

Organizational Aspects of Business Agility

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Abstract—The following article investigates organizational characteristics within business agility. In order to achieve success, companies with business agility implemented through governed self-organization must prioritize corporate structure and culture. If they do not, that may prevent the implementation of agility altogether.

In the end, we will comparatively analyze case studies of the Morning Star and «VkusVill» companies and discover that agile management is the basis for business growth.

This presentation is directed at those who conduct research in the modern strategic management field, as well as business representatives searching for a conceptual verification for the implementation of agility in their business practice.

Index Terms—Business agility, agile management, governed self-organization, organizational structure, organizational culture.

I. INTRODUCTION

Same as our previous studies, this article analyzes the issues in organizational functioning and development, which also relates to one of the sections of modern scientific management research [1]. In general terms, business agility of an organization is its ability to quickly adapt to changes in the environment [2]. The big question here is how that high adaptive capacity is ensured within the organization [3]. We believe that it is due to the resource redeployment mobility within the organization. It is evident from researches carried out by McKinsey, Gartner, and a number of other scholars. And the key message is that to achieve business agility, company must provide enough space for reorganization, by means of reallocating production, human or financial resources between different tasks and business dimensions. It is crucial that it is done in compliance with a set of rules and restrictions established in the company. We shall use a term governed self-organization for that.

II. GOVERNED SELF-ORGANIZATION

In the recent years, agile methods based on self-organization have become widespread in business practice. Conceptual approach allows to study these methods and their weak spots from different angles. It ought to be noted that the self-organization results from formation and development of horizontal communications within organization. Such interaction is commonly found in teal organizations (according to Frederic Laloux's classification) [4].

Managed self-organization is what agile management methods basically are. self-organization is an exchange of property rights, resources, responsibilities and authority

between different stakeholders, and follows the selected managerial criteria – rules of the game.

Managed self-organization, being one of the things that agile manifesto stems from, intends to find the middle ground between order and chaos [5]. However, Appelo argues that sole self-organization is not enough, that direction is still necessary. Setting limits is of great importance in Management 3.0. Certain boundaries, terms and rules must be established. And the manager's objective is to adjust these settings, such as: evaluation of team members' diverse competence, uninterrupted data exchange between employees and unobstructed communication between teams [6].

By setting the limits, managers affect the pattern of results produced by the self-organized team [7]. In biology it is known as «managed evolution» [8]. We can find mentions of evolving organizations in Robertson's book as well [9]. Appelo distinguishes three main functions of a manager, which they should apply in that process: 1) system enhancement, 2) system protection, and 3) system direction [5]. Simply put, in order to manage a group we must: put it together, set goals and limits for each member, and observe. By doing that, we direct self-organization towards an attractor (a company with a ready-to-use product may be considered as such). We may also destabilize the situation using external factors and adjust system's settings in order to switch between the attractors [5].

So, if we apply the same conditions to agile-methods as to the successful organizational concept, then apart from the self-organization we shall add two more elements – goal and rule setting. That way, the organizational concept allows to methodologically substantiate, texturize and formalize different conditions, required for an effective implementation of agile methods into actual practice.

Research on strategic flexibility in public sector performed by OECD showed, that in public administration it is implemented through redistribution of resources for specific purposes, within given budgets (formal rules) [10].

There is a concept of simple rules within the complexity theory framework. A small number of strategic governing principles that aid the management in an uncertain environment. The higher the uncertainty, the fewer rules are needed to ensure the flexibility and adaptability to external changes.

In management practices, rules are omnipresent, whether in a form of an organizational structure, inner culture, corporate code conduct, or other. Ansoff, Akof and Mintzberg, the classics, saw them as a management tool. That is still relevant and is reflected in modern research. Ansoff defined strategy as a set of decision-making rules that guide economic agents in their activities [11].

A set of simple rules is being proposed by business schools' representatives, which consists of five types: how-to, boundary, priority, timing, and exit. [12].

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With simple rules, a number ranging from 2 to 7 is considered to be the most optimal. More are introduced in a predictable environment, fewer in an unpredictable one, as to ensure flexibility. Oftentimes these rules are already outlined in general terms, and can be easily accessed and implemented should the need arise. According to the authors, when a business becomes complex the strategy should remain simple.

One of the most striking examples of using simple rules is Yahoo!, which introduced a set of simple rules as its strategy. Founded in 1994, it quickly became one of the blue chips in the new economy. It was showing amazing results at the time, and was also distinctive of other Internet companies in its profitability.

According to the experts, Yahoo!'s success cannot be attributed to a favorable industry structure, which could've been a possible argument of the positioning school. Nor it can be linked to the product's uniqueness or user value, which would be the view of the resource approach.

What happened was, managers at Yahoo! just followed four rules:

- (1) prioritize each product in development;
- (2) ensure that any engineer can work on any product;
- (3) maintain a company-specific user interface;
- (4) launch products without attracting universal attention.

"If employees follow these rules, they can otherwise do whatever they want: come to work at the time they see fit, dress however they please, bring their dogs to work, etc." [12].

Russian experts, such as the former CEO of Sela, Natalia Chinenova, in the context of strategic management highlights the significance of companies that are introducing a set of rules to guide the employees on a daily basis. For example, a Starbucks employee cannot litter and a McDonald's employee cannot sit behind the cash register, while Lydia and Co.'s strategy includes "selling as much as possible" [13].

Within the governed self-organization concept, on the one hand we have the involvement of companies towards its' targets states, on the other such involvement takes place within business agility concept when the company adapts to external conditions based on the resource redeployment that follows the specified rules of the game. In addition, rules and restrictions, such as organizational structure, ensure the company's integrity and achievement of sustainable target states.

Any complex system is characterized by dynamic complexity arising from a large number of interactions between elements of the system. As a result of these interactions we get self-organization, that leads to equilibrium stable states in the evolution of these systems. Which direction the system will evolve in depends on external factors, and this can be consciously governed, for example, by external control parameters. Then the management of such a complex system is called parametric. Spontaneous external changes can also determine the direction of the system's evolution, especially at a bifurcation point. It is crucial that self-organization in the system is not suppressed and can swiftly reorganize in order to evolve in a relevant direction. In general, the evolution of the system can be considered as passing through a series of stable states and bifurcation points.

III. ORGANIZATIONAL ASPECTS OF BUSINESS AGILITY

As was mentioned above, self-organization can be seen as a basis for agility, and in itself is the freedom to distribute and redistribute resources between various activity areas within an organization. It provides an opportunity for businesses to adapt to the ever-changing environment. As numerous modern empirical researches show, agile redistribution of resources and their ownership improves company's performance – increase in revenues and consolidation of competitive market strength [14]–[16]; and the specification of proprietary rights to strategic resources benefit technological innovations within corporations [17]. Overall, traces of self-organization can be found in any establishment, even in a one-man company – setting up their personal work and rest schedule is also an element of business agility.

"Rapid adaptation to the external environment is obtained through the seemingly chaotic process of receiving varying feedback" [18].

Economics is the science of scarce resource allocation. And self-organization within economics can be seen as the allocation and redistribution of these resources amongst various alternatives with regard to external factors. As is the case in other complex systems, these factors can be controlled (managed). We can name rules of the game among others.

That aspect is thoroughly reviewed in the theorems of Coase [19], [20] and Posner. Essentially, when there are no transaction costs, the initial allocation of resources is not so important – in the end they will be distributed in the most efficient way. That target state can be considered equilibrium steady one, and it is achieved through self-organization of economic agents – actors. Adaptive efficiency (business agility) will be ensured if the resource redeployment is allowed and when self-organization is possible. But in the case of non-zero transaction costs, situation changes: the outcome depends on initial and boundary conditions. And rules of the game as boundary conditions will determine the final state of the company. If the final state appears to be the target state, then it is appropriate to discuss management of the company.

So, we have distribution and redistribution of resources between alternatives. We have rules of the game and restrictions/guidelines. And we shall use a term governed self-organization for that.

So, at non-zero transaction costs the final outcome depends on the rules of the game, which determine initial and boundary conditions of the resource allocation. Keeping in mind that we perceive rules of the game as control parameters, and resource redeployment in general as self-organization, we obtain justification for governed self-organization. At the same time, such unconstrained reallocation of resources should be performed at different levels: employees, teams, portfolios. It is worth mentioning, that our multi-level approach is consistent with the McKinsey company report, which substantiates that through multi-level strategic, portfolio and operational flexibility [21], we can increase performance of companies [22] and achieve high competitive positions.

According to modern research, Gartner report in particular [23], one of the strategic trends of 2021 is the intellectual

compositional approach, which allows greater autonomy in decision-making and flexible restructuring of business elements. And according to McKinsey reports, that can be carried out through the resource redeployment within a given organizational structure, which basically is a set of formal institutions [24]. The 2020 stressed the importance of organizational plasticity and flexibility. Although, it is necessary to combine those with the stability (sustainability) of the organization.

Within the framework of organizational flexibility, management tools are essential – "how do we deal with this or that", certain norms that shape resource redeployment processes, which can both match and differ between different companies [24]. It is the efficient reallocation of resources within the framework of certain rules that increases the performance of companies [23].

When we speak of strategic flexibility, we should note that there is a sufficient number of studies on its determinants. Many of them prove that at its base is the "fluidity" of resources (provided possibility for unhindered reallocation of resources) [25]-[27]. The second important component of strategic flexibility is collective liability, which, which can be seen as rules for resource reallocation [28]. With these components present, we ensure corporate sustainability, and strategic flexibility, meeting two goals at the same time. An illustrative example of strategic flexibility streamlining through the resource "fluidity" based on the portfolio approach was demonstrated by Sony in the early 90s [29].

Thus, empirical studies indicate that the triad: goals, rules and resource "fluidity", all present in governed self-organization, is a statistically significant strategic flexibility factor.

There are several levels, each with its own set of rules and regulations:

1st – Individual level. Employees are free to distribute their time and cognitive resources between different tasks, work and rest.

2nd – Team level. Flexible distribution of human and financial resources between different roles and assigned tasks.

3rd – Portfolio. Managers redistribute resources between different projects and products. Project portfolio management is often considered a form of strategic management, but it has to ensure that the strategic goals are being reached, so that they can be represented in the company's activities.

4th – Corporate.

It was Peter Drucker who pointed out that "Culture eats strategy for breakfast" [30], which means that the long-term agenda of the company can only be realized if aligned with the inner organizational culture, which basically is a set of informal rules. So, everything that contradicts that inner culture is not implemented.

To demonstrate that, we shall refer to Robert's organization management model [31] and the spiral dynamic concept. By applying these we can determine the necessary conditions to successfully implement agile management within economic organizations. That would require an organization to pass through certain stages of development. These stages are laid out in a chronological order along with their identifying features (see Table I below).

According to that table, we can assume that the three key

elements, determining whether implementation of agile methods is possible, are the following: «rules + goal-setting + teamwork». This combination is especially indicative of the fact that an organization must form a corporate culture in order to be able to manage a self-organization that would follow the "rules of the game" within teams and achieve strategic target result – an attractor.

TABLE I: ISOMORPHIC CORRESPONDENCE BETWEEN MANAGEMENT MODELS ACCORDING TO ROBERTS AND CORPORATE CULTURE DEVELOPMENT LEVELS ACCORDING TO SPIRAL DYNAMICS

Robert's management models	Corporate culture according to spiral dynamics	Identifying features
Entrepreneurship	Culture of affiliation	Intuitive operating based on business ideas
Content management	Culture of power	Manual control
Behavior management	Culture of rules	Management application of rules of the game
Management for development results	Culture of success	Goal-setting
Context management	Culture of agreement	Teamwork, self-organization

IV. CASE STUDY. MANAGED SELF-ORGANIZATION WITHIN «VKUSVILL» AND MORNING STAR COMPANIES

Here we would like to review two business cases.

First case is one of «VkusVill» supermarket chain [32], a successful example of a managed self-organization in Russian business. We can notice the following elements of such executive system:

- 1) self-organization (employees are able to self-assign tasks and redistribute resources between those; set their own work and rest schedule; assess the resources necessary for task completion).
- 2) rules of the game used for regulation.
- 3) exploring different types of management in order to replace classical planning.

Second case is of a successful teal company Morning Star, whose management model ensures business agility, and allows the company to work faster and regroup quicker. Morning Star is a large, capital-intensive corporation [33], and a vivid example of a governed self-organization within our framework. It ticks all the boxes:

1. strategic goal setting
2. self-organization
3. governing rules.

Redistribution of resources and local know-hows provides a strategic flexibility that is fully compliant with the concept of governed self-organization. The company regularly releases financial statements that are being used for strategic control and writing reports.

See Table II for the comparative analysis of these two cases.

TABLE II: COMPARATIVE ANALYSIS OF MORNING STAR AND «VKUSVILL» COMPANIES CASES

	Morning Star	«VkusVill»
Goal setting	+	±
Rules of the game	+	+
Self-organization	+	+

V. CONCLUSION

The most common characteristics within governed self-organization concept which we perceive as a basis for business agility are: (1) rules of the game; (2) goal-setting and (3) self-organization.

Certain elements of organizational structure and culture are of highest importance for successful implementation of business agility.

We comparatively analyzed the cases of Morning Star and «VkusVill» companies, that present themselves as teal level organizations, and revealed the main elements of a governed self-organization used within these organizations.

CONFLICT OF INTEREST

The author declares no conflict of interest.

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