

The agile enterprise

**Taking stock
of learning
agility to gauge
the fit of the
talent pool to
the strategy.**

Introduction

CEOs and senior executives paint a vivid picture of the challenges thwarting their business strategies. Korn Ferry consultants repeatedly hear comments along the lines of:

“We are in turmoil and don’t have capacity to change or adapt rapidly.”

“We lack organizational capability to manage innovation and change.”

“Our people are not well suited to thrive in an environment that is chaotic.”

Even longtime management leader GE has felt the pinch in recent years. “Our traditional teams are too slow. We’re not innovating fast enough. We need to systematize change,” GE Chief Marketing Officer Beth Comstock told *Fast Company* magazine. Gary Burnison, CEO at Korn Ferry, sees CEOs fighting for growth while holding down costs. “CEOs today are looking to innovate, then hire,” he observes, “not hire, then innovate.”

The pressure on any company’s competitive advantage intensifies with each passing day; few can hold the title “market leader” for long. External forces—globalization, economic uncertainty, disruptive technologies, and demographic shifts—threaten sustained success, if not outright survival. It’s those organizations that are nimble enough to exploit the opportunities within this volatility that come out ahead. A little over five years ago, Apple had less than 4% of the mobile phone market, and Twitter was barely a blip on the social media horizon. Such successful organizations demonstrate flexibility and resourcefulness in the face of tough and uncertain conditions—the markers of *enterprise agility*.

There are multiple ways to consider an enterprise’s agility: Does it have adaptable organization design? Effective information sharing? A culture that stresses external focus?

Although all these are helpful to consider, enterprise agility is not possible without an agile workforce—measured through *learning agility*.

The X-factor across the workforce.

Learning agility, desirable in leaders and employees alike, is an individual's ability to continually acquire new skills, learn from experience, face new challenges, and perform well under changing conditions. When the people in an organization exhibit those qualities, enterprise agility follows.

Steeped in research and used by leading companies for more than 20 years, learning agility is a strong and valid predictor of successful leadership—more important even than IQ, emotional intelligence, or education level. Why? People who are learning agile more readily absorb new skills, behaviors, and insights—and then carry those forward to perform successfully, especially in unfamiliar situations.

So when CEOs say their organization doesn't have the capacity to change, adapt, innovate, or handle volatility, what they are sensing is usually a shortfall in learning agility among top teams or the whole workforce. When a crisis or complex problem knocks an organization back on its heels, that too can be symptomatic of low learning agility throughout the enterprise.

Both Korn Ferry's and independent research show clear links between high levels of learning agility and the success of individual executives (Dai, De Meuse, and Tang 2013). Learning agility is also a strong predictor of long-term success. Highly learning agile individuals are 18 times more likely to be identified as having high potential than low learning agile people (Dries, Vantilborgh, and Pepermans 2012). They are also promoted twice as often (Dai, King, and Feil 2014).

Learning agility is crucial to many non-leadership roles as well—for instance, any job in a quick-changing field or an area of the business in which the future is undefined or emerging.

So building learning agility companywide has tremendous value. A Korn Ferry study (Lewis 2013), for example, found that companies with the greatest rates of highly learning agile executives produced 25% higher profit margins compared with peer companies. Why would the learning agility of leaders affect business performance in such a way? Academics and business leaders point to the highly volatile business climate of recent years as one in which those with agility would have an edge in driving growth.

Agility to fit the strategy.

The above research suggests that elevated levels of learning agility among an organization's employees will buoy overall performance. Further, Korn Ferry sees evidence that certain business strategies would demand even higher levels of specific factors of learning agility among the workforce.

Learning agility encompasses five factors:

Mental agility—embracing complexity, examining problems in unique ways, making fresh connections, and staying inquisitive.

People agility—being open-minded toward others, enjoying interaction with diverse groups, bringing out the best in others.

Change agility—willingness to lead transformation efforts, continuously exploring new options.

Results agility—delivering results in tough situations, responding to challenge, inspiring others to achieve more than they thought possible.

Self-awareness—being reflective, understanding strengths and weaknesses, seeking feedback and personal insight.

Korn Ferry sought a way to answer the question: does the enterprise have sufficient agility to execute its strategy? We started by examining five common strategies for growth and operational excellence:

- Innovation
- Mergers and acquisitions (M&A)
- Growth in new and emerging markets
- Customer loyalty
- Consolidation and restructuring

For each, we developed an agility index that weighted each factor of learning agility according to how essential it is to that strategy (see Figure 1). Then we could calculate the fit between the strategy being pursued and the learning agility of the workforce. A company has a high agility fit score when more employees possess high levels of the key learning agility factors than low levels.

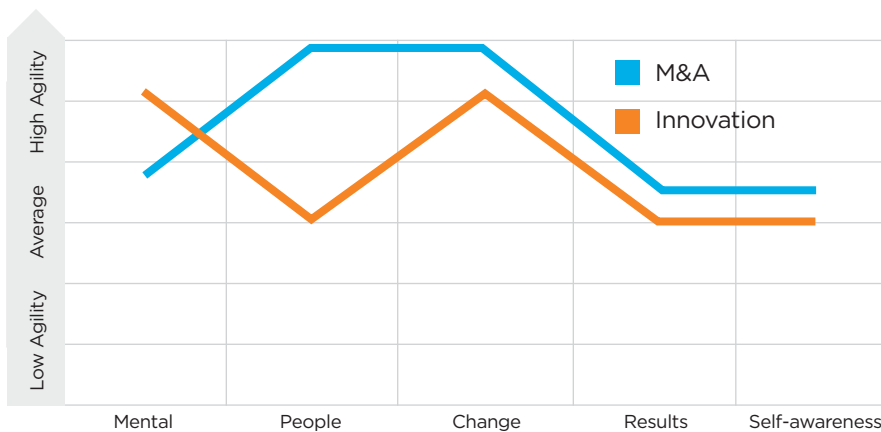
We aggregated scores from Korn Ferry's viaEDGE assessment of learning agility so that a company might know how its score stacks up against a sample of leading companies. Korn Ferry has

learning agility data from nearly 1,000 companies spanning a wide range of industries (including financial services, consumer goods, telecommunications, technology, utilities, pharmaceutical, health care, hospitality, consulting services, manufacturing, and mining). We examined scores from 168 companies in which 30 or more people had been tested to determine the spread of agility fit scores.

Figure 1

Agility fit: innovation versus M&A strategies.

Companies pursuing innovation show the need for talent with high levels of mental and change agility while companies pursuing M&A need talent with high levels of change and people agility.



With these methods for measuring the agility of the workforce and indexing it against the strategy, Korn Ferry helps answer pressing questions for CEOs today:

- How agile is my organization?
- How agile does my organization need to be given the demands of the business strategy we are pursuing?
- How does our agility fit compare to others'?

Agility fit: innovation.

Large-scale innovation typically means that going forward, individuals, leaders, and teams no longer will work in the same ways or operate under familiar circumstances. With intense innovation comes added complexity, ambiguity, and the need for fast-paced execution. Organizations that excel at an innovation strategy leverage strong learning agility to quickly and deftly tackle unforeseen problems and seize new opportunities. Further, the agility index for innovation specifically emphasizes mental agility and change agility. Why? Innovation is all about surfacing fresh ideas, making connections between seemingly disparate things, experimenting with new solutions to problems, and pursuing a reinvention focus when warranted.

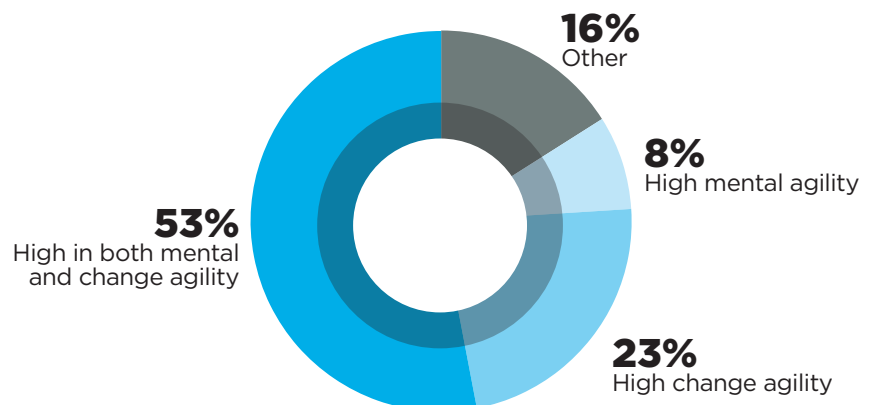
Korn Ferry found a prime example in a large telecommunications company in Asia with a presence in more than a dozen countries. Although innovation is always a core capability in a highly volatile industry like telecommunications, this company creates new products, services, and approaches particularly well. For example, the company partners with leading research institutes on innovation challenges that enable them to pursue technological advancement on multiple fronts.

In Korn Ferry's findings, this company has one of the highest agility fit scores for innovation strategy.

Figure 2

Agility fit of a large telecommunications company focused on innovation.

At this company, 84% of the employees assessed matched the strategic fit index for innovation for either high mental agility or change agility, with 53% high on both facets.



Agility fit: mergers and acquisitions.

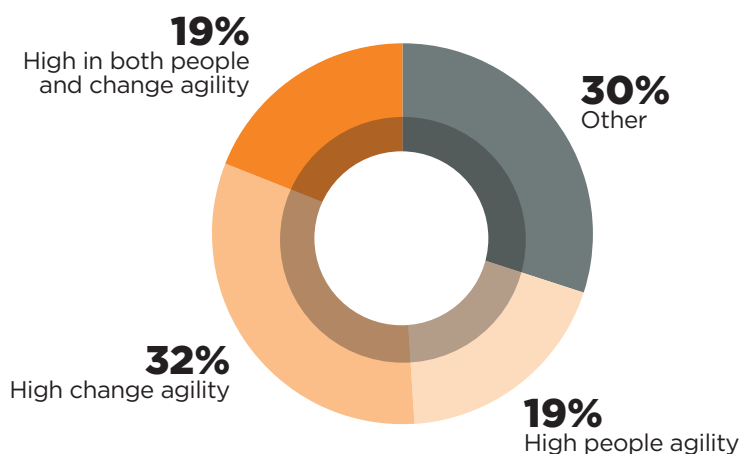
Mergers and acquisitions—sometimes described as an “inorganic” growth strategy—is characterized by equal parts risk and opportunity. Successful M&A capitalizes on the strengths of each organization, but paradoxically success usually demands shedding established ways of doing things and adapting to new, complex, and ambiguous situations. Research shows that most M&A fall short of their promise (Cartwright and McCarthy 2005), often because they misjudge the magnitude of change required by the organizations’ people and processes. Hence, Korn Ferry’s research team identified change agility and people agility as the key areas for the M&A index.

Among the top scorers we found was a multinational conglomerate that has M&A in its DNA. Over nearly two decades, the company rose to prominence as the archetypal conglomerate, driving its growth through hundreds of acquisitions, sometimes at the rate of one per week. Through strategic divestitures and acquisitions, the company continuously transforms itself and has enjoyed sustained competitive advantage as a result.

Figure 3

Agility fit for multinational manufacturer focused on M&A.

Looking at the strategic fit index for M&A, 70% of employees at this conglomerate had high scores in either people agility or change agility, with 19% matching on both important facets.



Evaluating enterprise agility.

A baseline level of learning agility throughout the workforce is crucial for any organization to thrive in the 21st -century business environment. More specific agility fit indexes, however, can identify precise areas in which the talent and strategy are aligned—or where there are shortfalls.

By identifying an agility index for their organization's workforce and establishing an agility-oriented approach to talent, business leaders will be able to:

- Build enterprise agility that aligns with key strategic priorities.
- Win when confronting today's volatile and complex business landscape.
- Drive performance by consistently placing highly agile leaders into can't-fail roles.

Based on this research, Korn Ferry created an enterprise agility diagnostic that assesses an organization's current supply of talent against what is needed for the five business strategy categories. Because learning agility is something that can be developed, Korn Ferry can also partner with organizations to help fill the agility talent gaps where needed.

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About the authors

**Vicki Swisher**

Senior director of Intellectual Property Development for the Korn Ferry Institute.

vicki.swisher@kornferry.com

**Guangrong Dai**

Senior director of research for the Korn Ferry Institute.

guangrong.dai@kornferry.com

About Korn Ferry

At Korn Ferry, we design, build, attract and ignite talent. Since our inception, clients have trusted us to help recruit world-class leadership. Today, we are a single source for leadership and talent consulting services to empower businesses and leaders to reach their goals. Our solutions range from executive recruitment and leadership development programmes, to enterprise learning, succession planning and recruitment process outsourcing (RPO).

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books and a quarterly magazine, Briefings, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth and success.

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