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.

[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]

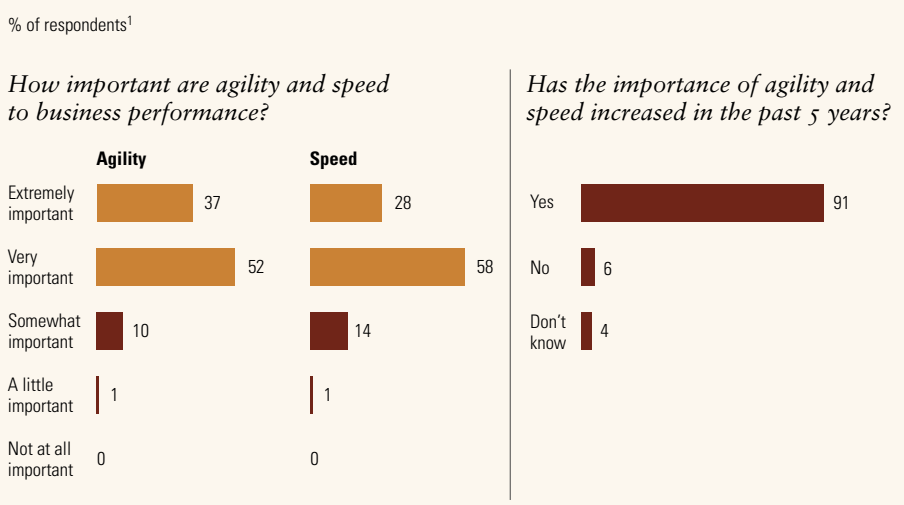
On the question of the agility and speed of the respondents' own organizations, the survey results present a mixed picture (Exhibit 3). Nearly half (49 percent) think that their companies are "much more" or "somewhat more" agile than competitors, while two in five are confident that their companies have 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.

[2] Respondents were asked to select two benefits, so response totals exceed 100 percent.

Exhibit 1

Powering performance

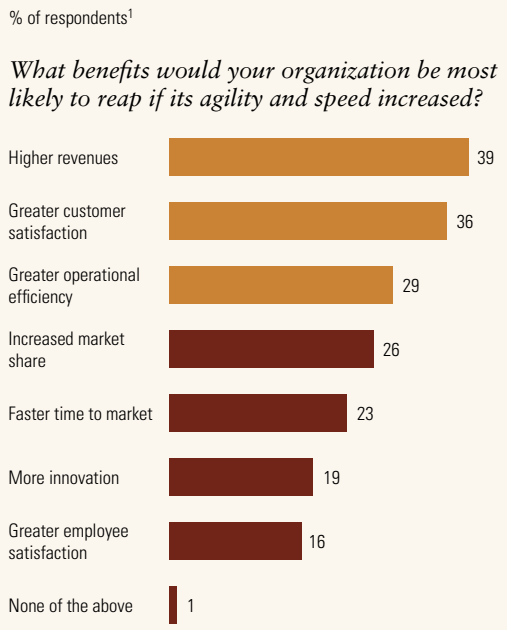


[1] All data weighted by GDP of constituent countries to adjust for differences in response rates from various regions; figures may not sum to 100%, because of rounding; excludes respondents who answered "don't know."

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

Exhibit 2

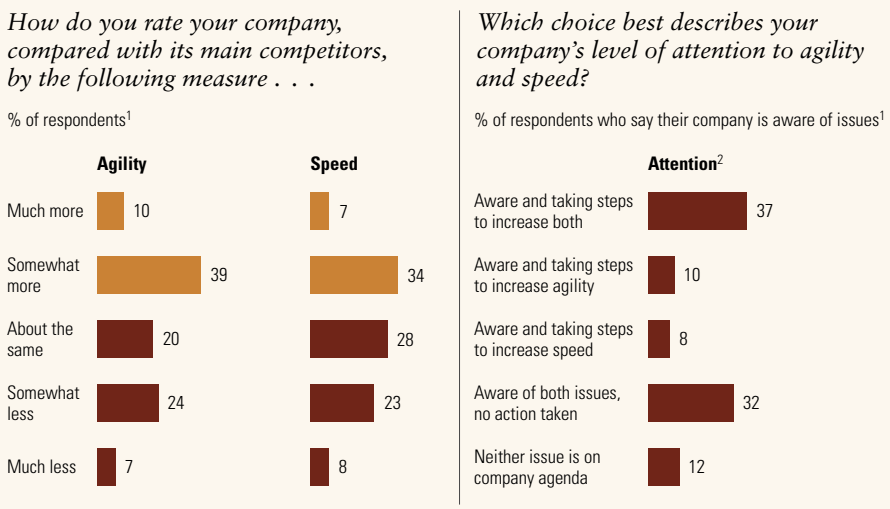
Benefits of agility and speed



[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



[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

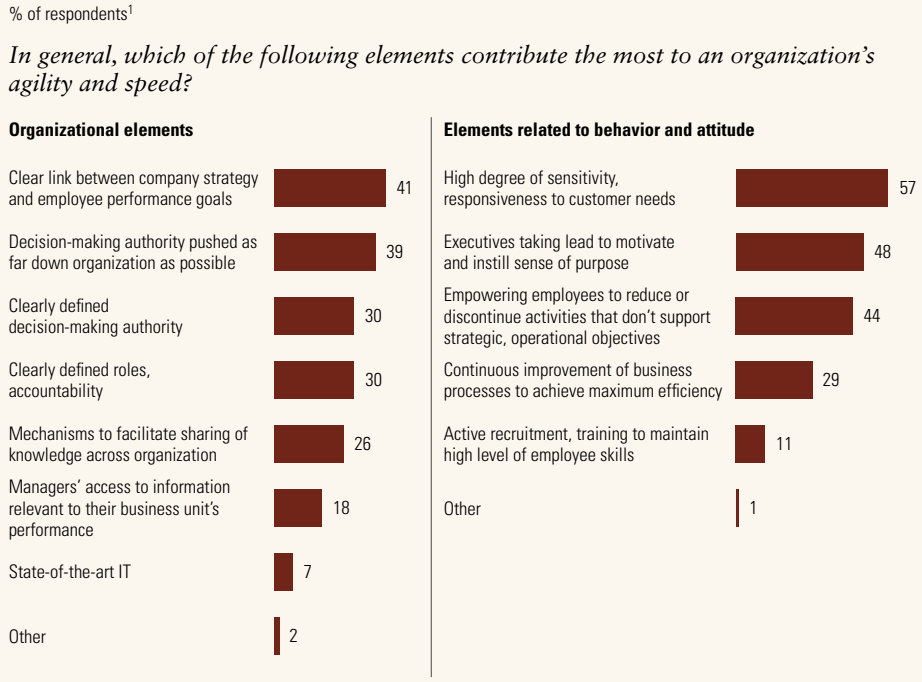
No silver bullet

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



[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

[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

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