Designing the Agile Organization: Design Principles and Practices

The design principles of organizational agility help IS organizations strike a sustainable balance between change and order. Pursued collectively, they help CIOs and IS organizations adapt to multiple constituencies, multiple choices, changing demands, new services and high expectations. This report explores the organizational design principles of IS agility.

Management Summary

Business and technological change threatens organizational sustainability, which depends on a balance between change and order. Few IS organizations can alter many of the internal forces or control the external forces that affect them, but they can control the way in which they deal with those forces. Principles of organizational agility help IS organizations strike a sustainable balance between change and order. Pursued collectively, these principles help CIOs and IS organizations adapt their organizational agility to multiple constituencies, choices, demands, services and expectations.

Consequently, there is no singular "agile organization" design. The agile organization is deliberately designed to assemble and deploy resources and services quickly and efficiently in response to diverse options and requirements in demand, supply, markets, business and technology.

Each organization must design itself to be appropriately agile in response to a unique set of external and internal forces. To assist in this design, Gartner offers the following definitions:

- **Agile**: Demonstrating the ready ability "to move with quick, easy grace"...and..."having a quick, resourceful and adaptable character" — Source: Webster's Dictionary
- **Agility**: The ability of an organization to sense environmental change and respond efficiently and effectively to that change — Source: Gartner

This Strategic Analysis Report explores the principles, practices and structures that enable IS organizations to respond with agility — that is, with the level of speed, nimbleness and grace that their business demands. The objective is not to develop a homogeneous view of agility but, rather, to identify the organizational practices and programs that allow IS organizations to introduce appropriate levels of agility for their markets, cultures, business processes and composition. In exploring these topics, the following Key Issues are addressed:

- Which forces and principles will drive the move to new organizational structures?
- Which structures and practices hold the greatest promise for facilitating organizational agility?
- What approaches to creating organizational agility have leading enterprises adopted?
Ultimately, underlying the principles of organizational agility is one concept: The modern IS organization is not the sum of its organizational chart, technologies or platforms. Rather, the modern IS organization is a fluid and flexible framework for anticipating, designing and fulfilling business objectives through IT.
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1.0 Introduction

Definition: Agility characterizes an enterprise’s ability to respond efficiently and effectively to all levels and types of change.

The term "agile" can be thought of as a descriptor of both quickness and responsiveness when faced with internal and external events or stimuli. Although many enterprises understand the need to be quick and responsive in a global economy and in a market that is constantly changing, many are not structured to do so. Traditional IS organizations would seldom be characterized as agile but, rather, as an ever-expanding center of costs that "keeps the lights on."

This perception is changing, as leading enterprises understand the need to not only structure business operations for agility, but also to structure supporting and enabling organizations for agility. The agile organization of the future is tasked with not only responding to changes that present themselves clearly, but also with the ability to leverage internally and externally sourced resources and services seamlessly to deliver competitive advantage for the enterprise. The question is not what is agility, but how does agility relate to improved business performance, and how does an enterprise structure an agile organization.

1.1 Responding to Multiple Forces

Strategic Imperative: The new IS organization must be more flexible, business-oriented and capable of fast reactions to changing conditions. As IS organizations build their credibility, they can expand their circle of influence and gain greater control over what they can do, rather than what they respond to.

Key Issue: Which forces and principles will drive the move to new organizational structures?

The sheer speed with which IT has reshaped the global economy, challenged traditional business assumptions and created new forms of knowledge expertise has rocked the foundation of IS organizations worldwide. IS organizations will increasingly find external forces — customers, suppliers, internal competitors, external competitors — imposing business requirements on them, often from thousands of miles away (see Figure 1).
There is no singular “agile organization” design. Each organization must design itself to be appropriately agile in response to a unique set of external and internal forces.

**Figure 1. Forces Driving Organizational Agility**

Quickly and efficiently, people and money will flow to businesses, industries, professions and countries that offer the greatest competitive and financial advantage. For example, the IT labor market will expand rapidly beyond western countries and into the emerging economies of Asia, where low-cost labor is plentiful. Those emerging markets will use the foreign investment to educate their people, marshal their resources and build niche-oriented competitors for applications, enterprise resource planning (ERP) implementation and outsourcing. Macroforces and microforces change the demand and supply of IT-related requirements, services and sources in myriad ways.

*Action Item: CIOs and IS leaders must concentrate on building an IS organization that can sense change, prepare a response, take action and then correct itself.*

### 1.2 Objectives of Organizational Agility

**Tactical Guideline: Agile IS organizations are designed to sense and anticipate business changes; reconfigure themselves for changes in services, teams and delivery; and capitalize on broad decision-making authority and consistent processes.**

To navigate effectively through dynamic waters, IS organizations need to gain agility — speed, nimbleness, grace — in their ability to transform themselves, change direction, re-engineer business processes and accelerate execution. Gartner’s analysis of business agility reveals that three fundamental factors will enable organizations to build, sustain or enhance their agility: awareness, flexibility and productivity (see Figure 2).
Designing the Agile Organization: Design Principles and Practices

Organizational Design Objectives

- Providing continual feedback
- Building contextual orientation
- Communicating meaningfully
- Investing in knowledge networks
- Encouraging reassignment
- Developing new competencies
- Assembling diverse teams
- Using multiple service providers
- Rewarding collaboration
- Building learning portfolios
- Expanding decision-making
- Adopting consistent processes

Source: Gartner Research

Figure 2. Agility’s Three Enabling Factors

Through awareness, IS organizations learn about and understand changing business conditions. Forecasting organizational discontinuities, communicating effectively and institutionalizing feedback give people time and context for gathering information and acting appropriately.

Through flexibility, IS organizations can respond to a wide variety of business conditions. Funding models, human capital and the use of external parties can shape organizational flexibility.

Finally, through productivity, IS organizations operate effectively and efficiently, even amid significant business change. Given the factors contributing to business, technology and organizational complexity, productivity is perhaps the most elusive enabler of agility. Process definition, process alignment, well-supported collaboration and strong learning portfolios help build an agile IS organization.

2.0 The Fundamental Principles of Designing an Agile Organization

Key Issue: Which structures and practices hold the greatest promise for facilitating organizational agility?

Strategic Imperative: Designing agility into the IS organization requires adopting seven guiding principles.

Principles of organizational agility are required for any enterprise that plans to create an organization capable of anticipating and responding to change better than its competitors. The seven basic principles address the key areas of organizational strategy, resourcing, planning, change management and leveraging the most effective models for creating and delivering IT to the enterprise (see Figure 3).
The seven guiding principles, each of which will be addressed in turn, generally focus on:

- A **sourcing strategy**, as defined by Gartner, is a set of scenarios, plans, directives and decisions that dynamically defines and integrates the internal and external resources and services required to continuously fulfill an enterprise's strategy by defining who will have responsibility for meeting the enterprise's business objectives, regardless of whether the services or resources are IT or business centric.

- **Resource management** is a strategy, process and role that maps enterprise demand for IT to enterprise supply of services, people, skills and competencies. It forms the linchpin between upstream demand and downstream supply, and helps enterprises identify and allocate resources, teams and competencies to services and projects.

- **Competencies** are individual and organizational traits and characteristics that predict superior performance. Competencies do not equate to skills, which tend to be demonstrable and delivered through training. Rather, they represent a unique synthesis of knowledge, experience, learning, proficiency, skills and behaviors. Traditionally, IS organizations have focused on technical skills. Demand for business agility requires that they broaden their portfolio to include business, technology and behavioral competencies.

- **Leadership** represents the role and the quality of setting and conveying mission, purpose and change. In an organization designed for agility, leadership focuses less on command and control and more on coaching, influence, persuasion and empowerment, often among people and partners who are geographically separated.

- **Process alignment** becomes a critical component of how work is structured and moved from functional silos. What is a process? Author Thomas Davenport defines it as “simply a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization, in contrast to a product focus' emphasis on what.” (“Process Innovation,” 1993). Processes have four key attributes: observable, measurable, tunable and repeatable.
Organization basically revolves around structure, which is defined loosely as the way in which parts are arranged to form a whole or as the interrelation of parts in a complex entity. In an IS organization designed for agility, the organization is a combination of functions, processes, decision-making domains and resources. The agile organization is not an “org chart,” which generally depicts span of control, but rather a malleable arrangement for getting work done.

Change readiness represents the ease with which an IS organization can respond to foreseeable and unforeseen demands. Change readiness prepares organizations both for seizing opportunities (that is, business agility) and for recovering from disruption or trouble (that is, resilience).

Action Item: Assess the organization’s current state in the principles of agility, identify where it needs to be and by when, and assess its ability to change.

2.1 Develop a Sourcing Strategy

Historically, enterprises have viewed the sourcing strategy as being synonymous with the outsourcing action plan, carrying out the tactical functions of making an outsourcing decision and implementing an outsourcing deal. Sourcing was considered internal with external suppliers sought on a tactical basis to meet specific and discrete IT requirements. The process most enterprises followed was to develop a business strategy to support the business vision, develop an IT strategy to support the business strategy, then develop an incomplete sourcing strategy focused on supporting the IT strategy. Today, more enterprises are realizing that value is achieved when they act as brokers of service to meet the enterprise’s overall business objectives. This translates into change for the IS organization as work is transferred to external suppliers in support of the enterprise’s sourcing strategy. In the agile organization, the business strategy is supported by both the sourcing and IT strategies designed to systematically align and allocate resources and services toward supporting the business objectives of the enterprise.

Therefore, strategic sourcing is a continuous management discipline — not a one-off process — that requires a consistent and frequently revisited focus on business objectives that follow a defined process to generate value, including:

- An introspective look at an enterprise’s vision and values to determine what must happen to meet them, starting from the current operational state. The process of conducting the sourcing strategy starts with a pragmatic assessment of how ready the organization is to change. This assessment involves cultural, financial, contractual and statutory factors and will vary widely between enterprises. This internal view also focuses on current capabilities, risks in sourcing — whether internal or external — an assessment of the enterprise’s current business and IT alignment, and a high-level view of the sources and services available in the market.

- A pragmatic, politically and financially aware assessment of the optimal configuration of internal and external services to fill strategic gaps. After conducting the internal assessment, the next set of steps involves conducting analysis of the enterprise current state and developing some conclusions on the structure of the sourcing strategy. The enterprise now can identify various sourcing scenarios, sourcing options, sourcing principles and the sourcing approaches designed to meet that enterprise’s business needs.

- The sourcing strategy must be actionable and, therefore, requires an action plan to achieve optimal service configuration, with the business case, project plans, skill acquisition plans and governance model revisions to get there. With this action plan comes a set of strategic sourcing principles, which can be devolved to line management to provide a basis for consistent decision making throughout the enterprise (see Figure 4).
1. Assess what the organization needs to help meet business objectives.

2. Realistically analyze the services and service delivery options to get there.

3. Propose a course of action, including business plan, to make it happen.

4. Distill sourcing principles to handle possible scenarios, services, events.

5. Define clear, well-enunciated project plans to reach the desired new state.

Agility is gained through having a ready approach and actionable plans for handling change.

Source: Gartner Research

Figure 4. Develop a Sourcing Strategy

Action Item: IT leaders must build new strategic processes into their workflows to ensure that the sourcing strategy is continually up to date. After the initial effort to generate the first strategy documents, the resource requirements for these processes should not be too burdensome.

2.2 Adopt Resource Management

Strategic Planning Assumption: By 2005, 70 percent of large and midsize enterprises will establish, fund and staff strategic resource management programs as a foundation of workforce agility (0.8 probability).

As business becomes knowledge-intensive, choosing the right people at the right time for the right reasons increases in importance. Resource management is a powerful platform for achieving that coordination.

Simply put, resource management maps the business need for IT to fulfillment through people, service providers and other parties. At its broadest, it embraces external scanning, business sensing, business and technology strategies, relationship management, skill management, knowledge management, reassignment, career paths, recruitment, external sourcing and learning programs. Resource management has several benefits. It coordinates opportunities as projects accelerate and people seek new assignments and learning, thus helping enterprises compete for talent. It detects knowledge gaps and bottlenecks, thus creating a tool for assessing and mitigating risk. Finally, it provides organizational intelligence to map ventures and projects on the demand side to people, assignments and external sources on the supply side (see Figure 5).
Figure 5. Building Blocks of Resource Management

Resource management is gaining momentum in mainstream enterprises, after becoming nearly a science in many IT service providers and Type A enterprises (That is, aggressive adopters of technology). Resource management — through interrelated foundations, tactics and strategies — builds an organizationally intelligent exchange that knows where demand is rising, where it is waning, which competencies are needed, which people are prepared and which resources and services can be reallocated or exploited.

Numerous roadblocks to effective resource management exist, including:

- Uncontrolled, unprioritized demand flowing into the IS organization from multiple, unmonitored pipelines
- Weak governance, architecture and leadership that collectively fail to define what business-recognizable value the IS organization will deliver
- Entrenched “buddy systems” that allow project leaders to pick their favorite people for project teams
- The absence of immediate or tangible benefits from workforce planning
- Human resource organizations that do not take on the challenge of true human capital management
- The fragmentation of tools for coordinating demand, projects, assignments, opportunities, competencies and learning programs

Action Item: Take a strategic view of resource management and fund it effectively for process definition, ongoing maintenance and people.
2.3 Build and Reinforce Competencies

Strategic Planning Assumptions: By 2006, business management skills and technology management skills will comprise nearly 70 percent of the in-house IT skill portfolio (0.8 probability). By 2006, 40 percent of roles and jobs will be unique to an enterprise (0.8 probability).

A competency is a characteristic or a set of characteristics that differentiate superior performance in a job or role. Top performers do not do more of the same things, they do different things more often, more thoroughly and in a wider variety of situations. Competency definition is the foundation of a high-performance culture. Individual competencies help people perform their roles more effectively, more productively and with consistently high performance. Organizational competencies, which set the tone for the organization, help CIOs and IT leaders determine what they should excel in, what they should take on and what they should shed. In either case, competencies will typically embrace technology, business and behaviors.

Whereas traditional IS organizations focus largely on technical skill sets, agile IS organizations build a unique portfolio of competencies that embrace technology, business and behaviors. The diversified set of competencies make the IS organizations versatile enough to anticipate, analyze and respond to myriad forces, changes and service delivery options. Whatever the delivery choice, the competencies likely will change to deliver maximum business value (see Figure 6).

<table>
<thead>
<tr>
<th>Technology</th>
<th>Business</th>
<th>Behavioral</th>
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</thead>
<tbody>
<tr>
<td>Managing programs and projects</td>
<td>Planning business strategy</td>
<td>Thinking strategically</td>
</tr>
<tr>
<td>Analyzing business requirements</td>
<td>Managing risk</td>
<td>Building relationships</td>
</tr>
<tr>
<td>Analyzing emerging technologies</td>
<td>Conducting competitive analysis</td>
<td>Operating commercially</td>
</tr>
<tr>
<td>Designing technical architecture</td>
<td>Assessing and evaluating vendors and external service providers</td>
<td>Being customer service oriented</td>
</tr>
<tr>
<td>Analyzing product and service performance</td>
<td>Planning and understanding business functions</td>
<td>Setting expectations</td>
</tr>
<tr>
<td>Understanding systems and technology</td>
<td>Prioritizing work</td>
<td>Seeking and using Information</td>
</tr>
</tbody>
</table>

Source: Gartner Research

Figure 6. Build and Reinforce Competencies

Action Item: Assess the breadth of the IS organization’s competency portfolio and begin to infuse the organization with a balance of business, technology and behavioral competencies. The appropriate balance will depend on the sourcing strategy, the services retained and the CIO’s lead in articulating how and where the IS organization will deliver the greatest value.

2.4 Cultivate and Identify Leaders

Strategic Planning Assumption: By 2007, 70 percent of organizational leaders will identify context, communication and orientation as primary leadership tools (0.7 probability).
Dynamic business environments alter the perspective of leadership and management. Knowledge workers and points of action are spread out among the workforce. Decision making and influence are no longer reserved for top-down managers. In addition, as the complexity of real-time information flow increases, the question of whom makes decisions changes. Front-line workers will steadily make decisions of higher complexity and risk, especially as self-service tools and automation take over low-complexity, low-risk decisions.

Finally, dynamic business environments need people who can anticipate and understand the value of all members of the IT service-delivery value chain: vendors, service providers, employees, contractors and other parties. CIOs, process leaders and IT managers all must raise the bar of leadership: They must support distributed decision making, equip their people to make decisions with higher levels of risk, and build a diverse and versatile workforce. Moreover, they must identify active leaders who have not only the drive, but also the business, industry and process insight to galvanize high performance around them. In a growing number of enterprises, leaders will not have formal staff supervisory titles. Rather, they will lead products, teams, processes and projects. Behavioral competencies again rise to the fore.

Increasingly complex business environments raise the bar for leadership, requiring modern traits and actions, including:

- Designing and supporting processes
- Reinforcing people’s strengths
- Removing obstacles to productivity
- Understanding the whole value chain
- Leading through purpose: not control
- Leading global change programs
- Continually setting context
- Leading virtual teams
- Balancing internal and external services
- Building and sustaining trust
- Speaking clearly and meaningfully
- Respecting people's time and priorities
- Harnessing performance amid uncertainty

Action Item: Assess the traits and actions that characterize enterprise leadership and gauge whether they are strong enough to lead dynamic business change. Be willing to share leadership and decision making with other parties.

2.5 Use Process as Organizational Glue

Tactical Guideline: Use process engineering to align projects, services and resources to business objectives and priorities.
To manage the complex business environments in which enterprises operate, IS organizations must accept process-based management principles. Processes are collections of identifiable and repeatable activities that support the delivery of services, the fulfillment of goals and the achievement of objectives.

Process design determines competencies, skills, tools, teams, work outcomes, improvement goals and programs for measurement and performance.

Process design also implies an organizational capability to analyze process flows, reduce the number of handoffs and identify potential failure points. For example, handoffs — usually representing steps in a process flow — are potential failure points; when poorly handled or connected, they negatively affect process outcome. Organizational structure and automation should follow process change, not precede it. Process flows and outcomes then drive measurement to facilitate continuous improvement and drive performance commitments (see Figure 7).

Source: Gartner Research

**Figure 7. Align Resources and Priorities by Business or IT Process**

*Action Item: Work closely with business leaders to map the IS organization’s design and resources to service and process priorities.*

### 2.6 Set the Structure of the IS Organization

**Tactical Guideline: Reorganization initiatives have a significant impact on organizational performance. The initiative must be justified and use defined processes that will ease alignment as business and IT direction changes.**

For the most part, IS restructuring is generally intended to enhance the alignment and link between business strategy and IT strategy. Notably, alignment does not live in the organization chart but, rather, in the way that people, purpose and process are aligned. According to the report "Achieving IT and Business Alignment: A Human Capital Management View," produced by people3 (a unit of Gartner), nearly 60 percent of respondents say that aligning IT processes to business processes yields the greatest alignment (see Table 1). Mapping workforce development to business and IT strategy comes in a close second.
Table 1. Organizational Initiatives and Business Alignment

<table>
<thead>
<tr>
<th>Which organizational initiatives most effectively enhance IT and business alignment?</th>
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<tr>
<td><strong>59 percent</strong></td>
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<tr>
<td><strong>57 percent</strong></td>
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<tr>
<td><strong>35 percent</strong></td>
</tr>
<tr>
<td><strong>31 percent</strong></td>
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<tr>
<td><strong>18 percent</strong></td>
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</tbody>
</table>

Source: people3, "Achieving IT and Business Alignment: A Human Capital Management View"

According to a second survey, "Organizing for Results: IT Structures and Staffing Survey," January 2003, jointly produced by people3, Mercer Human Resource Consulting and IT Association of America, participants rated their current IT structures to be most effective in achieving the following objectives:

- Fulfillment of the IT mission
- Customer satisfaction
- Productivity and performance

On the other hand, current IT functional structures faced challenges in achieving the following objectives:

- Turnaround, cycle times and speed to completion
- Employee development
- Innovation

Enterprises should tread carefully. Organizational restructuring is a strategic management decision and should not be undertaken lightly. It disrupts roles, relationships, performance and workloads; and it can lead to months of organizational paralysis.

**Action Item:** Plan thoroughly and thoughtfully. Is restructuring necessary, or are there other options? If restructuring is warranted, concentrate on process alignment and workforce development — the initiatives that generally yield the greatest alignment between business requirements and IT requirements. Clarify the purpose and objectives of any restructuring programs.

### 2.7 Develop Discipline in Change Readiness

**Tactical Guideline:** As change increases, the capacity to absorb and integrate the change decreases. Change-readiness programs increase the capacity to absorb change and improve organizational resilience.

Organizational redesign is characterized by significant change — in roles, skills, knowledge, perspective, alignment, peers and process. To be successful, it must enhance individual and organizational readiness. The ability to assimilate change is a function of the magnitude of change (such as volume, momentum and capacity) and an individual’s personal capacity for change. As changes increasingly get thrown at
people, the capacity to absorb and integrate them decreases. Resistance is a natural reaction. The resistance pyramid, developed by Nieder and Zimmerman, provides a framework for understanding why people resist change (see Figure 8).

![Resistance Pyramid](image)

**Set goals:** involve, measure, coach, offer feedback, reward and recognize

**Educate and train:** new competencies, skills and management techniques

**Communicate the basics:** what, why, how, when, whom and how severe

Source: Adapted by Gartner Research

**Figure 8. Develop Discipline in Change Readiness**

As with Maslow’s hierarchy, satisfaction at upper levels depends on satisfaction at lower levels. When business leaders and mid-level managers respond to people’s need to know, those people open up to learning the new skills and abilities involved in change. Once they have the new skills, they become confident enough to be willing participants in change.

Action Item: Build a change management framework that sensitively articulates the imperative for change, leads through action, addresses the concerns of affected stakeholders and identifies the levers that will produce change. Do not disrupt everything: “Buoys” provide stabilizing forces during change.

### 3.0 Recommendations

To address the challenges posed by the issues involved in organizational agility, Gartner offers the following recommendations for next week, next quarter and this year.

- **What to do next week:**
  - Assess the IS organization’s need *for* change and its ability *to* change. An appropriate starting place is identification of current IS organizational strengths, weaknesses, opportunities and threats as well as the benefits or problems that emerge. Most enterprises undertake this exercise with senior leaders and managers in the IS organization.
  - Use the seven principles of organizational agility as a base for analyzing the IS organization’s strengths and weaknesses. Assess whether the IS organization manifests or incorporates the design principles of organizational agility. Work through the interdependencies (for example, successful resource management depends on a well-defined sourcing strategy).
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- What to do next quarter:
  - Build a business case for organizational agility. Link the need for agility to specific business and technology objectives. The challenge for many enterprises is to bridge the gaps in strategy and key business and IT approaches that may exist between executive leadership and the IS organization. An effective business case will establish the reasons for change, identify those people who have the most to gain — or the most to lose from inaction — and will provide a set of measurements that can be acted on and that will prove the value of change.
  - Define the future role of the IS organization. Define and articulate the “future state” of the IS organization (that is, where the IS organization will be in two, three or five years). What will be its role, its value, its focus and its makeup? Articulation of the future state depends heavily on the quality of IS organization leadership.
  - Create a timeline, define milestones and identify interdependencies. Once the current state has been assessed and the future defined, set forth an action plan for addressing and adopting the design principles of organizational agility. Spend extra time orchestrating, analyzing and anticipating the productivity impact of the changes on individuals, teams, the IS organization and stakeholders.

- What to do this year:
  - During the year assemble a change-readiness program — communication, education, incentives and leaders — for continuous improvement and organizational resilience. Invest in change programs that reflect and acknowledge the magnitude of change. Identify the imperative for change, the people affected and the scope. Highly disruptive levels of change need equally strong programs for anticipating and coordinating the various aspects of change.
Appendix A: Case Study No. 1: Food Service Distributor

Key Issue: What approaches to creating organizational agility have leading enterprises adopted?

Case Study: Agile IS organizations align with core business processes. One IS organization makes the most out of its 240-person staff by aligning projects, priorities and resources to core business processes.

Prior to 1999, the IS organization within a food service distributor operated in a traditional way. Work was defined by "silos" of IT function, technology and specialty. IT managers set priorities, which seldom matched business priorities or objectives. In late 1999, the IS organization restructured from silos to cross-business processes.

All IT resources, projects and continuous services are now aligned with core business processes — customer relationship management (CRM), supply chain management (SCM) and business-enabling (for example, human resources or finance). A fourth process — integration — seeks leverage, best practices and reuse across the three business processes. Each major project must not only reflect business-process priorities, but also fuel the company’s seven long-range planning objectives. In addition, infrastructure and support services are aligned with business process through service teams and service level managers. Each service team has approximately 10 people, who are developed by and receive their service-team assignments through career coaches.

In the matrixed structure, employees move around regularly among process, project and service teams. Notably, the company has adopted an emerging practice of separating production of work from development of people. Project managers handle day-to-day activities, and coaches work with IT professionals to develop careers and opportunities.

Through process coordination in the IS organization, the company has fulfilled one of its long-range business objectives ahead of time.

- **Business issues promoting change:**
  - Business-IT alignment disjointed; IT-enabled business priorities not met
  - Priorities were set by function, technology and specialty

- **Approach to reorganization:**
  - Process alignment: the IS organization redesigned itself and realigned to core business processes — CRM, SCM and business-enabling
  - Align all IT-related projects, resources and services to business processes and seven long-range planning business objectives

- **Results:**
  - Realignment by process enabled the company to meet one or more long-range planning business objectives ahead of time.

- **Principles of organizational agility and lessons learned:**
  - Resource management (that is, mapping resources to project demand, career coaching and centers of excellence)
  - Process alignment align projects and priorities
  - Organized by business processes, and assigned by projects or services
Appendix B:
Case Study No 2: Manufacturer

A global manufacturer embarks on a journey to optimize its outsourcing relationships with a goal of ensuring business agility and innovation.

A large manufacturer outsourced its entire IT operations including IT services strategy, planning, governance and management. After a number of years, the manufacturer began working to realign its organizational structure, functional IT responsibilities, outsourcing strategy and view of the use of internal and external service providers.

Its efforts had two primary objectives:

- To get the best services delivered at the most competitive prices, enabling it to maintain its role as a global manufacturer
- To receive value and innovation from its investments in IT and supporting services, regardless of where it acquires those services (that is, internally or externally)

The enterprise's intentions included a desire to maintain relationships with its primary outsourcer while opening competition for specific services to other service providers. It also recognized the need to bring back internally the functions that should not typically be outsourced.

- **Business issue:**
  - Outsourced IT to a single service provider. IT budget as a percentage of revenue was far greater than competitors'.
  - Required innovation, process change and new IT infrastructure to become more agile

- **Approach:**
  - Recruited CIO and management team for IT management, strategy and architecture responsibility
  - Began detangling agreements and working with its service provider to drive more efficiencies into its IT operations
  - Established competitive sourcing environments

- **Results:**
  - Reduced IT operations budget by more than $1 billion per year
  - Built cooperation among providers while maintaining competition
  - Enabled major business improvements through process change and precision use of IT

- **Agility principles and lessons learned**
  - Do not outsource key management responsibilities.
  - To ensure that the enterprise receives innovation, maintain competition and negotiate innovation into contracts.
  - Outsourcing can enable agility but does not create agility — agility cannot be outsourced.
  - Agility and IT efficiency can coexist if the effectiveness of IT continues to improve.
  - A sound business case based on achieving agility and cost savings is required.

*Action Item: Do not outsource functions that the enterprise determines are core to its organization’s agility.*
Appendix C:
Case Study No. 3: Financial Services Company

A financial services company grapples with resourcing as its growth demands more-responsive services.

A major financial company saw the quality and effectiveness of its internally delivered services decline as it continued to grow. Lacking effective standards and processes, the company embarked on an initiative to change its organization and processes to focus on more-effective management of projects emphasizing sounder resourcing practices.

The company established a project office to leverage resourcing pools and best practices in project management, and to gain control over managing client demand and requirements. Improved processes resulted in measurable improvements in agility. The company could respond quicker to client demands, complete projects with improved quality, achieve higher levels of employee satisfaction, and find the right combination of competencies and job functions balanced between internal and external delivery of services.

- **Business issues:**
  - Declining rate of growth with organizational maturity
  - Regulatory and credibility issues due to a lack of effective processes
  - Need for better business alignment and controlled costs

- **Approach:**
  - Developed a strong project management orientation that managed project portfolio
  - Created robust resource and talent management pools with defined competencies
  - Organized by resource pools:
    - Application programming
    - Business relationship management
    - Technology solutions
    - Infrastructure
  - Outsourced selectively
  - Implemented organization transformation process that recognized business and human capital management issues

- **Results:**
  - Improved response time to business changes
  - Better staff utilization and development of skills and competencies
  - Worked on the "right" things to add business value
  - Improved controls
• Agility principles and lessons learned:
  – Resource management through the use of pools and project office
  – Formal change management program to support new behaviors and minimize resistance
  – Critical roles, skills and competencies defined and aligned to ensure agility
  – Process alignment to enhance productivity
  – Selective use of outsourcing

Appendix D:
Designing the Agile Organization: Design Principles and Practices

Case Study No. 4: Technology Manufacturer

A technology manufacturer strategically outsources to remain competitive and flexible.

A major technology manufacturer had to keep pace with the economic realities of change in its market. Operating more efficiently was a requirement for continued success in a global market. It developed a strategy to focus on core competencies, outsourcing certain segments of IT to external providers.

Although cost reduction in its processes and overall control of operating costs were its goals, it also achieved increased resource flexibility.

- **Business issue:**
  - High-technology product was becoming a commodity with declining margins
  - Globalization of business increased operating complexity and offshore competition
- **Approach:**
  - Organized by process to align with business structure (for example, customer relationship management, supply chain and manufacturing)
  - Transferred business relationship and analysis function to business organization
  - Outsourced major components of IS organization
- **Results:**
  - Enhanced business and process alignment improved efficiency and lowered costs
  - Better access to technology advancements
  - Improved cost control
- **Agility principles and lessons learned:**
  - Sourcing strategy provided resource flexibility
  - Minimized required investment in new technologies
  - Process organization improved business alignment

Appendix E:
Related Research

For related Gartner research, see the following:

- **Sourcing**
  - "How to Build a Sourcing Strategy," R-18-1099
  - "Sourcing Strategies: Relationship Models and Case Studies," R-18-9925

- **Resource management:**
  - "Resource Management: The Linchpin of Workforce Planning" ITSV-WW-PR-0230

- **Build and reinforce competencies:**
  - "The 25 Competencies of 'IS Lite': Briefly Defined," TU-16-1569
  - "Why Enterprises Are Talking About Competencies," SPA-08-4668

- **Cultivate and identify leaders:**
  - "Invest in People to Reap Economic Value From IT," SPA-17-2305
  - "IS Leaders' Five Myths of IS Leadership," TU-15-0043

- **Process as organizational glue:**
  - "Unlocking the Value of Business Process Fusion," COM-21-0354
  - "Process and Quality Models Can Improve IS Performance," AV-20-4159

- **Structure of the IS organization:**
  - "The Modular Organization Emerges," COM-21-4433
  - "Making the Case for the Customer-Focused ISCo," AV-19-5911

- **Disciplines in change readiness:**
  - "Offshore Management Challenges Spur IS Change in 2004," SPA-21-6114
  - "Driving Organizational Change: Key Issues," K-19-0849
  - "Addressing the Behavioral Aspects of Change," COM-10-0192