

# Building an 'Agile' Response to Change

Financial Services Practice  
**Operational Excellence**

## Contents

What is 'Agility'?	3
Why Be Agile Now?	3
The Four Pillars Supporting Agility	4
A Focus on Reconfigurable Structures	5
Where Does Agile Fit?	5
Making a Start	6
Continuous Improvement	6

## What is 'Agility'?

Agility is the ability of an organisation in whole, or in part as required, to transform itself competently in order to manage or exploit a new situation. Systemic agility is achieved by preparing people culturally for change and structuring flexibility for change into the processes, systems and infrastructure that they use.

Agility is derived from two core enterprise-wide competencies:

- the physical ability to act quickly and appropriately (**what we call 'response ability'**)
- the intellectual ability to find appropriate things to act on (**what we call 'business insight'**)

Agility can be a defined business strategy, but more and more it is becoming a required operational competency for high-performing sustainable organisations, regardless of the direction of their core business strategy.

It provides the ability to make appropriate responses to external threats and opportunities through an ability to manage change, apply knowledge and reconfigure quickly. It is becoming an increasingly important part of an organisation's toolkit for thriving in a continuously changing and unpredictable business environment.

## Why Be Agile Now?

The speed of enforced change experienced over the last couple of years has exposed many enterprises with models or operations that are unable to capitalise on opportunities, or too slow to react to threats. Whilst each industry and organisation will be able to identify its own 'agile drivers', examples that apply across the business spectrum include:

- credit crunch and financial uncertainty
- emerging and mature markets, and the tension between global and local operations
- climate change and the sustainability agenda
- the price of energy and basic commodities
- social networking and Web 2.0

Being agile means being proficient at change. The pace of environmental change will continue to increase and it is Hitachi Consulting's belief that future success, whatever your corporate objective, will only be realised by those organisations who embrace Agility now. We believe Agility is no longer a 'nice to have'; successful organisations will be the ones who embrace it.

## The Four Pillars Supporting Agility

Although each organisation is subject to different drivers and requires a unique response, Hitachi Consulting has identified some common characteristics and themes, and used by major global enterprises to deliver 'Agile Operations'.

The two main Agility competencies are each supported by two supporting pillars, generating four in all.

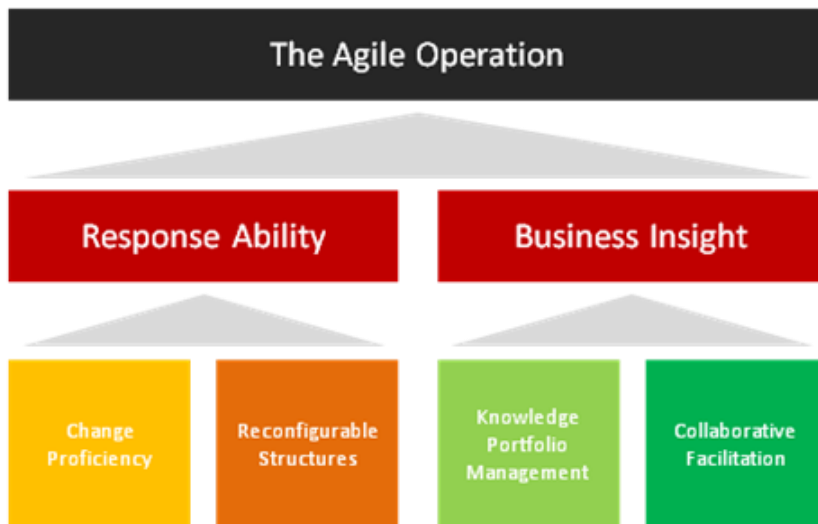


Figure 1: Agile competencies and pillars

**Change Proficiency:** the ability to act in a way that facilitates change, comprising eight 'domains' (creation, improvement, migration of activity, modification, correction, variation, expansion and configuration) and measured on a five stage maturity model with specific metrics. To enhance this 'change proficiency' pillar the organisation must build competency in each domain by using a set of effective, but well understood change tools and techniques.

**Reconfigurable Structures:** the ability to design and build organisation structures, processes and systems using reusable operational 'modules' that can be reconfigured in a scalable framework. We expand on this theme in the next section.

**Knowledge and Data Portfolio Management:** the ability to identify, acquire and renew discrete and diffuse information (both internal and external) that is required to identify opportunities and threats, set an appropriate strategic direction, and the subsequent application of that knowledge and unstructured data in a portfolio context.

- Identification seeks to anticipate new information needs in time to acquire and diffuse them to the relevant people or operational units.
- Acquisition recognises that knowledge needs to be obtained from internal or external sources or created by the organisation itself.
- Diffusion recognises that knowledge is insight and understanding is initiated primarily in people's heads rather than in systems, and will involve individual learning.
- Renewal recognises that the value of knowledge degrades over time and in places can become negative and even toxic to the operation if not reviewed and renewed.

**Collaborative Facilitation:** the cultural and infrastructural support to create and maintain collaborative learning across an organisation. The behaviour and success of an organisation is the result of applying its shared common knowledge. Every person, department and unit will have knowledge and data that could be useful to management and Executives and the organisation should aim to maximise the usefulness of this to achieve a 'common intelligence network'.

This requires shared, common understanding of organisational values and aims, backed up by ready (but managed) access to appropriate information, and a mandate to 'act first and ask questions later' (within limits). An organisation that uses a collaborative culture to identify and solve 'front-line' problems has open lines of communication in every direction.

## A Focus on Reconfigurable Structures

Agility reflects the degree to which an operation can respond, quickly and accurately to internal and external stimuli. Hitachi Consulting has devised a set of principles and characteristics that contribute to this agility through appropriate organisational design - the 'Reconfigurable Structures' pillar.

**Reusable structures** embody a set of core principles including self-contained operations units that are distinct, but co-operate towards a shared purpose and 'plug and play' process modules with defined standards for interacting.

**Scalable structures** use common frameworks that are updated in-line with strategy, and contain an element of elastic capacity to deliver efficient and effective results within a broad range of workload volumes.

**Configurable structures** have a flat interaction to each other and communicate on a peer-to-peer basis, exhibit short decision cycles made with real time data and made at the point of maximum knowledge with distributed control and finally, are managed with regard to corporate outcome rather than management method.

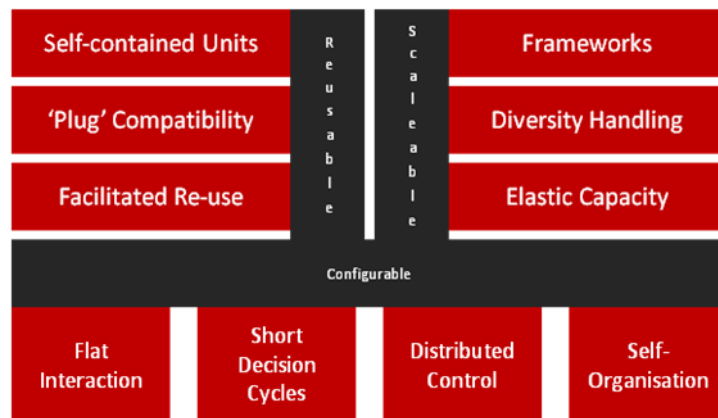


Figure 2: Characteristics of Reconfigurable Structures

## Where Does Agile Fit?

Efficiency and business process re-engineering programmes (e.g. lean interventions and production, Six Sigma measurement and principles, TQM) are all facilitated by an underlying need for change and therefore exhibit many similarities to the concepts discussed above. Indeed, Agile organisations can and often, do employ business process re-engineering techniques as tactical improvement tools. The differences between these techniques and building enterprise-wide competencies are three-fold:

- Agile Enterprises are focused on both the identification of strategic fundamentals as well as the structural aspect of responding to change.
- Agile Competencies have been designed specifically to support a services context, where people, their cultural responses and interaction are the key determinants of success.
- Unlike Lean and Six Sigma, Agile Enterprises may exhibit and deploy the competency characteristics in very different ways from that of a similar competitor. One size does not fit all.

## Making a Start

Often, we find organisations who agree with the principles outlined above and understand the necessity to develop Agile Operations, but who are unsure as to how or where to begin their journey.

Hitachi Consulting have developed an 'accelerator' approach (see figure below) that can be rapidly deployed to build momentum, develop pillar competencies, deliver early benefits and produce a confident business case for more comprehensive action.

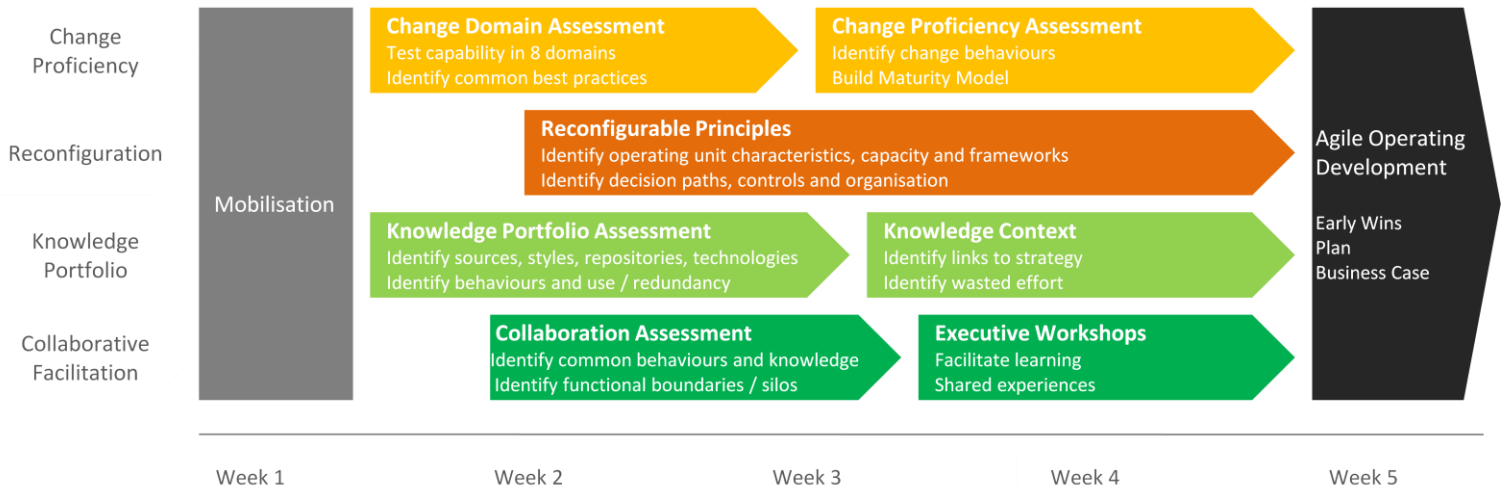


Figure 3: Hitachi Consulting's Accelerator Approach

## Continuous Improvement

Being Agile means the need to improve never stops. Once the basics are implemented you need to continuously re-examine and enhance operations, otherwise standing still will become moving backwards. However, well designed your operations may be, they can always be better, or will need to be different because markets change.

Continuous improvement needs to be embedded into the 'genes' of the organisation, so it becomes 'what we do around here'. This is a longer term challenge than introducing nuts and bolts change techniques, but the four Agile competencies need to be in place before this phase can begin.

## Author Biography

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Hitachi Consulting are proud to work with some of the world's leading 'Agile Enterprises' across a number of industries, including Southwest Airlines, Toyota, Wells Fargo and Raytheon.

## About Hitachi Consulting Corporation

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, with operations in the United States, Europe and Asia, Hitachi Consulting is a recognised leader in delivering proven business and IT strategies and solutions to Global 2000 companies across many industries. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions. From business strategy development through application deployment, our consultants are committed to helping clients quickly realise measurable business value and achieve sustainable ROI.

Hitachi Consulting's client base includes 25 percent of the Global 100 as well as many leading mid-market companies. We offer a client-focused, collaborative approach and transfer knowledge throughout each engagement.

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