Understanding Business Agility

A **No-Nonsense Guide** to Thriving in the Age of Disruption

CATALANT

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Intel and the Danger of Disruption

01

Since the year 2000, 52% of the S&P 500 have disappeared; gobbled up by competitors, withered into obscurity, or cast outright into the history books. And while consultants and authors have produced a seemingly limitless library of frameworks, strategies, and best practices for avoiding disruption, the carnage continues. Because while the diagnosis is simple — big companies fail because they're slow — the treatment plan is much more difficult to define.

Consider Intel, one of the foundational companies in Silicon Valley. Founded in 1968, Intel evolved from a memory chip maker to the world's **leading microprocessor manufacturer** by 1992. The company's winning strategy was firmly rooted in integration — by consolidating the design and manufacturing of its microprocessors, Intel had a lasting competitive advantage that solidified its position at the top of the microprocessor market.

However, what was once its strength became its weakness, as Intel struggled to adapt quickly to the rise of smartphones, machine learning, cryptocurrency, and other trends that required new kinds of chips. Companies like AMD, TSMC, GlobalFoundries were faster to those markets **precisely because they separated design from manufacturing.** As the global market for x86-powered

60% of companies say it takes a year or longer to launch new products.

Source: CB Insights, State of Innovation: Survey of 677 Corporate Strategy Executives

personal computers waned, Intel struggled. CEO Bob Swan **told investors** the company expected a decline in revenues for 2019.

In one month, Intel had lost **23% of its value**.

Of course, this is a relatively simplistic narrative of disruption. As former Microsoft executive **Steven Sinofsky** said about Intel's woes in 2018, disruption is rarely so tidy.

The problem is real, and isn't one thing. It's market pressure. It's changing workforce expectations. It's new technologies. It's rising costs. It's new competitors. It's regulations. It's all of the above. Intel's struggles should scare business leaders everywhere for three reasons:

> "Too often people look to a single factor that causes disruption—sort of like how zippers disrupted buttons or something. In reality, disruption of a company is often a host of inter-connected issues with no single issue dominating. Together these might be a theme—mobile computing— but within that it is many things working in concert to cause problems."

Steven Sinofsky
Former Microsoft Executive

1. **Because Intel's strategy had weathered plenty of storms before.** In 1986, inaccurate forecasts for microprocessors caught up with Intel, creating downward pressure on prices. The result was the company's first-ever **year-over-year losses** and layoffs of over 7,000 people. Intel responded by doubling-down on its integration strategy, mostly leaving the memory market and investing over $200 million to modernize its manufacturing processes. By 1992, Intel was one of the most valuable companies in the world.

   In the face of a conventional threat, Intel's strategy worked. However, today's threats are far less conventional. Large enterprises can't count on big bet investments or singular product visions — and they can't counterattack on all fronts unless they build up institutional speed.

2. **Because the company saw disruption coming and still couldn't stop it.** The struggle at Intel is due to a lot of things, but lack of brain power isn't one of them. The board and leadership team at Intel is packed with successful executives from a variety of backgrounds. Current CEO Bob Swan has leadership experience in startups and large organizations, and the **executive**

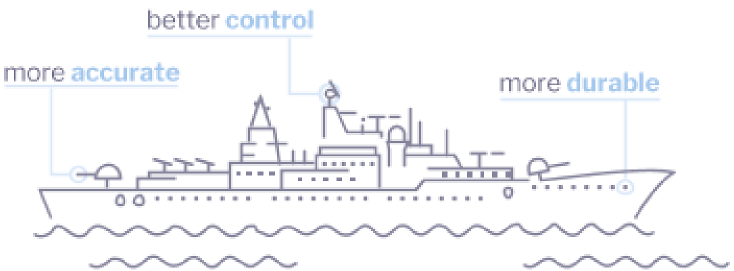
management team is full of accomplished, talented people. They are well aware of the threats the organization faces.

In fact, Intel began to diversify its product lines and strategies years ago, dipping into the Internet of Things (IoT), non-volatile memory, autonomous vehicles and more. But while some of those areas show signs of promise, according to analysts, the organization is having difficulty bringing new technologies to market in a timely-enough way to kick start growth. Even worse, the organization missed a big milestone in its 10nm chip production just as competitor AMD released its third-generation Ryzen chips to great reviews.

3. **Because it happened so fast.** As recently as January 2018, Intel was surging. Its 2017 revenues reached record numbers, partly on the strength of unexpected demand for PCs. The results thrilled Wall Street, which celebrated the organization for overcoming problems resulting from two different security vulnerabilities disclosed shortly before its earnings report.

   Six months later, CEO Bob Krzanich was out. One year later, CEO Bob Swan faces scrutiny over the company's decreasing earnings. Some analysts openly question whether the organization's leadership is capable of righting the ship. Gone are the days of the long, slow decline. Today's enterprises face threats that are both existential and immediate.

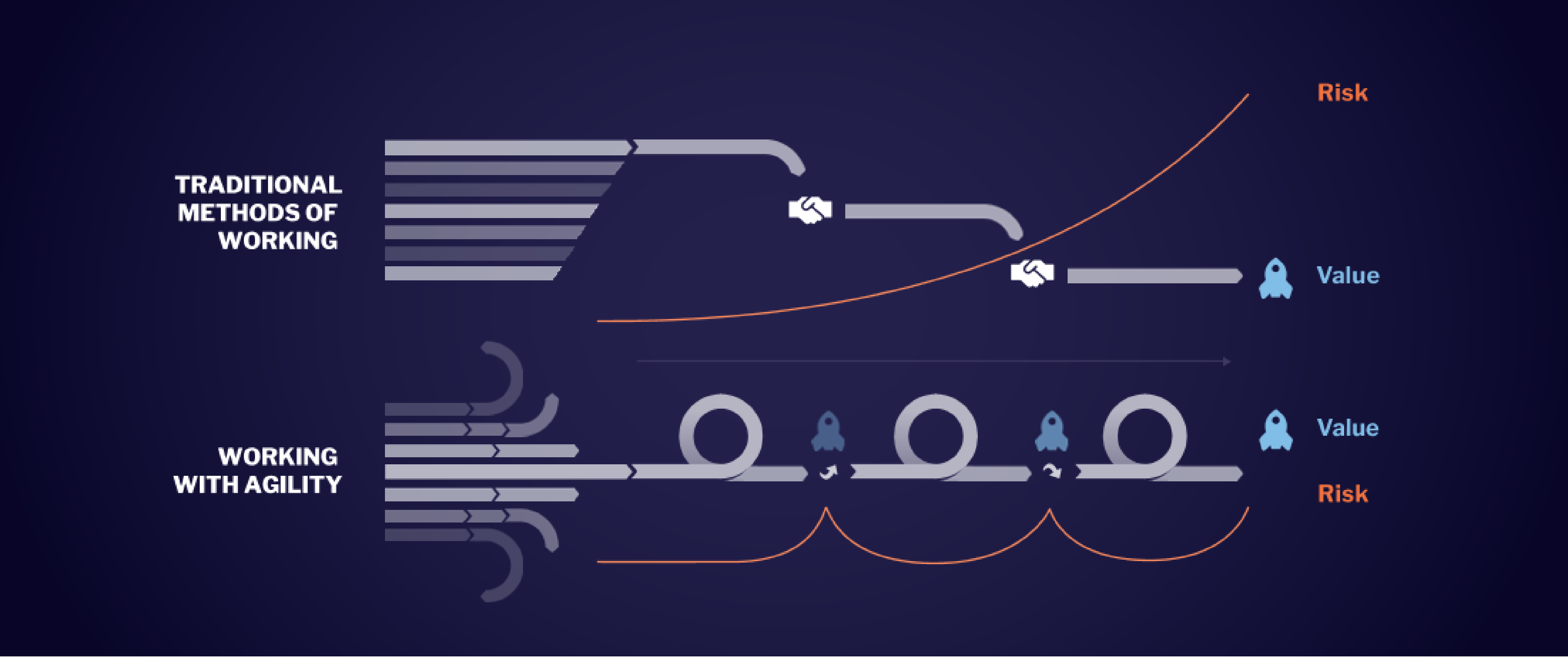
Traditional ways of working



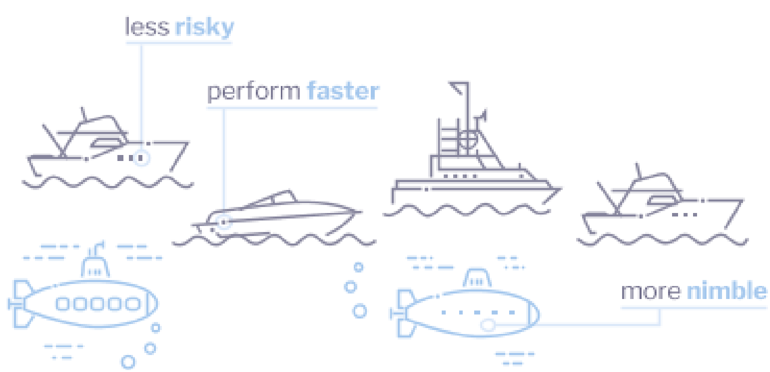
Big Boats and Flotillas

Last year, a high-level executive from a Fortune 50 oil & gas company told Catalant CEO Pat Petitti that running a large organization was like piloting a large cargo ship. The captain of the ship might spot a dangerous obstacle on the horizon and order the ship's crew to avoid it. But the only way to turn the ship is for each crew member to shout instructions to those working below them until the final order "turn to port" reaches those working in the engine room — hopefully before a new threat emerges in that direction also.

The advantages of a big boat are real. If the seas are calm and the threats are easily spotted from far away, the big boat is unstoppable. Flotillas, on the other hand, are optimized for speed. Flotillas can nimbly change course, approach multiple destinations at once, and add



Working with agility



or reduce resources easily. They can also operate more like a network than a hierarchy if needed. We call this approach business agility.

Business agility is the ability of an organization to move faster without losing stability. To become more agile, smart organizations like Anheuser-Busch InBev, Unilever, and General Electric are moving toward more agile ways of getting their most important work done. Not only do these organizations realize value more quickly, but they effectively de-risk their important projects by adopting a flexible, iterative approach.

Business Agility is Not Agile

02

What is business agility, exactly? To begin with, it's not Agile — the software development methodology that has replaced more traditional "waterfall" development practices in nearly every software development team.

Business agility borrows some concepts from Agile — breaking down work into discrete units, rapid iteration, continuous feedback loops — but is different in one important way. Where Agile is about how and when work gets done, business agility is also about why and who. Fundamentally, business agility is about eliminating the gap between strategy and execution by making them one and the same.

Organizations that work with agility don't just survive — they thrive. Research conducted by McKinsey found that organizations that work with greater agility are faster to make decisions and develop new products, and that they are healthier overall. They're better at fostering accountability, innovating and learning, and coordinating and controlling their workforces, among other attributes.

The benefits of business agility are a laundry list of things that every leader cares about, starting with higher revenues, better customer satisfaction, and improved operational efficiency.

How agile is your business?

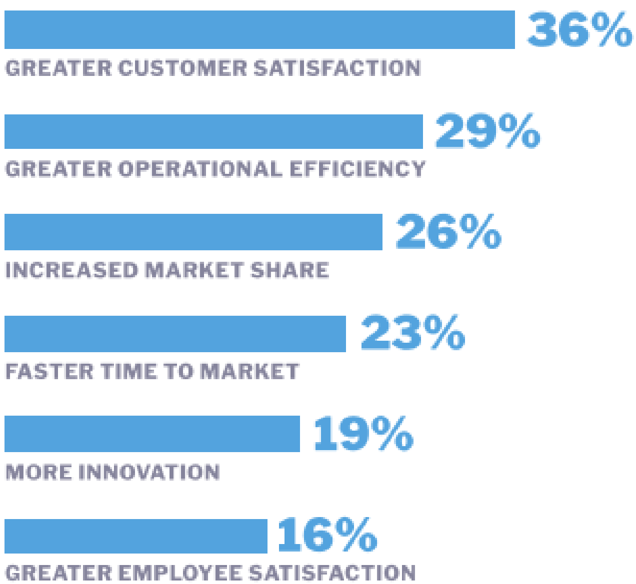
Here's a quick test of your organization's business agility:

How long would it take for the senior leadership team at your organization to redeploy 50% of the people working on one major initiative to another one?

Doing so would require insight into every project that rolls into every major initiative, how those initiatives align to strategic imperatives, which people — internal and external — are working on each initiative at what capacity, and what skills and capabilities those people bring to the projects to which they are assigned.

For large organizations, the answer is typically in the range of 3–6 months. For organizations working with agility, the answer should be closer to 1–2 weeks.

Most likely benefits of increased business agility



Source: McKinsey, Building a Nimble Organization: A McKinsey Global Survey, 2006.

CASE STUDY

Corteva Plants Seeds of Agility

Corteva Agriscience is one of three new companies spun out of the merger of Dow and DuPont. As a new organization with a long legacy, Corteva is in the right position to plant new seeds of growth.

At a recent innovation conference, Corteva CTO Neal Gutterson shared how the organization was moving away from an "eat more, faster" growth strategy and toward a more agile model. The company faced several challenges, including change management from the merger, disruptive market forces, high growth expectations, and an abundance of new, but potentially risky opportunities.

"Embracing disruption and uncertainty has shifted the way we think about strategy," says Gutterson.

To meet its growth expectations, Corteva is implementing several initiatives aimed at helping the organization be more agile. A new operating mechanism partners scientists with business partners to ensure that new products are being developed to meet a real need in the market. The entire project portfolio is managed at the initiative level, each project managed like its own startup.

Rather than focusing solely on developing or enhancing products within its core markets, Corteva is focused on tackling adjacent and new markets —

distributing its investments in projects according to risk versus reward calculations.

Crucially, Gutterson says, investments in new and adjacent product ideas must meet a minimum threshold in volume before they can yield results. He likens it to pearl farming, where a critical mass of oysters is necessary to yield some pearls.

This agile way of thinking runs counter to the way large organizations have grown historically. But in the face of highly disruptive threats, Corteva and other smart companies are adopting business agility and agile ways of working to be faster, more adaptable, and more successful.

Agile organizations can:

Make decisions 3x faster,
Develop products 5x faster

Source: McKinsey, Leading agile transformation: The new capabilities leaders need to build 21st-century organizations, October 2018.

03 Breaking Down Work Enables Agility

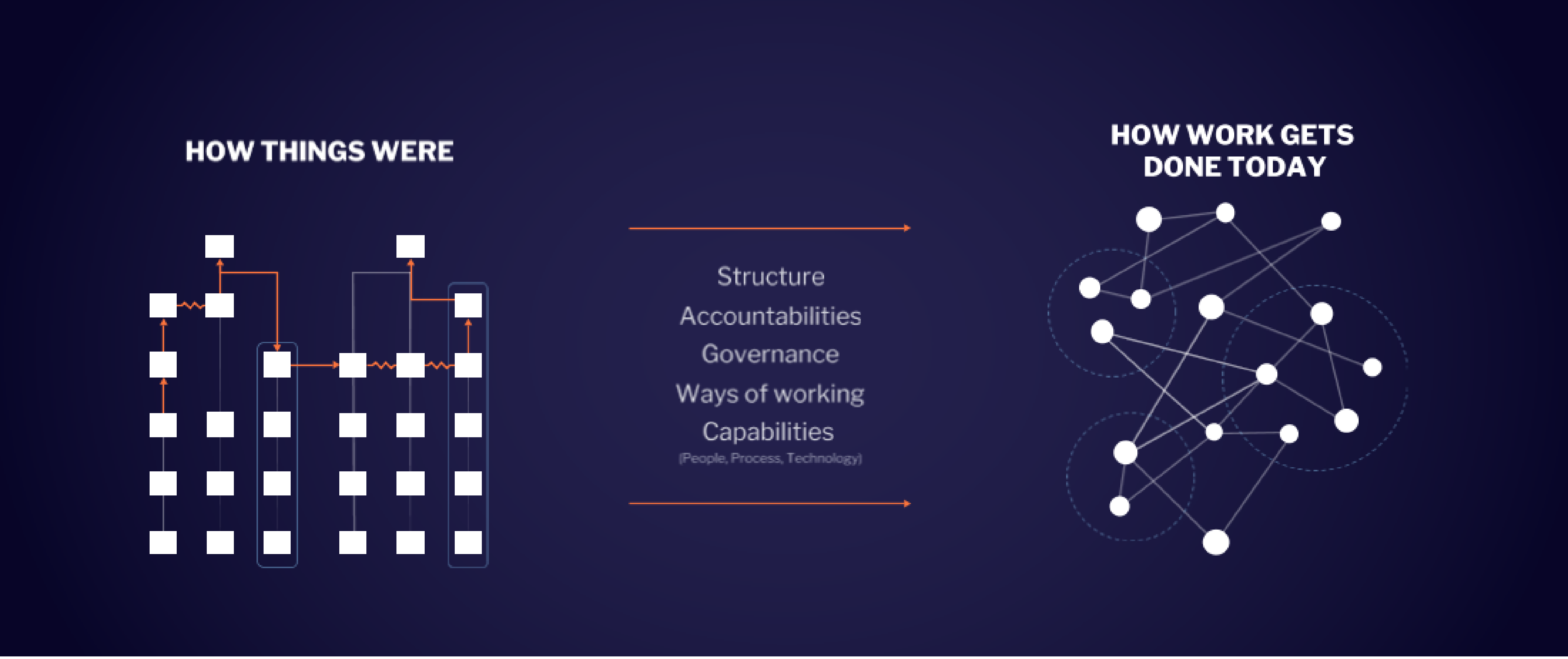
For today's highly matrixed global enterprises, innovation is both critical and increasingly complicated. Strategic innovation initiatives often require a multitude of stakeholders, rest on critical interdependencies, and reflect competing internal priorities. This chapter explores how breaking down and prioritizing mission-critical work enables business agility.

Born from the cold war era of innovation

The Cold War period **gave rise** to many of the American innovations we know today. Rockets, submarines, the Internet — all products of a time in which government agencies and private corporations tackled the most ambitious, large-scale innovation projects in human history.

Behind the scenes, the Cold War-era produced a far less visible, but equally crucial, body of knowledge: **advanced management frameworks** to drive complicated, interdisciplinary innovation efforts forward quickly.

The Work Breakdown Structure (WBS), one of the most enduring and widely used of these frameworks, was developed **during the 1950s** by the U.S. Department of Defense and NASA to manage the design and construction of a new generation of missiles and spacecraft. The Project Management Institute **defines** the WBS as a "hierarchical decomposition of the total scope of work to be carried out by [a] project team to accomplish the project objectives and create the required deliverables." While the WBS was designed to manage complicated projects, its underlying philosophy remains simple: breaking work into smaller, discrete units enables faster, higher quality execution.



Breaking down work to speed up your business

As markets grow more volatile and corporate survival requires greater agility, breaking down work means organizations drive faster execution by modularizing the key ingredients that go into big initiatives. Breakthrough projects are more expensive, labor-intensive, and uncertain than ever before, while **60% of companies** say that it takes a year or longer to launch new products. How should companies and business owners approach world in which innovation initiatives are both critical to future growth and increasingly complicated? The ability to break down large initiatives into distinct workstreams and discrete, time-bound projects is not just a tool for project managers, it is absolutely imperative for business agility.

From initiatives to component projects

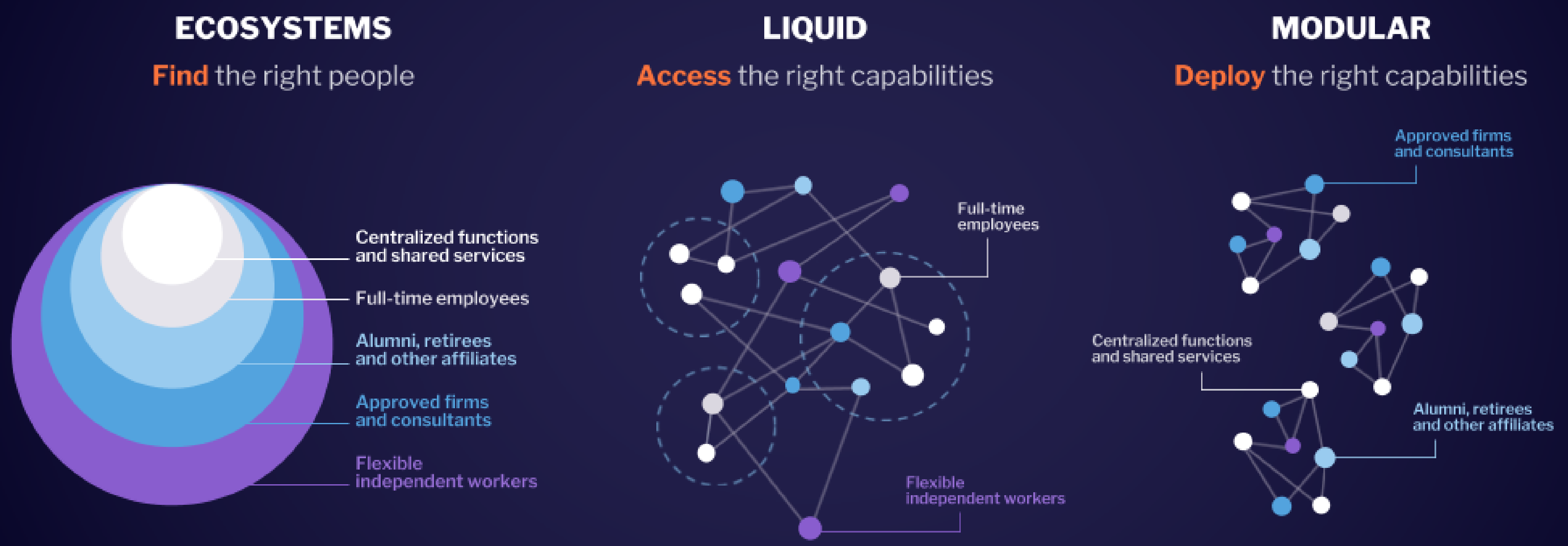
Breaking down and prioritizing work leads to higher quality, faster execution by enabling:

More granular identification — and allocation — of the skills and expertise needed to get work done. The rise of new **people analytics** tools and **capabilities** reflects the emphasis enterprises increasingly place on understanding the skills and experience available within their talent pools. Effectively leveraging this talent to accelerate mission critical work, however, requires an equally detailed breakdown of the skills required to complete specific projects.

Disaggregation of hard-to-fill full-time roles into required skills and capabilities. Just as major strategic initiatives typically consist of multiple component workstreams and discrete projects, full-time roles often represent a bundle of specific skills and capabilities. In a world in which hiring for new skills and competencies is increasingly difficult, breaking work down into individual projects and the skills required to complete them allows business leaders to more effectively match the right people to the right work.

Clear delineation of the steps required for team members to achieve goals and objectives, and greater visibility and accountability across work that needs to be done. Humans are more productive when guided by structured, ordered lists of discrete tasks. The same is true for teams, especially those engaged in complicated, cross-functional transformation and innovation-focused work. Breaking large initiatives down into discrete projects and component tasks forms the basis for many of the planning, accountability, and scoring systems used to effectively manage projects in areas ranging from **digital transformation** to software development.

Better mitigation of risk and faster ability to pivot as new data emerge that impact work. Breaking a large goal or initiative into component parts reduces the risk presented by single points of failure or the emergence of unexpected bottlenecks. The **U.S. Navy's "distributed lethality"** strategy for example, reflects this thinking by moving offensive and defensive firepower from central ships like aircraft carriers to smaller vessels and diverse units. This reduces the impact of treats to large capital ships, and allows a battlegroup to adapt quickly to emerging missions and intelligence.



Better management of performance across well-defined work with clear deliverables, along with better time tracking and better cost calculation. Any business leader responsible for reviewing employees knows that effective performance measurement requires clear goals and well-defined KPIs. Measuring employees based on progress against complicated, cross-functional initiatives proves difficult unless the work is clearly broken down into discrete parts. Measuring employee performance on small, time-bound projects allows business owners to more effectively manage an agile workforce.

For today's business leaders, the teams that sent astronauts to the moon and developed the computers powering our digital lives seem like echoes of a distant past. In reality, however, these towering feats of engineering and teamwork left behind a deep intellectual legacy for modern day enterprise innovators.

04 The Top Three Business Inititatives

The root cause of most business transformation failures lies in underestimating the amount of change required. Too often, senior leaders focus on the initiative as a single stream of work, rather than a change that will fundamentally alter the DNA of the company. A true transformation effort will force the organization to reimagine the way teams and functional groups work together, which requires savvy leadership.

At Catalant, we've worked with hundreds of organizations to drive mission-critical initiatives more quickly. These organizations use our software platform to align initiatives to strategy, break down the work required into specific projects with measurable outcomes, and match the people and capabilities to the right projects at the right time. And while the specific projects that comprise those business agility initiatives vary widely, our analysis shows that nearly every project rolls up into a major corporate initiative in one of three areas:

- Accelerating growth via customer centricity
- Driving innovation to discover new sources of value
- Driving cost optimization programs to increase efficiency

Accelerating growth via customer centricity

Growth is an important objective of most organizations, but the ways companies grow have changed tremendously in the digital age. Scale is no longer the advantage it once was, so simply buying up adjacent markets or rivals isn't enough to sustain growth. Growth is also a **double-edged sword** that must be managed carefully to ensure that it is sustainable — that costs don't spiral out of control and that market conditions are right for ongoing success.

One of the most powerful drivers of transformation initiatives is customer centricity. Large organizations are looking to power growth by placing the customer at the core of everything they do, aligning functions and strategies around the customer experience rather than traditional hierarchies. This is a difficult exercise, as large organizations, in particular, have challenges in four areas:

- Breaking down silos that hamper customer centricity
- Lack of visibility into the customer journey or experience
- Difficulty prioritizing projects to align with customer centricity objectives
- Challenge accessing the right people and capabilities across multiple functions, brands, and geographies

Customer centricity initiatives are a perfect illustration of the value of business agility. Aligning and prioritizing the right work, challenging silos and hierarchies, and fast access to people and capabilities are the hallmarks of an agile business.

CASE STUDY

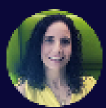
Unilever powers growth with agility

Getting to business agility is a long process, but many major organizations have begun to evolve into agility by focusing on strategic priorities and outcomes. At Unilever, exploring new growth opportunities meant getting much more agile, focusing on rapid development of new products and partners, removing bureaucratic constraints, and putting the customer at the core of its growth strategy.

To power this new growth strategy, Unilever needed to think differently about how it prioritized, organized, and deployed resources to its most important initiatives. One key was thinking in terms of outcomes and initiatives, rather than the restrictions imposed by internal capacity and silos. At a recent conference, Unilever HR leader Raquel Suarez described how its "Be Resourceful" initiative has already accelerated the speed at which the organization can tackle new challenges.

"We're literally moving from thinking in terms of constraints to thinking in terms of the abundance of resources, possibilities, and use cases, and showing that to the world," says Raquel Suarez, Global Route-to-Talent Director at Unilever.

"We've moved from planning to experimentation, from privacy to transparency as well. So this is a whole ecosystem of change that we're doing in Unilever."



Raquel Suarez
Global Route-to-talent Director, Unilever

So far, the results of this new way of thinking include:

- **An initiative in Pakistan to develop a new product to guarantee ice cream delivery in 10 minutes or less.** The initiative included a hackathon with over 350 ideas, plus a partnership with a logistics company that developed a dedicated AI platform for the product. The result was an additional 1% growth in the one billion Euro market.
- **An effort to launch five new beauty products in Indonesia with limited marketing support.** By filling the gap with temporary marketing talent accessed through the Catalant platform, the division was able to successfully launch all five new products in just nine months or fewer.
- **An initiative in China to market a shampoo brand to millennials.** With few millennial workers on the team, Unilever created a crowdsourcing campaign that helped create a successful new campaign in only two months.

Driving innovation to discover new sources of value

Innovation has been a buzzword for so long that it's lost much of its original meaning. Some organizations unhelpfully brag about innovations that seem, to the critical eye, more like minor incremental improvements on existing products or processes. Do we really need another iPhone app for splitting the check at a restaurant? Do we need yet another streaming platform?

For large organizations, in particular, the challenge of innovation is acute. Despite the advantage of resources and talent, large organizations often find it difficult to outflank disruptors for several reasons. Large organizations have more red tape and regulations to worry about and they have already-successful products and services to protect. Many have also long-since lost the culture of innovation that propelled them to success in the first place. They tend to punish, not reward, experimentation and failure.

They also need to rethink the way they use the resources available to them. How will they allocate budgets to encourage appropriate risk taking? How will they more dynamically identify and move people and capabilities onto the most important projects at the organization?

CASE STUDY

Shell's innovation story

Royal Dutch Shell CEO Ben van Beurden made news in 2018 when he speculated that **demand for oil might peak as early as 2025** thanks to government regulation and consumer preferences for reducing reliance on fossil fuels. It seemed to be a turning point for the world's largest energy company, which van Beurden says will focus its considerable resources on building an adaptable organization that can thrive in a time of great uncertainty.

"Our strategy is founded on our outlook for the energy sector and the chance to grasp the opportunities arising from the substantial changes in the world around us. The rising standard of living of a growing global population is likely to continue to drive demand for energy, including oil and gas, for years to come. At the same time, technology changes and the need to tackle climate change means there is a transition under way to a lower-carbon energy system with increasing customer choice. We recognise that the pace and path forward are uncertain and require agile decision-making." - Excerpt from Shell's 2018 Annual Report

Getting to that business agility won't be easy for an organization as large and process-oriented as Shell. At a recent event hosted by Catalant, Shell's Caroline Missen said the organization started to take a look at these factors as it updated its strategy two years ago.

"We realized we needed to do a lot more commercial innovation, and started to look at what that meant. And we realized that meant a lot of experimentation, digital innovation, incubating ideas. We recognized pretty quickly we were not set up with the resources and talent to actually drive that," says Missen, Business Advisor to the Downstream Director at Shell.

To address the challenge, Missen and her colleagues set out to test new ways of driving innovation. One of the first projects they launched was a reverse mentoring initiative, in which the team identified 50 people within Shell who were qualified to help senior leaders understand different aspects of digital innovation (eventually 8 of the 50 were selected to participate). Missen says the initiative showed them how limited job titles are when searching for specific capabilities for a defined project.

“What was interesting was that these people came from all parts of the organization, and very few of them were working in what we’d call digital roles. Most of them were pretty junior in the organization and they were hidden,” says Missen.

The success of that project sparked a larger initiative within Shell to think differently about **how it could close the gap between strategy and execution** by quickly aligning new projects to strategies, accessing and allocating the right people and capabilities to those projects, and tying the results of those projects to business value.

Using Catalant as a platform for tracking and organizing projects as well as the skills and interests of its employees, the Downstream Commercial business started by encouraging people to use their discretionary time (about 20% of their total work time) to work on projects throughout the organization. The “Opportunity Hub,” as Shell calls it, has already started to pay dividends. In one case, Missen says, an employee in Houston was able to produce real results on an eight week supply chain sustainability project after locating an employee with the right skill set working in a manufacturing plant near Cairo, Egypt.

> **“The real power (of the Opportunity Hub) is tapping into really diverse people across the organization.”**

Caroline Missen
Business Advisor to Downstream Director, Shell

Not only does the Opportunity Hub connect internal resources for mission-critical projects, but Missen says staffing projects based on capabilities may remove some bias from the process, as project owners won’t automatically defer to their existing network of colleagues to tackle the work.

Driving cost optimization to increase efficiency

Every business strives to be as efficient as possible, eliminating wasted money or resources in the service of maximizing profitability. At established organizations, the desire for efficiency often results in cost-cutting exercises. Too often these exercises are either temporary — cuts are made but spending ramps back up in the same areas over the next few years — or counter-productive.

Consider Kraft Heinz, the venerable foods company formed when Braziilian investment group 3G Capital teamed up with Berkshire Hathaway in a $49 billion deal in 2015. The company's strategy was to cut costs by **reducing R&D spend, cutting staff, and reducing spend on in-store promotions.**

The results have not been good. In 2018 the company wrote down iconic brands Kraft and Oscar Mayer by $15 billion, and Kraft Heinz shares lost 53% of their value in the year ending in June 2019. That same month the company announced it was replacing CEO Bernardo Hees, a partner at 3G Capital, with Miguel Patricio, formerly chief marketing officer at Anheuser-Busch InBev.

The reasons organizations struggle with cost optimization are straightforward and yet difficult to overcome: They cut too much in the wrong places and not enough in the right places. Larger organizations, in particular, struggle to:

- Understand which resources have real impact on the company's strategic priorities
- Get their mission critical work done more quickly and efficiently
- Operate efficiently as one unit rather than siloed functions
- Manage vendor spend and assess the value of that spend

CASE STUDY

Large technology organization manages costs more effectively

At one large technology company, the cost of external consultants was hampering both efficiency and the company's ability to innovate in strategic areas. On a mission to get more efficient, the heads of three shared services departments teamed up to streamline the process of aligning key priorities and accessing the right people for the right work.

The Catalant platform provided a central location for prioritizing work and accessing the right people and capabilities — internally and externally — faster. The results were a 20% reduction in contractor spending and a 70% increase in the speed to launch new products.

Conclusion

At Catalant, we're fortunate to get a view into some of the most important projects at some of the world's leading enterprises. We've found that organizations that thrive are those that find a way to identify the initiatives most likely to help the organization meet its strategic objectives, break down those initiatives into fast-moving projects, access the right people and capabilities — regardless of function, group, or even company they work for, and be transparent about the outcomes of their work.

Five key takeaways

1. The processes and operations that made companies great are now weaknesses
2. Business agility means moving quickly without losing stability
3. Business agility is a much more complex and difficult process than "Agile"
4. Breaking down work is key to getting agile
5. Smart companies are launching agile initiatives to accelerate growth through customer centricity, drive efficiency through cost optimization, and find new sources of value through innovation

Resources

06

How agile is your organization?

Take our free assessment and compare your organization's performance across nine different agile business metrics.

Suggested reading:

McKinsey & Company

The Five Trademarks of Agile Organizations
—McKinsey & Company

Agile Business Consortium

What is Business Agility?
—The Agile Business Consortium

Harvard Business Review

Digital Transformation Is Not About Technology
—Harvard Business Review

About Catalant

Catalant helps organizations deliver their mission-critical work faster with a software platform for prioritizing and organizing key projects, accessing and allocating the right people and resources, and tracking the real business outcomes of strategic initiatives.

To learn more, visit us at **goCatalant.com**