# The agile business

In this introductory part we set the context for digital transformation, define the key characteristics of an agile organization, make the case for why these characteristics are necessary and discuss some of the key barriers to change, particularly within large organizations.

## Introduction

*Fire is the origin of all things, permanence is an illusion, as all things are in perpetual flux.*

<div align="right">HERACLITUS (CIRCA 500 BC)[1]</div>

Welcome to the new world of perpetual flux, unpredictability and rapid change. In the contemporary business environment, the ability to be a genuinely agile business, and one that is native to the digitally empowered world in which we all live and operate, has become not only a driver of competitive advantage and success, but critical for business survival.

## How to use this book

The book is split into five parts:

1  **The agile business:** in this initial part we'll set out the context for agility, disruption and what can stop businesses from changing.

2  **Fast:** this section focuses on applying agile principles to building momentum for innovation and transformation.

3  **Focused:** here we consider vision, purpose, the application of adaptive strategy and execution.

4  **Flexible:** in this section we look at structures and resourcing, scaling agility and building the culture to move fast.

5  **Building an agile business:** this brings it all together and provides a toolkit for truly starting small and scaling fast.

Depending on where you're at with growing or changing your business, and where your business is at in terms of digital maturity, you can dive in and out of the sections in this book. It does not have to be read end to end, although you will have a much greater understanding of what an agile business really is by doing so. Above all, this book is designed to combine essential principles with practical examples and application, so remember – **start small**, and if it looks like it's gaining traction, **scale fast** (Figure 0.1).

FIGURE 0.1   Start small, scale fast

## So what is an agile business?

An agile business goes beyond simply aligning to agile methodology. It goes beyond understanding and following the principles of design thinking, lean, scrum and all the other buzzwords you'll find in a Google search for agile business. Today's and tomorrow's agile businesses are those that are constantly scanning the horizon for changes in technology, data, privacy, compliance, customer behaviour, financial instability, exceptional growth, pricing, speed of delivery and ways to meet customer need in order to explore new possibilities, unlearn what needs to be unlearned, and reimagine models and ways of working.

Agility is the bedrock of digital transformation. What we discuss in this book goes way beyond simply adding digital technology to your business. True agility comes from how the organization generates value and progress. How teams work every day to not only generate value quickly but create useful value by changing what is to what could be. Recent history is littered with stories of how businesses have missed opportunities, stagnated, failed to change, believed their own hype, became complacent and neglected to challenge their own assumptions about the new possibilities that digital technologies create.

In the first edition of this book, published in 2017, we focused on making the case in an environment of rapid change for a scaled application of agile principles to support wider digital and business transformation. Since then, a number of organizations have embarked on their agile transformation journeys and we have also witnessed arguably the biggest test of corporate agility in a generation – the COVID-19 pandemic – which has driven an 18-wheeler through business norms, assumptions and plans. The pandemic served to accelerate and amplify many of the long-term technology-driven trends, but it also brought into sharp focus the need for businesses to be more responsive to rapidly shifting environments, more adept at dealing with uncertainty, and more adaptive in their strategies and operating models.

Those businesses that have integrated agile ways of working have already reaped the benefits, not least in how they have managed the impact of the pandemic. McKinsey research, which analysed 25 companies across seven sectors, showed that according to their own assessments, divisions and business units that had embedded agile practices deeply within their operating models had responded to the challenges brought by the pandemic better than their non-agile units across measures of operational performance, customer satisfaction and employee engagement.[2] Executives from the companies

involved in the research noted how agile practices helped at the team and the enterprise level to support faster, cross-functional working, greater responsiveness to rapidly changing customer needs, the ability to prioritize and refocus quickly and to swiftly align resources to solve new problems or develop new propositions.

Yet for many organizations that are still right at the beginning of their agile transformation journey, and for those that have already embarked on the path, there remain many challenges to overcome. The reality is that while the pandemic served to amplify the need for greater organizational responsiveness, technological-driven change was already creating environments characterized by rapid change, heightened unpredictability and the need for far greater agility and adaptiveness.

In his book *Antifragile*,[3] Nassim Nicholas Taleb defines the difference between how we understand the concepts of robustness and resilience. If being fragile means that you break without any significant alteration, then being robust is about the ability to resist against known changes and stresses. Resilience, however, is being able to absorb or react to disturbances by re-establishing as close as possible to the original state. But an antifragile system is one that *improves* as a result of stresses and failures. Businesses can become fragile by being resistant to change and not developing ways of operating that are fit for purpose for the new environments in which they find themselves. Many companies may believe themselves to be robust and resilient. Yet the real differentiator is when businesses can become an *antifragile* organization – one that can not only survive change but thrive in it.

John Hagel and John Seely Brown at Deloitte have described the necessary shift as one from 'scalable efficiency' to 'scalable learning'.[4] If we are to become fit for purpose for this new world, more than ever we need to realize that advantage is shifting towards those teams and businesses that value organizational learning and adaptability over simply leveraging scale and efficiency. Put simply, we need to learn fast at scale. Many organizations may pay lip service to the importance of agility, but the reality is that many have also not significantly challenged or changed outdated ideas of strict hierarchies, slow decision-making and top–down leadership, and as a result they have become fragile.

The agile business is one that learns fast at scale. It is efficient, ambitious and responsive. It is inherently antifragile. This book is about transforming business to be fit for purpose for a rapidly changing, digitally empowered world. Alongside our own insights, we've incorporated into the text some 'stories from the front line' – contributions from other experienced practitioners of

digital transformation bringing to life their observations about how to do it well. Our book seeks to capture, distil and define the key lessons that might be learned in order to help companies on their journey of transformation towards becoming a truly agile business.

## Notes

**1**  Toffler A (1990) Introduction, in *Future Shock*, Bantam Books, New York

**2**  McKinsey (2020) [accessed 30 December 2020] An operating model for the next normal: Lessons from agile organizations in the crisis, *McKinsey*, June [Online] https://www.mckinsey.com/business-functions/organization/our-insights/an-operating-model-for-the-next-normal-lessons-from-agile-organizations-in-the-crisis (archived at https://perma.cc/35CZ-LT4S)

**3**  Taleb, NN (2012) *Antifragile: Things that gain from disorder*, Penguin, New York

**4**  Brown, JS and Hagel III, J (2017) [accessed 30 December 2020] Great businesses scale their learning, not just their operations, *Harvard Business Review*, 7 June [Online] https://hbr.org/2017/06/great-businesses-scale-their-learning-not-just-their-operations (archived at https://perma.cc/DT63-5F3N)

# 01

# The key forces for change

There can surely be very few businesses that do not feel the vivid and urgent need to acquire a heightened level of agility in order to deliver against evolving customer expectations and in response to the challenges and opportunities brought by digital technologies and data – technologies that have impacted right across the business from marketing and sales, to HR, finance and operations, technologies that show little respect for existing business models, competitive advantage or established best practice, technologies that are actively rewiring the way in which entire markets operate with unprecedented speed and comprehensiveness.

And yet, while these changes may be driven by technology, they are very far from just being *about* technology. If we want to understand the real impact from digital, we need to consider the behaviours that surround the technology. Similarly, if we want to understand how best to respond to these challenges, we need to consider not only strategies, but our approaches, thinking, mindset and behaviours.

In fact, in this book we are deliberately *not* focusing on technology. Our observation before writing it was that there were many discourses on the need for organizations to change in response to the impact of digital, but very few that gave practical advice, models or methodologies for understanding what we need to actually *do* in response to this rapidly shifting environment.

Consequently, we will focus on the 'how' rather than the 'why', on the far-reaching and comprehensive change that is needed in the very fabric of how we run our organizations. But it's also focused on the practical steps that organizations can take to embark on their own journey toward digital maturity.

But let us begin by summarizing some early context around the key driving forces that are shaping this urgent requirement. Organizations are currently sat at the centre of a perfect storm of change characterized by accelerating change, and rapidly shifting competitive, consumer, company

FIGURE 1.1   Key forces for change
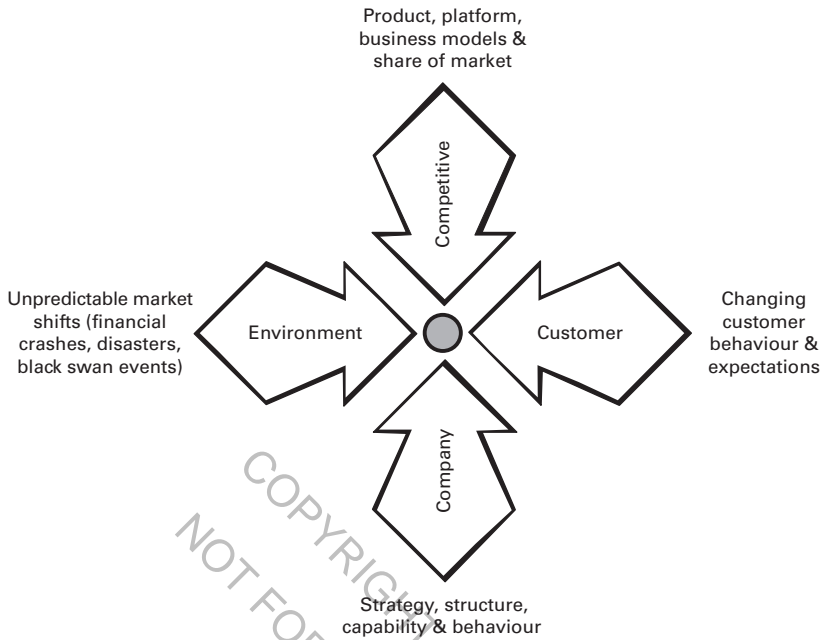
and environmental contexts. These are as much about opportunity as they are about threat and continual change (Figure 1.1).

## Relentless, accelerating change

In 2009 the world's most valuable public corporations by market capitalization were oil companies (Exxon Mobil, Petro China, Royal Dutch Shell), banks (ICBC), retailers (Walmart), telecoms businesses (China Mobile, AT&T), pharma (Johnson & Johnson) and CPG (Procter & Gamble). There was only one technology business in the top 10 most valuable (Microsoft). Little more than a decade later and the top seven are *all* technology businesses (Microsoft, Apple, Amazon, Alphabet, Alibaba, Facebook, Tencent).[1]

Change is not new. As far back as 1938, Buckminster Fuller was talking about 'ephemeralization', describing the trend for how technological advancement means doing 'more and more with less and less until eventually you can do everything with nothing' (Buckminster Fuller, 1973).[2] Joseph Schumpeter, the economist who taught at Harvard in the 1930s, described capitalism as an evolutionary process involving a 'gale of creative destruction' that sees

new companies and industries continually emerge to remove or replace the old.[3] But technology has brought a new urgency to this process. Ray Kurzweil's renowned 2001 essay 'The Law of Accelerating Returns'[4] famously argues that technological change and therefore progress, evidenced by historical trajectory, is exponential rather than linear, and that breakthroughs spawned by technology will be increasingly common.

What digital has brought to just about every sector, industry and business is a transformed scale, scope and *pace* of change. Meaning that the required organizational response is not only wide, but deep and fundamental, and those that are slow to transform will be left behind, disrupted and disintermediated.

For most organizations the impact of accelerating change is likely to be reflected in multiple scenarios and challenges that the company will need to deal with, and all with multiple potential consequences. For example, creating a significantly more volatile environment in which the company operates, unexpected new entrants to the sector, growing competition from all sides, rapid shifts in customer expectation, fundamental changes in operating relationships with customers, suppliers and partners, and accelerated changes in product or service propositions and lifecycles.

In response a new heightened level of agility is not only desirable, but critical to survival. It has never been more important to determine a defined organizational response to the shifts in our three crucial contexts: competitive, consumer and company.

## Transformed competitive contexts

With barriers to entry in just about every sector dramatically reducing through ever cheaper, easier, more flexible and scalable access to cloud-based support and infrastructure services and markets, OPEX-based as opposed to CAPEX-based subscription models, wider availability of investment money for startup models that upend and fragment existing market norms, the threat from disruptive entrants and incumbents has grown at an ever faster pace. Corporates are now competing with startups and scaleups at a global scale for the best talent. It's never been easier for anyone, regardless of scale, to reach a global audience and find a market. The democratization of machine learning, artificial intelligence and predictive analytics has levelled the playing field for access to market-beating capabilities.

Digital technologies have served to disrupt the power balance in markets between consumers and organizations. Digital and social platforms have brought with them the connected and empowered consumer, reducing the control that businesses have over their brand perception, and creating new ways to empower discovery, trial and adoption. Greater transparency in pricing has brought new downwards pressure on pricing towards commoditization of products and services. The integration of digital into operations and supply chain brings significant potential advantage in timescales, efficiencies or costs. The growth of digital to consumer (D2C) and direct to trade (D2T) models are bringing new skills and capability challenges.

As new digitally empowered businesses scale rapidly in one sector, rewiring the value chain in a particular market through software, they are then able to more easily move horizontally into other sectors by re-applying their capability and expertise in new ways. This brings new challenges from 'horizontal innovation', making it much harder for organizations to identify and combat potential competitive threats early before they have scaled rapidly. Thus Amazon move at pace and scale into the pharmaceutical sector, and Uber now makes more revenue from their delivery services (including Uber Eats) than they do from ride-hailing.[5] The net effect of this horizontal innovation is increasingly blurred boundaries between industries as sectors are brought together and potentially redefined but also a requirement on every business to be far more responsive.

Entrepreneur Chris Dixon has described how we are now in what he calls the 'deployment phase' of the internet. Technological revolutions, he says, happen in two main phases: the installation phase and the deployment phase. The early stages of each revolution are typically characterized by a financial bubble that drives the installation of the new technology at an irrationally fast rate. The crash that inevitably follows is in turn followed by a recovery and then a protracted period of productive growth which 'deploys' the technology much more broadly throughout other industries and society as a whole.

If a company develops a new technology that is valuable to an industry, says Dixon, where once the expectation would be to license or sell the technology to existing companies in that industry, the new approach is to build a complete, end-to-end product or service (a 'full-stack' approach) that bypasses existing companies:[6]

> The most interesting tech companies aren't trying to sell software to other companies. They are trying to reshape industries from top to bottom.

It's a potent combination. With big ideas, grand ambitions, exceptional talent, unprecedented access to global markets and lower barriers to entry than ever before, the potential for disruption and horizontal innovation is writ large. The challenges for senior corporate leaders are not only numerous but varied, emergent and rapidly evolving.

### The shifting nature of advantage

Just about every organization is finding that navigating the ever-changing environment in which they find themselves is like riding a surfboard on a choppy sea of uncertainty. Yet for many, their approach to strategy has not changed. We need a new kind of strategy for a new world – a strategy that is far more adaptive than the fixed, inflexible forms of strategy that are still prevalent in many businesses, a 'digitally native' strategy that is more suited to the fast-changing, technologically empowered markets that we now operate in.

Columbia Business School professor Rita Gunther McGrath (in *The End of Competitive Advantage*[7]) frames this as a change in purpose of strategy from trying to secure sustainable competitive advantage to exploiting a series of transient competitive advantages that in themselves combine to form long-term advantage. McGrath based this assertion on research that looked at companies that had a market cap of over $1 billion and that had, over the period 2000–2009, sustained a net income growth of 5 per cent above global GDP. There were only 10 of these companies, but she looked in detail at the lessons from their strategies.

Drawn from that, McGrath developed a useful framework for a more agile organizational strategy that echoes many of the themes discussed in this book:

1  **Continuous reconfiguration:** moving on from extreme restructuring programmes to a process of 'continuous morphing' that combines core stability in essentials like corporate vision, while enabling dynamism in operations, structures and execution. This is empowered through fluidity in the allocation of talent rather than narrowly defined roles.

2  **Healthy disengagement:** rather than defending an advantage to the end, taking a more systematic, frequent, formal approach to disengagement, and feeding the learnings back into the business.

3  **Resource allocation that supports agility:** key resources are managed under central control and not held hostage by local business units, resources are

organized around opportunity rather than opportunities being squeezed into existing structures, access to assets and leveraging external capability are key; you do not necessarily need to own or build everything yourself.

4  **Innovation proficiency:** moving from episodic to continuous and systematic innovation, protected through governance and budgeting being separate from business as usual, dedicated resourcing, and a balanced approach of resource investment across core growth and entirely new initiatives; higher levels of experimentation and learning from failure is encouraged.

5  **Leadership:** promoting continual shifts with broader constituencies involved in the strategy process, talent directed towards seizing opportunity, and rather than seeking perfection, accepting of fast and roughly right.

We are at a watershed moment for organizational strategy. It is one where attachment to traditional, deeply ingrained approaches that seek to extract maximum value from sustainable competitive advantage for as long as possible, even when that competitive advantage is in decline, is becoming a significant barrier to progress. And it is one where outmoded, inflexible, slow-moving systems, strategies, and processes that are optimized over time around sustainable advantages are becoming a liability.

Much of this is not only about enabling companies to be more agile and flexible, but about moving away from a number of the things that create a great deal of demoralizing frustration among employees – the inflexible pursuit of legacy models, an episodic approach to innovation, narrow job roles, rigid planning processes, post strategic-review downsizing and so on. Instead, the continuous pursuit of new markets, new technologies, innovation and improved capability around a focused vision has the potential to be hugely energizing, motivating and inspiring for employees.

If navigating the current business and consumer environment is like riding a surfboard on a choppy sea of uncertainty, we need to learn how to surf the waves of opportunity. McGrath talks about how strategy and innovation have historically been thought of as two separate disciplines:

> Strategy was all about finding a favorable position in a well-defined industry and then exploiting a long-term competitive advantage. Innovation was about creating new businesses and was seen as something separate from the business's core set of activities.

The disparate fields of organizational change, strategy and innovation are all coming together, driven by the need for far greater adaptability in order to win in a world of transient competitive advantage. Every company now needs to think more like a startup. Today's digitally native organizations, for

example, are making huge efforts to retain the culture and agility of a startup as they scale.

So what does this really mean in terms of organizational strategy? In June 2014, Boston Consulting Group revisited their classic growth share matrix.[8] The matrix, originated by BCG founder Bruce Henderson 40 years ago, famously plots a product portfolio on a 2 x 2 against growth rate and market share, giving us categorizations like 'stars', 'problem child' (or 'question marks'), 'dogs' and 'cash cows', and is a key part of business school teaching on strategy.

Many large organizations have used its principles of mapping company competitiveness (share) against market attractiveness (growth) as the basis for investment and resourcing decisions. High share could result in sustainably superior returns and eventually cost efficiencies driven by scale and experience, where high growth indicated markets with the greatest leadership potential.

In the face of rapid change and uncertainty driven by (among other factors) technological impact, BCG now say that companies need to 'constantly renew their advantage, increasing the speed at which they shift resources among products and business units'.[9] In addition, market share is no longer a direct predictor of sustained performance, with competitive advantage increasingly coming from other factors such as adaptability.

Their research, which mapped every US listed company to a quadrant on the matrix, found that companies circulated through the matrix quadrants faster than in previous years (comparing a five-year period from 2008–2012 with one from 1988–1992). In fact, looking at some of the largest conglomerates, the average time any business unit spent in a quadrant was less than two years in 2012 (with only a few exceptionally stable industries seeing fewer disruptions).

There were also changes in the distribution of companies across the matrix, and a breakdown in the relationship between relative market share and sustained competitiveness. Cash cows generated a smaller share of total profits (25 per cent lower than in 1982), and were proportionately fewer, with the lifespan of this stage declining (by some 55 per cent in industries that saw faster matrix circulation).

Unsurprisingly BCG go on to say that the matrix is still relevant, but needs to be applied with greater agility and a focus on 'strategic experimentation' to allow greater adaptability. This is likely to mean more experimentation in the question marks quadrant, run more quickly, economically and systematically in order to identify promising ones that can grow into stars. It's also

likely to mean faster response to cashing out stars, retiring cows and maximizing what value they can from pets.

## Transformed consumer contexts

As digital empowers ever richer and more seamless interaction, customer expectations are dramatically increasing. As soon as we're spoiled by a seamlessly intuitive, smartly designed, on-demand customer experience like Amazon one-click or Prime, we want and expect everything to be like that. In their book *A Beautiful Constraint*,[10] Adam Morgan and Mark Barden neatly describe this phenomenon and the rise in 'unreasonable' levels of consumer expectation as 'Uber's children'.

As more products become services, impatience with even the tiniest annoyances becomes a brand differentiator and the most exceptional (even if not directly related) customer experience the benchmark by which everything else is judged. So while service design and innovation have become a real differentiator and driver of advantage, the competitive context for brands has also become far broader, consumer expectations far more challenging to address, and the advantage of continually innovating around customer need never greater.

As wave after wave of innovation hits customer interfaces (once desktop, then mobile, and now increasingly those mediated by artificial intelligence), this, and the market-beating competitive advantage that will be derived from investment in the smart application of new technologies, will increasingly separate the great from the simply good. As digital empowers new models that can capitalize on platform economics establishing new relationships and value and data flows between service providers, partners, developers and customers, the dynamics of entire markets shift. The benefit in being the primary gateway for customer interaction creates new competitive dynamics and new advantages through the acquisition of customer data, which in turn can be leveraged to create more personalized digital experiences and new propositions.

Underlying customer needs may change less than we think, but the behaviours that surround them and how we choose to fulfil those needs *do* change, and are ultimately a very real source of advantage or disadvantage. So while technology is important, understanding the underlying behaviours that surround it and how they change is even more so.

## Transformed company contexts

*Data as the operating system*

It was Clive Humby (founder and chairman of well-known customer science business Dunnhumby) who first described (to the Association of National Advertisers in 2006, written up by Michael Palmer[11]) how 'data is the new oil'. He noted:

> It's valuable, but if unrefined it cannot really be used. It has to be changed
> into gas, plastic, chemicals, etc to create a valuable entity that drives profitable
> activity; so must data be broken down, analyzed for it to have value.

Clive Humby's prescient point anticipated the struggle that many organizations, awash with growing quantities of data, have had in being effective at deriving disproportionate value from it. As digital technologies transform every sector, data is increasingly at the centre of new organizational operating systems powering smarter decision-making and optimized outcomes in everything from rapid prototyping and product development to smart manufacturing (and the so-called 'fourth industrial revolution'). Data and market intelligence firm IDC have predicted that 'more than 59 zettabytes (ZB) of data will be created, captured, copied, and consumed in the world' in 2020,[12] but also that this figure will rise to 175 zettabytes by 2025.[13]

As the so-called '3V's' of big data (volume, variety and velocity) increase rapidly, they are bringing new challenges to businesses across multiple sectors. The proliferation of 'as-a-service' models in turn means that service design, adept collection, analysis and application of data, and seamless, exceptional customer experience become real product differentiators and sources of advantage. As that advantage increases, so does the importance, potential and power of software across just about every product category.

This changes the operational requirements on a business. Where once products were released into the world and subsequent improvements would only come from new versions of that same product, now continuous augmentation, fixes and enhancements can happen in the same way that our smartphone operating system is continually updated. Ubiquitous, always-on connection creates opportunities (and demands) for ongoing improvements, fixes, updates and optimization. Ongoing customer interaction generates the potential for enhanced service delivery through data collection, visualization, personalization and recommendation. Real-time data acquisition and aggregation allows for near real-time response, adjustment and adaptation. The product sits at the centre of a connected ecosystem of touchpoints and

interactions, glued together by data and the single customer view, and blurring real-world with virtual-world experiences.

Gartner's renowned model for maturity in data analytics[14] sees a progression of value that begins with the basic descriptive analytics (what happened), moves to diagnostic analytics (in which we understand why it happened), to predictive analytics (where we can predict what *will* happen), and eventually to prescriptive analytics (understanding how we can actually *make* it happen). New nuances to each of these levels are added as organizational capability improves, but also new possibilities for advantage are created as maturity progresses.

In the same way that technology has rebalanced the power relationship between companies and their customers, so the advent of ever more accessible and more loosely coupled architectures of micro-services (cloud-based services accessed often through APIs) is driving a move away from monolithic software to services that are far more flexible, agile and scalable. Hugely powerful software and services that were once expensive, complex and the domain of only those businesses that could invest heavily are now accessible to the smallest startup. Powerful data sources that were once locked behind firewalls can now be accessed to drive new insights and power new services.

The transition from linear value chains to dynamic, networked ecosystems where data, information and value more readily flows between all parties in the system is one of the key business shifts of our time. Yet networked dynamics require new approaches, new partnerships and new levels of openness. As data increasingly becomes the electricity that powers organizational operating systems, the ability to capture advantage not only through tools and dashboards, but also models, processes and ways of working, is critical for not just thriving but also surviving.

### The heightened impact of talent

While having the best staff has always been central to business success, the whirlwind impact of technology has brought with it a stark amplification in the importance of talent. The potential for performance divergence between those companies that can attract and retain the best digital talent and those that can't has never been greater. Put simply, it has never been more critical to have the best people.

Digital technologies have shifted power towards individuals and small teams within companies who can create dramatic change through the origination and execution of exceptional ideas *and* who can do that with remote teams of networked expertise. The difference between the great and

the merely good in digital talent increasingly makes the difference between the outstanding and the also-rans in business.

The best people can be choosy about where they work, and this means not only the organization but the location of work activity, with an increasing percentage of that from a home office or location closer to home. There is more focus than ever on the environment in which they work and learn, and who they work with and learn from. Increasing transparency in employer practice and brand means there is nowhere to hide. The culture and environment into which those people arrive become critical determining factors for whether you'll be able to keep them for any length of time or attract them to work for you in the first place.

Changing employee expectations means that talented individuals at all levels, the kind that can really make a difference to wider business performance and advantage, will only work in the kind of culture and environment that truly gives them greater freedom and flexibility, a sense of purpose and empowerment, one that enables them to thrive alongside like-minded people, and one where they can learn from the best in the industry. In an environment where cross-functional collaboration and moving fast is key, vertical expertise needs to be combined with generalist skills and expertise, hard skills with softer qualities (like empathy) in ways that truly empower high-performing teams.

## The key challenge – rates of change

Too often, companies are playing catch-up with consumers. Marketing technologist, author and blogger Scott Brinker frames this dilemma rather neatly (in his thinking around 'Martec's Law'[15]), describing this as the 'quintessential management challenge of the 21st Century'. Technological change happens exponentially, but organizational change is dependent on factors that transition far more slowly (attitudes, thinking, structures, behaviours, culture) and so is often logarithmic (Figure 1.2).

The widening gap between these two curves is perhaps the key leadership, management and organizational challenge of our times. A company's ability to absorb, respond and adapt to, and master accelerating technological change is critical to its success in the modern world, yet most companies are simply too slow – too slow in adapting processes, too slow in making decisions, too slow in reorganizing around opportunity, too slow in identifying where value lies and innovating to capture that value. There is a paradigm shift required in the level of organizational agility that most companies are currently capable of and in the very fabric of how they work. If strategy is

FIGURE 1.2    Organizational change is logarithmic
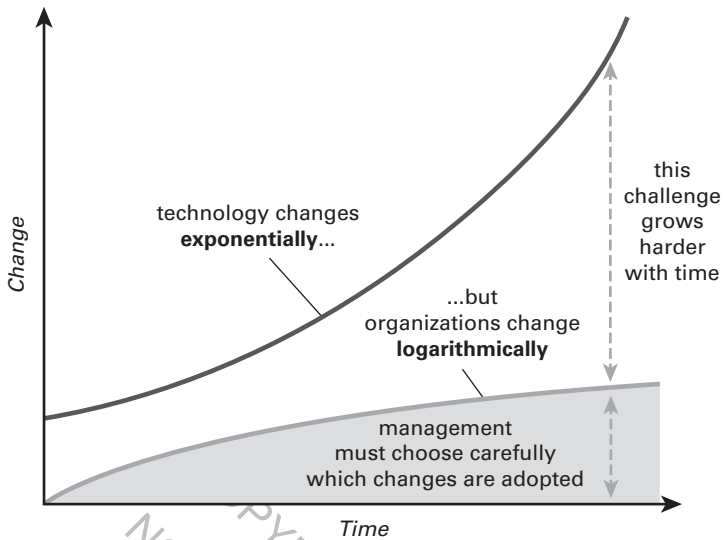


about linking execution and action with purposeful choices and direction, we need a new kind of corporate strategy – one that is altogether more suited to a digitally empowered world.

Yet before we even begin on our journey towards becoming a more agile business, we need to recognize some fundamental truths: to appreciate the way in which digital disrupts so that we might identify potential dangers and opportunity and respond before it's too late; to develop a common way of understanding what digital really means within the business so that we can execute against a clear vision and provide direction; and to be prepared to deal with the barriers and blockers that are contributing towards inertia and preventing change from happening.

CASE STUDY
*Stories from the front line*

**Gerd Leonhard, futurist and author: The future of digital transformation**

The term 'digital transformation' is well on its way to becoming overused, long before it even has a chance of becoming a reality. It has become an expression that implies a readiness for the future but which rarely indicates any profound change in thinking – the kind of changed thinking necessary to equip today's corporations for surviving the imminent transition awaiting humanity as technology becomes truly embodied. The shifts that this will bring, not only to the world of work but to

education, retirement, our concepts of birth, life and death, mean that we must not only digitally transform; we must transform digitization.

Transforming digitization means that we must re-assume the lead narrative and change technology before it changes us utterly. Digitization must not become the vehicle to mass layoffs and unemployment, social contract erosion or cultural collapse and resource wars. Today, we already exist in a world where a shared economic narrative has almost disappeared, and as humans on a planet with finite resources, we must master technology in ways that we have not yet demonstrated, including socially, culturally, ethically and environmentally.

The time for treating ethics as a public relations exercise, a nice-to-have after the economic model has extracted maximum profit, is long gone. We are entering the age of digital ethics. Technology now enables economic sanctioning of any brand that oversteps the moral mark, and as the world becomes ever more networked, economic demonstrations of discontent will become increasingly common.

The talk about digital transformation needs to move beyond the focus on efficiency and towards wider human progress. We love to talk of exponential technologies rather than of exponential humanism. Technology is not just removing the intermediaries in every market; it's tearing down the walls between public and private life, between economic survival and moral thriving. The future is not nirvana, neither is it some kind of Hollywood dystopia. The future, I'm afraid, is all too human. It will look and feel like today, only much faster and hyper-connected. It will relentlessly punish any kind of outdated thinking.

Transformation means difference, not merely improvement. We need 'androrithms' as much as algorithms – human values of creativity and empathy that transcend the merely mechanistic. We may be the last generation in history to live biologically organic lives. Before this bodily marriage with technology, we should use every remaining minute to evolve morally as much as we do economically. The next 20 years will change humanity more than the previous 300 years.

## Notes

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