

# The Business Agility Report

RISING TO THE CHALLENGE | 4<sup>TH</sup> EDITION, 2021



# POWERED BY



**BUSINESS AGILITY**  
INSTITUTE

## MATURITY PARTNER



## RESEARCH PARTNER



**TeamForm**

# TABLE OF CONTENTS

- PREFACE ..... 4**
- KEY FINDINGS ..... 6**
- KEY PREDICTIVE INDICATORS ..... 7**
- UNDERSTANDING BUSINESS AGILITY ..... 8**
- WHAT WAS LEARNED IN 2021 ..... 9**
  - GLOBAL BUSINESS AGILITY ..... 9**
  - DOMAIN-SPECIFIC INSIGHTS..... 10**
  - COMPANY SIZE ..... 11**
  - TOP 3 INDUSTRIES .....12**
  - TIME ON JOURNEY .....12**
  - WHO'S LEADING THE TRANSFORMATION .....13**
  - BUSINESS AGILITY AROUND THE WORLD ..... 14**
  - MULTI-FUNCTION CHANGE GIVES BETTER RESULTS .....15**
  - PERCEPTION OF BUSINESS AGILITY .....16**
  - COVID RETROSPECTIVE .....17**
  - CHALLENGES ALONG THE JOURNEY .....21**
  - BUSINESS AGILITY SUCCESSES ..... 27**
  - SURVEY DEMOGRAPHICS .....30**
  - METHODOLOGY .....33**
  - SPECIAL THANKS TO .....35**

# PREFACE BY JON SMART

*"How long will it take to enable our call centre colleagues to be able to work from home?", asks the COO of a large organisation in early 2019, not realising just how important this question was to become. Air is sucked between teeth. "Well, boss, we've taken a look at it, there's a lot of work involved, we reckon it will take between 3 to 4 years, once we've got through the annual project funding process, functional governance committees, cost review board, procurement committee, supplier checks, assuming it's still funded after this and that we don't get 6 months of unplanned requirements at the end".*

Fast forward to March 2020 and **4 days**, not 4 years later all call centre colleagues are up and running, able to support customers from home, during a legally mandated lockdown.

*"We were at our best at the beginning of the pandemic" is something I've heard said by people at every organisation I've spoken to and worked with, on the topic of business agility. People come together, work across functional silos, unified with a very clear set of outcomes to achieve, take collective ownership, apply the appropriate level of governance and have psychological safety to experiment early and often, to achieve the outcomes sooner. The statement above is usually followed by the question "How can we keep these ways of working going all of the time, as normal, in a sustainable manner, without a global pandemic?"*

## **Unprecedented times**

To say that we live in unprecedented times is an understatement. If there had been a global pandemic as little as 10 to 15 years ago or earlier, it would have been a very different story. For knowledge based industries it has been feasible to work from home. Zoom video conferencing software, webcams in laptops as standard and widespread broadband adoption have all come about within the past 15 years.

We have passed the tipping point in the latest technology-led revolution, the Age of Digital, which has been further accelerated by a global pandemic. These are 40 to 60 year repeating cycles of technology-led revolution, leading to socio-economic impact, new winners and losers and new ways of working suited to the new means of production. In last year's survey 25% of respondents said their industry sector was 'stable'. This has dropped by 25% to 0%. Every single respondent to this survey rated their industry as unpredictable or volatile. No organised human endeavour is immune to the Age of Digital, a global pandemic and a climate emergency. As recently as 2015, 7 of the top 10 firms by market capitalization were not Information Technology firms. Less than two years later in 2017, 7 of the top 10 firms are IT firms. Today, 9 out of the top 10 firms describe themselves as IT firms.

On 19th Aug 2020, Apple was the first publicly traded, private sector company to reach a \$2 trillion market valuation. Remarkably, and as a sign of the pandemic accelerating the technology-led revolution, it took only 2 years to double in value, from being the first such company to reach the \$1 trillion mark in 2018! To put that into perspective, it previously took 19 years for the market cap to double from Microsoft's \$500m valuation in 1999 at the peak of the dot com bubble. The pace of change will never be slower than it is today.

### **Doing nothing is not an option**

Irrespective of industry sector, the Age of Digital brings a new means of production with seemingly unlimited compute, storage and communication, on demand, in your pocket and from almost anywhere. Connectivity is ubiquitous. In 2020, there were 8.7 billion connected devices (source: Statista). To put that into perspective the world population in 2020 was 7.8 billion people.

Competitors, both traditional and new, are exploiting the new means of production. In turn this creates new capabilities and new customer expectations, raising the bar. Hence, in order to survive and thrive, it is necessary to embrace new ways of working, thinking and behaving. Even if your organization is not disrupting a market, at a minimum there is a need to be a fast follower.

Doing nothing is not standing still. It is going backwards, fast. As per the quote attributed to W. Edward Deming "It is not necessary to change. Survival is not mandatory".

### **Business Agility Report 2021**

The "Business Agility Report 2021", the 4th edition of this report, is a valuable contribution to our understanding of where organizations are on the journey to increased business agility, in order to survive and thrive. This report contains the self-assessment view of 290 respondents from 254 organizations, and shines a light on progress, challenges and benefits.

When improving ways of working, 'impediments are not in the path, impediments ARE the path'. It is a case of going from impediment to impediment, alleviating it, so that it's no longer the weakest link in the chain, repeating continuously. Like tending to a garden, keeping the weeds and overgrowth at bay, nurturing the flowers and plants you want to grow.

A key insight reinforced by the respondents to this survey is that improving ways of working is a multi year journey, measured in years, not weeks or months. In reality, like tending to a garden, it is a never ending endeavour, a new muscle memory of everyone building continuous improvement into daily work, with leaders as coaches, there to serve the teams, helping to remove impediments from out of the way of the teams.

It is not about a destination, it is about the journey. Enjoy the journey!

Jon Smart

Author of 'Sooner Safer Happier'

# KEY FINDINGS

As organizations around the world continue to adapt to the ongoing and profound impact of COVID, the importance of business agility is made manifestly clear.

This year, 254 organizations across the world contributed to the Business Agility Report. Over half of these organizations employed more than 1000 people. The results show that innovative responses are required to overcome the systemic and ongoing challenges arising from COVID. The benefits of business agility are clear: higher-performing organizations reported that they were best able to rise to these challenges while remaining true to their customers and purpose.

COVID continues to act as a forcing function on organizations around the world, placing a greater sense of urgency and investment in business agility. The benefits of which are shining through with improvements in:



## Commercial Benefits

improved speed to market, adaptability, revenues, customer satisfaction, and higher quality products



## Workforce Related Benefits

improved employee engagement, transparency & communications, and reduction of silos



## Organizational Benefits

improved team autonomy, productivity, clear goals, and a culture of experimentation & innovation

Over and over, respondents indicated that their business agility efforts were key to their successful response to pandemic-related challenges; particularly when rapidly shifting their workforce and processes to remote work. They also overwhelmingly believe that the pace of change will continue to grow beyond the pandemic.

The results from this report can guide organizational best practices. The highest rating organizations:

- Have business agility transformation programs led by their Board of Directors
- Transform multiple business units at once, usually along customer value streams
- Score highly in the 3 key predictive indicators of business agility: relentless improvement, value streams, and funding models
- Saw significant benefits within 2 years of starting their transformation

Looking at demographic data, Asia and Oceania continue their year-on-year increase in business agility maturity, while North America's rate of increase in maturity has continued to slow in 2021 - following a trend that started once the pandemic took hold in early 2020. In terms of industry, Heavy Industry firms (e.g., Manufacturing, Automotive & Aerospace) continue to see the fastest rate of increase in business agility. These firms, alongside Consulting and Information Technology, make up the top-3 industries for the second year in a row. New for 2021, no respondent rated their industry as predictable; volatile and unpredictable markets are here to stay.

The journey to business agility is challenging. In 2021, the key barriers to success are: organizational resistance to change, leadership issues, difficulty scaling the transformation, and a lack of communication and collaboration. A common theme across these challenges being that old organizational structures were no longer fit for this changing world of work. This report provides suggestions to overcome and rise to these challenges.

## KEY PREDICTIVE INDICATORS

In the 2019 Business Agility Report, a multi-year data analysis surfaced **three key predictors of business agility**: relentless improvement, value streams, and funding models. That is, organizations that report high business agility maturity tend to report higher ratings in these three measures. They also report the most benefits from their business agility initiatives.

In 2020 and 2021, we continue to confirm these characteristics' significant predictive value of overall business agility.

**Our suggestion:** *focus investment in these three areas to yield the strongest benefits to your business agility journey.*



### A CULTURE OF RELENTLESS IMPROVEMENT

By encouraging a culture of learning and experimentation, organizations will continuously improve both what they do and how they do it; reducing costs, improving efficiency, and delivering greater value to customers.

Ask yourself: *"What practices do we put in place to make it safe to learn and improve as an organization?"*



### STRUCTURE AGAINST VALUE STREAMS

By focusing on understanding your value streams, design your organisation and work processes to be customer-centric, minimising handoffs between teams to maximise value creation.

Ask yourself: *"How do I structure my organization and practices to improve the flow of work and reduce handoffs on key customer value streams?"*



### ADAPTIVE FUNDING MODELS

By direct funding of business outcomes and tracking the business value being delivered, an adaptive funding model allows for organisations to rapidly react to market opportunities. These practices, along with the right governance, enable organizations to quickly stop or change work that is not delivering the expected business value.

Ask yourself: *"Have we defined the business outcomes we want to achieve, and can we measure the value of those outcomes as we strive to achieve them?"*

# UNDERSTANDING BUSINESS AGILITY

Business agility is a set of organizational capabilities, behaviors, and ways of working that affords your business the freedom, flexibility, and resilience to achieve its purpose. *No matter what the future brings.*

With this freedom, companies can instinctively seize emerging and unforeseen opportunities for their customers' benefit and bring focus to how work is conducted across the entire organization. It is not just processes and procedures, but fundamental principles and ways of thinking that lead to new organizational behaviors and norms. Examples are:

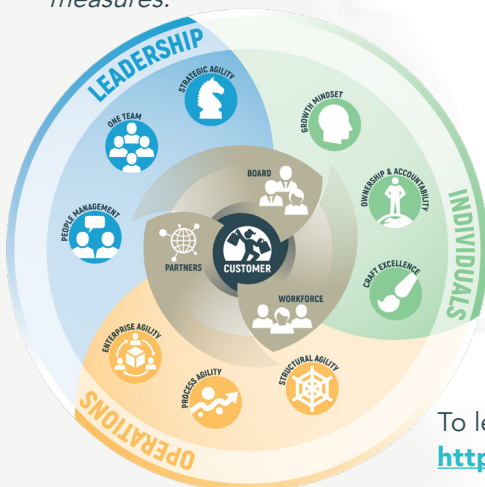
- a culture of respect, trust, learning, and autonomy
- an obsession to create timely customer experiences that fulfill real needs
- a workforce that is actively engaged and aligned, regardless of business unit or role
- empowering management that can catalyze action
- aligned business objectives, processes, and policies

Business agility is about organizing for fast flow, not about adding another layer of policies and procedures to existing ways of working. Instead, business agility challenges the status quo of how business is conducted - asking how the people that make up the organization can be liberated to achieve its purpose with a laser-sharp focus on effectiveness, customer value, and business outcomes.

To understand this, in 2017 the Business Agility Institute began work to clarify what it means to be an agile organization, regardless of industry, size, or context. Out of this research came the **Domains of Business Agility**, a customer-centric model of 13 domains grouped into 4 key areas.

The 4 key areas are: Relationships, Leadership, Operations, and Individuals. Each domain of business agility represents a fundamental characteristic of an agile organization; each is important, necessary, and interrelated to the others. How these characteristics surface is external to this model. An implementation is unique to each organization and draws upon its context-specific frameworks, practices, behaviors, and systems.

*To more accurately analyze the progress made by each respondent, the business agility survey tests each domain's progress using two maturity measures - for a total of 26 measures.*



To learn more about the Domains of Business Agility, visit:

<https://businessagility.institute/learn/domains-of-business-agility/>



# WHAT WAS LEARNED IN 2021

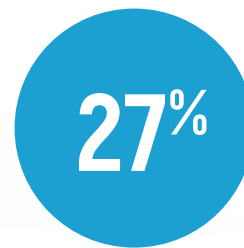
## GLOBAL BUSINESS AGILITY SEES A MARGINAL BOOST

In 2021 we saw a marginal overall increase in average business agility maturity of 0.1 points (2%), to 4.9 points from last year's 4.8.

The cohort of high maturity organizations increased to 27%, a marginal 2% increase from 25% in 2020.



Average business agility maturity rating  
(10-point scale)



of organizations have high business  
agility maturity (7 points or more)

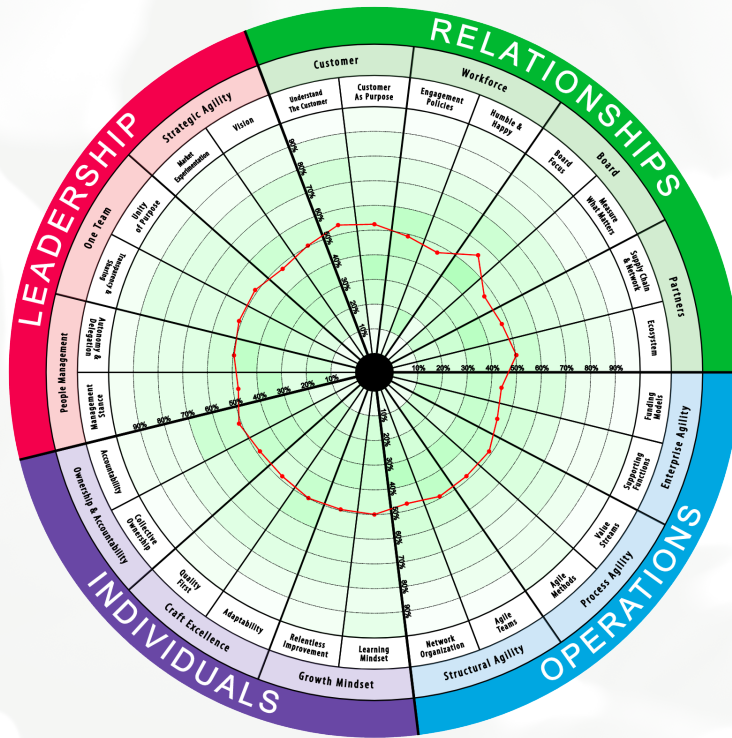
**What's common with high performers?** This year the data continues to identify that high-performing organizations score highly on the measures of Relentless Improvement, Value Streams, and Funding Models: the three key predictors of Business Agility.

## THE GROWTH MINDSET DOMAIN SEES SUBSTANTIAL GAINS

The measures of Learning Mindset, Relentless Improvement, and Agile Teams improved more than 5% from previous years. Learning Mindset and Relentless Improvement belongs to the domain of Growth Mindset. While this domain has the lowest scoring average maturity across respondents it has seen the most significant improvement. This supports the hypothesis that Growth Mindset has developed as a response to COVID-induced challenges.

## THERE IS ROOM FOR IMPROVEMENT

The average business agility maturity continues to be well below the favorable rating of 7 or more. This statement is true no matter how we dissect the data - by region, industry, company size, or respondent role.



## DOMAIN-SPECIFIC INSIGHTS

Each of the four key areas of the survey (Relationships, Leadership, Operations, and Individuals) are broken down into the 13 Domains of Business Agility, which are further subdivided into 26 maturity measures.

Across all domains, the average maturity rating varies between 4.4 (Growth Mindset) and 5.2 (Customer). Both of which remain the lowest and highest rated domains respectively from 2020.

### Maturity Rating for each Domain of Business Agility

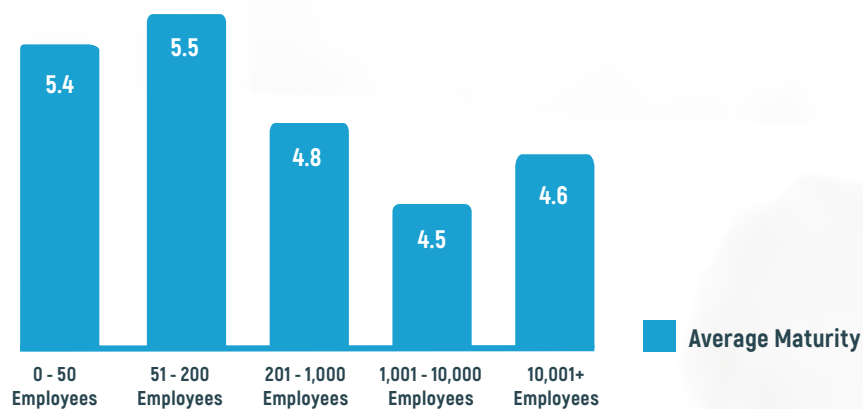


## COMPANY SIZE CORRELATES TO BUSINESS AGILITY

Smaller organizations continue to exhibit more agility than larger ones. The effect plateaus near Dunbar's<sup>1</sup> number at 200 employees, beyond which their average maturity drops by 15 to 22% depending on size. This highlights the communications and coordination overheads larger organizations must contend with.

### The benefits of being smaller are not evenly distributed.

The biggest benefit smaller organizations have is in the domains of Growth Mindset and People Management; in 2021 these average 20% higher than their larger counterparts. Whereas the domains of Workforce and Board Agility exhibit no size-related differences in performance.



## 2021 VS. 2020

Mid-large sized organizations continue to increase in business agility compared to last year (4.6 to 4.8 for 201-1000 employees and 4.1 to 4.5 for 1001-10000 employees). Whereas, for the first time, small organizations (0-50 employees) reduced overall agility (from 5.6 to 5.4 points).

For 2 years in a row, 10,000+ employee organizations continue to show a higher average maturity than the 1,001-10,000 cohort. Further research is needed to understand why.

<sup>1</sup> Dunbar's number suggests a limit to the number of people individuals can maintain a stable relationship with. [https://en.wikipedia.org/wiki/Dunbar%27s\\_number](https://en.wikipedia.org/wiki/Dunbar%27s_number)

## TOP 3 INDUSTRIES BY AVERAGE MATURITY

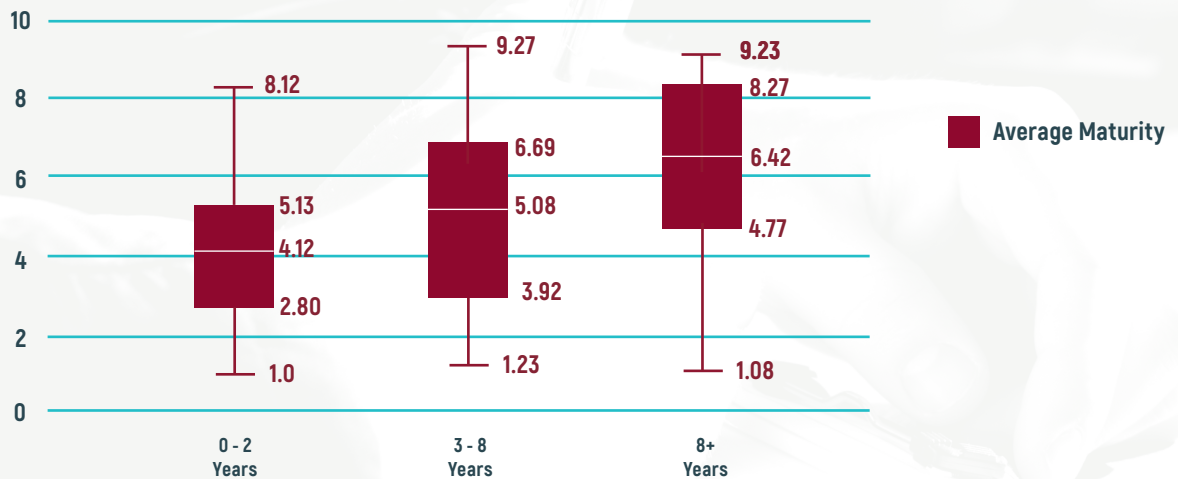


When examining the range of responses, Consulting firms have the highest average scores followed by Information Technology and Manufacturing, Automotive & Aerospace<sup>23</sup>.

## TIME ON JOURNEY: BENEFITS IN 2 YEARS

Leaders often ask how long it takes to reap significant benefits from a business agility transformation. The answer is the first big step change happens in 2 years, and again after 8 years.

### Average Maturity by Years on Journey



<sup>2</sup> We excluded industries with fewer than 10 responses, such as Energy, Utilities & Mining (5.9 with 6 responses) and Education (5.4 with 3 responses)

<sup>3</sup> There is no meaningful variation when small (<50 employees) organizations are excluded from the analysis

In past reports, we established that organizations that are more than 8 years into their journey rate significantly higher on average maturity compared to those that have just started. The leaders that stay the course reap the rewards.

This year we queried the inflection points in the data and found that the **first significant step-change happens after 2 years on journey**, then grows through years 3-8 before benefitting from the last step change at 8+ years on journey. This is a great outcome for the 56% of respondents that have been on their business agility journey for more than 2 years.



# 2 YEARS

The time business agility transformations require to deliver significant benefits in business agility



# 56%

56% of organisations have been on the journey for over 2 years

The domains of Customer and Craft Excellence see the biggest improvement in the first two years of a business agility transformation.

*This is encouraging for leaders of change.* Industry feedback shows that, when commencing a business agility transformation, larger organizations typically take between 6 to 18 months to embed new processes and practices. Therefore, it is encouraging to see that benefits start to be realised around the 24-month mark, as those involved become accustomed to the change in working practices and change agents switch from explaining and implementing the change to improving and iterating practices.

## WHO IS LEADING THE TRANSFORMATION

As with all previous years, respondents rate business agility maturity significantly higher when it is led by the Board of Directors or C-Suite, compared to those led by a Line of Business leader.

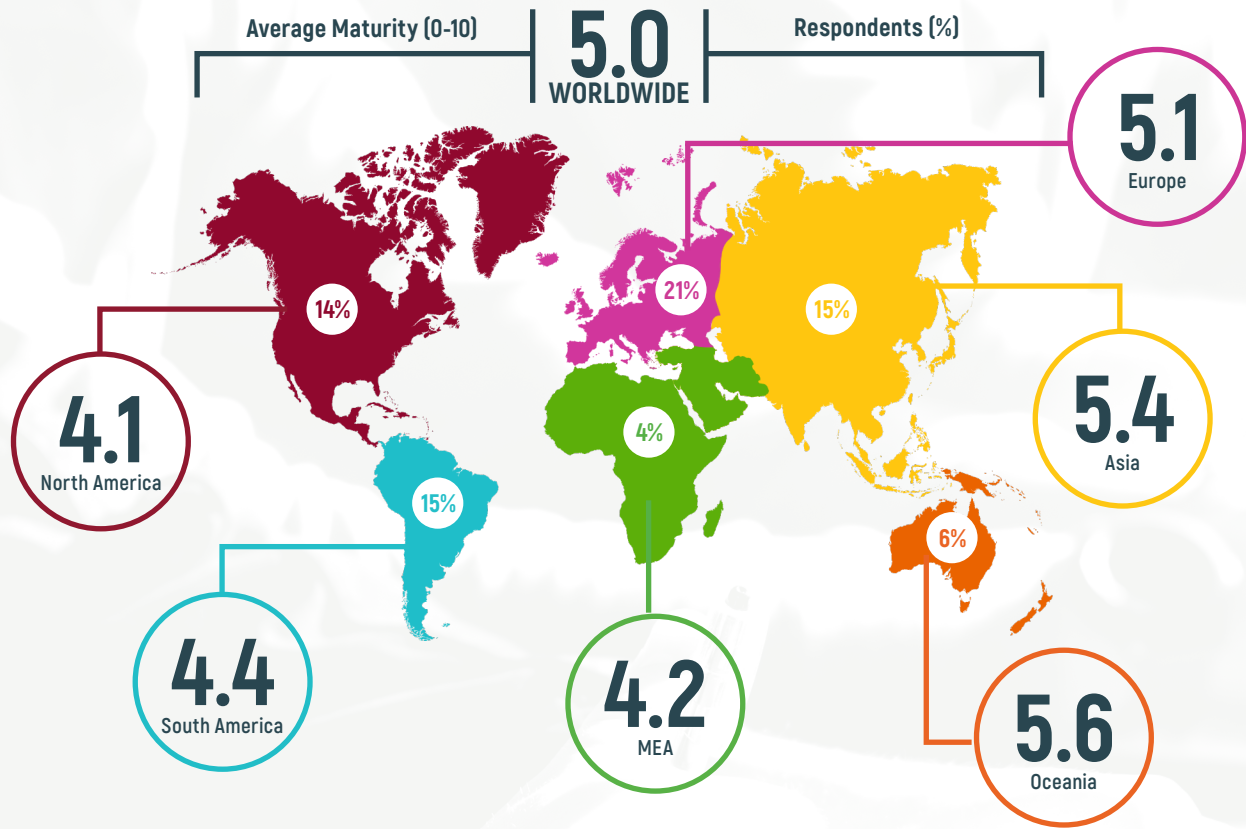
## 2021 VS. 2020

Board-led transformations tend to have significantly better results compared to 2020 and 2019 (5.5 vs 5.1 in 2020).

A similar improvement in average maturity was seen in organizations where the transformation is led by line-of-business leaders, scoring 4.8 points in 2021 vs 4.4 in 2020. This supports the hypothesis that organizations responded to COVID induced change at all levels of the organization.

## BUSINESS AGILITY AROUND THE WORLD

Beginning in 2020, we saw a substantial increase in business agility in companies operating in Asia (25%) and a significant decrease in those operating in North America (10%). This trend continues into 2021 with organizations in North America<sup>4</sup> scoring significantly lower than those in Asia. While there were fewer respondents overall, organizations in Oceania continued to see a steady increase in maturity. Multinational organizations (those that operate worldwide) marginally improved by 0.2 points.



### 2021 VS. 2020

Compared to 2020, many regions report similar ratings (within 0.2 points) with 4 major exceptions. North America dropped a further 0.8 points along with MEA who dropped 0.5 points. Asia and Oceania continue to rise (up 0.3 points and 0.6 points respectively) from 2020.

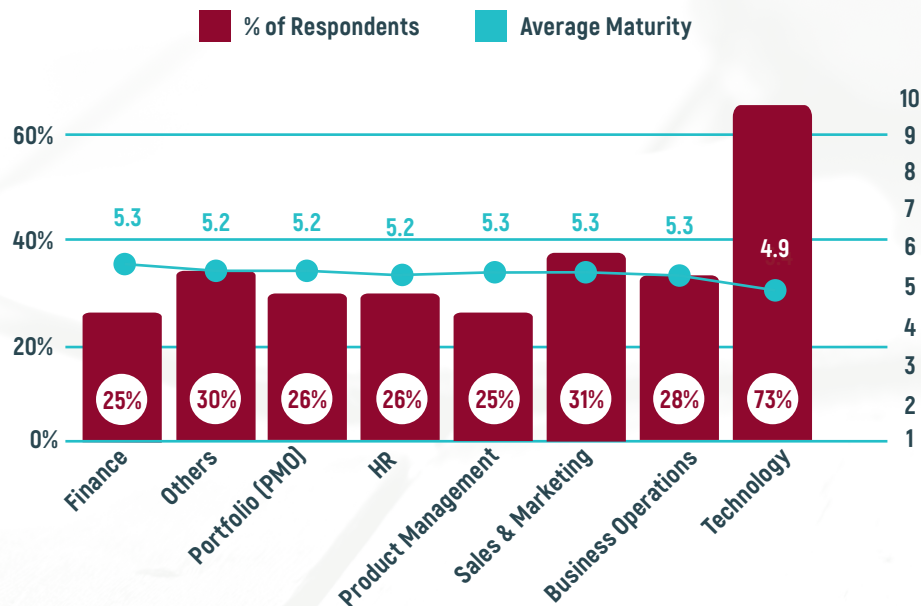
<sup>4</sup> Correcting for company size, reporting role, and length of business agility journey

## MULTI-FUNCTION CHANGE GIVES BETTER RESULTS

Organisations who include multiple business units or functions in their business agility journey score significantly higher than those who are limiting their transformation to one business unit (often Technology).

Value streams typically touch on multiple business functions, however, the scale or complexity of the organisation or value stream may inhibit the inclusion of all business units in the business agility change program. In this scenario, organisations may need to clearly define service boundaries between business functions or focus on a reduced subsection of the value stream which includes all relevant business functions.

**21%**  
of respondents report that they are transforming their entire organization



Important note: These percentages will add up to more than 100% as respondents could choose more than one option.

## PERCEPTION OF BUSINESS AGILITY

Respondents within the same organization give a wide variation in ratings depending on their position; within 1.2 points on average, with the largest variation between C-level respondents and mid-level managers. External partners (Suppliers, Partners, External Coaches, etc.) generally rated their client organizations 1.4 points worse, on average, than employees.



Respondents within the same organization give a wide variation in ratings depending on their role within the organization. We observed the following trends:

- In general, the more senior the position, the higher they rate the organization's overall business agility. This is particularly strong with C-level executives.
- External partners (Suppliers, Partners, External Coaches, etc.) generally rated their client organizations 1.4 points worse, on average, than employees.

## 2021 VS. 2020

In 2021 individual contributors reported a significantly better perception of the business agility transformation than previous years.

While further research is needed to conclusively identify the source, qualitative responses indicate that this is potentially due to rapid COVID induced changes, with many respondents indicating that improvements to business practices, ways of working, and even rapid moves to remote working supported by all facets of the business would have been impossible without COVID's forcing function.



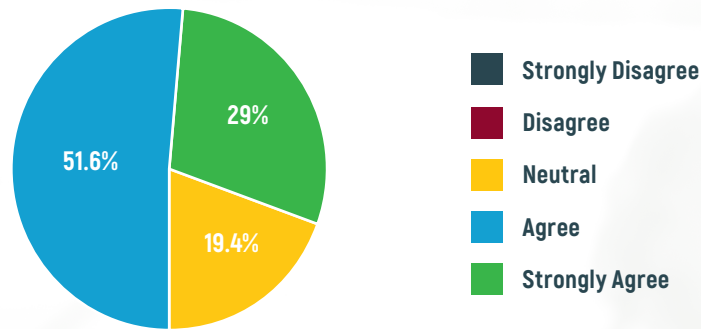
# COVID RETROSPECTIVE QUESTIONNAIRE

For 2021 we sought to further investigate how organizations adapted to the disruptions of the COVID pandemic, and what effect this has on their business agility.

## BUSINESS AGILITY TRANSFORMATIONS HAVE AN OVERWHELMINGLY SUPPORTIVE IMPACT ON RESPONDING TO AND COPING WITH COVID

To lend further credence to this assertion, no respondent disagreed with this statement.

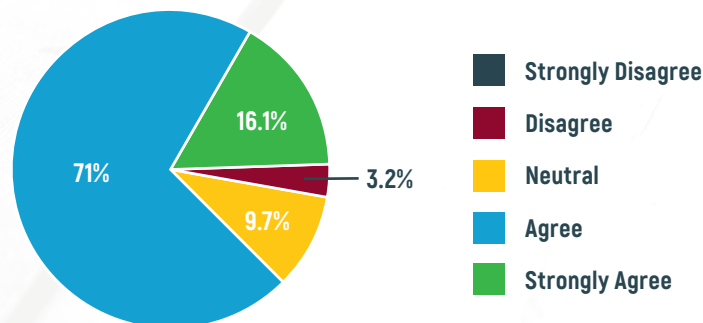
Looking back over the past 12 months, our Business Agility Transformation improved how we coped with COVID-19's disruption:



## ORGANIZATIONS REPORTED A SUSTAINABLE INCREASE IN AGILITY THROUGHOUT THE COVID DISRUPTION

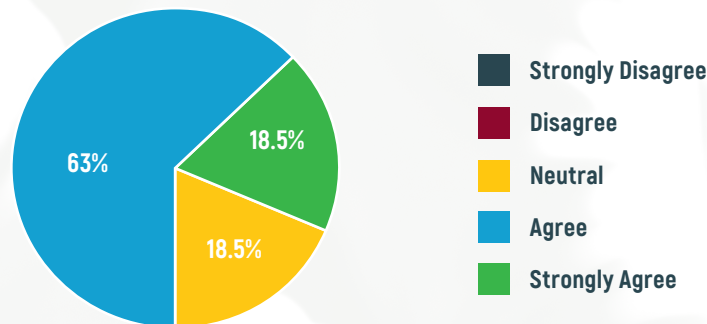
Over 87% of organizations reported increases in business agility throughout the COVID disruption - and this improvement is likely to be sustained! This evidence reinforces that COVID has been an accelerator for increasing organizational agility.

The agility of our organization has increased since March 2020:



In addition to generally reporting increases in business agility since March 2020, 82% of participants believed that they would sustain the level of agility developed during the pandemic.

I believe that we can sustain the agility we have developed during COVID-19:



## THE COVID PANDEMIC DEMONSTRATES THAT RAPID CHANGE IS POSSIBLE AND BENEFICIAL

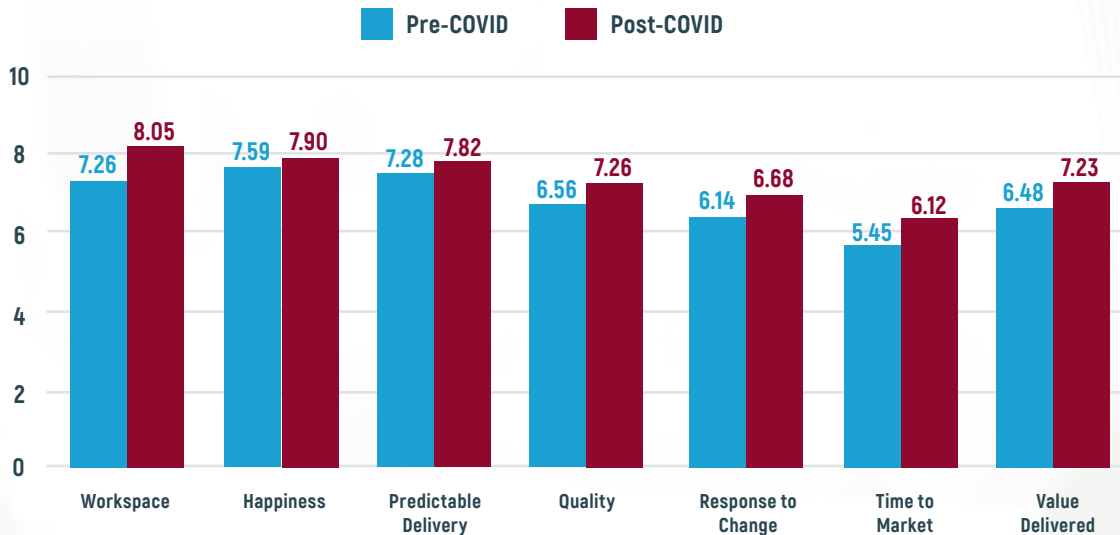
The majority of respondents indicated that the COVID pandemic led to the acceleration of their business agility journey, as their organizations were forced to continuously adapt to a fast-changing and uncertain business environment.

*“As a result of our business agility transformation, we’ve been able to stay in business and survive in our highly changing and challenging market”*

For many organizations, their business agility practices were directly credited as the reason why they were still in business. Some respondents indicated that they continually realigned or re-focused around their most valuable customer streams.

Beyond survival, there was a marked shift to accelerate digital and online activities, including the move to remote working and a substantial change in how products and services are delivered to customers.

## RELATED RESEARCH: COVID ADVANCED POSITIVE TEAM BEHAVIORS



<sup>5</sup> Note. N = 591 teams. Each measure was averaged for teams before 4.18.2020 and after 4.18.2020, and the difference in scores were analyzed using paired samples t-tests. All differences in the graph above are statistically significant ( $p < .001$ ).

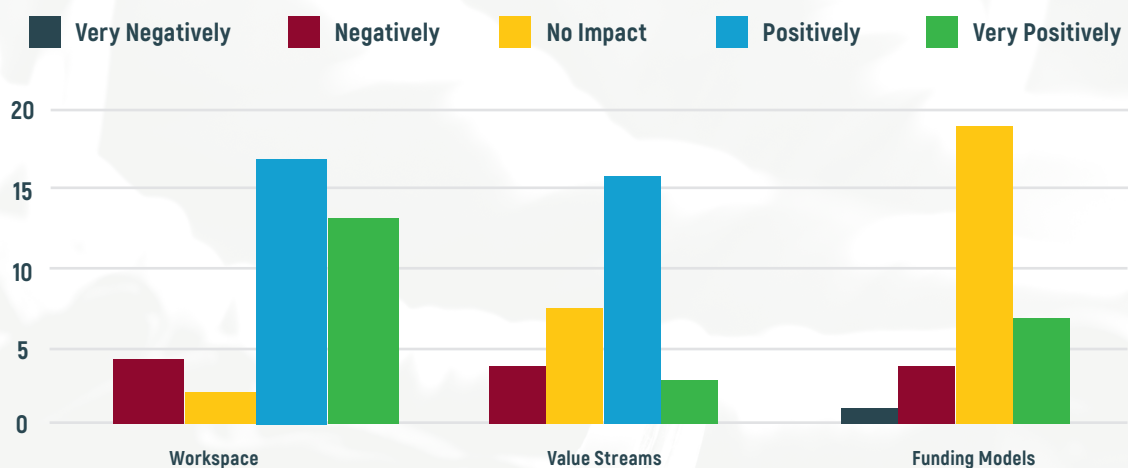
In parallel to the Business Agility Institute's research for this report, our partner AgilityHealth undertook an analysis of the impact of COVID on over 6000 agile team members. They identified that since the start of the pandemic, team performance has improved across several key measures: Workspace, Happiness, Predictable Delivery, Quality, Value Delivered, Response to Change, and Time to Market.

<sup>5</sup> Source: AgilityHealth® Predictors of Team Performance 2021 Report

## THE KEY PREDICTIVE INDICATORS OF BUSINESS AGILITY POSITIVELY IMPACT COVID ADAPTATION

We asked respondents to rate the impact that each key predictive indicator of business agility had on their response to COVID.

All 3 key predictive indicators were reported as having a positive impact on organizations' response to COVID. Relentless Improvement and Value Streams showed the biggest benefit, while the benefit of Adaptive Funding Models' was more muted. This is expected given the higher level of effort to modify funding models with an organisation.



## BUSINESS AGILITY TRANSFORMATION BEYOND COVID

Our thematic analysis of respondents' answers regarding the transformation beyond COVID revealed several consistent themes, the most prevalent being:

1. Business agility transformations being accelerated
2. A greater sense of urgency being placed on the transformation
3. Commensurate increased investment in the transformation
4. A standout reference to adapting practices and tools that facilitate remote working.  
Any actions that increase employee engagement or reduce exhaustion are particularly sought after.

### **Will the old ways of working "snap back" once the pandemic is over? Unlikely.**

Across respondents, roles, industries, and geographies there was a strong sentiment that practices established in the pandemic would be ongoing for the foreseeable future.

Of note, many respondents identified the ongoing need to refocus their business models and product offerings, which indicates that change is a continuing process.

# CHALLENGES ALONG THE JOURNEY

We asked respondents to describe the biggest challenge they are facing in their business agility journey and to elaborate on how they are addressing it.

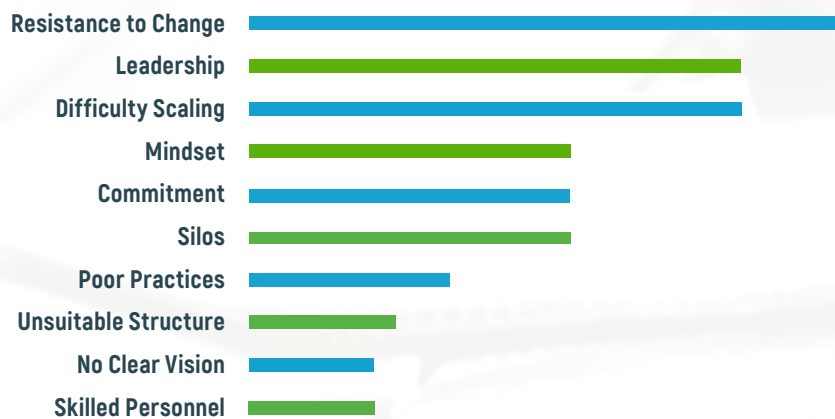
In 2021, while the challenges are consistent with prior surveys, it is the shift in *which challenges are most pressing* that's interesting. This year, we see resistance to change, and difficulty scaling the change amongst the most widely reported challenges faced by organizations.

Leadership style continues to be a considerable challenge; second most reported in 2021 versus most reported in 2020.

**This shift in top challenges is a positive development.** Industry practitioners recognize that resistance to change and difficulty scaling the change arise 6-18 months into typical large-scale transformations, suggesting that more organizations are starting and sticking to their change programs. The COVID retrospective questionnaire's results support the hypothesis that the pandemic is acting as a forcing function for this tenacity.

The shift in challenges is even more encouraging given that benefits increase the longer an organization is on its journey, with the previously identified step-change occurring at the 24-month mark.

## Top 10 Themes for Addressing Challenges Along the Journey



# 1. RESISTANCE TO CHANGE

**Related challenges:** silos and unsuitable organizational structure.

The top challenge to business agility adoption in 2021 is resistance to change from within the organization. While leaders of change adopt a plan, its implementation is resisted because of the significant shift in way of working that it represents.



## Recommendation

Keep focus on the “why”. Resistance can be overcome by a constant reminder of why the change is underway in the first place. Frequently quoted examples from respondents are the viability of the business in the face of competition and COVID-related market disruption, enabling faster time to market, and greater employee engagement or ownership of the work.

*“In many areas, change fatigue has caused regression in our progress.”*

*“Operational groups are resisting the transformation; the leadership of accounting, procurement, and sales divisions don’t see why their (slow) practices should change.”*

*[Our biggest challenge is] being able to change the mentality of people who are used to working without the agility; and believe that it doesn’t make sense.*

– BAI SURVEY RESPONDENTS



## Recommendation

Allocate time and assign additional enabling staff early in the change. Business agility adoption is often paired with new working practices and tools. Resistance also emerges when staff are asked to learn new skills above what they perceive as their core work. The suggestion from industry practitioners is to make time early in the change for training and to concentrate the deployment of staff to coach and support the change.

### **Related challenge: unsuitable organizational structure**

Some organizations’ structure actively works against the implementation of a business agility transformation because value streams are complex and cross too many business units. of the significant shift in way of working that it represents.



## Recommendation

It is important to get started with business agility and avoid the tendency to want to change both how an organization is structured and how it works at the same time. Significant upheaval tends to reduce focus on why this change program is underway in the first place.

## 2. LEADERSHIP

**Related challenges:** mindset, lack of commitment, lack of clear vision

Leadership is the second most significant challenge to business agility adoption faced by most organizations.

This aligns with earlier studies which suggest that with the right mindset and associated organizational support, leaders set the tone for the entire organization. Respondents continue to identify that leaders often use legacy leadership styles and behaviors which are not aligned to the new culture that the organization is working to instill. This sends a mixed message to the rest of the organization.

*“Our leaders (continue to) equate their status to the number of headcount they have reporting to them. This has led to (odd compromises) where squads have multiple teams and layers to report to, and a lack of clarity for key roles such as product owners.”*

*“Leaders are at different maturity levels; leaders with less [experience have] a strong negative impact on business agility.”*

*“Leadership Development is not a priority or understood as necessary for the success of our Business Agility Transformation.”*

- BAI SURVEY RESPONDENTS



### Recommendation

Embody the transformation. Leaders should strive to be mindful of their leadership style and ensure that they communicate a clear vision, while acting in a way that is consistent with the goals and methods set out for their organization's business agility journey. As a leader, how you show up will be noticed and emulated by your workforce. Successful leaders embody the concept of relentless improvement with their teams, build trust through empowerment and celebrate failure as a learning opportunity.



## Recommendation

Favor optimizing the flow of work through value streams and the cross functional teams that support them, over the utilization of individuals. One of the primary goals of business agility is to optimize the flow of work across value streams. This is a key enabler for responding to customer and market needs, and accelerating the feedback loop.

Leveraging concepts from lean manufacturing, leaders that had previously been incentivized to focus on maximizing the utilization of individuals will need to be supported in understanding how to analyze and shift their focus to enabling the flow of work through teams. For example, by introducing the slack time needed for continuous improvement and to reduce the buildup of work in progress.

### **Related challenge: mindset**

Closely related to leadership is the challenge of mindset, down from 2nd place in 2020 to 4th in 2021. Respondents report that many traditional business operating models, designed around control, predictability, and an easily exchangeable workforce are still prevalent in their organizations.

For organizations with high business agility maturity, developing an agile mindset is the cornerstone of their culture. The agile mindset being associated with a growth mindset, market experimentation, psychological safety, and continuous delivery of value.

Leaders that do not take conscientious and deliberate effort to drive cultural change are likely to see their organizational change fail as the workforce reverts to their old ways of working.



## Recommendation

Support the mindset shift and commitment to the transformation with coaching and mentoring. Provide coaching and mentoring on an agile mindset to all levels of the organization, including professional lean/agile coaches and individuals who have demonstrated success in key team support roles.



### 3. DIFFICULTY SCALING

**Related challenges:** a shortage of skilled personnel, inflexible funding models

For the first time in the survey, respondents identified difficulty scaling as the third most common challenge to their business agility journey. Respondents frequently tied this to their efforts in accelerating their business agility in response to COVID-induced market changes.

For industry practitioners, that this challenge now features is seen as a positive development. Scaling change is a challenge that manifests itself 6-18 months along the journey once earlier successes are realized.

*"While we have executive sponsorship in our area, business agility transformation is not yet a company-wide priority."*

*"While new initiatives adopt [business agility] practices, scaling to other areas of the business is difficult because of their legacy bureaucracies, processes, and systems."*

*"We grew from clan to tribe, and now to [a] village, but as we grow and scale very fast in 2 years; we seek structure and tidiness; resulting in a more rigid and siloed organization."*

- BAI SURVEY RESPONDENTS



#### Recommendation

As an organization scales its adoption of business agility values, principles, and practices, it needs to continually evaluate the operating model and supporting processes to operate at a larger scale. With a particular focus on the value stream and dependencies within.

In addition, continue to emphasize the "why".

Similar to the first recommendation for overcoming resistance to change, renewed emphasis on communicating the goals and early benefits of business agility help to scale it out to additional business units.

#### Related challenge: a shortage of skilled personnel

The lack of skilled personnel is called out by respondents as a related challenge to scaling the business agility transformation. This manifests itself as observations that there aren't enough skilled leaders, supporting roles such as agile coaches, or high demand and previously siloed roles like security engineers to support the transformation.



#### Recommendation

Developing skills internally is at least as important as recruiting them. As a business agility transformation scales, it is increasingly important to build an internal capability of supporting skills. While a transformation program can start by recruiting these key skills, there is a limited supply of experienced practitioners on the market.

### Related challenge: inflexible funding models

Challenges with funding arise as the business agility transformation scales. The sentiment is that scaling the change is now impeded by traditional means of funding work which is no longer fit for purpose.



### Recommendation

Funding models take a prominent role in planning work. Industry practitioners observe that as business agility initiatives scale, legacy, and traditional used, funding approaches (i.e., funding a fixed piece of work over long and fixed timeframes) impede the ability to re-prioritize work as new information is learned or the market changes.

Changing funding models is not easy, as most organizations must provide an annual view of their finances to shareholders and stakeholders. This is a very complex topic. It is beyond the scope of this report to provide enough depth and actionable recommendations without greatly oversimplifying and devaluing the challenge. To learn more, read further on approaches such as Beyond Budgeting, Throughput Accounting<sup>6</sup>, and Lean Accounting<sup>7</sup> as well as topics such as funding business outcomes and moving away from approval-based governance processes.

<sup>6</sup> Throughput Accounting <https://businessagility.institute/learn/improvement-initiatives/665>

<sup>7</sup> Lean Accounting <https://businessagility.institute/learn/lean-accounting-aligning-the-lean-organization/287>

# BUSINESS AGILITY SUCCESSES

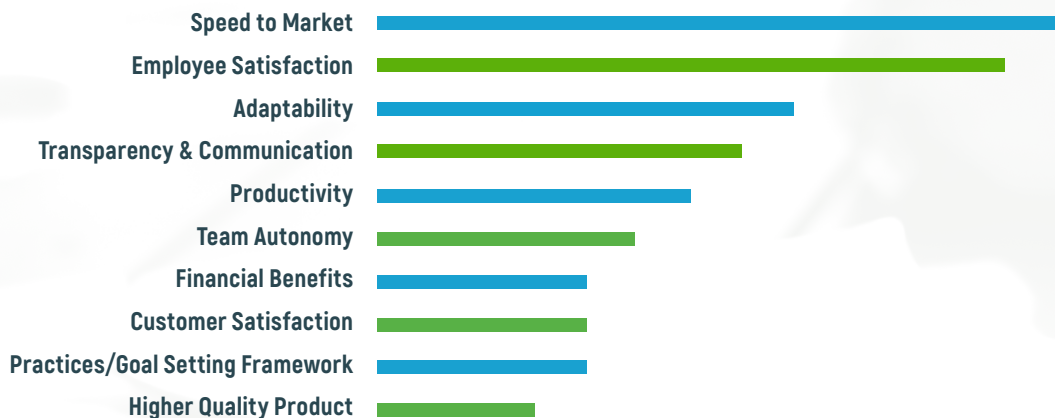
Respondents were asked to describe the single biggest benefit that business agility has brought to their organization.

This year saw the themes of speed to market and employee satisfaction rocket up to the top of the chart. These themes were frequently mentioned as being intrinsic to their successful response to the pandemic.

New themes reported this year are improved productivity and better team autonomy. These are often referred to in conjunction with workforces shifting to remote working, again driven by COVID.

A noteworthy mention this year is respondents identifying financial benefits deriving from their business agility transformation; this is the first time this theme has appeared in the results and directly links a financial incentive as a reward for undertaking the journey. Lastly, this year saw an encouraging four-fold reduction in respondents indicating that their transformation had provided no perceived benefit.

## Most Significant Organizational Benefit of Business Agility



## 1. SPEED TO MARKET

**Related benefits:** productivity, autonomy, a culture of experimentation

In 2021, respondents identified speed to market as the most frequent benefit arising from their business agility journey. Many respondents indicated that their improved speed to market was key in their organizations' response to COVID-induced changes; particularly when responding to rapidly shifting customer demand.

Previous studies observed that accelerating speed to market is one of the most profound ways for organizations to create a competitive advantage and distinguish themselves from their competition. By emphasizing relevant metrics, such as lead time and the frequency by which changes to products or services are deployed, organizations are identifying efficiencies and removing impediments in the customer value stream as they

accelerate new product development and delivery. Examples shared by respondents include reductions in hand-offs, team empowerment and autonomy, and devolving decision making.

*"[Our transformation allowed for] a super-fast adjustment when lockdowns came, allowing us to stay in business. [Since then, we've been] taking advantage of new opportunities in the new playing field."*

*"We're seeing more co-creation and empowerment across our individuals and teams, [this is allowing us] to move faster when going from a minimum viable product to getting it sold and implemented with our customers."*

*"We've gotten much faster at delivering quality products to our customers; and our team has a much more positive mindset [because of this]."*

*"Since realigning ourselves against value streams, we've been able to deliver a lot faster to our customers"*

- BAI SURVEY RESPONDENT

## 2. EMPLOYEE SATISFACTION

**Related benefits:** transparency & communications, customer satisfaction, higher quality products

Respondents indicated that employee satisfaction is the second most common benefit realized by successful business agility transformations. Industry practitioners observe that many organizations are setting explicit goals to improve employee satisfaction, such as by using the employee Net Promoter Score (eNPS).

As they emerge from COVID, respondents link benefits to employee satisfaction with improving their approach to remote working, and longer employee retention. These organizations recognize the importance of having high-level engagement with their workforce, understanding that this will provide them with a competitive advantage in a volatile and fast-changing business world where increasingly restless workers are fiercely competed for by potential employers.

*"Throughout the pandemic, teams were comfortable in supporting each other and their mental health, wellness, and anxiety issues. This helped us rapidly pivot to 100% remote work, allowing us to keep innovating with our customers while driving engagement and accountability."*

*"We saw much greater employee satisfaction, particularly in traditional areas of the business where they were able to significantly reduce their cycle times."*

*"Better collaboration and inclusion have led to higher employee engagement and improved relationships with our customers."*

- BAI SURVEY RESPONDENT

### 3. ADAPTABILITY

**Related benefits:** improved business agility practices, reduction of silos

In 2021 respondents indicated that adaptability is the third most common benefit realized by successful business agility transformations.

This year, the sentiment of adaptability is applied to the entire organization - a significant shift from 2020 where the sentiment was specifically directed at adaptability in leadership. Adaptability was linked as a benefit that provided a competitive advantage in responding to COVID-induced market changes.

Industry practitioners observe that organizations whose leaders nurture adaptive practices and mindsets across all staff find significantly less resistance to change when they use a clear vision to pivot the organization to a new market opportunity or reality.

*"With clear priorities, we have been able to quickly change and deliver the right products at the right time."*

*"We have been able to rapidly adapt to changing needs and environments"*

*"Teams are proving very flexible to changes."*

- BAI SURVEY RESPONDENT

### NOTEWORTHY MENTION: FINANCIAL BENEFITS

In 2021, for the first time since the launch of the business agility report in 2018, we see the emergence of financial benefits as a frequently cited outcome of the investment in business agility.

By directly linking business agility to an improvement to an organizations' finances, organizations can begin to address resistance from shareholders and stakeholders. We look forward to further investigating this linkage in future editions of the report.

*"We've experienced 100% growth in the past 12 months."*

*"We have been able to stay in business in this highly changing and challenging market."*

*"We see an increase in sales and revenue."*

- BAI SURVEY RESPONDENT

# SURVEY DEMOGRAPHICS

Business agility continues to be a global trend. We surveyed a diverse range of 254 organizations, with 4 to 400,000 employees, spanning 24 industries, across 51 countries. All are striving to improve their agility.

## WHAT'S CHANGED IN 2021:

### Larger organizations are a bigger part of the sample set.

Compared to 2020, the survey received a significantly higher percentage of respondents from large organizations (20% in 2020 vs 28% in 2021), and fewer respondents from small organizations (30% in 2020 vs 20% in 2021).

### Markets were significantly more unpredictable.

80% of respondents reported volatile market conditions in 2021, compared to 34% in late 2019 and early 2020.

### The survey received a notable increase in respondents from South America.

The other respondent demographics were similar to 2020.

While the survey's response rate is sufficient to maintain its statistical significance, overall response rates dropped by about 20% over previous years. This is a trend observed in other industry surveys run during the pandemic.

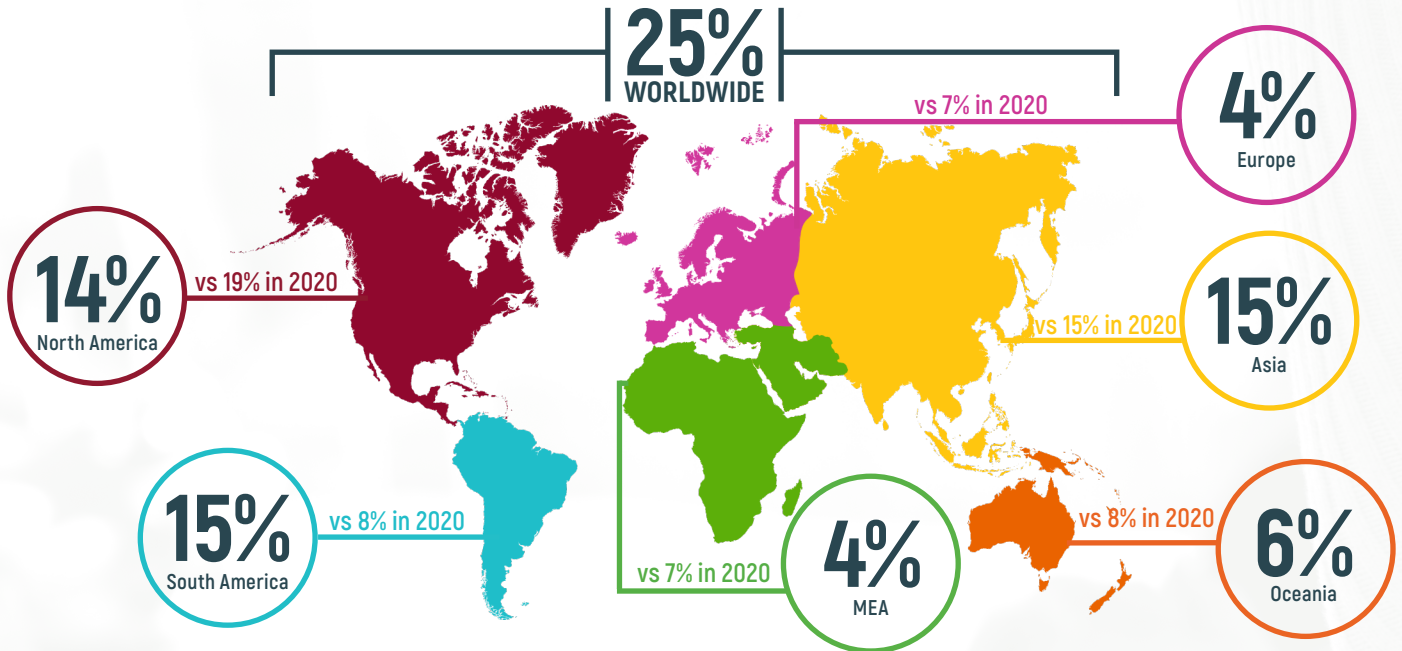
## COMPANY SIZE

Respondents represent organizations of all sizes:



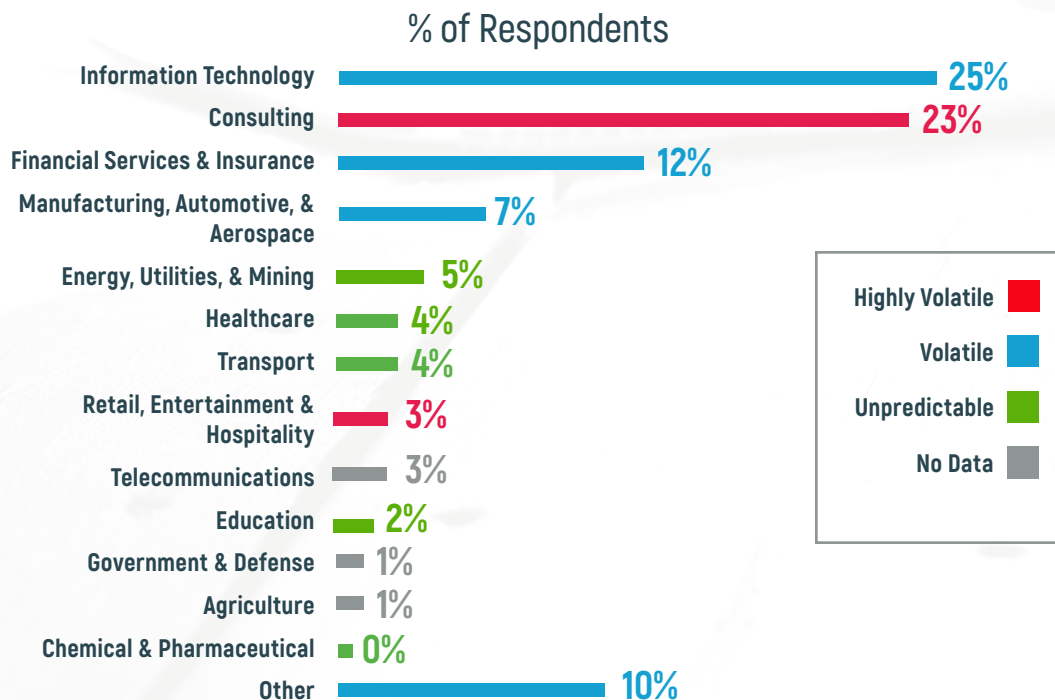
## OPERATING REGIONS

Business agility continues to be a global trend, with respondent organizations operating in the following regions:

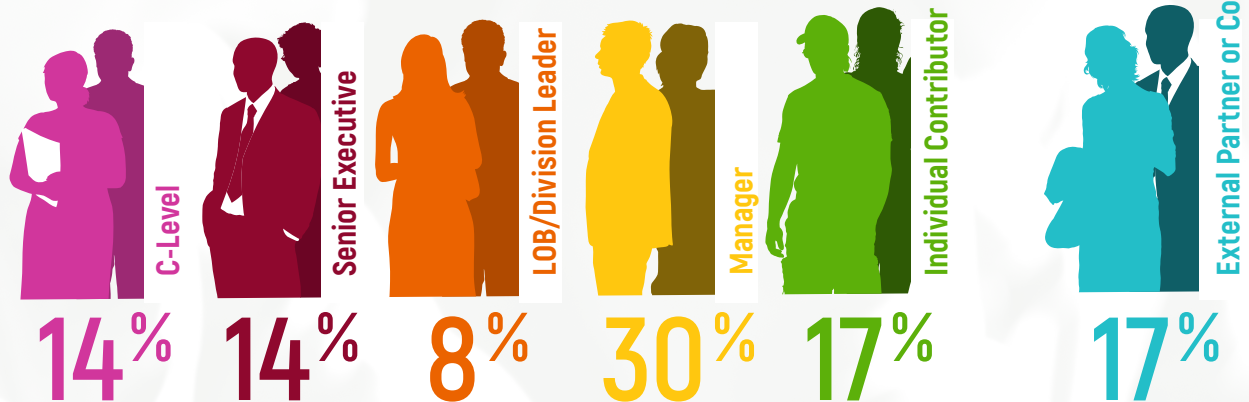


## INDUSTRIES REPRESENTED AND RESPONDENT ROLE

The report's respondents represent a breadth of industries, with the highest participation from the fields of information technology, consulting, financial services, manufacturing, and utilities & mining. Respondents' roles provided a representative view of the organization, with over 60% being internal decision-makers. We use the External Partner category for respondents who answered on behalf of the surveyed organization but are not directly employed by it – such as suppliers and consultants.



## % of Respondents



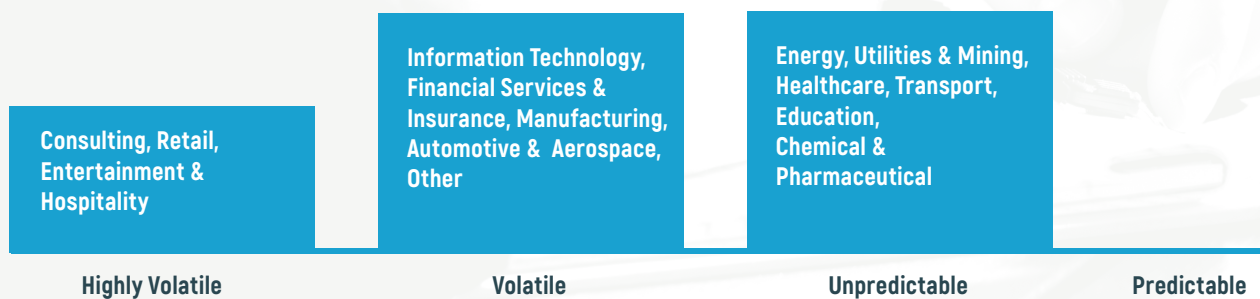
## INDUSTRY VOLATILITY

**High agility organizations are better at responding to volatile market conditions.** In 2021, an important correlation emerged between an organizations' business agility maturity and its ability to respond to changing market conditions.

Respondents are indicating growing volatility in their industry. For 2021, 80% of respondents stated that their industry is volatile or highly volatile.

Furthermore, 23% of respondents indicated that their organizations were able to effectively adapt to this market volatility. These effective respondents tended to be drawn from organizations that reported a high business agility maturity score.

Lastly, as an adaptation to COVID's effect on their industry, respondents indicated growing confidence in their organization's ability to respond to change.







# METHODOLOGY

## BUSINESS AGILITY SURVEY

The study intends to understand what organizations are doing on their business agility journey, how they are performing in this endeavor, and identify global trends. To accomplish this, a voluntary and anonymized online survey asked respondents to gauge the business agility maturity of their organization, invited them to share the top challenges and benefits they have seen to date, and collected demographic information about their organization.

Respondents self-assessed their business agility maturity against 26 measures, representing the 13 Domains of Business agility, grouped in four key areas: Relationships, Leadership, Operations, and Individuals.

Respondents were asked to provide a rating of 1-10 points for each measure; with scores of **1-6 classified as low to moderate maturity** and **7-10 as high maturity**. In the context of each measure, the ratings were classified as follows:

-  **Pre-Crawl (1-2)** - the organization mostly follows traditional processes.
-  **Crawl (3-4)** - the organization is just getting started with business agility.
-  **Walk (5-6)** - the business agility basics are in place and more advanced methods are being explored.
-  **Run (7-8)** - the organization has made significant strides towards business agility.
-  **Fly (9-10)** - the organization is a global business agility leader.

The percentage of respondents scoring 7 or more can be considered a favorable score for each measure. Specific examples were given for each range to help respondents select a consistent rating.

The key hypotheses outlined in this report were then verified by performing statistical analyses on the 2021 data and comparing trends with the previous years' findings (2018-2020).

## COVID RETROSPECTIVE QUESTIONNAIRE

This year, we also sought to assess the relationship between business agility and COVID. This was done with the use of a brief standalone questionnaire circulated to a subset of the main survey's respondents.

This questionnaire asked respondents to assess:

- their organizations' response to COVID's disruption
- the impact of COVID on their organization's business agility transformation, and
- the impact of COVID on the three key predictors of business agility

These results allowed this report to identify actions that organizations can take to better adapt to the post-pandemic business environment.

### LEARN MORE

To learn more about the statistical methodology underpinning the results, visit TeamForm: <https://teamform.co/research/>

Take 10 minutes now to complete the Business Agility Survey for 2022: <https://agilityhealthradar.com/business-agility-survey/>

# SPECIAL THANKS TO



AgilityHealth provided the measurement platform used to gather the data used in the report as well as the final report design.

Business Agility is the ability to respond to change, learn and pivot, deliver at speed, and thrive in a competitive market. The journey towards Business Agility starts with measuring where you are today and relentlessly improving. AgilityHealth is the world's leading measurement and growth platform, designed to accelerate the enterprise business agility journey by measuring what matters at every level.

Learn more at:

<https://agilityhealthradar.com/>



## TeamForm

TeamForm consultants contributed to the writing of this report. TeamForm partnered with The NeuroTech Institute, who performed the statistical analyses for this report.

**TeamForm** helps leaders to plan, form and manage cross-functional teams to improve work outcomes and reduce costs.

TeamForm enables an organisation's business agility by providing the data and insight to understand if the right people are working on the right problems, who are the most relied upon teams, the cost of delivering work and what skills are most in demand.

TeamForm - <https://teamform.co/bar2021/>

The Neurotech Institute - <https://www.theneurotechinstitute.com/>

# WITH THANKS TO OUR MEMBERS



# NOTES

