WHY BUSINESS AGILITY MATTERS, RIGHT NOW
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WHY BUSINESS AGILITY MATTERS, RIGHT NOW

Seventy percent of the companies that were on the Fortune 1000 list just 10 years ago have now vanished. This is largely because they were unable to adapt to change. Expecting the unexpected and evolving quickly have become more than just attributes to pay lip service to; they are now fundamental characteristics of successful organizations.

Apple entering the music sector with the iPod and iTunes, United Airlines’ partnership with Continental to build the world’s largest carrier, UK supermarket chain Tesco opening smaller stores to cater to local communities and an aging population, and Indian steel and mining company ArcelorMittal’s carefully-executed acquisition and integration strategy. These companies and strategies have one thing in common — they have clearly demonstrated high levels of business agility which has helped them continue to succeed.

DEFINING BUSINESS AGILITY

The term business agility was coined back in the 1970s — General Electric chief Jack Welch talked abundantly about speed and responsiveness decades ago — but as an idea, it has never been more relevant than it is today.

Independent research firm Forrester Research defines business agility as: the quality that allows an enterprise to embrace market and operational changes as a matter of routine. Forrester identifies ten measurable dimensions that shape an organization’s business agility and groups them into three types: market, organizational and process. So business agility is not just managing the risk around market and business volatility, but seizing or embracing it as an opportunity.

McKinsey’s research also identifies three distinct types of agility. Having the knowledge and foresight to identify and capture opportunities before rivals is what McKinsey would define as operational agility. Being able to take advantage of major events — such as a large acquisition or opening of new markets such as the BRIC nations (Brazil, Russia, India, China), would be strategic agility.

1 Make Business Agility A Key Corporate Attitude - It Could Be What Saves You, Craig Le Clair, Forrester Research, Inc. blogs, September 9, 2013
   http://blogs.forrester.com/craig_le_clair/13-09-09-make_business_agility_a_key_corporate_attribute_it_could_be_what_saves_you
2 Ibid.

Business agility is the quality that allows an enterprise to embrace market and operational changes as a matter of routine.
Agility is an essential catalyst for business transformation.

Portfolio agility is the capability to move and allocate resources such as personnel, finance or managerial attention quickly around the portfolio or company to take advantage of more attractive business propositions.

Imagine the challenge of acquiring another company. In today’s acquisitive global market the speed at which an organization can combine two sets of business processes and start operating as a single entity — or have the flexibility to operate two organizations running concurrently — with minimal interruption to customer service is a demonstration of how agile a company is. Likewise, being answerable to customers’ demands and having the ability to gear up quickly and accurately to meet their emerging needs is crucial, particularly to project-based businesses. Being able to quickly and easily analyze costs, resources and deadlines ensuring project viability is essential.

Both Forrester and McKinsey argue that agility is an essential catalyst for business transformation. This could mean changing an external market strategy, altering internal processes or expanding into new business models.

WHY IS AGILITY VITAL TODAY?

Organizations have become more globally dispersed and projects and assets have become increasingly complex. Digital disruption and societal, economic and political shifts have combined to create an increasing level of market volatility and business turbulence. In fact, McKinsey suggests that between the 1970s and the 1990s, company-level volatility increased between two and four-fold. And this trend is only set to continue.

While this backdrop of turbulence is likely to become a fixture in the business environment, the way in which businesses demonstrate their agility continues to evolve. In 1908 Henry Ford changed the shape of the motor vehicle industry by recognizing the need for a more affordable car. As an agile leader, Ford saw the gap in the market — all other cars were selling for thousands of dollars — but proposed one for just $500. He also had the vision to change the fundamental mode of vehicle production in order to act on his foresight and capitalize on this unmet market need. The Ford Model T was born, and alongside it, the dawn of assembly line production which changed the entire manufacturing industry. Just 20 years later in 1927, Ford watched the 15 millionth Model T roll off the production line. Modes of manufacturing have changed significantly since then, accelerating in the past decade.

http://www.mckinsey.com/insights/managing_in_uncertainty/competing_through_organizational_agility
Ten years ago, business agility in the manufacturing space meant the ability to build products to order in response to customer demand, or configure products to customers’ requirements. This process was more than likely managed with disparate IT systems, an ERP system, or Excel spreadsheets to track costs, materials and personnel. Now, for many in the manufacturing sector, new modes of manufacturing are increasingly built around engineering-to-order and designing entirely new products based on specific customer needs. This engineering-intensive approach co-exists with multiple other modes of manufacturing to keep up with regular customer demands. The multiplicity of projects and business models is best managed through a single system that can deliver real-time reporting and enable the manufacturing process or projects to be altered quickly and easily, across these multiple modes of operation. Agility within this environment means having the business processes in place to manage projects from inception to completion, being able to spot any anomalies, constraints, potential holdups or nasty surprises, and then having the systems in place to adjust the project or strategy accordingly to ensure contractual requirements and project deliverables are met.

One organization operating such a model is US-based industrial boiler manufacturer, Cleaver Brooks. The company is now able to take orders within its manufacturing and engineering department, understand what components are required, conduct the procurement process to acquire the right materials and then build the component parts before they come together on the assembly line to be built. Integrated project management and Enterprise Resource Planning (ERP) systems mean that bespoke projects can be put together on time and on budget in order to ship products to the customer. This is an example of true business agility in action today.

Agility means having the business processes in place to manage projects from inception to completion.
WHY BUSINESS AGILITY MATTERS, RIGHT NOW

WHO CAN BE AGILE?
Agility is still associated with smaller, more nimble firms — start-ups or local businesses for whom changing strategy is an altogether less complex and less arduous task. Research from Accenture\(^5\) confirms that executives in larger organizations have little confidence in their companies’ ability to mobilize quickly to capitalize on market shifts or to serve new customers. Nearly half of the 674 executives surveyed globally in a 2010 Accenture study do not believe that their culture is adaptive enough to respond positively to change. And 44 percent are uncertain that their workforce is prepared to adapt to and manage change through periods of economic uncertainty. This is reinforced by research from the Economist Intelligence Unit in which survey respondents\(^6\) said their organizations were at a disadvantage because they weren’t agile enough to anticipate fundamental marketplace shifts.

The casualties of such a fast changing world litter the corporate playing fields; none perhaps more so than in the traditional retail sector where bricks and mortar shops are losing out. The fundamentally more agile nature of online retailers is simply better equipped to deal with the transient nature of changing customer demand. For project-based organizations, change is often the only constant, as price volatility of materials, resource allocation or client requirements alter week-on-week. It is the ability to anticipate these changes, deal with them appropriately and make a record of them that can spell the difference between project success and failure. And this is no mean feat when projects span multiple years, systems and geographies, as they do in many industrial sectors including oil and gas, mining and infrastructure.

AGILITY MEANS INSIGHT
One of the main reasons companies lack agility and the ability to quickly spot upcoming challenges in today’s project-driven industrial environment is the absence of a real-time view of complete project details. Research conducted by Mint Jutras in association with IFS, questioned senior executives at manufacturing firms and found that while projects are a necessity for 85 percent of respondents, 39 percent have no integration between their project management systems and enterprise system of record such as ERP. The study also found that the ability to control processes in real time correlates directly with better integration.

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\(^6\)http://www.slideshare.net/EMCsoftware/the-economist-organisational-agility
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These organizations have no holistic view of projects — therefore if materials are delayed, procurement regulations change, or resources become scarce, there is no way of adjusting project plans accordingly. And this means missed deadlines, increased claims and project cancellations or delays. Organizations need to have greater dexterity within their operational processes and systems to give them the flexibility to change should the need arise.

The growing complexity of projects and the supply chain, shorter product lifecycles and the globalized nature of manufacturing businesses and heavy industry are also increasing the need for agility. Babcock Marine, for example, is a major supplier to the British Royal Navy with 26 sites across the globe, and offers services ranging from design and engineering and full lifecycle management of maritime assets. Its business is about managing assets and infrastructure, delivering complex projects and having the combined expertise to deliver engineering solutions to its customers. With its global asset portfolio and recent acquisitions, the firm understood the need to remain agile in order to ensure smooth integration and uninterrupted customer service as they expanded. By removing technology silos and standardizing projects and systems onto a single platform, the firm has been able to maintain and manage its existing projects more effectively, as well as put plans in place for future growth.

MEASURING AGILITY IN BUSINESS

Having defined what agility means, it’s also important to make it tangible and therefore measurable. Along with three types of business agility — market, organizational and process — Forrester’s research states that firms need to demonstrate ten characteristics that it believes are active in successful agile companies and which organizations can measure against (see box)

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While these characteristics apply broadly to most businesses, project-based industries and those managing assets, such as manufacturers, infrastructure, mining, or energy and utilities firms, have a unique set of challenges.

Relying more heavily on planning and scheduling, having greater dependence on customer modification and with greater emphasis placed on managing assets through their entire lifecycle, these challenges can be directly impacted by demonstrating greater levels of agility. With more than 30 years’ experience operating in these sectors, IFS believes that business agility for project and asset-based organizations is the product of three foundational blocks, common to truly agile businesses of all shapes and sizes:

**VISION:** The ability to link business strategy and growth ambitions to technology investments, to make informed decisions that stand the test of time. This includes having an informed view of disruptive industry trends and dynamics across industry sectors where new technologies, competitors and consumer expectations are challenging the established status quo.

Having business vision means managing the risk versus the opportunities in the wider market and understanding how to apply technology in a way that bridges ambitions for growth to the infrastructure, assets and employees.

**KNOWLEDGE:** The ability to identify, understand and predict new sources of threat or opportunity across your everyday business and projects. The most valuable form of business insight comes from being able to assemble a comprehensive and accurate view of the past, present and future status of assets, infrastructure and employees.

This kind of business knowledge enables an organization to ‘predict the future’ by foreseeing more of the everyday surprises of business before they happen, and to reduce their impact by understanding the nature, dependencies and impact of unexpected events, and the opportunities they present.

**FLEXIBILITY:** The ability to take rapid action when the unexpected happens, founded on technology that makes change possible, quickly. Knowledge and insight means little unless a business can rapidly change its shape or focus to adapt to new market opportunities or take action to mitigate risks and surprises, across even the most complex projects or businesses. This requires both flexible business technology and a company culture that embraces change and rapid action rather than hinders it.
This kind of agility means an organization always prepared and ready to capitalize on market dynamics or act on the insights that your business delivers.

**MAKING AGILITY WORK**

For project and asset-based businesses greater agility can safeguard against project delays and interruptions in the face of constant market instability, the changeable nature of customer requirements and procurement and regulatory burdens. Agility is not just the ability to see challenges happening. It is having the processes and systems in place that allow efficient change management in the face of the unexpected developments, like new regulations or competitor fluctuations, or planned moves, such as an acquisition or new market expansion. At such times, technology should be part of the solution - not the problem.

Ericsson, the world’s leading provider of telecommunications products and services, was struggling in the ratings for customer service in a key geographic market — often coming in at the bottom of the list in its sector. The firm knew it needed to change the way it worked. To that end, it quickly implemented an enhanced scheduling system, rerouting service agents in real time when incidents occurred to reduce downtime and prevent wasted journeys by engineers. This dynamic scheduling has meant that Ericsson can send the right engineer to the right job, with the right equipment, and improve its first time fix rates.

The Ericsson field service operation now demonstrates all three agile characteristics:

- **VISION**: Ericsson understands the long-term strategic value of customer service. It adopted a flexible system, and integrated it into its existing processes to ensure the problem was eliminated.

- **KNOWLEDGE**: The business now understands precisely when and when faults occur across its networks, with this information now provided directly to service teams in the field.

- **FLEXIBILITY**: Service teams now have their routes automatically optimized as and when new faults occur, allowing them to quickly and effectively resolve problems.
CONCLUSION
In a global business environment, where economic, political and societal landscapes are constantly shifting and there is no foreseeable end to market volatility, demonstrating agile business techniques is the only method to a sustainable, long term business. Some businesses will see change coming and turn it into an advantage. And some will merely cope.

Only those that spot opportunities early and change the shape of their business ahead of the market will thrive. Those that do not may even find it hard to survive. This battle for industry leadership will be won one project at a time, driven by boardrooms that have complete visibility combined with the ability to turn vision into operational reality.

This is Business Agility. It is never realized by accident. It is crafted by the decisions a business makes, its culture and the tools that it chooses to use to empower the right actions, based on the right information, at the right time.
IFS is a recognized leader in providing business software to companies that aspire to become more agile. IFS uses its deep industry-focused expertise to help companies in targeted sectors increase agility in three core areas: enterprise resource planning (ERP), enterprise asset management (EAM), and enterprise service management (ESM). Founded in 1983, IFS is a public company (XSTO: IFS) with over 2,600 employees. IFS supports more than 2,200 customers worldwide from local offices and through partners in more than 60 countries.

For more information about IFS, visit www.IFSWORLD.com