indeed *flex*

The Agility Economy:
How Change Management is Reshaping Organizations Post-Pandemic

Disruption is now the only constant

The average life expectancy of U.S. companies has plummeted in recent decades. In 1958, the average lifespan of companies listed in Standard & Poor's 500 was 61 years. Today, it's fallen to less than 18 years[1], with half of all small businesses failing within five years[2]. As the competitive landscape is disrupted by digital technology and new operating models, the speed with which businesses must adapt has accelerated.

This trend has been exacerbated by COVID-19, with some analysts claiming that the pandemic advanced digital adoption by up to seven years. From remote work and the "Great Resignation" to evolving consumer behavior, managing a business has changed radically since March 2020. How leaders navigate this new environment will spell the difference between success or failure. But at many companies, existing organizational structures severely limit employees' ability to respond to disruption, and the difficulties this creates will become only more acute in 2022.

In the coming months, redesigning rigid processes to enable greater flexibility and agility will be a high priority for executives, and this redesign will present a special challenge to HR.

Organizational change can only succeed with the support of individual workers. Successful initiatives combine strong leadership with a people-centric approach that recognizes the pivotal role that employees play in any transformation effort.

In this e-book, we explore ways in which legacy structures limit agility; how the COVID-19 pandemic overturned our expectations of organization change; and what a successful people-centric transformation might look like in 2022.

Just 19%

of HR leaders report that their workforce can effectively change direction based on changing needs or priorities - Gartner[3]

When people are truly invested in change, it is

30%

more likely to stick – McKinsey[4]

55%

of leaders say COVID-19 has resulted in permanent changes to their organisational strategy - IBM[5]

And 60% say that COVID-19 has "adjusted our approach to change management" and "accelerated process automation"

[1]https://www.imperial.ac.uk/business-school/blogs/executive-education/why-companies-die/
[2]https://www.fundera.com/blog/what-percentage-of-small-businesses-fail
[3]https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/top-priorities-for-hr-leaders-2021.pdf
[4]https://www.mckinsey.com/featured-insights/leadership/changing-change-management
[5]https://www.ibm.com/thought-leadership/institute-business-value/report/covid-19-future-business

How Legacy Structures Limit Agility

Command and Control implementation

One attribute of many legacy organizations is a rigid, command and control approach to management. In this hierarchical, top-down system, most of the power is vested in senior management, which tends to produce transformation initiatives that prioritize leaders' vision over employee collaboration and consent.

According to Gartner, more than 80% of organizations manage change initiatives from the top down.[6] As a result, these organizations often overlook the critical role that employees and corporate culture play in a transformation. Instead, sole responsibility for strategic decision-making and implementation is given to senior executives. And when initiatives fall short, it's easy to chalk up the failures to executives' inadequacies. Forbes reports that 31% of CEOs are fired for poor change management.[7]

The frequent failure of top-down initiatives should come as no surprise: according to PwC, "less than 10% of leaders have the appropriate capabilities, that of 'Strategists,' to successfully lead through complexity."[8]

With CEO turnaround reaching record highs[9], meaningful long-term change is often sacrificed as senior managers are pressured to generate "quick wins." This propels many organizations into a doom loop of failed organizational change efforts.

[6]https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/changing-change-management.pdf
[7]https://www.forbes.com/sites/markmurphy/2015/07/16/leadership-styles-are-often-why-ceos-get-fired/?sh=22db2b284988
[8]https://osca.co/pubs/pwc-hidden-talent
[9]https://www.pwc.com/gx/en/news-room/press-releases/2019/ceo-turnover-record-high.html#:~:text=The%20study%2C%20 which%20analyzed%20CEO,over%20the%20time%20period%20analyzed.

Antiquated workforce design

Traditional models of working were developed under different conditions than those of today. As a consequence, many assumptions about how, when, and why employees should organize are outdated and no longer applicable.

The vast majority of workers want greater flexibility and freedom. In fact, they often say that they'd be willing to work harder if they were given that flexibility and freedom. Unfortunately, many organizations are more interested in monitoring and micro-managing their talent than empowering them to work in ways that suit their needs.

The result? Neither workers nor managers are prepared for disruptions to the traditional models of workforce management. Processes originally designed to maintain order are producing new and unexpected challenges instead, and many organizations are unable to pinpoint the weaknesses in these processes or successfully modify them.

Gartner reports that legacy work design is hampered by a range of limiting factors, including a lack of access to resources and confusion about internal procedures. They suggest that roughly two-thirds of unrealized workforce responsiveness can be attributed to these problems.[10]

Technological resistance

Most organizations are struggling to keep pace with the rate of technological change. Forrester estimates that just 15% of companies are fully capitalizing on digital technology, which means 85% are failing to make their processes more agile and efficient.[11]

Few businesses will openly admit to technological resistance. Nearly 40% of CEOs claim that "digital transformation" -- how, collectively, we're reimagining business in a digital age -- is a core priority for the future.[12] However, because cutting-edge technology can be disruptive and costly to integrate, many organizations make relatively conservative efforts, introducing digital processes in a slow, piecemeal manner.

In his wide-ranging study on resistance to technology, Juma Calestous argues that people do not fear change per se. Instead, they resist technology because they believe it will cause them to lose something essential to their identity.[13]

One can argue, then, that businesses often resist new technologies because of an underlying belief that it may cause an irreparable loss to their culture or business model. For this reason, organizations with long histories – and expensive and/or outdated infrastructure – are especially likely to resist technological changes.

Because organizations can only transform with the cooperation of employees, attempts to force new processes or values on workers can easily backfire, spawning a backlash from a resentful or disengaged workforce. Changes to organizational structure can disorient employees, causing exhaustion and disengagement. According to the Institute for Public Relations, more than half of change management and business transformation leaders consider "change fatigue" their biggest hurdle.[14] To succeed, transformations must be supported by motivated employees who perceive the transformation as something that is beneficial, necessary, or both.

The benefits of organizational change should be communicated company-wide, so employees clearly see the rewards of increasing their responsiveness and agility. Unfortunately, many change initiatives fail to properly account for workplace culture: 72% of leaders report that they don't even know how the changes they implement will affect employees.[15]

[11]https://go.forrester.com/blogs/business-trends-2021/
[12]https://cdn2.hubspot.net/hubfs/1624046/2020%20State%20of%20the%20CIO%20Executive%20Summary_Final.pdf
[13]https://books.google.co.uk/books/about/Innovation_and_Its_Enemies.html?id=gN0mDAAAQBAJ&source=kp_book_description&redir_esc=y
[14]https://instituteforpr.org/nine-business-transformation-stats-you-cant-afford-to-ignore-in-2019/
[15]https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/changing-change-management.pdf

The Pandemic Perspective: How Organisations Coped in 2020

Digital acceleration

The acceleration of digital adoption is one of the most well-publicized effects of the COVID-19 pandemic. Virtually overnight, entire workforces were forced to adopt (or rely more heavily on) new technology-based processes – from video conferencing and file sharing to digital team-management.

In many cases, the introduction of such technologies was a surprise success. A consensus emerged that remote work and digitally-enabled flexibility would be a positive legacy of the pandemic. However, such an interpretation overlooks several key concerns.

To start, access to technology has been unequal across industries and employment levels, with many organizations failing to provide the necessary equipment or subsidize employee purchases of that equipment.

It has also become clear for many businesses that pivoting to a digital-first business model will require a far more radical – and lengthy – transformation of their infrastructure and internal cultures than they first anticipated.

Because of the pandemic,

66%

of organizations have been able to complete digital initiatives that previously encountered resistance.[16]

More than half

of all organisations say they are investing in technology for competitive advantage or refocusing their entire business around digital technology – McKinsey[17]

[16]https://www.ibm.com/thought-leadership/institute-business-value/report/covid-19-future-business
[17]https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever

Remote management

Along with digital acceleration came a secondary challenge: how to manage employees in a remote work environment.

Although many organizations have resorted to surveillance to ensure that employees are actually working while at home[18], employee reactions to the surveillance – from increased anxiety to rising mistrust of their employers – may curb such approaches in the future.[19] Instead, a new approach that prioritizes employee flexibility and autonomy may be needed to engage workers and prevent remote-work burnout.

For managers, the biggest challenge of COVID-19 has been quickly acquiring the skills needed to manage employees in the absence of face-to-face interactions.

40%

of managers express doubt about their abilities to manage a remote team successfully – Harvard Business Review[20]

67%

of managers are worried about employees overworking when working remotely – World Economic Forum[21]

[18]https://www.theguardian.com/world/2020/sep/27/shirking-from-home-staff-feel-the-heat-as-bosses-ramp-up-remote-surveillance
[19]https://www.cnbc.com/2020/07/28/remote-work-burnout-is-growing-as-coronavirus-pandemic-stretches-on.html
[20]https://hbr.org/2020/07/remote-managers-are-having-trust-issues
[21]https://www.weforum.org/agenda/2020/06/coronavirus-covid19-remote-working-office-employees-employers/

Operational resilience

During a crisis, the ultimate test of an organization is simple: can it continue to operate? For a certain percentage of businesses – such as those in the hospitality industry – a pandemic offers few options. But even in such hard-hit sectors, 2020 witnessed plenty of agile innovation – e.g., restaurants switching to a delivery-first business model.

Harvard Business Review argues that the lesson is not that agility is necessary, but that "good agility" is necessary.[22] Successful businesses are ready and able to respond to change – and are also able to strategically align that change with their existing capacities, assets, and long-term purpose.

As supply chains were disrupted and consumers migrated online, COVID-19 demonstrated two things: no business model is crisis-proof, and no business is inherently doomed, provided it possesses a willingness to change using the right kinds of agile processes.

Surviving business are

3 Times

more likely now than before the crisis to say that at least 80 percent of their customer interactions are digital in nature – McKinsey[23]

Across the U.S., more than

160,000

businesses closed during 2020, 98,000 of them permanently, according to Yelp.[24]

[22]https://hbr.org/2020/07/how-businesses-have-successfully-pivoted-during-the-pandemic
[23]https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever
[24]https://www.usatoday.com/story/money/2021/10/20/us-economy-most-businesses-temporarily-shut-pandemic-have-reopened/8531808002/

Looking Forward:
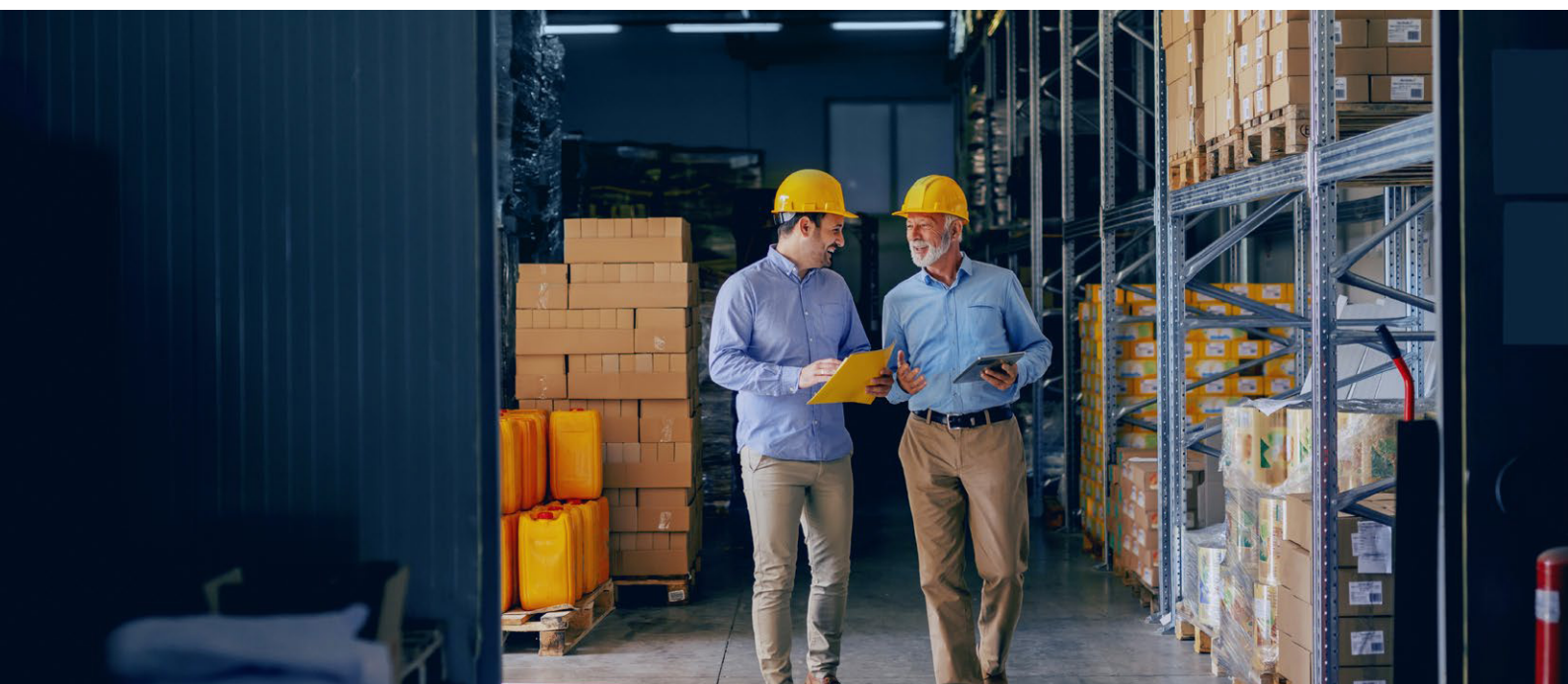## Five Ways to Harness Organizational Agility in 2022

1. Build a culture of employee responsiveness

Beyond strategy and intention, the key to an agile organization is a responsive workforce – one that feels empowered and driven. When frontline employees take the initiative to drive change, it increases the success rate of organizational transformations from roughly 30% to 71%.[25]

This strongly suggests that workplace culture is a key driver of organizational change. A central element of making organizational change stick is nurturing a culture that celebrates responsiveness and encourages employees to feel invested in the business. And one way to accomplish this is to give employees a greater voice in, and more control over, an organization's decision-making processes.

✓ Responsive teams are at least 20% more likely to overperform against key goals - Gartner[26]

✓ Although 9 in 10 employees say they are ready and willing to be responsive, only four in 10 are responsive in practice - Gartner[27]

[25]https://www.mckinsey.com/business-functions/organization/our-insights/what-successful-transformations-share-mckinsey-global-survey-results
[26]https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/gartner-how-to-build-a-resilient-organization.pdf
[27]https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/gartner-how-to-build-a-resilient-organization.pdf

2. Integrate technology into your culture

Although COVID-19 has accelerated digital adoption, the next step is finding more effective ways to integrate technology into a positive and productive workplace culture.

Technology is a necessary part of organizational change, but organizational change is also a necessary part of technological adoption. While technology clearly enables greater responsiveness and agility, it can also create disengagement.

The solution to this potential dilemma is to view digital transformation as not just a technological initiative, but also an HR initiative. Rather than focusing solely on the technical questions, leaders should also focus on the human questions surrounding digital adoption and integration – e.g., how can we build trust and team morale in the digital space? What sorts of technology will enhance collaboration and team-spirit?

✓ 76 percent of executives agree that organisations need to dramatically reengineer the experiences that bring technology and people together - Accenture[28]

✓ Most companies are using technology to modernise their existing business model instead of transforming it – Forrester[29]

[28]https://www.accenture.com/us-en/insights/technology/_acnmedia/Thought-Leadership-Assets/PDF-2/
Accenture-Technology-Vision-2020-Full-Report.pdf
[29]https://go.forrester.com/blogs/survival-mode-digital-strategy-focus-on-pragmatic-modernization/

3. Test new leadership approaches

Thirty-seven percent of HR leaders surveyed by Gartner report that their organization's managers aren't equipped to lead change.[30] Moreover, in 2020, the amount of change that the average employee could absorb without becoming fatigued was cut in half compared with 2019. This is less a complaint than an acknowledgement that what's required of leaders and employees is rapidly changing – and that most cannot keep up.

In many cases, organizations will benefit from a dispersed model, where responsibilities are spread across departments and seniority levels, so more personal attention can be paid at every level. However, there's still a case for strong centralized control over certain facets of change management.

For example, leaders can focus on modeling and championing the kind of responsiveness and openness to change they wish to see in employees. The status of senior leaders can help amplify key messages, and organizations that exploit this can create more effective internal communications.

✓ Company-wide change efforts are 12.4 times more likely to be successful when senior managers communicate continually – McKinsey[31]

✓ When senior leaders role model the behaviour changes they're asking employees to make, transformations are 5.3 times more likely to be successful – McKinsey[32]

[30]https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/top-priorities-for-hr-leaders-2021.pdf
[31]https://www.mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds
[32]http://www.mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds

4. Measure change, and your response to it

It's often claimed that change management initiatives have a high failure rate, but in truth: many organizations simply haven't identified the successes generated by their change initiatives.

That's because they don't place enough emphasis on measurement. Because organizational restructuring tends to be extremely complex and time-consuming, it's not always clear what to measure – and how to measure.

What employers measure directly impacts how employees perform. Therefore, leaders who are serious about improving agility and ushering in meaningful change should develop metrics that track how well their transformation strategies are doing, and adjust their actions accordingly.

✅ Organisation currently use just 29 percent of the metrics they claim to use for their change efforts – McKinsey[33]

✅ 69 percent of employees say the benefits of organisational change is not clear because it is not measured against a benchmark - IBM[34]

[33]https://www.mckinsey.com/business-functions/organization/our-insights/how-do-we-manage-the-change-journey
[34]https://www.ibm.com/thought-leadership/institute-business-value/report/making-change-work

5. Reimagine the agile workforce

growing number of companies are learning that traditional approaches to staffing are inflexible, creating numerous inefficiencies. Reimagining a workforce that includes a mix of permanent and temp workers may be the key to achieving stability and flexibility, thereby helping to realize the ideal level of agility.

Of course, such a transformation presents many challenges: how will organizations ensure their temporary staff are reliable and skilled? How will they preserve their workplace culture? How will they manage regulatory requirements?

If businesses can resolve these challenges, a more flexible workforce will enable them to increase agility while actively growing.

✔ 70% of executives plan to hire more temporary workers in the next two years -McKinsey[35]

✔ Demand for temporary workers in the U.S. was expected to increase 45% on a seasonally adjusted basis for the second quarter of 2021[36]

[35]https://www.mckinsey.com/featured-insights/future-of-work/what-800-executives-envision-for-the-postpandemic-workforce
[36]https://www.globenewswire.com/en/news-release/2021/04/13/2209339/0/en/Labor-Forecast-Predicts-45-Increase-in-Demand-for-Temporary-Workers-for-2021-Second-Quarter-and-Further-Signs-of-Recovery-Ahead.html

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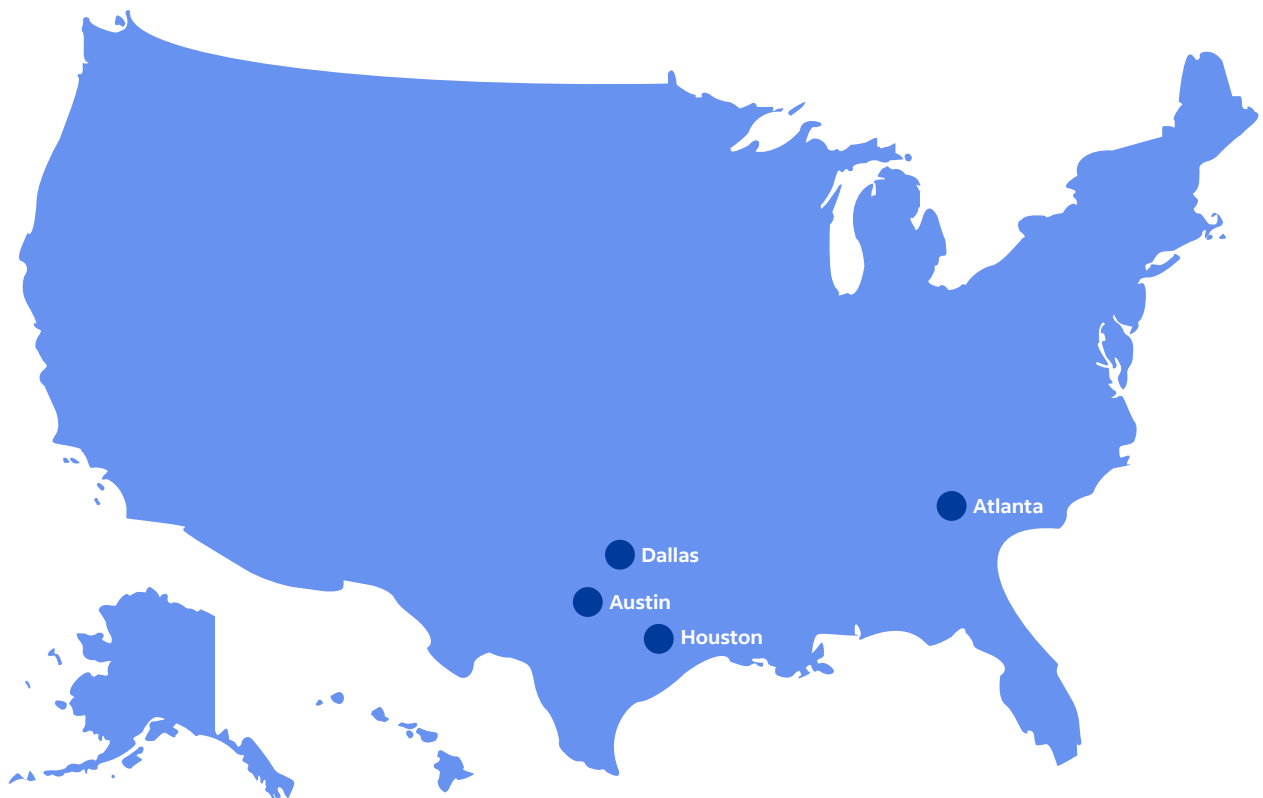
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