WHY AGILITY IS THE KEY TO SUCCESS

FROM FRAGILE TO

AGILE

FAST

NORDIC RESEARCH 2017
Organizational agility is the most important thing to us.

CHIEF DIGITAL OFFICER, BANKING

In order to prepare for disruptors in the industry agility needs to be a top priority. Future competitors might not be the current competitors from within our industry.

VICE PRESIDENT OF BUSINESS DEVELOPMENT, COMMUNICATIONS
What is an agile organization? And why does it matter?

The pace of change is picking up both in commercial and public organizations, driven by digitalization, rapid changes in customer expectations, emerging technologies and disruptive competition. Many organizations have come a long way in a short time in responding to the digital revolution. But have they gone far enough fast enough?

The impact of higher pace of change? The rules for business can change seemingly overnight. As a result, many existing players remain vulnerable. The solution? Becoming a truly agile organization. That’s one which is able to adapt its strategy, plans and operations faster than its peers. Benefits? Capture new opportunities more effectively and react to unexpected changes in the environment faster.

Agility is the essential quality for organizations, underpinning the ability to:

- Significantly improve time to market
- Respond to changing customer requirements rapidly
- Address new business opportunities fast
- Make the cost base scalable, providing flexibility in a fast-changing operating environment

To better understand the state of agility in Nordic organizations, Accenture carried out an in-depth interview of 207 Nordic executives between November 2016 and February 2017. The objective was to gauge agility’s importance among the leadership of the largest companies and public organizations.

This research builds on our previous research in 2015 and 2016* that examined the speed of change in the digital era. The urgency that we highlighted then has only become more pressing in 2017.

“Agility is one of the top priorities for our business.”

EXECUTIVE VICE PRESIDENT, ENERGY & UTILITIES

“As digital gets more important to our customers – we need to get more agile to deliver on that.”

STRATEGY DIRECTOR, INDUSTRIAL EQUIPMENT

“Agility is super important for our business. We need to first define what is agile to us and improve the understanding of its importance and difficulty and then devise a plan.”

VICE PRESIDENT CONSUMER BUSINESS, TELECOM

* accenture.com/HPBF2016
The business benefits in time-to-market, customer satisfaction, revenue and cost scalability are what agility delivers. That’s the good news. The bad news is that without agility companies could struggle to survive in unrelenting and rapid disruption.

What’s changed? Market innovations no longer rise gradually and fall away gently, they arrive explosively as a big-bang. New waves of technology don’t take years to form and peak – they now rise rapidly and create almost instant disruption.

Examples? Take the slow and stable development of mainframe computing from 1950s until today and compare it with the big data and analytics ‘big bang’ disruption. This only started in the late 1990s and yet has increased data generation exponentially, reaching almost five zettabytes of data today. Or look at the development of web 1.0, with a technology adoption curve of almost 50 years. Compare that with the adoption rate of web 2.0, with cloud and mobile, which has been almost twice as fast, or the IoT adoption curve which is expected to be almost three times as fast.

Companies, don’t have the luxury of time to weigh up their options and develop their plans. In this environment, agility is more than just a source of competitive advantage. It’s a survival strategy.

In our research, eight out of ten companies say that agility is a priority today. But more than nine out of ten (94 percent) say it will be crucial for their survival in three years. And with 53% of companies saying that they plan to be the agility leaders in their industry within three years, it sends a clear signal that others need to keep pace or risk being left behind.

More than half of Nordic organizations want to be industry leaders in three years. Be agile or be left behind.
AGILITY IN ACTION

AGILE DECISION MAKING AT PROCTER & GAMBLE

P&G takes a distinctly agile approach to decision-making. At the start of every week, the CEO and the leadership team convene in the “business sphere” - a data-driven, immersive decision-making environment. Large screens display the key data supporting every critical topic to be addressed that week. The same data-driven, fast-paced approach is used through other management tiers.

ETSY - DEVOPS FOR AGILITY

Online retailer Etsy makes 50 small daily deployments to its ecommerce site using DevOps & automation, pushing a rate of change that’s fundamental to agility – and in marked contrast to traditional ‘waterfall’ approaches that sees larger changes made far less frequently.

"LIQUID" WORKFORCE OF ADVISORS AT APPLE AND MICROSOFT

Apple and Microsoft both use an army of home-based contractors to provide customers with support and advice in the US. As a flexible and instantly deployable resource, there platform-based workers are available on-demand and can be dialed up or down according to the changing volume of customer needs.
The research results show that most companies prioritize agility far above the need to offer stability to employees. Stability for customers, on the other hand, is generally seen as more important than agility. These findings raise a couple of points.

Many true industry leaders have been successful in taking their customers with them as they’ve made some fundamental changes in agility, suggesting that the importance of stability for customers can be overemphasized by Nordic companies. Examples include Apple’s product innovation; IKEA’s end-to-end customer experience, and Salesforce.com’s as-a-service business model utilized by both small and large enterprises.

Fundamental changes in agility will – and indeed should – be visible to customers. Being overly cautious of the changes in your customer interface will limit the positive impact agility-driven change can achieve.

The low preference accorded to stability for employees, on the other hand, suggests an extensive need for change management – an area in which many companies already struggle even with slower-paced transformation. An increased focus on agility will also require an investment in change management to retain the best employees and to maintain and increase engagement in an increasingly agile environment.

Nordic organizations are not afraid of making agility related changes impacting their employees. But they are cautious with their customers – perhaps too cautious.

YOUR CUSTOMERS EXPECT YOU TO CHANGE

DON'T BE OVERLY CAUTIOUS IN TAKING THEM TO AGILITY

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So what are the key drivers of agility for Nordic businesses? Digitalization of the operating environment, customer expectations, new business models, profitability challenges and emerging technologies are seen as the most pressing drivers. High importance of growing customer expectations as an agility development driver also emphasizes the message that the agility related changes should indeed be visible to your customers. But only 30 percent of companies say lack of growth is a driver, which suggests that companies do not perceive agility as the important driver of revenue that it, in fact, unquestionably is.

Overall, Nordic businesses recognize how important it is to become agile, but most believe that they have some way to go before they get there. So the question is: how to move forward?

**Key drivers for the development of agility**

- **70% Digitalization of our operating environment**
- **70% Increase in customer expectations**
- **53% New business models**
- **50% Profitability challenges / cost pressures**
- **47% Emerging technologies disrupting customers and our operations**
- **34% International competition**
- **30% Lack of growth**
- **16% Local competition**
- **15% Political uncertainty**
- **11% Other**

“Ecosystems and partnerships are a new strategic priority. Requires a change in culture of “not invented here”

VICE PRESIDENT OF BUSINESS DEVELOPMENT, COMMUNICATIONS

We have already walked the road of cost optimization, now we need to find growth through faster capability to adapt.

CHIEF PROCUREMENT OFFICER, FORESTRY

“Faster time to market for new products is much more important than costs factor. Effectiveness of resources is the key.”

CHIEF OPERATING OFFICER, HEALTH TECHNOLOGY
TRULY AGILE ORGANIZATIONS ARE AGILE END-TO-END

Agility is not a capability to be acquired alongside others. It’s an inherent quality that pervades across the whole organization and everything it does. Accenture has developed a framework for agility, highlighting seven key development areas.

As a summary of findings across these seven focus areas, Data and Insights is the burning platform for essentially all organizations surveyed – and one of the most important capabilities in improving the customer experience. Platforms & capabilities take second place, requiring a step change, especially when it comes to new, Digital IT. And the third place in development gaps goes to ecosystem & co-creation, where a lot of movement is already taking place, but still less than one fifth of Nordic organizations perceive it as their stronghold.

A FRAMEWORK FOR AGILITY

Agility in strategy, leadership and decision-making

The ability to make rapid decisions in uncertain environments is foundational to agility. That requires approaches that harness customer and business data as the basis for fact-based decision-making. Leaders need to have immediate access to data without filters or manipulation, and convene immersive environments in which data-driven decisions are rapidly made with right decision-makers.

One of the leading examples is Procter & Gamble, which has conducted an end-to-end transformation of its data-driven decision-making, significantly improving operational transparency to leadership and the speed of decision-making.

Nordic organizations perceive strategy, leadership and decision-making as both a stronghold and development area. In our experience this is an area where many organizations rate their ability higher than it actually is. This suggests they need to critically evaluate the true degree of agility in their decision-making.
Agility in planning & performance management

When agile decisions are made, how to roll them out then, starting with realigning the plans and budgets? The traditional quarterly budgeting doesn’t give a solid basis for that, calling for significantly more agile approaches. Agility also requires rapid alignment of priorities at more granular level between different levels of organization.

And the way the organization is measured and incentivized must be realigned from the top leadership team to lower levels of organization. More flexibility will be needed also in the middle of the fiscal year as incentives must follow any changes in immediate priorities in agile manner.

Given such large changes required in a formal governance process, it’s surprising that only fifty-four percent of Nordic organizations perceive agility in planning and performance management as a development area. Industries identifying this as a particular area for development include financial services, resources and industrial equipment.

Execution agility

Executing with agility is both the hardest and arguably most important capability to get right. The only industries in which more than half the respondents identified this area as a strength were construction and public services.

Agility demands a customer-centric operating model, so execution needs to have the customer and insights about them at its heart too. Mechanisms to constantly gather and escalate customer insights need to be in place. Changing priorities require rapid and seamless resource reallocation, with a scalable and liquid workforce that ramps up the skills needed as and when required.

Focusing on what matters is critical. Anything that does not add value to the customer experience or business value should be a candidate for alternative delivery or even stopped altogether.

Previously agile operations were not possible, now they are compulsory.

VICE PRESIDENT, BANKING
An agile culture decides quickly, fails fast, and learns constantly. Companies need to think more like opportunistic venture capital companies, with the ability to spot and seize on new ideas. Rapid prototyping and piloting need to be supported with the ability to quickly back winners, rather than wait for allocated budgets to become available.

Webscale companies like Google and Amazon run hundreds of pilots simultaneously, and their entire organizations are tuned to recognize the next sources of growth from these projects. Adopting such a culture will not be easy; however it’s one of the cornerstones for the agile organization.

Sixty-nine percent of Nordic organizations perceive culture and people as a development area, in contrast to only 27 percent stating it’s a stronghold. For most, the future requires a very different culture from today’s which offers ‘jobs for life’ and rewards seniority as often as talent and expertise.

Becoming digital means operating IT at dual speed. IT operations that have traditionally supported the slower speed of enterprise development now need to be augmented with fast, responsive and agile ‘second speed’ IT for ramping up new, digital capabilities and offerings. Many Nordic organizations are already implementing such a dual-speed approach in their IT, and nearly all the rest have a strong interest in doing so.

Automation and AI are also becoming increasingly critical to support the agile business. The workforce can be freed from repetitive tasks with robotic process automation that can be put to work on top of any existing enterprise tool. Machine learning and AI can help businesses get more from their data and support customers and employees with more intuitive and engaging experiences. Going forward, humans need to focus only on activities that cannot be automated.
Ecosystem & co-creation

Digital is breaking down the borders of the traditional business. The ability to partner and collaborate in emerging digital ecosystems is now essential.

Organizations no longer need to own processes or functions, but they do need to decide what to do internally and where to partner. How much of their business can they open up to others in order to discover new value and enhance the customer experience? What are your real core capabilities which you necessarily want to own?

Even though 69 percent of respondents name ecosystem & co-creation as a development area, 63 percent say they have already co-operated with start-ups, which is a surprisingly high number. Across industries, the key reasons for co-operation focus on entering new offerings or innovation or speeding up the offering development.

Data & analytics

The ability to leverage data and insights effectively is the key underlying capability – and it’s by some margin the area in which companies say they need to develop the most. While all the researched organizations already do some analytics, they are yet to seize its real potential.

Analytics is a critical capability to provide agility regardless of industry. Bringing data deep into the optimization of operations and decision-making is one aspect. Building offerings is another. And using data and analytics to improve the customer experience can provide significant competitive advantage which many organizations are now trying to seize.

Eighty-five percent identify analytics as an area for improvement, with only 13 percent claiming it as a stronghold. Communications companies tend to see themselves as more developed as do public sector respondents.
To be faster is a competitive advantage. Otherwise you are only responding, not leading. In a commodity business, there are two ways to differentiate: price or innovation. Agility is an enabler to becoming innovative.

CHIEF EXECUTIVE OFFICER, INSURANCE

The industry is changing toward more customer centricity. We need to transform into a service company, which is a very significant transformation.

CHIEF OPERATING OFFICER, ENERGY & UTILITIES
Your 100-day plan and key execution challenges

The approach to developing agility should itself be undertaken in an agile manner. That means focusing on small pilots in selected areas which can then be scaled up in line with agreed priorities. But what are those priorities?

When asked of the next 100-day priorities, surveyed organizations are finding it hard to set their agility agendas. Out of seven potential priorities suggested, almost 80 percent of organizations said they need to focus on at least five of them immediately.

While it’s true that agility needs to be developed on multiple fronts at the same time, companies need to identify their ‘sweet spots’ that will help them accelerate, instead of trying to take everything forward at the same time.

We were not surprised to find companies nominating capabilities and budgets as two of the top three key challenges for the development of agility in the near-term. However, the number one challenge, named by 59 percent of the surveyed organizations, is the lack of skills and competencies. Thus competence building will clearly be the priority in everyone’s 100-day plan.

It's time to drive agility as a dedicated CEO priority

CEO and leadership team commitment and sponsorship will be critical in increasing the organization’s agility. That’s the starting point, but more will be needed - the whole company culture needs to change. Agility must be a KPI and objective for everyone in the organization. The biggest risk is that leadership will offer their virtual commitment but not much changes on the ground.

Becoming agile requires a step change across multiple, often slow moving, areas. To win the race to agility, you need to:

• Be ready to take your customers with you to agility
• Realize a shift in the culture and agility related skills
• Focus on making your IT more agile and “digital IT”

Now is the time to make the difference. Nordic organizations have high ambitions for agility. If they want to be in front of their peers they need to make agility a real priority in the center of organizational culture.

Turning the needle requires leadership to build its vision of agility, communicate it and make it everyone’s objective in the organization. Such change can only happen when set as a corporate-wide explicit priority with CEO ownership and a strong – but agile – plan for getting there.

Lack of skills and competencies is the largest challenge in the development of agility

- 59% Lack of skills and competencies to develop agility
- 48% Constraints in our IT
- 33% Cost/budget concerns
- 29% Lack of understanding the benefits which agility can bring
- 28% Other
- 16% Lack of engagement from leadership
- 2% N/A – We’re already agile
SUMMARY AND IMPLICATIONS

What we found from Nordic organizations

The race for agility is on, and half of Nordic organizations want to be industry leaders. Many will be at risk of falling behind.

Leadership engagement is not a challenge. But is this engagement visible enough to rest of the organization, and does it translate into action? That’s the key question.

Nordic organizations are not afraid of making agility related changes impacting their employees. But they are cautious with their customers – perhaps too cautious.

Nordic organizations are hindered by lack of skills and competencies in the development of agility. This should be a clear short-term development priority for them.

Nordic organizations have too many development priorities for 100 days. They need to find their sweet spots to move the needle rapidly.

No-regret actions for your 100-day plan

**AUTOMATION**

Trial Robotic Process Automation in simple rule-based tasks. Evaluate Machine Learning and AI to automate more complex tasks

**DATA AND ANALYTICS**

Select and trial analytics use cases – prioritize by scalability of the benefit potential

**MULTISPEED IT**

Plan & trial how legacy and new IT can be differentiated to separate ‘clock speeds’

**DEVOPS, LEAN, AGILE**

Trial agile development methodologies to launch improvements in time-to-market and the throughput speed of processes

**LIQUID WORKFORCE**

Trial how you could use your internal workforce flexibly across the borders of your organizational units. How could you support your liquid workforce by external workforce?
The key questions in the development of your agility

- Is agility already a true priority for your organization? How does this show to your employees?
- Where in the organization do you already have agile, lean and devops development skills?
- Which are the best pilots to find out the most effective way to take these priorities forward?
- What should multi-speed IT mean for your organization?
- Where is the highest potential for automation and liquid workforce in your organization?
- Which three priorities do you have for next 100 days?
- How can you use the existing skills to scale-up a broader skill base for agility?
- What is your vision for agility?

Industry of respondents

- 19% Banking
- 13% Insurance
- 12% Communications & High Technology
- 11% Industrial Equipment
- 10% Food and Retail
- 10% Health & Public Services
- 9% Oil & Gas, Chemicals or Raw Materials
- 6% Other
- 4% Transportation, Logistics and Postal
- 4% Energy and Utilities
- 3% Construction and Real Estate

Primary responsibility of respondents

- 23% Top Management / Managing Director / CEO
- 19% Operations, Technology
- 17% Strategy, Corporate Development
- 11% Business Development, R&D
- 9% Other
- 6% Sales, Marketing & Service
- 6% Responsible for Geographical Market or Business Area
- 5% Human Resources
- 3% Finance
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