

The Imperative of having an Agile Organization Structure

By Brian Lucas

In 1970, Alvin Toffler, in seminal work *Future Shock*, described a trend of significantly accelerated rates of change. He demonstrated how social and technological norms had shorter lifespans with each generation, and stipulated society's ability to cope with the resulting turmoil and anxiety was doubtful. In past generations periods of change were always punctuated by times of stability. This permitted the society in general to assimilate the change and resolve its impact before the next change arrived. But these periods of stability constantly grew shorter and by the late 20th century all but disappeared. In 1980 in *The Third Wave*, Toffler characterized this shift to relentless change as the defining feature of the third phase of civilization which was preceded by the agricultural phase and the industrial wave. He claimed that the dawn of this new phase will cause great anxiety for those that grew up in the previous phases, and will cause much conflict and (please take special note) **opportunity** in the business world.

Alfred Chandler, promoted an all-encompassing strategy for all the various aspects of management in his ground breaking work, "Strategy and Structure" and later on his Pulitzer Prize winning work, "*The Visible Hand: The Managerial Revolution in American Business* in 1977. Peter Drucker the phenomenally accurate futurist emphasized the importance of objectives (management by objectives (MBO)) and predicting the importance of knowledge workers and intellectual capital. Philip Selznick defined the matching of organization internal aspects with the external environment no known as SWOT (Strengths Weaknesses Opportunities Threats).

Organization structure has been affected by the various strategies of strategic management since the early days of Capitalism. Resulting in the following 7 phases:

Early days of Capitalism - The Product/Service Oriented Strategy

The 1960s – The Sales Oriented Strategy

The 1970s – The Marketing Oriented Strategy

The 1980s – The Active and Interactive Oriented Strategy

The 1990s – The Value Chain and Optimization of Resources Strategy

The 2000s – The Living Company Strategy

The 2010s – The Learning and Agile Strategy

We are now in the Learning and Agile Strategy phase where businesses must change their structure fluidly in response to ever changing customer needs and market pressures. Jack Welch says in *Straight from the Gut*, “Change before you have to”. The need to precede market demands with organizational adaptability that can anticipate those demands and meet them at the beginning of a cycle is the difference between enterprise success or business failure. The market turbulence of the last 5 years has clearly shown the influence of globalization and volatility which will remain constant for the foreseeable future. Even with a rebuilding economy the underlying fluctuations in commodities, currency rates, energy and the emergence of a vast array of new and non-traditional competitors will constantly challenge traditional business and operating models.

Yet survey after survey show that executive managers in most companies feel their organization is not agile enough to take advantage of market swings. So how can an organization become agile to take advantage of the market opportunities Toffler predicts without the ensuing chaos or losing accountability? Well W. L. Gore wrote about adaptability in his groundbreaking design of the Lattice Organization Structure where he defined it as follows:

A lattice organization is one that involves direct transactions, self-commitment, natural leadership, and lacks assigned or assumed authority. . . Every successful organization has a lattice organization that underlies the façade of authoritarian hierarchy. It is through these lattice organizations that things get done, and most of us delight in going around the formal procedures and doing things the straightforward and easy way. --Bill Gore

This is a radical departure from the traditional hierarchic organization structure and line of authority. It presents the following fundamental change in philosophy:

No fixed or assigned authority

Sponsors (mentors) not bosses

Natural leadership defined by followership

Person-to-person communication

Objectives set by those who must make things happen

Tasks and functions organized through commitments

This looks so much like the agile manifesto for application development that it is surprising more organizations trying to do agile development have not made this adaptation. Just compare the two:

>The Agile Manifesto - We are uncovering better ways of developing software by doing it and helping others do it. Through this work we have come to value:

- **Individuals and interactions** over processes and tools
- **Working software** over comprehensive documentation
- **Customer collaboration** over contract negotiation
- **Responding to change** over following a plan

That is, while there is value in the items on the right, the value the items on the left is greater.<

Why do some organizations cling to a hierarchy? Gore answered it best when he said, *“The simplicity and order of an authoritarian organization make it an almost irresistible temptation. Yet it is counter to the principles of individual freedom and smothers the creative growth of man. Freedom requires orderly restraint. The restraints imposed by the need for cooperation are minimized with a lattice organization.”*

Without doubt, there are challenges to a true lattice organization that are not easy to overcome, but it is feasible to incorporate the advantages of various organization structures into a hybrid structure.

A hybrid solution to the organization structure conundrum uses a functionally designed hierarchical structure where work is assigned by product or initiative. The functional organization matrix provides economy of scale advantage and proficiency of expertise

while the hierarchical organization promotes clear lines of authority and performance rewarding. Assigning work by product or initiative gives the advantage of promoting team thinking and team work and focus on the success of the product or initiative and therefore the organization rather than the individual.

Performance management for the individual is ruled by the manager of record in this structure. All work however, is performed by a product structure that is highly latticed or networked. Here performance is monitored at the team level and not the individual person. Success or failure is the joint responsibility of the entire team because it chooses to inculcate itself and then accept responsibilities (agile principle).

How are the performance management system assessments divided? Assessments from the hierarchy focus on the behavior of the individual and assessments from the product structure focus on the success of the team. Usually a 50-50 split is the most efficacious.

Let me be clear. This is not a matrix structure; it is actually the evolution of a hybrid structure that is one step closer to a true lattice or web structure or virtual corporation. The hierarchy is the financial and sponsor structure and more fixed. This gives stability. The work structure is highly flexible and environmentally responsive. The key concept is that individual employees report to one structure governing behavior. Teams report to another structure governing work. It does not have the limitation of being able to support only a few products or initiatives. It does require dual planning with the hierarchy supporting the product structure. The functional organizational structure exists as a servitor to the work related one.

As you can see the structure is firm where solidity is needed and fluid where responsiveness is required and can interface with third parties and vendors in an organic fashion. In short, it is all things to all people. If this sounds too good to be true, like Bill Gore says you will find some form of this structure working at times very surreptitiously in all successful companies.

I will explore this subject in more detail in my video, "Practical Agile in 15 Minutes - Video 1 – Getting Started the Right Way".

