



# Paper

## **Change capability in the agile organisation**

**IES Perspectives on HR 2018**

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18 July 2018

**Member Paper 139**

It seems that every which way you look, organisations are being urged to embrace 'agile'. The May-June 2018 cover feature of the Harvard Business Review 'Agile at Scale: How to create a truly flexible organisation' (Rigby, Sutherland and Noble, 2018) argues that some companies, like Spotify and Netflix, 'were born agile and have become more so as they've grown up' whilst the rest of us have to make the transition from traditional hierarchies to more agile enterprises. A new book *The Agile Organization* (Holbeche, 2018) focuses on becoming sustainably agile, innovative and resilient whilst simultaneously enhancing employee engagement.

There are numerous examples of established organisations that have struggled or failed to adapt effectively: most recently Marks and Spencer and Toys R Us. The vision of a fast-moving adaptive organisation is appealing but IES experience indicates that most organisations have quite some distance to travel to achieve such a vision. This is particularly evident when it comes to the challenges thrown up by large-scale change (Bevan, Plsek and Winstanley, 2011). Many strategic change initiatives fail: most often because of the 'people dimension'. Seventeen years of IES research into employee engagement (eg Marvell, Robinson and Hirsh, 2014; Tamkin and Robinson 2012) has consistently shown that it's all too easy for front-line staff to feel that change is being foisted on them, and for employees to suffer 'change fatigue'. Making the human aspects of change, rather than the organisational impacts, a particular target for attention is crucial to the success of change initiatives.

IES argues that developing change-readiness and change-capability is crucial for organisations on their journey towards 'agile'. With that in mind, a current joint IES HR Research Network and Henley Forum research project is exploring questions around developing change-capable teams from two perspectives: firstly, the conditions that contribute to change-readiness at a team level; and, secondly, the personal attributes that help readiness and capability of teams. Working in partnership with organisational change practitioners from nine organisations, we expect the project to improve understanding about the practical levers that can help organisations introduce and embed change.

This article presents emerging thoughts on the topic.

## Why focus on teams?

Work teams, abundant in almost every organisation, are often overlooked. Yet teams are not merely an administrative convenience, they are often the primary unit of production in organisations and therefore key to meeting performance goals and strategic objectives. Agile organisations need to keep their teams performing at a high level, especially during periods of turbulence and change.

## What do we mean by 'change-capable'?

The term 'change-capable' has two meanings in this context.

Firstly, change-capable is having enough people who, as a team, are adaptable and responsive to changing situations. It is not the same as being blown about by the winds of

fate. It is the psychological flexibility or 'mindset' to react and change swiftly in response to decisions or changing circumstances. Some might think of it as a passive capability in that teams or individuals *can* change, not that they *will* change. It is an important capability: an agile organisation is only agile if its people can change energetically and quickly and without shock to its component parts. Organisational resilience in the face of crises and problems is a benefit of this.

Secondly, change-capable is a longer-term organisational process and 'skill-set' to anticipate when change is needed and to be able to carry it out. Change-capable here is an active process: consciously creating a plan and enacting it if it needs to do so. The hallmark of a strong, agile organisational structure is one that's ready to respond intelligently and swiftly when required.

An agile organisation needs to be change-capable in both senses described above. However, organisations and teams can become arthritic as they grow older (and often bigger). Arthritis limits agility. The vitality needed for change can be leached away as an organisation grows 'comfortable' in its particular niche within a wider society or context. Without disruptive market conditions or other external pressures (regulatory, technological etc.) for major change, there is less likelihood of change and less opportunity to test or practice change capabilities.

## Why is introducing and embedding change difficult for organisations?

Change brings the new, the unknown and (possibly) the threatening. Resistance to change can have deep roots and valid causes. This can bring about inertia against change in teams, and cause even the most (theoretically) agile of organisations to lose its (imagined) agility. IES argues that there is a need to recognise that change fatigue is real and that putting the human and emotional aspects of change at the forefront, is crucial to the success of any change initiative.

## Rational versus emotional

The failure rate of change initiatives is estimated to have remained constant over the last 40 years (Bennett and Bush, 2013) suggesting organisations haven't been learning from past mistakes. Historically, ineffective leadership or poor implementation has most often been blamed for failure but a growing number of researchers suggest employee attitudes toward change are a factor affecting the success of organisational change efforts. According to psychologists Vakola and Nikolaou (2005) attitudes towards change in general determine whether change can be 'received with excitement and happiness or anger and fear'. In practice, therefore, the way employees feel about change at work may be influenced more by their own attitudes towards change in general rather than the merits or otherwise of each/any specific change coming down the track. In his seminal book on covert processes at work, Marshak (2006) argues against too much rationality and logic:

- ‘1. Most change agents rely primarily on rational approaches to foster organizational change.*
- 2. Most change initiatives actually involve significantly non-rational dynamics and processes.*
- 3. Most change agents still insist on operating as if organisational change is a purely rational process.’*

(Marshak, 2006)

Spending time working with teams and individuals on their openness and readiness for change may be worthwhile for organisations as the evidence shows that positive attitudes towards change are related to positive work outcomes (Chih, Yang, & Chang, 2012; Giaouque, 2015) and help attain organisational goals and succeed in change processes (Eby et al, 2000). Increased awareness about one’s own reactions to others and situations also mitigates against ‘mindless’ behaviours, where people function on auto-pilot, which has negative consequences when it comes to change (Aviles and Dent, 2015). As part of our IES/Henley Forum project, our nine organisational collaborators are experimenting with an evidence-based survey and discussion tool newly-designed to assess the extent to which key teams are ‘ready for change’.

## The ‘good enough’ mantra

IES has previously argued that organisations exist within an ecosystem (see Carter, 2017) and there is an inevitable tendency for ‘survival of the good enough’ to replace ‘survival of the fittest’. In quasi-evolutionary terms, there is no pressure to adapt further if an organisation is good enough for the conditions it currently faces (at this point evolutionary biologists are grumbling mightily about the analogy). To be strictly accurate, organisations are probably more Lamarckian<sup>1</sup> than Darwinian. If organisations learn from their previous experiences, the offspring (the new organisation structure) should have the learned characteristics. If it doesn’t, the leaders haven’t been paying attention. The ‘good enough’ mantra discourages spending time, effort and money on change but can also be a cover for resistance to change, from the board to the shop floor.

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<sup>1</sup> Lamarckism is named for Jean-Baptiste Lamarck, a proponent of biological evolution just a couple of decades before Charles Darwin, although it was originally proposed by Aristotle, among others. Lamarckism holds that characteristics are learned, rather than randomly dished out as a hand of cards in the game of survival. Lamarck’s insight was to use the idea of inheritance from previous generations to explain adaptation in mammals to their local environments. This isn’t how genetics work, but for organisational evolution the idea ‘has legs’.

## Inertia

Change *weariness* can afflict even the most dedicated of teams and individuals, particularly if there is a constant cycle of changes with no chance to judge the success or failure of current change iteration. To those at the sharp end, it can feel as if change for the sake of change has become an organisation's mission, if changes are not given chance to play out and the results become known. Change fatigue is a drag factor, a friction, on any change.

Teams and individuals may also experience change *weariness*. To leaders, a previous change might have been viewed as entirely or broadly successful; the view from within delivery teams might be very different. Front-line staff interviewed by IES over the years have often described past changes which met official outcome objectives as abject failures in terms of leaving teams at the sharp end without the people or resources to deliver expected outputs. If a team perceives the last change as a mess, why will things be different now?

A track record of not 'doing change' very well can be an organisational albatross, one that not even hiding behind management consultants and temporary 'implementation leads' will disguise.

## Improving change capability

There are ways to mitigate these problems. Let us now consider them.

### Listening and feedback mechanisms

Communication should work in both directions: leaders also need to listen. If organisations are a form of organism, then the organism that doesn't listen to pain signals coming back to its brain could suffer horribly, and may even die.

In IES' experience of working with organisations on employee engagement and change, a period of facilitated reflection on previous change is usually extremely helpful. When it comes to readiness for change in general, consider for yourself one recent exercise refined as part of our IES/Henley Forum *Change ready, change capable teams* research project. Think of a time when you felt most ready and able for change at work. Specifically what it was about 'you', 'your team', 'your organisation', the 'situation' which made that possible? Then think of a time when you felt least ready and able for change. Specifically what it was about 'you', 'your team', 'your organisation', the 'situation' which made that possible?

Exercises similar to these can be very useful as a precursor to a team discussion about what the team itself wants to do differently when the next change comes along. If possible, conduct change-ready sessions with intact teams so they can identify new skills, behaviours or ways of organising themselves which will be useful for the next specific change.

At a generic level, the learning from these reflective exercises can be useful for individuals (whichever team they may be in when the next change lands) and for all team leads. As long as the learning is captured and disseminated in some useful way, this is organisational learning in action. Agile organisations need to learn from past mistakes and successes.

## Visioning

When it comes to introducing a specific change, research suggests that there needs to be a compelling vision for change that explains why the future changed state will be better than the status quo (Bevan, Plsek and Winstanley, 2011). IES suggests that this vision needs to be felt by staff at an emotional level: it's not enough for it to be described only in terms of its rationality. Using a customer or employee 'story' illustrating how things will be better can be useful to connect emotionally with people. If your favourite story isn't engaging people, find another description for what the change can achieve. Local champions, line managers or mentors can all offer support to identifying which messages might work best for which audiences.

## Reframing task for specific teams

In one organisation IES worked with, the goal given to a team to 'implement x change to achieve y business outcome' was reframed by the team as 'how best to support our colleague, who struggles with change, and our customers and each other as we make this work'. This 'reframing' of the purpose and task shifted the dynamic within the team to a more generally positive atmosphere: previously neutral people were convinced to help and the new task seemed simpler (less uncertainty) and more within their own control (more autonomy). Interestingly, this resonates with research evidence from neuroscience which tells us that the brain seeks to minimise threat and maximise reward. This is important for leaders who want to understand and get the best out of their people, maintaining engagement levels and a focus on the task in hand during the whole change process. Scarlett (2016) summarises the conditions that do this as SPACES as reproduced in Figure 1.

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**Figure 1: SPACES**



*Source: IES adapted from Scarlett, 2016*

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## **Embracing the grit in the oyster**

There is a role within a change process for a heretic, the unorthodox thinker who does not toe the party line who tasked with asking awkward questions before and during a process of change. Doubts expressed early on can then be addressed before they turn into major problems. The heretic will be an annoyance, an irritant to the change process. Their role is to help: problems spotted early are problems that can be avoided in the change process. The irritant, the grit in the oyster, is what lies at the centre of every pearl.

Spotting a pitfall and avoiding it is a prime example of the usefulness of approved heresy, but it will only work if an organisation is agile enough to react to the heretic's warning.

## **Developing agile-smart leaders**

Leadership is about creating the conditions for people and organisations to succeed and achieve significant goals, so it's worth reflecting on what agile means for leaders. From a macro perspective, research has considered the organisational approach and the capabilities needed by top executives and others in order for firms to achieve organisational adaptability (often referred to as ambidexterity).

Birkinshaw and colleagues (2016) suggest that there is no universal set of dynamic capabilities which can help firms adapt to change that is 'discontinuous' rather than incremental (Birkinshaw, Zimmermann and Raisch, 2016). Within the context of an agile organisation, Holbeche (2018) reinforces the need for leaders to pay attention to teams:

*'Leaders must keep sight of the importance of teamwork, flexibility, agility and broad vision in local optimization and to prevent siloes.'*

(Holbeche, 2018)

Pendleton (2018) uses the analogy of a jazz band in describing the team leadership challenge to create agility. He proposes that the challenge for leadership development in creating organisational agility is to focus on equipping leaders with the full range of leadership skills that can be used if and when the situation demands: the ability to evolve, rehearse, experiment and improvise. He explains thus:

*'Leadership has to be fluid, allowing specific people to lead when they have the key skill and then step away from leadership to make room for other contributions. Leading and supporting take turns and both matter.'*

(Pendleton, 2018)

## What else can HR do to increase organisational agility?

This is the question at the heart of IES' Annual Conference in October 2018 where we invite HR, OD, leadership and change leads to join our expert speakers in discussing how we can become change-smart in a fast-moving world. We aim to drill down in particular into workforce planning, leadership development, engagement and managing talent for uncertainty and agility, and share the progress of our organisational collaborators in developing change-ready, change-capable teams.

In the meantime, there is a clear role for HR/OD/change leads in helping the wider business to understand what constitutes change-capable teams. Without change-capable teams, an organisation will be agile in name only. In practice, what change-capable means in a specific context may not be clear-cut at all to team members or team leaders. HR specialists can find it useful facilitate conversations within their organisations about creating more agility: What is currently helping/hindering and what might we be done to accelerate the process?

Reinvigorating efforts to develop a learning culture would seem called for in supporting the basic building blocks enabling agility: people being open to new ideas and ways of working; feeling comfortable bringing up issues openly and honestly; valuing time for reflection; knowledge sharing; learning from past experiences; and encouraging multiple points of view. For an organisation whole system with the capacity for identifying and addressing difficult and unexpected challenges, specific training, coaching, change championing or other initiatives need to be backed up by an organisational learning culture (Carter, 2017).

Corporate/HR systems, organisational culture and working practices all need to enable employees to adjust to new ways of working and to acquire new skills. Holbeche (2018) recommends shifting performance management from short-term to longer-term approaches and fresh approaches to talent management.

In the ever shrinking spaces between big change interventions, HR functions might usefully test some interventions with business-critical teams which have the potential to deliver on the promise of improving the basic skills and mind-sets needed for change. For instance, IES has already experimented with organisations to utilise a range of methods directly in support of change, eg appreciative inquiry (AI), visioning, co-production and high-involvement working practices. In the context of seeking to improve change-readiness in general, IES (jointly with Cranfield University) experimented during 2017-18 implementing a novel mindfulness-based training intervention for teams in UK Defence. Within the health sector, IES has supported the evolution of a health coaching approach since 2013. Initially co-created by a GP and a training provider as a skills-based training programme to support a specific change in individual working practice (often within an individual clinician's own control), it has grown as a social movement through peer-to-peer recommendation. To embed it within an NHS setting and to get full benefit from its potential to change the health outcomes for patients, it has subsequently been adopted/sponsored by some top leaders within the NHS. Scaling up this change requires leadership and an evidence base. Developing models and tools for negotiating the sometimes difficult processes and outcomes of change is important but doesn't always require inventing something totally 'new' or from the 'outside'. As in the previous NHS example a possible answer may already exist, under your radar, within your own organisation. Scaling up is not an easy task nor necessarily cheaper; but it might be context sensitive and therefore an easier 'sell'.

## (Two) frequently asked questions

IES is often asked two questions when it comes to agile. Firstly, whether an organisation's adaptability is merely the sum of its employees' resilience and agility. IES argues (and other researchers seem to agree (eg Lucy and Shepherd, 2018)), that organisational adaptability and resilience is not just the sum of agility and resilience at the individual level: this is a necessary first step but is on its own insufficient.

Secondly, we are asked whether everyone has to be 'agile'. We say 'no' and suggest a targeted approach. Agile usually means doing more innovation relative to daily routine operations. New products and new processes should come on-line faster in an agile organisation and be more responsive to customers; that's the aim but quality control of today's outputs is still important. Do leaders at every level need to 'get' agile? Yes, if you want to make agile the 'business as usual', but not every team and every employee and not all at the same time.

## Conclusions

Unless employees and teams are change-capable, the journey towards an agile organisation is unlikely to succeed. Organisations can provide the necessary resources for agility (including the necessary knowledge, skills, equipment and a culture of learning). Whilst this is an essential pre-requisite, we argue that these resources on their own are insufficient. The addition of collective change-readiness and change-capability creates the optimal organisational state for organisational agility.

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If you would like to discuss any of the concepts raised in this essay, or wish to discover how to develop your organisation's change-readiness or change-capability, please get in touch.

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