



The Agility Economy: How Organisational Change Management Will Define Businesses Post-Pandemic

Change is no longer optional

The average lifespan of UK businesses has declined rapidly in recent times, with 76 percent of companies in the FTSE 100 disappearing in the last three decades and almost half of all SMEs folding within five years.¹ As the competitive landscape has been transformed by digital technology and innovative new operating models, the rate at which businesses must adapt has accelerated.

This trend has been exacerbated by COVID-19, with some analysts claiming the pandemic pushed digital adoption forward by seven years². From widespread remote working to evolving consumer behaviour, what it means to run a business has changed dramatically in less than a year.

How leaders navigate this new environment will determine their future. For many companies, existing organisational structures severely limit their workforce's capacity to respond to disruption, and the difficulties this creates will only become more acute throughout 2021.

Redesigning rigid processes to enable greater flexibility and agility is among executives' highest priorities in the coming months, but it presents a stirring challenge to HR.

Organisational change can only truly flourish with the support and commitment of individual workers; successful initiatives must combine strong leadership with a human-centric approach that recognises the central role employees play in transformation.

In this eBook, we explore the ways legacy structures limit agility; how the COVID-19 pandemic has upended our expectations of organisation change; and what a successful human-centric transformation might look like in 2021.

Just 19%

of HR leaders report that their workforce can effectively change direction based on changing needs or priorities - Gartner³

When people are truly invested in change, it is

30%

more likely to stick - McKinsey⁴

55%

of leaders say COVID-19 has resulted in permanent changes to their organisational strategy - IBM⁵

¹<https://www.imperial.ac.uk/business-school/blogs/executive-education/why-companies-die/>

²<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>

³<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/top-priorities-for-hr-leaders-2021.pdf>

⁴<https://www.mckinsey.com/featured-insights/leadership/changing-change-management>

⁵<https://www.ibm.com/thought-leadership/institute-business-value/report/covid-19-future-business>

How Legacy Structures Limit Agility



Top-down implementation

Among the clearest hallmarks of legacy organisations are rigid, hierarchical structures. Such systems tend to produce an approach to transformation which prioritises leaders' vision over collaboration or consent.

According to Gartner, more than 80 percent of organisations manage change initiatives from the top down⁶. This means overlooking the vital role culture plays in transformation, and placing responsibility solely on leaders to make strategic decisions and implement them across the organisation.

When initiatives fall short, it is then easy to chalk the failure up to leaders' inadequacies. And this does happen: Forbes reports that 31 percent of CEOs are fired for not managing organisational change well enough⁷.

That top-down initiatives fail should be no surprise to anyone though: according to PWC, less than 10 percent of leaders have the necessary capabilities and experience to successfully lead transformations – the skill set required is simply too broad.⁸

With CEO turnaround at a record high⁹, meaningful long-term change is often incompatible with the pressures leaders face to produce fast results. This leads many organisations into a cycle of failed organisational change efforts.

⁶<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/changing-change-management.pdf>

⁷<https://www.forbes.com/sites/markmurphy/2015/07/16/leadership-styles-are-often-why-ceos-get-fired/?sh=5d05b5d34988>

⁸<https://osca.co/pubs/pwc-hidden-talent>

⁹<https://www.pwc.com/gx/en/news-room/press-releases/2019/ceo-turnover-record-high.html#:~:text=The%20study%2C%20which%20analyzed%20CEO,over%20the%20time%20period%20analyzed.>

Outdated workforce design

Traditional models of working were developed under completely different conditions to those we currently live in, and many assumptions about how, when and why employees should organise their work are no longer useful.

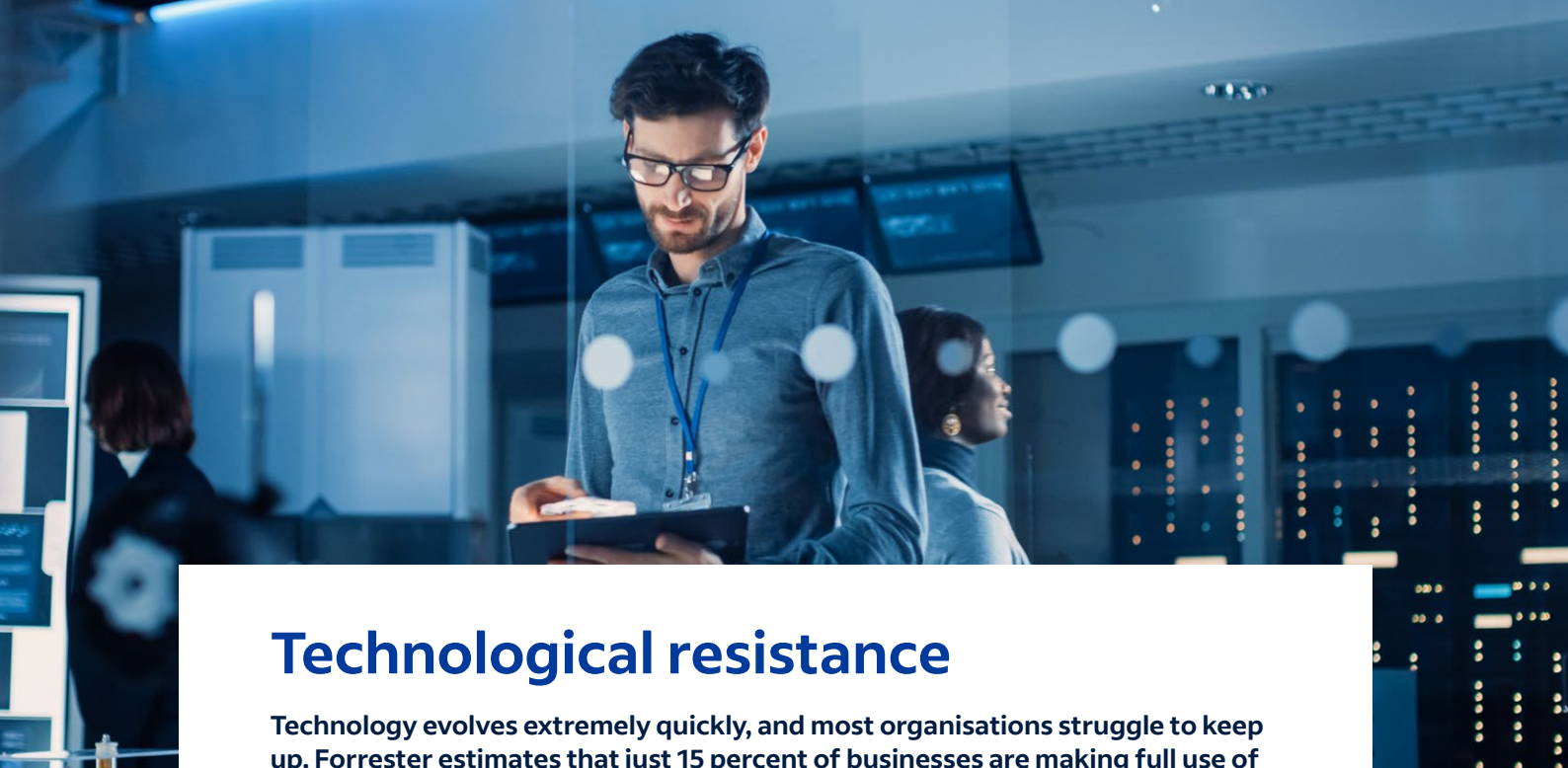
An overwhelming majority of workers report a desire for greater flexibility and freedom, often claiming that they would actually be willing to work more if they were granted it. But many organisations are more interested in monitoring and micro-managing talent than empowering employees to work in ways that suit their needs.

The result is neither workers or managers are prepared for instances where traditional models of workforce management are disrupted. Processes originally designed to maintain order quickly produce new, unexpected challenges, and many organisations find themselves incapable of detecting the weaknesses in existing processes or successfully altering them.

Gartner reports that legacy work design produces a range of limiting factors, such as a lack of access to resources and confusion about internal procedures. They suggest that roughly two-thirds of unrealised workforce responsiveness can be accounted for by these problems.¹⁰



¹⁰<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/gartner-how-to-build-a-resilient-organization.pdf>



Technological resistance

Technology evolves extremely quickly, and most organisations struggle to keep up. Forrester estimates that just 15 percent of businesses are making full use of digital - meaning 85 percent are currently missing opportunities to make their processes more agile and efficient.¹¹

Few businesses will openly admit to technological resistance. Indeed, nearly 40 percent of CEOs placed 'digital transformation' as a core priority for the future.¹² However, integrating cutting-edge technology can be disruptive and costly, leading many organisations to favour relatively conservative efforts, introducing digital processes in a slow, piecemeal manner.

In his wide-ranging study on resistance to technology, Juma Calestous argues that people do not fear change per se. Instead, he argues that individuals - and by extension businesses - resist technology because they believe it will lead them to lose something essential to their identity.¹³

It is fair to argue then that businesses often resist fully embracing new technological possibilities because of an underlying belief that it may cause irreparable loss to their internal culture or business model. Organisations with long histories - and expensive, often outdated infrastructure - are therefore particularly prone to resist technological change to workplace culture.

Organisations can only transform with the consent and cooperation of their employees; attempts to force new processes or values on employees are liable to backfire, creating a fractured, unmotivated workforce. Instead, transformations must be mirrored within the workplace culture, both in order to normalise changes and to build active support for the initiatives.

Changes to organisational structure can disorientate employees, often resulting in exhaustion and disengagement. According to the Institute for Public Relations, more than half of change management and business transformation leaders consider 'change fatigue' their biggest hurdle.¹⁴

The benefits of organisational change should be shared across a business, with employees seeing clear rewards for increasing their responsiveness and agility. But too many change initiatives fail to properly account for workplace culture: 72 percent of leaders report that they don't even know how changes they implement will affect employees.¹⁵

¹¹<https://go.forrester.com/blogs/business-trends-2021/>

¹²https://cdn2.hubspot.net/hubfs/1624046/2020%20State%20of%20the%20CIO%20Executive%20Summary_Final.pdf

¹³https://books.google.co.uk/books/about/Innovation_and_Its_Enemies.html?id=gNmDAAQBAJ&source=kp_book_description&redir_esc=y

¹⁴<https://instituteofpr.org/nine-business-transformation-stats-you-cant-afford-to-ignore-in-2019/>

¹⁵<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/changing-change-management.pdf>



The Pandemic Perspective: How Organisations Coped in 2020

Digital acceleration

Among the most widely-publicised effects of COVID-19 was the rapid acceleration of digital adoption. Virtually overnight, entire workforces were forced to adopt a range of new technology-based processes, from remote working and video conferencing to increasing reliance on file sharing and digital team management applications.

In many instances, this was a surprise success, with a consensus emerging that remote work and greater digitally-enabled flexibility would be a positive part of the lasting legacy of the pandemic. However, such a reading overlooks several key concerns.

Access to technology was unequal across industries or levels of employment, and a great number of organisations failed to provide the necessary equipment or subsidise employees' needs.

It also became clear for many businesses that pivoting to a digital-first business model would take a far more radical transformation of their infrastructure and internal culture than could be done across a few months.

Ultimately, several questions still linger over organisations' ability to integrate digital processes into a positive, cohesive culture that promotes engagement and loyalty.

66%

of organisation have been able to complete digital initiatives that previously encountered resistance because of the pandemic - IBM¹⁶

More than half

of all organisations say they are investing in technology for competitive advantage or refocusing their entire business around digital technology - McKinsey¹⁷

¹⁶<https://www.ibm.com/thought-leadership/institute-business-value/report/covid-19-future-business>

¹⁷<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>

Remote management

Along with digital acceleration came a secondary challenge: how exactly to manage workers in a totally foreign business environment. Traditional strategies for engaging and incentivising workers proved inadequate, and many managers found themselves struggling to adapt.

While some organisations have resorted to surveillance to ensure employees are working¹⁸, public outrage and potential legislation is likely to curb such approaches. Instead, a new approach which prioritises employee flexibility and autonomy was necessary to successfully engage workers – many of whom were reporting increased stress and anxiety¹⁹.

Concerns about the impact of management during the pandemic are wide-ranging, from claims that remote workers will be treated as more disposable to fears that workers will miss out on promotions because they don't form strong enough bonds with leaders.

At a more fundamental level though, the challenge of COVID-19 for managers has really been how quickly they can adapt to a totally new definition of what their role is and what their workforce needs from them.

40%

of managers express doubt about their abilities to manage a remote team successfully – Harvard Business Review²⁰

67%

of managers are worried about employees overworking when working remotely – World Economic Forum²¹



¹⁸<https://www.theguardian.com/world/2020/sep/27/shirking-from-home-staff-feel-the-heat-as-bosses-ramp-up-remote-surveillance>

¹⁹<https://www.cnn.com/2020/07/28/remote-work-burnout-is-growing-as-coronavirus-pandemic-stretches-on.html>

²⁰<https://hbr.org/2020/07/remote-managers-are-having-trust-issues>

²¹<https://www.weforum.org/agenda/2020/06/coronavirus-covid19-remote-working-office-employees-employers/>



Operational resilience

The ultimate test of an organisation during a crisis is simple: can it continue to operate? For a certain proportion of businesses – such as hospitality – a pandemic inherently limits possibilities. But even within such hard-hit sectors, 2020 saw plenty of agile innovation, such as restaurants switching to a delivery-first business model and pubs in essence pivoting to become retail businesses.

Harvard Business Review argues that the lesson is not simply that agility is necessary, but that there is good and bad agility.²² Successful businesses are not simply ready and able to respond to change, but also capable of strategically aligning that change with their existing capacities, assets and long-term purpose.

While supply chains were shaken up and consumer behaviour migrated online, COVID-19 demonstrated two things: no business model is crisis-proof, and no business is inherently doomed given a willingness to embrace change with the right kind of agile processes.

Business are

3 Times

more likely now than before the crisis to say that at least 80 percent of their customer interactions are digital in nature – McKinsey²³

25%

of all UK businesses had to temporarily close during COVID-19 – The Financial Times²⁴

²²<https://hbr.org/2020/07/how-businesses-have-successfully-pivoted-during-the-pandemic>

²³<https://www.mckinsey.com/business-functions/strategy-and-corporate-finance/our-insights/how-covid-19-has-pushed-companies-over-the-technology-tipping-point-and-transformed-business-forever>

²⁴<https://www.ft.com/content/f9537538-d7a0-44e3-8e86-5cb9a984aae4>

Looking Forward: Five Factors to Unlock Organisational Agility in 2021

1. Build a culture of employee responsiveness

The key to an agile organisation is not just strategy or intent – it is a responsive workforce that feels empowered and driven. Frontline employees taking the initiative to drive change elevates the success of organisational transformations from around 30 percent to 71 percent.²⁵

This points to workplace culture as a key driver not just for factors typically associated with it – such as engagement and retention – but for organisational change. Building an environment that actively celebrates responsiveness and encourages employees to feel invested in the business is a central element of making organisational change stick.

While culture cannot be enforced from the top down, leaders should consider how embracing flexibility and altering incentive structures could help them improve the responsiveness of their teams; they should also consider how they communicate their vision for change.



Responsive teams are at least 20% more likely to overperform against key goals - Gartner²⁶



While 9 in 10 employees say they are ready and willing to be responsive, only 4 in 10 are responsive in practice – Gartner²⁷



²⁵<https://www.mckinsey.com/business-functions/organization/our-insights/what-successful-transformations-share-mckinsey-global-survey-results>

²⁶<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/gartner-how-to-build-a-resilient-organization.pdf>

²⁷<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/gartner-how-to-build-a-resilient-organization.pdf>



2. Integrate technology into culture

While COVID-19 has accelerated digital adoption, the next step is to find more effective ways of integrating technology into a positive, productive workplace culture. Organisational agility cannot be fully realised without a strong culture, and for many companies technology presents a challenge to that.

Technology is a necessary part of organisational change, but organisational change is equally a necessary part of technological adoption. While technology clearly enables greater responsiveness and agility, it can also create disengagement – which clearly decreases both.

The answer then is to look at digital transformation not purely as a technological, but also an HR initiative. Rather than asking technical questions, leaders should focus on the human problems of digital: how can you build trust and team morale in the digital space? What sorts of technology will enhance collaboration and team-spirit?



76 percent of executives agree that organisations need to dramatically reengineer the experiences that bring technology and people together in a more human-centric way - Accenture²⁸



Most companies are using technology to modernise their existing business model instead of transforming it – Forrester²⁹

²⁸https://www.accenture.com/us-en/insights/technology/_acnmedia/Thought-Leadership-Assets/PDF-2/Accenture-Technology-Vision-2020-Full-Report.pdf

²⁹<https://go.forrester.com/blogs/survival-mode-digital-strategy-focus-on-pragmatic-modernization/>

3. Develop new leadership approaches

In Gartner's 2021 survey of 800 HR professionals, the most common reason given for difficulties making organisational change happen was 'our managers aren't equipped to lead changes.'³⁰ Less a complaint, this was merely an acknowledgement that what is required of leaders is rapidly changing – and most cannot keep up.

In many cases, organisations will benefit from a dispersed model, where responsibilities are spread across departments and seniority levels, so that more direct personal attention can be paid at every level. However, there is still a case for strong centralised leadership in certain facets of change management.

For example, leaders can focus on modelling and championing the kind of responsiveness and openness to change that they wish to see in their employees. Equally, the status of senior leaders can help amplify key messages, and organisations that utilise this fact will produce far more effective internal communication.



Company-wide change efforts are 12.4 times more likely to be successful when senior managers communicate continually – McKinsey³¹



When senior leaders role model the behaviour changes they're asking employees to make, transformations are 5.3 times more likely to be successful – McKinsey³²



³⁰<https://emtemp.gcom.cloud/ngw/globalassets/en/human-resources/documents/trends/top-priorities-for-hr-leaders-2021.pdf>

³¹<https://www.mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds>

³²<http://www.mckinsey.com/business-functions/organization/our-insights/how-to-beat-the-transformation-odds>



4. Measure change, and your response to it

While it is commonly claimed that change management initiatives have a high rate of failure, the truth is many organisations simply do not have a robust sense of how successful their initiatives have been.

This is because they don't put enough emphasis on measurement. Organisational restructuring tends to be extremely complex – and takes a long time – so it is not always clear what should be measured or how best to do so. This not only makes the results unclear – it impacts the motivation of individuals involved.

What employers measure directly impacts how employees perform. Leaders who are serious about improving their organisation's agility and bringing about real change should therefore look to develop metrics for success in order to directly track how well their change management initiatives are faring – and adjust their actions accordingly.



Organisation currently use just 29 percent of the metrics they claim to follow in change efforts – McKinsey³³



69 percent of employees say the benefits of organisational change is not clear because it is not measured against a benchmark – IBM³⁴

³³<https://www.mckinsey.com/business-functions/organization/our-insights/how-do-we-manage-the-change-journey>

³⁴<https://www.ibm.com/thought-leadership/institute-business-value/report/making-change-work>

5. Reimagine the flexible workforce

An increasing number of organisations are finding traditional approaches to staffing are inflexible, creating numerous stark inefficiencies. Reimagining the workforce to include a blend of permanent and temporary workers may hold the key to balancing stability with flexibility, helping to achieve the ideal level of agility.

However, such a transformation presents numerous challenges: how will organisations ensure their temporary staff are reliable and skilled? How will they preserve their workplace culture? How will they manage regulatory requirements?

If businesses can resolve these challenges, a flexible workforce will enable them to increase their agility whilst actively growing – a set of aspirations ordinarily considered to be at odds.



70% of executives plan to hire more temporary workers in the next two years -McKinsey³⁵



In December 2020, billings from temporary recruitment rose at the sharpest rate since October 2018 - Recruitment and Employment Confederation report³⁶



³⁵<https://www.mckinsey.com/featured-insights/future-of-work/what-800-executives-envision-for-the-postpandemic-workforce>

³⁶<https://www.rec.uk.com/our-view/reports-jobs>



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