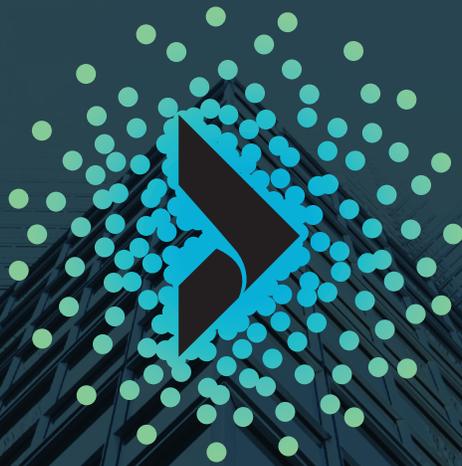


# The Business Agility Report

RAISING THE B.A.R.



**BUSINESS AGILITY**  
INSTITUTE

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*enabling business agility*

1<sup>ST</sup> EDITION, 2018

# KEY FINDINGS

The adoption of business agility mindsets, structures, and practices is accelerating. Not a day goes by without a press release from a major corporation announcing their transformation. And despite the hype, it's more than a buzzword. It is a significant, yet nuanced, change in the ways companies operate. In today's unpredictable economy, the benefits are clear.

Recently, 394 respondents from 166 companies from around the world took part in the first-ever Business Agility survey, rating their maturity and sharing their insights, challenges, and successes.

The survey found that most organizations rate their current business agility fluency relatively low, but have enthusiasm and hope for the future. Many respondents report that they are **struggling with transforming entrenched culture and processes**; most commonly developing new funding models and **transforming HR, Finance, and other supporting functions**.

Despite these challenges, most survey respondents also report that they are **experiencing tangible benefits from their investment in business agility**; from better ways of working, increased employee and customer satisfaction, and improved market performance.

## BENEFITS OF BUSINESS AGILITY



MARKET SUCCESS



BETTER WAYS  
OF WORKING



COLLABORATION



EMPLOYEE  
SATISFACTION



SPEED TO  
MARKET



CUSTOMER  
SATISFACTION



AGILE MINDSET



ADAPTIVE  
LEADERSHIP

# METHODOLOGY

This study investigated organizational business agility fluency against the Domains of Business Agility as well as examining overall benefits and challenges. The study was conducted through a voluntary online survey where respondents were asked a series of demographic questions regarding their organization and to provide the top challenges and benefits they have seen to date. Finally, respondents self-assessed their organizational business agility fluency against 24 domains across four dimensions (Customer, Organizational Connections & Relationships, Ways of Working, and Mindset & Culture).

The survey data was anonymized for this report.

Respondents were asked to provide a rating from 1-10 for each domain; with **1-6 classified as low-moderate fluency** and **7-10 as high fluency**. In the context of each domain, the ratings were classified as either;



**Pre-Crawl (1-2)** - the organization mostly follows traditional processes. *E.g. Our focus is primarily on achieving a specific output and we do not effectively track the realization of benefits once a project is complete.*



**Crawl (3-4)** - the organization is just getting started with business agility. *E.g. Our project business cases define expected business outcomes which are tracked at project completion.*



**Walk (5-6)** - the business agility basics are in place and more advanced methods are being explored. *E.g. We are aligning teams and their associated KPIs and measures against product goals rather than project goals.*



**Run (7-8)** - the organization has made significant strides towards business agility. *E.g. We are outcome focused and start with the desired behavioral change in our target customer in mind rather than a specific output.*



**Fly (9-10)** - the organization is a global business agility leader. *E.g. Teams are funded by "why." The question "how much does it cost?" is no longer asked, instead, "what is it worth?"*

The percentage of Run or Fly (7+) levels can be considered a "favorable score" for each domain. Specific examples were given at each range to help respondents select a consistent rating.

To view the questions, or to take the survey yourself, visit:

<https://agilityhealthradar.com/business-agility-survey/>

# SURVEY DEMOGRAPHICS

For this, the first Business Agility Report, we surveyed a diverse range of organizations representing 29 countries, across 24 industries, and ranging in size from 4 to 400,000 employees. The only consistent factor between them is they all have taken on a goal to become an “Agile” organization. Some have just started the journey while others have been leaders for nearly a decade.

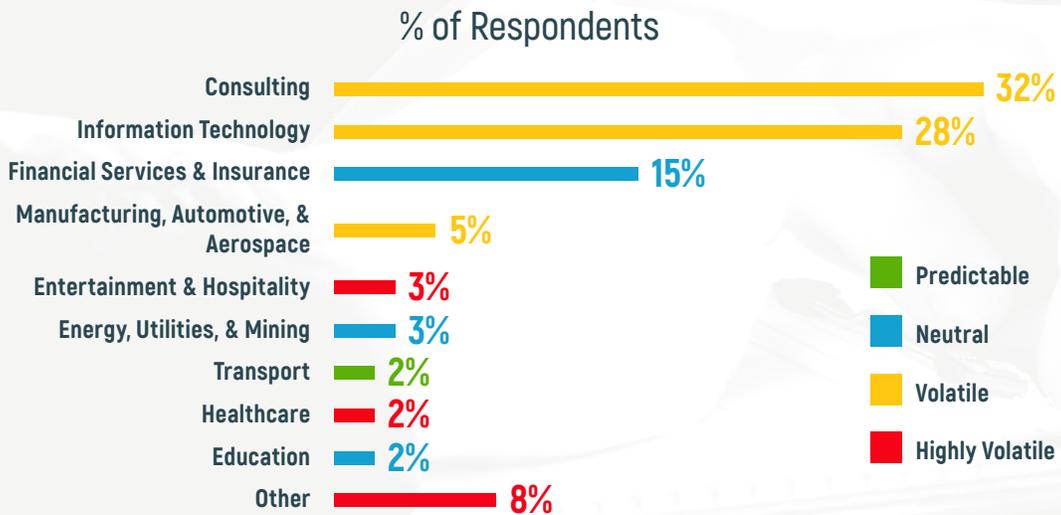
## COMPANY SIZE

Respondents represent organizations of all sizes



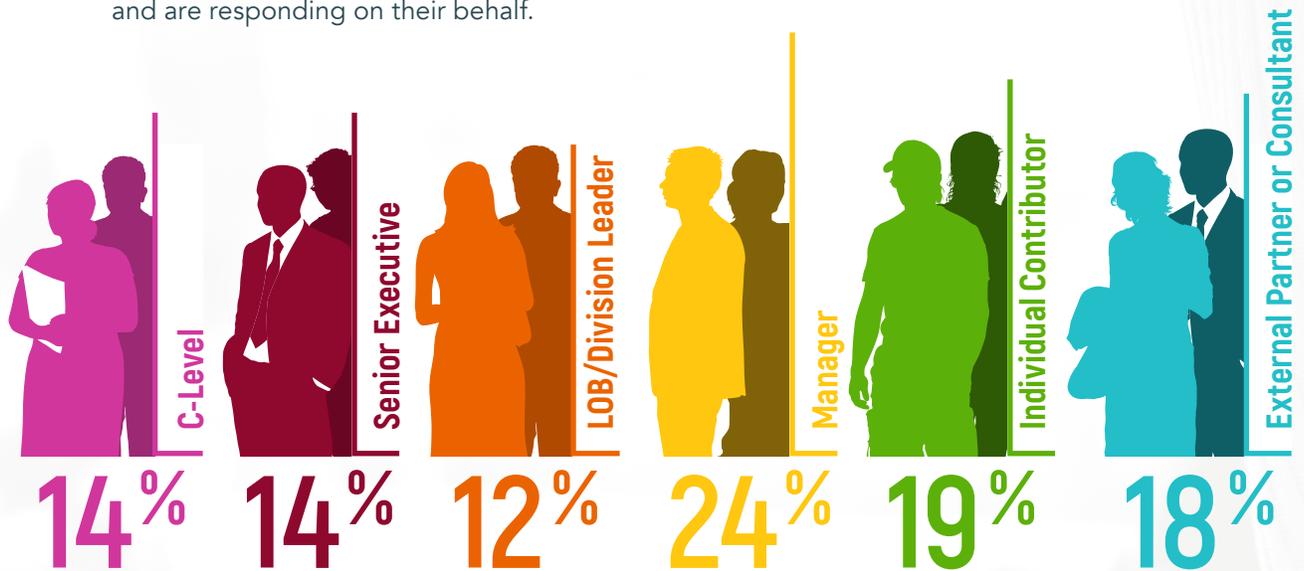
## INDUSTRIES REPRESENTED

Over 60% of respondents state that their industry is being disrupted or has unpredictable market conditions. Only the Transport industry reports being stable today; with respondents mostly concerned about market predictability over the next 20 years.



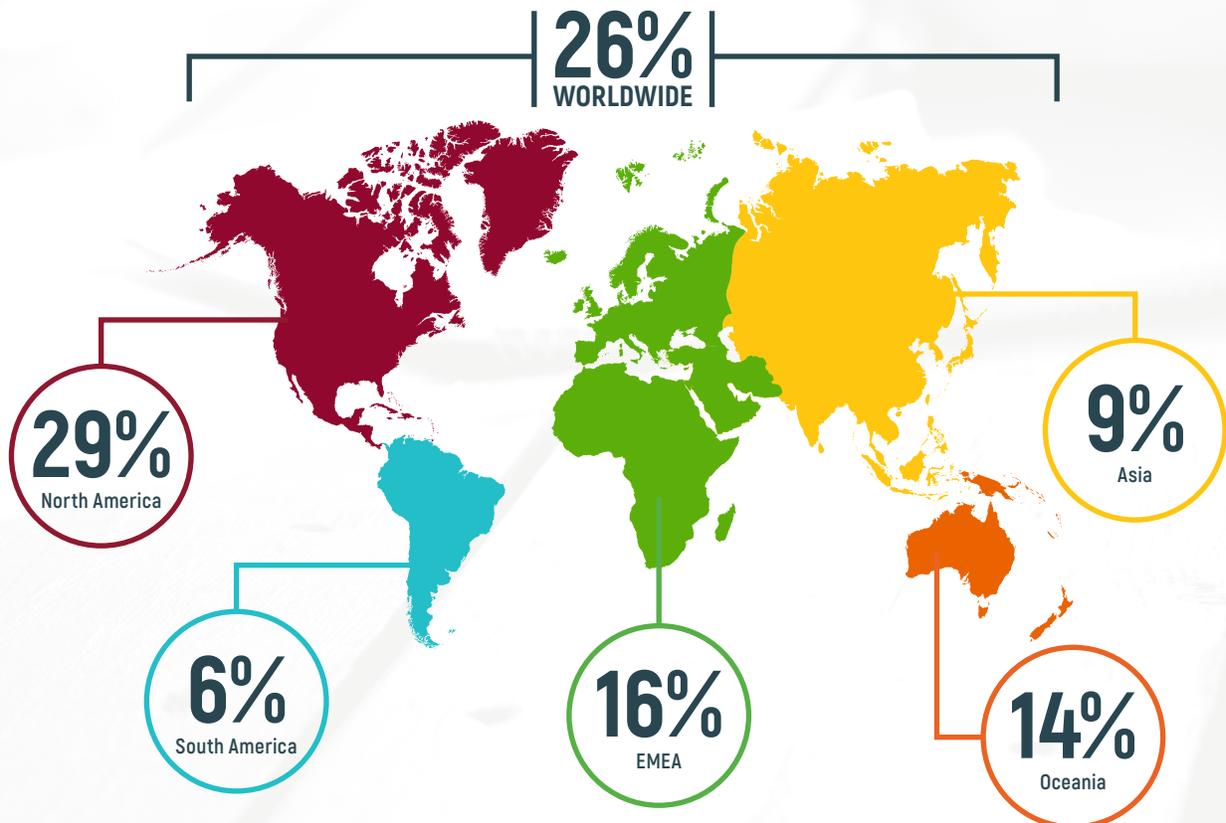
## WHO'S RESPONDING

Individual Contributors includes agile coaches and similar roles. External Partners or Consultants are not employed by the surveyed organization but work closely with them and are responding on their behalf.



## OPERATING REGIONS

Respondent companies operate in the following regions

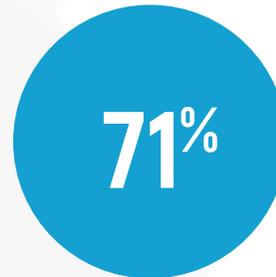


# BUSINESS AGILITY FLUENCY

We designed the survey questions to gauge the business agility fluency of respondent organizations. The intent is to understand what organizations are doing, how they are performing, and overall global trends.

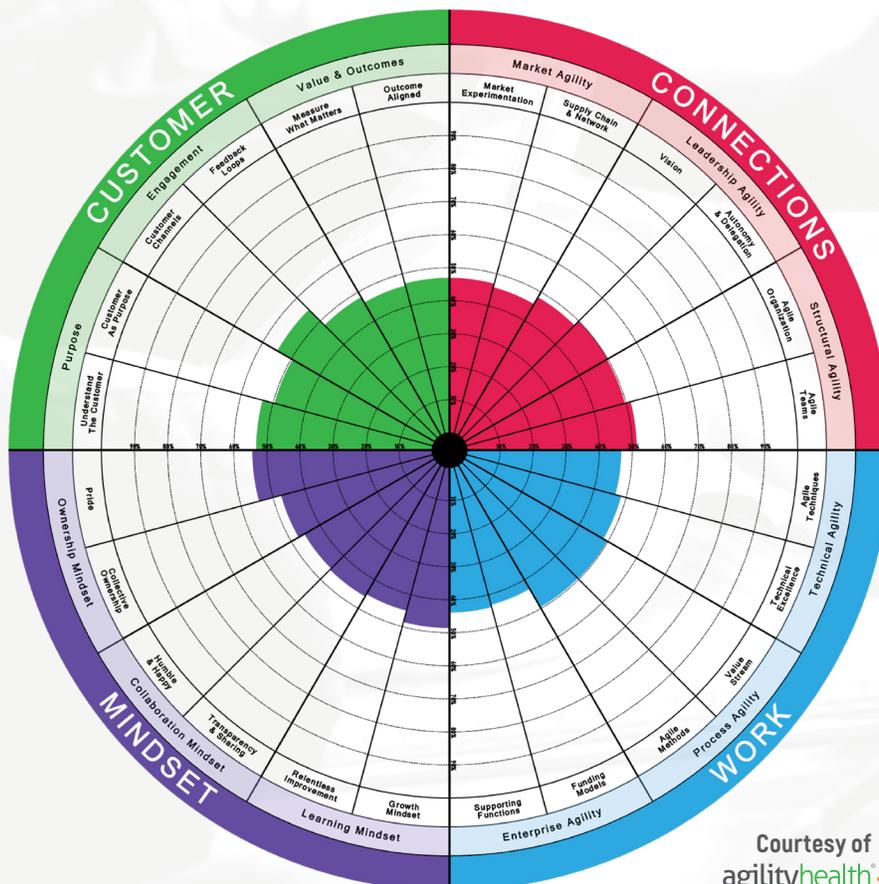


Average business agility fluency



of companies have low business agility fluency (< 7)

No matter how we slice the data (whether by region, industry, company size, or respondent), the average business agility fluency is well below the minimum “favorable” Run or Fly ratings (7+). Across all domains, the average fluency rating is between 4.1 and 5.4 (all within the Walking range).



Courtesy of  
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 enabling business agility

## BUSINESS AGILITY COMPETENCIES



### Top 5 Competencies

Customer Channels	55%
Pride	54%
Understand the Customer	53%
Agile Teams	53%
Agile Organization	51%



### Lowest 5 Competencies

Supporting Functions	44%
Supply Chains & Network	45%
Funding Models	45%
Relentless Improvement	45%
Market Experimentation	46%



### 5 Highest Consensus Competencies

Customer Channels	85%
Feedback Loops	79%
Measure What Matters	78%
Understand the Customer	76%
Customer as Purpose	74%



### 5 Lowest Consensus Competencies

Agile Teams	63%
Agile Organization	63%
Autonomy & Delegation	64%
Value Stream	66%
Supporting Functions	66%

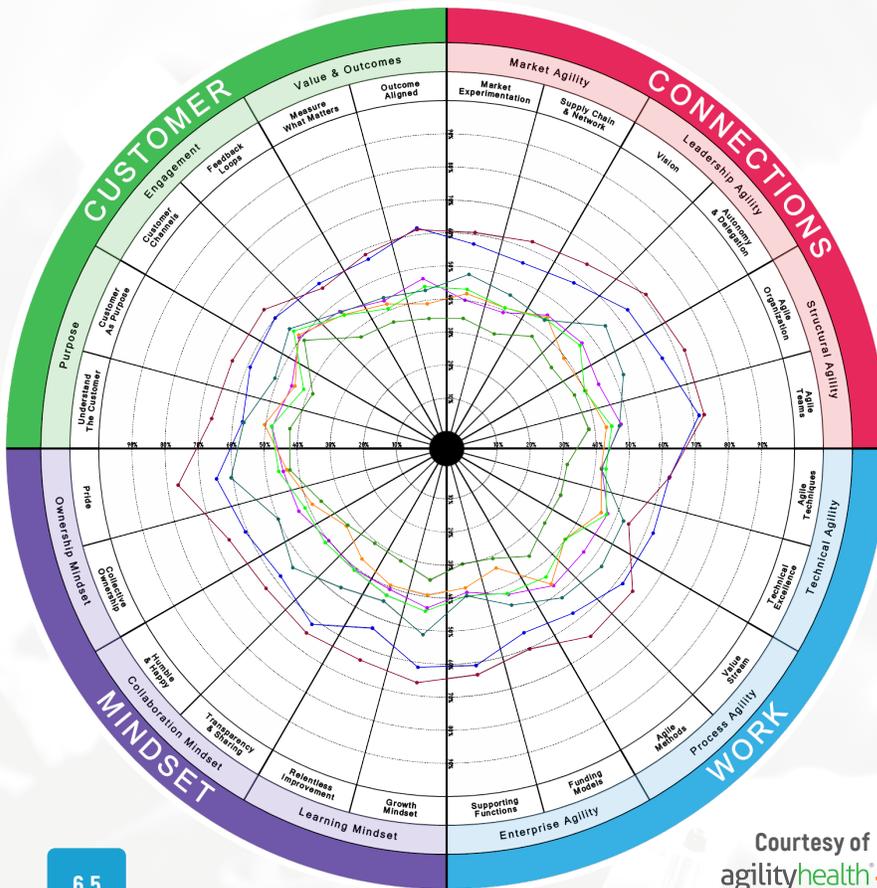
Courtesy of  enabling business agility

## COMPANY SIZE CORRELATES TO BUSINESS AGILITY

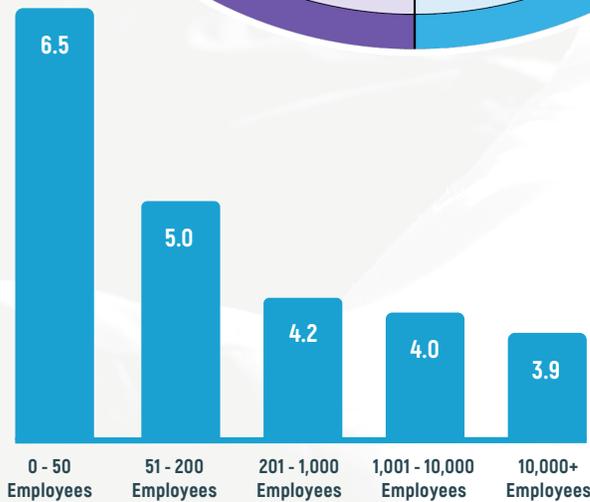
It should come as no surprise that small organizations have more agility than large organizations. It plateaus at around 50 employees, with the fluency of larger organizations dropping an average of between 16% and 27%. Smaller organizations significantly outperform their larger counterparts in both "Autonomy & Delegation" and "Transparency & Sharing" (an average of 36% improvement).

**Also, while large companies have other benefits, no respondent rated any large organization (above 10,000 employees) as Running or Flying (7 or above).**

# COMPANY SIZE CORRELATES TO BUSINESS AGILITY



- 1 - 10 employees
- 11 - 50 employees
- 51 - 200 employees
- 201 - 1,000 employees
- 1,001 - 5,000 employees
- 5,001 - 10,000 employees
- 10,001 + employees



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■ Average Maturity

## INSIGHT

As organizations grow, they put in place extra processes and systems to handle the growing complexity. This is especially true of organizations above 150 people (Dunbar's Number). Without **clear design**, it's easy to fall back on traditional processes which are designed to **scale management** rather than **business agility processes** which are designed to **descale complexity**.

## TOP 3 INDUSTRIES & THEIR MEDIAN SCORES



Consulting



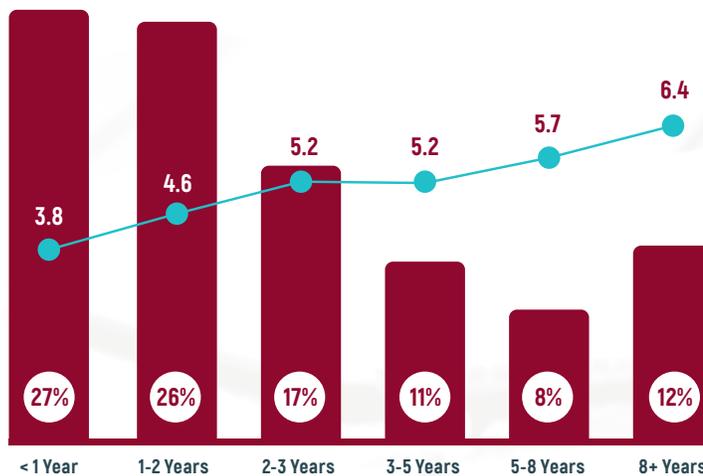
Information Technology



Financial Services & Insurance

When examining the range of responses, Consulting companies have the highest median scores followed by Information Technology and Financial Services & Insurance companies. There is no meaningful variation when excluding small (<50) companies from the analysis. Also of note, **only these three industries have any companies rated in the Running and Flying ranges (7+) - 41% of Consulting, 26% of IT, and 7% of Financial Services & Insurance organizations respectively.**

## BUSINESS AGILITY JOURNEY



# 69%

of respondents have been on the journey for less than 3 years

■ % of Respondents  
■ Average Maturity

There is no significant variation in the upwards trend when adjusting for company size or high fluency organizations.

## INSIGHT

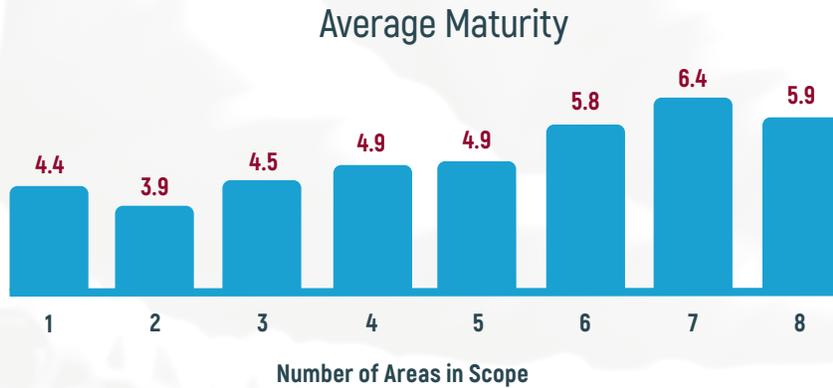
Some domains, like "Customer as Purpose", have almost no variation regardless of how long the organization has been on the journey. Whereas others, like "Pride" and "Collective Ownership" increase dramatically.

## BUSINESS FUNCTIONS IN SCOPE

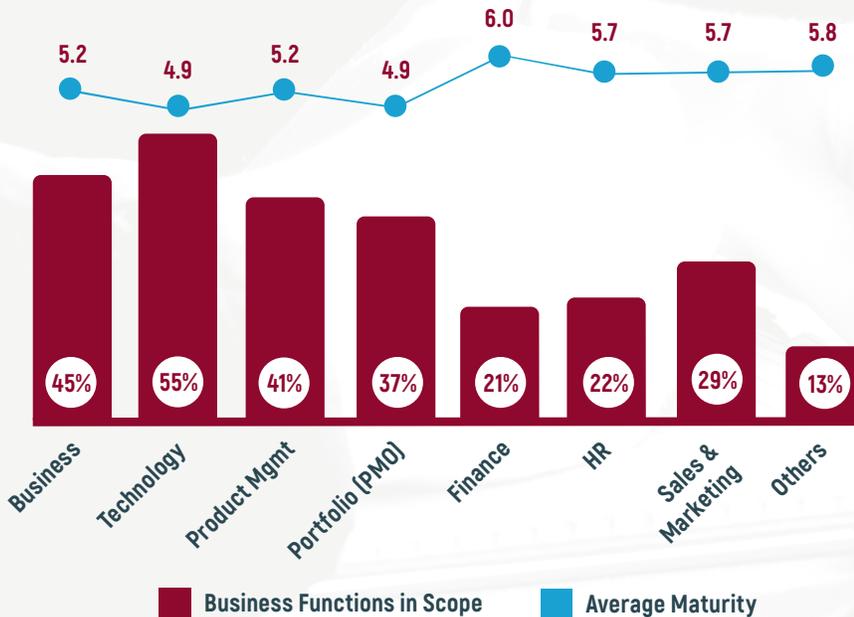
*“An organization can only be as agile as its least agile division”*

– EVAN LEYBOURN'S THEORY OF AGILE CONSTRAINTS

By definition, every team in every division should be included in a business agility journey. Companies usually start with the easiest divisions (e.g. Technology) and expand to other business functions. There is a very clear upward trend showing that the organization increases in business agility fluency the more teams and functions are in scope for the transformation. **45% of Running or Flying (7+) organizations are transforming their entire organization, compared to only 21% of other respondents.**



When examining specific divisions, while there are fewer organizations transforming support functions (Finance and HR), those that do have higher outcomes.



\* These percentages will add up to more than 100% as respondents could choose more than one option.

## PERCEPTION OF BUSINESS AGILITY



Despite the subjective nature of the survey, respondents within the same organization give similar ratings regardless of their position; within .5 points on average. Yet, external parties (Suppliers, Partners, External Coaches, etc.) almost always rated their client organizations lower; between 1 and 1.5 points on average.

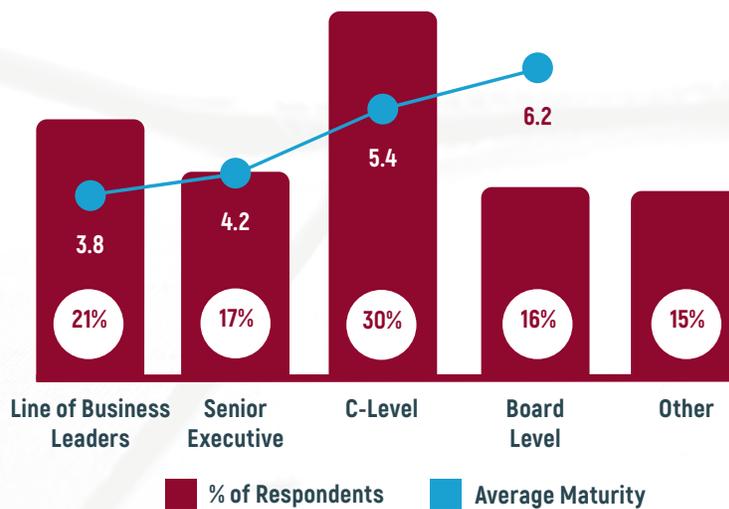
Organizations in the healthcare industry have the greatest variation amongst respondents; 4.5 points compared to an average of 2.5 points.

## INSIGHT

Despite making up nearly 20% of the respondents, no External Partner rated any organizations as Running or Flying (7+)

## WHO'S LEADING THE TRANSFORMATION

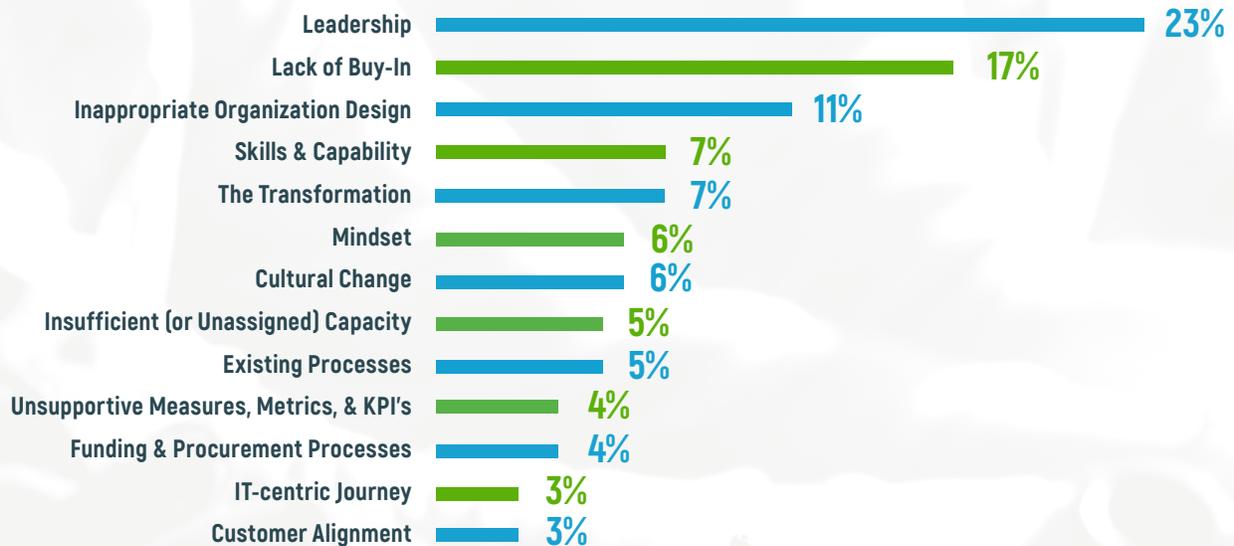
Respondents rate business agility fluency significantly higher when the Board of Directors lead the journey than those led by a Line of Business Leader (24% higher). On average, there is a .8 point improvement to fluency at each level of the organization.



# CHALLENGES ALONG THE JOURNEY

All business agility journeys have their own challenges. We asked respondents to describe the **top challenges they are facing** and how they are addressing them. Several common themes emerged across all organizations: **Leadership, Lack of Buy-In, and Inappropriate Organization Design are the top three.**

## Themes for Addressing Challenges Along the Journey



## LEADERSHIP

By a large margin, leadership is the biggest challenge to business agility adoption that most organizations face. With the right mindset and associated organizational support, a leader sets the tone for the entire organization. Yet, often, the inverse is also true - in the absence of a motivating leader, the organization can stagnate. Respondents to the survey raised a lack of agile mindset, unclear or changing vision, and limited practical support for the transformation as the top three challenges for (and from) leaders.

## Mindset

*"[There is an] institutionalized command and control culture that, although there is an executive desire to change, makes old habits very hard to break."*

- BAI SURVEY RESPONDENT

As important as an agile mindset is for teams, it is doubly so for leaders. It's all too easy to fall back to traditional management styles when work gets hard or markets go soft. Leaders, at all levels of the organization, need to back the team's decisions, even when those decisions aren't the same as they would make. Leaders need to provide an environment where it is safe to fail so that teams can take appropriate risks and experiment.



### Recommendation

Change the personal KPIs of each of the executives to promote an agile mindset (e.g. Failure KPIs).

## Setting Vision and Empowering Teams

One of the most important roles that a leader plays in an agile organization is to set a common vision, inspire the organization to rally around that vision, and then empower teams to achieve it. This is a challenge in many of the respondents' organizations. Leaders are not displaying trust in their teams, they're failing to set a uniform vision for all teams, and are not able to "let go" of their traditional roles.



### Recommendations

Have a clear and transparent process to set and communicate the business agility vision to the entire organization.

Coach leaders in business agility and servant leadership techniques.

*"[We have] problematic leadership from the C-Level and inconsistent direction from [our] parent company with competitive and political roadblocks often appearing."*

- BAI SURVEY RESPONDENT

## Transformation Support

There is nothing easier than maintaining the status quo. Unfortunately, this means that leaders need to invest in their business agility journey - and many organizations fail to plan for this investment. Respondents have stated that running a transformation through "stretch goals", and without executive commitment, is almost certainly doomed to fail.

*"[We have a] lack of executive sponsorship [to support the] adoption of business agility across the enterprise"*

- BAI SURVEY RESPONDENT



### Recommendation

Expect, and budget for, a multi-year business agility journey up-front. It will take longer than you think.

## LACK OF BUY-IN

Buy-in across all levels on the organization is vital. Confusion, miscommunication, and active opposition will hamper organizations that attempt to begin a transformational journey towards business agility without the right levels of engagement. The top three areas identified from the survey include; organizational adoption, momentum, and team buy-in.

### Organizational Adoption

For many organizations, it has been a long time since their technology functions were the constraining factor for business agility. That honor lies with the rest of the organization who, without their buy-in, will continue to constrain the business. Respondents identified challenges in gaining organizational buy-in, including; risk aversion from some divisions, misunderstanding about the agile mindset, misaligned organizational KPIs, and challenges in building motivation for change.

*"[The challenge is] getting to 'business' agility rather than software development agility."*

- BAI SURVEY RESPONDENT



#### Recommendations

You get the behavior that you measure - change organizational KPIs (or OKRs) to promote agility.

If possible, get board-level buy-in for the organizational change.

### Momentum

*"[Our challenge is to] get people aligned and at the same point in the journey."*

- BAI SURVEY RESPONDENT

Getting started may seem complex, yet, it is the easiest part of a business agility journey. Once started, maintaining momentum across a large organization requires coordination and continued motivation. Most respondents described challenges emerging from early misunderstandings that have compounded over time with teams or divisions reverting to traditional mindsets and practices. We see this when market conditions become tough or with leaders reduce investment in the transformation after realizing the initial quick wins.



#### Recommendations

Continue investment in the transformation team and associated improvement initiatives to realize ongoing benefits after the initial "wins."

Develop local business agility champions in each team. Support them with an official community-of-practice at each business site.

## Team Buy-In

While much of the focus of business agility is on leadership and organization design, without buy-in from individual teams the transformation will achieve nothing. Respondents struggle to overcome both a resistance to change and an unwillingness to focus on the bigger picture.



### Recommendations

Identify and resolve pain points from individual teams to get early wins and buy-in.

Do not link headcount reduction goals with the business agility transformation - teams will not trust your intent and will actively oppose the transformation.

*"[Our challenge is to bring] the whole team along on the journey. In particular, our development teams sometimes prefer to focus on the work rather than on the bigger picture."*

**- BAI SURVEY RESPONDENT**

## INAPPROPRIATE ORGANIZATION DESIGN

Existing structures are an impediment to adopting business agility for many organizations. Silos, handoffs and an "us vs them" mentality compound to hamper each team's ability to deliver value to their customers. Specific organization design problem areas include; large distributed teams, team & organization structure, and supporting functions.

## Large Distributed Teams

Large organizations naturally have complex internal team dependencies which are only compounded with geographically distributed offices. Respondents are generally concerned that different areas are at different stages in their journey. And that organizational and cultural complexity makes it hard to sustain any long-term change.

*"The size of the organization means that different areas are in different places in their journey. [Our challenge is to] get work done with a multitude of delivery approaches as boundaries are crossed."*

**- BAI SURVEY RESPONDENT**



### Recommendations

Reduce handoffs across time zones or geographic boundaries.

Introduce common ways of working and team accountabilities, especially when the work is being done by external vendors or contractors.

## Structure

*"[We have a] large, siloed organization that has a long-standing culture of risk-averse, top-down, plan-based approaches with multiple complex workstreams."*

- BAI SURVEY RESPONDENT

Traditional hierarchical organizational structures are designed to optimize the allocation of work. This model struggles in a business agility context where the focus is to delegate business outcomes to empowered teams. The issues that respondents face include; aligning value streams to existing hierarchies, working across organizational boundaries with non-agile teams, and moving away from top-down planning.



### Recommendation

Where possible, reduce handoffs to the point where an entire customer value stream is contained within a single team.

## Supporting Functions

Despite the inherent complexity, it is only when supporting functions adopt business agility that transformations accelerate. Respondents to the survey have identified Finance, HR, and Compliance as the three most important focus areas for their business agility transformation.



### Recommendation

Identify the current organizational constraints to business agility and focus transformational efforts on those teams.

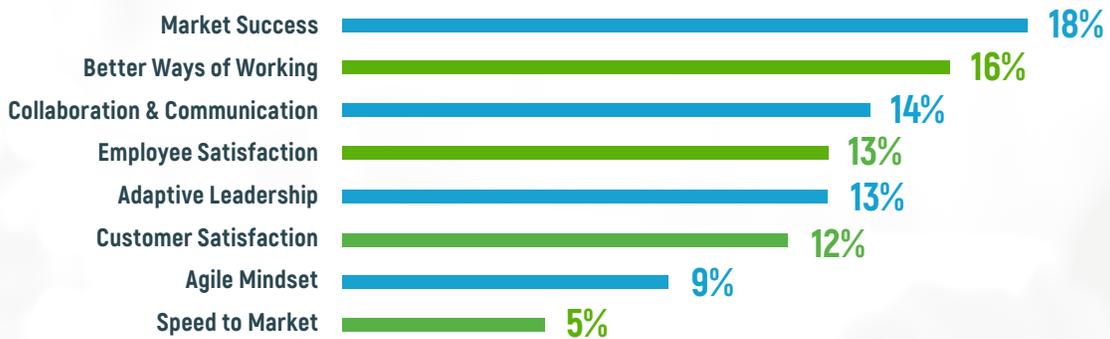
*"[Our challenge] has been with our Ops and HR [teams] who struggle to see what is in it for them. They understand the process and appreciate why it's important, but just don't see how they can apply the principles to their work."*

- BAI SURVEY RESPONDENT

# BUSINESS AGILITY SUCCESSES

Respondents were asked to describe the single biggest impact that business agility has brought to their organization. The responses ranged from **process improvements** (e.g. speed to market and ways of working) to **cultural behaviors** (e.g. adaptive leadership, agile mindset, and collaboration). Yet, the largest set of responses described **commercial success** (both revenue and customer satisfaction) as the **primary outcome**.

## Most Significant Organizational Benefit of Business Agility



## MARKET SUCCESS

One of the primary goals of business agility is to improve market success. Not just by working more efficiently, but by developing new ways of delivering customer value and bringing the right products to market faster. Survey respondents have seen market success through improved business development, recognition by their customers, and improved product or service delivery.

*"[Business agility] has given us a competitive advantage and allowed us to react quickly and pivot as needed by our customers. This results in faster customer acquisition, faster time to value, and bigger market penetration."*

*"Our retention of both clients and staff is much improved. Our culture is strong, vibrant, and resilient."*

**- BAI SURVEY RESPONDENTS**

## BETTER WAYS OF WORKING

Better ways of working for teams and divisions is the most obvious benefit that business agility brings organizations. Teams, working collaboratively, focus on creating value for customers while taking accountability for business results. Respondents identified tangible improvements through the adoption of agile methods, agile outside IT, and continuous value creation.

*“The rest of the organization now sees the value-add of agile practices. They are starting to embrace them.”*

*“Value delivery has improved resulting in greater customer satisfaction.”*

**- BAI SURVEY RESPONDENTS**

## INSIGHT

Technology teams have traditionally adopted agile methods to create software products and services. Yet, most agile practices, methods, and systems are applicable to many business functions and work products. Respondents provided specific examples of using agile methods in marketing, facilities, customer care, stock trading, strategic planning, HR, and Finance as well as to develop financial and insurance products.

## COLLABORATION & COMMUNICATION

Organizational complexity is a major impediment to business agility adoption. Each additional handoff inside the customer value stream exponentially increases the time and cost to create value. Many of the respondents have identified significant collaboration and communication improvements, with associated time and cost benefits, from their business agility journey. Alignment, cross-divisional collaboration, and interpersonal collaboration are identified as the three areas with the most significant improvement.

*“Collaboration among various groups/departments [has improved.]”*

*“Communication is also changing in meetings, with team's now analyzing problems and not jumping into solution mode. What is the business value and how can it be measured? [This is now a common question that we hear.]”*

*“The team engagement levels are through the roof, and culture is the number one thing they promote.”*

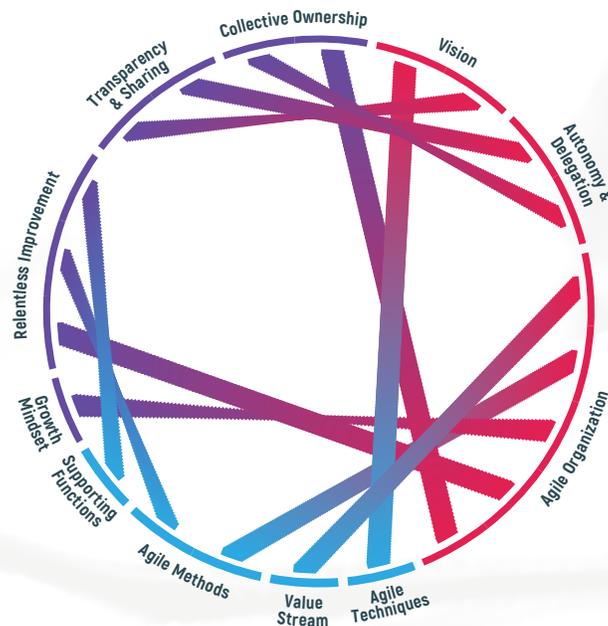
**- BAI SURVEY RESPONDENTS**

# DEEP DIVE INTO THE DOMAINS OF BUSINESS AGILITY

We ran a Spearman correlation to find common relationships between domains on each question against all other questions. What follows is some of the interesting outcomes with strong correlations.

The questions on “Pride”, “Humble & Happy”, and “Growth Mindset” can be considered “Outcome Factors” as those can't be directly actioned upon. Hence the other questions which are highly correlated to those can be considered drivers of those outcomes. For example, “Transparency & Sharing” and “Collective Ownership” are strong drivers of “Pride” according to the survey data.

The correlation data on “Agile Teams” and “Agile Organization” is interesting. Apart from the strong correlations with agility-related factors such as “Agile Methods” and “Agile Techniques”, “Collective Ownership” is a strong driver of “Agile Teams” whereas “Relentless Improvement” is a strong driver of “Agile Organization”.



We also performed a Pearson correlation between each of the survey questions and public data on company performance; Glassdoor and Mattermark. Almost all fluency questions have weak, yet positive, correlations and will benefit from feedback collected in future versions of this report.

The Glassdoor rating of the company is a measure of how well the employees perceive the company. It's interesting to observe that high Glassdoor ratings flow from attention to “Customer Channels” and “Feedback Loops” more than practices perceived as supporting agility such as “Agile Methods”, and “Agile Organization”.

The Mattermark Growth Score is an aggregate measure of the performance of the company. Perceptions related to “Feedback Loops” and “Agile Techniques” correlate well with business performance.

# SPECIAL THANKS TO



We're passionate about enabling measurable and sustainable business agility transformations! We help our customers and partners leverage the power of measurement and continuous improvement to accelerate their transformation efforts and use data to guide their journey and measure results.

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The hardest part of a successful digital transformation is the cultural piece. At Orchestrated, we provide digital transformation, process simplification and product delivery expertise that puts people first. We implement these with our clients using a sensible mix of modern business and engineering practices that are supported by our tools.

Larger organizations use these tools at scale to reason about complex project interdependencies, and how people are organized and supported on the journey to increase agility in their delivery.

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# ADDITIONAL THANKS TO OUR MEMBERS



