

LC WHITE PAPER SERIES

# THE ESSENCE OF AN AGILE ORGANIZATION

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## INTRODUCTION

We live in a turbulent world – also known as a VUCA world, full of Volatility, Uncertainty, Complexity and Ambiguity. Due to all sorts of technological, social, and geopolitical developments and overburdening of the environment, today's world has become faster, more complex, and much less predictable. The term VUCA was first used in the nineteen-nineties, and since then the world has become even faster and even more complex. You could say the world has become a VUCA on anabolic steroids.

There was a time when an organization needed a five-year plan. That's useless these days, when you consider that an average business model now covers two to three years. This requires a different type of leader, one who can deal with the VUCA environment. The leaders of an organization do not have all the answers, and running an organization is like a dive into the deep.

It is a time of rapid change, not only for organizations, but for individuals too. These days, the concepts of work-life integration, self-actualization, purpose, and meaning are equally important to performance as pure work-related skills. So, today's organizations need leaders who understand this. These are leaders who get the best out of their people by creating conditions and an environment where their staff can also grow from a personal developmental perspective. Only then, can the organization as a whole, reach its goals and stay afloat. This is the bottom line for an organization to transform to an Agile High Performance or in short an Agile organization.

## THE ESSENCE OF AN AGILE ORGANIZATION

An Agile organization is an organization that is High Performance or excellent and at the end of the day, the objective is to reach your purpose and achieve your ambitions. The Agile philosophy is based on a mindset, structure, and way of working that determines its route to becoming a High-Performance Agile Organization. The Agile philosophy makes an organization faster and more flexible and provides a great capacity to adapt to changing circumstances. It increases the capacities and effectiveness of the organization and its people.

### For The Organization

The essence of an Agile organization is that it continuously reinvents itself to bring about business and personal growth. This means that an Agile organization must have great power of innovation to be sustainable in the long term in order to service its customers, stakeholders and shape its entire ecosystem. Agile organizations have an immense drive to innovate, and they have an innovation structure, the means and creativity to constantly create renewal. The power of innovation may lie in different areas, such as technological, social and market innovation. Disruptive innovations can create entirely new markets and turn a whole industry completely upside down.

***“The essence of an Agile organization is that it continuously reinvents itself to bring about business and personal growth.”***

On average, an Agile organization is generally 30 percent more profitable and has 20 percent higher profit on invested capital than non-Agile counterparts. Research shows that companies in the top quartile are 2.2 times more profitable when compared with companies in the lowest quartile (Keller & Price, 2011). Agile organizations have higher customer satisfaction, employee engagement and innovative powers. The scope and figures from these studies differ, but the direction is clear: Agile organizations simply have significantly better performance.

## For The Market

An Agile organization gives customers the ultimate customer experience. The customers are ambassadors of the organization because their experience is determined by service and products that are both functional and have a specific image and give the customer an experience that leaves them feeling great. An Agile organization has an in-depth understanding of its customers and is therefore capable of creating a good customer proposition. You will have to be passionate about your customers and maintain a continuous dialogue with them to discover what they really want. The employees are passionate about their customers and the customer experience exceeds all customer expectations time and again.

Employees have a positive attitude towards customers, which in turn results in higher customer satisfaction. In fact, they not only serve customers, customers become co-creators of their experience. In other words: in an Agile organization the employee, the customer and the customer experience reinforce each other and lead to better performance and satisfaction.

## For The Market

In principle, becoming an Agile organization is an investment in people, as people are the heart of the organization. Agile organizations give employees a strong sense of purpose, which results in a high(er) employee engagement and productivity.

***“An Agile organization is an investment in people.”***

It turns out that the productivity of companies in the highest quartile is 21 percent higher than in the lowest quartile, that customer satisfaction is 10 percent higher, sick leave is 37 percent lower and security incidents 49 percent lower (Gallup, 2013). Therefore many, also qualitative, benefits are seen in the accounts.

The bottom line is that an Agile organization is flexible and able to renew itself, so the organization and the people who work there are continuously developing. The organization and its employees have the ability to overcome challenges, to adapt and learn, which leads to innovation. In a world where, as was previously stated, a business model has a lifespan of two to three years (and even shorter in some branches) progress and innovation are of the utmost importance.

But what determines an Agile organization, and how is this reflected in some of the most successful companies of today?

In his book, *The Essence of an Agile Organization - Practical Lessons from Agile Leadership And Culture: From Good To Excellent*, Peter Stoppelenburg has identified five drivers that characterize the Agile, High Performance organization (2019). These are described in detail in the next chapter.

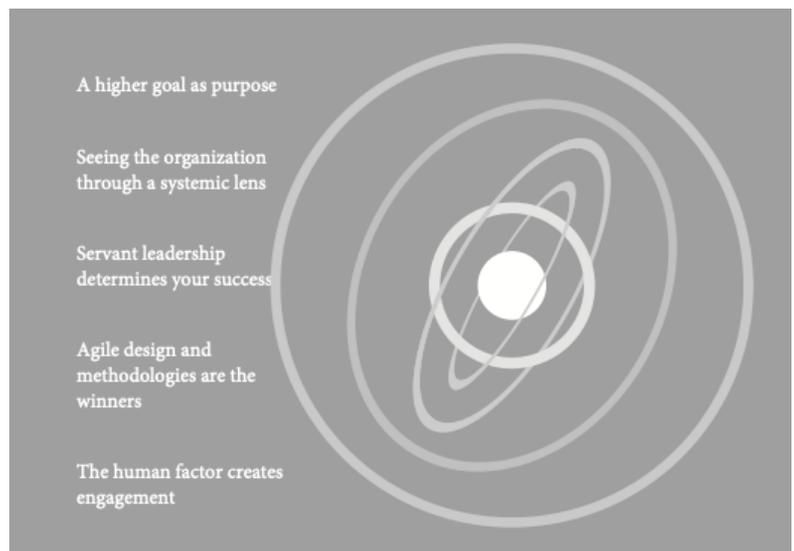
## THE FIVE DRIVERS IN AN AGILE ORGANIZATION

An Agile organization has a superior customer experience and a high level of innovation; at the same time, attention is also paid to the fitness of the organization. In everyday language: An Agile organization connects the hard and soft factors. It connects the rational side with the emotional and intuitive side. An organization is a complex system; an Agile organization operates in an integrated way on all dimensions of the framework.

There are five underlying drivers that make the difference, making Agile organizations truly distinctive and high performance. These five drivers determine the fitness and performance of the organization.

### 1. A Higher Goal As Purpose

Agile organizations have a unique vision, where they strive for a higher goal and contribute to their surroundings and ecosystem. This higher purpose is determined by taking all the stakeholders in the vicinity of the organization into consideration. The goal is based on the “why” and the usefulness of the organization and defines its purpose. This purpose goes deeper than just the organizational objectives and is reflected in sustainability goals that encompass people, society, and environment. They see themselves in it; it therefore provides personal meaning.



### Dutch food retailer, Jumbo, puts the customer first

In recent years, this regional family business has become the second largest supermarket chain in the Netherlands, and also has locations in Belgium. This is mainly thanks to autonomous growth but also to a number of takeovers, whereby the number of shops has grown significantly. There are currently about 600 shops and it employs a total of 60,000 people.

The organization has developed a clear strategy where the customer “comes for one hundred percent first”. It also promotes the unique formula of the lowest price, combined with the widest range of products and the best service. No other supermarket chain in the country has combined these three elements with each other. This strategy partly came about after extensive research in which customers were asked how they saw the ideal supermarket. By introducing the “Seven Daily Guarantees” it made the strategy more tangible. In practice this means, among other things, that the fourth customer in line receives his groceries for free and that service is always with a smile. But more importantly, listening to the customer, and taking action based on that, is a key element in the strategy.

The “Seven Daily Guarantees” give the staff clear handles, enabling them to implement the formula efficiently and fulfil the promise to the customer. For the organization, it is an extremely effective concretization of the “customer always comes first” principle.

Every employee follows a training on the “Seven Daily Guarantees”, so everyone, even the school kids who work for the company for a couple of years, understand the philosophy and the culture of the company and work with the formula in the same way. That’s quite an investment, so it is clear that implementing the strategy is of paramount importance.

The Jumbo purpose is not static and besides a customer-centric purposes they have added a very strong sustainability perspective to their purpose by elevating further in their ecosystem and setting far reaching ambitions regarding health, local involvement, animal welfare, waste, packaging and environment, hence a purpose which goes far beyond its organizational objectives.

## 2. Seeing The Organization Through A Systemic Lense

Systemic thinking means that the focus on the system as a whole and that there is integral insight into the state of affairs at the same time. Examples of a system are the human body, a family, an organization, and a team.

Systems have complex connections, patterns, and relationships, and these are recognized by the people who live and work in the system. The “undercurrents” that partly determine the ins and outs of the organization, are examined closely. The focus lies on the real underlying root causes and not on the symptoms. Activities and events are seen in the context of the system and not as events per se. To look at organizations systemically requires the use of all available forms of intelligence, namely the head, heart, and gut. That means that emotional intelligence is one of the most important skills for systemic thinking.

### **An international Brewery implements a company-wide ERP system**

This organization-wide project had significant consequences for the daily operations of this international brewery. The initial project plan covered the ERP implementation, the phasing of implementation, milestones, deadlines, and the like. In the first instance, this plan did not address

the consequences of the implementation for a new way of working or for employees. This was quickly recognized and included.

There was nothing wrong with the ERP system, so that wasn't the issue, but the environment in which the ERP system would land was not ready for a new way of working. It was crucial to make it clear that the people needed to work in a different way with other departments (something that was foreign to them). To make it more visual, the metaphor of an organ transplant was used. Before an organ transplant, a doctor studies the patient's lifestyle and behavior. If the patient's body is not ready to receive an organ, it may reject it. If an organ is rejected during transplantation, it is because the recipient's immune system identifies foreign bodies in the cells of the donor organ. A doctor takes into account that the body sees the organ as something alien that it may begin to reject.

The same danger lurked for this organization. Teams and departments that were previously not accustomed to working together were not going to do so with a new system (that is their immune system that you can only notice in the undercurrent). On the contrary: there was a good chance that their working together would be worse than before. So, the ERP system was implemented as if it was an organ transplant. Plenty of focus was given to preparing the organization and employees to work the new system, in an Agile way, "end-to-end" and using teamwork. The complete process, namely the implementation of the ERP system and the people who had to learn to work with each other in a different way, were treated as a whole, as elements in a single system.

By paying a lot of attention to the users and preparing them for what was coming, the implementation was much more successful.

### 3. Servant Leadership Determines Your Success

For an Agile organization, it is essential that the organization's leaders are top quality. The emphasis is on creating the conditions in which employees can do their work well, can take the initiative and deliver excellent performance. Leadership largely determines the success of the journey towards high performance; effective leaders get better business results.

***“Leadership largely determines the success of the journey towards high performance.”***

There are three phases of leadership: Reactive, Creative and Integral or Servant leadership. A high performance or Agile leader is a Servant leader.

#### The Telecom Market

An executive of one of the leading European telecom players has experienced it all and executed several major reorganizations. For the sake of this story, we'll call him John. In recent years, John has gained a lot of experience and booked great successes through reorganizations and other significant changes. But there came a time when he decided to change course and to aim more for organic adjustments.

John describes his leadership transition as follows: “If you’re good at something, the same is demanded of you again and again. It is difficult to let go of all your certainties, considering you have been successful. You are always rewarded for your actions, which can be described with key words like discipline, structure, execution, operational clout. But you gradually end up on a path where you can no longer get the maximum out of yourself.”

In fact, leadership begins to feel like a straight-jacket, and pretty stagnant. John was operating mostly reactively, i.e. he was seeking stability and trying to maintain the status quo. He also got a lot of his self-worth from others (also called an outside-in perspective) This is not the right foundation for Creative and Servant leadership, which is characterized by themes such as: a strong purpose and values; compassion; empathy; emotional connection; self-awareness; and empowered collaboration (also called an inside-out perspective). Without these elements, it is impossible to transform an organization into an Agile organization.

To get to the next level, a manager must rediscover himself, change his mindset and understand the need for regaining his authenticity. Only if he is prepared to go through this transition and reconnect with others in the organization in a more empathic and purpose driven way, can he fundamentally change the organization. It starts with him! However, everyone needs interruptions like these, be they external or internal, otherwise almost everyone will stay on the path that he accidentally found himself on. This leader, John, was willing and able to make that change. He clearly saw the direction the company needed to go, and what type of company he wanted to dedicate himself to. He fundamentally believed that the company needed to be more customer-oriented and shape its ecosystem. It was imperative that customers became ambassadors and start loving the brand again. The organization should be one that empowers its employees to achieve that and one employee can be proud of. He was dedicated to achieving this objective. Not by pushing, but by giving direction and being a magnetic force to other leaders and employees and therefore to the change.

He came up with the manifesto “No matter what.” He says: “I explain what intrinsically moves and motivates me and where my loyalties lie. I will listen to all of you, take more time to truly understand what is going on and how we can fundamentally make things better. When we disagree, I will listen even better and try to understand what needs to improve. Every team member wrote his own ‘No matter what’ manifesto; whatever happens we will hold on to this. It is also important to surround yourself with people who want to go on that journey with you. The question is whether everyone wants to make a personal change. Because if anyone is unwilling to go along with the change, then it won’t work.”

There is a connection between the type of leadership and the organizational structure. Agile organizations can only function well if there is a high level of collective awareness in the organization and the collective leadership is at the stage of creative or servant leadership. This is a necessary condition; Agile will not boot up on a reactive type of leadership.

***“Agile will not boot up on a Reactive type of leadership.”***

## 4. Agile Design And Methodologies Are The Winners

An Agile organization has hardly any hierarchy and is founded on collaboration, which requires mutual coordination. There is little or no control from above, instead there is individual initiative and responsibility. The organization is seen as an organism (systemic thinking comes into play here again). The organization is largely self-organizing and made up of a network of autonomous teams. Every team has a clear vision with associated objectives, clear roles and responsibilities.

People work together on the basis of expertise and equality in both internal and external partnerships. The fast and flexible organizations are the ones that can easily adapt to changing circumstances.

By contrast, the traditional organization is characterized by several hierarchical layers each with its own range of tasks and responsibilities, rules, guidelines and procedures, job descriptions, high level of standardization and distribution of competences (i.e. there is a distinction between thinking and performing work).

Choosing to change the organizational structure - and therefore to organize everything that stems from the organizational structure - into an Agile structure requires vision, courage and especially leadership. Leadership is essential, because the leadership level is decisive for the organizational structure. An organization with a predominantly reactive leadership will have a traditional structure, for the simple reason that reactive leadership thrives in a traditional organization. An organization where creative or Servant leadership is the norm, can grow into an Agile organizational structure, a structure characterized by a high level of organizational awareness and maturity.

***“Choosing to change the organizational structure into an Agile structure requires vision, courage and especially leadership.”***

### **ING: A traditional international bank adopts the agile approach to business**

Due to the arrival of the smart phone, banking has changed rapidly. There is growing competition from FinTech, there are new technological developments such as bitcoins and blockchain, customer wishes are changing, banks are becoming much more IT companies, and the continuous stream of new regulations following the financial crisis are having and will continue to have an impact on the financial sector. This has serious consequences for the business models and operations of banks.

The change process at this bank began with the switch to a new business model, from a multichannel model to an omnichannel model. This means that all platforms (mobile app, internet, telephone or office), through which the customer can connect with the bank, are no longer separate but form an integrated whole. The customer only needs to tell his story once, after which the information is available to the different channels in the system. The bank can no longer think in terms of products, but in customer journey. Since the insight into that journey is from the perspective of the customer, it is important to involve customers in the creation of a customer journey. Every step that a (potential) customer makes is recorded. Based on these steps, you determine the critical factors that will enhance the customer's enthusiasm about your product or service, and which generate the most value for the organization. If the bank intended to work on

the basis of this business model, a disruptive organizational model would have to be introduced, as it was clear that an incremental adjustment would not be enough. It opted for an Agile organizational structure based on tribes, chapters, squads and guilds.

The Agile business model is arranged in squads, tribes, chapters, and guilds.

- **Squad:** a self-organizing team of eight or nine persons, that manages itself like a mini start-up, with complementary qualities and competences that physically sit together for the most part or is digitally strongly connected in the era of Covid-19. All competences to implement a product or customer innovation are present in the squad. Based on the overall objectives and user expectations, the team designs, develops, tests, and launches new (parts of) products and innovations in a short space of time.
- **Tribe:** fifty to one hundred people from multiple squads that work together on similar projects to make sure the preconditions are fulfilled as well as possible. The objective is to keep them as flexible and autonomous as possible.
- **Chapter:** a group of people with the same knowledge, skills, and tasks. They share their knowledge to increase their expertise in their specific area. The chapters are managed by chapter leads, who actually work in a squad but have a number of additional tasks that you could call leadership tasks.
- **Guild:** broader groups of people with common interests who share their knowledge and working methods over a broader area of focus.

This structure went hand-in-hand with a new internal culture code, which was drawn up in collaboration with the employees. The principle is: you make sure things happen, you help others to be successful and you always think one step ahead. All employees had to apply for a new role to claim a place in the new Agile organization. The organization is now flatter: most responsibilities now lie with the tribes. Experts are now in direct contact with the customer resulting in much more co-creation. Much more emphasis is now placed on communicative skills and employees' empathic abilities. There are scarcely any meetings and when there are, they are short and cyclic, stand-up, and focused on getting things done. Workplaces are open, flexible, and transparent, where attempts have been made to create an atmosphere of a start-up.

In short, ING, a traditional bank was able to create a new structure, and culture and successfully facilitate a change from a traditional hierarchical organization to a flexible customer-oriented network organization. A traditional player in a conservative industry transformed from an organization based on hierarchy and bureaucracy to an organization characterized by self-organization.

## 5. The Human Factor Creates Engagement

An Agile organization is made up of A-players who identify with the culture and vision of the organization. The personal purpose of the employees is largely determined by a higher personal objective. The employees are central; there is a great deal of freedom and the employees work with each other and with the customer on the basis of the human factor. In other words: from person to person. This results in high engagement, happiness, commitment and a winning mentality, which

ultimately leads to superior results. The employees develop continuously, both professionally and personally.

## **Netflix - TV streaming taken to the next level**

Netflix does not only have an innovative business model; another pillar of its success is the quality of the people who work there. It recruits A-players and has a clear vision about safeguarding the quality of its employees. It is prepared to invest in the recruitment of high performing staff and to build and maintain a culture where high performers are appreciated. That also means letting go of people who add too little to the organization and display constant low performance and no sign of improvement, regardless of how important someone has been in the past. The company provides a generous fee for services rendered when they let people go.

Employees are the company's most important competitive advantage and therefore they must be able to work in complete freedom. There are virtually no rules. This keeps the organization Agile and allows it to quickly incorporate new technological developments. Rules also create an environment where high-performing employees do not thrive - and these are precisely the people who make the organization successful.

Employees can take as much time off as they wish within a number of different frameworks. One of the frameworks is that you do need permission if you want to take more than thirty consecutive days. Another example is that there are no rules for travel and accommodation costs. The guideline is remarkably simple: "Do what is best for the company."

This culture yields superior results, because these are the best people, who keep the organization's goals in mind and want to work at an organization that treats them as adults. With regard to the last point, one of the leaders said: "We are a professional sports team, not a junior team. We assume the best in our people, so that they can achieve excellent results."

## **PRACTICAL TIPS TO START THE PROCESS**

The objective of Peter Stoppelenburg's book was to define the five most important "drivers" on the path to becoming an Agile organization and provide the tools necessary for that transformation.

Stoppelenburg: 'The thing about complex decisions is that you cannot estimate beforehand what the right decision is; you can only say in hindsight whether it turned out for the best. For me it did turn out for the best. The choice was a weighing up of purpose and meaning.

I was always passionate about supporting people and helping them improve. You could say that this is my higher purpose (or at least one of them). That's why I chose to support transformations and associated activities, such as leadership development, coaching and achieving Agile organizations. '

Based on the five drivers, there are some questions you should ask yourself as you lead your organization in the transformation towards becoming an Agile, High Performance organization.

## Purpose

- What gives me a lot of energy and what do I want to achieve?
- What gives me a sense of meaning?
- What is my higher goal in life?
- What are the values and standards on which my purpose is based?
- Does my current job align with what I truly want?
- Do the values and standards of my organization match my own values and standards?

## Systemic Work

- Am I capable of looking at the big picture or do I get caught up in daily incidents?
- Can I recognize patterns?
- Do I see and feel the undercurrent of the organization and teams?
- Do I honestly try and understand things?
- Do I keep on asking so I can learn from others and really see how things work?
- Can I keep my value judgments to myself and really keep an open mind?
- Can I stay calm when I don't have all the answers?
- Do I apply all my intelligence – head, heart, gut feeling?
- Do I have the courage to talk about difficult issues?

## Servant Leadership

- It all starts with personal leadership: being your own leader.
- Am I aware of my own convictions, values and standards, strengths, and areas for improvement?
- Am I aware of my emotions and do I regulate and utilize them in the work environment?
- What do I do to increase my self-awareness?
- Am I compassionate to others, helpful, willing, kind, friendly, generous, and attentive?
- Do I mention ineffective matters and conflicts in a way that shows I care about the other person?
- Do I really know the other people with whom I work?
- Do I engage in real relationships and make real connections with others?

## Agile Methodologies And Design

- How Agile is my organization and can I contribute to making it more Agile?
- How do I work with people from other departments?
- Do I think in terms of the interests of all stakeholders?
- Do I ever have contact with stakeholders not directly linked with my work?
- Do I take responsibility, or can I take more responsibility?
- Do I adapt easily to changing circumstances?
- Am I satisfied with 80 percent solutions?
- Am I a good team player?
- What could I do myself to make my team more effective?
- What is my contribution to the team?
- Have I immersed myself in Agile tools and methodologies?

## The Human Factor

- Do I approach people non-judgmentally on the basis of equality?
- What does the human factor look like for me?
- What does the human factor look like in my organization?
- Do we approach our stakeholders on the basis of the human factor?
- Does my work make me happy?
- Am I engaged in my organization and my work?
- How can I continuously improve?
- Do I take responsibility for my own development?

## READY FOR TRANSFORMATION

Peter Stoppelenburg sums it up as follows: 'These five drivers have a theoretical and practical foundation, supported by scientific research. As the person responsible for transformation programs, in my role at large organizations and later as a consultant, I worked with and tested the material extensively in practice. From there, I designed and implemented improvement programs, spoke with countless people, and received feedback (both solicited and unsolicited). I made connections, and saw for myself what works best in practice, what helps a team function best and

what the right ingredients are for me to get the best out of my leadership. In this context, I spoke to a large number of people from different organizations and different geographic areas about their themes.

Based on that, I have adapted and refined my ideas over the years. The key is to adopt an integrated approach in which people are central. It's about connecting people; it's about connecting the different characteristics of the framework. In short, a practical framework with solid roots in scientific research.'

***“The key is to adopt an integrated approach in which people are central.”***

To learn more about how Leadership Circle brings Agility into organizations, [click here](#).

Peter is a partner at House of Transformation and Tribe lead of the Agile practice of the Leadership Circle. He is passionate about improving organizations. His slogan is: “Why stay average, when you could be a High-Performance Agile organization?” He advises organizations, teams and leaders striving for an Agile culture of collaboration and innovation. He specializes in providing leadership and transformation programs, executive coaching, team coaching and advising and helping organizations to become an Agile organization.