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Key messages

Companies can become more agile by designing their organization to both improve speed and create stability. Speed and stability are significant catalysts for organizational health and performance. The trick for companies is to combine speed with stability.

Creating a balance between agility and stability

Easing the tension between stability and agility is critical in three core organizational areas:

1. Organizational structure, which defines how resources are distributed.

Traditional hierarchies (boxes and lines on a chart) typically specify where work gets done, where performance is measured, and who's responsible for awarding bonuses. All this generally involves a boss (or two in matrix organizations) who oversees work and manages direct reports.

Agile organizations, by contrast, deliberately choose which dimension of their organizational structure will be what we call their "primary" dimension. This choice dictates where individual employees work, in other words, where they are likely to receive coaching and training and where the infrastructure around their jobs is located. Agile companies see the importance of this organizational home as one of the main stabilizing factors in their organizational structure. Day-to-day work, performance measurement, and decisions on rewards, on the other hand, are more likely to happen in teams that cut across formal structures.

2. Governance, which dictates how decisions are made.

In general there are three types of decisions made within organizations, namely:

- ◆ Type I: big decisions where the stakes are high.
- ◆ Type II: frequent decisions that require cross-unit dialogue and collaboration.
- ◆ Type III: decisions that should be parsed into smaller ones and delegated as far down as possible, often to people with clear accountability.

It is mostly type II decisions that hinder the agility of a company. Solutions found by various companies include:

- ◆ Critically review the decisions that have been made in committees and that can be made by people as close as possible to the day-to-day action. Be very critical and delegate as much as possible to the latter.
- ◆ Make a clear charter for committees, avoiding an overlap in roles between the members (this is the stability factor).
- ◆ Rotate individual members around different committees.
- ◆ Hold virtual meetings when necessary.
- ◆ Use meetings to engage in robust discussion rather than the endless sharing of information in presentations.

3. Processes, which determine how things get done, including performance management.

Agile companies also create a stable backbone for key processes. These are usually signature processes, processes these companies excel at and can explicitly standardize but are hard for competitors to replicate.

In a brand- and innovation-driven consumer goods company such as P&G, the product development and external communication processes are typical examples of these key backbone signature processes. Everyone must understand them. In that way you create a common language that makes it easier to relocate people and means when demanded by the market.

Read more: McKinsey Quarterly, December 2015, "Agility: it rhymes with stability."

Worksheet: Where does your organization fall today?

Place a check mark by every word that describes how it currently feels to work at your company. Total the number checked in each quadrant to see where your company falls.

