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Management Processes for Agility, Speed, and Innovation

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Executive Summary

The new business environment favors innovation and agility: companies that not only execute novel ideas once but do so repeatedly. The ability to generate novel ideas, develop viable products, services, or processes, and drive new value for the corporation is required to sustain organization effectiveness. More broadly, the ability to make timely, effective, and sustained organization change is necessary to thrive in increasingly complex environments. Based on collaborative research and practice through the Center for Effective Organizations, this paper describes the design of agile organizations and a management process that can support continuous innovation with speed and quality. Two case studies are used to illustrate the development and practical implementation of the model and demonstrate its results.

Management Processes for Agility, Speed, and Innovation

Innovation - the creation and implementation of new value through business models, products, services, processes, and systems in an organization - remains an important staple in management practice and research. It has been the central story in the Silicon Valley and elsewhere where new product concepts and disruptive technologies have changed competitive landscapes and generated enormous wealth. Less dramatic but no less visible, innovation under the banners of agile software development, lean, and six-sigma have reshaped organization processes and made important contributions to speed, quality, and productivity. Innovation is a capability with cachet, something organizations want to pursue and possess.

The truth, however, is that while there is much rhetoric about being innovative and many organizations hold up their latest product as proof of their ability to innovate, few organizations have been able to sustain innovation at high levels for long periods of time. The usual suspects, W.L. Gore, 3M, and Apple, are the exception not the rule, and attempts to ape these firms remain mostly unsuccessful. It is a lot easier to innovate once than to be continuously innovative.

The traditional, one-off view of innovation is captured well by the classic story about Seymour Cray, the world class

1980's developer of supercomputers. Cray likened developing the next generation of supercomputers, where processing speeds were expected to make step-function leaps, to his annual ritual of building a sailboat, sailing it for a season, and burning it to the ground. In designing a more perfect supercomputer, the only thing you knew for sure was that you didn't want to be bound by your past mistakes. In other words, there is a common belief that great innovation can never follow a process.

A lot more is known about how to design and manage jobs, work, and organizations for repetitive tasks, reliability, and efficiency, and we know relatively little about how to design and manage continuous innovation and change. Yet continuous innovation - radical or incremental, product or process - and the management processes necessary to support it are a microcosm of the larger organization design challenge of creating agile organizations. The management of continuous innovation must be as much a part of an agile organization design as the management of ongoing operations.

Organizations are seeking ways to be agile enough to thrive in today's complex, global, uncertain, and changing environment. Research at the Center for Effective Organizations has identified the key routines that underlie the agile capability but many questions remain. For example, can organizations that

have been built for stability build a management system where creative processes happen flexibly and continually alongside efficiency-oriented processes. It is a daunting task. This article argues that one way is to build in whole new management processes that operate in parallel with the hierarchical systems typical of most organizations. What is required is a parallel management system, a new management "work system" that reflects and supports the routines of agility.

The purpose of this article is to describe this parallel management capability, and how it supports development, innovation, organization change, and agility. In contrast to a traditional academic model of moving from theory to practice or action research that move from practice to theory, this paper represents research findings from a highly collaborative approach of iterative mutual learning through both theory and practice, where each body of learning and knowledge informs the other over time. Theoretical issues were tested through practice and yielded practical knowledge that became important insights and observations relevant to the extension of theory. The two authors are a long-term CEO sponsor and a CEO research scientist who have collaborated on a number of research projects and executive education efforts and supported each other in their development of frameworks, practice, and publication.

The research and practice themes explored and integrated here are the design of agile organizations and the management of innovation capabilities in organizations. The paper begins with a summary of the seven-year agility research program conducted at the Center for Effective Organizations. It defines agility as the capability to make timely, effective, and sustained organization changes. This capability is operationalized by four routines: strategizing, perceiving, testing, and implementing.

In the second section, we describe the development of the Adaptive Work System (AWS) model and some case-based highlights of its development history. The AWS model describes not only how innovation can be continuously managed but more generally, provides a way for organizations to address problems and opportunities associated with high levels of uncertainty. The authors and other CEO research scientists have collaborated on several projects and publications that have supported the development of the AWS model. We conclude by describing how these two approaches to organization change complement one another. In particular, organization agility provides important details about how leaders should make the choices regarding which strategies and innovative ideas to pursue while the AWS model provides important details about how to design and manifest the testing and implementing routines of agility.

Innovation capabilities, large-group interventions, and the concept of agility complement one another.

Organization Agility

Organization agility is a cultivated capability that allows the organization to make timely, effective, and sustained change when changing circumstances require it. Also known as a dynamic capability, agility represents the capacity to sense opportunities and threats, solve problems, and change the firm's resource base.

As shown in Exhibit 1, the most important resource base is the set of differentiated capabilities that manifest the organization's current strategy and drive current performance. To support the creation of a sustainable advantage, most organizations invest in winning capabilities to increase their reliability and make them costly and difficult to imitate. While such investments often lead to superior returns in the present, they also make organization change more difficult and lead to patterns of adaptation that resemble the behaviors associated with punctuated equilibrium.

- Insert Exhibit 1 here -

Agile organizations, on the other hand, recognize that today's strategy - and its underlying capabilities - is a wasting asset. They develop the skills and knowledge, organizational systems and architecture, and necessary experience to execute the existing strategy as well as the ability to design and support potential new capabilities.

Finally, agile organizations rest on a solid foundation of good management practice. There is little chance of being agile if an organization cannot design and operate traditional goal setting, resource allocation, and human resource practices. Agile organizations also recognize that these systems must support change. Annual budgeting and performance appraisal processes are not very flexible when the need for change is unpredictable and frequent. Instead, agile organizations design their management processes to flex and change to support ongoing performance. Thus, management processes face the challenge of driving current performance at the same time they are guiding the development of innovation and the creation of new value that will generate future revenues. Management processes in agile organizations must support both efficiency and creativity in what is often know as an ambidextrous organization.

At the top of the pyramid, the agile capability comprises four routines (Exhibit 2). *Strategizing* describes how top

management teams manage the organization's climate and commitment to executing a widely-shared, short and long term strategy. The *perceiving* routine describes how organizations are designed to monitor the environment and move these perceptions to decision makers for interpretation and response. The *testing* routine involves setting up, running, and learning from experiments. Finally, the *implementing* routine describes how the organization maintains its ability to change through the direct change processes and the design of leadership and human resource management.

- Insert Exhibit 2 here -

Importantly, it is the whole system of routines - what is known as the ITSS principle (It's the system, stupid) - not the possession of one or two of them, that confers agility and sustains performance. Organizations that possessed three or four of the routines were seven times more likely to have sustained above average profitability. Individually, these routines may seem straightforward, but the hard work necessary to orchestrate them for consistent high performance is advanced and uncommon.

While the four routines of agility do a good job of explaining sustained, above average performance, they do not directly explain how organizations make the transformation to agility or how, for example, organizations move ideas from

perceiving to testing to implementing. The AWS model does just that, and provides an important complementary description of the management processes necessary to understand change, innovation, and agility.

The Adaptive Work Systems Model

The AWS model, shown in Exhibit 3, is the product of practice, experience, and research over the last 15 years. It defines a management process or “platform” for identifying, designing, developing, and diffusing a variety of innovations. Rooted in principles of socio-technical systems, the key processes in the model are mobilizing, acting, and adapting. The important inputs to mobilizing are leadership and strategy. Executives, managers, and key contributors exercise leadership by identifying opportunities and conceiving of strategies to meet those challenges. Mobilizing represents a decision to bring multiple perspectives together to vet a strategy, competitive challenge, opportunity, vision, or innovative idea. The outputs of the mobilizing process are submitted to an iterative cycle of action and adaptation that turn plans and ideas into a productive reality.

- Insert Exhibit 3 here -

The model is scalable in that it can be applied by individuals or small groups thinking through a problem-solving

opportunity to extremely large groups formulating and implementing innovative strategies. For example, at the organization level, a leadership team can recognize the need for change (1) and propose the development of a new capability, strategy, or product to address market opportunities (2). The idea is shared with a large number of stakeholders in a conference setting known as a decision accelerator (3) that produces a plan or work system design for organizing groups, resources, and processes (4). A variety of different task forces or "adaptive teams" form an operating network (5) that focus on their part of the plan, share it with others (6), receive feedback on the quality of their part and how it aligns with other parts (7) and make adjustments (8). The work iterates through cycles of action and adaptation until such time that the large group is ready to meet again to determine whether the strategy or innovation is viable and meets customer requirements.

The AWS represents a sophisticated management process designed for complex information processing and decision-making. As such, it holds the promise of routinizing the development, formalization, and diffusion of innovations as well as providing the basis for large-systems learning. Information and decision processes are the ways in which (management) work gets done in

modern organizations, and specifically, management processes help to set direction, allocate scarce resources, and determine the means by which the organization executes strategy. The more uncertain the environment and the more complex the organization's structure, the more important the management processes. Management processes achieve alignment of goals within the organization and across different dimensions, and they achieve alignment on the setting of priorities.

Traditional, functionally organized hierarchies find this level of communication, decision-making, and coordination congenitally difficult. Recent revelations about the length of time General Motors knew about the ignition problems and the difficulty of moving information across silos within the structure, highlight the importance and difficulty of making these types of processes work.

The AWS sees the organization as a complex social system consisting of structures, people, information flows, and decision processes embedded in an increasingly changing environment. In the act and adapt cycle, the model suggests processes that allow human and knowledge assets to be reconfigured in real time by the members of the organization. This stands in contrast to traditional hierarchical routines that depend more on the vertical control of work. An

organization's capacity to use this approach repeatedly and for many different purposes can be the foundation of an agile management capability.

We describe the important developmental milestones of the mobilizing and act and adapt cycle next.

Developing the Mobilizing Process

The mobilizing process at the organization level is operationalized by a "decision accelerator" (DA). Once organization leaders define an opportunity, the AWS model in Exhibit 3 suggests that resources - in particular, multiple stakeholder groups - be mobilized to vet the strategy. The DA is a variant of the organization development process known as a large group intervention (LGI). Like other LGIs, such as Future Search, Open Space, and the Appreciative Inquiry Summit, the DA brings all the relevant stakeholders together in one place over several days. The key principle of LGIs was popularized by Marvin Weisbord in the phrase, "Get the whole system in the room." Supported by stakeholder theory, more inclusive, complex, and integrated decisions can be made when all the stakeholders are in the same place at one time. By using a structured and participative process to bring out these different perspectives, LGIs not only speed up and improve the quality of decision-making, they create energy and commitment to a course of action.

Origins at Hewlett-Packard. In its original incarnation, the DA was used by product divisions at HP to continually adjust their organizations to meet the demands of shorter and shorter product life cycles. It was also used to accelerate initiatives that had fallen behind schedule during the HP-Compaq merger integration process. In contrast to a traditional LGI, the DA challenged the assumption that the major stakeholders in the room possessed all of the knowledge necessary to address most problems and issues. While still believing that a multi-stakeholder group could bring a great deal of knowledge, the DA attempted to create richer discussions by infusing the session with information about the environment, including technological trends, customer needs, market characteristics, and thought-leader perspectives to extend the knowledge in the room, and by providing real-time access to information from HP's and Compaq's intranets as well as the global internet for enrichment and real-time analysis. As an indication of how deeply embedded this approach was in the management routines of HP, a dedicated room at HP headquarters was established and divisions and projects throughout the company could schedule its use.

During the merger with Compaq, any time a critical initiative in the merger integration plan went "yellow" or "red" in status for two meetings in a row, the issue was diverted to

the DA. A staff looked at the problem and designed a sequence of activities and decisions with all of the relevant parties in a face-to-face meeting to describe the problem, generate alternative solutions, explore the options, and decide on a course of action. Thanks in large part to the DA process, the HP-Compaq integration process not only met most key milestones and cost saving projections, it is still widely regarded as a best practice.

Refinements at Alegent Health. The DA methodology was refined and extended in a change process at Alegent Health, a five-hospital healthcare system in Omaha, Nebraska. In 2004, a new CEO had challenged the organization to build an innovation capability that would propel the organization to "world class" status.

To support its commitment to the vision, Alegent Health dedicated a whole floor - about 4,400 square feet - of their headquarters office to the DA process, which they branded as "Right Track." The workspace consisted of a large open area with moveable chairs, tables, and whiteboards that could be re-arranged easily. Alegent also prepared the walls with a special paint that allowed people to draw models or take notes during spontaneous conversations about innovative ideas. Finally, the room included internet-enabled computers, printers, copiers,

audio/visual support, office supplies, and small private ideation and prototyping meeting rooms. A partitioned glass area which housed video (located in the ceiling) and other processing tools drove rapid information processing.

The change process began with six DAs to vision the strategies for the health system's clinical service lines and to contribute to an innovation capability. Over an eight-week period, the cardiology, behavioral health, oncology, women's and children, orthopedics, and neurology service lines each pulled together about 60-70 physicians, administrators, hospital presidents, nursing managers, community members, regulators, patients, and other stakeholders, such as outside experts and "free radicals." They each spent two-and-a-half days thinking about what it meant to be "world class," what the vision of the service line should be, and staking out a set of implementation milestones or indicators of progress for a 15-year period.

For example, following an initial environmental scanning exercise, a typical DA process broke the large group into small, multi-stakeholder teams of 7-8 people. Each team received a set of data - an article, case, table/figure, or scenario - and discussed questions about the implications of being a "world class" organization. The small groups then reported out to the large group and common themes were discussed and debated. Using

the combined traits of a world-class organization, the large group broke up into different multi-stakeholder teams with the question, "how should we apply these criteria to our situation?" Alternatively, the small groups might be asked - "how would patients, insurers, regulators, or physicians view this criteria?" This iterative process, take some ideas/data, discuss and improve on them, and report back to the large group in repeated cycles of activity - what innovation people call "rapid prototyping" - continued until a vision or strategy or solution or action plan emerged. [Note: This iterative process in the DA is identical to the act and adapt cycle in Exhibit 3 and described next. The difference is that in the DA, rapid prototyping can only happen at a small scale, with the people in the room. Act and adapt is a scaled up version that can involve a whole organization unit or enterprise.]

The original six DAs exposed organization members and outside stakeholders to a new way of doing work and propelled innovation and action in the system. Over the next couple of years (the DA remains an integrated and ongoing way of operating today), Alegen Health ran hundreds of DAs to address clinical quality across the health care system, implement an electronic medical records system, develop a primary health care strategy, and tackle issues of access and working with under-served

populations. They also used the DA to develop Eco-Alegent, a sustainability strategy to reduce the carbon footprint of its hospitals, clinics, and supply chain.

For Alegent Health, the DA was a primarily mobilizing event. While not viewed as an end in itself, the DA was used to generate visions, strategies, and innovations but not as a place or means for execution. While mobilizing stakeholders in a DA was a great and liberating event, the organizational capability to manage how innovations were implemented – indeed, to make sure they were implemented – was lacking. Without some kind of repeatable but adaptive process following a DA, it was only an event and was unlikely to have any meaningful and lasting organizational impact. The subsequent DAs, each one fleshing out a piece of the overall clinical strategy and contributing to its implementation, was the basis for thinking about the act and adapt cycle. That is, parallel teams or “workstreams” to help execute a strategy is an implementation structure that has been used and advocated for years. It has always been viewed as an effective, but temporary, system. By extending the DA to include a set of integrated actions in an “act and adapt” cycle, the AWS model becomes an active, repeatable, and supplementary management process.

Developing the Act and Adapt Cycle

The opportunity to extend the model and develop a method for the systemic and adaptive - as opposed to piecemeal and linear - execution of DA outputs came through Fairview Health Services. It operates six community hospitals and an academic medical center with two campuses in partnership with the University of Minnesota. It supports these systems through the Fairview Medical Group's (FMG) 450 employed physicians, 40 primary care clinics, a wide range of specialty services, and home care and senior services.

The appointment of a new CEO in August, 2007 signaled the beginning of a fundamental change in anticipation of the health care reforms that were occurring at the federal and state levels. The executive team initiated a series of negotiations to radically change the system's relationships with insurers. These negotiations foreshadowed the changes in incentive systems that had plagued health care reform in the past. They also created a partnership and mechanism for sharing patient information that allowed the health care provider to manage a population's health. In a parallel set of activities, Fairview also commissioned four of its primary care clinics to experiment with new models and methods of care delivery. Over a period of about 18 months, the clinics tried out new physician roles,

implemented care teams of different sizes and compositions, and developed a variety of different processes.

As these two initiatives matured, Minnesota's Department of Health announced the criteria, process, and early deadline for certifying primary clinics as healthcare homes, a critical element in creating accountable care organizations under Obamacare. FMG leaders estimated that there was an 80% overlap between their care model innovation work and the requirements of the certification process. Their decision to certify all 40 clinics by the first deadline set off a mobilizing, acting, and adapting process.

Mobilize. A "Big Bang" event involving 150 physicians, clinic staff, and other stakeholders from the 40 clinics was organized. The purpose of the DA was to educate organization members on the care model innovations developed by the pilot clinics and develop work plans to implement the requirements with speed and quality. During the event, the four pilot clinics served as prototypes for the other 36 clinics.

That is, the pilot clinics had developed a set of "boundary objects," functionalities, or specific processes that described the way the clinics operated. These functionalities included referral management processes, measurement programs for certain diseases, population management processes, care team roles and

responsibilities, and care packages. Care packages were especially critical to the effort. They represented an evidence-based, regularly updated, best practice approach to delivering care for certain types of medical conditions, such as diabetes, asthma, or specific heart problems, to ensure a consistent level of quality and service. As "boundary objects," the functionalities embodied the shared learning from the clinics' experiences. They were flexible enough to be adopted and adapted by each local clinic to fit their needs, and they were robust enough to deliver similar outcomes across the sites.

Cycles of presentations by the pilot clinics followed by planning processes in the other clinics produced a 30-60-90 day action plan that would result in each clinic having the necessary functionalities.

Act and Adapt. FMG adopted a "community" metaphor to describe how the 30-60-90 day plans were implemented. Each clinic or "block" was composed of several "houses" (clinical care teams). Multiple houses in a geographic area became "neighborhoods," and multiple neighborhoods became a "town" composed of all the clinics. The act and adapt cycle suggested that more frequent meetings should occur at the block level than the town level to increase information sharing and local learning. Houses came together for daily "huddles" to discuss

issues about individual patients as well as ways to improve patient flow and care processes. On a weekly basis, the block would meet. At the end of each 30 and 60 day period, shared learnings at the local level were raised to the neighborhood where systems and processes were approved, people reflected on how and why changes were implemented, and clinics helped each other plan for the next iteration.

Finally, town meetings were convened every 90 days. That is, the "mobilize" process was replicated and an overall, large-system perspective could be re-set, verified, and renewed. Sometimes the town meeting involved a hundred people, and sometimes it involved representation from each block. All told, iterations happened frequently at the house and block level, often at the neighborhood level, and occasionally at the town or system level. These frequent iterations contributed to rapid implementation, quick error detection, and system level learning.

During the act and adapt cycles, the clinics were given a variety of learning and support resources. For example, the learning processes included identification of best practices in the design and performance of a specific functionality and then communicating that design to the network. In addition, FMG provided information resources and case study workshops to

leverage best practices, and a central website and "True North" dashboard transparently tracked the progress of all the clinics. Finally, a performance excellence or internal organization development practitioner was assigned to each neighborhood to support the deployment of the new care model. This helped to meet people's expectations that resources would be allocated and aligned to the changes.

The neighborhood and town meetings, together with the learning and support resources, were important methods for working out the tension between local and system-level learning. Neighborhood and town meetings exposed people to the learning of others and the support and performance excellence resources diffused learnings and contributed to a smoothing out of variation. That is not to say that local clinics didn't often advocate for their own way of doing things. However, because the functionalities operated as "boundary objects," some variation was not only tolerable but beneficial.

Functionalities are complex routines characterized by their repeatability. Repeatability generates consistent outcomes that can be measured, such as waiting times or patient satisfaction. But repeatability implies less stability than is often associated with the term. Clinics with a particular functionality, such as appointment scheduling or a care package

for diabetes, are able to operate like other clinics with the same functionality but also are able to change, experiment, and vary the execution of the functionality to see if it can be improved. Clinics could also alter the functionality if they become aware that their outcomes were below par or learned about how others were performing the functionality different and better.

By the time the state of Minnesota surveyors came out, the clinics were able to show how the new work processes actually operated. The certifiers went to 10 randomly selected clinics, asked the same questions, and kept getting the same answers. They were so surprised by the consistency that, despite invitations to visit the other clinics, they did not and certified all 40 clinics as medical homes. Fairview's accomplishments were all the more noteworthy because all other health care systems in Minnesota combined were able to get only five clinics certified.

The full implementation of the AWS model at Fairview Medical Group demonstrated the potential of a fully functioning testing routine in agile organizations. The speed with which the 40 clinics adopted, experimented, and implemented the new care model speaks to a powerful time-to-value benefit. Perhaps more

important, the system has persisted and allowed the primary care clinics to optimize, learn, and adapt.

AWS and Agility

The AWS model and the agility framework address different problems with complementary approaches. AWS describes the management process required to support and coordinate a continuous innovation capability. Agility describes the organization design required to support the ability to make timely, effective, and sustained organization change repeatedly. The Agility Pyramid goes beyond the design of repeated innovation and provides an organization design architecture, a broader design template within which the AWS framework finds relevance. For example, the AWS model is a concrete way to conceive of the day-to-day activities of an agile organization, especially how the four routines of agility work together. The leadership, strategy, and mobilizing components in the AWS model reflect the strategizing and perceiving routines in the agility framework. Similarly, the mobilizing, acting, and adapting components reflect the testing and implementing routines.

Agility Clarifies Leadership and Strategy

In the AWS process, leadership and strategy are the inputs into mobilizing, acting, and adapting. However, these inputs are only generally described and the perceiving and strategizing routines

provide important details regarding the structures and systems associated with these components of the AWS model. For example, the first task of leadership in the AWS model is the framing of an opportunity, problem, or issue for input into the mobilizing of stakeholders. It is facilitated by a strong perceiving routine.

The perceiving routine is operationalized by an organization structure that is flat and focused in that it puts more managers and employees into direct contact with customers, regulators, and other stakeholders than traditional structures. Roles in these "maximum surface area" structures are expected to be and rewarded for gathering data about current and future trends. Perceiving is further operationalized by systems that make these data transparent and processes that reinforce the movement of data vertically, especially bottoms-up or outside-in. Thus, all organization members are expected to communicate their perceptions of the external world to company decision makers who interpret those messages as important or unimportant, opportunity or threat.

The supporting structures, processes, and information flows that define the perceiving routine not only keep the organization plugged into environmental trends - something many organizations do reasonably well - but help to integrate those

perceptions into the rhythm of strategic discussions, debates, and decisions - something very few organizations do well. An enriched understanding of the environmental and strategic context is an important input into a leader's choices for change.

However, organizations cannot pursue everything. A second element or filter is the organization's strategy, in particular its long-term strategy. The way agile organizations define strategy helps leaders to select viable, innovative ideas from a wide range of possibilities. The strategizing routine thus provides an important context for that framing process.

A good business strategy has three explicit parts: a sense of *shared purpose* that goes beyond profit and economic growth, a change-friendly *identity* that integrates the organization's culture, brand, and reputation into a stable but change enabling long-term strategy, and a strategic *intent* that clarifies the position and capabilities that differentiate the firm in today's marketplaces.

Purpose and identity represent important filters for making choices about what innovations to pursue. Good ideas for mobilization are the ones that align with an organization's purpose and identity. Fairview's decision to innovate in care delivery and to certify all its clinics was greatly facilitated

by its reputation and capability around excellence. Delivering high quality, cost conscious care was “who they were” and “what they believed in.” Innovating in care delivery and diffusing those innovations was a decision that “had” to be implemented if they were to sustain that long-term purpose and identity.

However, choosing an idea, innovation, or strategy for consideration is only an initial step in an implementation process. Large, complex organizations need a method for bringing together multiple perspectives or stakeholders to flesh out these ideas, create visions, develop plans, refine strategies, or establish a variety of innovative programs. There needs to be some vetting of the idea to warrant investment. Organizations no longer can be considered freestanding and independent entities in charge of their own destiny. An organization’s effectiveness is as much a function of the interactions and relationships among a range of stakeholders as it is its own internal operations, if not more. The idea or issue selected by leaders has to be substantive enough to attract the interest and commitment of key external stakeholders and relevant enough to the purpose and identity of the organization to attract sufficient internal resources.

The Decision Accelerator (DA) is designed and operated as a microcosm of the organization’s broader ecosystem and most DAs

have resulted from the need to manage innovation, recognize interdependency, and increase organizational agility and speed through higher levels of employee and stakeholder engagement. The increased use of DAs and LGIs in organizations such as Allstate, Nokia, Airbus, and others reflect this view.

Work processes in a DA suggest that instead of acting independently of each other, stakeholders should intentionally coordinate their behaviors to achieve all of their respective goals. In a DA, the large group is deliberately multi-stakeholder, and in the small break out groups, there is a conscious effort to put representatives from different stakeholder groups into conversation and debate over a problem, opportunity, or action plan. As a result of understanding an opportunity or issue from multiple perspectives, the organization achieves improved goal clarity, goal alignment, and goal commitment. When the DA concludes with an action agenda, there is energy and momentum for change.

The leadership, strategy, and mobilize processes represent one set of metaphors for the way managers fulfill their design responsibilities and agile organizations do innovative work. It is a process that reflects the transparency associated with the strategizing and perceiving routines. By hosting multiple stakeholders to discuss critical strategies and organizational

issues, leaders demonstrate commitment to openness. In addition, work in a DA is iterative and aligned, and these tasks are facilitated by the face-to-face venue.

But the development of a strategy, innovation, product, or experience can only go so far in the DA environment. The strategizing and perceiving routines can provide guidance and explanations for how leaders make choices for mobilizing, but technologies still have to be proved out, customer demand verified, existing systems and processes revised or new ones designed, employee competencies developed, and so on. At Alegent, these follow on steps occurred organically and spontaneously in the form of a series of DAs following the original six. At FMG, it was a deliberate process to diffuse the care model innovation throughout the system. With a strong strategizing and perceiving routine, the leadership, strategy, and mobilizing processes can set the stage for the Act and Adapt cycle.

The AWS Model Clarifies the Testing Routine

Guided by its identity and purpose, agile organizations refine their insights from the perceiving routine with relatively high numbers of low-cost experiments. Effective testing and innovation activities range from gathering further intelligence and trying out new ideas on a small scale but can also involve

implementing full-scale product development programs. At Fairview, the organization was trying out new relationships with insurers and chartering the pilot clinics to experiment with care delivery options among other initiatives. The testing routine encourages innovation and tolerates a good deal of failure. In most cases, there are explicit risk management processes—with valid success criteria so the plug can be pulled if the test fails—and continuous learning efforts so that the insights gained from the tests spread to all relevant parts of the company. This was clearly demonstrated in the FMG case.

The agility routines of strategizing and perceiving make important contributions to the AWS model regarding leadership and strategy; the act and adapt cycle provides important details about how the processes inside the testing routine operate. Describing testing as a process of setting up, running, and learning from experiments is helpful but does not provide a lot of detail about how organizations actually go about doing that.

Mobilizing and the act and adapt cycle describe organizations performing and managing a different kind of work. Established organizations tend to focus on the activities that account for current performance and are relatively oblivious to the tension between those activities and activities that will generate innovations to meet future demands. Most organizations

are good at cranking out standardized products and services but lousy at innovation and adaptation. Agile organizations recognize the importance of both and build management processes supporting efficiency and creativity.

For example, Alegant and FMG still had to perform all the traditional patient care that goes on in hospitals and clinics. They admit and discharge patients, perform diagnoses, deliver babies, update medical records, write prescriptions, and handle emergencies. That is the regular work of a health care system, and it is always managing that work through goal setting, budgeting, and talent management processes to make it more efficient and effective. There is a large research data base and set of practice cases describing how best to design and manage work for traditional manufacturing and service delivery work processes. However, organizations must also change and modify their strategies, structures, and work processes in response to regulatory changes, new technology, competition, and social demands. We know a lot less about how to describe and develop innovation capabilities that support new ways of working, developing products, or designing customer experiences on a routine basis.

The biggest challenge facing the act and adapt cycle is maintaining the number and speed of iterations so that progress on an innovation or strategy continues as well as the alignment among the

different efforts to ensure a proper level of performance. A manager's job in the act and adapt cycle is to think about the sequence and coordination of discussions and prototype development that will produce the information to know whether the organization is pursuing the right strategy, process, product, decision, or action plan. That is, work in the act and adapt cycle, like the DA, is iterative. The projects and tasks need to change depending on what is happening in other groups. Productivity is achieved through small and frequent changes in the product or service.

Rapid prototyping is a key feature of innovation in the world of hardware, machines, automobiles, aircraft, and software design. Innovation in these businesses is fostered by the creation of a prototype. Creating a working model or physical representation of an idea allows engineers to see things that cannot be seen when an idea is an equation or concept. This is no less true for strategies, solutions, or action plans. Creating an initial "product," such as a list of criteria or a proposal for action, makes abstract ideas concrete and allows them to quickly pass the "common sense" test of practicality. Management's work is to think about creating processes where the right people are involved and the right sequence of tasks is carried out.

The pilot clinics at Fairview were the initial prototypes. These models of primary care delivery were initially diffused through the Big Bang event but took root in a series of act and adapt activities in the local care teams, clinics, and neighborhoods. The results from 40 acts of experimentation with scheduling processes, the use of physicians in new roles, or the care packages were shared across the system. The results were incorporated in subsequent trials. Every three months the whole system stepped back to see if it was on track and aligned, and after nine months, the organization began optimizing or acting like a more traditional organization pursuing efficiency in the innovations they had implemented. The act and adapt cycle had not only managed change in the clinic network, it also established a way of working as a network that could institutionalize innovation and its diffusion across the system.

As a result of being in a management process that was designed to change, individuals at Fairview were comfortable with continuous change. They were not led to expect, nor did they experience, shifting goals, new tasks, or fluid agendas as a disruption of their lives. Instead, it is the way the organization does business, and it provides a finer-grained picture of how work gets done in the testing and implementing routines.

Conclusion

This article summarized the agility research carried out by the Center for Effective Organizations and described the development of the AWS model. The two models complement each other well, a not surprising observation given how they were co-developed with each stream of research and practice making input to the other. Agility provides important details about how and why leadership and strategy choices are made as inputs into mobilizing. On the other hand, the AWS model's act and adapt cycle provides important detail regarding the process for seeing how the testing routine actually works. Such a co-development process is a hallmark of the research process at Center where useful knowledge is generated by partnerships between the Center and its sponsors.

Integrating the AWS model and agility framework provides details and insights about how to effectively manage for long and short term success. Leadership and strategy describe how to leverage environmental scanning into capability improvement and capability development. By the same token, testing and implementing keep agile organizations focused on the right issues to sustain success and the AWS concepts of mobilizing, acting, and adapting tell managers how to embed those activities into day-to-day operations.

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A principle tenet of organizational theory and work design is that performance is a function of fit. At the organization level, performance is a function of fit with the environment; at the work system level, performance is a function of social/technical and environmental fit. The Adaptive Work Systems (AWS) model was designed as a next generation social technical system to fit with today's turbulent environment and derives from work by F. Emery and E. Trist, "The Causal Texture of Organizational Environments", *Human Relations*, 1965, 18, 21-32; and S. Winby, "The Adaptive Work System: A Perspective on the Evolution of Socio-Technical Systems. A paper presented at

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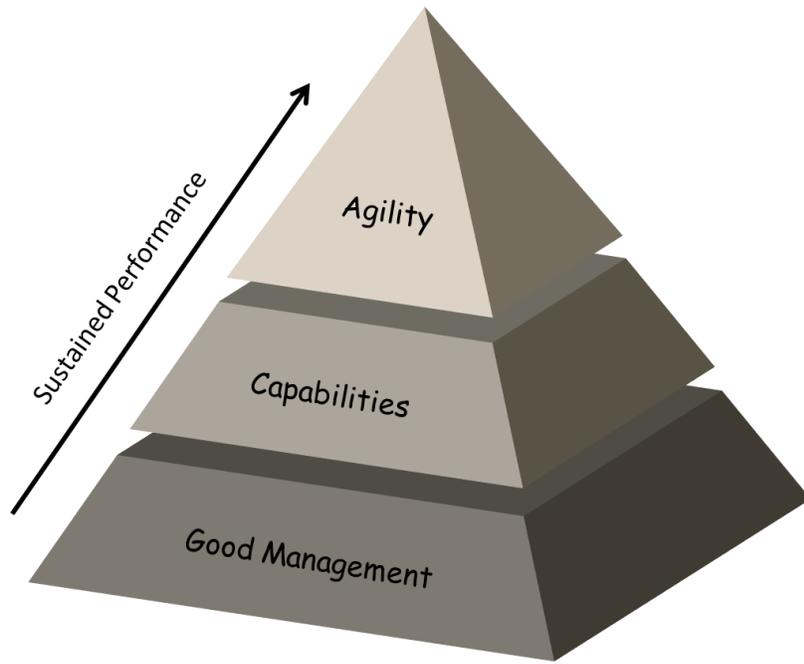


Exhibit 1: The Agility Pyramid

Routine	Description
Strategizing	How top management teams establish an aspirational <i>purpose</i> , develop a widely shared <i>strategy</i> , and manage the climate and commitment to <i>execution</i> .
Perceiving	The process of broadly, deeply, and continuously monitoring the environment to <i>sense</i> changes, rapidly <i>communicate</i> these perceptions to decision makers who <i>interpret</i> and formulate appropriate responses.
Testing	How the organization <i>sets up, runs, and learns from experiments</i> .
Implementing	How the organization maintains its <i>ability and capacity to implement changes</i> , both incremental and discontinuous, as well as its ability to <i>verify the contribution of execution</i> to performance.

Exhibit 2: The Routines of Agility

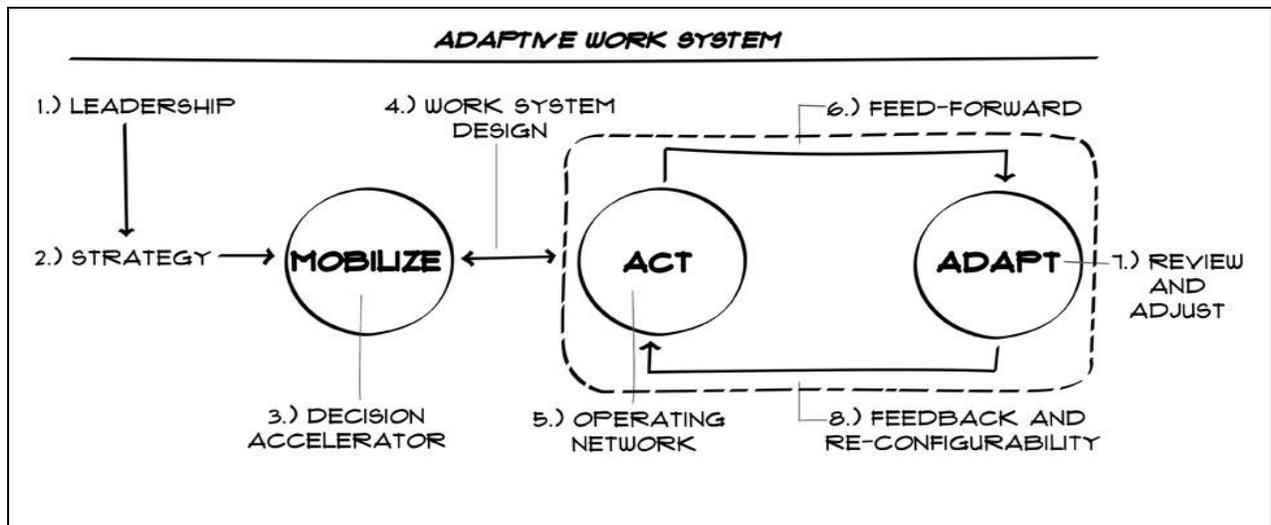


Exhibit 3 - The Adaptive Work System (AWS) Model

Biography

Stuart Winby is Founder of Spring Networks, an organization strategy and design firm, and Managing Partner of InnovationPoint, a strategic innovation firm, both headquartered in Silicon Valley. His focus, in healthcare and technology, is working at the CEO, state, and national levels to design dynamic networks for continuous innovation and transformation. Stu also works with large industrial companies as well as Silicon Valley start-ups in strategy, organization, and innovation management. Previously, he was Executive Director/General Manager of Strategy and Organization at Hewlett-Packard where he also directed the Factory of the Future organization. His work at HP has been documented in numerous books, articles, and Harvard Business School Cases.

Christopher G. Worley is a Senior Research Scientist at the Center for Effective Organizations at the Marshall School of Business at the University of Southern California. He is a recognized leader in the field of organization development and design. Prior to coming to CEO, he was Director of the Master of Science in Organization (MSOD) program at Pepperdine University and remains a primary faculty member in that program. His most recent books include *The Agility Factor*, *Organizing for Sustainability: Leading through Networks & Partnerships*, *Organization Development and Change* (10th edition), *Management Reset*, and *Built to Change*.