The Business Agility Report

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KEY FINDINGS

Organizations around the world are learning that as the pandemic abates new challenges arise. With the great resignation, looming economic uncertainty, and the unknown impact of war and climate change, the business environment will continue to be volatile. In order to thrive and survive in this new normal, the importance of business agility is manifestly clear.

This year, 296 organizations across the world contributed to the 2022 Business Agility Report. The results show that innovative approaches are required to overcome the systemic and ongoing challenges that organizations face. In this report, we learn that higher performing organizations are better able to continuously improve their ways of working, which benefits their customers, raises employee satisfaction, and ultimately improves their financial bottom line.

In a significant step change for 2022, the impact of a company's size on business agility is waning. Where previously we had observed organizations with 150 employees being the "sweet spot" with the highest business agility maturity. It appears that the normalization of agile practices is allowing those larger organizations with 1500, 15000, and 50000+ employees to report similar levels of agility to smaller firms.

Respondents indicate that their business agility efforts are key to coping with and thriving in their industry's volatile environments. Organizations with high business agility maturity reap the benefits of their efforts, reporting strong improvements in:

Organizational agility

Better ways of working, reduction of silos, improved practices, better ability to respond to change

Commercial outcomes

Customer satisfaction, achievement of business outcomes, improved speed to market, and higher revenues

Workforce engagement

improved employee engagement, and better transparency & communications

This year we asked a subset of respondents to complete a secondary questionnaire that looked at their ability to attract and retain staff. Organizations with high business agility maturity not only found it easier to do this, they tended to pitch the way they work as a benefit to potential staff.

Organizations seeking to improve their practices can learn from what this report's highest rating respondents have in common. They tend to:

- 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 adaptive funding models

Looking at demographic data, most regions moved back towards their pre-pandemic scores, with Asia and Oceania decreasing while North America increased. In terms of industry, Financial Services, Manufacturing, and Government had the largest

growth in the adoption of business agility. Continuing the trend from 2021, findings validate that the first time to benefit for business agility happens 2 years along the transformation journey. Benefit then grows through years 3-8, and is the strongest at 8 years onwards.

The journey to business agility can be challenging. In 2022, the 2 principal barriers to success remain resistance to change and unsuitable leadership. These challenges are compounded by poor practices and processes, low employee engagement, organizational silos and particularly the business-technology divide, unsuitable structure, and the difficulties in attracting enough skilled personnel.

This report provides suggestions to help organizations overcome these challenges and gain the nimbleness required to thrive in the new normal.

KEY PREDICTIVE INDICATORS

In the 2019 Business Agility Report, and confirmed every year since, 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.

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

A CULTURE OF RELENTLESS IMPROVEMENT

Ensure your organization's way of working nurtures a culture of learning and experimentation. Adopt iterative working practices that allocate time to look back on what was accomplished, and allow measured investment in improving the work that was done and the method by which it was done. This reduces costs, improves efficiency, and delivers 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

Understand your value streams, and structure your workforce and processes around them. This minimizes handoffs between teams, shortens lead times, and provides everyone involved with line of sight to their customers. These structures will need to adapt as your organization evolves.

Ask yourself: *"How do I structure my organization and practices to improve the flow of value to our customers?"*

ADAPTIVE FUNDING MODELS

By funding persistent teams and tracking the business value, adaptive funding models allow organizations to rapidly react to opportunities in volatile market conditions. These practices enable organizations to sensibly stop or reduce investment in lower priority work, a practice that is key to pivoting limited people and resources to work that is identified as having higher value.

Ask yourself: *"Have we defined and communicated 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 afford 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's not just processes and procedures. It is principles and ways of thinking that lead to new organizational behaviors and norms.
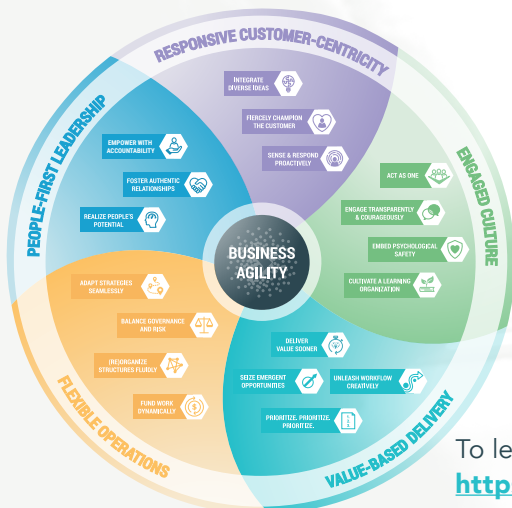
We have defined the Domains of Business Agility as a method of assessing your cultural operating model for your organization consisting of 5 primary domains spanning 18 emergent business capabilities and over 80 behaviors. The combination of these determines the current and continued effectiveness of your organization.

The capabilities and behaviors within each domain are equally important, necessary, and interrelated. Organizations cannot fully succeed in an unpredictable market until they develop competency in each business agility domain.

The Domains of Business Agility, as well as the Business Agility Report, is built on 4 key principles that recognize the nuances and complexity in how organizations adopt and practice business agility.
1. Business agility is a continuum, not a state. It's an ongoing journey where the question is not whether you have it, but rather how much you have (and is it enough).
2. Organizations express a range of business agility capabilities, both strong and emerging, at the same time in different areas of the business.
3. Business agility can only be expressed and measured through behaviors – if you act with agility, you have agility.
4. There is no single path or framework to business agility. Business agility can be established in thousands of different ways, using different approaches, practices, frameworks, and operating models. Successful organizations will evolve an approach that suits their context at their current point in their journey.

To more accurately analyze the progress made by each respondent, the business agility survey examines how an organization rates against the domains using 26 unique maturity measures.

To learn more about the Domains of Business Agility, visit:
https://businessagility.institute/learn/domains-of-business-agility/

WHAT WAS LEARNED IN 2022

GLOBAL BUSINESS AGILITY MATURITY SEES YEAR-ON-YEAR IMPROVEMENT

In 2022 we saw a marginal overall increase of 4% in average business agility maturity, to 5.1 points from last year's 4.9. Continuing the upwards trend from 4.8 in 2020 and 4.4 in 2019.

The cohort of high maturity organizations increased to 30%, a steady 3% increase from 27% in 2021 and 25% in 2020.

5.1
Average business agility maturity rating (10-point scale)

30%
of organizations have high business agility maturity (7 points or more)

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

CUSTOMER-CENTRICITY GROWS WHILE PSYCHOLOGICAL SAFETY DROPS

The measures of *Understand The Customer and Customer as Purpose* both increased significantly (18% and 16% respectively over 2021 ratings. **This organizational capability has both the highest scoring average maturity across all respondents and has seen the most significant improvement.** The strength of these measures connects well with the top successes reported this year in Better Ways of Working and Customer Satisfaction.

Conversely, measures associated with Embedding Psychological Safety dropped 10% on average. This observation aligns with the considerable difficulties reported in the secondary questionnaire on retaining and attracting staff, though once again high performers were least impacted by these challenges.

THERE IS ROOM FOR IMPROVEMENT

While there are improvements across the board, the average business maturity score continues to be well below the score of 7 or more which is perceived as favorable. This statement is true no matter how we dissect the data: by region, industry, company size, or respondent role.
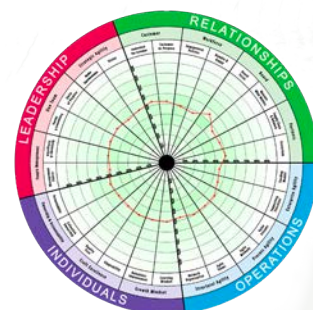
CAPABILITY-SPECIFIC INSIGHTS

Each of the four key areas of the survey (Relationships, Leadership, Operations, and Individuals) are broken down into 26 maturity measures which have been mapped against the capabilities within the Domains of Business Agility.

Across all domains and capabilities, the average maturity rating varies between 4.7 in Balance Governance and Risk which is traditionally more difficult to affect, and 5.6 in Fiercely Champion the Customer.

For 3 years running, Customer-related capabilities have the highest rating. This reflects a growing trend of investment in customer centricity.

Of special note is the Ability to Empower with Accountability, which has risen 6% from 2021. This suggests a reaction to empowering staff as a response to 2022's recruitment and retention challenges.

Rating Vs New Domain

| Capability	Rating
Fiercely Champion The Customer	5.6
Empower With Accountability	5.2
Adapt Strategies Seamlessly	5.2
Act As One	5.2
Cultivate A "Learning Organization"	5.1
Engage Transparently & Courageously	5.1
Unleash Workflow Creatively	5.1
Foster Authentic Relationships	4.9
(Re)Organize Structures Fluidly	4.9
Deliver Value Sooner	4.9
Sense & Respond Proactively	4.9
Embed Psychological Safety	4.9
Prioritize. Prioritize. Prioritize.	4.8
Fund Work Dynamically	4.8
Balance Governance And Risk	4.7
Integrate Diverse Ideas	not measured this year
Seize Emergent Opportunities	not measured this year
Realize People's Potential	not measured this year

MOST ORGANIZATIONS HAVE IMPROVED OVER THE LAST 5 YEARS

Between 2018 and 2022, 46 companies have responded 3 or more times. In this cohort, there is a general but not universal trend of increasing business agility over time.

- 60% reported an increase in business agility, with an average increase in score of 36%
- 17% reported marginal or no change in score
- 23% reported a lowered levels of business agility, with an average reduction in score of 27%
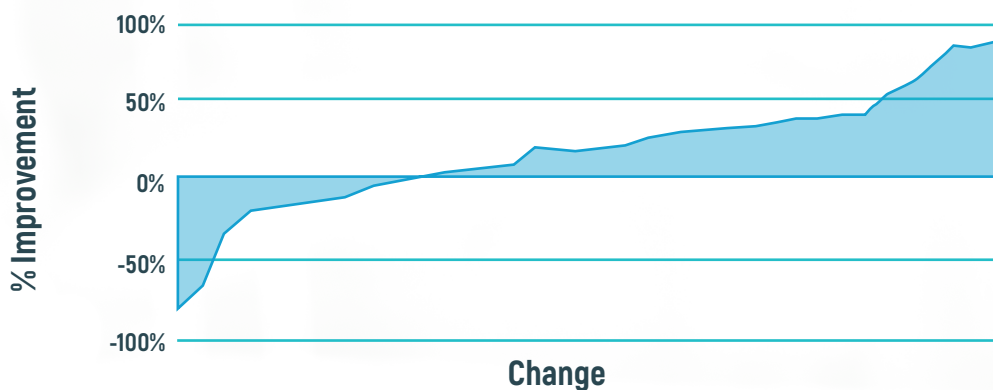
THE CHANGING RELATIONSHIP WITH COMPANY SIZE

This year, with the exception of micro-organizations (1-15 employees), all organizations, regardless of size, report similar levels of agility. There is no clear evidence as to why this trend is changing compared to past reports, which had shown agility to be inversely proportional to size.

The effects of size are not evenly distributed.
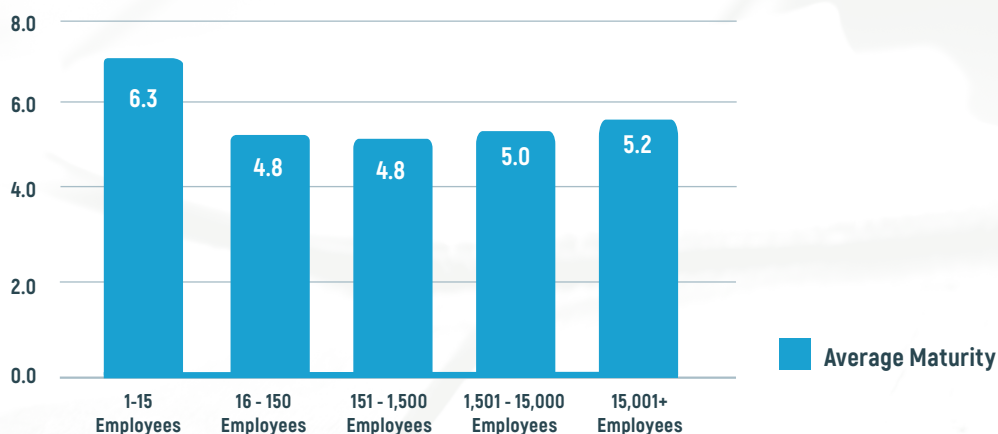
2022 VS. 2021

For the 3rd year in a row, 15,000+ employee organizations show a higher average maturity than the 1,501-15,000 cohort. Further research is needed to understand this effect.

In 2022, company size has significantly less of an impact on overall business agility compared to previous years. The largest variance was in the small-organization range (16-150 employees) which - previously the leading cohort - decreased by 0.6 points (from 5.5 points).

TOP 3 INDUSTRIES BY AVERAGE MATURITY

6.3
Professional Services

5.5
Technology

5.1
Telecommunications

When examining the range of responses, Professional Services firms have the highest average scores followed by Technology and Telecommunications firms.

2022 VS. 2021

Professional Services and Technology continue to be the #1 and #2 ranking industries by average maturity score. Compared to 2021, the fastest growing industries for business agility are Financial Services (3.7x), Manufacturing (1.9x), and Government (1.8x).

TIME ON JOURNEY: BENEFITS IN 2 YEARS

In 2022, findings continue to validate that **a beneficial step change happens 2 years into the transformation journey.** Benefit then grows through years 3-8, and is the strongest at 8 years onwards.

This is a great outcome as more than half of the respondents have been on their business agility journey for over 2 years.

This finding also provides comfort to the leaders that initiate a transformation, noting that in larger organizations it can take 6-12 months for the change program to get started.

We suggest that this finding also demonstrates a limit to the pace of change that the average person in an organization can accept and sustain. In recognition of this, the key predictors of business agility support that initial transformation investment should be directed towards practices that allow for improvement in small iterative cycles, in teams clearly aligned to value streams, where funding can be redirected depending on what is gleaned from each improvement cycle.

[1] We excluded industries with fewer than 10 responses, such as Healthcare (6.0 with 6 responses) and Media & Marketing (5.4 with 8 responses)
[2] There is no meaningful variation when small (<50 employees) organizations are excluded from the analysis

2 YEARS

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

56%

of respondents have been on the journey for more than two years.

9%

**of respondents have been on the journey for more than eight years.**

The two capabilities, *Fiercely Champion The Customer and Unleash Workflow Creatively*, see the biggest improvement in the first two years of a business agility transformation.

This makes sense as process improvement is the starting point for many organizations (e.g transforming the software development process by adopting Agile methods or transforming the budgeting process by implementing adaptive finance methods). Similarly, organizations report one of the primary goals of their business agility journey is to become more customer centric.

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.

In other words, transformations do better when they are led from the top.
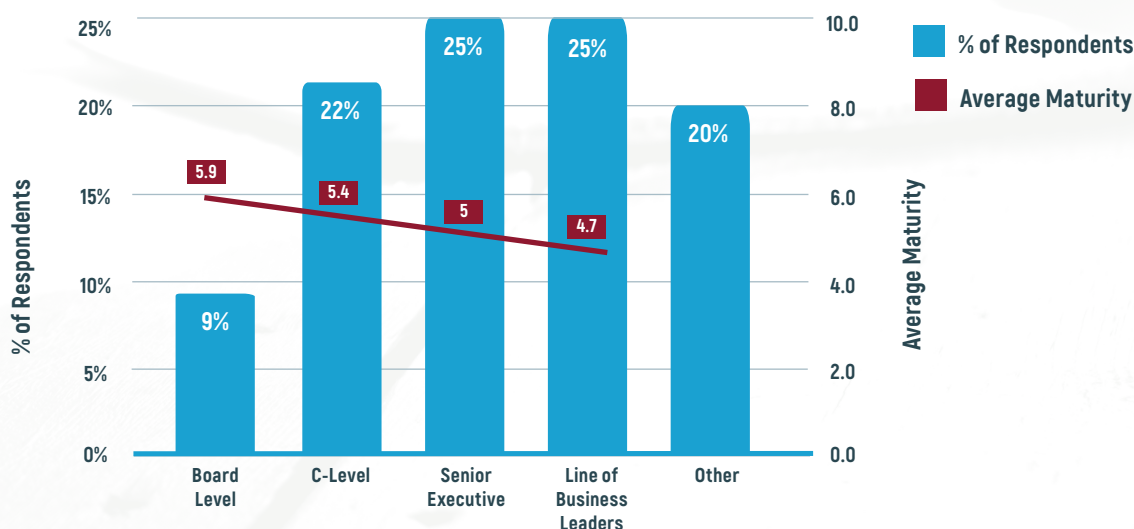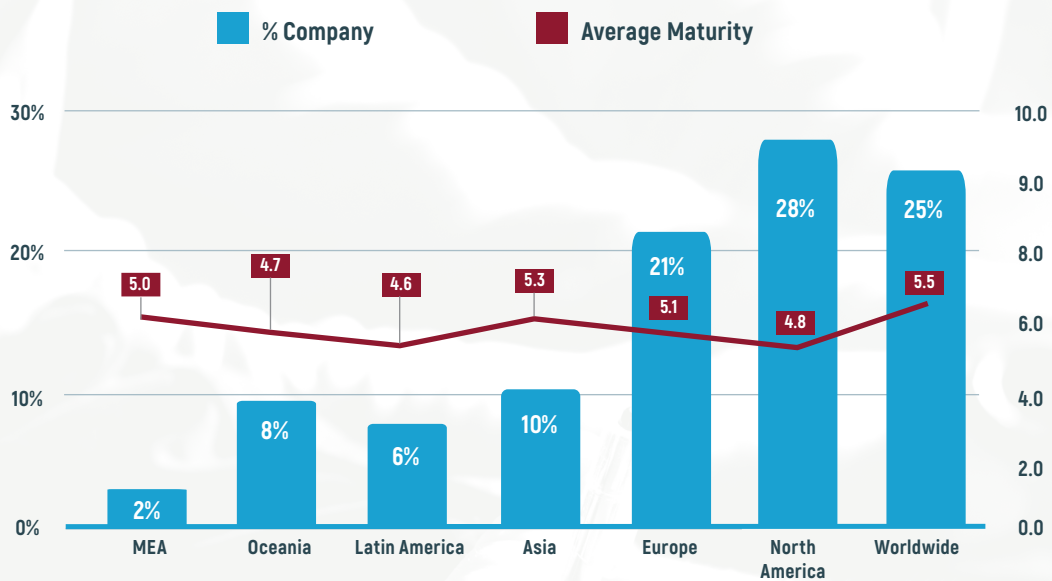

2022 VS. 2021
Board-led transformations continue to have significantly better results compared to 2021, 2020, and 2019 (5.9 vs 5.5 in 2021 and 5.1 in 2020).

BUSINESS AGILITY AROUND THE WORLD

For the first time since this report started in 2018, multinational organizations -— those who operate worldwide -— demonstrate higher levels of business agility compared to organizations operating in any one specific region.

While further research is required to understand why, anecdotal evidence suggests that in 2022 the investments made to thrive during the global COVID-19 pandemic are continuing to provide broader benefits.

Other than worldwide organizations, Asian based organizations continue to hold the lead in average maturity ratings, followed closely by European ones.

2022 VS. 2021

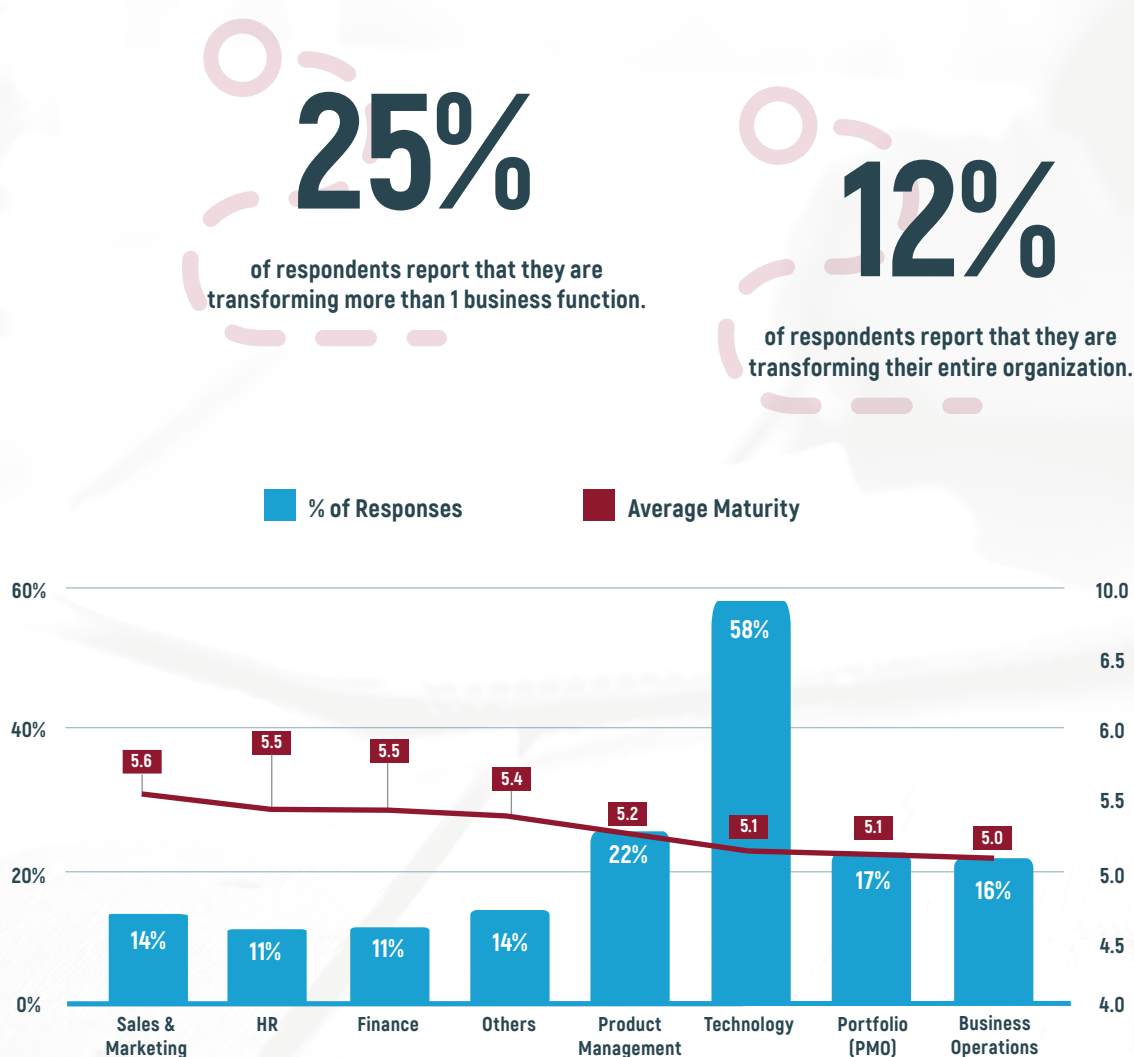Compared to 2021, key regions whose score had dropped over the pandemic are returning to their pre-pandemic levels. North America rose back to pre-pandemic levels from 4.9 (2020) to 4.1 (2021) to 4.8 (2022). Oceania moved downward to pre-pandemic levels, from 5.0 (2020) to 5.6 (2021) to 4.7 (2022). Multinational organizations, those organizations who operate worldwide, also rose -— by an average of 0.5 points.

WHOLE OF BUSINESS CHANGE PROGRAMS GIVE BETTER RESULTS

Organizations 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; usually Technology.

Care must be taken with the largest of organizations in selecting when to transform each of their business functions. As organizations grow, value streams typically span across multiple business functions. Respondents indicate that transformation programs give better results when all of the business units involved in a value stream are transformed concurrently.

In cases where scale or complexity makes it impossible to transform the business as a whole, organizations should clearly define service boundaries between transforming and not-yet-transforming functions.

25%
of respondents report that they are transforming more than 1 business function.

12%
of respondents report that they are transforming their entire organization.

% of Responses   **Average Maturity**

	Sales & Marketing	HR	Finance	Others	Product Management	Technology	Portfolio (PMO)	Business Operations
% of Responses	14%	11%	11%	14%	22%	58%	17%	16%
Average Maturity	5.6	5.5	5.5	5.4	5.2	5.1	5.1	5.0

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

PERCEPTION OF BUSINESS AGILITY

5.4	5.8	5.0	5.3	4.8	4.3
C-Level	**Senior Executive**	**Line of Business**	**Manager**	**Individual Contributor**	**External Partner**

Respondents within the same organization give a wide variation in ratings which depends on their role within the organization. We observe 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 senior executives
- External partners (Suppliers, Partners, External Coaches, etc.) generally rated their client organizations on average 1.4 points worse than employees did

2022 VS. 2021

In 2022 individual contributors returned to their pre-pandemic perceptions of business agility. From 4.3 (2020) to 5.4 (2021) to 4.8 (2022). The largest difference was in Leadership related behaviors.

The trends observed in the report's secondary survey on the difficulties in attracting & retaining staff suggests that people are more aware of leadership and employee engagement issues.

BETTER EMPLOYEE RETENTION

2020 and 2021's main concern for organizations was the COVID-19 pandemic. This year, many companies have been reporting considerable difficulties in attracting and retaining staff.

We used a secondary questionnaire to further investigate how higher performing organizations fared with attracting and retaining staff. We also asked whether the organization's way of working was seen as a means to support this. The results reinforce the successes seen in business agility transformations in two ways.

1. **Higher performers find it easier to attract and retain staff, and**
2. **Higher performers are more likely to position their way of working as a means of attracting and retaining staff.**

The questionnaire also asked respondents to indicate if and how their organization adapted its way of working when faced with high staff turnover. 75% indicated they did, with the top adaptations being:

Offering flexible or hybrid work arrangements
Increasing the feedback sought or given to staff
Changing workforce composition (adding contractors)
Re-prioritisation of work
Increasing benefits (health & wellbeing, financial, etc)
Cross-skill teams, Increase pairing
Personal Leadership & Development
Improve communication on changes to how work is done
Ask staff to work more, work overtime, do more with less

With the exception of asking staff to do more with less, we were pleasantly surprised that the reported adaptations were seen as positive contributors to employee satisfaction and the organizations' business agility journey.
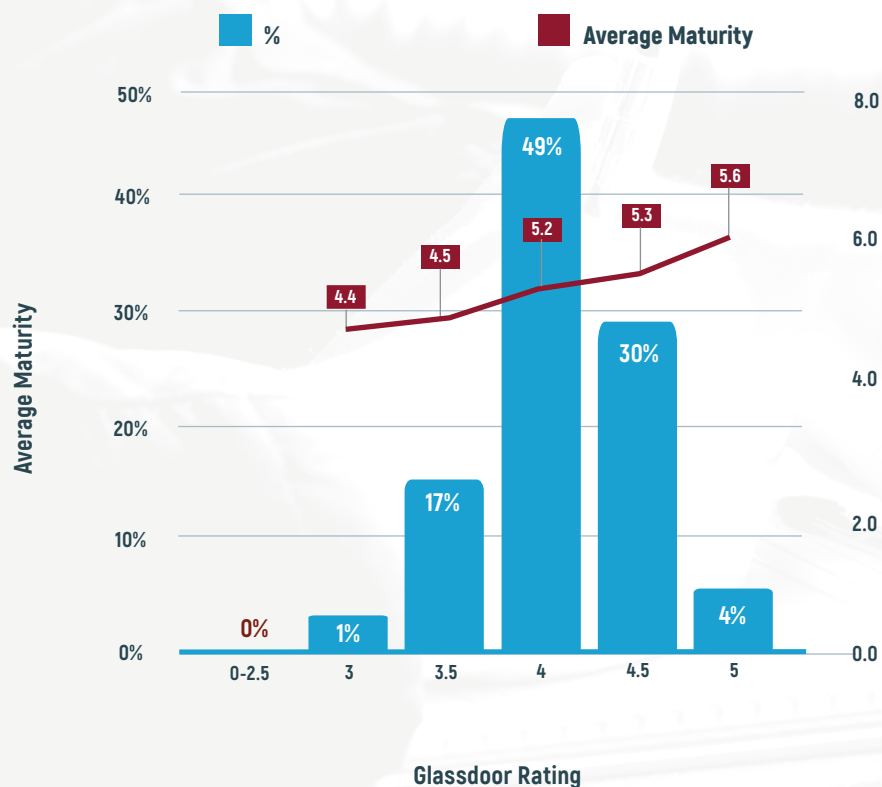
BETTER EMPLOYER RATINGS

New for 2022, we looked at how average business agility maturity scores correlated with the organization's employer review. Comparing responding companies against their glassdoor.com ratings, we found:
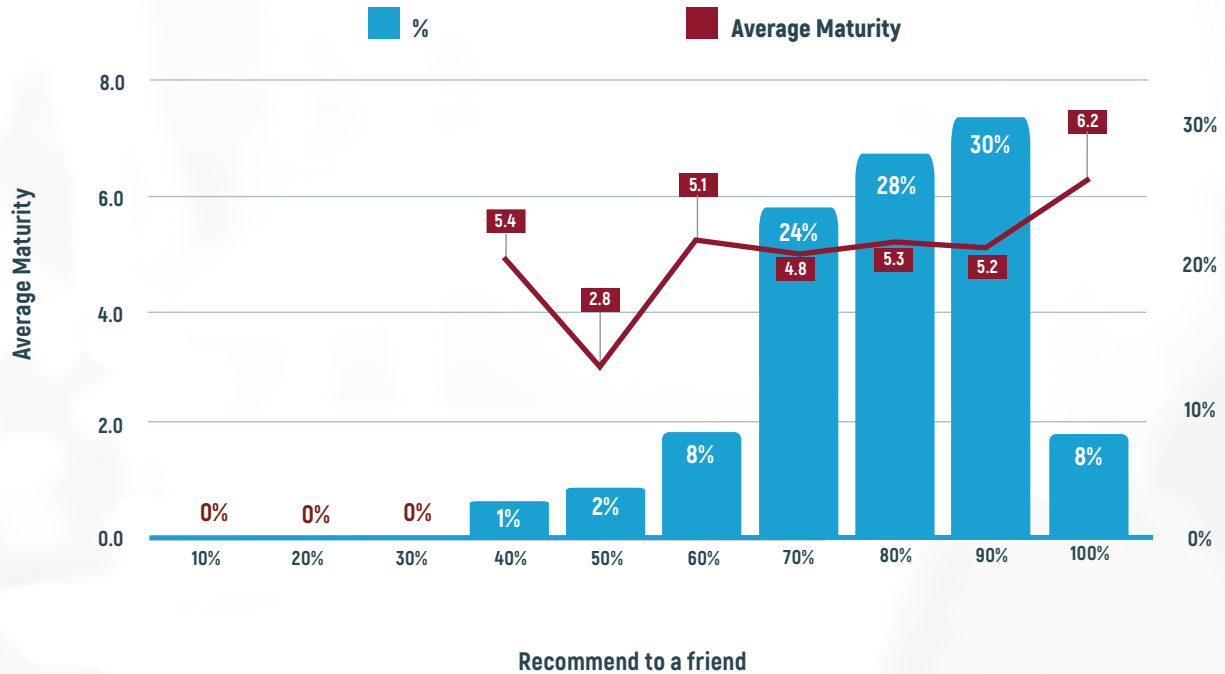
1. Glassdoor Employer Ratings improve with higher levels of business agility
2. The higher an organizations' business agility, the more likely staff are to recommend that their friends work there too
3. The higher an organizations' business agility, the more likely staff are to approve of the organization's Chief Executive Officer (CEO)

A word about this data. We were able to include 178 (60%) of participating companies in this analysis. Organizations were excluded where respondents requested anonymity, as well as for those where Glassdoor had insufficient data.
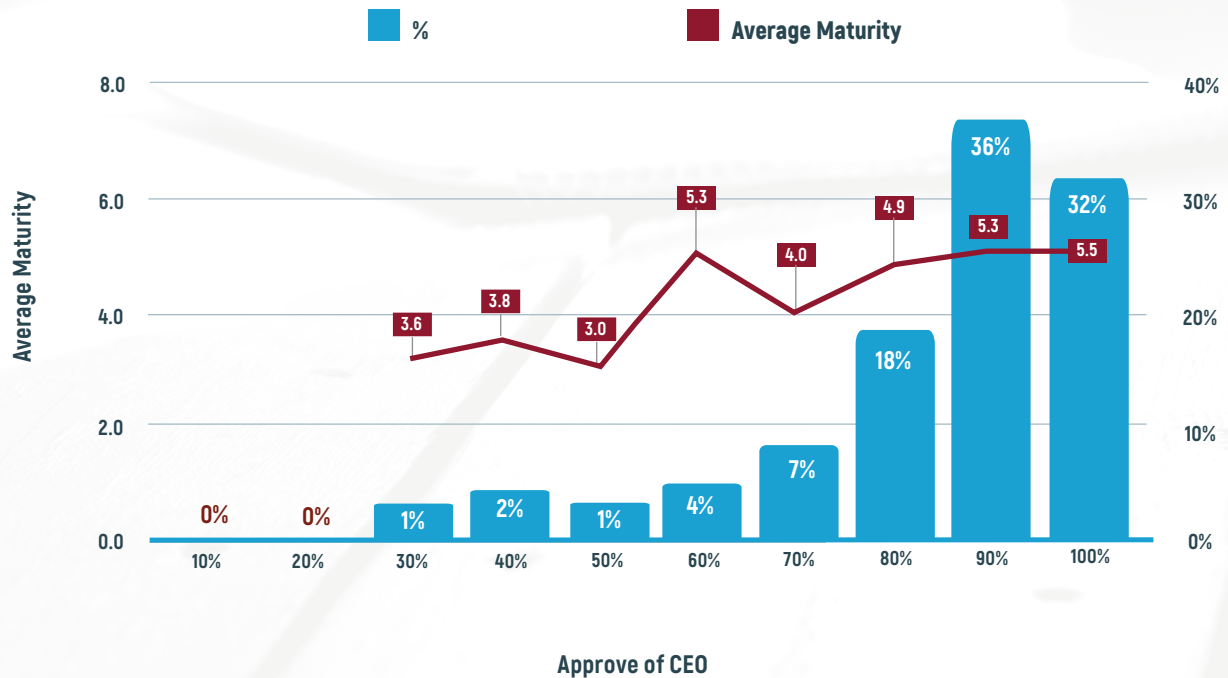
AVERAGE MATURITY VS GLASSDOOR RATING

AVERAGE MATURITY VS RECOMMEND TO A FRIEND

Legend: % | Average Maturity

Average Maturity (left y-axis): 0.0, 2.0, 4.0, 6.0, 8.0

Recommend to a friend (x-axis): 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%, 100%

Bar values (%): 10%: 0%, 20%: 0%, 30%: 0%, 40%: 1%, 50%: 2%, 60%: 8%, 70%: 24%, 80%: 28%, 90%: 30%, 100%: 8%

Average Maturity line values: 40%: 5.4, 50%: 2.8, 60%: 5.1, 70%: 4.8, 80%: 5.3, 90%: 5.2, 100%: 6.2

Recommend to a friend

AVERAGE MATURITY VS APPROVE OF CEO

Legend: % | Average Maturity

Average Maturity (left y-axis): 0.0, 2.0, 4.0, 6.0, 8.0

Approve of CEO (x-axis): 10%, 20%, 30%, 40%, 50%, 60%, 70%, 80%, 90%, 100%

Bar values (%): 10%: 0%, 20%: 0%, 30%: 1%, 40%: 2%, 50%: 1%, 60%: 4%, 70%: 7%, 80%: 18%, 90%: 36%, 100%: 32%

Average Maturity line values: 30%: 3.6, 40%: 3.8, 50%: 3.0, 60%: 5.3, 70%: 4.0, 80%: 4.9, 90%: 5.3, 100%: 5.5
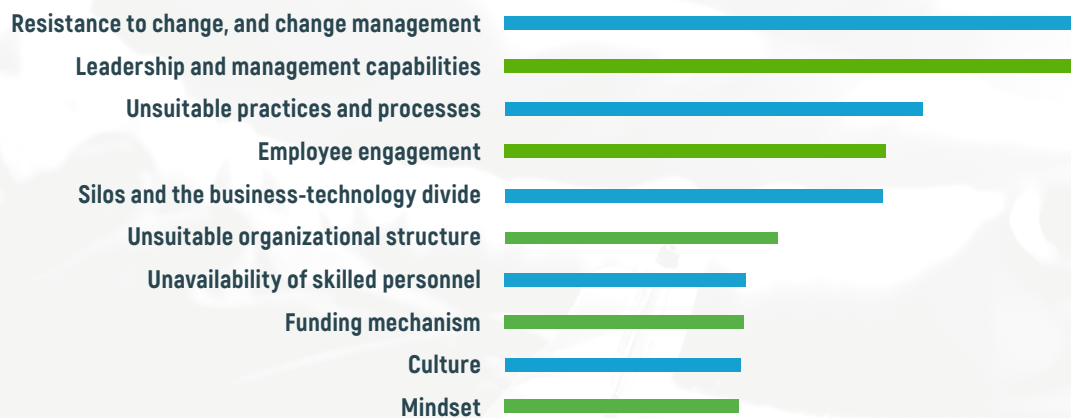
Approve of CEO

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.

The top 2 challenges reported in 2022 are Resistance to Change and Leadership. These challenges have been consistent since the first Business Agility Report in 2018.

Top 10 Challenges on the Business Agility Journey

Challenge	
Resistance to change, and change management	
Leadership and management capabilities	
Unsuitable practices and processes	
Employee engagement	
Silos and the business-technology divide	
Unsuitable organizational structure	
Unavailability of skilled personnel	
Funding mechanism	
Culture	
Mindset	

INDUSTRY-WIDE CHALLENGE #1: RESISTANCE TO CHANGE

Resistance to Change and Change Management is an ongoing top-tier challenge to business agility adoption. Change programs are resisted, not only because of the significant shift that it represents, but also the methods by which change programs are implemented and communicated.

Recommendation

Keep focus on "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 or COVID-related disruption, enabling faster time to market, and greater employee engagement or ownership of the work.

Recommendation

Allocate sufficient time to support staff early in the change. Resistance emerges when staff are asked to learn new skills above what they perceive as their core responsibilities at work. The suggestion from industry practitioners is to make time early in the change for training, and to deploy specialist staff such as coaches to support the change.

INDUSTRY-WIDE CHALLENGE #2: LEADERSHIP AND MANAGEMENT CAPABILITIES

Outdated or lacking leadership and management capabilities is the second ongoing top-tier challenge to business agility adoption.

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 report that leaders continue to use legacy leadership behaviors. These behaviors are not aligned to the desired organizational culture, and so send mixed messages to staff.

Recommendation

Embody the transformation. Leaders should strive to be mindful of their leadership style and ensure that they communicate a clear vision. While also 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 over maximizing the utilization of individuals. This is a key enabler for responding to customer and market needs.

Leveraging concepts from lean manufacturing, leaders that had previously been incentivized to maximize the utilization of individuals will need to be supported in understanding how to enable the flow of work through teams. For example, by introducing the slack time needed for continuous improvement or to reduce the buildup of work in progress.

FOCUS CHALLENGE: UNSUITABLE PRACTICES AND PROCEDURES

The top focus challenge to business agility adoption are the unsuitable organizational practices and procedures that actively impede business agility.

""People are busy with being busy, and this robs us of the time and energy to experiment, learn and change."

"The tyranny of the urgent over the important. This tends to prevent us from stepping back to see the overall picture of what we're trying to accomplish"

"Everyone finds it hard to follow the established process, even though it is extremely well defined"

– BAI SURVEY RESPONDENTS

These unsuitable practices and processes manifest themselves in different ways. The most reported were:
- Overly bureaucratic process with too many steps and handoffs. Staff tend to give up or omit steps without a clear understanding of which are high value to customers, regulators, or safety
- Following an off-the-shelf framework too rigidly
- Processes that are not periodically reviewed to remove outdated steps
- Heavily regulated industries or rigid collective bargaining agreements
- Lack of time in the system of work to look back and review what was done — a key enabler for learning and improvement
- Over-investing in planning at the expense of doing the work

Recommendation

No practice or procedure is deliberately designed to be bad. Keep processes current and effective with regular reviews, with intent to remove steps that are no longer relevant or provide a poor return on investment. Watching for processes with lengthening cycle times is one way of identifying candidates for more frequent review.

Making time for retrospectives will allow the people who do the work and benefit from it to highlight challenges in their practices, and indicate which parts offer the most resistance to the value stream.

Recommendation

Look at the plan-to-work ratio, and if the time spent planning exceeds a tenth of the overall time available consider pivoting to shorter tranches of doing the work. These can be experiments or an actual attempt to get the work done. Experience suggests that more will be learnt about the challenge and viable solutions by doing, instead of over investing in planning and estimating.

FOCUS CHALLENGES: EMPLOYEE ENGAGEMENT AND UNAVAILABILITY OF SKILLED PERSONNEL

The next focus challenge to business agility adoption relates to employee engagement. It most frequently manifests as too many change programs being underway concurrently. As a result staff have difficulty discerning what is important and end up being confused and disengaged.

A related challenge, the lack of skilled personnel, is particularly acute in this year's responses. Organizations report that they don't have enough skilled leaders, supporting roles such as agile coaches, or in high demand such as product owners, security specialists, or regulatory specialists to support the transformation.

"Staff aren't being informed or involved in business agility conversations. It's being pushed onto them."

"Our teams have transformation fatigue. It seems a new transformation activity is starting up every few months."

"It is very difficult to hire, and when we succeed we are not giving the new individuals and their teams the chance to storm, form and norm."
"We have seen significant attrition in our teams"

– BAI SURVEY RESPONDENTS

Recommendation

Developing skills internally is as important as recruiting them. As business agility develops, it is increasingly important to build internal capability. While it's possible to start by recruiting these key skills, organizations report a limited supply of experienced practitioners on the market.

A perceived shortage of skilled personnel could also be caused by ineffective prioritization. All organizations have more work to do than people capable of doing it. Effective strategic planning processes will prioritize some business objectives over others. Which, in turn, enables organizations to stop investing their limited people and funds in lower priority objectives until the higher priority ones are complete.

Recommendation

Clearly communicate the importance of business agility by not running a transformation concurrently with other major initiatives. If need be, create appropriate "headspace" by completing or stopping other major change initiatives first.

FOCUS CHALLENGES: THE BUSINESS-TECHNOLOGY DIVIDE AND UNSUITABLE ORGANIZATIONAL STRUCTURE

The focus challenges of organizational silos and unsuitable structure are worth considering together.

The impact of silos between functions is most acute when organizational value streams are spread across multiple business units. Challenges arise when there are too many handoffs between teams or too many decision makers — either of these result in extended cycle times.

Challenges also manifest in the culture of the organization — for example, when different parts of the organization refer to themselves as "The Business" and others "Technology". This siloed mentality creates overt resistance to collaboration.

"We've never been able to get a clear articulation of our transformational outcomes across the whole company, and not just Digital & Technology"

"Our teams aren't focussed on the overall business, they are focused on technology. We talk to technical implementation and not of the Customer"

"Over years of organic growth and mergers, little has been integrated across our systems, cultures, environments, and technologies"

– BAI SURVEY RESPONDENTS

Recommendation

To reduce the impact of silos and the business-technology divide, implement change programs across value streams that span business functions at the same time. This is also a key step in structuring against value streams.

FOCUS CHALLENGE: FUNDING

Adaptive funding is one of the key predictive indicators of business agility. However, it is often one of the last changes that many organizations invest in. This delay leads to:

- Inflexible "one size fits all" funding processes. Because any budget request takes the same effort, business functions are incentivized to seek funding for large multi-year initiatives instead of smaller ones that could deliver value sooner.
- A rigid annual funding cycle that makes it difficult to re-allocate budgets during the financial year as market needs or product hypotheses change.
- Difficulty in funding persistent teams because funding processes are aligned to temporary projects instead of ongoing products and services.

"

"We are overly focused on the many steps in our annual funding cycle"

"Our leaders block any changes to the (current) funding models, even if this is to the detriment of our teams"

"We spend too much time and money in the process of getting funding approval"

– BAI SURVEY RESPONDENTS

"

Recommendation

Funding models take a prominent role in planning work. Industry practitioners observe that as business agility improves, traditional funding approaches impede the ability to re-prioritize work as needs change.

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 actionable recommendations without greatly oversimplifying and devaluing the challenge. To learn more, read further on approaches such as Beyond Budgeting, Throughput Accounting, and Lean Accounting as well as topics such as funding persistent teams and moving away from approval-based stage gate governance processes.

BUSINESS AGILITY SUCCESSES

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

The standout theme of 2022 is how business agility leads to better ways of working — particularly collaboration. Respondents frequently indicated that these improvements yielded benefits to customers (through an improved product or service), to the workforce (with processes that were more pleasant to work with), and to the organization (by achieving business outcomes, market, and financial benefits).

In comparison with 2021, there is a stronger emphasis on benefits to the workforce. Business agility is associated with people understanding what they're doing, why they are doing it, and taking pride in delivering value with less unnecessary effort.

Shareholders will be encouraged by the continuing trend of delivering business outcomes, improved speed to market, and market success with the associated financial benefits.

In other words, business agility is good for the workforce, customers, and the organization.

Most Significant Organizational Benefits of Business Agility

- Better Way of Working & Collaboration
- Customer Satisfaction
- Employee Satisfaction
- Improved Practices and Goal Setting
- Adaptability to change
- Business Outcomes and Value
- Transparency and Communication
- Speed to Market and Cycle Time
- Financial Benefits
- Market Success

BENEFIT #1. BETTER WAYS OF WORKING AND COLLABORATION

Related benefits: Improved Practices and Goal Setting, Adaptability to Change

For 2022, respondents most frequently cited the benefit of better ways of working and collaboration as a result of their business agility journey. This theme encompasses a series of related benefits that arise from improving how work is done. These practices are linked to the key predictive indicators of building a culture of relentless improvement, and structuring against value streams.

- Doing work in smaller batches over a shorter time box
- Allowing work to be done in a more collaborative manner
- Effective communication between business units, which reduces information silos
- Communication of expected goals or outcomes
- Structural changes to how people and teams are organized

"We've seen a blossoming of individuals and their willingness to bring innovative ideas that challenge the previous status quo. The result has been improved employee well-being, improved information sharing, and better financial performance."

"In a huge win for agile practices across our organization, our Human Resources teams have shifted to more agile ways of working. (The result is) feedback being provided at much more frequent intervals."

"The organization is far more connected. Silos still exist, but it has become much easier to collaborate."

– BAI SURVEY RESPONDENT

BENEFIT #2. CUSTOMER SATISFACTION

This benefit arises from practices that make customers feel more engaged by:

- Taking customer feedback into account in product development
- Communicating the link between received feedback and a change made in response to it
- Releasing small improvements in more frequent intervals, which makes it easier for customers to adapt to

Note that, while related, this theme is distinct to that of business outcomes, market, and financial success. This is because some businesses with strong customer satisfaction struggle with other market or supply-chain challenges.

"We have seen that we deploy smaller units of value more often; (this brings us) closer to the customer's needs and understanding the value we bring to our customers by measuring impact."

"Customer satisfaction has increased as we've been able to be more transparent of the work being done."

"We have been able to apply more human centered design and behavioral sciences practices to our products and garner earlier customer feedback."

– BAI SURVEY RESPONDENT

BENEFIT #3. EMPLOYEE SATISFACTION

Related benefits: Transparency and Communication

Linked to reduced attrition and talent acquisition, employee satisfaction is tied as the third most cited benefit of business agility. Participants reported that they had:

- Ownership over their contribution at work (usually by having some control over how their work is done)
- Visibility of how their work benefited customers or other stakeholders
- Consistent communication of why and how work is done. This response was frequently linked to those in heavily regulated industries
- Regular opportunities for feedback. However, one caution in relation to surveys — while valuable for employee engagement and satisfaction, surveys can be viewed negatively if done too frequently and without demonstrated improvements made in response to the previous survey.

"We have been able to innovate in our business' processes, focussing more on customer solutions and experience, which has increased ownership of our people's contributions."

"Teams are recognising that the outcome is a more enjoyable and fulfilling life at work"

"We are having a real impact as we bring in concepts such as feedback loops, measures that matter, etc. People are thinking more about their place in the bigger picture, and how we collaborate internally."

"We have a great culture and work to the same vision. Our partners love our products and services. We have adopted a 'bets' strategy that includes the whole team in quarterly planning."

– BAI SURVEY RESPONDENT

BENEFIT #4. BUSINESS OUTCOMES AND VALUE

Related benefits: Speed to Market, Market Success, Financial Benefits

Respondents are clear that business agility makes it easier to generate value and achieve the organization's stated outcomes. These benefits are related to other reported benefits such as speed to market (which were critical to maintain during the COVID-19 pandemic) and market success.

Building on the trend identified in the 2021 report, a growing subset of organizations report that the biggest benefit of their business agility journey has been financial. Directly linking business agility to financial improvements allows leaders to address resistance to change.

"After completing a piece of work sooner than anticipated, we were able to quickly pivot our production efforts."

"Markets are responding positively beyond our wildest dreams. Really big things are afoot."

"We have had quicker time to market, with less operational risk, and a better customer and employee experience"

"Over the years, our company has stayed relevant and successful despite a challenging business environment and market consolidation"

"Simply put, more customers and revenue."

– BAI SURVEY RESPONDENT

SURVEY DEMOGRAPHICS

Business agility continues to be a global trend. We surveyed a diverse range of 296 organizations, with 6 to 600,000 employees, spanning 42 industries, across 52 countries. All are striving to improve their agility.

WHAT'S CHANGED IN 2022:

Larger organizations are a bigger part of the sample set.
Continuing the trend from 2021, the survey received a large percentage of respondents from large organizations (28% in 2020 vs 27% in 2022), and fewer respondents from small organizations (20% in 2021 vs 3% in 2022).

Markets were somewhat more predictable.
In 2019 and 2020, pre-COVID, 34% of organizations reported volatile market conditions. With the COVID-19 pandemic, this jumped dramatically to 80% in late 2020 and 2021. In 2022, while market volatility conditions haven't returned to pre-pandemic levels, they are lower -— with 59% of organizations reporting unpredictable or highly unpredictable market conditions.

TThe survey received a notable increase in respondents from Europe and North America.
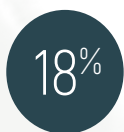The other respondent demographics were similar to 2021, if slightly lower.

Overall response rates increased by about 15% over previous years.
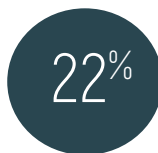
COMPANY SIZE

Respondents represent organizations of all sizes. The largest organization represented in this report was over 600,000 employees. The smallest, just 6:
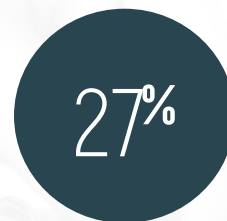
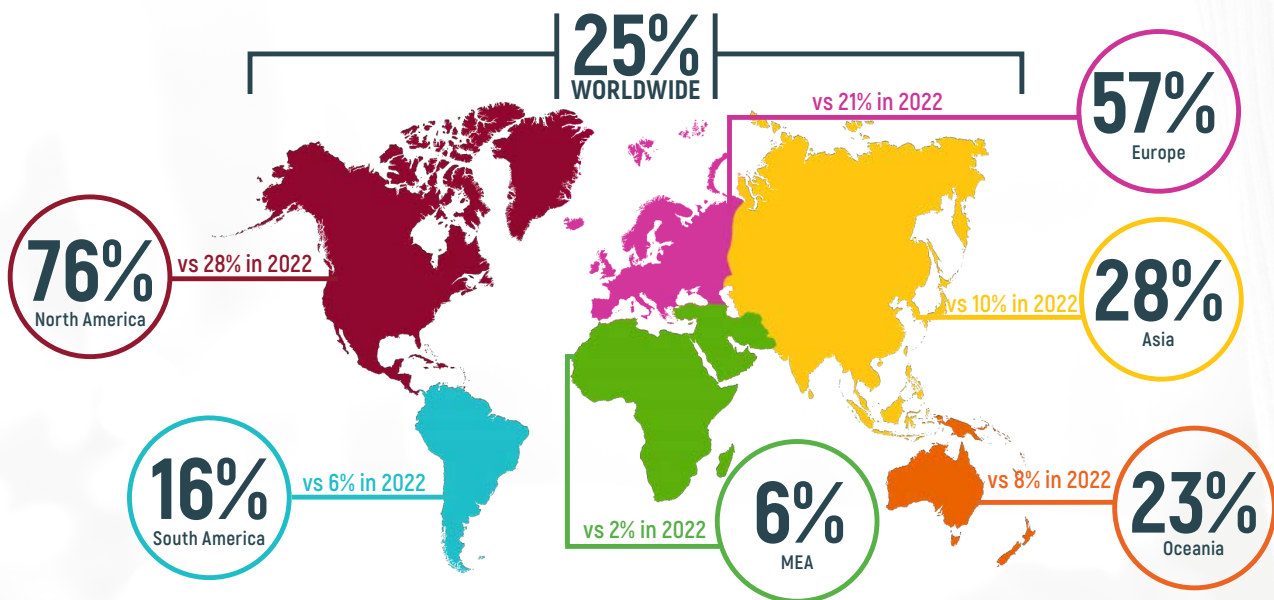| 3%	18%	22%	30%	27%
0 - 15 employees	16 - 150 employees	151 - 1,500 employees	1,501 - 15,000 employees	15,001 + employees

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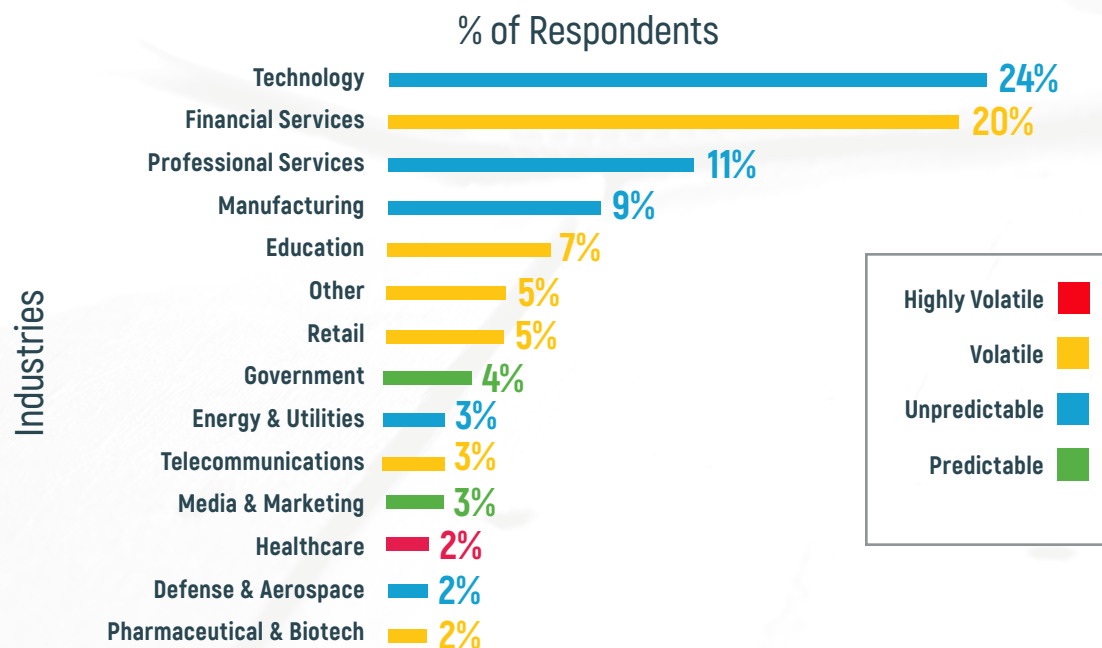
Business agility continues to be a global trend, with respondent organizations operating in the following regions:

25% WORLDWIDE

76% North America — vs 28% in 2022

16% South America — vs 6% in 2022

57% Europe — vs 21% in 2022

28% Asia — vs 10% in 2022

6% MEA — vs 2% in 2022
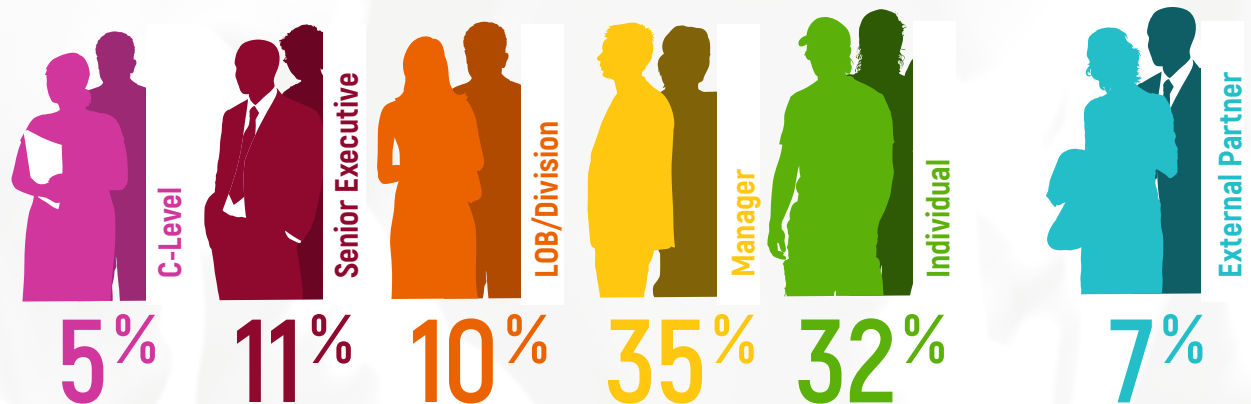
23% Oceania — vs 8% in 2022

INDUSTRIES REPRESENTED AND RESPONDENT ROLE

The report's respondents represent a breadth of industries, with the highest participation from the fields of information technology, financial services, professional services, manufacturing, and education.

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

Industries	%
Technology	24%
Financial Services	20%
Professional Services	11%
Manufacturing	9%
Education	7%
Other	5%
Retail	5%
Government	4%
Energy & Utilities	3%
Telecommunications	3%
Media & Marketing	3%
Healthcare	2%
Defense & Aerospace	2%
Pharmaceutical & Biotech	2%

Legend:
- Highly Volatile (red)
- Volatile (yellow)
- Unpredictable (blue)
- Predictable (green)

% of Respondents

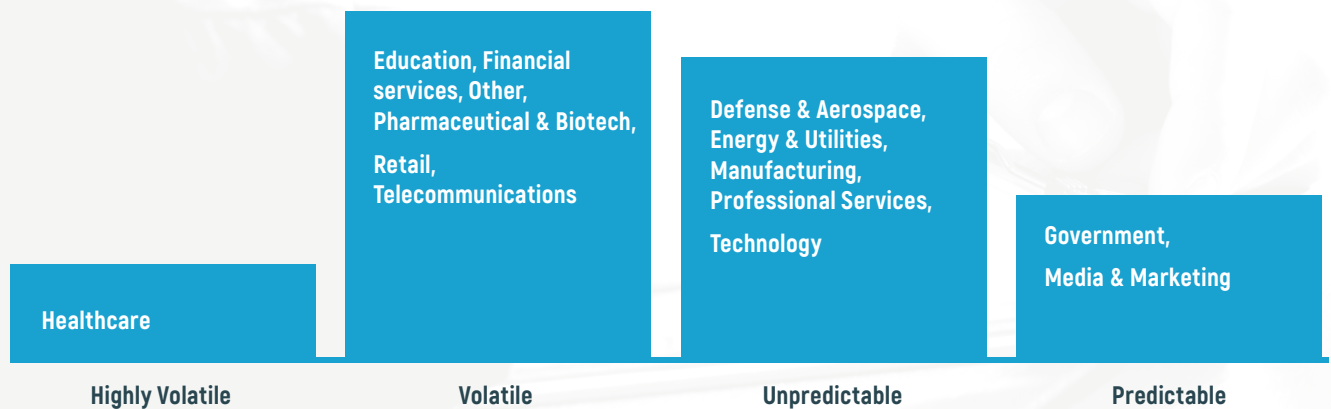| C-Level	Senior Executive	LOB/Division	Manager	Individual	External Partner
5%	11%	10%	35%	32%	7%

INDUSTRY VOLATILITY

High agility organizations are better at responding to volatile market conditions. In both 2021 and 2022, an important correlation emerged between an organizations' business agility maturity and its ability to respond to changing market conditions.

Respondents indicate that, while market volatility is starting to come down from the recent all-time highs, it has not yet returned to pre-pandemic levels. For 2022, 59% of respondents stated that their industry is volatile or highly volatile.

COVID-19 is showing a lasting effect on industries, with respondents indicating growing confidence in their organization's ability to respond to future changes and challenges.

Highly Volatile	Volatile	Unpredictable	Predictable
Healthcare	Education, Financial services, Other, Pharmaceutical & Biotech, Retail, Telecommunications	Defense & Aerospace, Energy & Utilities, Manufacturing, Professional Services, Technology	Government, Media & Marketing

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 Capabilities within the new Domains of Business agility.

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 leader in business agility.

The percentage of respondents scoring 7 or more is 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).

LEARN MORE

Take 10 minutes now to complete the Business Agility Survey for 2023:
https://agilityhealthradar.com/business-agility-survey/

ACKNOWLEDGEMENTS

WITH THANKS TO OUR CORPORATE MEMBERS

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