ARCHITECTING PROJECT MANAGEMENT for Enterprise Agility…
July 14 to 16, 2016,
NIMHANS Convention Centre, Bengaluru

Enterprise Agility: Positioning the right mix of Drivers and Enablers
THEME 1: ORGANIZATION DESIGN
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## CONTENTS

Abstract ........................................................................................................................................................................... 3  
Enterprise Agility – An Overview ................................................................................................................................... 4  
The Core Elements and Pillars of Agility ...................................................................................................................... 5  
Agility Capabilities of an Organization .......................................................................................................................... 7  
Enablers of Agility Capabilities ..................................................................................................................................... 10  
Operating Select Variables - Driving Agility .................................................................................................................. 12  
Agile Transformation Journey of a Metals & Minerals Enterprise .................................................................................. 13  
Conclusion ....................................................................................................................................................................... 14  
References ......................................................................................................................................................................... 15
ABSTRACT

In today's ever-changing and volatile business conditions, organizations that can sense and adapt with agility will benefit from early/first-mover advantage. In doing so, they also build an environment for sustainable profitability by creating a fundamental ability to transform.

Exploring the elements of strategic responsiveness and organizational flexibility, this paper identifies key drivers such as methods, practices, tools and agile workforce required to realize an agile factory model that can enable the process from ideation through to operations. The paper further examines different operating select variables including structure, culture, enterprise design, tools maturity, core competencies that can drive enhancing agility of an enterprise at different levels.

Citing a real world case study, author explains how a mineral-and-metals enterprise on its transformation journey, achieved basic levels of agility and realized quick benefits by using the empirical tool sets for measuring the variables of its Business Improvements initiatives while executing in more responsive and flexible enterprise.
Enterprise Agility – An Overview

The Organizations, in the contemporary times, operate in an unpredictable, dynamic and constantly changing business environment. The volume, swiftness, and extent of change are often disruptive and can easily derail an organization's strategy and its near and long-term goals. As the strategic and operating conditions become increasingly turbulent due to the factors such as hyper-competition, demanding customer needs, regulatory changes/intensiveness, and technological advancements, the ability to sense relevant changes and respond appropriately becomes an important determinant of a firm’s success. The problem - How organizations can be more proactively-prepared, adaptable, and Innovative with speed? - has been a prevailing topic both in industry and academia for a few decades.

In the broadest sense, Enterprise Agility describes an organization's ability to rapidly change or adapt in response to fluctuating market conditions. A high degree of agility can help an Organization be-prepared and react to the emergence of new competitors, the development of new industry-changing technologies, or sudden shifts in overall market conditions. The advantages of agility have long been demonstrated. According to a report on organizational agility by the Economist Intelligence Unit, research conducted at the Massachusetts Institute of Technology suggests that agile firms grow revenue 37 percent faster and generate 30 percent higher profits than non-agile companies.

Enterprise agility can be rationally be broken down into two core components: sensing and response. In alignment with the core components of agility, we explore the dimensions of Strategic Responsiveness, Organizational Flexibility, Swift Adaptability and the power-play of underlying providers or pillars such as Analytics, Innovation, On-demand resources deployments, Organizational Processes, and Mindsets.

Further, when thinking about agility, it’s important to continuously improve the focus, direction, strategy, performance, sustainability, and resources with-in the Organization, while monitoring and reacting quickly to external factors such as competition, market demands, threats, and risks. Agile Enterprises reflect or imbibe a few inherent capabilities at different levels – Strategic, Portfolio, Operational, Leadership and Innovation which enables them to achieve their business goals and prosper, by exploiting marketplace opportunities to the fullest.

The drivers of agility represent characteristics of the external business environment, with reference to the turbulence and volatility of the changes. These drivers force an organization to revise its current strategy, admit the need to become agile, and adopt an agility strategy. Strategic abilities such as responsiveness, competency, quickness, and flexibility are considered to be the main attributes of an agile organization that can successfully deal with changes. The paper goes under the skin of agility, drivers, capabilities and core providers to establish a conceptual model of enterprise agility which could be applied to any organization, and scaled as per the contextual
operating select variables. The granularities of the enablers discussed support the application at the grass-root level of an organization.

The Core Elements and Pillars of Agility

The components of sense and response are reflected in the various definitions and explanations of agility in academic literature. In the context of enterprise agility, it implies keeping a close watch on the market opportunities, threats, regulatory changes, customer demands, and economic shifts that can significantly impact the strategic vision or the goals of an organization. An appropriate response, in our context, is one that supports the firm’s goals. The focus is on the response, which can make agility a key differentiator for a successful enterprise. As demonstrated in figure 1, the three key elements of agility – a. Strategic Responsiveness, b. Organizational Flexibility, and c. Swift Adaptability – operate in an organization which can foster agility with varying degrees of providers or pillars.

![Figure 1: Elements of Enterprise Agility supported by providers of agility](image-url)
Strategic Responsiveness – It refers to the ability of the enterprise to sense threats to its business goals, and craft an appropriate response. The challenge is to establish a suitable response which favors the profitability-objectives of the enterprise. The firm’s strategic sensitivity is enabled by an understanding of markets and industry, sensitized data produced by the analytics, and the marketplace scorecards, and facilitates accurate and quick decisions.

Organizational Flexibility - It refers to the ability of an enterprise to shift execution rapidly. A strategic sensing ability of an organization often triggers changes in the strategic direction. An organization’s functional and manufacturing capabilities, and customer intimacy, reinforced by its IT systems and processes, needs to have an appropriate coupling to enable the re-alignment of execution that results from change. Doing so requires the capacity and the willingness to innovate in every aspect of the enterprise. It needs new organizational structures, business processes, and technologies to be put in place, instead of simply developing new products in response to perceived consumer needs and market trends. Organizational flexibility is also influenced by the mindset and behavior of the workforce and the leadership team, and hence, requires the two to operate in an open and collaborative manner. An agile workforce understands that the volatile conditions prevailing in the market requires them to constantly adapt, and adopt an intentional and proactive approach to change.

Swift Adaptability – It refers to the ability of an enterprise to quickly adapt to change. The structure and design of an organization can significantly contribute to the adoption of change, and help communicate it across the various functions of the enterprise. The culture of innovation, if ingrained in an organization, enables the quick transformation of existing resources through ideas, creativity, and support, into new and valuable resources.

Agility providers can be derived from many enablers inter-woven with-in the organization structure and culture, market intelligence, innovation, analytics, digital forces, on-demand infrastructure, and organizational processes that help achieve agility capabilities for an enterprise.
Agility Capabilities of an Organization

The culture of agility requires rethinking the basic assumptions of management. The principles of a culture of agility are not a random collection of fixes. They fit together as a mutually reinforcing set of management patterns. Once an Organization introduces a culture of agility, it affects everything in the organization—the way it plans, the way it manages, the way people work. An agile enterprise has a set of interconnected capabilities:

**Strategic Agility** – It refers to the capability of an enterprise to continuously adjust and adapt to new strategic directions in the core business as a function of strategic ambitions and changing circumstances. It leads to the creation of not just new product and services, but also new business models and innovative ways to create value for the firm and its customers. Following are the key enablers of strategic agility within an organization –

- **Strategic Sensitivity**: Strategic sharpness of perception, intensity of awareness, and attention to marketplace variables
- **Resource Fluidity**: Internal capabilities to reconfigure business systems and rapidly re-deploy resources
- **Collective Commitment**: The leadership team’s ability to quickly make bold decisions and adjust the strategic direction of the firm

Many complex interactive systems—such as weather patterns, seismic activity, and traffic—follow what mathematicians call an inverse power law: the frequency of an event is inversely related to its magnitude. In turbulent markets, an inverse power law implies that there is a steady flow of small opportunities, periodic midsize ones, and the rare chance to create significant value. Given the unpredictable nature and uneven distribution of golden opportunities, a combination of patience, boldness and appropriate preparation is demonstrated by the strategically agile organization.

**Portfolio Agility** – It is the firm’s capacity to quickly and effectively shift resources such as cash, talent, and management, out of units that aren’t doing too well, into more promising units. Portfolio management is a disciplined approach to translating strategic aspirations into realistic execution plans. The new pace of change requires agile portfolio management and an adaptive mindset with light-weight processes. Portfolio agility can help an organization cope with change in the strategic direction by:

- Creating realistic high-level execution plans to support changes to the strategy
- Quickly re-allocating teams to optimize business value as new opportunities arise
- Applying funds to the right places, quickly and effectively
  - Fostering the organization’s ability to deliver value faster
  - Steering the direction of programs and projects quickly and effectively
Operational Agility – It refers to the organization’s ability to find and seize opportunities to improve operations and processes, within a focused business model. Examples include the introduction of new products and services, cost reductions, and quality improvements. Here are the key enablers of operational agility:

- Accurate and detailed real-time market data
- Focused corporate priorities
- Clear performance goals
- Control and reward mechanisms
- Flexible HR arrangements
- Flexible IT systems, software development
- Agile project management and change management approaches

Leadership Agility – It is the ability to lead effectively under conditions of rapid change and mounting complexity. Changing trends affect the workforce at all levels of the organization. Leadership agility is an interconnected set of abilities that include:

- **Context-setting Agility** – The ability of leaders to select and frame important initiatives
- **Stakeholder Agility** – The ability of leaders to understand the perspectives held by differing stakeholders and how they can create greater alignment with them
- **Creative Agility** – The ability needed to solve complex and novel problems
- **Self-leadership Agility** – The ability of proactive leaders to learn from their experience

Highly agile leaders realize that we live in an era of permanent change, a turbulent global environment that is complex, uncertain, and fiercely competitive. They understand that these realities will require them to adapt to volatile conditions hence they have an intentional, proactive approach to change.

Innovation Agility: Innovation Agility is an ability of an organization to have a systematic approach for sharing insights and continually generating new ideas, as well as use internal and external networks to share ideas. Agility in innovation enables an organization to stay on course in successfully delivering the outcomes that either improves efficiencies or adds value to the quality of people’s lives. Adopting a business eco-system context to innovation can accelerate the innovation process, reduce the risks inherent in innovation, and engage the entire organization as ‘co-ideators’ and broader ecosystem in the innovation effort.

The goal of an agile enterprise is to satisfy its customers and employees, with speed, and use its inherently developed virtues of responsiveness, competency, flexibility, and innovation. An agile enterprise essentially possesses a set of capabilities for making appropriate responses to changes occurring in its business environment. To be truly agile, an enterprise must possess a number of distinguishing agility-providers. Figure 2, below, diagrammatically represents the suggested conceptual model for an agile enterprise.
Figure 2: Conceptual Model of an Agile Enterprise
## Enablers of Agility Capabilities

There are various enablers that allow organizations to acquire the appropriate agile capabilities they seek. Table 1 presents a few interconnected sets of enablers.

<table>
<thead>
<tr>
<th>Enablers</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Decision Making</strong></td>
<td>The strategic decision making capability would help and determine if a given response supports the firm’s strategic goals. An enterprise must be able to make strategic decisions quickly to be able to fully capitalize on opportunities.</td>
</tr>
<tr>
<td><strong>Leadership and Management</strong></td>
<td>The style of leadership should be in alignment with the firm’s agility strategy, along with the strength and speed of decision-making, the clarity of communication and the degree to which it is trusted.</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>The ability of an enterprise to establish an innovative culture facilitates the conditions for creative adaptability. The firm's innovation capability includes collaborative ways of working and sharing insights and new ideas, and using internal and external networks.</td>
</tr>
<tr>
<td><strong>Market Intelligence</strong></td>
<td>The market intelligence capability tracks customers and competitors. It involves monitoring new product offerings, pricing and promotion strategies, distribution strategies of competitors, and researching consumers. Market intelligence helps a firm sense changes resulting from economic shifts.</td>
</tr>
<tr>
<td><strong>Product Development</strong></td>
<td>Product development capabilities facilitate a firm’s ability to launch new products and adjust existing ventures like adding product features.</td>
</tr>
<tr>
<td><strong>Flexible Resource Utilization</strong></td>
<td>Flexible resource utilization allows firms to shift resources to the area of need and helps them embark on new ventures or adjust existing ventures.</td>
</tr>
<tr>
<td><strong>Supply-Chain and Production</strong></td>
<td>Supply-chain and production capabilities may enable firms to adjust existing ventures by shifting production to match an impending change in demand.</td>
</tr>
<tr>
<td><strong>Cross-Functional Alignment</strong></td>
<td>Cross-functional alignment within an organization helps gather, analyze, and synthesize key insights to enable rapid decision-making and quick response before the window of opportunity closes.</td>
</tr>
<tr>
<td><strong>Agile Program/Project Management Practices</strong></td>
<td>The application of relevant knowledge, skills, tools, and techniques to help meet project requirements. Agility helps expedite delivery of working-product to the customers and also rapid adjustments as needed. Agile organizations actively engage executive sponsors, align projects to strategy, and establish a well-aligned and effective PMO.</td>
</tr>
<tr>
<td><strong>Supply-Chain and Production</strong></td>
<td>Supply-chain and production capabilities may enable firms to adjust existing ventures by shifting production to match an impending change in demand.</td>
</tr>
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</table>
On-Demand Infrastructure

On-demand IT infrastructure on cloud for an agile enterprise can be a game-changer, with unlimited scalability, and capacity on demand, that will increase efficiencies and innovation, while simultaneously reducing costs.

Learning and Change

The ability of an enterprise to learn from past experiences and prepare for future challenges determines the degree to which the organization has a shared vision, an appetite for change, and the capability to enact the changes.

IT Enablement Maturity

The IT enablement and maturity capability affects how quickly and efficiently firms can implement IT-enabled offerings. Also, IT creates digital options by extending process reach so that firms are better integrated internally and with customers, suppliers, and partners.

Table 1: Interconnected set of enablers of agile capabilities

An agile organization establishes the required enablers to develop the pertinent agile capabilities to enable quick response to foreseeable changes and also to identify and maximise the return from opportunities or mitigate the costs of looming threats. Figure 3 represents the power-play of enablers that help build the agile capabilities of an enterprise.

![Organizational Agility](image-url)
Operating Select Variables - Driving Agility

Organizational Design and Structure: Relatively stable and predictable environments create a mechanistic type of organization which is characterized by a highly hierarchical structure and formal management operations with centralized authority, large sets of rules, a narrow span of control, and a formal means of coordination. Volatile, changing, and unpredictable environments have an organic organizational design, which is somewhat casual, has less hierarchy and more decentralized authority, fewer rules, and a more personal means of coordination.

Culture: Culture plays an important role in organizational change. Successful agile adoption tends to depend on the ability to change the culture. Making the culture explicit and becoming more conscious of the existing culture is important in such transformations. Nurturing the culture can significantly increase the agility of an organization.

Communications: Effective, efficient and timely lateral communication across the organization helps drive agility within the enterprise. Agile enterprises eliminate any communication barriers that hinder real-time collaboration. Establishing appropriate channels for quick and easy sharing of information and expertise is important.

Behavior: The values and opinions held by employees guide the behavior of the workforce and impact the agility of an organization. To achieve success, senior executives must ensure that the principles and behavior they exhibit are in alignment with the organization’s values. Appropriate training and support from superiors during the agile transformation could also drive certain behaviors.

Intangible Resources: There are quite a few intangible resources within the boundaries of an organization which play a major role in driving agility. Resources such as appraisal and evaluation systems and policies, the knowledge necessary to perform job roles, and promoting cooperation are interwoven with, or result from the culture and policies of the organization.

Figure 4, below represents the different variables that make up an agile enterprise.

Figure 4: Variables of an Organization determining its Agility
Agile Transformation Journey of a Metals & Minerals Enterprise

A leading metals and minerals enterprise in the Middle East wanted to develop mining as a pillar of industrialization in its nation’s economy. At the same time, the company wanted to grow into a world-class minerals organization. To work towards this vision, the mining giant, was to completely transform itself and become much more Agile. A strategic transformation program was launched to spearhead the transformation and manoeuvre the enterprise through its agile transformation journey. However, the program lost focus during the execution phase. The company engaged TCS to build a result-oriented, dedicated PMO who can bring the program back on track and lead the agile transformation of the Enterprise. The team conducted an in-depth analysis to understand Organizations’ design, structure, culture and operating conditions followed by some corrective actions to enable performance measurement, capability management, and garner employee support. Highlights of few actions taken as part of this engagement are:-

- A ‘Values to Behavior’ initiative launched to promote values and drive behavioral changes that would enable, propel, support and sustain the transformation.
- An organizational re-design initiative launched to ensure that the enterprise become less hierarchal, more decentralized, entails fewer rules, and enhance of coordination. New business change organization established which assisted transition of Project outputs to Business.
- The team participated in company’s annual business planning cycle to ensure alignment between the organization’s strategy, its objectives, the business plans of each unit, and the program master plan.
- Balanced Scorecard established to maintain alignment of strategy, business plans to program plan.
- Program’s communication strategy revitalized and channelized, with controlled used of four key levers, to ensure comprehensive and controlled internal and external communication.
- Audit & compliance processes created to ensure sustainability of change transitioned into business operations.
- A new academy organization conceived, and launched within the program to support capability building.
- An Enterprise Six Sigma team established to take up improvement initiatives for different business units.
- Research and Development function chartered to support and expand the company’s minerals portfolio.
- New Resources and Reserves Committee(R&RC) established to oversee all geo-science data collection and estimation. R&RC helped establish geo-science forums to organize exchange of technical knowledge.

**Key Results:** The agile transformation program was revived and, the firm achieved below tangible benefits through various successful initiatives:-

- The phosphate business unit gained USD 120 million in annualized EBITDA; USD 21 per ton reduction in cash costs, and 20 percent improvement in both production and mineral beneficiation.
• Capital productivity of major mining projects improved through risk evaluation and value engineering, with an estimated savings of USD 138 million in capital expenditure.

• An annual savings of nearly USD 6 million in operational expenses was achieved through the strategic category management approach that led to better supplier relationships and ability to negotiate.

Additionally, effective standards and procedures for collecting and recording geo-science data, compliant with international JORC 2012 standards, were established. The company also achieved the Diamond 3 excellence level in Environmental, Health, and Safety (EHS) standards.

CONCLUSION

The increased volatility and complexity of the business landscape makes reacting to—and planning for—changing market conditions more and more difficult. The agility of an enterprise is perceived as the dominant competitive vehicle for success. An agile business is flexible, fast-moving, quick to adapt to change, capable of rapidly responding to challenges, and able to seize new opportunities as they arise. Organizational agility requires quick decisions, a flexible organizational structure and ease of communication.

For an enterprise to achieve agility, it is critical to align and integrate its agility providers, capabilities, and drivers, to ensure that the agility providers can satisfy the agility capabilities; and the agility capabilities can in turn cope with the agility drivers, transforming them into strategic competitive differentiators. By juxtaposing the two core components – sense and response, the different dimensions of agility can be evaluated in terms of - a. strategic responsiveness, b. organizational flexibility, and c. swift adaptability. In order to achieve varying degrees of agility in each of these dimensions, the agility drivers would thrust an organization towards establishing, fine-tuning, nurturing, and aligning the agility pillars and providers such as people, technology, mindsets, analytics, innovation, market sensitivity, and organizational processes. The agility providers, along with the interconnected and interwoven set of organizational enablers, would propel and set conducive grounds for an enterprise to inculcate the specialist agility capabilities. The inter-play of agility drivers, providers, enablers and capabilities is illustrated using a conceptual model.

Agile Organisations institute a change adaptable framework around strategy, culture, leadership, people, and processes. They thrive in such changing and uncertain business world by creating a culture of agility that enables an organisation’s most strategic initiatives to be completed faster and better than ever before.
REFERENCES


