



Agility and Organization Design: **A Diagnostic Framework**

CHRISTOPHER G. WORLEY

EDWARD E. LAWLER III

Organization design is a cornerstone of a firm's competitive advantage and performance. Research is clear that even the most cunning strategy will not reach its potential if an organization's structures, processes, and systems do not support it. However, the complexity, unpredictability, and instability of environmental change seem to have outpaced our traditional organization design approaches and concepts. Executives are struggling to design firms that are efficient enough to drive performance in the short run and flexible enough to sustain performance over the long run. The "new normal" requires organizations to have an amazing amount of agility just to survive, let alone thrive.

Agility is a dynamic organization design capability that can sense the need for change from both internal and external sources, carry out those changes routinely, and sustain above-average performance. The final characteristic – sustained above-average performance – is the sine qua non of agility. Many firms are able to push their performance to above average in the short run; the real issue is dynamically aligning structures, processes, and systems to sustain it. This article describes a comprehensive agility framework and then applies the framework to diagnose an organization's agility capability. We begin with an overview of agility and the proposed framework and then describe its application.

DEVELOPING AN AGILITY FRAMEWORK

Agility has been the subject of increasing research, and there are both academic and practical calls for a better understanding of its genesis, development, and consequences. For example, consultants, executives, and management theorists have tried to understand the components and consequences of agile strategies, while others have studied the characteristics of reconfigurable and ambidextrous structures. The number of

frameworks that comprehensively explore agile organization designs is much smaller.

One agility framework, the built-to-change model, suggests that organizations break away from traditional design assumptions, think about how each design element or feature must be constructed with flexibility in mind, and then align them dynamically to support both adaptability and sustained high levels of performance. The built-to-change model has been adapted and integrated with concepts from strategic leadership to create the agility framework shown in Figure 1. The basic features of this framework are a robust strategy, an adaptable organization design, shared leadership and identity, and value-creating capabilities.

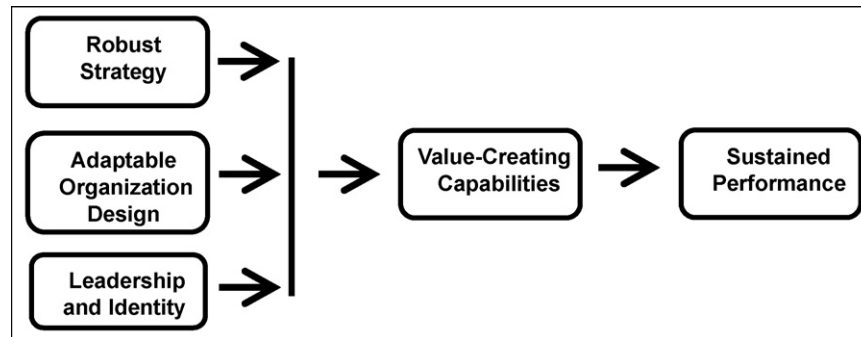
Robust Strategies

The first feature in an agile design is a robust strategy that is characterized by its ability to generate results under varying environmental conditions. Robust strategies have three elements: an alternative economic logic, a strong future focus, and flexible intent.

Economic logic. Robust strategies rely on a fundamentally different economic logic from traditional strategies. Traditional strategies rely on stability in task environments and industry structures as well as sustainable competitive advantages to drive both short- and long-term performance. Agile organizations, on the other hand, believe that short-term performance derives from the rent appropriated in a momentary advantage but that long-term performance derives from cumulating rents over a series of advantages. A "hit-and-run" or "entry-and-exit" logic drives performance because no single advantage is expected to last long enough to warrant the investment. While industry structures can have relatively enduring traits and dynamics – for example, with

Acknowledgements: The authors would like to acknowledge Booz & Co. for their financial support and intellectual partnership in the Strategic Leadership Program, and to Alice Mark, Beth Neilson, and Jessi Schoner for the data management assistance.

FIGURE 1 A MODEL OF AGILITY AND PERFORMANCE.



respect to buyer power or threat of entry – the ebbs and flows of economic activity, financial cycles, political change, and new technologies create short-term opportunities that nimble organizations can address profitably because the revenue generated exceeds the cost of change and operation.

Contrary to a traditionally organized firm, where stability leads to effectiveness through efficiency, alignment, and growth, an agile organization expects change to lead to effectiveness through momentary advantages and the speed and elegance with which it orchestrates change. This fundamental economic logic represents a significant shift in the organization design principles of an agile firm.

Strong Future Focus

Long advocated by such firms as Royal Dutch Shell and General Electric Co., the second element of a robust strategy is a strong focus on the future. Agile organizations have the ability to develop potential alternative futures and create a variety of short- and long-term scenarios. There is no assumption that an agile organization can predict the future, only that it has developed the capability to play with the future, look at potential contingencies, and be less surprised by external events. Choosing which opportunities to pursue (or not) is still largely a matter of judgment.

Developing scenarios is easier for agile organizations because their adaptable designs put members in close contact with the external environment and increase their exposure to these trends. In addition, the flexibility created by the change capability of agile organizations gives them an advantage in being able to adapt or implement decisions quickly or recover from bad choices.

Flexible intent. The final element of a robust strategy is a flexible intent. In agile organizations, strategic intent operationalizes the current resource deploy-

ments required to monetize a momentary advantage and is defined by breadth, aggressiveness, and differentiation. These three dimensions provide flexibility in describing the content of changes in an organization's strategy.

Breadth refers to the range of products and services offered, the number of different markets served, or the different technologies that represent the organization's core competencies. Aggressiveness describes the amount of urgency, enthusiasm, and resources the organization throws behind the communication, marketing, and execution of its strategy and with which it pursues advantages. Finally, differentiation describes the product and service features that distinguish the organization's offerings from competitors, including price, quality, warranty, after-sale support, and other characteristics.

For any set of distinctive product/service features, an organization can have a broad or narrow product line and can be relatively aggressive or passive in its approach. WD40 has a unique ability to lubricate, a narrow product focus, and relatively passive tactics. Coca-Cola, PepsiCo, and Miller Brewing are broader and more aggressive. These elements can be changed quickly, and when combined with an agile business model and strong future focus, they give an organization the elements of a flexible strategy that can quickly respond to environmental demands or create proactive opportunities over time.

Adaptable Designs

Agile organizations have designs that can adapt quickly in response to internal and external pressures for change or shifts in strategic intent. Adaptable designs have structures, processes, people, and rewards that capture value from a flexible intent and support the idea that the implementation and re-implementation of a robust strategy is a continuous

and normal process. Agile organization designs are defined by their features—maximum surface area structures, transparent information and decision-making processes, and flexible talent and reward systems.

Agile organizations adopt structures that maximize the “surface area” of the firm. As many employees as possible are near to or have direct contact with regulators, suppliers, the local community, watchdog groups and, most important, customers (and potential customers). Maximum surface area structures support the creation of a strong future focus; allow critical information about trends, opportunities, and issues to flow into decision making; and prevent people from becoming ossified in their roles. When the time comes to alter the direction of the organization, everyone moves together based on a common understanding and felt need for the change.

A variety of companies, including IBM Corp., American Express Co., and Nike Inc., have increased their surface area by adopting front-back, process-based, or network structures that increase the centrality of customer demands or make a variety of stakeholder demands more salient. Other companies have maximized their surface area by deploying multiple independent business units, outsourcing, and matrix relationships. For instance, Berkshire Hathaway Inc., with its wide range of autonomous business units, faces multiple markets and can adjust its corporate portfolio relatively easily without the angst and grief associated with traditional downsizings and re-sizings of integrated divisions. Similarly, W.L. Gore & Associates Inc.’s small, interrelated divisions ensure that each unit is maximally exposed to its relevant market. Internal matrix relationships can also increase an organization’s surface area, because when employees from different functions or programs interact, they often must deal with a variety of alternative market perspectives.

Agile organizations adopt transparent information systems and decision-making processes. This adaptable design feature is especially good at promoting a shared view of power in the organization. Performance-based information systems are a particularly effective way to motivate and empower employees in an agile organization because they facilitate moving decision-making to their highest-valued location. A good example is mySiebel, a personalized information system created by Siebel Systems before its acquisition by Oracle. Each employee could log onto mySiebel and gain access to corporate, market, and competitor information; data on current projects; and quarterly objectives for any individual in the organization (including Tom Siebel, the chief executive officer). This widely available information allowed everyone throughout the organization to make customer-related decisions with up-to-the-minute data, and it helped people to

align their individual behaviors with corporate objectives. The system thus facilitated the goal setting, performance review, and reward process.

Agile organizations adopt nimble talent management and reward systems. For example, agile organizations recruit individuals who are quick learners and like change; they encourage people to find out what needs to be done instead of telling them what their “job” is; and they use frequent goal-setting reviews to help establish what individuals and teams are expected to accomplish in the near future. Their talent management strategy is an employment contract where change is expected and a condition of long-term employment. Alternatively, agile organizations can pursue employment deals that get flexibility from the option of hiring and laying off employees according to a work/talent availability and performance logic.

Agile organizations utilize a variety of reward practices, including bonuses, stock, and “person-based pay,” that encourage both current performance and change. Bonus systems can be particularly effective motivators during periods of change by establishing a clear line of sight between change and rewards. Individual plans that offer relatively large bonuses can provide powerful incentives for employees to perform well and to alter their individual behaviors when a shift in strategic intent calls for it. Group and business-unit bonuses can be very helpful in focusing team performance and creating a shared need for change.

In comparison to bonuses, stock plans are less effective in motivating change because the line of sight between the desired behavior and reward is less clear. But broad-based stock ownership can provide executives with a platform on which to stand and talk about the advantages of change. Finally, in work environments that call for changing task assignments and the need to develop new skills and competencies, paying a person for what he or she can do is a much more effective approach, particularly when it comes to retaining the right people. Instead of the organization rewarding people for expanding their jobs or for moving up the hierarchy, it recognizes them for increasing their skills and developing. This reinforces a culture that values growth and personal development; the result is a highly talented workforce that is receptive to change.

Shared Leadership and Identity

The third feature of an agile organization design is shared leadership and identity. Shared leadership, or what Mark Hurd, the chief executive officer (CEO) of Hewlett-Packard Co., calls “leadership as a team sport,” shifts the organization’s thinking from leadership as an individual trait to leadership as an organization capacity. Such a perspective fits the maximum surface area structure by spreading knowledge and

power throughout the organization to process and respond to information quickly, without requiring a high level of top-down direction. It also builds a deep cadre of leadership talent. By involving more people in decision-making activities, a company can develop the leadership and management skills of many employees.

Finally, and most important, shared leadership supports a change capability. In any change effort, there is typically more to do than a single leader or a few leaders can do. As a result, change efforts that are led by a single hero leader are fragile entities. If that individual falters, is overwhelmed with all there is to do, or leaves, the change effort stalls. With shared leadership, competent others are available to support the effort.

Identity works with shared leadership to keep the organization from being whipsawed by environmental demands for change. It represents a long-term value proposition that integrates the organization's internal culture and external brand, image, and reputation. For example, Microsoft Corp.'s "persistence" identity rationalizes its strong cultural values (e.g., build cool stuff, be self-critical, ship product) and market reputation (e.g., aggressive, "your potential is our passion," and software glitches), and it explains the company's long-term success as a strong follower. Identity is a central concept in the agile approach because it is the most stable element. Like an individual's personality, an organization's identity is a defining characteristic that changes very slowly if at all.

Organizations that are built-to-change have a clear sense of who they are and what they stand for, and this helps guide what they pursue. When leaders are aware of the organization's identity, they are less likely to propose adjustments to strategic intent that will not be supported by the organization's culture, or are not in line with its brand image. However, when new ideas bubble up that honor identity, they are easily supported and implemented, because built-to-change organizations have an identity that favors change. As the new CEO of American Express, Harvey Golub spent a lot of time developing future leaders in the organization by asking them, "Does that strategy sound like 'American Express?'" He was building an environment of shared leadership by teaching his managers to leverage the power of identity and propose strategies that would be understood, at a gut level, by the people who would implement them.

Value-Creating Capabilities

The final adaptable design feature is value-creating capabilities. These dynamic capabilities describe what the organization needs to be able to do to sustain agility. In support of the alternative economic logic, agile firms need to be as effective in executing the

current strategic intent as they are in executing the changes required to move to the next competitive advantage. The organization's operational competencies and capabilities, while key drivers of short-term performance, are not the drivers of long-term performance *per se*. What creates value and drives long-term performance over a series of momentary advantages is the ability to shift from one advantage to another.

The primary value-creating capabilities in this regard are change and learning. They enable an organization's current strategic orientation to deliver on current objectives and help an organization to orchestrate the changes necessary to move from one momentary advantage (constellation of breadth, aggressiveness, and differentiation) to another. An agile firm must effectively balance and trade off resource allocations for present performance against investments that will create future fitness. These tradeoffs are made as organizations think through a series of "make or buy" decisions to add, modify, or delete elements in their portfolio of capabilities.

The key to agile thinking is the integration of competencies and capabilities with learning. Instead of "What do we do well?" an agile firm asks, "What do we need to learn?", "How do our capabilities need to evolve?", "What new capabilities do we need to develop?" and "What do we need to do better so that we can add value in the future?"

THE ACME AEROSPACE CASE

Acme Aerospace (AA) is a business unit of a large corporation that designs, develops, manufactures, and supports a wide range of sophisticated military products and programs, some of which have commercial applications. AA was created when the parent organization decided to merge two of its larger divisions and leverage its highly regarded engineering resources to integrate land, air, and space technologies.

The new organization was tasked with integrating the structures, systems, and processes over a 6-month period. Structurally, the new sector was designed around four operating divisions, a set of functions, and a set of services. Three of the divisions focused on specific products and markets, and the fourth division was tasked with developing new products, technologies, and programs and with orchestrating the government bidding process. Acme was justifiably proud of its rapid integration accomplishments but also recognized that a longer range strategy and organization design framework was missing. Believing that agility was the right architecture for thinking about the organization's blueprint, Acme contacted the authors and asked for assessment and redesign assistance. (See the boxed inset for a brief description of the assessment process.)

Diagnostic Approach

Based on the built-to-change agility framework, we have developed a survey and interview assessment process. We are currently working with organizations to construct normative and benchmark information so that we can compare their features against long-term performance patterns. In addition, we are doing a number of action research projects to understand how agile structures and systems can be implemented.

The survey is the result of a development process where more than 20 organizations completed a pilot survey. A revised and final survey has been tested on about 15 organizations to date, and all scale reliabilities meet or exceed accepted standards. The survey generates data on 14 dimensions of agility. Scales of shared purpose, flexible strategic intent, and strong future focus measure the robust strategy feature. The adaptable design feature consists of scales that measure structural flexibility, resource flexibility, development orientation, information transparency, shared power, and flexible reward systems. Shared leadership and change-friendly identity are measured by a scale for each one. Change capability, learning capability, and innovation capability scales measure the value-creating process.

The interview protocols reflect similar themes. They focus on how the organization balances the tension between creativity/innovation and cost/efficiency, manages multiple changes, develops the leadership capacity of the organization, and explains its long-term pattern of change and performance.

As part of the assessment process, our agility survey was completed by 161 top executives in the sector, including all 21 members of the executive leadership team, 42 additional vice presidents, and 98 directors. In addition, interviews were conducted with ten of the executive leadership team members. For the purpose of this article, we will focus primarily on the results of the survey. The data from the survey are displayed in AA's Agility Profile in Figure 2. (To calibrate the results in Figure 2, scale scores on the agility survey typically average between 3.6 and 3.9 on a 5-point response format of 1 ("not at all") to 5 ("to a large extent"), with standard deviations of about 0.70. Most organizations post only one or two scores over 4.0. Our current benchmark organization, a Fortune 500 healthcare services company, has scores over 4.1 on 11 of 14 scales. The AA organization was rated a white (black) or green (white) if its scale score was 0.4 below (or above) the average of all firms in the study.

All three robust strategy dimensions were average compared to the scores of other firms we have studied in the agility research program. The highest-rated dimension was a Sense of Shared Purpose. People were more likely to say that the organization had good alignment around its economic logic and that the strategy, purpose, and values of the organization were clear, than to say that the organization had a Flexible Strategic Intent or a Strong Future Focus.

With respect to adaptable design features, AA's Flexible Reward System was rated better than average. Its Information Transparency, Development Orientation, and Shared Power scales were average, and its Flexible (Maximum Surface Area) Structures and Resource Flexibility scales were below average. The organization scored average on Shared Leadership and poorly on Change-Friendly Identity. Finally, in line with its engineering reputation, AA scored well on

Encouraging Innovation but low on Change and Learning Capabilities.

Feedback Process

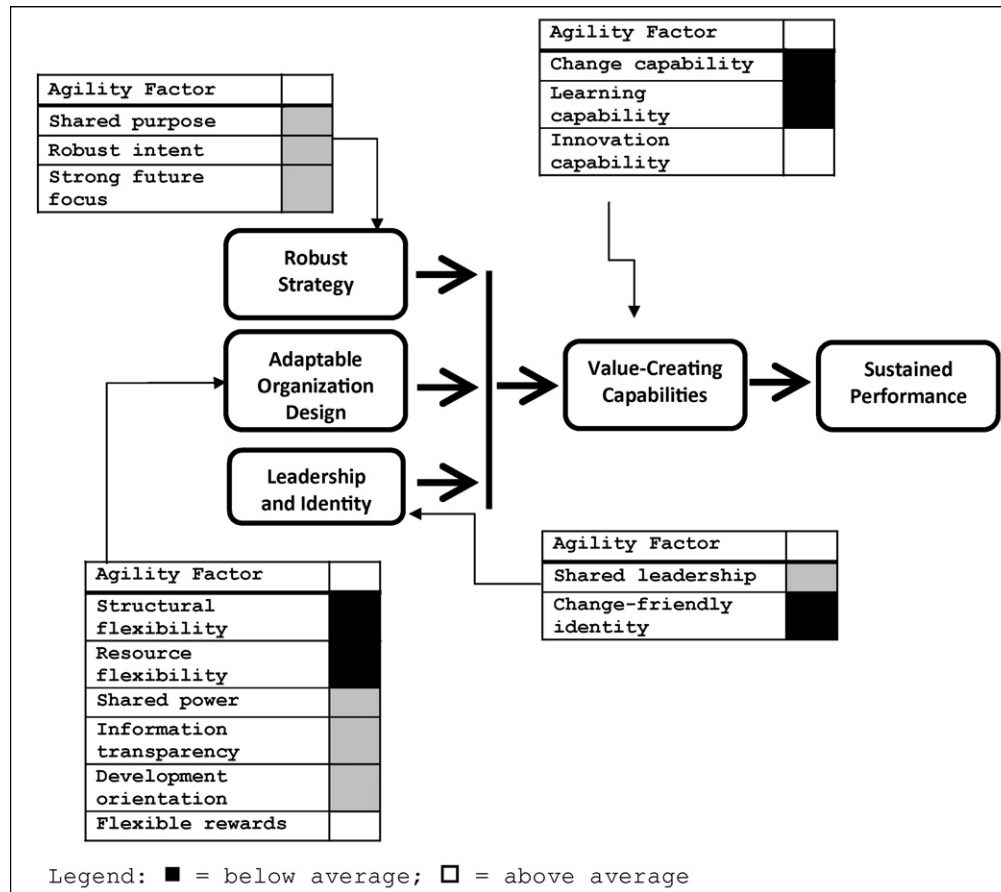
The data were fed back to the senior leadership team at a two-and-a-half day offsite retreat, which was the first time the leadership team had taken time off to examine the organization's design since the announcement of the merger. Initial discussions focused on areas of strength associated with strategy and innovation measures.

The first strength discussed was the strong sense of shared purpose. Both legacy organizations had strong underlying values related to patriotism and engineering prowess. In addition, everyone on the leadership team was clear about the goals of reasonable revenue growth and maintaining solid performance on existing programs (the key to successfully bidding on future business). The financial goals were an important and fundamental piece of the organization's ability to drive toward agility because it would help avoid boom-and-bust cycles of overly aggressive growth and equally violent downsizings. One executive who was lamenting his legacy organization's traditional strategy said, "The only best practice we had was laying off people."

The second strength was a strong and valued futuring process. Here leadership team members agreed that this information was not being brought into current conversations about new products and programs. The urgency of the integration process had resulted in a decidedly internal focus. One of the first decisions made at the retreat was to re-establish this strength (see the recommendations below).

The third strength, flexible reward systems, was attributed to a clear link between AA's financial performance and bonuses. As one interviewee put it, "As a

FIGURE 2 ACME AEROSPACE'S AGILITY PROFILE.



group, we stand together or we fall together...” The advantages of such a system were the focus it provided on performance and the incentive to operate as a team. However, in the context of the low adaptable design and change capability scores, the group noted that the disadvantage of the system was its narrow focus on financial performance. There was little explicit incentive to change, collaborate, or innovate except as such behaviors might support short-term sector performance. The organization’s future performance was very likely being held hostage by its current focused reward system and provided another force de-emphasizing the future focus capability.

When the conversation shifted to the organization’s weaker scores, no particular feature, but rather an overall pattern in the data, got the most attention. For nearly every feature in the framework, the scores dropped significantly from leadership team members to vice presidents (VPs) to directors. For example,

whereas leadership team members believed that the organization shared power or leveraged its matrix structure to shift resources to their most valued use, the scores dropped significantly for VPs and then dropped significantly again for directors. Consistent with the newness of the sector and the likelihood of participating in discussions and decisions about the organization’s strategy and design, the leadership team saw and understood how its choices were working toward an agile perspective. That message, however, had not fully reached the middle of the organization.

Building an Agility Agenda

The agility survey results supported the organization’s recent set of experiences. Coming off 6 months of intensive integration activities in creating the new organization, there were a few key messages that everyone had heard and understood. The AA organiza-

tion had a real opportunity to build on its values and purpose, leverage ground/air/space technologies, link financial goals to the incentive compensation system, restore its ability to flexibly manage its technical resources, and utilize its sensing capability to reduce uncertainty about future events.

In terms of the requirements for agility, however, much remained to be done. There were several difficult crossroads to be faced that were partly a function of the organization's history and culture and partly a function of the organization not paying much attention to these other organization design features. In particular, across most features, the middle of the organization either lacked the capability or did not understand how to contribute to this vision. As a result of the offsite discussions, AA decided on the following agility-oriented redesign activities.

Operationalize the long-term strategy roadmap. There was good agreement on the potential of land/air/space integration as an AA strategy, but little understanding of how the organization could manifest it in a stream of programs and technologies. In addition, there was good agreement about the goal of program performance and reasonable revenue growth. Together, these were necessary but not sufficient conditions for an agile strategy. The first broad recommendation was to make the existing strategy more concrete. Agile organizations have a robust strategy guided by their identity that, at its core, does not change much. The merged legacy organizations each had long and successful histories but very different strategies (with respect to customers, technologies, products, etc.).

Finding a way to communicate an integrated air/space strategy, one that leveraged the strengths of both organizations, was clearly needed. Air/space integration was an attractive metaphor, but its ability to generate a stream of programs, products, and benefits that yielded competitive advantage for AA needed to be made more concrete. It required the organization to concurrently explore and define its identity and its long-term strategy roadmap.

In terms of the organization's life cycle, it was an opportune time to begin this process. The interview and survey data suggested that there were several important values that were shared by many people, but no value that was shared by nearly all. Identity formation is a long-term process, and while specific aspects of it must be clarified and made explicit, its achievement rests on the strategic, structural, and organizational changes that drive the desired values, behaviors, and competencies. In the short-term, AA established a task force to determine the appropriate balance of cultural dimensions to AA's long-term success and to clarify the values that should be the core of decision-making in the organization.

One of the important decisions at the leadership offsite meeting was the agreement to do a better job of

leveraging the organization's future focus capabilities. The group tasked the new product development division with formalizing the process of systematically bringing future-oriented data into strategic decision-making processes. Similarly, the organization committed to the creation of a long-term roadmap—not a plan with milestones to achieve but a set of possible paths with forks in the road that would occur if certain technologies or programs became possible or certain government policies were enacted. Data about technical opportunities and likely breakthroughs, or about how the marketing organization sees the current administration's policies unfolding, were to be collected. Other forks in the road would have to remain potential contingencies to which the organization would have to adapt.

Many of the future issues were already known in parts of the organization; the challenge was that they were not widely known or shared in the sector as a basis for decision-making. While their existence was mentioned by a few, no one mentioned them as part of the current conversation among senior executives in the organization. It was clear that the organization's capacity for agility would be improved if the leadership team spent as much time (or more) talking about the future of the business – and continually updating the roadmap – as they did talking about current operations and performance.

Begin an integrated set of short- and long-term organization changes. The data clearly indicated that the firm's strategy, decision-making, and operational capabilities were not understood in the middle of the organization. This represented the single biggest threat to agility found in the assessment. Without a method or mechanism to align the top, middle, and bottom of the organization, the possibility of working at cross-purposes exists. Unless senior leaders wanted to assume all of the responsibility for strategy and execution – a perspective they did not support – there needed to be a more effective movement of power and authority out into the organization. The rhetoric of empowerment that was heard in the interview data was not apparent in the survey data, and this caused a considerable amount of discomfort among the leadership team members.

Discussion of the unresolved merger issues identified a number of important process improvement opportunities. Pairs of leadership team members were tasked with significantly reducing costs, reducing cycle times, and improving the productivity of a high-level, cross-organizational process over a 6–12-month timeframe. These teams (symbolizing a new commitment to collaboration) were to be held accountable for the achievement of objectives *and* for the ways that objectives were achieved. As part of establishing a change-friendly identity and the momentum for agility, it was critical that the process improve-

ments be conducted in a way that supported the desired cultural norm of collaboration.

AA's experience with a matrix organization structure, the technical capabilities embedded in the two legacy organizations, and the existing divisional responsibilities (i.e., one division focused on developing advanced programs, technologies, and government bidding processes) naturally led to the consideration of an "ambidextrous" organization. A considerable amount of work was necessary to align, organize, and allocate the engineering, production, marketing, and other support services to make this structural design work.

As an initial step in the development process, the leadership team commissioned a formal conversation about decision rights. The middle of the organization did not feel empowered, senior executives were spending too much time on operational details, and there was confusion about who should be focused on innovation and who should be focused on program execution. Clarifying decision rights – who could make decisions about what issues – would at least clarify the organization's policy with respect to decentralization. Another initial step was the reduction of the sector president's span of control and the creation of an executive leadership team with clear decision rights established and communicated.

The implications of the strategy work and the short- and long-term structural and organization changes required an explicit and improved internal implementation capability. The AA organization needed to build depth in its knowledge of change and learning, develop shared processes and models, and deliberately apply its knowledge and processes so that learning could take place. Recognizing this need led the AA organization to commit to important enhancements in its change and learning capability.

Finally, a revision in the reward system was also recommended during the offsite retreat. However, the revision was not supported by the group. The analysis suggested that the current system was strong and flexible but single-sided. The strength of the reward system in focusing executives on operational excellence was also its weakness with respect to agility. The lack of interest in changing the reward system might have been a blind spot for the organization and a missed opportunity to increase agility by shifting the focus slightly to include capacity building and collaboration.

CONCLUSIONS

Understanding the elements and features of an agile organization design and the processes necessary to implement them are an important managerial imperative. Traditional designs are ill equipped to handle the uncertainty, unpredictability, and complexity of current environments. By most popular accounts, there

are too few agile organizations, and the data here and in our research support that conclusion. With only a few exceptions, agile organization design features typically exist "to some extent." Only one organization we assessed consistently rated itself agile "to a moderate extent." This supports the observation that there are too few agile organizations, given the rapidly changing global business environment.

Increasing that number will require acknowledging that not all firms can or should be agile, and that not all firms will define agility the same way. In addition, it is important to acknowledge that the process of redesign will be both more difficult and quite different from traditional transformations. With respect to the first two issues, it is tempting to suggest that all organizations should be agile. What industry is not facing constant change, challenging environments, and increasing customer demands, and what firm could not benefit from more agile capabilities? Our experience with organizations that are thinking about agility is that the form of agility will differ for different firms and it is important that they choose features appropriate to the situation and industry. For example, we have noticed that the way leaders think about their future focus, structural "surface area," and resource flexibility processes in an oil and gas firm differ considerably from those in a retail organization.

With respect to the transformation process, becoming an agile organization is a real case of organization development. All organizations have some agile features, and the assessment tends to drive a conversation about what are the next, best, right features to address and how? The most likely reason that there are not more agile organizations is that changing existing organizations is so difficult. It is much easier to create new adaptable organizations than to change an existing organization to be adaptable. Yet it is not impossible. Diagnosis is the first step—understanding what features of the organization are and are not supportive of agility. As the Acme case suggests, the agility assessment pointed to a constructive and productive redesign process that, over time, could lead to a more agile organization. In order for this redesign to be successful, multiple features of the organization will have to be changed, and further assessments will be needed. Indeed, several years of change activity will be needed because so many of the organization's policies, practices, and systems need to be changed.

The transformation to an agile organization is challenging because it is unlike the transition from one stable state to another. In general, the change process needs to reflect the features of agility, including transparency, speed, high involvement, and flexibility. In general, organizations begin with the strategizing process. Firms need to have (and can develop quickly) an effective future-focus capability to increase the aware-

ness of and the contingencies for different environmental changes. Similarly, they can usually adapt their strategic thinking to encompass the notion of a flexible strategic intent.

A more difficult hurdle is the adoption of an alternative economic logic and the reconciliation of the firm's identity. Most managers and executives appreciate the need for more agility but balk at the idea that change is the competitive advantage, not efficiency, differentiation, or growth. As one manager put it, "You are asking me to go to the 'dark side' of the force." Moreover, understanding the firm's identity often takes more time and can result in a variety of outcomes. If the organization's identity is not so change-friendly, then decisions about how to proceed will have to be made, including halting the process. The one point of hope is that design changes are probably the best way to change identity.

The third most common phase in a transformation to agility is the development or enhancement of the organization's change/learning capabilities. Not only

does the organization need a change capability to orchestrate the transition from a traditional to agile organization, the organization will need to have an established ability to re-purpose resources, assets, people, budgets, systems, and processes to approach the norm of change as usual.

Many of these changes will be resisted because they challenge the traditional power bases of many individuals, and they may cause short-term performance decreases. Indeed, a change process such as the one facing Acme Aerospace is only likely to be successful if senior leadership provides strong, informed, and consistent support. The redesign of organizations to agile forms is unlikely to be easy under any conditions, but the alignment of this form to the likely environmental demands in the future makes the practice and development worthwhile.



To order reprints of this article, please call +1 (212) 633-3813 or e-mail reprints@elsevier.com



SELECTED BIBLIOGRAPHY

For a broad overview of organization design approaches that link to performance, see J. R. Galbraith, *Designing Organizations: An Executive Guide to Strategy, Structure, and Process* (San Francisco: Jossey-Bass, 2001); W. Joyce, N. Nohria, and B. Roberson, *What Really Works: The 4 + 2 Formula for Sustained Business Success* (New York: Harper, 2004).

Some important resources for those interested in the concept of organization agility include S. Brown and K. Eisenhardt, "The Art of Continuous Change: Linking Complexity Theory and Time-Paced Evolution in Relentlessly Shifting Organizations," *Administrative Science Quarterly*, 1997, 42, 1–24; S. Haeckel, *Adaptive Enterprise: Creating and Leading Sense-and-Respond Organizations* (Boston: Harvard Business School Press, 1999); H. Volberda, *Building the Flexible Firm* (New York: Oxford, 1999).

Our definitions of robust strategy were influenced by a variety of research, including E. Bailey and W. Baumol, "Deregulation and the Theory of Contestable Markets," *Yale Journal on Regulation*, 1984, 1, 111–137; G. Carroll and M. Hannan, *Organizations in Industry: Strategy, Structure, and Selection* (New York: Oxford University Press, 1995); Y. Doz and M. Kosonen, *Fast Strategy* (Harlow, UK: Wharton School Publishing, 2008); D. Hambrick and J. Frederickson, "Are You Sure You Have a Strategy?" *Academy of Management Executive*, 2005, 19(4), 31–45; D. Lei and J. Slocum, "The Tipping Points of Business Strategy," *Organizational Dynamics*, 2009, 38, 131–447; P. Schoemaker, "Scenario Planning: A Tool for Strategic Thinking," *Sloan Management Review*, 1995, 36, 25–41.

The components of an adaptable design are drawn from works by J. R. Galbraith, *Designing the Customer-centric Organization: A Guide to Strategy, Structure, and Process* (San Francisco: Jossey-Bass, 2005); E. Lawler, *Talent* (San Francisco: Jossey-Bass, 2008); E. Lawler and C. Worley, *Built to Change: How to Achieve Sustained Organizational Effectiveness* (San Francisco: Jossey-Bass, 2006); J. O'Toole and W. Bennis, "What's Needed Next: A Culture of Candor," *Harvard Business Review*, 2009, June, 54–61; M. Tushman and C. O'Reilly, "Ambidextrous Organizations: Managing Evolutionary and Revolutionary Change," *California Management Review*, 1996, 38(4), 8–29; S. Wheeler, W. McFarland and A. Kleiner, "A Blueprint for Strategic Leadership," *Strategy + Business*, 2008, 49, 2–12.

Shared leadership and identity work together in defining the organization's long-term value proposition and were influenced by M. Hatch and M. Schultz, "The Dynamics of Organizational Identity," *Human Relations*, 2002, 55, 989–1019; J. Collins and J. Porras, *Built to Last* (New York: HarperCollins, 1994).

Capabilities are an active area of research in the strategy and organization design fields. A good overview of this work can be found in M. Beer and R. Eisenstat, "Developing an Organization Capable of Implementing Strategy and Learning," *Human Relations*, 1996, 49, 597–619; G. Dosi, R. Nelson and S. Winter, *The Nature and Dynamics of Organization Capabilities* (Oxford: Oxford University Press, 2000); C. Worley and E. Lawler, "Building a Change Capability at Capital One Financial," *Organizational Dynamics*, 2009, 38(4), 245–251.

Christopher G. Worley (Ph.D., University of Southern California) is a research scientist at USC's Center for Effective Organizations and a professor of management at Pepperdine University. Worley is author of *Built to Change*, *Integrated Strategic Change*, and *Organization Development and Change*, the leading textbook on organization development. He lives in San Juan Capistrano with his wife and three children (Center for Effective Organizations, Marshall School of Business, University of Southern California, 3415 South Figueroa Street, DCC 200, Los Angeles, CA 90089-0871, United States. Tel.: +1 213 740 9814; e-mail: cworley@marshall.usc.edu).

Edward E. Lawler III is director of the Center for Effective Organizations at the University of Southern California. He is author of over 350 articles and 43 books. His most recent books include *Built to Change* (2006) and *Talent: Making People Your Competitive Advantage* (2008). For more information, visit <http://www.edwardlawler.com> (Center for Effective Organizations, Marshall School of Business, University of Southern California, 3415 South Figueroa Street, DCC 200, Los Angeles, CA 90089-0871, United States. Tel.: +1 213 740 9814; e-mail: elawler@marshall.usc.edu).