Management processes for agility, speed, and innovation

Stuart Winby [a],*, Christopher G. Worley [b],*

[a] Spring Networks LLC, Founder and CEO, 2297 Oberlin Street, Palo Alto, CA 94306, United States
[b] Center for Effective Organizations, University of Southern California 3415 S. Figueroa St., DCC 200, Los Angeles, CA 90089, United States

EXECUTIVE SUMMARY

The new business environment favors innovation and agility: companies that not only execute novel ideas once but do so repeatedly. The ability to generate novel ideas, develop viable products, services, or processes, and drive new value for the corporation is required to sustain organization effectiveness. More broadly, the ability to make timely, effective, and sustained organization change is necessary to thrive in increasingly complex environments. Based on collaborative research and practice through the Center for Effective Organizations, this paper describes the design of agile organizations and a management process that can support continuous innovation with speed and quality. Two case studies are used to illustrate the development and practical implementation of the model and demonstrate its results.

MANAGEMENT PROCESSES FOR AGILITY, SPEED, AND INNOVATION

Innovation — the creation and implementation of new value through business models, products, services, processes, and systems in an organization — remains an important staple in management practice and research. It has been the central story in the Silicon Valley and elsewhere where new product concepts and disruptive technologies have changed competitive landscapes and generated enormous wealth. Less dramatic but no less visible, innovation under the banners of agile software development, lean, and six-sigma have reshaped organization processes and made important contributions to speed, quality, and productivity. Innovation is a capability with cachet, something organizations want to pursue and possess.

The truth, however, is that while there is much rhetoric about being innovative and many organizations hold up their latest product as proof of their ability to innovate, few organizations have been able to sustain innovation at high levels for long periods of time. The usual suspects, W.L. Gore, 3 M, and Apple, are the exception, not the rule, and attempts to ape these firms remain mostly unsuccessful. It is a lot easier to innovate once than to be continuously innovative.

The traditional, one-off view of innovation is captured well by the classic story about Seymour Cray, the world-class 1980s developer of supercomputers. Cray likened developing the next generation of supercomputers, where processing speeds were expected to make step-function leaps, to his annual ritual of building a sailboat, sailing it for a season, and burning it to the ground. In designing a more perfect supercomputer, the only thing you knew for sure was that you did not want to be bound by your past mistakes. In other words, there is a common belief that great innovation can never follow a process.

* Corresponding authors at: Spring Networks LLC, 2297 Oberlin Street, Palo Alto, CA 94306, United States.
Tel.: +1 650 852 9521/+1 213 740 9814..
E-mail addresses: stu.winby@spring-network.biz (S. Winby), cworley@marshall.usc.edu (C.G. Worley).

A lot more is known about how to design and manage jobs, work, and organizations for repetitive tasks, reliability, and efficiency, and we know relatively little about how to design and manage continuous innovation and change. Yet continuous innovation — radical or incremental, product or process — and the management processes necessary to support it are a microcosm of the larger organization design challenge of creating agile organizations. The management of continuous innovation must be as much a part of an agile organization design as the management of ongoing operations.

Organizations are seeking ways to be agile enough to thrive in today's complex, global, uncertain, and changing environment. Research at the Center for Effective Organizations has identified the key routines that underlie the agile capability, but many questions remain. For example, can organizations that have been built for stability build a management system where creative processes happen flexibly and continually alongside efficiency-oriented processes? It is a daunting task. This article argues that one way is to build in whole new management processes that operate in parallel with the hierarchical systems typical of most organizations. What is required is a parallel management system, a new management ''work system'' that reflects and supports the routines of agility.

The purpose of this article is to describe this parallel management capability, and how it supports development, innovation, organization change, and agility. In contrast to a traditional academic model of moving from theory to practice or action research that move from practice to theory, this paper represents research findings from a highly collaborative approach of iterative mutual learning through both theory and practice, where each body of learning and knowledge informs the other over time. Theoretical issues were tested through practice and yielded practical knowledge that became important insights and observations relevant to the extension of theory. The two authors are a long-term CEO sponsor and a CEO research scientist who have collaborated on a number of research projects and executive education efforts and supported each other in their development of frameworks, practice, and publication.

The research and practice themes explored and integrated here are the design of agile organizations and the management of innovation capabilities in organizations. The paper begins with a summary of the seven-year agility research program conducted at the Center for Effective Organizations. It defines agility as the capability to make timely, effective, and sustained organization changes. This capability is operationalized by four routines: strategizing, perceiving, testing, and implementing.

In the second section, we describe the development of the Adaptive Work System (AWS) model and some case-based highlights of its development history. The AWS model not only describes how innovation can be continuously managed, but more generally, provides a way for organizations to address problems and opportunities associated with high levels of uncertainty. The authors and other CEO research scientists have collaborated on several projects and publications that have supported the development of the AWS model. We conclude by describing how these two approaches to organization change complement one another. In particular, organization agility provides important details about how leaders should make the choices regarding which strategies and innovative ideas to pursue, while the AWS model provides important details about how to design and manifest the testing and implementing routines of agility. Innovation capabilities, large-group interventions, and the concept of agility complement one another.

ORGANIZATION AGILITY

Organization agility is a cultivated capability that allows the organization to make timely, effective, and sustained change when changing circumstances require it. Also known as a dynamic capability, agility represents the capacity to sense opportunities and threats, solve problems, and change the firm's resource base.

As shown in Exhibit 1, the most important resource base is the set of differentiated capabilities that manifest the organization's current strategy and drive current performance. To support the creation of a sustainable advantage, most organizations invest in winning capabilities to increase their reliability and make them costly and difficult to imitate. While such investments often lead to superior returns in the present, they also make organization change more difficult and lead to patterns of adaptation that resemble the behaviors associated with punctuated equilibrium.

Agile organizations, on the other hand, recognize that today's strategy — and its underlying capabilities — is a wasting asset. They develop the skills and knowledge, organizational systems and architecture, and necessary experience to execute the existing strategy as well as the ability to design and support potential new capabilities.

Finally, agile organizations rest on a solid foundation of good management practice. There is little chance of being agile if an organization cannot design and operate traditional goal setting, resource allocation, and human resource practices. Agile organizations also recognize that these systems must support change. Annual budgeting and performance appraisal processes are not very flexible when the need for change is unpredictable and frequent. Instead, agile organizations design their management processes to flex and change to support ongoing performance. Thus, management processes face the challenge of driving current performance at the same time they are guiding the development of innovation and the creation of new value that will generate future revenues.
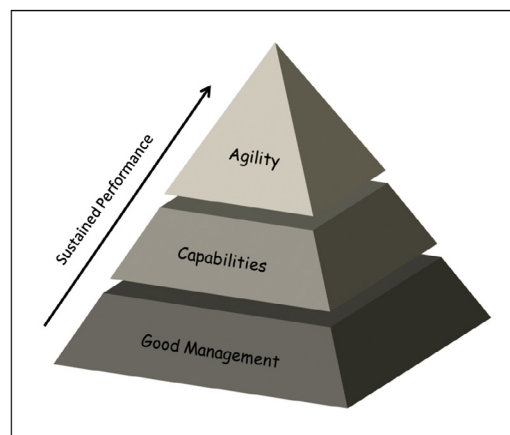

Exhibit 1   The agility pyramid.