

Organizational Agility: Creating Enduring Results by Overcoming the Cyclicity Trap



By Paige Kelly and Rusty Sherwood

Five critical factors driving agility in today's engineering and construction organizations.

What is it about those firms that seem to defy the industry odds? Whether we're reading about them in ENR magazine or in the quarterly updates from FMI's Nonresidential Construction Index, there is always a short list of firms that perpetuate profitable growth in spite of cyclicity and appear to find and capitalize on the right opportunities faster than most.

These gravity-defying firms operate in the same industry as the rest of us, dealing with the same ebbs and flows of opportunity and challenge, but culturally and structurally they are very different. Their foundations are built on a challenging blend of adaptability and discipline, of flexibility and rigor, and of creativity and data-driven systems. In short, these companies are organizationally agile.

Defined by Lombardo and Eichinger, agility is, "The willingness and ability to learn from experience, and subsequently apply that learning to perform successfully under new or first-time conditions."¹ Agility lies at the heart of those organizations that outperform cyclicity, and they see the acceleration of disruptive change as an opportunity. Whether it's global markets, technological advances, evolving client expectations or newly minted competitors—agile organizations strategically respond with urgency and intentionality. Leaders inside these agile organizations understand that high responsiveness to change is a function of building an adaptive mindset across all members of the organization and putting the systems in place to drive transparency

Organizational Agility is the ability to respond to strategic shifts in internal and external environments, make collective commitments and deploy the necessary resources quickly to capitalize on new opportunities.

¹ Eichinger, R. W., Lombardo, M. M., & Capretta, C. C. (2010). "FYI for learning agility." Minneapolis: Lominger International: A Korn/Ferry Company.

and operational efficiencies. It's not enough to be open-minded and receptive to new ideas or to have operational discipline. Agile organizations must have both and are led by leaders who get the importance of maintaining balance between adaptability and discipline.

Agility and Living in the Tension

In a recent study,² the authors found that the combination of speed to actionable decisions and structural stability determines an organization's aptitude towards agility. These two factors seem diametrically in opposition but work together to keep a company from becoming too rigid or erratic. The speed of decisions allows the company to adjust to a constantly changing landscape. In addition, an appropriate level of structural stability helps the firm focus on executing results in the short term while meeting longer-term goals. If you expense rigor, creating efficiencies of process and analysis becomes impossible. And, with too much rigor, a point of decision paralysis takes over. Those companies that can walk the tightrope between flexibility and process reap the benefits of agility, capturing opportunities that other companies only see in hindsight.

In the construction industry, we have seen this tension unfold as companies grow from smaller, entrepreneurial outfits into larger, complex systems. For example, one general contractor in the Northwest was vehemently opposed to implementing new procedures as it evolved into a larger organization. The idea of implementing processes and procedures felt bureaucratic and stifling to the firm's ability to adjust course quickly in response to external market dynamics. As a result, proposals, project management and closeout were significantly more difficult for this firm; capturing lessons learned and adjusting within the company's existing markets were nonexistent. The speed of progress the firm experienced as a small company—when fewer individuals were making decisions—slowed significantly due to a lack of clarity in process, goals and values used to align individuals. Consequently, the organizational stability was below average, which ultimately also prevented the organization from adapting quickly.

Five Factors of an Agile Organization

Through our industry research we have found that highly agile companies within the engineering and construction industry have a combination of five critical factors that provide structure to timely decisions. Given the variety of clients, projects, markets and industry sectors we work in, organizational agility can take various forms. Specifically, the five critical factors contributing to a company's overall agility are:

It begins with agile leaders. The practice of agility starts at the top, with executives who drive innovation throughout the organization. Company vision, direction and key decisions are frequently and consistently communicated to all levels of the company. The ability to take risks is encouraged and rewarded within the existing systems. Agile leaders look for opportunities to capitalize on external ideas, but also embolden employees to bring ideas to the forefront of the organization. They also inspire and empower their organizations to approach challenges differently based on lessons learned, new available information, nimble operations and flexibility to respond to changes. Often, company leaders promote agility by spearheading systems, practices and processes that drive the pursuit of new markets and new ways of doing things but with efficiency and rigor. Cultural agility starts with the leader.

As one industry stakeholder stated, "The fact is you have to keep moving. Oth-

² Bazigos, M., De Smet, A., & Gagnon, C. (2015). "Why Agility Pays." Retrieved from <http://www.mckinsey.com/business-functions/organization/our-insights/why-agility-pays>.

erwise you can get paralyzed if you want to create too much certainty around you. And this also drives the ability to evolve and adapt and be agile.”

They have a company vision that requires agility and adaptive norms. If vision is the foundational driver of why a company exists, how it operates and ultimately defines where it’s going, agile organizations have a vision that infers the necessity of adaptability and disciplined execution. The company culture that supports this kind of vision embraces all those operational pieces that foster innovation, speed, resiliency, peak team collaboration and efficiency. What is rewarded, compensated, measured and recognized aligns with empowering individuals and teams to move and adjust quickly. You find delegation and empowerment embedded in the organizational DNA. Agility as a cultural norm means that individuals have the ability to fail fast and make adjustments without giving away the business. A specialty contractor in Southern California, for example, utilized this environment to create a highly adaptive prefabrication facility with pre-fab shop leaders empowered to flex shop configuration as needed.

As one industry executive added, “So you’re dealing with corporate culture, aptitude, an interest to evolve your business and to deliver your business plan for the current year. These things are always in tension. But one of the best ways of resolving the tension is to have it on the table and debate it and create an arena and a room and the license to challenge and discuss.”

The culture drives fanatic attention to process and systems. Organizations can avoid making erratic decisions by creating clear structures, establishing boundaries and providing long-term stability. For example, if role clarity exists for empowering individuals (e.g., Who should make decisions when problems escalate? How does each individual contribute to the team? etc.), the existing systems should accelerate decision-making versus slowing it down.

Specific organizational design elements include, but are not limited to, clearly identified roles and expectations, organizationally ingrained values that are communicated and lived, practices to encourage high-performing teams, objective-based meetings, cross-functional collaboration and continuous improvement protocols. Implementing these systems and processes can result in highly viable roles and responsibilities that are rigorous in nature but also flexible. Internal processes are in place to vet ideas, measure them and move forward rapidly. A company may create funding for people to pursue agility and allow the process to prove itself. Test markets are essential.

They pursue talent diversity actively. Within agile organizations, diversity of skills and abilities encourages a village of thought that brings wide-ranging perspectives on where to play and how to win. Organizational agility encourages healthy internal competition through challenging individuals to innovate and solve problems differently. Companies with process-driven hiring practices, for example, focus efforts on recruiting individuals who espouse the organizational values as well as the competencies that the firm deems critical to its culture. Although it might vary depending on the company, individuals that have high levels of curiosity and tenacity and are highly coachable would make compatible candidates for an environment that encourages quick learning and response. Combining the rigor of hiring processes focused on key competencies and innovative ways to recruit talent increases an organization’s ability to sustain agility.

It's important to note that leaders of high-performing, agile companies tend to be zealous of ongoing performance improvement and continuous feedback. Because responsiveness is key in making quick decisions, the yearly performance review is vastly insufficient to meet these needs. Frequent feedback for individuals provides in-the-moment opportunities to grow and develop thinking. The most agile organizations are closely focused on providing nearly continuous feedback and learning opportunities for their people. This is particularly important for younger employees: In FMI's recent [millennial study](#), almost 50% of the millennial survey participants responded that they wanted feedback on a monthly basis. This is a key indicator of how this young generation is driving change in performance management and organizational behavior.

Vision without flawless execution is delusional. One of the factors that sets an agile organization apart is its ability to act and respond to changing conditions. Planning and execution occur in nearly every company in the industry, but operational discipline truly differentiates agile organizations from the rigid ones. This is the ability to create operating practices, ingrain them in the culture and build in opportunities to adjust as needed. For a specialty contractor in the Northwest, its ability to build a network of trusted, like-minded subcontractor partners allows it to quickly mobilize and execute on new projects at any given time.

Finally, corporate agility practices include everything from lean ideology³ to scrum masters and leaders,⁴ to increased sensitivities and decisions when responding to market trends and thinking strategically. The litmus test for what an organization should adjust to lies in how it is guided by company values and processes that allow for decision-making by employees at all levels.

Lean Process: continual elimination of waste
Scrum: management and control processes for completing complex projects and scopes of work
Strategic Thinking: process in which individuals think about, assess, view and create the future for themselves and others

How to Increase Organizational Agility

Incorporating agile practices while combining speed and stability requires “whole-brain” strategic thinking leadership who cultivate mental flexibility and systems thinking at all levels. These leaders actively recognize the results of top performers but continuously point out the correlation between exceptional outcomes and the ability to adapt and deliver. In short, an agile culture is created and reinforced daily by leaders mindful of its impact on performance, including highly engaged talent, greater employee empowerment and accountability, increased customer and employee satisfaction, better operational efficiency and faster time to market.

The idea of organizational agility is very enticing but not for the thin-skinned or those looking for a quick fix. It takes deep conviction, strong initiative and unwavering tenacity to first envision its impact and then translate and reinforce the behaviors required throughout the organization.

³ Rigby, D.K., Sutherland, J. and Takeuchi, H. (2016). “The big idea: embracing agile.” Harvard Business Review.

⁴ <https://www.scrumalliance.org/why-scrum>

To begin the process of building an agile organization, leaders need to establish a clear vision and direction for the business that underscore the need for openness to new ideas and fanatical attention to efficient systems and processes. Because what matters gets measured, these leaders identify three to four performance metrics that measure agile performance. Next, they empower individuals through effective delegation, reduce organizational layers that slow down decision-making, and manage outcomes with clear expectations while empowering others to design the means to achieve those outcomes.



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