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Traits of Truly Agile Businesses

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Executives from leading enterprises know what it takes to be agile. The latest research from Accenture on business agility shows that leaders stand apart from other companies on nearly every dimension of agility—from speeding up decision making, to knowing what is strategic and what is operational, to aggressively investing in and using analytics to run their organizations.

It has never been easy for large, complex companies to be agile. When we surveyed executives on the topic of change in 2010, nearly half had little confidence in their companies' ability to mobilize quickly to capitalize on market shifts or serve new customers. Half did not believe that their culture was adaptive enough to respond positively to change.[1] When we talked with executives in 2012 for our special report entitled "Corporate agility: Six ways to make volatility your friend," we heard continued concerns—and frustrations—about their companies' ability to move quickly. Executives also tended to view uncertainty as a limitation rather than an opportunity.[2]

So where do things stand today? The good news is that most executives have a sense of what agility means for their companies' future. The less good news? There is still a big gap between **awareness** of the need for agility and the concerted, cohesive **actions** being undertaken to become truly agile over the long term.

The other heartening news is that some leaders are showing that it is entirely possible to bridge that gap. On many dimensions of agility, the leaders are already far ahead. The latest research from Accenture shows significant variance between the responses of these leaders— defined as companies with a self-reported increase in sales of greater than 10 percent in the past fiscal year—and the laggards—companies that experienced negative growth in the past fiscal year (see "Research methodology").

So even though the fundamentals of agile behavior remain elusive for many businesses, a set of leading practices is beginning to materialize, enabling those players to begin to close the gap with their industries' leaders.

What really makes agility happen?

So what does it take to turn intent into action? What are the ingredients that enable a business to become consistently more agile than its rivals?

To anchor our discussion, let us start with a dictionary definition of agility. According to Webster's Collegiate Dictionary, the definitions are: 1. The ability of being quick and well-coordinated in movement; nimble. Active, lively. 2. Marked by an ability to think quickly; mentally acute or aware.

Here are the components of agility that matter most in a business context:

Anticipating
Developing a view of possible or likely changes—not trying to predict actual changes. This includes rigorous reviews of customer needs and industry forces, and evaluations of likely scenarios of industry consolidation, product development, pricing and customer needs.

Sensing
Continual reviews of market conditions, looking for trends and especially anomalies in customer behavior, competitor moves, supply chain shifts, supply/demand changes, and macro and microeconomic developments.

Responding
Reacting to market shifts faster than competitors calls for rapid decision making, testing responses on a pilot basis, and then scaling for a broader response. It frequently includes preset "plays," where management teams have agreed ahead of time how they will respond to situations such as a big price drop by a competitor.
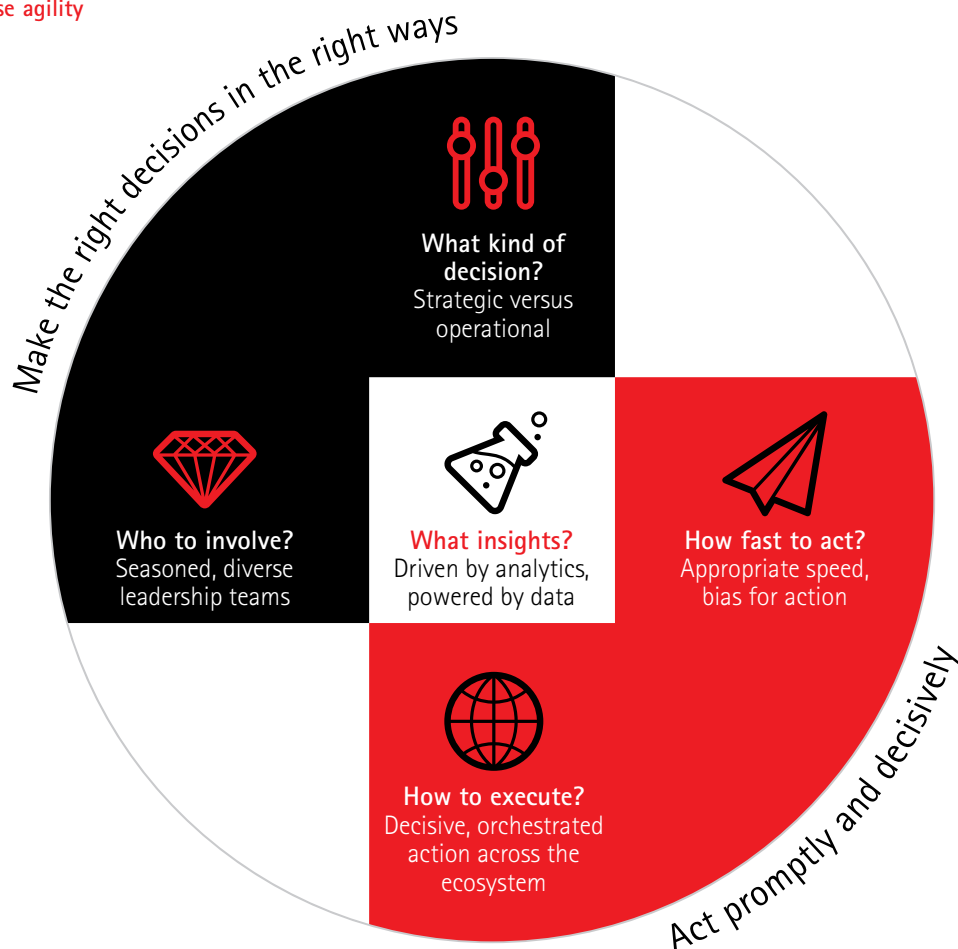
Adapting
Once initial market changes have been identified, organizations often find that they need to rework some of their business processes. Some may tailor their organizational structures to better handle ongoing changes in their markets.

To help make these parameters actionable, we have created a simplified framework to depict the critical enablers (see Figure 1). The framework breaks down into two broad categories: planning and execution, each underpinned by a firm foundation of analytics with which to sift the data for crucial insights. Overall, the focus is on making sure that decisions are well informed, prioritized, appropriately socialized, and relentlessly executed.

Let us look at each of the enablers in more detail, moving clockwise around the framework and examining today's leading-practice responses (see "At a glance: How leaders become more agile").

Figure 1.
Framework for enterprise agility

Make the right decisions in the right ways

What kind of decision?
Strategic versus operational

Who to involve?
Seasoned, diverse leadership teams

What insights?
Driven by analytics, powered by data

How fast to act?
Appropriate speed, bias for action

How to execute?
Decisive, orchestrated action across the ecosystem

Act promptly and decisively

Leaders actively build seasoned, diverse leaders and management teams

Leaders ensure that managers up and down the organization are fully accountable and have the right competencies to handle a diverse set of circumstances.

Leaders prioritize strategic decisions

Leaders distinguish between the decisions that affect everyday operations and the bigger decisions that concern the company's strategic direction.

Leaders speed up decision making

Leaders establish a culture of making critical decisions at speed—always ensuring that those decisions are tuned to market conditions.

Leaders prepare their ecosystems to act quickly

Leaders arm their business ecosystems—suppliers, customers, and a range of third-party partners—with the resources, information, and tools to take decisive, well-orchestrated action—and to quickly measure the results and course-correct when needed.

Leaders invest in and make more use of data and analytics to run the business

Leaders understand the competitive value of deeper insights and know-how to mine many sources of data—not just their own—to obtain those insights.

Who to involve?

Leaders actively build seasoned, diverse leaders and management teams

The importance of leadership and engaging the right individuals in decision making is a clear theme in the Accenture research findings. Fully 52 percent of respondents agree that building the right leadership team is essential to fostering agility. Further, effective leadership is cited by 37 percent of respondents as one of the top three reasons why their companies are well prepared to deal with uncertainty.
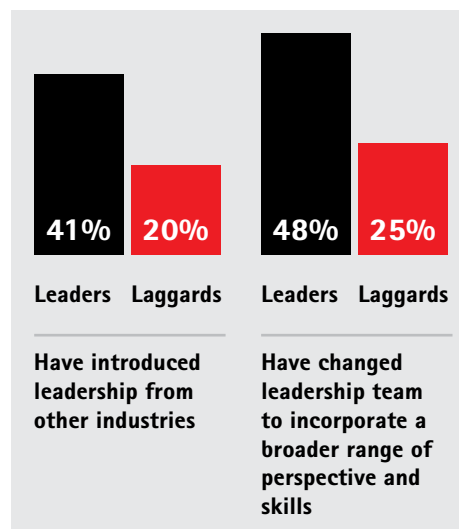
It is interesting to observe that, for 25 percent of the laggards, effective leadership is the most strongly cited reason for why they feel prepared for uncertainty. They appear to think they are doing better than they are, and are attributing their "preparedness" to solid leadership. Interestingly, these companies put less of a premium on building effective leadership teams than the leaders (44 percent of laggards cite this as very important compared to 62 percent for leading companies). In other words, the laggards are not investing in the very capability they say is key to their preparedness—at least, not to the extent that they should.

Another critical difference between the leaders and the laggards is in the composition of their leadership teams. Leaders hire leaders from other industries at twice the rate of the laggards. They are also more inclined to swap out leaders to assemble a broader mix of perspectives and skills (see Figure 2).

Kingfisher exemplifies clear-eyed thinking about diversity among the top team—not simply in terms of gender or nationality but in terms of experience, skill sets and perspectives. The UK-based home-improvement retailer—one of the world's largest—is rapidly expanding overseas, and working hard to figure out how to integrate its far-flung operations.

Beyond the five members of Kingfisher's group executive team, other senior leaders come together in cross-functional teams to solve problems. Group chief executive Ian Cheshire explains that the goal is to work through "collective and intelligent networks" on such issues as supply chain optimization and Internet channel development. He adds that the networks often arise spontaneously—a good example of structural agility. "In the last three years," Cheshire says, "we have increasingly mixed up the team so that we can get not just the scale benefits from being international, but also the diversity benefits of different perspectives and experiences."[3]

Figure 2.
Leading companies are quicker to "mix and match" in the C-suite

Leaders	Laggards	Leaders	Laggards
41%	20%	48%	25%

Have introduced leadership from other industries	Have changed leadership team to incorporate a broader range of perspective and skills

What kind of decision?

Leaders prioritize strategic decisions

Executives from leading companies say their ability to get the big decisions right is crucial to improving their agility, with 58 percent of respondents stating that they consider it very important. Just 41 percent of laggards say it is very important.

Further, leaders that describe themselves as very well prepared to deal with uncertainty say their ability to distinguish between strategic decisions and operational decisions is the foremost reason for their preparedness—almost three times the rate of the laggards.

Global hospitality company, Four Seasons, demonstrates a clear sense of the need for strategic decision making. The company's leadership is structured to make sure the right team is at the top—and that members work together effectively on the most immediate leadership concerns. The executive leadership team is keen to ensure that tactical decisions do not get in the way of strategic work. They have mapped out a strategy that will centralize the strategic discussion and decision making, yet decentralize the preparatory work, strategic recommendations and tactical decision making.

Five committees, each chaired by a member of the team, are responsible for making sure that whatever needs to be decided gets resolved quickly, and for deciding whether certain issues need to come to the full executive leadership team. This frees up the team itself to take on the long-term issues that are critical to the company's future success.

The executive leadership team takes special care to ensure that the right people are in the room to make decisions—meaning there are networks and concentric circles of decision makers for different types of leadership decisions. Nick Mutton, Four Seasons' Human Resources chief, explains: "We're now making decisions in a collaborative way for several major areas of concern for the company. First always is talent development, because our business depends on people to run the businesses around the world." Other leadership decisions address the performance of each hotel, worldwide development, investment and innovation. Thus, Four Seasons has been able to develop a clear leadership charter at the top while maintaining agility through its networks of leaders.[4]

How fast to act?

Leaders speed up decision making

Every company concurs that rapid decision making is a priority for improving performance. But there are noticeable differences between the responses of leaders and laggards that felt unprepared to deal with uncertainty. Fifty percent of leaders that felt unprepared cited slow decision making as a top reason for their lack of confidence in being able to cope with uncertainty. Yet for the laggards, slow decision making did not even make their top three choices of factors that they say undermine their ability to deal with uncertainty. Clearly, the leaders prioritize this dimension—and are best positioned to do something about it.

At the same time, 51 percent of leaders say their businesses have made changes to accelerate decision making, while just 26 percent of laggards say so (see Figure 3).

P&G makes quick decisions by using technology to get the right information to the right people at the right time. For example, it has invested in virtual, "instant on" war rooms where professionals meet in person or over video conferencing to examine continuous streams of fresh and relevant data. The right experts are invited into the rooms as soon as a problem surfaces.[5]

Figure 3.
Leaders have made changes to speed up decision making

51% Leaders   26% Laggards

Our company has made organizational changes to accelerate decision making

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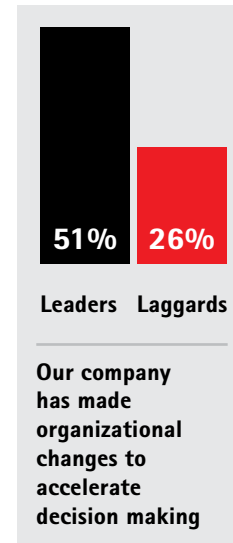
How to execute?

Leaders prepare their ecosystems to act quickly

Far-sighted organizations understand that value is being created in new and different ways across industry value chains. Increasingly, they view their operations in the context of a broader ecosystem—not just within the four walls of their own companies or limited to the context of their own industries.

Leaders have a different mindset about the overall importance of their ecosystems and how they operate within them. In almost every instance, they view their partnering relationships as more important to their continued success than do their low-growth counterparts (see Figure 4).

So it is no surprise that the leading companies tend to use partnerships far more than their industry peers. Thirty-five percent cite partner interaction as one of the top three business goals for investing in social media—markedly higher than the 22 percent cited by the laggards.

Many leaders recognize that greater openness can help to enhance their long-term competitiveness. For example, in September 2013, Freescale Semiconductor and Oracle agreed to a wide-ranging relationship to help rapidly evolve the Internet of Things (IoT). The companies assert that industry leaders must join forces to turn the vision of the IoT into reality, and believe that they can play a defining role in the evolution of the IoT.[6]

Leading companies also have configured their own organizations for faster adaptability: they can move their internal resources far more easily than their lower performing peers can—by a factor of two to one (see Figure 5).

The leaders are also adept at interacting with their ecosystems, particularly through social media. Fifty-five percent of executives say they use social media extensively to interact with partners, distributors and indirect channels—a response rate almost double that of the laggards.

Figure 4.
Leaders view partnering relationships as more important to their continued success

	Leaders	Laggards
Customers	80%	54%
Suppliers	64%	43%
Governments	56%	54%
Businesses in other industries	52%	31%
Competitors/other industry players	48%	31%
Community groups	48%	27%
Non-governmental organizations (NGOs)	46%	27%
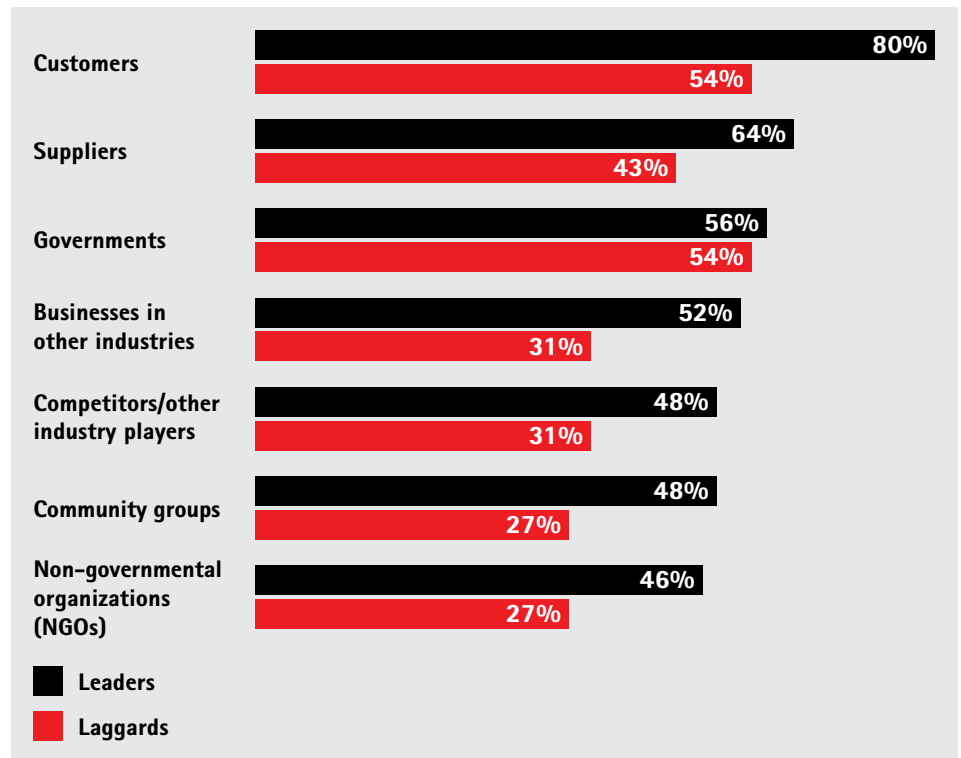
■ Leaders
■ Laggards

Figure 5.
Leaders find it easier to shift resources to address emerging or critical needs

Very easy		Somewhat or very difficult	
Leaders	Laggards	Leaders	Laggards
39%	17%	12%	29%
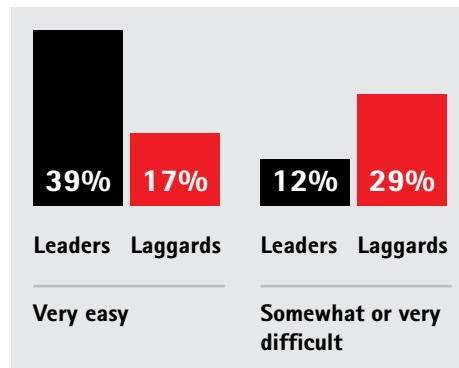
This ratio is consistent when we look at the interactions with agencies, suppliers and vendors: half of the leaders use social media extensively versus 27 percent of others in their industries. Not only are their usage rates higher, but the effectiveness of use is greater too; 50 percent of leaders claim their social media interactions with partners are very effective, versus 24 percent cited by the laggards (see Figure 6).

Crowdsourcing platforms and social networks now make it much easier for businesses to tap the intelligence of an "extended" workforce made up of partners, their employees and, of course, customers themselves. Forty-four percent of leaders strongly agree that they leverage extended workforces to fill skill gaps— far above the 25 percent mentioned by the laggards. For example, in the United States, GE partnered with the Defense Advanced Research Projects Agency and the Massachusetts Institute of Technology to develop a crowdsourcing platform to attract new ideas around the design and manufacture of defense equipment.[7]

Insights driven by analytics, powered by data

Leaders invest in and make more use of data and analytics to run the business

Having accurate, current and actionable information is essential for making good decisions. But not everyone envisions that need in the same way: 51 percent of leaders indicate that investing in analytics and data is very important to their agility, while only 26 percent of the laggards agree.

Furthermore, the leaders have more sophisticated and robust approaches to collecting, managing and extracting value from data. Eighty-nine percent routinely and systematically use analytical tools and capabilities to develop actionable insights, while only 67 percent of the laggards do the same (see Figure 7).
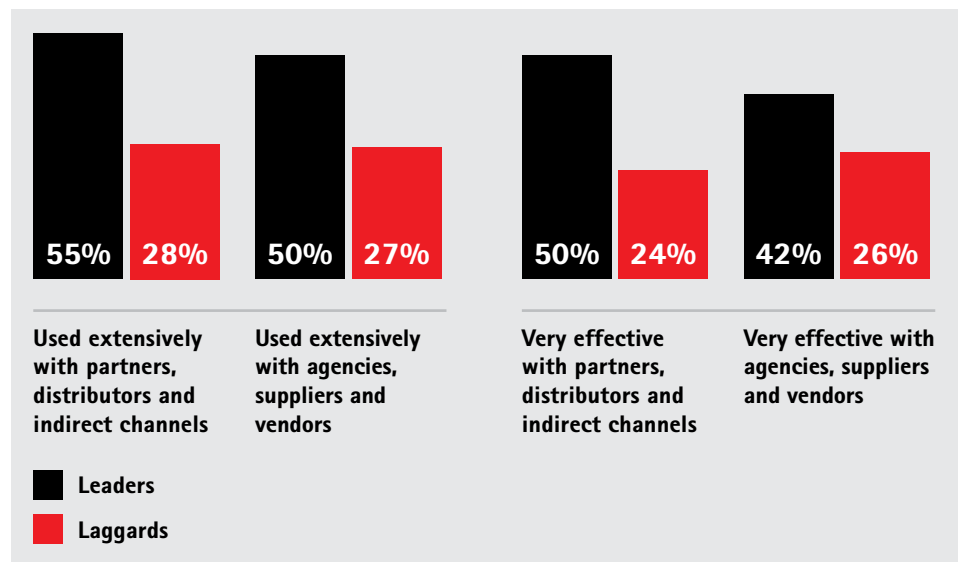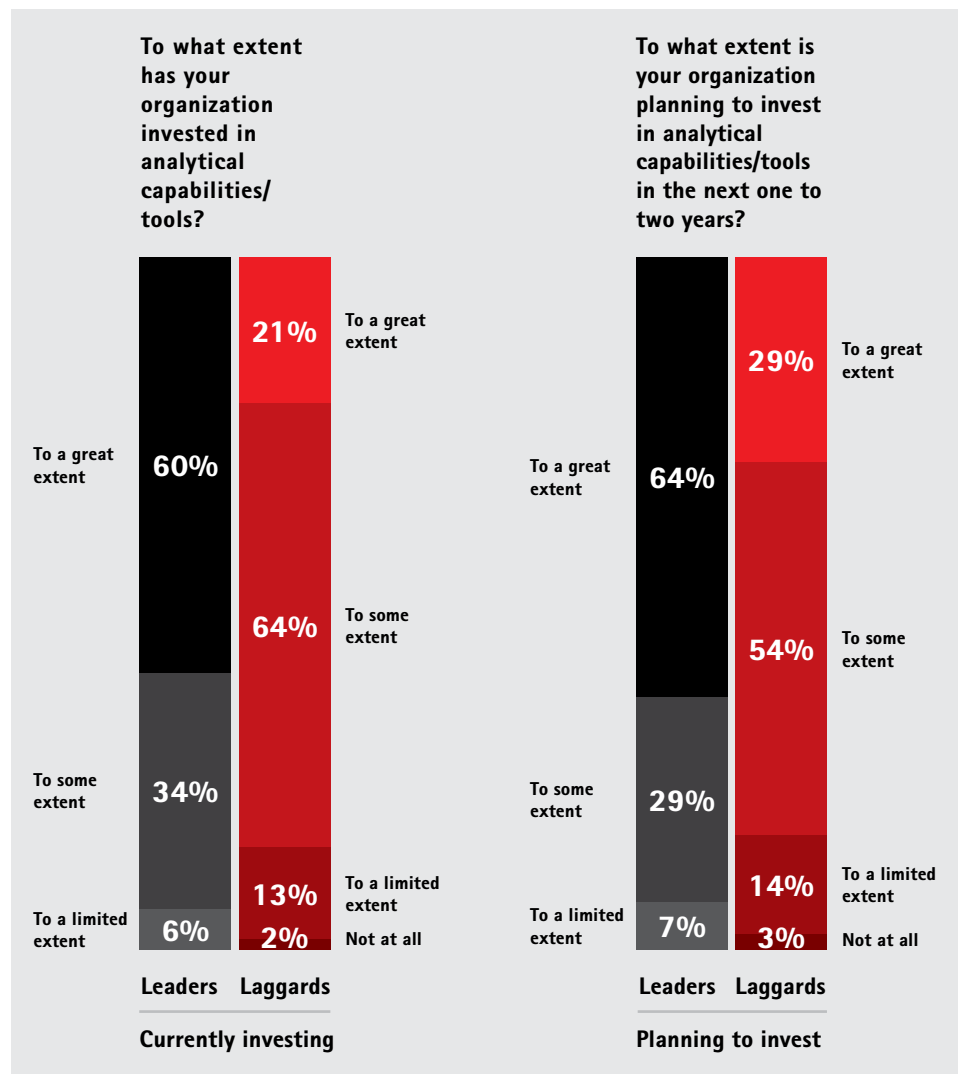
Figure 6.
Leaders use social media more extensively

	Leaders	Laggards
Used extensively with partners, distributors and indirect channels	55%	28%
Used extensively with agencies, suppliers and vendors	50%	27%
Very effective with partners, distributors and indirect channels	50%	24%
Very effective with agencies, suppliers and vendors	42%	26%

■ Leaders
■ Laggards

Figure 7.
Leaders invest more in analytics

To what extent has your organization invested in analytical capabilities/ tools?

	Leaders	Laggards	
To a great extent	60%	21%	To a great extent
		64%	To some extent
To some extent	34%		
		13%	To a limited extent
To a limited extent	6%	2%	Not at all

Leaders   Laggards
Currently investing

To what extent is your organization planning to invest in analytical capabilities/tools in the next one to two years?

	Leaders	Laggards	
To a great extent	64%	29%	To a great extent
		54%	To some extent
To some extent	29%		
		14%	To a limited extent
To a limited extent	7%	3%	Not at all

Leaders   Laggards
Planning to invest

A retail bank sought to improve business results with the use of advanced analytics. Leadership recognized that deeper insights could be utilized to design and deliver more effective customer interactions across multiple channels. A vision was established which focused on the creation of a single customer view. Advanced analytics and predictive models were applied to segment the bank's customer base across multiple dimensions—revealing hundreds of potentially marketable sub-segments, identifying ways of improving the customer experience and understand potential returns on investments. The bank used new insights to create enhanced value propositions and execute more sharply focused marketing campaigns. The organization leverages data and insights to make smarter business decisions and is already driving enhanced business outcomes.
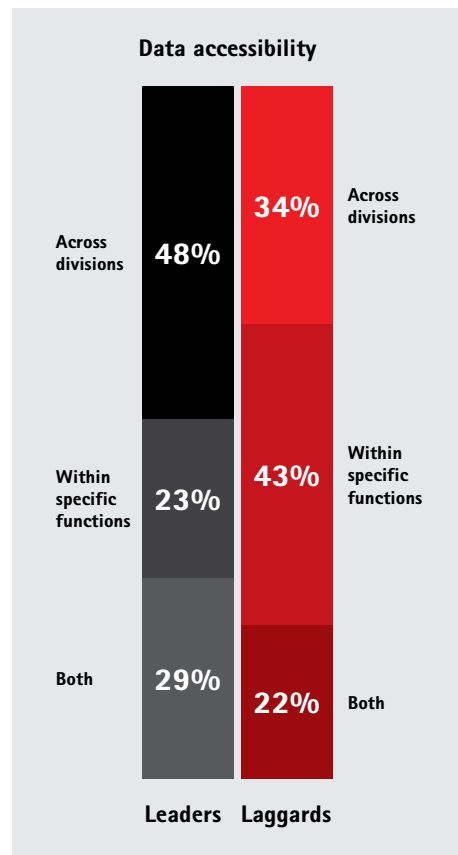
Leaders also collect a wider variety of data and have historically invested more heavily in developing robust analytical capabilities, which are used far more regularly. The Accenture research indicates that this performance gap could widen in the next two to four years because the leaders say they expect to continue out-investing their peers.

The breadth of data collected by the leaders includes consumer preferences and attitudes, competitive intelligence, organizational data, and social trends. Executives in these enterprises gather input about what types of data they need, not just from business planning or market intelligence groups, but also from employees. In this category, there is a noticeable gap: only 43 percent of laggards tap employee inputs versus 60 percent of leaders.

When it comes to sharing data, laggards are almost twice as likely as the leaders to restrict data accessibility within specific functions—43 percent versus 23 percent (see Figure 8).

And when the spotlight turns to collaboration, 52 percent of the leaders strongly agree that they leverage the power of collaboration across employees to achieve high performance—versus the 33 percent flagged by respondents from low-growth companies. Clearly, the leaders put a premium on collaboration—both in terms of a wider variety of inputs and how the data is shared.

Figure 8.
Leading companies readily share data internally

Data accessibility

	Leaders	Laggards	
Across divisions	48%	34%	Across divisions
Within specific functions	23%	43%	Within specific functions
Both	29%	22%	Both

Conclusion

The Accenture research concludes that executives from leading companies have a keen grasp of what they do well. They also exhibit a strong bias for action; they consistently know what will get done, and by whom.

The leaders also understand the nuances that enable agility. They can readily differentiate between strategic and operating decisions. They prize fast decision making, continually seek the best data and analytics tools with which to make those decisions, understand the importance of having leadership teams with the capabilities and mindsets needed for agility, and grasp the value of having a whole business ecosystem that is agile.

But these leaders know, too, that they have room to improve on every measure of agility. Specifically, there is still far to go to assemble top management teams that perform well on all dimensions of agility. Similarly, all executives—leaders included—admit that they need to improve by making the right decisions, and making them faster.

The leaders know what they must do next. We are confident that they can continue to improve their agility performance. And the laggards? They must push harder to achieve parity not only with what the leaders are demonstrating today but also with where they intend to be tomorrow.

So what will it take to keep your company on track to attain leading-edge agility? A candid self-assessment is a good place to start. Use our checklist to help you gain some indication of where you stand.

Checklist: Assess your company's agility

How prepared are you to exploit uncertainty? Here is a quick checklist of what leaders do, and key points to consider:

AGILITY ASPECT	KEY QUESTIONS	KEY CONSIDERATIONS
Build diverse leadership teams	How do you ensure that your leadership team has a diverse perspective?	Actively seek leadership from outside of your industry. Bring relevant staff to the leadership table to contribute to discussions. Get outside perspectives to avoid creating an "echo chamber."
Prioritize strategic decisions	What are the top three strategic decisions that you need to make this year?	Separate strategic from operational discussions to appropriately allocate senior leadership time and focus.
Speed up decision making	What steps have you taken in the last 36 months to accelerate decision making and act quickly on those decisions?	Reinforce senior leadership alignment around critical topics so that, when you need to make rapid decisions, you are already aligned. Ensure that decisions are made at the appropriate levels. Delegate operational decisions to free up leadership to focus on critical strategic decisions.
Prepare ecosystems to act quickly	How well do you manage relationships with many organizations from different parts of the ecosystem, even if they sit outside your immediate value chain?	Strategically assess where and how you want to share elements of the value chain (through partnership and collaboration) to accelerate growth. Explore how sharing information with ecosystem partners may change the industry landscape. Understand how changes in technology are breaking down barriers between enterprises—and the impact that will have on your organization.
Embrace data and analytics to run the business	Do you know how your analytics strategy is tied to your business objectives?	Consider who has access to various pools of data and adjust to better serve the business. Ensure that analytics are applied where they can have the most impact.

Sources

[1] "The change-capable organization," *Outlook* Journal, Accenture, October 2010.

[2] "Corporate agility: Six ways to make volatility your friend," Outlook Journal, Accenture, October 2012.

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.