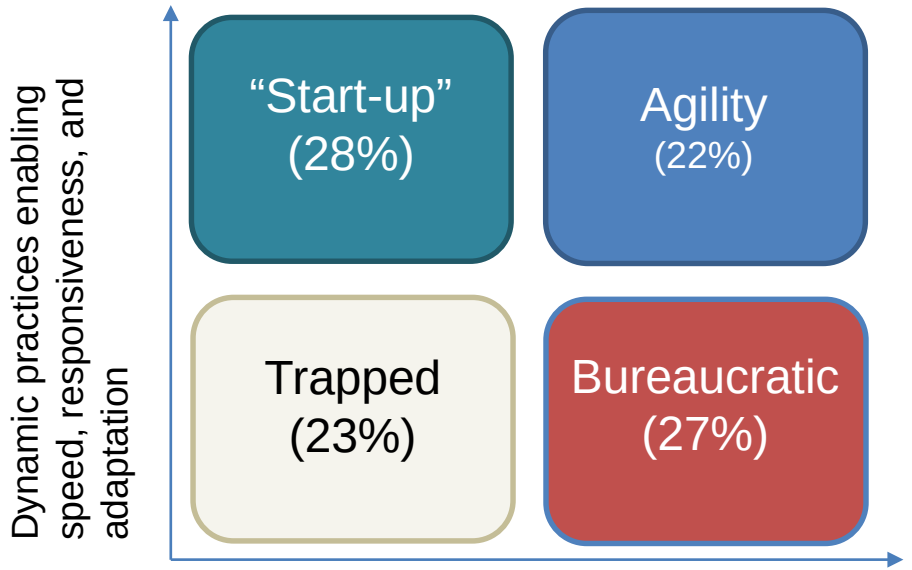


McKinsey Quarterly, 2017

* Steers, 1975


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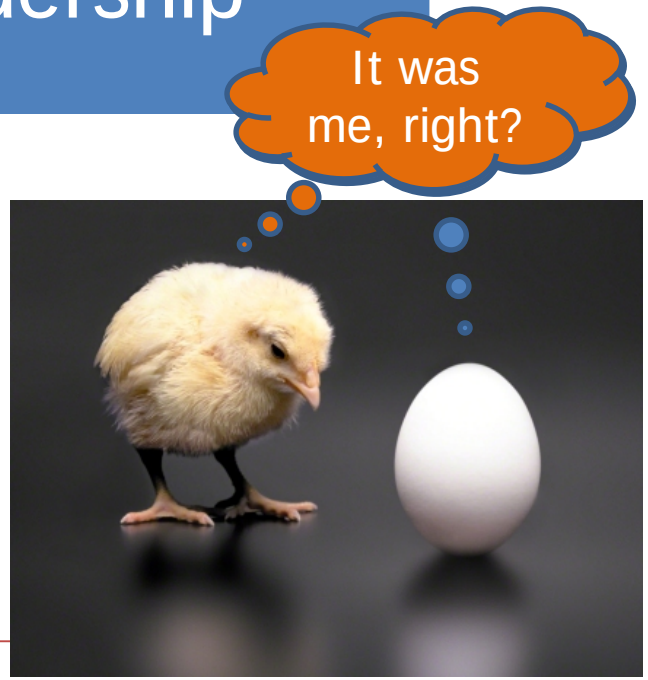
# Chickens and Eggs; Causes and Effects

Leadership ➡ Shape-shifting, agile organizations

Shape-shifting, agile organizations ➡ Leadership





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# Adapting vs. Adaptable

**Adapt (v)**: To make suitable to or fit for a specific use or situation

**Adaptable (adj)**: Capable of adapting or of being adapted

**Too often, organizations think about adapting instead of how to become adaptable**

- Agility represents such a capability
- Agility is about adapting and innovating over and over again, and no firm can be called agile unless it can demonstrate the ability to change repeatedly.
- Agile organizations see digitalization as one-in-a-series of adaptations


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# H&M *Adapting* to the Digitalization of Retail

- 2016/2017 Short-term and Medium-term Actions
  - Work closely with suppliers to increase flexibility, just-in-time purchasing, and leaner inventory levels
  - Move procurement / production closer to end-markets, a difficult tradeoff between decreasing lead times and increased costs
  - Build digital infrastructure – automate warehouses and logistics hubs and implement RFID tagging, delivery solutions, and advanced analytics – to increase supply chain flexibility, efficiency, and speed
  - Develop omni-channel strategy to integrate the digital and physical worlds and offer customers a more seamless shopping experience, including click and collect, scan and buy, online returns in stores
- 2018 Results
  - "H&M shares fall amid trouble adapting to online shopping"
  - "H&M, a Fashion Giant, Has a Problem: $4.3 Billion in Unsold Clothes"

And now what? Is the organization better able to handle the changes emerging in the meantime or in the future?


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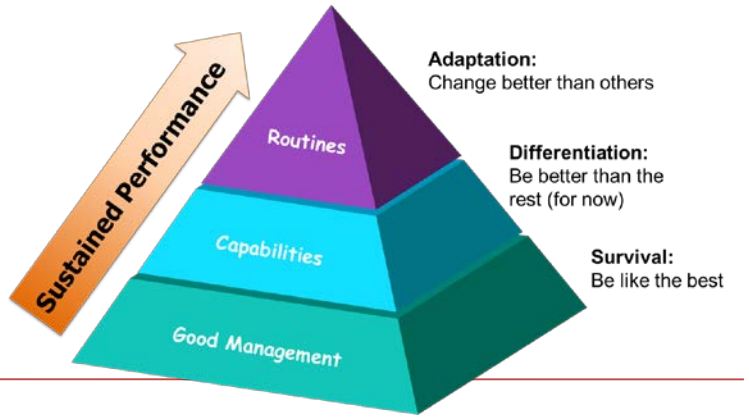
H&M Earnings Call Transcripts, *CapitalIQ*, June 2017, September 2017, January 2017.

# Agility is a Repeatable Organization Resource

**It is the ability to make timely, effective, and sustained organization changes:**

- The capability comprises well-known skills and knowledge related to processes of change and organization design.
- It consists of an identifiable and repeatable set of routines – strategizing, perceiving, testing, and implementing.
- It is something that has to be learned and experienced.
- It supports adaptability.





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# The Agility Routines

**STRATEGIZING**

**How top management establishes an aspirational purpose, develops a widely-shared strategy, and manages the climate for execution**

**PERCEIVING**

**How the organization continuously monitors and communicates environmental perceptions to decision makers for interpretation and response**

**TESTING**

**How the organization sets up, runs, and learns from experiments**

**IMPLEMENTING**

**How the organization maintains its ability and capacity to implement continuous improvement (efficiency) and radical/discontinuous innovation**


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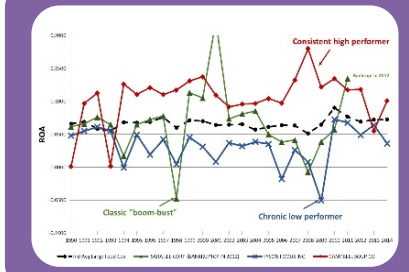
# Agility is the ability to make timely, effective, and sustained change when and where it provides a performance advantage




Sustained, above average profitability over a relatively long period of time

A history of successful organization changes, including changes in differentiating capabilities

Possession of the four agility routines – strategizing, perceiving, testing, and implementing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