



Reprinted from *Future of Work Agenda*
September 2007

Corporate Agility – Why Now?

by Charlie Grantham, Jim Ware, and Cory Williamson

*This article is another excerpt/adaptation from our new book, **Corporate Agility**. The book has been “in the works” for over three years. It’s meant to be a guidebook, a roadmap, if you will, to help executives make their organizations more adaptable, more sustainable, and more able to deal with an increasing amount of change.*

While no one can sketch the business world of the future with any accuracy, one thing is certain—it will be as different from its predecessors as the factory was from the farm. And while the great drivers of change in the past century—i.e., globalization, the diffusion of technology, and shifting demographics—may not have combined to create a world that is truly flat, the playing field is unquestionably far more level than it once was.

The flow of manufacturing jobs from the traditional centers of production in Europe, North America, and the Pacific Rim to the developing economies of China, India, Central and South America has been well documented. But while the economic giants of the 20th century have been able to soften the blow of that loss through the realignment of their labor forces, the long-term consequences of the transformation have not yet been fully understood.

At the very least, however, those companies whose decades-long reliance on traditional product lines—whether they be automobiles, electronics, or pharmaceuticals—have begun to realize that it is not only production that has fled their shores. Accompanying those jobs, it seems, was the culture of education and innovation upon which the West was founded. As a result, forward-thinking corporate managers have been forced to rethink their cost structures, their management priorities, their market strategies, and their product development.

As successful as they have been, however, they are but products themselves of a far more important core function—the “institutionalization of innovation.” Since the workplace programs of today will age just as surely as the workforce will, it is only by continually reviewing market conditions, reexamining corporate strategies, and reallocating resources accordingly that businesses can prosper in the increasingly volatile and unpredictable global economy of our day. We believe there are three major challenges facing businesses today:

- ◆ reducing fixed operating costs
- ◆ confronting the coming talent shortage
- ◆ institutionalizing innovation

Those experiences have reinforced our belief that corporate agility can be achieved only through the continuous, collaborative management of HR, IT, and CRE. We call this approach **Collaborative Strategic Management**, or CSM for short.

That said, Collaborative Strategic Management involves much more than the simple integration of those traditionally separate functions. CSM means putting processes and practices in place that will allow HR, IT, and CRE managers to create a unified approach to the organization's business imperatives, and to resolve them while respecting a core of shared corporate values. Seen from this perspective, CSM is as much about the "why" of strategy as it is the "how," affecting not only strategic decision-making, but plans made in the larger pursuit of corporate agility.

CSM is meant to ensure that HR, IT, and CRE work together towards common goals. It does not demand that the boundaries and differences among these three professional disciplines be eliminated; rather, it recognizes and values those differences, and the unique contributions to the business that each of them make, but it requires that those contributions be made within a context of mutual respect, and with the understanding that all three perspectives are needed to produce an effective, sustainable, agile, organization.

CSM is *strategic* in the sense that it anticipates—in fact, even expects—continual change in the broader business environment. In that sense, it is about management *over time*, because continuous environmental change demands continuous organizational and managerial change. CSM, then, is the dynamic and ongoing process of internal decision-making that is the essence of corporate agility.

Of course, agility is a continuous process, so we can virtually guarantee that just as you master the techniques and ideas we've discussed here, the rules will change again.

But why now, you ask? What is so unique about the present time that it requires such foresight, reinforced by so much hard work? In three words—The Information Age. Taken together, the two decades from 1990 to 2010 have brought us to a moment of unprecedented change. A failure to adapt to this change, which affects both our society and the global economy, will leave the "dinosaur" organizations of our day lumbering about vainly in search of food and water, while more the more agile creatures of recent business evolution run circles around them.

In order to understand what we as managers need to be doing, let's look at two different but highly complementary perspectives on this issue. First, let's consider the sociological view.

Why Now? Change is More Dramatic Than Ever

At first glance the present economic climate hardly seems like the time to begin planning and testing new models of corporate infrastructure and strategic planning. Many organizations are still recovering from massive layoffs, and in some cases—although mostly in manufacturing—continuing to shed resources.

As we write, therefore, corporate human resources are being challenged to deliver like never before, and at the same time being forced to transform the way they operate. Information Technology, on the other hand, is rapidly becoming a commodity, leading to the routine outsourcing of most IT services. And Corporate Real Estate has its own problems, what with facilities vacancy rates varying widely around the world, and continuing financial pressures to consolidate space.

Under these circumstances why should a prudent company allocate scarce management time and funding to integrate these diverse functional areas, even though in so doing it can make itself an “Employer of Choice,” enhancing the quality of its employees’ work experience while reducing its fixed operating costs?

Well, the short answer to “Why Now?” is that business cycles haven’t gone away. But our experiences within those cycles has changed. By that we mean that as the economy moves beyond its current contraction into its next phase of expansion, forward-thinking leaders cannot afford to make strategic management decisions the same way they did during the last cycle.

Why do we think the next cycle will be so different? What’s changing? Well, the table below may help to explain our views on some fundamental aspects of the interplay between our society and the current direction of the global economy.

| Aspect of Time | Industrial Age | Information Age |
|-----------------------|-----------------------|------------------------|
| Direction | Linear | Cyclic |
| Scale | Quarters | Days |
| Sequencing | Serial | Parallel |
| Pace | Predictable norms | Situational |
| Salience | Past | Future |

As we have said repeatedly, to remain sustainable through the next cycle organizations must become far more agile than they are today. They will need to know how to operate as a real-time enterprise with daily, or even hourly, business processes supporting parallel operations constantly focused on the future.

Agile corporations know how to staff up (and down), not only over the course of the annual budget, but overnight. They will also know how to partner with others for technology support, and they know how to move from offering a desk and a workspace for everyone, to providing the workforce with just what they need at a given moment, whenever and wherever they need it. Further, they know how to integrate those assets and how to develop innovative ways of measuring the return on investment they get by embracing new ways of working, and new way of organizing work.

All talk of “collaboration” aside, human capital is still a businesses’ most precious strategic asset; this one thing, at least, has not changed. Right now, in this period of economic consolidation, there appears to be an excess of talent. Unemployment rates hover around 6% in a static business climate. What will happen when we enter the next

phase of the business cycle? Will unemployment go to 4%? 3%? Unemployment was at 4.2% at the height of the “dot.com” craze (2000) and that was probably the lower limit for the kind of talent that will be in high demand in the future.

Enjoy the talent surplus while you can, therefore, because it won't last long. By 2010 we and many others predict that there will be a net shortage of around 10 million creative workers in the United States!

Now put yourself in the shoes of a CEO in that environment. If your firm is not a “talent magnet,” or an “Employer of Choice,” or located in a place the “emerging” workforce finds attractive, you won't be able to compete for that talent. You can have the capital, you can have the product, and you can even have the process of product development under control. but without a plan to attract new labor you are doomed. And if you wait until the talent demand equation is inverted you will be about eighteen months behind the curve. What can your competition do to you in eighteen months when they have the talent and you don't? It is an ugly, ugly picture. Will you depend on growth through acquisition? Don't count on it. The rapid deflation of the equities market has left most companies with little trading equity for that strategy to succeed.

Now look where the talent is. It's global, which means there is an even higher premium on integrating support infrastructures that rely on information technology to connect work and workers across the globe. Salaries outside the United States range anywhere from 10% to 20% of US equivalents, and therefore it's pretty clear that your new workforce is going to speak English as a second language. No, that isn't back office tech workers either. The point is that for US-based companies, the talent they need for growth will in many instances **not** be located in the places where they currently have a physical presence. They will have to integrate their work support infrastructure in new and innovative ways if they want to remain competitive.

Why Now? Technology is Reshaping the World of Work

There is much more going on today than the “Make things more efficient” focus of the office automation era and the “Oh, Gee Whiz” of the Internet bubble. We take our lead here from our friend and colleague Rex Miller and his book [*The Millennium Matrix*](#) (Jossey-Bass, 2004). While Rex's focus was on technology and the organization of our spiritual life, we choose here to dig a little deeper into the way he sees technology changing the ways we work and communicate.

Miller's basic thesis is that our dominant communication technologies profoundly shape the way in which we perceive the world, make meaning of it, and behave accordingly (he's something of a modern-day Marshall McLuhan). Over the centuries in human history we have moved progressively from a literal world without books, to a print world, and then to a broadcast world over the last sixty years. Now we are entering the digital era, in which communication has shifted from the one-to-many paradigm of broadcasting to a many-to-many mode enabled by the Internet and all its associated technologies.

The digital era introduces some very basic changes into the work world: the focus of work; how we build wealth; how we manage the processes of work; what we value (and how value is added); how production is carried out; and, finally, what we use as a

medium of exchange. This transformation is clearly a sweeping set of changes in how we work and provides, yet again, another motivation for agility.

Finally, let's also consider the perspective of senior executives.

Leadership and Strategy

If the 70's, 80's, and 90's were the decades of management, the 00's and beyond will be the decades of leadership. We really don't have the vocabulary to talk about these things yet. Peter Drucker brought us the language of management beginning the 1940's. We await the next guru with that kind of sweeping power to describe an important emergent phenomenon.

We are convinced that the days of Jack ("Neutron Jack") Welch are gone. And perhaps even the day of Bill Gates is also gone. We believe there is a basic requirement to match strategy with leadership style and ability that has become far more important today.

A feature article in the *McKinsey Quarterly* in November 2005 struck us as a first salvo in this development ("Leadership as the starting point of strategy" Tsun-yan Hsieh and Sara Yik, *McKinsey Quarterly*, 2005, Number 1). Let's start, as the article did, with a question. "What do we mean by "leadership"? Whereas good managers deliver predictable results as promised, as well as occasional incremental improvements, leaders generate breakthroughs in performance. They create something that wasn't there before by launching a new product, by entering a new market, or by more quickly attaining better operational performance at lower cost, for example."

We also like the more folksy way of putting it: Managers do things right. Leaders do the right things.

And the authors of the McKinsey article point out that if your strategy is to deliver breakthrough performance you need a different type of leader to make that happen. Seems logical enough; but the problem, we believe, lies within existing workplace structures and business processes that are constructed not for breakthroughs, but for predictable performance. Simply put, successful leaders in the 21st century will not be cut from the cloth of managers of old. Can't you just see General Motors recruiting Richard Branson as its new CEO (as if he would want the job)?

So therein lies the rub. How do companies that recognize this fairly simple truth – that new leadership is required - prepare for the future? Certainly not by staying inside their own boundaries. That's too confining, too stuck in the old ways.

This recognition leads us to predict that in 2007, with M&A activity picking up and private equity firms on the hunt for new targets, we will begin to see radically new types of leaders emerging. We may even see the development a "talent agency" pool of leaders – sort of a central casting for leadership. What exact form it will take we don't know—but certainly the old systems of succession planning won't suffice.

As usual, your comments and reactions are more than welcome. And as always, please send your thoughts to us at comments@thefutureofwork.net.

If you want to learn more about corporate agility and Collaborative Strategic Management – and incidentally how to measure the impact of this new approach to strategic planning – please pick up a copy of the book ([click here](#) to order it today from Amazon.com) and enjoy.

About the Work Design Collaborative and *Future of Work Agenda*

Future of Work is a global network of resources – practitioners, thought leaders, researchers, and senior consultants – who are committed to building and implementing physical, social, and technology-based work environments that are cost-effective, socially and environmentally responsible, and personally satisfying.

We are focused on defining the future of work and helping our members and clients achieve new levels of workforce and workplace productivity. *Future of Work* produces and distributes management tools, surveys, benchmark databases, white papers and technical reports, conferences and workshops, newsletters, books and articles, and public presentations on the changing nature of work. The Work Design Collaborative, LLC, provides leadership and infrastructure services for the *Future of Work* community.

Future of Work Agenda is a free monthly electronic newsletter produced by the *Work Design Collaborative*. To sign up for subscription to *Future of Work Agenda*, please go to: http://www.thefutureofwork.net/news_newsletter_register.html.

Direct inquiries to either Charles Grantham at charlie@thefutureofwork.net, or James Ware at jim@thefutureofwork.net.