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02 the **AGILITY** issue

PART 1

What does agility mean
for business leaders?

PART 2

Agility in the workplace

PART 3

Managing an
agile organisation

What does agility mean for business leaders?

01

European companies often find themselves behind the curve when it comes to capitalising on changes from disruption and the globalisation of markets.

Changes wrought by digital technologies and the globalisation of markets have come at a breakneck pace in the past decade, forcing businesses to adapt or be swept aside. “Disruptor” companies have rewritten the rules in major industries like entertainment, transportation and hospitality and are transforming customer relationships in many others, from insurance to apparel.

European companies often find themselves behind the curve when it comes to initiating or capitalising on these changes. Several countries in Europe — including the UK, France and Spain — are struggling with stagnant labour productivity, in part because they do not have enough “frontier” firms riding the crest of change instead of being dragged along in its wake. As Airbus CEO Tom Enders argued in a recent editorial, “Europe must nurture its innovation ecosystem” to compete with the U.S. and China.

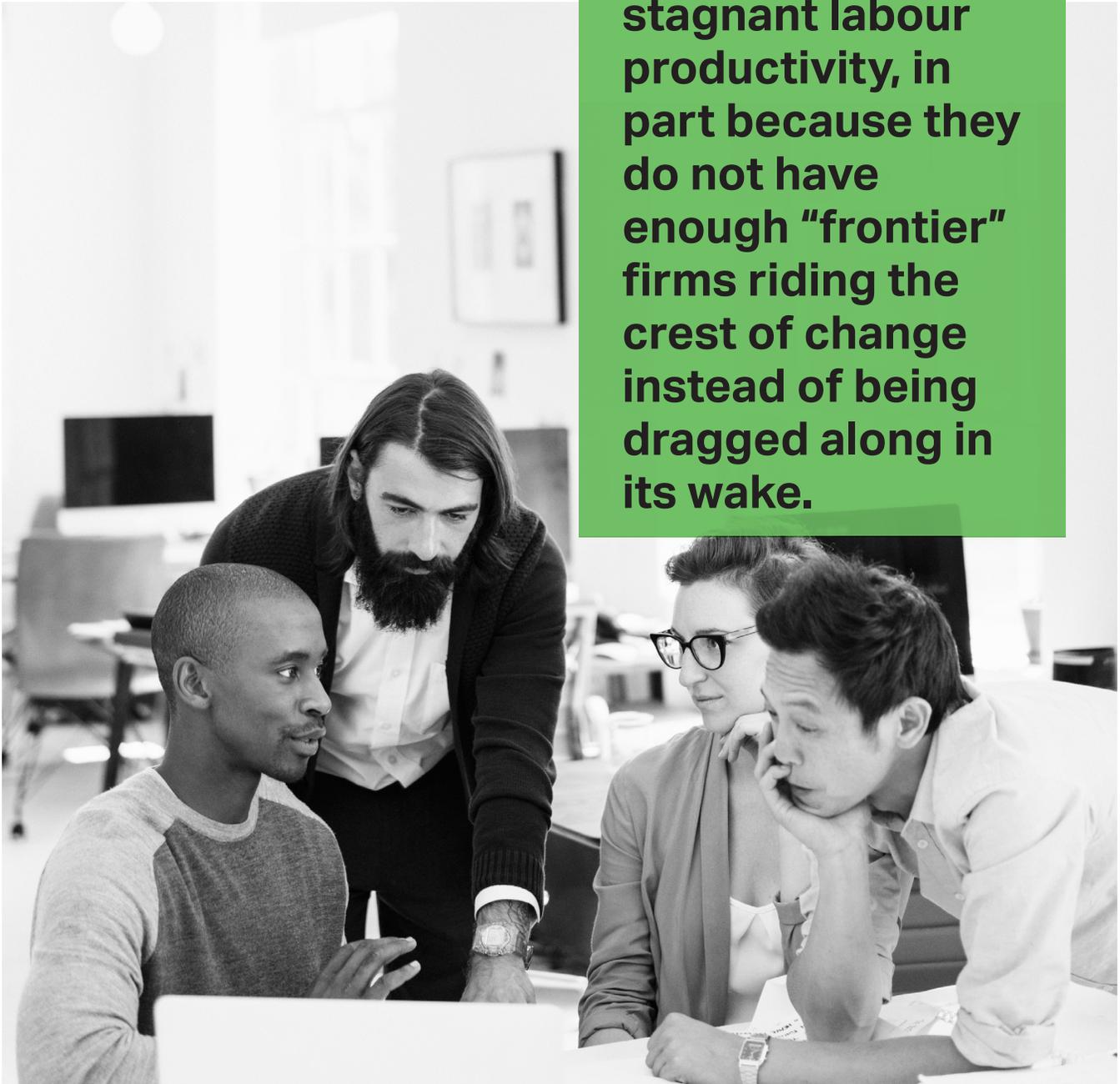
It’s not surprising, then, that “agility” has become a commonly cited business imperative in recent years. But as the focus on agility — which began with specifically defined processes for driving incremental software development — has spread to other sectors, the term has become more ambiguous. These days it often is used as a synonym for more general attributes like speed or adaptability.

Business leaders in Europe need ways to think about agility that are broad enough to apply to their individual needs, but not so broad that they don’t lend themselves to specific actions that would better equip their organisations to thrive amid volatility. They need to consider how their organisational culture, values and mindset encourage employees to act in ways that support agility, and how they should apply the concept to operational strategies for serving existing customers and attracting new ones. >

◀ Gallup researchers have studied leadership approaches of companies that have successfully navigated through disruptive change, and how employees' perceptions of workplace conditions differ between those who view their companies as highly agile and those who do not. The results offer useful insights for leaders seeking to build a greater capacity for agility into their organisations' DNA. —



Several countries in Europe are struggling with stagnant labour productivity, in part because they do not have enough "frontier" firms riding the crest of change instead of being dragged along in its wake.



Agility in the workplace

02

Our recent study of employees in France, Germany, Spain and the UK provides a look at how they view their organisations' capacity for agility. They point to considerable room for improvement in all four countries.

In operational terms, the concept of agility can be defined as employees' capacity to gather and disseminate information about changes in the environment, and respond to that information quickly and expediently. From a strategic perspective, this combination of speed and data-driven innovation is increasingly important for many businesses to maintain a competitive advantage.

At Gallup, we measure agility by asking workers for their level of agreement with two general statements about their organisations:

- In my company, we have the right mindset to respond quickly to business needs.
- In my company, we have the right tools and processes to respond quickly to business needs.

Our recent study of employees in France, Germany, Spain and the UK provides a look at how they view their organisations' capacity for agility. They point to considerable room for improvement in all four countries; in none of the four do more than about one in six employees (16%) fall into the "agile" category — meaning they feel strongly that their companies have both the mindset and the right tools and processes to respond quickly to business needs.

The importance of a company's ability to respond quickly to business needs is reflected in a clear relationship between these perceptions and employees' optimism regarding their organisation's overall performance. Employees who view their company as "agile" are significantly more likely than those who do not to have confidence in its financial future, and to feel it is ahead of the competition. >

Gallup's Agility Index Among Employees

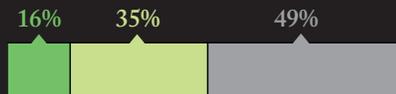
UK, France, Spain and Germany

- Agile
- Partly agile
- Not agile

UK



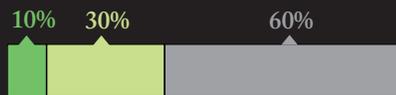
FRANCE



SPAIN

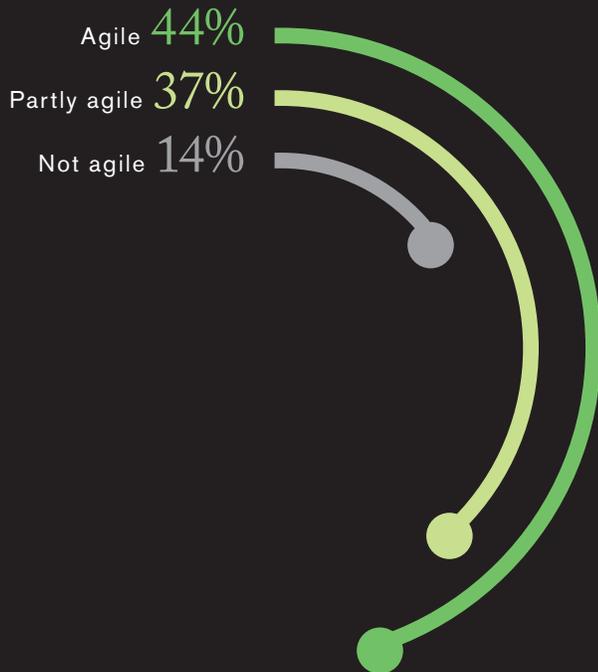


GERMANY



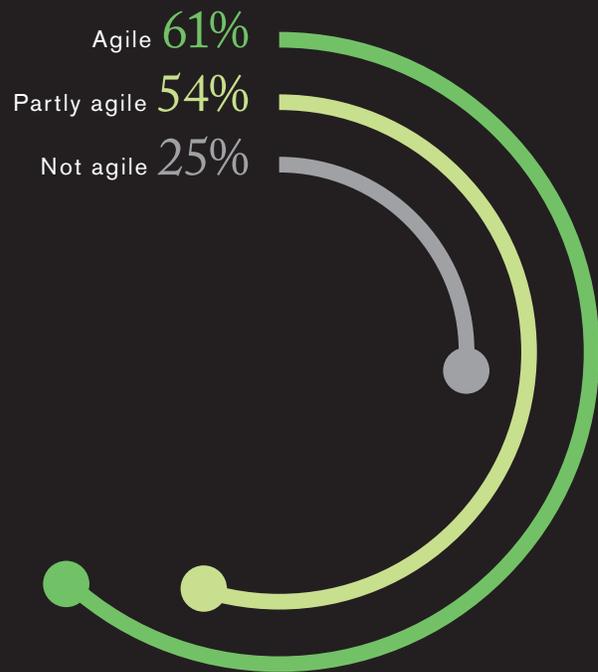
I have the feeling that my company is ahead of the competition.

Percent “strongly agree” in France, Germany, Spain and the UK



I am confident in my company's financial future.

Percent “strongly agree” in France, Germany, Spain and the UK



Employees who view their company as “agile” are significantly more likely than those who do not to have confidence in its financial future.



◀ Gallup's analysis of a broad set of workplace questions points to eight specific conditions that support an organisation's overall capacity for agility. Each of these primary drivers is a significant predictor of the general view among employees across the four countries studied that their organisation is agile — i.e., well-equipped to respond quickly to business needs. They can be grouped into three main areas.

1) **Speed and efficiency** are measured by employees' agreement with four survey items:

- *I am satisfied with the speed of decision making at work.*
- *My company readily implements new technologies that help us to be more productive.*
- *In my company, we always look for the simplest way to get the job done.**
- *In my company, people closest to the action are trusted to make decisions.*

2) Two items address employees' **freedom to experiment**:

- *My company creates an environment where people can try, fail and learn from mistakes.*
- *I feel encouraged to come up with new and better ways of doing things.*

3) **Communication and collaboration** are measured by the final two items:

- *I am satisfied with the cooperation between my department and the other departments with which I work.*
- *In my company, we openly share knowledge and ideas with each other.*

* This item was asked of employees in Germany, only.

The following sections discuss each of these areas in turn.

1) **Pick up the pace.** Much of the talk about business agility centres on the speed with which employees can take action to solve problems. Speed is associated with employee empowerment, decentralized decision making and a focus on procedural simplicity. In modern workplaces, maximizing speed means readily adopting new productivity-enhancing technologies.

However, leaders must also proactively consider the potential for trade-offs between speed and quality. Organizations should embed expectations for quality throughout their culture and consistently reinforce these expectations in performance development systems and routine conversations between managers and team members. Employees should understand that being empowered to make more decisions that affect customers comes with the responsibility to uphold the organisation's quality standards and that they are accountable for doing so.

Of the four survey items that address speed and efficiency, employees across the four countries are least likely to agree that they are satisfied with the speed of decision making at work; about one in five "strongly agree." For many, structural barriers may create frustration by impeding their performance. Though employees are more likely to agree that those closest to the action are trusted to make decisions in their organisations, only one-third "strongly agree" with this statement.

2) **Experiment, experiment, experiment.** Agile companies understand the importance of tapping employees' ingenuity to develop novel approaches to emerging business challenges. It is critical that employees feel able to try new ideas without fear of failure, recognizing that learning from mistakes is an indispensable part of the creative process. In our experience, however, many organisations do a better job of encouraging employees to share ►

◀ and discuss new ideas than they do of creating an environment where they are empowered to try them out.

Leaders must understand that for most large firms, experimentation can no longer be a prerogative of R&D teams only. A new way of thinking about decision making — one that incorporates a constant flow of local-level customer data and continually tests prototype responses — is becoming the new norm for agile organisations. It's a profound mindset shift that forces decision-makers to act with an appreciation of what they don't know rather than being constrained by existing routines.

As with the increased focus on speed, leaders must be cognizant of the potential trade-offs associated with more routine experimentation. For many organisations, it means becoming better at understanding and managing their risks. Tools like risk management software can help embolden local managers by quantifying and communicating the risk associated with experimentation. The key point is that in a continually evolving environment, the best strategy for minimizing risk over the long run is to be the quickest to try new things in response to data on changing conditions.

Gallup's recent study indicates that nearly one in four employees across France, Germany, Spain and the UK "strongly agree" that their company creates an environment where they can try, fail and learn from mistakes. About one-third "strongly agree" that they are encouraged to come up with new and better ways of doing things. Some employees may be wary of the consequences of failure, but many likely have mixed feelings about these items because they do not have regular opportunities to express their thoughts and opinions, and so are accustomed to taking the status quo for granted. Such inertia is increasingly dangerous amid rapidly changing market conditions.

Learn to be wrong

Hubris — the excessive, unwarranted confidence that one is incapable of making the wrong decision — has rarely been more dangerous than in today's business environment. Effective leaders have the confidence to act amid uncertain conditions, but also the humility to recognize what they don't know and an openness to being wrong.

Establishing a culture of continual experimentation and data-driven decision making means recognizing that no one will instinctively have all the answers, no matter how smart, experienced or senior they are. For many leaders, this is a big ask. Psychologically, we value a sense of mastery, of control over our environment. Agile businesses need leaders who resist that tendency and embrace the fact they often do not know the answer. Such leaders may provide organisations with an overall vision and sense of direction, but they look to customers, front-line employees and the ever-evolving environment to provide answers for how to best implement that vision on a day-to-day basis.

Agile companies understand the importance of tapping employees' ingenuity to develop novel approaches to emerging business challenges.

3) **Make working together expected and**

easy. Agile organisations mitigate potential trade-offs between speed and quality in part by routinely sharing relevant knowledge and expertise across teams, so that decentralizing decisions that address customer needs doesn't result in employees continually reinventing the wheel. Increasing the capacity of employees throughout the organisation to experiment is essential for agility — but unless cross-team coordination and information-sharing is the norm, such experimentation can reduce efficiency and consistency.

Information Communication Technology tools have made geographic separation less of an impediment to collaboration and information flow, but organisations may still need to lower barriers that stem from systems (such as incentive structures or organisational silos) and mindsets (such as turf protection or internal politics).

From a systems perspective, leaders need to understand both formal and informal networks that connect employees to identify the roles, leaders and teams that play a critical part and support them accordingly. Gallup's research on organisational mindsets that support collaboration has identified a few key elements most have in common, including fairness, trust, acceptance and a common mission. In the strongest relationships, patterns also exhibit unselfishness and a lack of defensiveness, minimizing the potential for conflict and keeping team members focused on their collective goal.

Overall, a little over one-third of employees across the four countries surveyed "strongly agree" that they work in an environment where knowledge is openly shared. Even fewer — about one in four overall — "strongly agree" that they are satisfied with the cooperation between their department and other departments in their company. ►

"Matrixed" does not equal "agile"

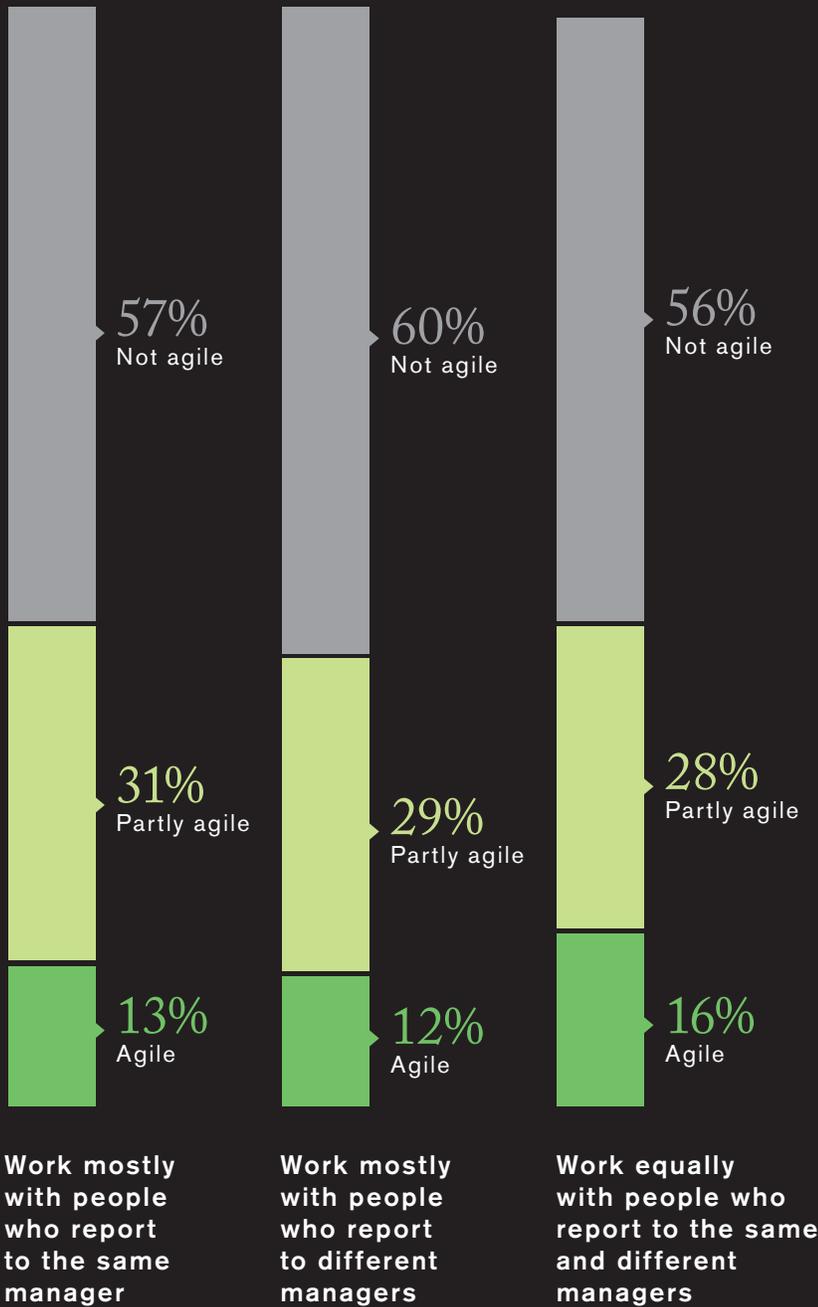
Business leaders may be led to equate the potential for agility with a highly matrixed, team-based organisational structure. However, Gallup's recent study of European employees finds little difference in their perceptions of agility based on the extent to which they work on matrixed teams.

Overall, across the four countries, 61% say they work mostly with people who report to the same manager that they do, while 9% say they work mostly with people who report to a different manager than they do and 29% say they work equally with people who report to the same manager and different managers. Perceptions of their companies' agility differ little among the three groups.



Perceptions of agility differ little by the extent to which employees work on matrixed teams

Aggregate results for France, Germany, Spain and the UK



Matrix structures may make it harder for organisations to maintain clear expectations and lines of accountability.

Increased potential for collaboration is commonly cited as an advantage of highly matrixed organisations. However, as a 2016 analysis by Gallup and McKinsey indicated, matrix structures may also make it harder for organisations to maintain clear expectations and lines of accountability.

Whether or not any given organisational structure translates to a heightened capacity to respond quickly to business needs likely depends on other underlying factors. As employees in these four countries experience it, a company's agility has more to do with its workplace culture and the way it positions its managers than with any specific structural arrangement.

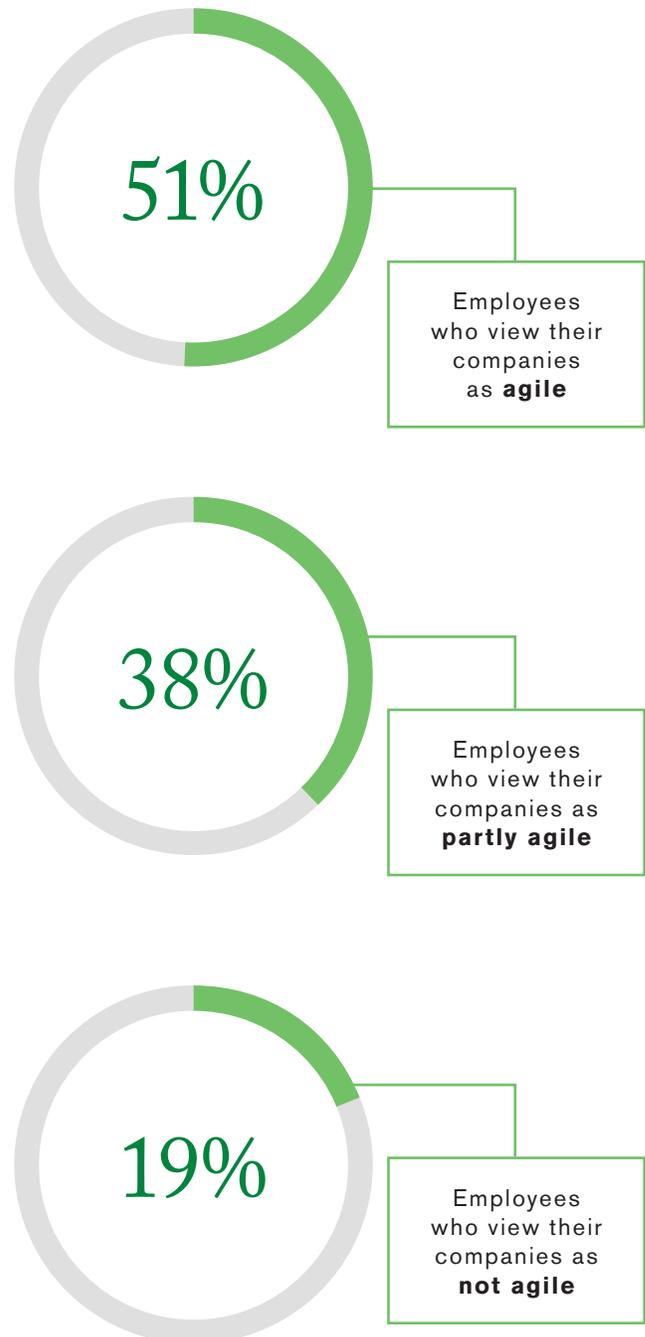
Agile organisations are grounded in strong, customer-centric cultures. For agile, decentralized structures and practices to work without eroding an organisation's identity or reliability, they must be rooted in a foundation of strong, stable values. One reason organisational culture has become such an important consideration for business leaders is that it helps teams and processes become more fluid and adaptable without losing sight of the organisation's core purpose and sources of distinctiveness.

Customer-centricity is almost always a foundational cultural component for agile companies — in fact, it is most often the reason businesses seek to become more agile in the first place. The mindset required to support speed, adaptiveness and innovation is highly attuned to the needs and experiences of customers. Explicitly placing data on what customers value at the centre of all business processes helps break down organisational silos and changes the way employees think, communicate and act. It's a priority that pervades the entire organisation, whether employees interact primarily with customers external to the organisation or internal "customers" in different roles or departments.

The connection between agility and customer-centricity is evident in the survey results from employees in France, Germany, Spain the UK. Among employees who believe their company is able to respond quickly to business needs, a majority (51%) strongly agree that their co-workers always do what is right for customers. That figure falls to 38% among employees in the "partly agile" category and about one-fifth (19%) among those who do not view their companies as agile. ➤

Employees in agile organizations are more likely to believe their company puts customers first

My co-workers always do what is right for our customers. Percent "strongly agree" in France, Germany, Spain and the UK



◀ Their greater focus on doing the right thing for customers may help explain why employees in agile companies are more confident in their organisations' competitiveness and financial performance (page 5). Employees who strongly believe their companies are well-equipped to meet changing business needs are also far more likely to advocate for their organisations as employers; about two-thirds (64%) "strongly agree" that they would recommend their company as a place to work, versus just 18% of employees who do not view their companies as agile.

Perhaps most notably, employees' perceptions of their company's agility are strongly associated with their expectations for its future. Overall, across the four countries studied, 20% of employees "strongly agree" that "The leadership of my company makes me enthusiastic about the future" — but that figure rises to 48% among employees who regard their companies as "agile." Ultimately, one of the most powerful advantages of agile companies is their ability to give employees a sense of optimism about the organisation's capacity to survive — and thrive — amid disruptive marketplace conditions. ▶

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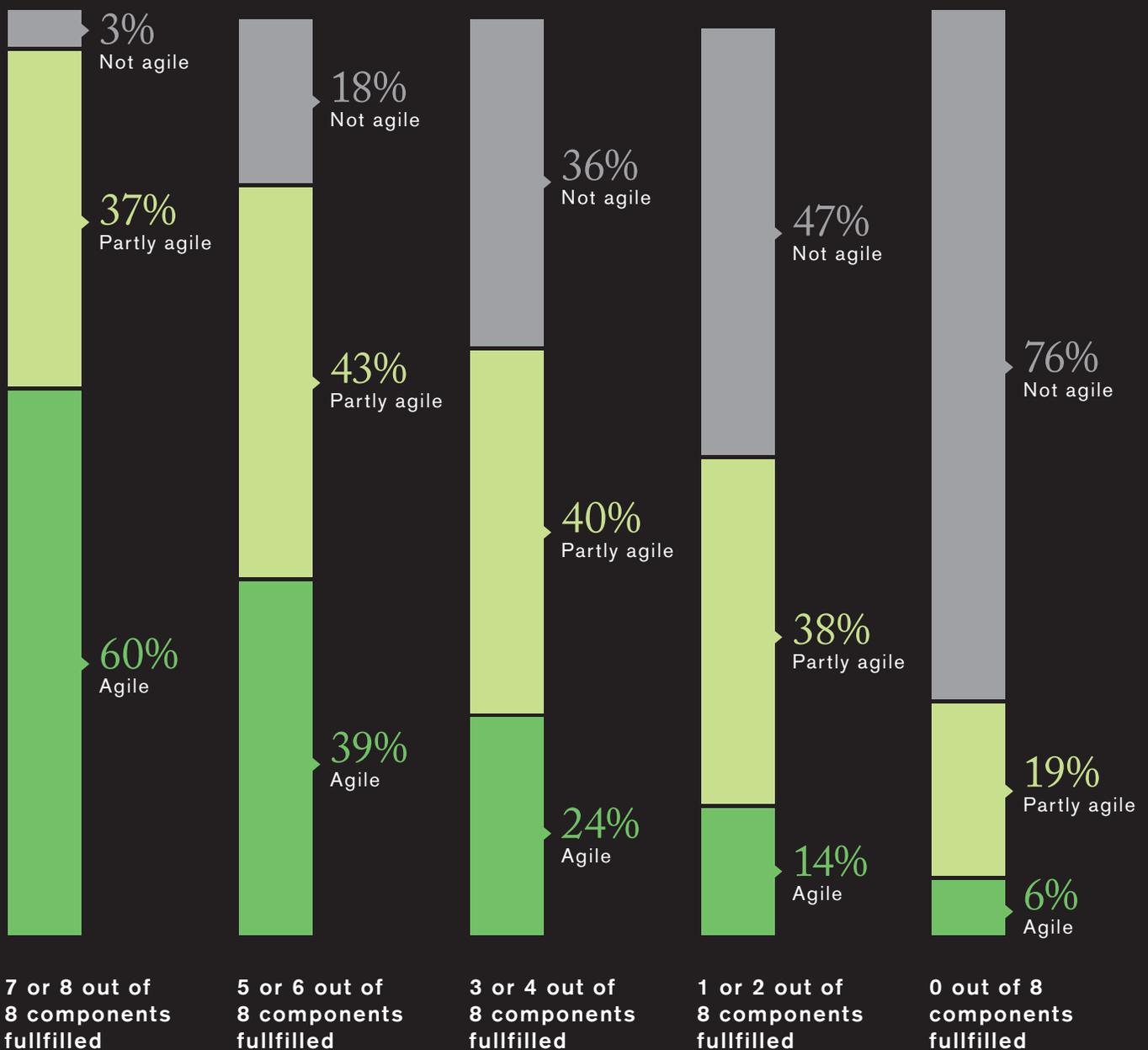
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Agility requires strong performance on all drivers

Organisations must score highly on all drivers for employees to view them as agile.

Among employees who strongly agree with all specific workplace components, 60% regard their organisations as “agile” according to the Agility Index, while an additional 37% view them as “partly agile.” Conversely, among employees who do not strongly agree with any of the eight drivers, 6% see their companies as “agile,” and 19% see them as “partly agile.”



◀ These results reflect the multidimensional nature of agility and indicate that businesses are unlikely to see much improvement until leaders and managers focus on all components simultaneously and model the day-to-day behaviours they require. Foremost among these is the need to reflect on their leadership style, recognizing that a command-and-control culture does not encourage empowerment and that agile organisations have a different take on the role of managers. —

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One of the most powerful advantages of agile companies is their ability to give employees a sense of optimism about the organisation's capacity to survive — and thrive — amid disruptive marketplace conditions.



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GALLUP®

Managing an agile organisation

03

Gallup workplace research has identified three principles that consistently define effective coaching conversations: frequent, focused and future-oriented.

For many companies, becoming more agile requires a significant change in how leaders and managers promote sustainable success, with a philosophical and functional shift from performance management to performance development. That, in turn, requires a cultural change in managers' orientation toward team members — from bosses to coaches. It's a transformation that facilitates an organisation's ability to keep up with changing business needs in two key areas:

- **Coordinating among teams.** As organisations shift from rigid hierarchical structures to more dynamic networks of interlocking teams, team leads become crucial connecting points. They are vital conduits of information — to organisational leaders about the talent and expertise available on their teams, and to their team members about opportunities within the organisation that best fit their talents and aspirations. Fulfilling that function requires managers to communicate frequently with employees about their strengths and developmental pursuits to provide richer information for talent resourcing.
- **Maintaining continuous learning.** An organisation is only as adaptable as its members. To ensure that their workforces are versatile and innovative in the face of unpredictable challenges, managers should help team members chart a course of continual learning and development. Not only does this coaching role promote organisational agility, it also helps ensure high levels of employee engagement. Companies that do not invest in continual training opportunities for employees may eventually find they need to make a massive investment in “reskilling” their workforce to remain competitive.

Gallup workplace research has identified three principles that consistently define effective coaching conversations: frequent, focused and future-oriented. Though the annual performance review is increasingly regarded as ineffective, many employees still receive feedback from their managers relatively infrequently — almost half across the four countries studied say this happens a few times a year (20%) or less (28%). This doesn't mean >



conversions are ultimately about inspiring employees and empowering them to address the needs of the organisation and its customers better.

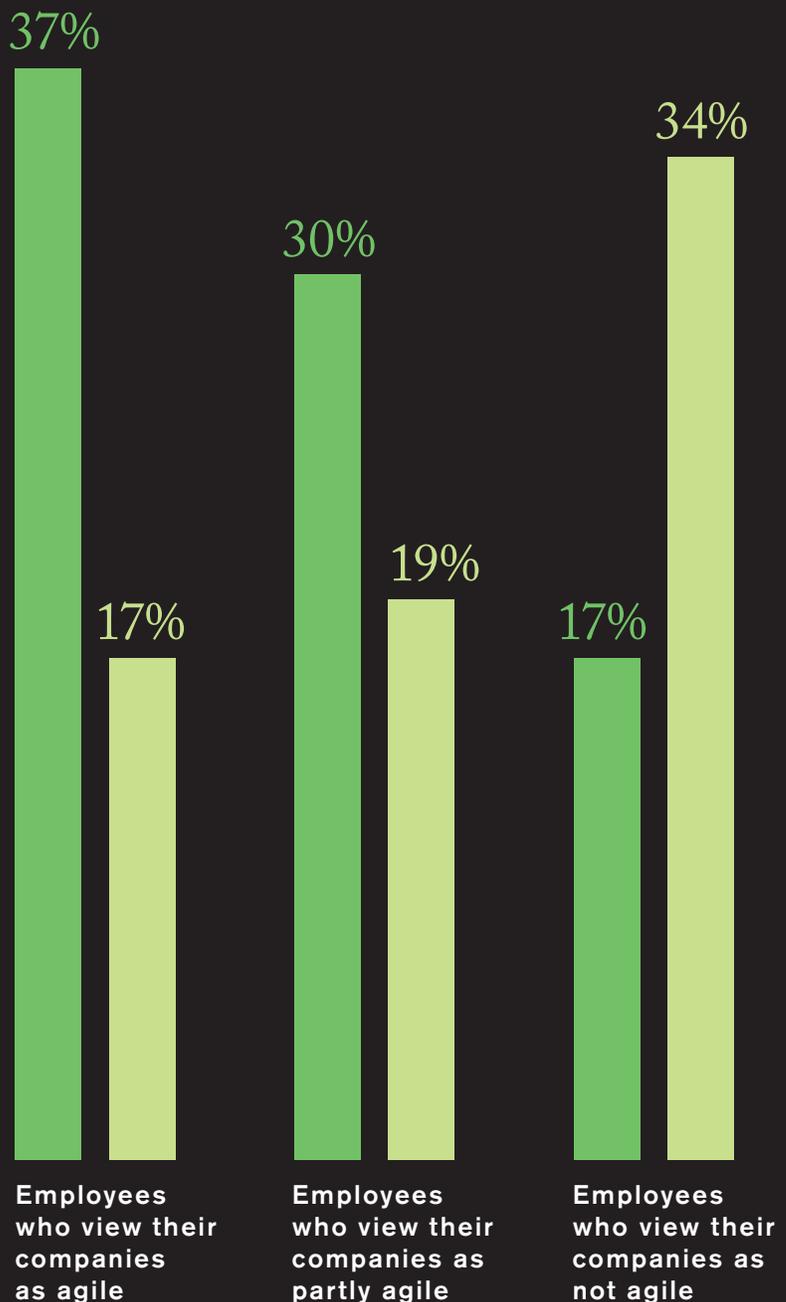
Employees who believe their companies have the agility to respond quickly to business needs meet with their managers more frequently than those who do not. Across the four countries studied, 37% of employees in the “agile” category say they receive feedback from managers daily or several times a week — more than twice the proportion of those in the “not agile” group. Conversely, those in the “not agile” group are twice as likely as those who view their companies as “agile” or “partly agile” to say they receive feedback from their managers yearly or less often. —

Employees in agile organizations receive feedback from managers on a more routine basis

How often do you receive feedback from your manager?

Aggregate results for France, Germany, Spain and the UK

- Daily or a few times a week
- Yearly or less



You can't be "agile" without great managers

Expert Opinion by:

JIM HARTER

*Chief Scientist, Workplace
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The old axiom "adapt or die" has never been more relevant than it is today. Consider just three rapid changes organisations are confronting:

- Radically shifting customer demands
- Lightning-fast advances in technology
- New demands from the emerging millennial (and even younger) workforce

Organisations that don't have the capacity to adapt quickly to trends such as these will be passed by their competitors — or even put out of business.

How can organisations effectively respond to this rapid-pace change in the marketplace and workplace?

There's growing awareness that organisations need to be far more *agile*. Unfortunately, most aren't. Only half of employees globally clearly know what's expected of them at work — it's hard to respond quickly and nimbly when you're not sure what your responsibilities are. And most employees are unclear about what their organisation stands for, while fewer believe strongly in their organisation's values.

There's a reason leaders cite "culture" as an important priority. Agility, if it exists in an organisation at all, is dictated by culture. Is your culture fiercely customer-focused and responsive? Or is it inwardly focused and hidebound — more driven by bureaucracy and process than by reacting quickly and effectively to customer needs?

Gallup research has found that if an organisation aspires to be agile, its culture must have the right *mindset* and the organisation needs the right tools and processes.

An agile mentality that quickly meets customer needs has to be reflected in the design of the employee experience in each of the employee lifecycle stages. Is your approach to recruiting, hiring, onboarding, engaging, driving performance expectations and development reflective of an agile mentality? Do your tools and processes promote speed and responsiveness, or do they create more work and barriers?

Restructuring your organisation chart isn't enough (see page 9). Ultimately the quality of your managers will make-or-break whether your culture is agile. This is the case whether you operate within traditional, single-reporting lines or if the people management function is split between multiple roles in a matrix structure. The problem is, managers (team leads, SCRUM masters or anyone else tasked with people leadership responsibilities) can be roadblocks to your purpose and to agility when they don't translate new priorities effectively; don't involve people in setting goals; blame "the company" when changes create challenges; don't cooperate with other managers or share information; and don't have continuous conversations with their employees.

On the other hand, great managers create your agile mentality when they engage your workforce, manage performance, coach and develop effectively — and when they work well with other managers. They embody and inspire the organisation's mentality and filter all of your tools, processes and priorities to the employees.

Only half of employees globally clearly know what's expected of them at work — it's hard to respond quickly and nimbly when you're not sure what your responsibilities are.

Technology and tools need to be intuitive and easy to use. Managers influence this, too, by encouraging people to come up with better and more efficient ways to get work done, eliminating roadblocks. They do this through continuous communication with their teams and strong relationships.

But managers can't do it all alone — like employees, they need development and support from the organisation. For example, HCM systems need to be intuitive and easy to use for managers, who should be spending their time developing the strengths of their workforce rather than battling technology.

A culture of agility can't happen unless organisations first get the *manager experience* right. If managers work against one another — if they aren't managing through clear expectations, ongoing coaching and accountability — there is little chance your organization will ever have an agile culture.

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