Cutting through Complexity with Business Agility
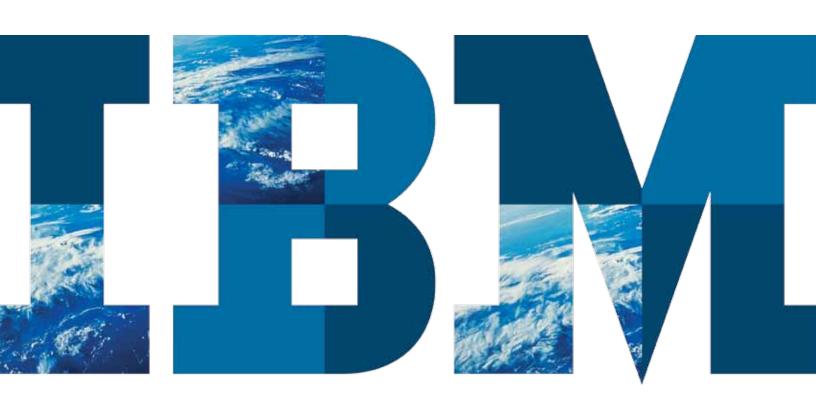
Enabling change, innovation and strategic directives—faster and smarter

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It's a complex business world. A simple statement, but one rich with many implications, and a reflection of an economic environment driven by change, complexity and uncertainty. To learn how today's companies are dealing with these changing economic realities, IBM interviewed 1,500 CEOs in face-to-face conversations as part of the IBM 2010 Global CEO Study. Their thought-provoking insights and experiences revealed a new business mindset that successfully navigates a constantly-changing world connected through multiple dimensions. Based on these findings, IBM probed deeper and uncovered a strong correlation between business agility and success. As a result, we undertook a more in-depth study focusing on business agility to examine how successful companies, who describe themselves as agile, are getting results.

The IBM Business Agility Study surveyed companies in the financial, insurance and healthcare industries, investigating business leadership, strategies, technologies, and how agility impacts business transformation. Each company in our study achieved significant business results and described themselves as agile. The study revealed that agility can be a powerful tool for cutting through the complexities currently dominating the corporate landscape.

Findings from the Business Agility Study echoed those conversations with CEOs from around the world who have adopted an entirely new mindset in which agility is an elixir for transformation. Agility is the ability to respond quickly to change and, simultaneously, it is a force of change. It is permeating a new mindset that:

- Embodies creative leadership: Companies now realize that creativity trumps other leadership characteristics. Creative leaders are comfortable with ambiguity and experimentation. To connect with and inspire a new generation, they must lead and interact in entirely new ways.
- Reinvents customer relationships: Customers have never had so much information or so many options. CEOs and companies are making "getting connected" to customers their highest priority to better predict trends and provide customers what they really want.
- Builds operational dexterity: Companies must redesign operating strategies for ultimate speed and flexibility. They must seek ways to create new and elegantly simple products, services and customer interactions that deliver greater value.

"Complexity should not be viewed as a burden to be avoided; we see it as a catalyst and an accelerator to create innovation and new ways of delivering value."

— Juan Ramon Alaix, President, Pfizer Animal Health - IBM 2010 Global CEO Study

Providing creative leadership, reinventing customer relationships and establishing operational dexterity address different business matters, but there is an underlying fundamental current that pulses through these business goals—agility.

The role of agility

Agility has a dual role: it is both the end result of change and it is the driving force of change. It's not static or specific. It has metamorphic qualities—changing as the business environment changes. Agility becomes what it must be in order to deliver results.

The companies interviewed for the Business Agility Study were Aviva Health UK, Reliance Life Insurance, and Lincoln Trust Company. These companies consider themselves agile because they target strategic imperatives that deliver significant business improvements in a timely fashion.

Agility is measured by each company's own expectations rather than by external benchmarks. Agility is about internal readiness to respond to change, along with finding new ways of doing business.

Furthermore, the Business Agility Study findings revealed three major benefits of being an agile company:
• Agility shows rapid improvement and innovation.
• Agility meets strategic directives quickly and intelligently.
• Agility drives company-defined changes and goals.

In many ways these findings parallel the IBM 2010 Global CEO Study, as both reports indicate that agile companies have a high degree of readiness to respond to change and the ability to implement creative strategies for invoking positive change to yield progressive outcomes.

Thus, the role of agility is a critical, powerful element in navigating the complexities of change. The key indicators of agility are knowing when to change, what to change and how to change.

Agility shows rapid improvement and innovation

Knowing when to change

Astute business leaders recognize the signs of change. They demonstrate a high level of business insight to understand industry and economic trends, interpret information and develop strategies to create new and different revenue-generating opportunities. Executives with keen business acumen, smart decision-making skills and a visionary thinking process are able to plan and prepare for immediate and future opportunities.

Speed-of-light strategies

Visionary leaders overcome challenges and create exceptional business value. They interpret business intelligence—integrated data or data from multiple sources—to understand

Findings from CEO Global Study	Resulting findings from the Business Agility Study
Embody creative leadership Creativity is the top leadership quality CEOs feel their businesses need. Companies want to innovate in order to drive change in their companies and stay ahead of the market.	**Agility shows rapid improvement and innovation** Agile companies created close-knit business and IT partnerships responsible for all aspects of a project—from understanding the strategic imperative to implementing the solution. New strategic imperatives replaced prioritized lists of functional requirements.
Reinvent customer relationships An important and very relevant theme discovered in feedback from thousands of companies was a realization of the need to get close to customers.	**Agility meets strategic directives—faster and smarter** Agile companies set strategic imperatives that made significant improvements in customer service or partner interactions.
Build operating dexterity Coping with change requires operating dexterity, which entails simplifying operations and products, executing with speed, and partnering.	**Agility drives company-defined changes and goals** Agile companies achieved very high returns from business solutions that improved processes that spanned the boundaries of the enterprise, serving to integrate the business network of customers, suppliers and partners.

business variables and complexities. From various information sources, they develop strategies that are richly defined by actionable insights which transform and energize their business environments.

Most industry leaders must quickly cope with the dynamics of change not only on a week-to-week, but often day-to-day and sometimes second-to-second, basis. Within seconds, decisions are made that result in meetings, new goals, redifined strategies, and increased or decreased orders. It's not uncommon for business experts to use the "faster than the speed of light" analogy to explain the business phenomenon of change.

This frequently used analogy can be defined in real time: 299,792,458 meters per second, or about 186,000 miles per second. This is a term often used in jest, but nonetheless it is

> *"There isn't the luxury of time. We used to say, 'Wait until this crisis is over and we get back to normal,' but that never happens. We have to be 'change animals.'"*
>
> — Michele McKenzie, President and CEO - IBM 2010 Global CEO Study

relevant to understand the paradigm shift that moved from "stop-research-analyze" to "go-go-go." Business change may not be measurable in terms of time, but agility can be demonstrated in outcomes and knowing when to take action.

The Business Agility Study revealed that a focus on innovation, or what should be different in a process, is often the accelerant

for holistic change. Companies didn't just make improvements, they used entirely new approaches to tap opportunities and overcome obstacles to effect growth.

Interconnected decisions
What about the challenges of an economy without barriers? Increasingly interconnected economies, enterprises, societies and governments have opened doors to vast new opportunities. But greater connectivity has also created strong—and too often unknown—interdependencies. In the face of this interconnectedness and unpredictability, agile companies are adapting. Gone are the days of trying to mitigate or avoid complexity. Today, companies must find new ways to embrace it.

Agile organizations co-create products and services with their customers, and integrate them into core processes. They adopt new channels to engage and stay in tune with customers, and glean more intelligence from the barrage of available data, making customer intimacy their number-one priority. These industry leaders manage complexity on behalf of their organizations, customers and partners. They do so by simplifying operations and products, and increasing dexterity to change the way they work.

Case Study: Reliance Life Insurance
Increase market share and decrease onboarding costs
Reliance Capital is one of India's leading private sector financial services company, with interest in life and general insurance, asset management and mutual funds, stock brokerage, proprietary investments, private equity and other aspects of financial services.

Their business objective to achieve rapid customer growth was an important factor in the emergence of one of their recent market entrants, Mumbai-based Reliance Life Insurance. Effective strategic management of its growth set Reliance Capital apart from its competitors.

To translate market potential into new customers, Reliance Life Insurance needed to establish business infrastructure—the channels, people, processes and systems required to handle new business. They also needed to develop the right mix of life insurance products to align with the needs of a diverse customer population. Reliance Life Insurance saw significant sales opportunities in India due to changing economics and education levels that had accelerated the demand for new policies. They needed to develop the right mix of life insurance products to align with diverse customers. However, the traditional agent sales process was too slow and costly to keep up with demand.

Executives recognized this as a growth opportunity and implemented a strategic mandate to increase market share by decreasing onboarding costs and time, and increasing the number of new policies. They had to overcome several major obstacles: decentralized and non-standardized systems, unavailable information, and an inability to change processes rapidly to align with business shifts.

Reliance Life Insurance adopted an agile change strategy. Business and IT professionals merged into a single organization to redesign customer experience, define business rules for automation, and develop an overall solution. With this agile approach, Reliance Life Insurance introduced a customer self-service portal that enables buyers to independently complete the process. They automated the enrollment process to lower time and costs, reducing the availability of analytics information from a 24-hour turnaround to near real time and, as a result, they became more responsive to change.

Like many companies, Reliance Life Insurance also recognized that an agile journey can be complex to navigate. Centralizing Reliance Life Insurance's systems and pushing information to the dependent systems caused time delays. Data entry

responsibility was centralized while data ownership remained at the branch level, adding processing complexity.

To resolve these issues, Reliance Life Insurance quickly implemented technology and organizational changes that enabled both their agents and customers (using the self-service portal) to update information directly and have the results distributed in near real-time to all internal users. This ability to rapidly overcome technical and organizational hurdles and adjust to unforeseen issues as they arise is a common attribute of highly agile companies such as Reliance Life Insurance.

"My job was to inspire people to think differently about self-service, to go beyond what any other [life insurance] companies in India have done."

— C. Mohan, Chief Technology Officer, Reliance Life Insurance – Business Agility Study

Creativity and agility

Agile companies are led by creative leaders who activate change in the organization to stay ahead of the market. These leaders target and deliver significant business outcomes. They develop strategic plans and identify opportunities for significant cost savings or growth. Creativity and innovation drive their business processes and agility is measured by company-defined expectations.

Companies with an agile framework create closely-knit business and IT partnerships responsible for all aspects of project delivery—from strategic imperative to solution formulation to implementation.

Creative leaders encourage experimentation throughout their organizations. They also design business model changes to realize their strategies, take more calculated risks and become more innovative in the way they lead and communicate.

Agility meets strategic directives—faster and smarter
Knowing what to change

As corporate environments change—and business complexities deepen—agility becomes more important. Companies must navigate a path through the increasingly complex environment of global integration. As a result, agility is considered a "must-do" for CEOs and their companies.

Traditionally, agility refered to an organization's ability to rapidly adapt to market and environmental changes. Now, there are new perspectives as the meaning of agility has evolved in response to the changing business climate. Agility has taken on a bigger and more critical role in supporting companies' responses to change. Leaders and trend observers highlight agility as the key to capitalizing on innovation and achieving success in the unpredictable and rapidly evolving marketplace.

An agile corporate environment employs a different approach. There are no impulsive responses to fire alarms, no escape-and-rescue plans that are ready for action. It's not an after-effect response to a business event. Agility in today's climate is fully integrated into the business culture. It's the quiet but powerful force behind the ability to change quickly, because leaders and managers recognize the signs of change. Agility sees—and responds. It predicts—and plans. It senses—and reacts.

Case Study: Lincoln Trust Company
Reduce management and maintenance costs

Lincoln Trust Company is among the United States' leading independent providers of self-directed IRAs, in addition to

providing recordkeeping, administrative and custodial services to 401(k) plans and other defined contribution plans. Lincoln Trust Company's extensive expertise with respect to administering accounts that hold alternative assets attracts a wide variety of customers: individuals and businesses and retirement plan sponsors who want the flexibility to invest beyond traditional assets, including purchasing real estate in an IRA or other retirement plan.

A successful, stable company that is also forward-thinking, Lincoln Trust Company executives recognized it was time to make changes in response to a rapidly changing environment in order to increase their return on investment. Their goal was to lower the cost of plan management and maintenance. They realized that the need to significantly reduce paperwork and labor-based processes required a new approach. The strategic mandate was to build a stronger IT infrastructure, improve business processes, reduce the volume of paper and set measurable goals.

"We now have tools to map out, study and improve all of our processes. They are user-friendly and logical. I'm excited that we've embraced the BPM technology and culture that supports the way we want to manage our business."

— LaTeca Fields, Business Analyst-Specialized Support Services - Lincoln Trust Company – Business Agility Study

To do so, Lincoln Trust Company initiated a new Business Process Management (BPM) program as one of several key change initiatives. Their BPM program had to deliver measurable results early and often. Lincoln Trust Company focused on developing a highly-collaborative relationship among business process groups and IT to support a unified and agile business approach. They used BPM collaboration tools to enhance communications between business teams, IT and vendors. Lincoln Trust Company also leveraged content management to eliminate paper retention and handling.

Reinventing customer relationships and agility

Companies and their CEOs prioritize customer intimacy. Globalization, combined with dramatic increases in the availability of information, has exponentially expanded customers' options. Ongoing engagement and co-creation with customers can produce significant differentiation. Agile companies consider the information explosion to be their greatest opportunity to reinvent customer relationships.

Getting closer to customers and building strong customer relationships works hand-in-hand with an agile approach. Knowing what customers want allows companies to meet customers' demands—possibly even before their competitors do. Prioritized and targeted strategic directives support significant improvements for customer service or partner interactions.

Agility drives company-defined changes and goals
Knowing how to change

Agility is proactive. It requires flexibility, balance, adaptability, resilience and innovation. Agility measurements are based on business outcomes.

The challenge for every company is to find their "agility factor"—what works in their environment that makes them agile. It involves a variety of roles beyond IT professionals.

From the CEO and executives, to business planners and information architects, to strategists and technologists, all employees are involved in defining, enabling, enacting and enforcing agility.

Case Study: Aviva Health, U.K.
No new people or buildings

Aviva Health, provides health and income protection through its business unit. It is part of the Aviva group, the world's fifth-largest insurance company, offering insurance, savings and investments, pension and retirement products. Their indirect channel unit sells through an intermediary or via an employer.

In recent years, facing increased competition, they launched a strategic initiative to fundamentally improve their relationships with agents by increasing the agent's productivity and improving the end customer relationship. Their solution was to introduce an agent self-service portal. Aviva Health's strategic mandate was to grow revenue, reduce cost and gain market share—while following the company's mantra: no new people or buildings.

Aviva Health's business executives and IT leaders collaborated to develop a business solution that would support their innovative business goal. They created a new and different experience for the indirect sales channel, making it easier to sell and buy products, while lowering internal costs and process duration. They developed an agent portal and simplified the application from 25 to 4 pages. The on-boarding process was automated, and a third-party provider conducted health interviews.

This collaborative, agile approach resulted in a major reduction in the on-boarding process: from an average of 50-60 days to 8-10 days. Another cost benefit: faster collection of premiums and payment of commissions. The ability to make smart and innovative changes quickly generated positive responses from partners, buyers and consumers.

"We wanted to double the size of our Income Protection business in three years while keeping admin costs flat. To do that we needed to remove our dependence on manual processes by integrating and automating processes and systems… watching other providers substantially increase their market share by introducing electronic trading, we recognised a change in our industry and we had to act."

—Leslie Ross, Head of Business Change - Aviva U.K. Health – Case Study: Agile IT helps customers choose Aviva Health

Dexterity and agility

Agile companies have discovered the art of mastering complexity in countless ways. They are redesigning operating strategies for ultimate speed and flexibility. They are embedding valued complexity to create new products, services and customer interactions that deliver greater value. And they

are carefully considering how best to take advantage of global efficiencies while addressing local needs. Agile companies are exceedingly dexterous because they have to be.

To simplify operations and products and execute with speed, companies must be agile. Significant gains can be achieved with business solutions that improve processes that span enterprise boundaries. Operational dexterity is necessary for handling change, and agile companies have shown very high returns from business solutions that integrate the business network of customers, suppliers and partners.

Agile companies emphasize comprehensive change—not incremental system or process improvements—that transforms business to enjoy increased gains through emerging technology exploitation. Also, these structural changes in the organization help facilitate innovation.

To achieve this new style of agility, business and IT must collaborate to make improvements and find new ways of doing business. Agility increases when companies use the expertise of all of the major stakeholders to identify, understand and respond to accelerating change and disruption as it occurs.

Agile organizations have processes and structures that identify internal and external activities as well as established mechanisms to act quickly on that knowledge. This requires a paradigm shift from software engineering to business engineering. With this shift comes the emergence of a new role: the business architect. This role involves logic engineers who have developed a comprehensive understanding of their industry and the activities within their organization. They can design complex process flows and ordered sets of rules independent of any specific implementation technology.

Summary

The participants in the Business Agility Study described their organizations as agile when they achieved expected results. Organizational changes and individual changes are necessary to get agile results. Agile companies benefit from business and IT stakeholders who have a clear and focused view on when, what and how to change.

The effects of rising complexity require companies and their management teams to lead with bold creativity, connect with customers in imaginative ways, and design their operations for speed and flexibility. No matter the role—business planner, information technology architect, strategist or technologist—agility is the force that drives proactive and positive change.

Agility inspires an environment of highly responsive moments that accelerate business growth and fuel the dynamics of change. By combining an agile mindset with business processes and technology, companies are poised to respond to the spectrum of change, resulting in creative leadership, reinvented relationships with customers, and operational dexterity. The possibilities for capitalizing on complexity are expanding rapidly, and agile companies are positioning themselves to make the most of unprecedented opportunities

Agile companies recognize the value of transforming strategic business initiatives into operational reality. They understand that addressing the challenges of complexity and change requires keen business acumen, agility and action. Agility enables change, innovation and strategic directive—faster and smarter.

CEOs and business experts recognize the value of transforming strategic business initiatives into operational reality, but it's agility that makes transformation real, powerful and dynamic.

Next steps for advancing business agility

A current area of research at IBM is centered on building business agility. There are a number of ways our customers are advancing and achieving substantial results, ranging from advanced analytics, business model innovation, business process excellence, improved governance, service oriented architecture development, and operational changes. IBM has developed a Business Agility Model driven by business capabilities and focused on business outcomes and results. The model identifies, uncovers and highlights the strengths and weaknesses of an organization's business performance capabilities and how they impact business outcomes achieved by advancing, as opposed to simply assessing, the current state of the organization.

For more information

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