

AGILE COMPANIES – FEATURES AND BENEFITS

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Abstract

Rapid changes in the business environment underline the need for companies to move to flexible management and business models. Business agility as an ability to respond in a timely manner to unpredictable changes becomes the important factor of competitiveness. The main competitive advantage of agile companies is especially the constant innovative ability of processes or products. The aim of the paper is to summarize and reveal key features and main benefits of agile companies.

Keywords: business agility, agile enterprise, change management, competitiveness

1. INTRODUCTION

Nowadays, it is important to realize why the response to change has become so important. There were constant changes. Nevertheless, it is currently a priority issue precisely because the complexity, speed and rate of change are increasing exponentially. Competition, suppliers, customers - the company must monitor all stakeholders. Many changes are taking place in the external environment of the company, which is difficult to respond flexibly. The characteristics of the external environment are known in the business world as VUCA – volatile, uncertain, complex and ambiguous. It is about properties which indicate that the external environment is complex and difficult to diagnose (Bennet and Lemoine 2014).

Maintaining a competitive advantage over a longer period, flexible response to rapid changes in the environment, anticipation of these changes and the subsequent speed of decisions as well as their implementation in practice are the keys for successful business today. These mentioned above facts require an understanding of agility not only in the field of IT, but as a philosophy of business management.

It is to blame for the constant use of traditional thinking, processes and practices that are not enough to meet the new demands that organizations face every day. Seventy percent of companies that were on the Fortune 1000 just ten years ago have now disappeared - unable to adapt to change (Le Clair, 2013). Elali (2021) emphasizes the need to create agile organizations that will prosper in an unstable and uncertain world. Agility is not a new concept in the business world. It was first mentioned in connection with the business community in 1982 as “the capacity to react quickly to rapidly changing circumstances” (Brown and Agnew 1982).

The results of many studies showed that the agility of the company (especially strategic) has a significant impact on the performance of the organization and innovation capacity and is a source of competitive advantage (Salih and Alnaji, 2014; AlTaweel and Al-Hawary, 2021; Teoh et al., 2017).

The aim of the paper is to summarize and reveal the key features supporting business agility and the main benefits resulting from agile companies on the example of the chosen agile enterprise. Simultaneously, the paper intention is to identify the progress of companies in relation to agility as well as to provide a brief view of agility as a factor of competitiveness.

2. MATERIALS AND METHODS

2.1. Materials

In this paper we looked at business agility from the point of view of theoretical background, and at the same time from the point of view of the results of on a sample of the chosen agile company. We used theoretical knowledge about agility from various authors, data on the analyzed company in the form of

annual reports and websites or the current state of agility in companies in the form of Business Agility Reports. The main source of information was secondary data from published studies and scientific articles, annual reports of Business agility institute and internal information of selected agile company.

2.2. Methods

The method of literature review in the area of business agility was used. The publications was selected from indexed databases and database ProQuest according to key words connected with agility. The secondary research based on analysis of previous research results published in official Business agility reports in years 2018 – 2021 was conducted. Our study has focused on identification of features and benefits of agile companies. We used theoretical research methods, such as methods of analysis, abstraction, deduction and comparison.

2.3 Methodology and research questions

To meet the aim of the paper, the research questions were stated followed by research procedure. In the research questions (RQ) we have focused on (1) the basis and importance of business agility (2) the features of agile companies in the form of starting points and capabilities; (3) benefits of business agility (see Figure 1).

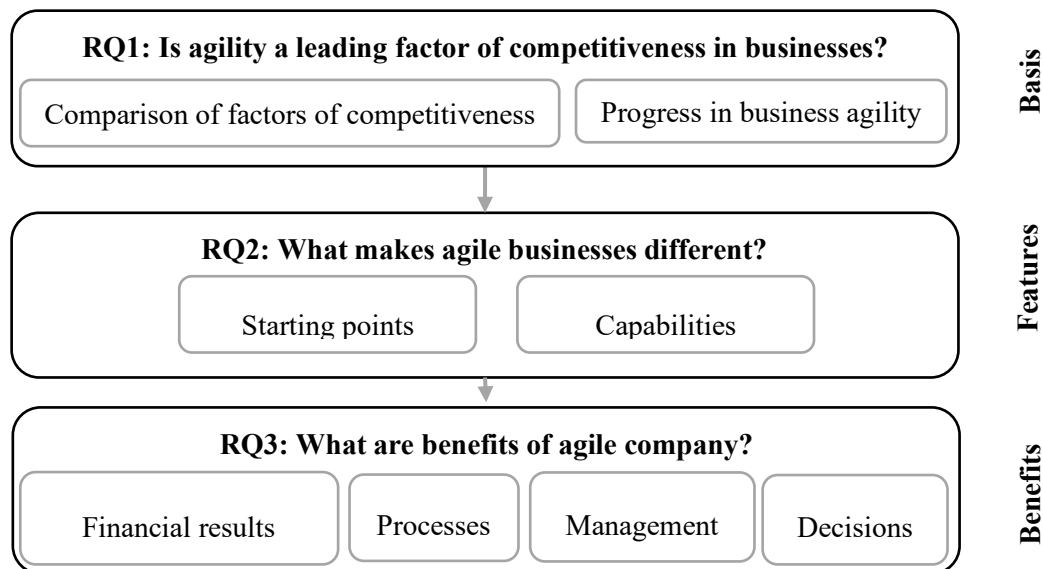


Fig. 1. Basis of the research

Source: authors

3. RESULTS

3.1 Agility and its importance by competitiveness

In the literature we find many of view at agility. However, the center of attention is business or organizational agility, but we can meet with different types of agility. In general, agility in the business world is defined as the ability of an organization to respond quickly and effectively to changes in market demands (Brown and Bessant, 2003). It is essential to survive and compete in today's turbulent environment accompanied by technological advancements and digitalization (Troise et al., 2022). It is possible to describe business agility as “a set of organizational capabilities, behaviors, and ways of working that affords your business the freedom, flexibility, and resilience to achieve its purpose. No matter what the future brings” (Business agility report, 2021). Agility is not something an organization has or does not have. Indeed, every organization has a certain speed and effectiveness how to react on

changes in environment. A specific feature of agility is the speed and efficiency of adapting to change, giving these companies a competitive advantage, especially in evolving markets (Gagnon and Hadaya, 2018). In conjunction with competitive advantage, the strategic agility helps overcome crises within volatile environment and regain balance and position in the market (Al-Romeedy, 2019).

Based on the Business Agility Reports data, we can conclude that organizations around the world continue to adapt to the impact of COVID-19, the importance of business agility is clearer and important. The cohort of high maturity (7 points or more) organizations increased to 27% in 2021, a marginal 2% increase from 25% in 2020. The highest percentage of organizations was recorded in 2018 (29%) (see Figure 2).



Fig. 2. Overview on % of organization with high business agility maturity

Source: Business Agility Reports 2018, 2019, 2020, 2021

The growing importance of agility is also evident when looking at the Figure 3. While in 2019, the evaluation of individual agility domains was at the level of 4.4-4.9 points, in 2020 and subsequently in 2021, the domains showed higher values (4.9-5.2). In 2021, at the forefront of agility domains are customer, craft agility and strategic agility. The customer maintains a leading position.

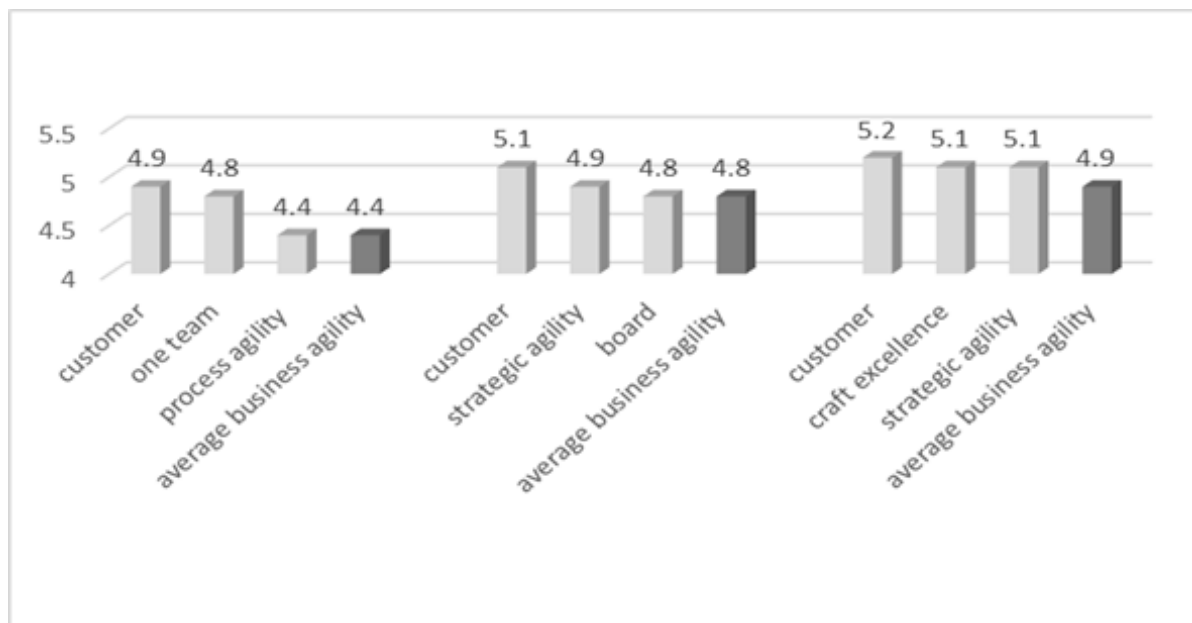


Fig. 3. Domains of business agility in individual years

Source: Business Agility Reports 2018, 2019, 2020, 2021

Despite the fact that large companies have shown greater resistance to COVID-19, in terms of agility smaller companies exhibit more agility than larger ones. This digital age brings a new means of

production. Connectivity plays an important role here. Competition, customers - everything moves forward, which is necessary to adapt in order to maintain, or increase business success.

A recent BCG study concluded that organizations need to change their business models today. These are mainly changes in leadership skills. Adaptive firms can adapt and learn better, faster, and more cost-effectively than other firms, giving them an "adaptive advantage". Adaptive companies include Apple, Google, 3M, Target, and Amazon (Lawrence, 2013). Agility is the key to managing volatility. The company's resources should be focused on building untapped things and creating the potential for future flexibility (Bennet and Lemoine, 2014).

3.2 Features of agility

Many authors look at agility through its breakdown, often referred to as agility elements or dimensions. An example is Gagnon and Hadaya (2018), who distinguish four dimensions of agility: operational, strategic, research & development (R&D), transformation agility. Another authors (Dhewanto et al., 2021) marked three elements of organizational agility as operational, customer and partnership.

In the table 1 we present the starting points of agility as a certain predisposition to its realization. They mean a foundation for starting the process of agility in the company in the sense of certain activities needed to get started. Moreover, we also mention capabilities as a key components of business architecture. They express of what business does and can do in relation to concrete abilities or skills.

Terms	Characteristics	Starting points / capabilities*
Business agility	“the ability to change businesses and business processes swiftly and easily beyond the normal level of flexibility to effectively manage unpredictable external and internal changes” (Oosterhout et al., 2006) “refers to a firm's ability to quickly sense and respond to market opportunities for competitive action, thus helping the firm thrives more successfully in a competitive environment” (Overby et al., 2006) “refers to distinct qualities that allow organizations to respond rapidly to changes both in internal and external environments without losing their core business focus. The main core and the most essential qualities in business agility are adaptability, flexibility, and balance” (Business Agility Europe)	SP: - maximizing team effort - engagement and motivation of people - synergy between people and processes - flexible corporate governance - need of strategic management C: - systems thinking - adaptability
Organizational agility	“is defined as being able for a company to react swiftly to inevitable and unforeseen changes in its internal and external business environment” (Akkaya and Tabak, 2020) “is fundamentally necessary for organizations facing changing conditions to use production factors to achieve the objectives of the organization, employees, and shareholders” (Shahrabi, 2012)	- speed - responsiveness - flexibility - risk management

Table 1. The main features of enterprise agility

Source: Compiled from authors mentioned in the text in table

The definition of business agility (sometimes also called as enterprise agility) corresponds in the most cases to the term of organizational agility. From our view, these terms represent the broadest agility term in the business world. Ross (2017) understands a certain difference in the given terms. "Organizational agility is simply not comprehensive business agility. The problem of business agility runs far deeper than surface innovations addressing only work agility can ever resolve". Given capabilities are perceived as a predisposition for other types of agility. For each type of agility, we have given them specific capabilities corresponding to the given area.

According to Doz (2020), three basic aspects are important for a company's agility: strategic sensitivity (the perception and the intensity of awareness and attention to strategic situations), resource fluidity (the capability to free resources from existing activities and redeploy them rapidly toward new growth opportunities), and collective commitment (the ability of the top team and the organizational leadership to make and implement bold joint strategic decisions fast).

3.3 Benefits of agility

At first, the companies must understand the nature of agility, its dimensions and decide which one is/are the most important to own possibilities. The positive result can be explained by the fact that organizations that adopt agile principles based on the development of scenarios derived from the perception of changes in the business environment have greater opportunities to improve their financial position, achieve customer satisfaction and gain the largest market share compared to the competition (AlTaweel and Al-Hawary, 2021). Many other studies point to the positive impact of organizational or strategic agility on business performance (in terms of financial and innovation performance) (Troise et al., 2022; Zhu and Gao, 2021; Kurniawan et al., 2021). Agility helps companies' rapid delivery of business value, reduce the overall risk, or in other words: it saves of time and money (Shankarmani et al., 2012). It provides the continuous scope for change, prioritize, and focus on things with high priority, and many other benefits. Business agility is increasingly recognized for its transformational benefits. However, the transition to an agile operating model is challenging, especially for established companies (Brosseau et al., 2019).

In 2021, respondents identified speed to market as the most frequent benefit from their business agility. In many cases it was the answer and key point of their response to COVID-19, especially when responding to rapidly shifting customer demand. In 2020, the benefits in internal processes in connection with communication and better ways of working prevailed (Figure 4).



Fig. 4. Most significant organizational benefit of business agility

Source: Business Agility Reports 2018, 2019, 2020, 2021

3.4 Example of the agile company

Typical representatives of agile companies are Apple, Walt Disney, Spotify, Netflix, and Amazon. These are mostly large and well-known companies that have been operating on the market for several years. In the next part, we focused on the example of a company from another field – Bosch Group.

The Bosch Group is a leading global supplier of technology and services. Bosch is a major player in the fields of mobility, consumer goods, industrial technology, and energy and building technology. It employs roughly 402,600 associates worldwide (as of December 31, 2021). Its operations are divided into four business sectors: Mobility Solutions, Industrial Technology, Consumer Goods, and Energy and Building Technology (<https://www.bosch.com/company/>). Bosch is responding and advancing in many current areas that are the focus of attention as well Industry 4.0, sustainable mobility, IT solutions, etc. The Bosch Group's strategic objective is to facilitate connected living with products and solutions that either contain artificial intelligence (AI) or have been developed or manufactured with its help. Bosch improves quality of life worldwide with products and services that are innovative and spark enthusiasm. In short, Bosch creates technology that is "Invented for life" (<https://www.bosch.com/company/>).

From the view of the agility of the Bosch group, the next table 2 presents an overview of the implemented activities aimed at fulfilling the essence of agility in this company.

Strategic management	• One of the strategic focusing is shaping change – in the sense of aspects: connectivity, electrification, energy efficiency, automation, and emerging markets. • Ambition of the company is to play a part in molding changes in markets and technology. • Another center of attention are customers and excellence (in all areas, realization of benchmark with best competitors) • Bosch values: future and result focus, responsibility and sustainability, initiative and determination, openness and trust, fairness, reliability and credibility, legality, and diversity. • Willingness to change in a changing world and orientation to the Bosch values.
Leadership	• "The leaders of tomorrow must put things in context, be good strategists, enjoy coaching and communicating, and know exactly how they can use their own specific expertise to help their teams fulfill their tasks. They have to give their people leeway and empower them. Control has to be minimized, and reserved for emergencies, non-performing staff, or new associates." • It was necessary to create a culture of top-down and bottom-up feedback. For example, our top management has a monthly format of TV shows in which everyone is informed about how the division is doing and what is happening
Processes	• Belief in efficiency, lean structures, high productivity with emphasis on creating value of company. • Transparency: teams gain full responsibility for their own performance, while being able to assess their own performance (metrics)
Sustainability	• Global environmental management system • Goal: climate action pioneer • Product portfolio in the circular economy
Risk management	• System of risk management encompasses the entire company. • Effective risk assessment on regular base • The crises are perceived as an opportunity to improvements. Focus and innovation have often been the result. • Constant change, whether social or technological, has ensured the company's continued survival

People	• Emphasis on leadership, collaboration, organization, and communication • Bosch culture – high level of innovativeness measured by R&D spending. • Great importance in occupational safety • Collaboration in supply chain (e.g., the German Supply Chain Due Diligence Act and carbon footprint requirements) • Core responsibility of all managers on every level • Internal structures and tried-and-true business models had to adapt to and help shape our customers' rapidly changing worlds of shopping and consumption - it helped Bosch's flexibility. • Connectivity means not only linking the physical and virtual worlds, but also bringing people together - realization of teamwork. • Support of creativity as the base for new technological solutions • Agile development also helped in our collaboration with Tesla. • Autonomy of teams: decentralized organization (not functional departments but multifunctional teams), whereas the teams are responsible for their business and have great autonomy (cutting red tape and increasing creativity)
Learning	• Bosch as a learning company: consist of the further training to be an integral part of company strategy. • New tools such as team target workshops (in which teams define their annual goals), competence camps (in which teams define the competencies needed to achieve their goals) and individual development dialogues. • Share and scale (support mutual learning without the need for business units to implement the same way of working). The advantage of scaling is that you can learn and adapt faster, resulting in greater success and increased engagement - Start small, learn fast • Rising of new forms for self-organized learning on social media. "Working out loud," for example, is a forum in which five associates meet once a week for three months to improve their knowledge of a subject they have chosen themselves. There are already more than 200 such learning circles at Bosch, and their number is growing rapidly. Initiatives such as this show just how much energy can be set free by digital learning. The decisive factor is "learnability," the ability to generate knowledge quickly and efficiently across departmental and national boundaries, and then to share it.
IT and technologies	• Know-how in software and sensor technology • Artificial intelligence (AI) with the Internet of thing (IoT) – these are technological factors in future strategy. • Systematically digitalizing core business with emphasis on customer • A start-up platform that serves as an incubator for new business ideas: this platform supports Bosch researchers as they rapidly launch new products and services on the market that have not yet found a place in the divisions. • An example of agile engineering is applying the scrum process in software development for many years and is also begun used it in various IoT (Internet of Things) projects

Table 2. Business agility in the Bosch Company

Source: Own processing according to Bosch annual report 2021; <https://www.bosch.com>; <https://blog.bosch-si.com>.

4. CONCLUSIONS

Agility is truly a feature of today's business world. This is evidenced by the number of studies or examples of successful companies that have embarked on this journey. Through the conducted secondary research, we can confirm that agility is one of the important factors in the competitiveness of companies. The given result also supports the result from Business Agility Reports, the share of high maturity organizations increased to 27% in 2021. When comparing agile companies (in our case Bosch

Company) with non-agile companies, we begin from starting points and capabilities. Then we can evaluate that in the company some basic areas need to still take into account - such as risk management, resource management, business potential creation or cost control, etc. However, there are areas that need more emphasis. Examples are strategic management (where traditional planning is not sufficient) and leadership, the field of people and the way of working (not traditional) or processes. Examples are: flexible corporate governance, strong vision, business-innovation teams, strong communication, collaboration with all relevant stakeholders, interact creativity, ability to innovation, etc. (RQ2). For companies that want to become agile, respectively. to increase their business agility, it is necessary to: (1) clear vision and strategy with deal with the change, (2) flexible thinking and powerful leadership, which will be able to sense and respond to changes in the business environment with actions that are focused, fast and flexible, (3) efficiency of processes and the development of new processes or methods in monitoring changes, (4) change of communication and collaboration with stakeholders in flexible, effective way with new methods of working together, (5) teamwork not only in the form of teams collaboration of company functional areas, but rather in the interconnection and connection of several relevant areas. According to CEO Bosch, V. Denner, “the more successful the company, the more alert its executives have to be to change, and the more they have to preserve their curiosity” (<https://www.bosch.com>). In the digital age, the agility plays a key role for success for established companies. Bosch embraces agility in organizational structure, by introducing agile methods adapted to the new, rapidly changing requirements, and together with our customers in many projects (in Bosch are used the typical agile methods – the Scrum) (<https://blog.bosch-si.com>). And what is important from Bosch’s point of view for ensuring agility? At first, business must be based on a strong purpose. Further, creating permanent cross-functional teams could well be an important way of creating a continuous flow of innovative solutions. Finally, it is about communication. The communication should be open and securing to inform associates in real time about the things that are important. Communication has to be fast and authentic, and to flow directly to everybody. Furthermore, it can give associates the good feeling that they are acting as entrepreneurs, with a proper understanding of strategies, pain points, open questions, and what they can contribute (RQ3).

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