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Rethinking organization design to enforce organizational agility

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Abstract

Firms operate in increasingly competitive and multifaceted business landscapes, commonly referred to as VUCA (volatile, uncertain, complex and ambiguous) world. This environment and the accelerating pace of innovation require organizations to develop dynamic capabilities of an agile organization—sensing and assessing new opportunities of the local and global market; mobilizing resources rapidly and effectively to seize those opportunities and capture value from doing so; and integrating, transforming and reconfiguring to optimize continuous renewal and to address rapidly changing environments. Given the critical role of organizational agility in achieving sustained competitive advantage, firms need to build in-house capability to evaluate the effectiveness of their design and reorganize their organizations to do things differently. The purpose of this research is to examine the role of the organization design in enforcing organizational agility. The paper provides a preliminary theoretical framework that combines structural contingency theory, dynamic capabilities, Galbraith’s Star Model and new paradigms governing organization design. The framework compromises eighteen core agile principles of organization design grouped into four categories (organizational structure and governance, culture and people, technology, and processes) to understand the effect of organization design on agility. It also contributes to practice through the framework’s analytical potential and improved understanding of the relationship between organization design and organizational agility.

Keywords: organizational agility, organization design, dynamic capabilities

I. INTRODUCTION

Increasingly competitive and multifaceted business landscapes, commonly referred to as VUCA (volatile, uncertain, complex and ambiguous) environments (Bennett and Lemoine 2014), require organizations to be adaptive—implementing strategies and allocating resources rapidly and effectively in response to opportunities and challenges in global and local markets (Fjeldstad et al. 2012). A VUCA world highlights the significance of designing ambidextrous organizations, i.e. an organization able to balance two diametrically opposed organizational qualities – adaptability and alignment. Adaptability is about focusing on the future, the ability to respond to change, to be nimble, to progress. Alignment is about maximizing the present, leveraging existing ideas and exploiting markets. The organization that successfully reconciles both is called agile and is rewarded
with a significant competitive advantage (Fjeldstad et al. 2012, Nijssen and Paauwe 2012). Achieving agility is a key driver for organizations keen on reducing time to market, fostering innovation and tackling complexity (De Smet et al. 2018).

This article reviews the dynamic capabilities and discusses the organizational implications of these capabilities in an agile organization. While the literature on dynamic capabilities mainly emphasizes a resource-based approach and firm-specific capabilities and assets, organizations apply organizational practices that are not compatible with the objective of coping with a dynamic environment. For example, they hire employees on a permanent contract and a pre-defined job description to create stability and efficiency at the expense of having more flexibility and adaptability. The other example is when decision making processes slow down due to institutional mechanisms and their related rationalities that stem from legislation and the influence of social partners or professional bodies. Many firms have made a transition from waterfall models to scrum to be more agile while scrum is a product development framework and implementing scrum is not enough to become truly agile; they simply ignore the necessary changes in organizational structure, processes and leadership. In fact, the top-down and command and control style of management perseveres alongside scrum or any other technology-empowered agile framework. In other words, being truly agile requires different ways of knowledge management, leadership, communication, decision-making, governance, team arrangement, role allocation, alignment and mindset which all have their own challenges. For example, a key challenge is moving away from fixed teams and permanent roles towards temporary teams and role mobility as this can lead to the loss of technical knowledge and meta-knowledge, lack of shared mental model and lack of cohesion in the teams.

Therefore, achieving organizational agility requires different organizational considerations. After mapping their old way of working, organizations may find agile transformation highly disruptive and a remodeling or a natural fit to their current design and a return to their core values. Although academic interest in organizational agility has steadily grow in recent years suggesting that organization design can be used as a key to unlock organizational agility (e.g., Puranam 2018, Puranam et al. 2014, Benner and Tushman 2003, Bower and Christensen 1995, Jacobides 2007), there is little consensus about how it is achieved through an organizational design that serves the definition of organizational agility as organization being able to reconcile both stability and flexibility. The paper provides a preliminary theoretical framework that combines structural contingency theory, dynamic capabilities, Galbraith’s Star Model and paradigms governing organization design. The framework compromises eighteen core agile principles of organization design grouped into four categories (organizational structure, culture and people, technology, and processes) to understand the effect of organization design on agility. As a useful roadmap for organizations to improve organizational agility through organic structure and organizational learning, the proposed framework also contributes to practice through the framework’s analytical potential and improved understanding of the relationship between organization design and organizational agility.

II. DYNAMIC CAPABILITIES AND ORGANIZATIONAL AGILITY
Organizational agility is mainly defined as an organization’s ability to be adaptable in response to environmental changes. As a dynamic capability for organizations operating in a highly dynamic environment, organizational agility is the capacity to sense and respond rapidly to changing customer needs, to make decisions rapidly, and to reallocate resource quickly as circumstances change (Nijssen and Paauwe 2012, wawarta and Heracleous 2018). Still firms tend to overemphasize efficiency and stability at the expense of adaptability and agility due to the immediate and reliable returns at reasonable costs. This has sparked interest in a new line of research in achieving the latter (e.g. Eisenhardt et al. 2010, Argote and Greve 2007, Crosson and Bedrow 2003).
Organizational agility is deemed a necessary dynamic capability that is composed of some organizational competencies. Different researchers have used different terms such as sensing the market, mobilizing rapid response, embedding organizational learning, having a scalable workforce, fast organizational knowledge creation and integration, easy coordination and a highly adaptable organizational infrastructure to refer to dynamic competencies (Dyer and Shafer 2003, Dyer and Ericksen 2006). However, the dynamic capabilities framework developed by Teece et al. (1997) is still a comprehensive one as it can analyze how and why certain firms achieve and sustain competitive advantage in dynamic environment. Moreover, competencies and resources mentioned in other frameworks are requirements or consequences of the three main competencies of this framework. Sensing as the first competency involves continuous monitoring of external environments to identify and assess relevant changes such as social trends as well as internal environment such as workforce expansion challenges or R&D outputs. Seizing is another competency defined as the ability to accurately interpret environmental changes and responding to them in an adequate and timely manner. Finally, transformation as is a key competency for agile organization to coordinate and integrate activities and to deploy resources. This leads us to the last competency for agile organization: transformation and reconfiguration of the workforce (Teece et al. 1997). These dynamic competencies bring organizational implications to the firms (see Table 1) rely on four interdependent elements present within the organization itself: first, flexible structures that can be rapidly modified; second, rapid decision and right governance; third, dynamic people model that ignites passion; and fourth, agile performance management.

<table>
<thead>
<tr>
<th>Dynamic capabilities</th>
<th>Organizational implications</th>
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<tbody>
<tr>
<td>Sensing</td>
<td>• Monitoring external and internal environment</td>
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<td></td>
<td>• Assisting organization in preparing for change across multiple dimensions</td>
</tr>
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<td></td>
<td>• Directing attention to external factors and strategic priorities</td>
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<tr>
<td>Seizing</td>
<td>• Aligning resources with business needs to capture value from opportunities</td>
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<tr>
<td></td>
<td>• Maintaining excess resources and capacity as a buffer</td>
</tr>
<tr>
<td></td>
<td>• Directing attention to debating the implications of environmental change</td>
</tr>
<tr>
<td>Transforming</td>
<td>• Fast assembly and disassembly of agile teams</td>
</tr>
<tr>
<td></td>
<td>• Transforming effectively to make change easier</td>
</tr>
<tr>
<td></td>
<td>• Embedding organizational learning</td>
</tr>
<tr>
<td></td>
<td>• Directing attention and debate more concretely on how to achieve new and innovative forms of competitive advantage</td>
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In this theoretically focused paper, we use the capabilities depicted as a starting point to look for possible relevant organizational practices and structures stemming from the theoretical literature as well as supporting and operationalizing these dynamic capabilities.

III. ORGANIZATIONAL DESIGN: PARADIGMS AND FRAMEWORKS
The investigation of the relationship between the characteristics of the environment and organizations determined two main types of organizational design: mechanistic and organic. The results showed that in relatively stable and predictable environments, the organizations tend to have a mechanistic design. This type of organization has a highly hierarchical structure and formal management operation with centralized authority, a
large number of formal rules and procedures, precise division of labor, narrow span of control, and a formal means of coordination. The organizations that operate in the VUCA environment should have an organic design, which is less formal, less hierarchical, and less mechanistic (e.g. Garud et al. 2002, Kenis et al. 2009, Laloux and Wilber 2014).

We are seeing a paradigm shift in the ways that organizations achieve to balance stability and dynamism. It is a clear and categorical shift from the area in the direction of the machine metaphor to metaphor of a living organism (Mintzberg 1992) (See Figure 4). The shift is happening in the face of organizational challenges brought by the “digital revolution” that is transforming industries, economies, and societies. As a result, responding like a living organism, i.e. having organizational agility, is one of the top priorities for companies (De Smet 2018).

![Figure 1. Moving from machine paradigm to organization as a living organism, Ebrahim, Sh., Krishnakanthan, K. & Thaker, Sh. (2018)](image_url)

Agile organizations as a living organism mobilize quickly, are nimble, empowered to act, and make it easy to act. They have evolved to thrive in an unpredictable, rapidly changing environment. These organizations are both stable and dynamic. Based on the literature (e.g. Ebrahim et al. 2018, Laloux and Wilber 2014, Kristensen 2019, Moreira, 2017), the new agile organization is designed to:

- Cocreate value with and for all of the stakeholders through recognizing the abundance of opportunities and resources available.
- Enable employees to be highly engaged, take care of each other, figure out ingenious solutions, and deliver exceptional results through clear accountabilities.
- Embrace uncertainty and be the quickest and most productive in trying new things in order to minimize risk. Evolve continually and embrace uncertainty and ambiguity.
- Empower employees to take full ownership, confident they will drive the organization toward fulfilling its purpose and vision.
- Focus on customers, fluidly adapt to environmental changes, and are open, inclusive, and non-hierarchical.
The idea of organic organization originated from a body of thought called the *contingency approach* in organizational research. Contingency theories are classes of behavioral theory that state that there isn’t one universal way of managing or organizing a company, and that the organizing style is dependent on the situational constraints of environment in which the company operates. This view is based on the approach that treats organizations as open systems that have to interact with their environment in order to be successful. This, in turn, implies that organizations cannot be considered and analyzed in isolation of the environment. Contingency theory does not prescribe any one best way to organize but rather suggests that organization design choices are contingent on both the strategy selected and the environment in which the business is operating. The main premise of the contingency theory is that organizational effectiveness can be achieved by fitting the characteristics of the organization to contingencies that reflect the situation of the organization (Donaldson 2001, Lawrence and Lorsch 1967). Thus, in order to maintain effectiveness, the organizations have to adapt over time to fit changing contingencies.

Contingency theory has been extended with complementary systems theory, which comes to organization design from the field of economics (Milgrom and Roberts 1995). The notion of complementarity holds that design choices work as coherent systems and that the application of one practice will influence the results of a corresponding practice—whether positive or negative. This underscores the practical application of the Jay Galbraith’s Star Model, shown in Figure 2 (Galbraith, 1995).

![Star Model](image)

*Figure 2. Star model. Source: Jay Galbraith*

Star Model as a simple and powerful framework in organization design is based on this idea that there is no right configuration of resources. For example, if a strategy depends on cross-unit coordination, contingency theory suggests it would be wise to formally link those units with processes and create measures and rewards that encourage teamwork. In fact, the strategy implies a set of capabilities at which an organization must
excel in order to achieve the strategic goals. The leader has the responsibility to design and influence the structure, processes, rewards, and people practices of the organization in order to build these needed capabilities (Kates and Galbraith 2007).

Therefore, when it is clear for an organization to improve organizational agility, then the organization need to map, identify and apply different organizational considerations. These companies are more likely to seek decentralized structures and governance and focus more on organization as network of teams. in the rest of this paper, we argue that the fundamental elements of an agile organization should be aligned to drive agility. For each element we also have identified an emerging set of agile practices that enables agile companies to take on their path to agility.

IV. DESIGNING ORGANIZATIONS TO DRIVE AGILITY

Given organizing as a problem-solving process through which solutions should be discovered for balancing efficiency and flexibility as a universal problem of organization (Puranam 2018), organizational agility cannot be explored and implemented apart from organizational elements such as structure, role allocation, culture, technology, processes, motivation and coordination. Taking this approach to organizing can both help this gap in research and provide an understanding of the bundles of co-occurring organizational elements or practices that enable new theorizing (Puranam et al. 2014). Figure 3 summarizes the four categories and their core agile principles to understand the effect of organization design on agility.

<table>
<thead>
<tr>
<th>Organizational Structure &amp; Governance</th>
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<td>1. Shared and servant leadership</td>
</tr>
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<td>2. Hands-on governance as an ongoing process</td>
<td>2. Flexible workforce that enables role mobility</td>
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<td>3. Clear, accountable roles</td>
<td>3. An office design that supports the agile mindset</td>
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<tr>
<td>4. Network of empowered teams in flat hierarchies</td>
<td>4. An entrepreneurial drive in employees</td>
</tr>
<tr>
<td>5. Rapid assembly and disassembly of decentralized subdivisions through mobilization of internal resources</td>
<td>5. Appreciating employees who take an agile approach at work</td>
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<tr>
<td>6. Self-allocation, i.e. market-like processes of participation of internal resources</td>
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<th>Processes</th>
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<tr>
<td>1. Quick adoption of changes in business processes</td>
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<td>2. Quick, efficient and continuous decision making</td>
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<td>3. Standardized ways of working and adequate process documentation</td>
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<td>4. Experimentation rather than planning</td>
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<th>IT Tools &amp; Data Infrastructures</th>
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<tr>
<td>1. Well-aligned and consistent IT Interfaces and real-time communication and work-management tools</td>
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<td>2. Well-maintained, easy-to-access and easy-to-navigate databases</td>
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Figure 3. Design characteristics of an agile organization
Organizational Structure and Governance

Organizational structure shapes the resources and organizational capabilities and develops them. It also determines lines of accountability and gives direction to the internal interactions in the organization. Boundaries, guidelines and rules required for steering and decision making, i.e. governance, are closely connected to the structure. Given both are considered as key factors in achieving organizational agility, an agile firm should have some main characteristics in terms of structure and governance:

1. **Agile organizations possess non-complex, transparent and formalized structure.** Rather than a complex matrixed organization, an agile organization has an easy to understand setup with a similar logic across departments and regional offices. This enables leaders, teams and entire organization to anticipate change in the organization in response to the environment. The elegant simplicity of the structure is what makes it both incredibly powerful and somewhat hard to grasp as an operating model. It also create a clear roadmap in which functions evolve to become robust communities of knowledge and practice, enabling organizations to build depth and specialization—attract and develop experts who “speak the same language”— and providing stability and continuity over time as people rotate between different operating teams (Kristensen 2019, The Corporate Rebels, 2019a).

2. **Another lever for increased agility is good hands-on governance as an ongoing process that happens on a team-by-team level.** The effective governance creates an interaction point where relevant teams get the decision rights and make the decisions fast in highly-productive coordinating forums (Alberts and Hayes 2005). The self-organized governance methods and meetings used in agile organizations empowers people in day-to-day activities and enables any employee to contribute to the evolving structure of the organization. Some steering committees are chartered and operate effectively to cut across the normal hierarchy and get the right people talking to one another about customers, objectives, conflicts, resources, and performance on a regular basis. Non-agile firms are relatively low in dynamism and most often characterized by reliability, standard ways of working, risk aversion, silos, and efficiency. Employees are not aware of the space where they can all find their own empowerment, and there is a lack of governance system or framework that protects that space regardless of the actions of any one individual, whatever his or her position(Nahrkhalaji 2019).

3. **Clear, accountable roles are another organizational element that can improve agility.** In an organization where employees can transparently view what every employee’s purposes and accountabilities are they can interact effectively without losing time or waiting for manager approvals. Through governance meetings and technology tools, any lack of clarity can be addresses about roles proactively and immedioatrely. This enables employees to share roles and have multiple roles (Kristensen 2019).

4. **An important part of designing for agility is a shift away from hierarchical organizational structures toward models where work is accomplished in teams within flat hierarchies.** Traditional organizational model—with hierarchical job levels based on expertise in a specific area—cannot make organization highly agile. Instead, leading companies are pushing toward a more flexible, team-centric model (Nijssen and Paauwe 2012, McDowell et al. 2016). Whatever a hierarchical organization chart says, real, day-to-day work gets done in networks. Therefore, the organization of the future is a “network of teams”. Top companies are built around systems that encourage teams and individuals to meet each other, share information transparently, and move from team to team depending on the issue to be addressed. A deep analysis of organizational structure using the number of layers, span of control, employees experience and insights and leadership
challenges can identify how flat a firm is. In a flat organizational structure, communication is more efficient, and the valuable insights are not lost (The Corporate Rebels, 2018).

5. **A lever for improving the balance between efficiency and flexibility in a truly agile organization is decentralization**, i.e. delegation of the tasks to self-managing teams which then enables lateral coordination across hierarchies or functions and thereby sharing, and ultimately creation of new knowledge (Hansen et al. 2018, Alavi et al. 2014). Agile organizations such as Spotify take an organizing approach with temporary decentralization, which starts out with a decentralized structure and later reintegrates. In other words, agile teams are assembled, and dissolved to seize a market opportunity or to innovate while keeping the overall structure of the company intact.

6. Given the autonomy of temporarily decentralized teams, this design itself can create an environment in which people self-select to join a project (Burton et al. 2017). Some studies (e.g. Brady and Davies 2004, Wigger and Agnete Alsos 2018) show that a more market-like processes of participation of internal resources in the projects and then working in self-organizing subdivisions, guided by a strong project goal and specific time limits can foster the utilization of new knowledge combinations.

**People and Culture**

Culture as the set of values, beliefs, assumptions and ways of interaction that contribute to the unique organizational, psychological and social environment of an organization nurtures the in-house capacity for organizational agility. Agile transformation required a culture shift from command-and-control to an autonomy-oriented culture that puts people at the center and engage and empowers everyone in the organization. And fosters fast responses (Wawarta and Heracleous 2018). The following cultural characteristics are closely connected to agility:

1. **Shared and servant leadership is a critical aspect of organizational culture most related to agility.** Organizations that experience this transformation have invested in leadership which empowers, coaches and motivates its people and enable them to learn and develop the most relevant capabilities. Leaders can be better (and need to be trained) at embracing shared and servant leadership by more frequently incentivizing team-oriented behavior and investing in employee development (Thomas and Velthouse 1990).

2. **Another element of organizational structure is a cultural context that supports role mobility.** When people move regularly between roles and teams vertically and horizontally, based on their development plans, they can learn and develop their skills, knowledge and networks. This requires firms to maintain an open talent marketplace where available roles, tasks, and/or projects are clearly communicated and a system in which key resources can be deployed and redeployed between between initiatives as priorities (Ebrahim et al. 2018, Kristensen 2019).

3. While the agile approach to work may not be the right fit for all employees, the appreciation of those employees who proactively take responsibilities, bring forward new ideas and adopt new roles in pursuit of learning can be a powerful way to create an agile culture in which everyone have the feeling of belonging as being heard, considered and respected (Wawarta and Heracleous 2018). This behavior that displays a internalized motivation and commitment is empowered by the servant leadership style (Thomas and Velthouse 1990). Development of such a mindset enables the firm to make decisions in a more decentralized and consequently more agile way.
4. **Office design can support and shape an agile culture.** The office is the embodiment of an agile mindset. Therefore, role mobility, transparency and nimbleness can require a working environment that is flexible and intuitive (Rob, 2015), an office built essentially with versatile moving parts that are primed to deliver on core promises:
   - Competently supports the dynamic, self-managing design of networked teams
   - Adapts, reconfiguring to empower activity-based working
   - Efficiently uses space

5. **The cultural environment needs to foster by an entrepreneurial drive, i.e.** people who are enthusiastic and intrinsically motivated to learn and innovate. They proactively identify and pursue opportunities to develop new initiatives, knowledge, and skills in their daily work. Autonomy, servant leadership and role mobility as cultural norms reinforced through positive peer behavior and influence in a high-trust environment can nurture this entrepreneurial spirit (Ebrahim et al. 2018).

**IT Tools and Data Infrastructure**

To accelerate innovation, reduce time-to-market and meet changing customer in order to maintain the competitive advantage, agile organizations need to offer solutions, products and services enables by emerging technology. This requires these firms to continually and rapidly evolve their operating processes, which will require evolving technology architecture, interfaces, and tools. Technology wise, the following two elements are of special importance:

1. **Well-aligned and consistent IT interfaces and real-time communication and work-management tools are integral component of any agile organization.** Leveraging these tools and interfaces not only makes the integration of different sources of data plausible but also minimizes handovers and interdependencies that can slow down production cycles. The agile organization integrated a range of emerging technologies with delivery practices into organization and business to build, implement and maintain these tools and interfaces. For example, for many large organizations, the shift from command and control to a self-organized adaptable system is a significant change that requires digital tools to link the autonomous networks of teams. Automating interactions and connections in an organization’s network of teams can make processes effective and efficient and allow the organization to scale without hierarchical command and control (Page et al. 2016). Large, established organizations can increase autonomy and self-management with increased visibility that technology such as Scrum, GlassFrog, Slack, SAFe and DevOps provide. According to Wawarta and Heracleous (2018), IT interface alignment and data standardization requires three steps:
   a. Evaluating the systems, components, interfaces and supported business processes
   b. Defining a target landscape describing interfaces clearly
   c. And finally, developing a digital transformation strategy for implementing the desired plan

2. **Easy to access and navigate databases to support aligned interfaces and tools help realize the dynamic capabilities in an agile organization.** For example, the agility in knowledge reintegration and refinement in an innovation process can be facilitated by an integrated database infrastructure which contains the created knowledge well-documented as well as by the user-friendly interfaces and an inclusive access management which the databases are characterized by. This can effectively turn the level of interdependencies and the amount of required coordination and leverage the transparency (Tallon and Pinsonneault 2011).
Processes

1. To sense and seize the opportunities, employees should be able make a quick adoption of changes in business processes. As already discussed, this is rooted in contingency theory. Accordingly, there is no standard best way of designing the organization; rather, the design must be always contingent upon the external and internal challenges, opportunities and changes. While for an agile firm, this means effective adjustment to environmental changes with respect to business processes (Winter 2003), this does not underestimate the significance of standardized ways of working that foster efficiency and provide the basis for the quick adoption of changes (Trkman 2009).

2. Agile firms emphasize quick, efficient and continuous decision making. Due to the organizational structure and IT interfaces that leverage transparency in information flow and accountabilities and roles, they have insight into what types of decisions are made and who makes them. They rely on small decisions in rapid cycles and then testing the decision in practice and then adjusting them as needed to the next iteration. People closest to where the work happens have the authority to make decisions that affect the implementation of their day-to-day activities. This is supported by the governance systems and distributed authority element rather than delegated authority and centralized decision making that happened top-to-bottom (Robinson 2015). By not escalating all decisions to higher levels of authority, the lead times can be shortened. This due to the lack of local context among higher managers when making decisions that concerns the daily work of knowledge workers (Scaled agile framework 2015).

3. In an agile organization, it is this stable backbone that becomes a springboard for the company, an anchor point that doesn’t change while a whole bunch of other things is changing constantly. In other words, the standardized way of working and adequate process documentation makes the nimbleness, speed and responsiveness possible. Moreover, this enables the continuous improvement of organizational and business processes (Trkman 2009). A balance should be maintained between process change and continuity, between innovation and efficiency. Although standardization and documentation of processes in an adequate way can increase efficiency, too much standardization can also foster inertia.

4. In traditional firms, ‘planning and predicting’ is the common practice, which will not the best approach in the VUCA world. Agile organization embrace experimentation not only in their products and service offerings but also in their organizational efforts. Experimentation, rapid iteration and acknowledging that mistakes can be made needs a learning and safe environment in which people dare to fail (Ebrahim et al. 2018). For example, in a Design Thinking approach to innovation, team members are accountable from the end-to-end outcome of their work. Relying on an iterative, non-linear process which favors ongoing experimentation, team members are empowered to evaluate the desirability, feasibility and viability of the product. This approach saves time, reduces rework, creates opportunities for innovative solutions, and increases the sense of ownership, accountability, and accomplishment within the team (The Corporate Rebels, 2019b).

5. In an agile organization where empowerment, role mobility and experimentation are emphasized, exceptional opportunities for learning are always available and never ignored by the employees. People pick up new roles, put forward their new ideas, experiment them and dare to make mistakes. In organizations like Buutzorg, Spotify, Morning Star and some other companies with the same approach of working, people are constantly learning by making decisions and seeking advice, working in voluntary task forces, picking up skills and knowledge that elsewhere would be concentrated in management and staff functions Laloux and Wilber 2014).
V. CONCLUSION
Organizing for agility is the deliberate process of reconfiguring structure, processes, technology systems, culture and people practices towards value-creating and value-protecting opportunities. The design is not an end in itself; it is simply a vehicle for accomplishing the strategic priorities in an agile organization. As an invisible construct, organizational elements of design can be used to harness and direct the energy of the people and to create an effective organization capable of achieving the business strategy. The design criteria defined in this paper differentiate the agile organization and help it execute its strategy. Although strategy emerges organically from the collective intelligence of self-managing teams in an agile organization, the strategic objectives of agile firms concentrate on accelerating innovation, reducing time-to-market, operating with flexibility and pace, and facilitating agile use of resources. Strategies defined for an agile organization require different dynamic capabilities and therefore different organizational design. To simplify the proposed design considerations for an agile organization, we used and adapted the Star Model as a framework (See Figure 4).

Figure 4. Star Model adapted for an agile organization

The old rules of organization design were focused on pushing a defined set of products or services to a steady set of customers with predictable buying habits being served by a known set of competitors. In that predictable world of certainties, the pursuit of efficiency was the common DNA strand in all of organizational hierarchies with the most powerful governance bodies at the top with goals and decision rights flowing down the hierarchy. For many industries that world is gone. Hence, the new rules organization design is shifting from a pursuit of efficiency to a focus on flexibility as well. These agile organizations act as a network of teams operating in rapid learning and fast decision cycles and are being designed to focus on action with fluid teams built around end-to-end accountabilities and leadership that shows direction and enables actions.

In summary, today’s environment is pressing organizations to become more agile; in response, a new organizational form is emerging that exhibits the organizational elements discussed above. These elements and the agility practices defined for each can enable organizations to balance stability and dynamism and thrive in an
era of unprecedented opportunity. Although some agile organizations from different industries have been successful in implementing their organizational transformation, there are cases of failure as well. We tend to know little about the practicality and workability of these practices. The next step in research is to conduct case studies to get more insight into the actual practices that contribute to organizational agility and the relevant challenges and consequences.

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