# Organizational Agility - Agenda

1. Why organization's struggle with change and agility

2. Organizational Agility – Agile Organization Design

3. Building Agility

We are in times of significant and constant change

VUCA-C – *Volatile, Uncertain, Complex, Ambiguous, Constant CHANGE*

We are living in a time of great change – bigger, faster, complex, cross-functional, multi-disciplinary
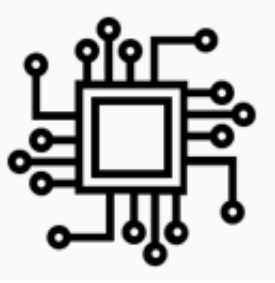
Technology

Digitization, Bioscience, Automation, Machine Learning, Internet of Things, Robotics

Data

Volume, Transparency, Distribution of information changing how businesses are working with Patients, partners, suppliers, etc.

Workforce

Multi-Generational workforce has different expectations and desires for work, compensation, learning, how they are managed

Environment

"green agenda" driving how businesses are looking at their environmental footprint and changing how they work

Poll Exercise

How many medium to major changes are impacting the individuals are in your hospital?

- 1 - 2

- 3 - 5

- 5 - 7

- 7 - 9

- More than 10 Changes

Effective Change is Critical to the Future

Effective Organizational Change is critical to the future of businesses

In order to thrive – companies must be Change Agile

76% of CEO's in a recent PWC survey stated the ability to change & adapt is the critical source of competitive advantage.

90% of executives in a recent McKinsey survey said organizational change & agility is critical to the success of their business and growing in importance

*Companies have not been effective at implementing change*

Companies are less than 30% effective at implementing change

2010 Mckinsey study showed that only about 30% of strategic change programs are successful.

2013 Towers Watson Study said that leaders felt that 55% of change programs met initial objectives – only about 24% felt gains were sustained over time.

Most organizations use change management as a means to deal with the needs of a specific change – but the pace, scope of change makes this approach insufficient in dealing with the scale of change we are seeing today.

Old View of Change

Apparent 'equilibrium' → Unfreeze → Change → Refreeze
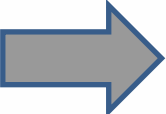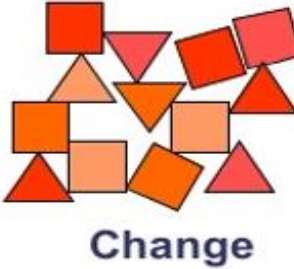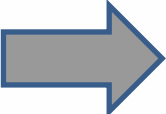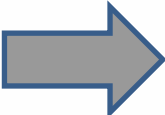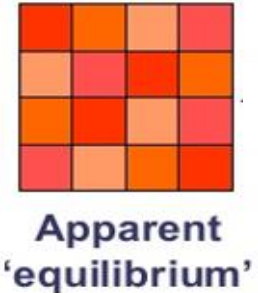
Kurt Lewin - 1947

Pace of Change in the Environment
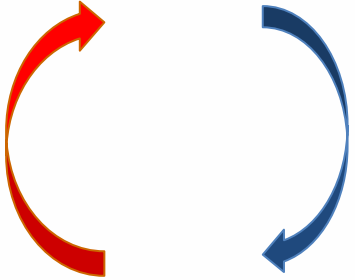
Pace of Change in the Hospital

Organizational Agility & Change

Organizational Agility

Change Management

Change Management - Managing the people side of a specific change to achieve a desired business outcome.

Organizational Agility – Capability of an organization to rapidly change and adapt in response to external market changes. Hospitals with high degree of agility can react successfully to new competitors, development of new technologies, or sudden shifts in overall market conditions.

Last 100 Years – Management & Efficiency

In 1910 Ford Motor Company was one of many small automobile manufacturing companies. It took them over 12 hours to manufacture one car and it costs over $850. Henry Ford set a goal to improve his operations and be more productive and efficient.

Frederick Taylor – Scientific Management optimized labor productivity. Taylor's work started the ideas that led to Quality control, Total Quality Management and Project Management. Taylor's work viewed organizations as machines to structure, control and gain efficiency.

By 1920, Ford had 60% of the market share. They reduced assembly time per car down to less than 90 minutes and a cost of less than $300.

Mechanistic View of a Organizations

Traditional Organizations

- Focused on control, efficiency, long term planning

- Stability within a well-known environment that changed little

- Linear planning and control to focus on high efficiency & execution

- Governance at the top – Leadership teams make the majority of decisions

- Organization as a machine – static, siloed, structural hierarchy
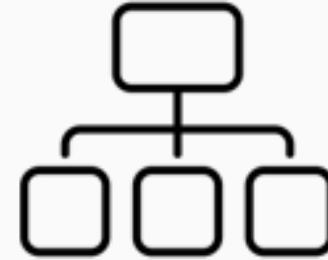
Overall organization – rigid, slow moving but highly efficient

It has always been important for companies to be responsive to the market and patient's needs, but the scale of change is at a level where it is overcoming many organizations

How have companies responded to change pressures?

Organizational Restructure

Mechanistic Mindset - Organizational Structures:

- Specific boundaries and definition for each role with clear power, authority and resources

- Established hierarchy and governance for oversight

- Processes are very precise and deliberate

- Employees rely on rules, handbooks, priorities coming from the hierarchy

- Organization runs as it was designed

Companies will typically take 1-2 years to restructure…. The challenge with this is that the world has already moved on and it's time to change again.

In a recent McKinsey study – half of the companies surveyed are making significant structural changes – every 2 to 3 years.

Executives said that only 23% of the redesigns were deemed successful. The majority of them thought that most of the others had destroyed value.

Emerging Approach – Organizational Agility

We need organizations that are <u>Agile</u>

- Adapt and change quickly in a rapidly changing, ambiguous and turbulent environment.

- Take advantage of change – planned or unexpected with speed, effectiveness and flexibility

- Capacity to identify and capture opportunities more quickly than competitors at both an Operational and Strategic levels

- Quickly and efficiently reconfigure strategy-structure-processes-people and technology toward value creating and value protecting opportunities

Do we need to be Agile or Stable?

Problem – Situation to be fixed with a clear solution / answer.

Polarity – Ongoing and unsolvable dilemma that contains seemingly opposing ideas. Polarities are complementary and interdependent opposites

Problem or Polarity?

- Should we grow or be profitable?
- Should we centralize or decentralize?
- Should we focus on the short term or long term?
- Should we be agile or be stable & efficient?

Polarity to be Managed

+ Close to the Patient

+ Responsive to market changes

+ Flexibility & Autonomy

+ Strong Standards & Controls

+ High levels of efficiency

+ Functional excellence

Decentralized

Centralized

– Redundant processes and resources

– Lack standards & controls

– Bureaucratic

– Inflexible and rigid

– Slow moving and not responsive to Patient needs
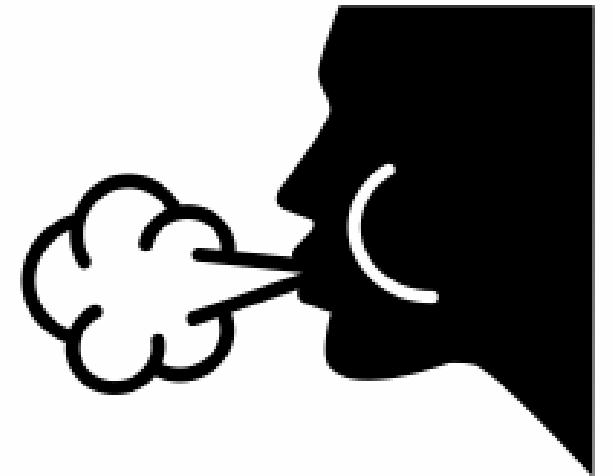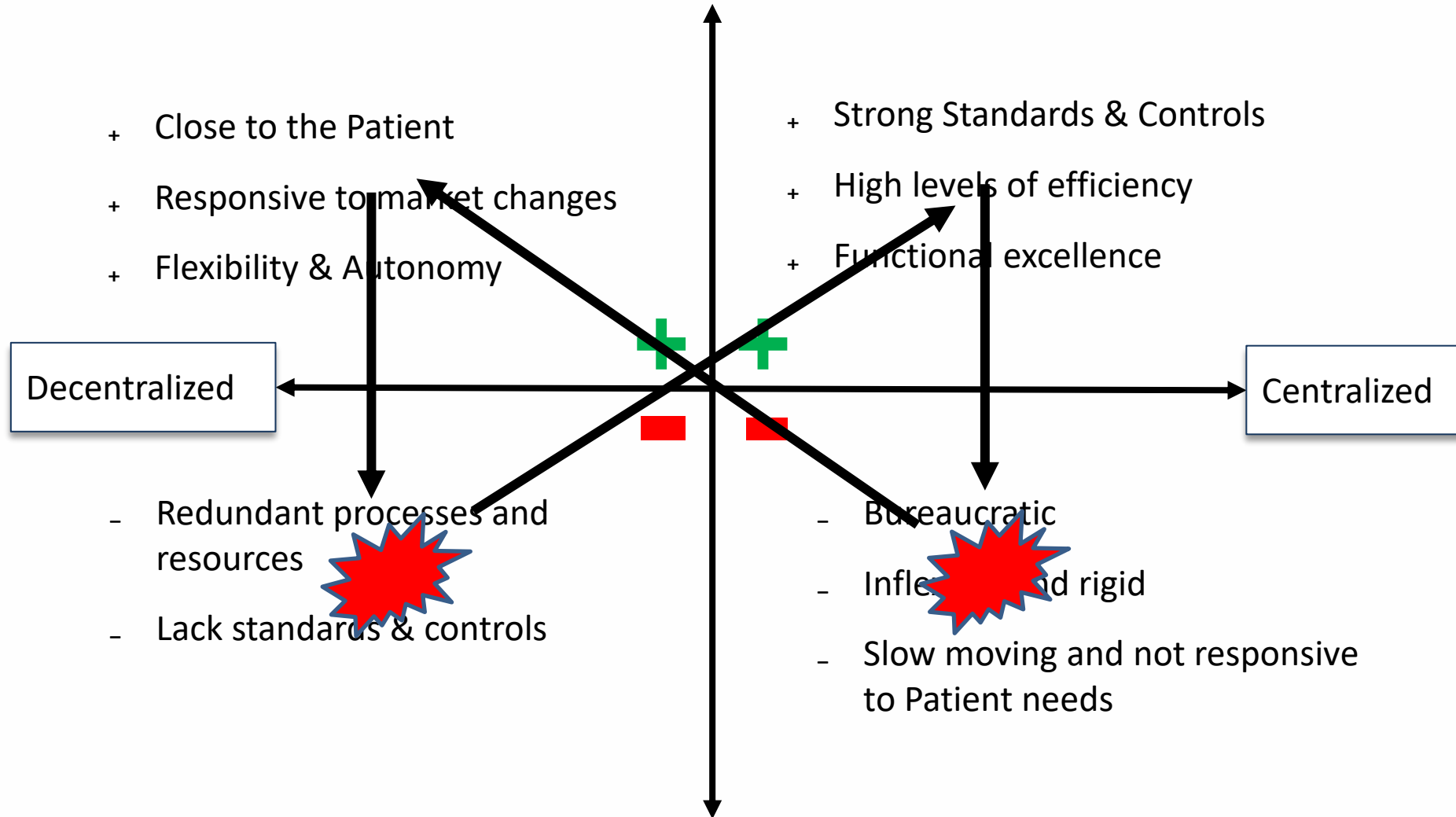
Agile Organization need to be both….

and

Stable
Resilient, Reliable, Efficient

Dynamic
Fast, Nimble, Adaptive

Companies need to design structures, governance, processes to support both:
- Core elements that focus on stability, efficiency, control
- Dynamic / Agile elements that are more flexible and can be adapted quickly to new challenges and opportunities

Organizational Agility – both Agile & Stable

Start-Up → **Agile**

Trapped

Traditional

Efficient, Stable, Mechanistic
Bureaucratic, Slow Moving, Siloed, Inflexible

Dynamic & Flexible — Strong / Weak

Stability & Efficiency — Weak / Strong
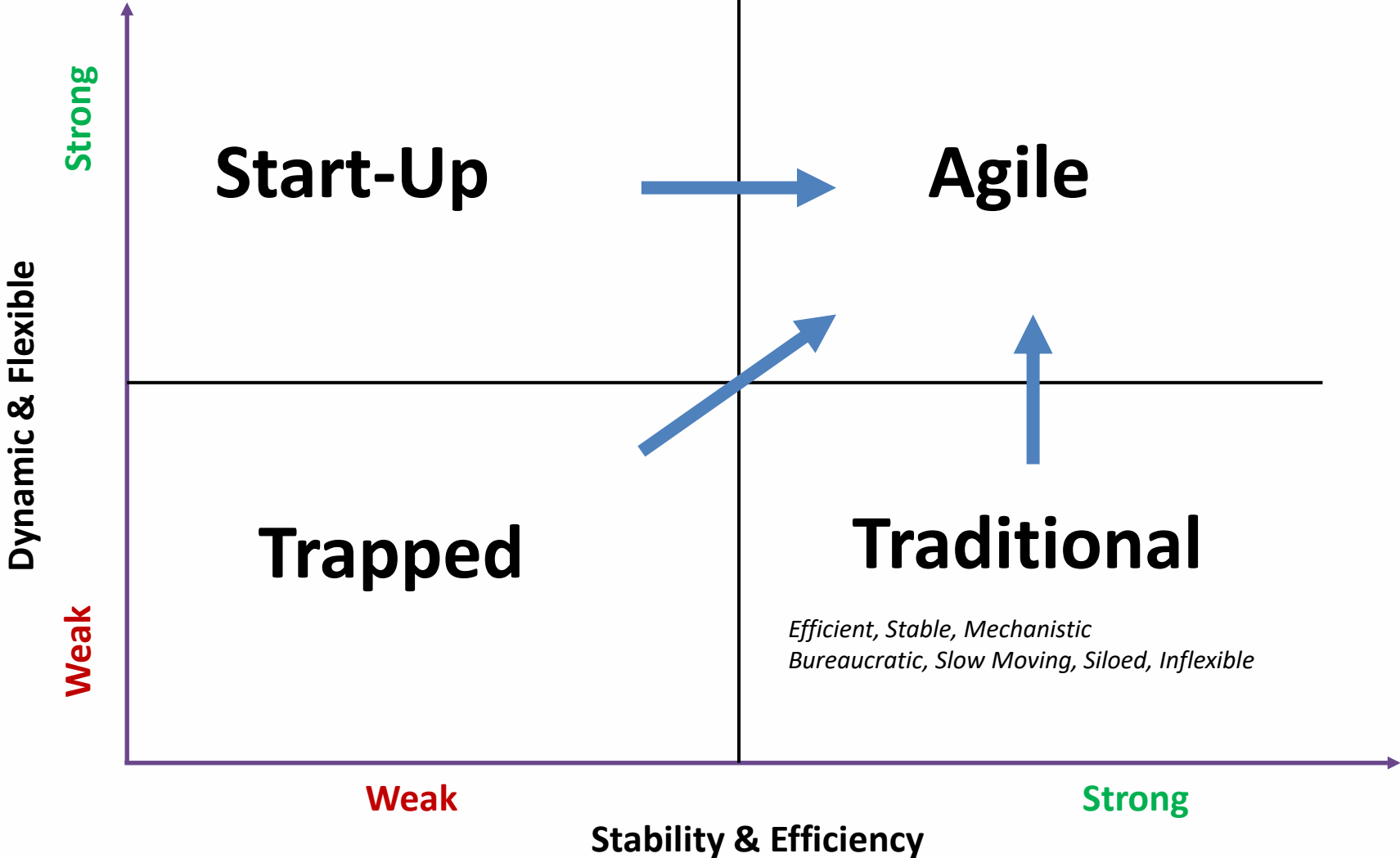
Source: Adapted from McKinsey

Poll Exercise

Where do you find your hospital in terms of Agility & Stability?

1. **Agile –** High Stability; High Agility
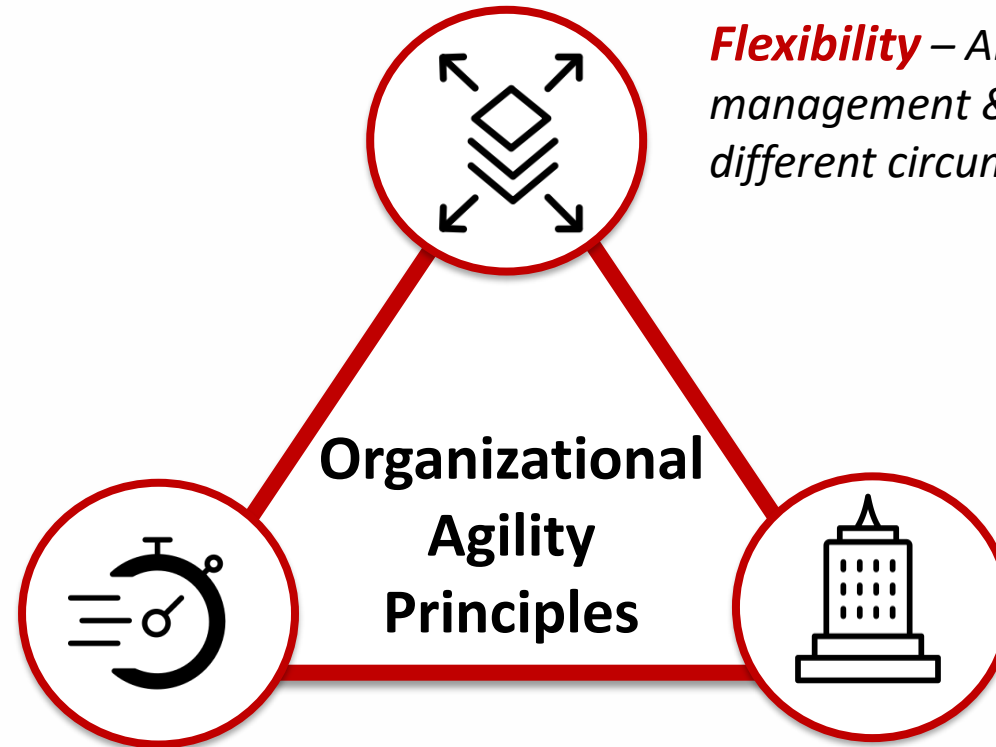
2. **Traditional** – High Stability; Low on Agility

3. **Start-Up** – High Agility; Low Stability

4. **Trapped** – Low Agility; Low Stability

Three Core Principles of Organizational Agility

Flexibility – *Ability to effectively operate the management & operational processes under different circumstance, requirements and inputs.*

Organizational Agility Principles

Frequency – *Speed, Iterations & Cycle time of Management and Operational processes are at a pace (generally faster "clock speed") to meet & lead the environmental, market and business needs. Frequency of practices supports the ability of the organization to accelerate change.*

Focused Foundation – *Management and Operational Processes are Fit for Purpose, Value Adding, Streamlined & Lean, Continuously Improving, Leverages Technology, Maximizes Human Capital.*

Organizational Agility – Management Practices & Disciplines

Planning & Goal Setting

Traditional Organizations

- Goals are set annually and cascaded / deployed down through the organization

- Emphasis of goal setting process is Vertical Alignment – individual, team, department, organization, strategy

- Plans and goals are infrequently updated or changed throughout the year

- Disconnect between plans, goals and day to day work of teams

- Processes are rigid, inflexible and slow to respond to changes throughout the year

Planning & Goal Setting

Agile Organizations

- Goals are set annually with action plans and accountabilities established for a shorter time period (quarterly or monthly) and updated frequently

- Plans and goals are flexible to accommodate inputs from local Patient requirements, market changes (as well as cascaded from the organization's strategy)

- Goals, plans and actions are easily adjusted as priorities change across the organization

- Leaders review performance vs goals at least quarterly

- Plans & Goals are frequently informed & updated by external events & changes

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TOGETHER FORWARD®

Organizational Agility Framework

Agile Leadership & Management Practices and Competencies

Agile Planning & Goal Setting, Managing Performance & Resources

RUN the Business
Stability, Efficiency, Quality

Operational Agility

CHANGE the Business
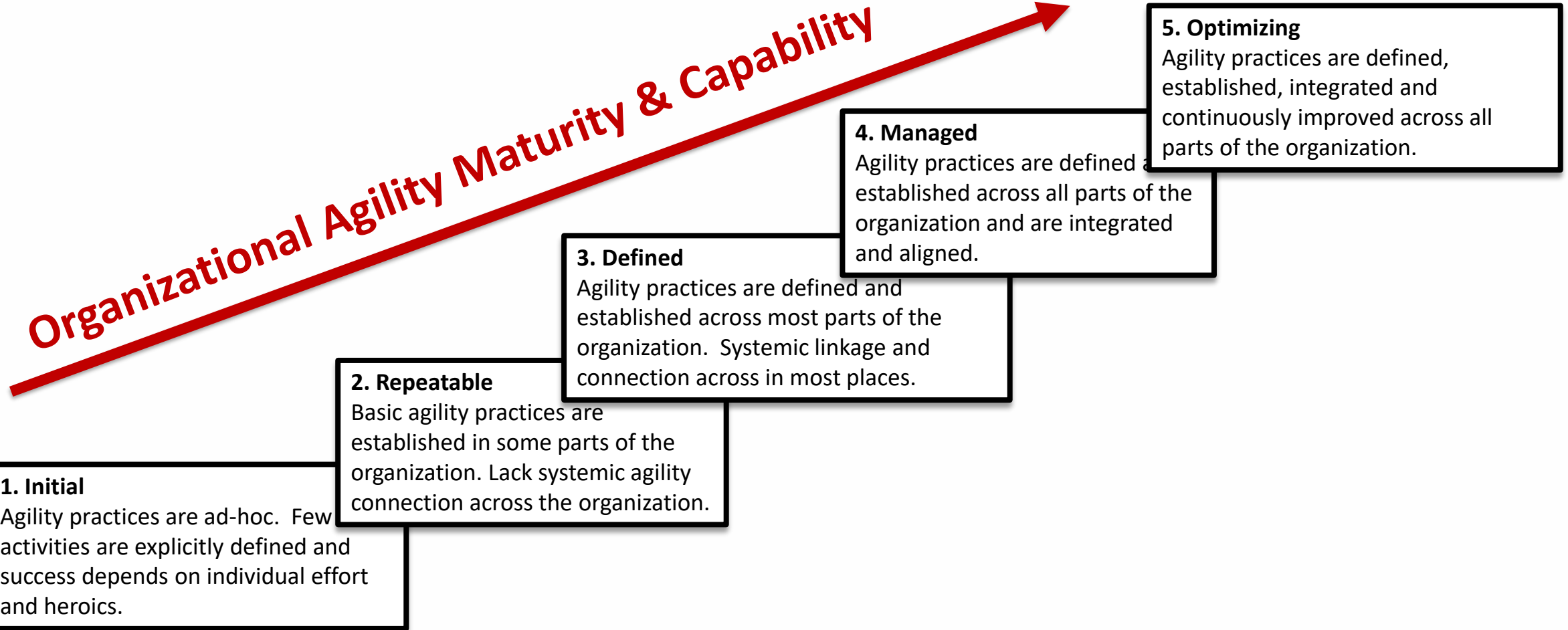*Innovation, Dynamic, Transformative*

Strategic Agility

Employee & Culture

Agility – Resilience, Adaptability, Change
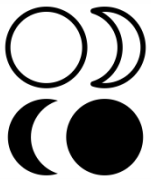
Journey to Organizational Agility

Organizational Agility cannot be a "flavor of the month. Building organizational agility is a developmental process – building the agility "muscles" (practices and disciplines) over time and continuously improve.

Organizational Agility Maturity & Capability

5. Optimizing
Agility practices are defined, established, integrated and continuously improved across all parts of the organization.

4. Managed
Agility practices are defined a established across all parts of the organization and are integrated and aligned.

3. Defined
Agility practices are defined and established across most parts of the organization. Systemic linkage and connection across in most places.

2. Repeatable
Basic agility practices are established in some parts of the organization. Lack systemic agility connection across the organization.

1. Initial
Agility practices are ad-hoc. Few activities are explicitly defined and success depends on individual effort and heroics.

Three Approaches to Building Organizational Agility

Born Agile – Organizations that start off in an agile environment – typically companies that started in the technology sector.

Phased – Building Organizational Agility over-time in a planned and systematic process that is iterative, step-wise, scale and improve approach. (see next slide) *(Becoming Agile through an Agile Approach)*
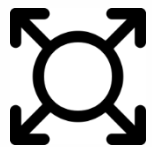
All-In – Big Bang ━ Transforming to Organizational Agility in all areas of an organization in a short period of time.

Questions?

Contact Information