Building a nimble organization:
A McKinsey Global Survey

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Executives around the world overwhelmingly agree that the agility and speed of their companies are urgent business issues, according to a *McKinsey Quarterly* online survey.

More than half of the respondents say that they are taking steps to capture what they believe are significant benefits to company performance.

There is no consensus among executives on which organizational and behavioral barriers most impede a company's agility and speed.

A broadly favored mechanism for fostering agility and speed is establishing a clear link between corporate strategy and employee performance goals. State-of-the-art IT is not considered particularly important for addressing the issues.

*The*McKinsey*Quarterly*

Building a nimble organization: A McKinsey Global Survey

Executives see an urgent need to increase the agility and speed of their organization and are trying in various ways to do so.

Executives around the world are convinced they can boost business performance by improving how well the organization can shift its strategic direction and how fast it can execute its operational objectives. But to achieve greater agility and speed, many are grappling with a wide range of organizational, behavioral, and attitudinal barriers—notably those that hamper quick decision making and clear accountability.

The findings, from a new *McKinsey Quarterly* survey,[1] suggest that managers across all main regions and industry sectors acknowledge the increasing significance of agility and speed.

Executives overwhelmingly agree that these related issues have become more urgent for business in the past five years. And a majority say they are taking steps to address them.

In the survey an organization's "agility" was defined as its ability to change tactics or direction quickly—that is, to anticipate, adapt to, and react decisively to events in the business environment. "Speed" was defined as a measure of how rapidly an organization executes an operational or strategic objective.

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[1] *The McKinsey Quarterly* conducted the survey in June 2006 and received 1,562 responses from a representative worldwide sample of executives at publicly and privately held businesses across a full range of industries, as well as nonprofits and governmental organizations.

The importance of agility and speed

Almost nine in ten respondents say agility is either "extremely" or "very" important to business performance, and 86 percent say the same about speed (Exhibit 1). Regarding the benefits that executives see or expect from improving these factors, 39 percent cite higher revenues, 36 percent greater customer satisfaction, and 29 percent greater operational efficiency (Exhibit 2). Only 19 percent think greater agility and speed promote innovation.[2]

On the question of the agility and speed of the respondents' own organizations, the survey results present a mixed picture (Exhibit 3). Nearly half (49 percent) think that their companies are "much more" or "somewhat more" agile than competitors, while two in five are confident that their companies have a clear edge over rivals when it comes to speed. At the same time, 31 percent of executives confess to their companies being "much less" or "somewhat less" agile, and as many rate themselves "much" or "somewhat" slower than they rivals. A high proportion of the respondents (two in five) admit to being "dissatisfied" or "very dissatisfied" with how quickly their companies make major decisions.

On all these issues (relative agility and speed and relative ability to make quick decisions), the 40 percent of respondents who are board members, CEOs, CFOs, and other C-level executives tend to be conspicuously more optimistic than those outside the executive suite are.
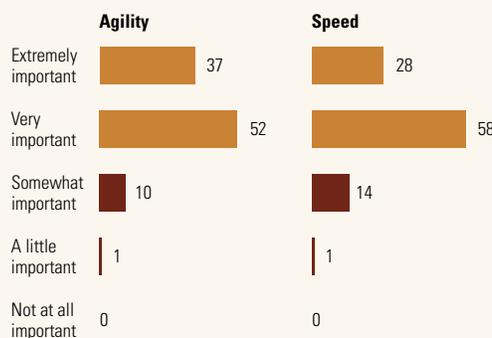
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[2] Respondents were asked to select two benefits, so response totals exceed 100 percent.

Exhibit 1

Powering performance

% of respondents[1]

How important are agility and speed to business performance?

	Agility	**Speed**
Extremely important	37	28
Very important	52	58
Somewhat important	10	14
A little important	1	1
Not at all important	0	0

Has the importance of agility and speed increased in the past 5 years?
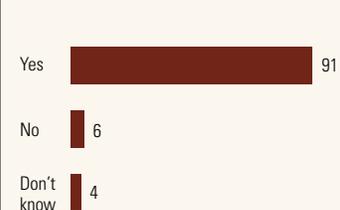
Yes	91
No	6
Don't know	4

[1] All data weighted by GDP of constituent countries to adjust for differences in response rates from various regions; figures may not sum to 100%, because of rounding; excludes respondents who answered "don't know."

Source: June 2006 *McKinsey Quarterly* global survey of 1,562 business executives

Exhibit 2
Benefits of agility and speed

% of respondents[1]

*What benefits would your organization be most
likely to reap if its agility and speed increased?*
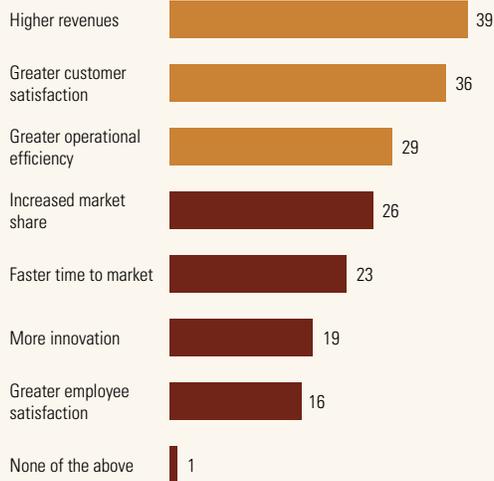
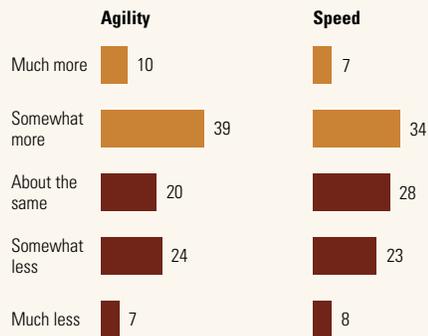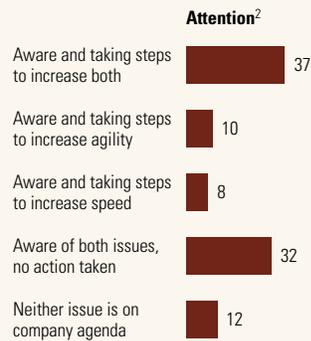|	
Higher revenues	39
Greater customer satisfaction	36
Greater operational efficiency	29
Increased market share	26
Faster time to market	23
More innovation	19
Greater employee satisfaction	16
None of the above	1

[1] All data weighted by GDP of constituent countries to adjust for
differences in response rates from various regions; excludes
respondents who answered "don't know"; respondents could select
up to 2 answers in each category.

Exhibit 3
Comparing competitive positions

How do you rate your company, compared with its main competitors, by the following measure . . .

% of respondents[1]

	Agility	Speed
Much more	10	7
Somewhat more	39	34
About the same	20	28
Somewhat less	24	23
Much less	7	8

Which choice best describes your company's level of attention to agility and speed?

% of respondents who say their company is aware of issues[1]

Attention[2]	
Aware and taking steps to increase both	37
Aware and taking steps to increase agility	10
Aware and taking steps to increase speed	8
Aware of both issues, no action taken	32
Neither issue is on company agenda	12

[1] All data weighted by GDP of constituent countries to adjust for differences in response rates from various regions; excludes
respondents who answered "don't know."
[2] Figures do not sum to 100%, because of rounding.

Source: June 2006 *McKinsey Quarterly* global survey of 1,562 business executives

No silver bullet

The survey results will disappoint those in search of a silver bullet, for they reveal little consensus on what facilitates or frustrates efforts to increase an organization's tempo (Exhibit 4). When respondents were invited to cite the two organizational elements that most contribute to agility and speed, the two top choices (identified by 41 percent and 39 percent of the sample, respectively) were a clear link between company strategy and the performance goals of individual employees and decision-making authority pushed as far down the organization as possible. Other elements also figure prominently: clearly defined decision-making authority (30 percent), clearly defined roles and accountability (30 percent), and mechanisms to facilitate the sharing of knowledge across the organization (26 percent). In contrast, a mere 7 percent of the respondents think state-of-the-art IT is an important contributor to building agility and speed.

Turning to behavioral and attitudinal issues, more than half of the respondents (57 percent) think sensitivity and responsiveness to customer needs constitute the key to increasing agility and speed. In addition, sizable minorities agree that motivating and instilling purpose in employees, empowering them to curtail or discontinue activities that don't support strategic and operational objectives, and continuously improving business processes also are important (at 48 percent, 44 percent, and 29 percent, respectively).

Exhibit 4

No consensus on how to become nimble

% of respondents[1]

In general, which of the following elements contribute the most to an organization's agility and speed?

Organizational elements

Clear link between company strategy and employee performance goals	41
Decision-making authority pushed as far down organization as possible	39
Clearly defined decision-making authority	30
Clearly defined roles, accountability	30
Mechanisms to facilitate sharing of knowledge across organization	26
Managers' access to information relevant to their business unit's performance	18
State-of-the-art IT	7
Other	2

Elements related to behavior and attitude

High degree of sensitivity, responsiveness to customer needs	57
Executives taking lead to motivate and instill sense of purpose	48
Empowering employees to reduce or discontinue activities that don't support strategic, operational objectives	44
Continuous improvement of business processes to achieve maximum efficiency	29
Active recruitment, training to maintain high level of employee skills	11
Other	1

[1]All data weighted by GDP of constituent countries to adjust for differences in response rates from various regions; respondents who answered "don't know" are not shown; respondents could select up to 2 answers in each category.

Source: June 2006 *McKinsey Quarterly* global survey of 1,562 business executives

Overcoming barriers

The survey also sought to explore the main organizational, behavioral, and attitudinal barriers to greater agility and speed (Exhibit 5). Here a similar pattern emerges: half of the respondents complain about overly centralized, slow, or complex decision-making and approval processes. And around one in four highlight poor coordination and control of multiple initiatives; inconsistent communication of objectives and targets; boundaries, real or imagined, that impede the flow of information and ideas; and unclear accountability. As for "softer" barriers, one in three respondents cite a lack of employee purpose, commitment, and motivation. Other noted bugbears are the tendency to refer decisions upward (31 percent), company politics (28 percent), an inclination to overanalyze (26 percent), and a failure to hold individuals accountable (24 percent).

Exhibit 5

Impediments to agility and speed

% of respondents[1]

Which barriers are most likely to hamper an organization's agility and speed?

Organizational barriers

Barrier	%
Overly centralized, slow, or complex decision-making/approval processes	50
Poor coordination and control of multiple initiatives in organization	26
Inconsistent communication of objectives, targets	26
Boundaries, real or imagined, that impede free flow of information and ideas across the organization	25
Unclear accountability	24
Insufficient employee skills, talents	16
Restrictive rules and processes related to operational, administrative activities	14
Managers' lack of access to up-to-date performance information	7
Incompatible information systems	5
Other	1

Barriers related to behavior and attitude

Barrier	%
Employees lacking sense of purpose, commitment, motivation	33
Tendency to refer decisions to higher levels of organization	31
Company politics that consume employee time, energy	28
Inclination to overanalyze before making decision	26
Failure to hold individuals accountable for fulfilling promises or commitments	24
Hesitation to invest resources in new ideas, ways of working	23
Employees lacking understanding of their roles in achieving company goals	20
Lack of opportunities for employees to learn, develop new skills	7
Other	1

[1]All data weighted by GDP of constituent countries to adjust for differences in response rates from various regions; respondents who answered "don't know" are not shown; respondents could select up to 2 answers in each category.

Source: June 2006 *McKinsey Quarterly* global survey of 1,562 business executives

The challenges

Thus, no particular barrier emerges as overwhelmingly the most obstructive. Asked to pick just a single obstacle, upward of one in six respondents (more than twice as many as chose any other potential problem) select overly centralized, slow, and complex decision making. Ten percent say none of the barriers apply to their organizations.

When asked about the effectiveness of their own companies at executing the organizational, attitudinal, and behavioral elements of agility and speed, respondents report that the biggest challenges are empowering employees to curtail or discontinue pointless activities and pushing decision making down the organization. On the whole, companies seem to be more effective at dealing with the organizational issues than with the behavioral ones.

A more detailed breakdown of the data indicates that smaller and privately owned companies see themselves as speedier and more agile than larger and publicly held organizations do. As to industry sectors, respondents from health care are the most humble about their relative performance in terms of speed, while those from business services appear to be the most confident of their relative superiority in both agility and speed. Executives with responsibilities related to operations or strategy report the most dissatisfaction with the decision-making speed of their companies. *Q*