

Whitepaper

# The Three Pillars of Agile Organizations

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## The Three Pillars of Agile Organizations

How can we become more agile? This question is currently on the minds of an ever-increasing number of people in companies and other organizations. This question is driven on the one hand by various companies that seem to find it easier to increase their agility than the rest. This results in these companies gaining competitive advantages. On the other hand, it is also being driven by a burgeoning wave of publications and conferences reporting on and advertising for agile organizations. The white paper presented here first provides a basic explanation of what is meant by agility. Here, we distinguish between external and internal agility. Next, we examine what bolsters and stabilizes the internal agility of a company. The three pillars of this that we describe are as follows: the pillar of the classic (agile) management methods, the pillar of the new (agile) management methods and the pillar of agile mindsets.

Even if the wealth of publications and conferences currently dedicated to the topic of agility have not reached a consensus on what the term “agility” fully entails, one key and undisputed basic statement can certainly be identified: Fostering agility should help companies and employees to be successful in an increasingly complex world. This hope goes even further and applies to the entire VUCA world, in which it is not only increasing complexity that needs to be overcome but also increasing volatility, uncertainty and ambiguity.

**VUCA** stands for:

**Volatility:**

Increasing frequency, speed and range of change

**Uncertainty:**

Decreasing ability to predict events and developments

**Complexity:**

Increasing number of relevant variables whose effect on each other is not predictable

**Ambiguity:**

Increasing ambiguity of information

However, the agility of an organization cannot be measured directly. In this regard, agility is compa-

nable to athleticism. Athleticism can be inferred by measuring how fast someone can run or the duration for which they can run (output). And you can measure how much someone trains (input), inferring someone’s levels of athleticism from this measurement. The agility of an organization can also be assessed based on their output in terms of their adaptability and innovativeness in a VUCA world. We call this *external agility* (see Image 1).

An organization is considered particularly agile or as a role model for external agility if its innovations render the environments of other companies more compliant with VUCA.

Agility can also be determined by input, namely the organizational and planning principles that are put into practice by the company. We call this *internal agility*. With all the talk these days about agile organizations, attention is often on the internal agility characteristics of the company. The question here is which prevalent organizational and management principles in the company allow it to react in a flexible manner to changes in the environment and to new customer requests, while also allowing it to develop innovative power. Through this approach, it is the organizational input that is being looked at, which gives rise to external agility – at least that’s the idea. If a great deal of internal cooperation takes place, if customer proximity is a matter of course and if there is an openness to making mistakes

and a willingness to innovate, then a company is also considered internally agile, even if it is struggling to stay afloat or if it is not at all successful in its plans for external innovation.

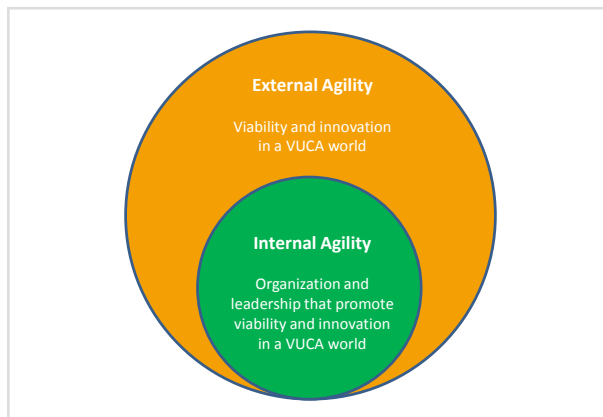


Figure 1: External and internal agility (Source: Own illustration)

There is, however, more than enough cause to assume that companies that are internally agile are also more externally agile than other companies. Inner agility can thus also foster external agility, even if it cannot guarantee it. This is why there is so much focus these days on strengthening internal agility.

Despite the emphasis on innovative power, agility is not the same as flexibility. Survival and innovative power do require flexibility. However, long-term survival and innovative power are also based on areas of an organization that are very stable. This can comprise individual functional areas, such as providing a specific and very stable level of quality or service. It could also mean a long-term vision, overarching organizational principles or very specifically defined processes, which create the stable framework in which flexibility can take place. If there is a strong call for more agility these days, then this call is often driven by the desire for more flexibility. This must not give rise to the assumption, however, that agility is the same as flexibility. Agile organizations are flexible and also stable.

In agile organizations, flexibility and stability have their own place and are present in the right amount for that organization.

This white paper describes ways to increase the agility of an organization and the springboard for this must be internal agility. This is considered the only requirement for external agility that can be actively shaped. Without internal agility, external agility will only be successful through the wisdom of one individual leader or an executive team that makes decisions autonomously and successfully for the company over a long period of time. There are leaders and executive teams just like that. But there are two major limitations here: You only ever know who they are after the fact. And it is not clear for how long the experience levels of these executives will be enough to ensure that the right decision is always made in a VUCA world.

Internal agility helps make a company immune to dependence on one “outstanding leader” or one “outstanding team”. It uses the experience of many members of the organization to make decisions. And it mobilizes energy because agile organizations give all of their members the right to contribute. Because having this right motivates people to think for themselves. This also applies when some members of an existing company have lost their passion for thinking up solutions to company problems.

How companies can become more internally agile is illustrated by this image, which depicts an agile organization that is based on three pillars. The three pillars described in this image are:

1. Classic (agile) management methods
2. New (agile) management methods
3. Agile mindsets

(1) The first pillar is over 40 years old but has not lost any of its importance. It is the pillar of *classic management methods* that has been aimed at fostering agility and survival in a VUCA world since the early stages, even if people were not yet talking about agility and VUCA when these methods were created. These are methods and methodological ancestors to process and quality management, also in the way that they were originally conceived (but not in the form they now take in many different companies). In order to avoid misunderstandings, we should point out that the classic (agile) management methods discussed here only go back to the

late 1970s, in other words back to when Toyotism was beginning to be adopted in the Western industrial world. They certainly do not go back to Taylorism – its principles, which demand a strict separation of planning and executing activities, are not considered as fostering survival in a VUCA world.

(2) The second pillar comprises *management methods that are actually new*, which are now spreading through entire organizations with the rise of agile project management. The most well-known example of this is certainly the process framework for scrum. There are also increasing reports of socio-cocratic or holacratic organizational forms, and these can also be listed as primary examples for this pillar.

(3) The third pillar of agility comprises the mindsets that are required from everyone involved so that the *old or new management methods* can be exercised in such a way that there is an actual improvement in agility. The third pillar is, from our point of view, the most important pillar for agility. This pillar alone can make an organization (at least a good deal) more agile. This cannot be said of the first and second pillars. The first and second pillars can support agile organizations but they cannot carry an agile organization on their own. Without the pillar of agile mindsets, which is correspondingly depicted broadly in Image 2 and which supports the focal point of this push towards agility, an agile organization cannot be maintained, regardless of whether the other pillars are present. We'll take a closer look at the three pillars of agile organizations later.

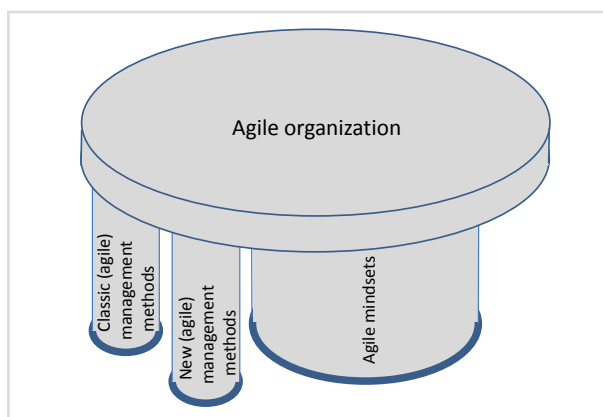


Figure 2: The three pillars of agile organizations (Source: Own illustration)

A classically organized company which employs a lot of individuals with agile mindsets can be more agile than a company in which the latest management tools have been installed but the employees still have the classic mindset.

### Pillar 1: Classic (agile) management methods

“Process management is dead! Long live communication!” An executive at a DAX company, who clearly thought process management had become too technocratic in his company, said this in 2015. If you are aware of the potential of process management and you know how it should be put into practice, then this statement is an oxymoron. Because process management, when it took the place of the classic approach to process organization, served no other purpose than to strengthen communication between the players and the organizational units of a company. Processes should no longer simply be put in place and documented. Instead, they should be subject to continual improvement. And this continual improvement should be based on communication between the players and the organizational units of a company that is just as continual. So process management without communication is completely unthinkable, if viewed in its original form.

All of the classic management methods named as examples in the following text (this also refers to the management practices, tools and process frameworks) are, at their core, based on an active exchange between various players within a company and from outside it – an exchange based on mutual respect and the ability to deal with conflict. They were (and still are) aimed at creating a stable framework in which flexibility and adaptation are induced and fostered.

### Methods for continuous adaptation and improvement

- Process management
- Lean management
- Quality management
- Supply chain management

In the classic management methods, the focus is on “keeping things going” and creating efficiency. This

doesn't mean that new ideas don't also have to be put into practice on a regular basis. After all, processes and supply chains change just as quickly these days as products do and companies increasingly have to deal with situations that did not exist previously. And they are dependent on numerous social players and changing environments to ensure their functionality. Constantly adapting and improving processes and supply chains constitutes not only a complicated activity but also a complex challenge and a true achievement. Whenever this challenge is overcome, a substantial contribution is made to the agility of the organization in question. But if the communication required in the process and supply chain management is not present between the players and their organizational units, or if the desire to continually look for better solutions and to try these out is not there, then these management methods will be mere husks that cannot fulfill their actual purpose.

The current popularity of the term "agility" could also be due to the fact that the ideas of vibrancy contained in the classic management methods often did not find full implementation. Instead they remained hidden behind technocratic approaches. If, however, one reflects on the core of these management methods (or reflects on them at all), then it becomes evident that a lot of what is now being presented as the trend of agility is already described there.

Where communication is active and respectful between stakeholders within and outside of a company, and where this communication is characterized by the desire to continually look for and try better solutions, that is where agility has always been present.

This is illustrated by the example of process management. Many companies have put process management on their agenda and have invested in employees and in software tools to make their process management more professional. What happened then, though, often did not foster what process management aimed to be, beyond documenting processes. Even worse, it sometimes made things more difficult because factions formed where there had not been any previously. These factions are

between the process managers and the specialist departments. Instead of active communication between the departments that is characterized by mutual respect and the ability to deal with conflict, it often devolved into "you still have to document your processes and share them" and "you must then work according to the way it was documented in the process software", originating from this new silo called "process management."

Instead of breaking up this silo mentality through process management, a new silo was often just built with precisely this name.

Things look very different where the company was able to put process management and the other management tools to use with the type of communication and passion for innovation that it is essential if these management methods are to be used to their full effect. Countless positive examples for this can be found in the manufacturing industry, where true process and lean management have become established in many places. Where this has been successful, some still ask themselves – and rightly so – what is supposed to be new about agile methods. After all, they started to become more agile a long time ago, even if they did not attach that label to it.

## **Pillar 2: New (agile) management methods**

Topics such as self-organization, continuous learning, collective yet quick decision-making, feedback and learning loops, a different approach to planning and increased proximity to the customer are the focus of the new management methods, which are occasionally referred to more explicitly as agile than many classic management methods. A lot of this is also inherent in the classic methods, though. The bigger notable difference is that many of these new agile methods are focused on "getting something started" and thus on increasing the efficiency of the company. The focus of many of these methods is thus on product development and developing effective new business areas. In no way do they replace the aforementioned classic management methods but instead they supplement them, covering an area that classic methods were not primarily focused on. In the following, a number of the agile management

methods that are currently the subject of intensive discussion are listed. These are not intended to perpetuate what is already in use but to support the development of completely new ideas. For more information about the methods listed here, please refer to the recommended literature at the end of this white paper.

### Methods for developing new ideas

- Scrum
- Kanban
- Design thinking
- Lean startup

Just as the classic (agile) methods can certainly be used to start something new, the methods named here can also be used to keep things moving that are already in place. In any case, not all management methods that have only been discussed or suggested recently in the context of agile organizations are intended primarily for developing new ideas. The methods named below can also be used to keep things that are already in place moving in an agile way, as well as to get them moving in an agile way. The first list shows methods that can be used in companies at any time, even if these agile methods are not given their full attention.

### Methods for universal use

- Retrospectives
- Stand-up meetings
- Consent
- Consultation process

The following methods, which are also referred to as operating systems for organizations and which recommend a thoroughly different approach to this distribution of power and decision-making in a company, are not suited for situational use:

### Operating systems for organizations

- Organizations entirely based on scrum or kanban
- Sociocracy
- Holacracy

Previous experience with the two “cracies” listed here as organizational forms of power has not produced a unified picture of success. This is particu-

larly true if there is a shift from another organizational form (such as democracy or autocracy) to one of these forms. This is because the routines to be used in dealing with power, responsibility and decision-making processes are often very challenging for people who are used to other “cracies”. These challenges can be so great and so specific that there is often no desire (and for good reason) to remodel entire companies to fit this other type of power organization. Even then, though, simply knowing about these operating systems for organizations offers valuable orientation opportunities regarding how power in an organization can be distributed effectively to more or all members instead of being organizationally “filed away.”

All of the methods mentioned earlier are generally not used separately but are rather connected with one another. And all of these methods are very new for the majority of companies, therefore, if they are to be used, the basic idea behind them must be understood, as well as the processes and rules connected with this. With some tools, it only takes a few minutes to explain their basic principles (for example the principles of consent). With others, this can require multiple seminar days (for example the principles of holacracy). Understanding the basic principles is rarely enough, though, to be able to use these methods confidently. Many methods can be explained and demonstrated fairly easily. This does not, however, mean that they are just as easy for the individual to use themselves. This point will also be covered in the section on the third pillar of agile mindsets.

Before we address this third pillar, though, a few organizational and planning principles will be covered, which play an important role for the agile management methods of the two pillars addressed earlier. All of the following principles represent tentative statements and are not to be understood as absolute statements.

### Organizational principles for increased flexibility

- Roles distributed and taken on in a flexible manner replace static positions.
- Shared leadership replaces individual leadership.
- Self-organization replaces external organization.



- Having the power to make decisions close to the customer replaces decisions made at the company headquarters.
- Life-long learning replaces learning in preparation for a career.
- Talking about mistakes openly in order to learn from them replaces trying to hide mistakes.

### Planning principles for increased flexibility

- Taking measured risks and trying things out replace hedging all decisions (this of course does not apply to high-security and high-risk areas).
- High-speed implementation while taking into account gaps in equipment replaces overengineering before market launch.
- Focus on the user replaces the company's internal concept of what a good product is.
- Relative goals with respect to comparison groups replace absolute goals.

### Organizational and planning principles for stability in the right places

- A vision and a mission with substance replace interchangeable advertising slogans.
- Values demonstrated by the executives replace excessively bureaucratic detailed regulations.
- Where maximal precision and reliability are exactly the virtues against which the company is measured, nothing is replaced; strict standards for precision and reliability continue to apply here.
- Consistent implementation of agile methods replaces half-hearted approaches to agile implementation initiatives.

### Pillar 3: Agile mindsets

Many companies have been using classic and (at some companies) even new management methods to increase their agility for a long time. And many are not satisfied with the results. Here we have come to find out that a tool alone does not ensure good leadership or good management. An instrument can only be as good as its users, not only regarding how they are able to master the tool but also regarding how they practice and their mindsets. The importance of practice was already mentioned above. With agile mindsets we are referring to a requirement that is more involved than simply knowing and utilizing agile methods. This is because

agile mindsets are substantially different from the mindsets that are commonplace in many classic organizations.

For an agile mindset, it is not enough to be cognitively aware that flexible roles should replace static positions, that shared leadership should replace individual leadership, that self-organization should replace external organization, etc. (see above). For an agile mindset, there is a completely different requirement: For the members of the organization, it must not be a great feat of mental strength to act in an agile manner. The opposite is the case: Acting in an agile manner needs to part of the self-image of those involved. Two different, overlapping foundations for this self-image that incorporates agile activity are possible:

- They don't know any other way, i.e. they have grown accustomed to agile behavior and its usage.
- Being allowed to act in an agile manner plays well into one of their personality traits.

In many companies that would like to become more agile, neither is self-evident. Instead, they have become accustomed over the years to behaviors that fit well into classic organizations (permanent positions, leadership through an individual, external organization, centralized decision-making powers, learning serves to prepare the individual for a career, avoiding and hiding mistakes). And in these organizations, those members that have reached executive positions find it self-evident that they are in this kind of system and in one of these leadership positions.

Can it therefore be expected that completely different behaviors will suddenly come easy to all those involved and will become part of their self-image? Of course not! It can only be expected or hoped for if this aspect of agility is made the actual focus of a shift towards increased agility.

If we want to foster the willingness and skills for agility, then cognitive knowledge of its necessity should not be emphasized but rather the routinization and thus the normalization of acting in an agile manner.

With the realization that agile organizations are built to a significant extent on the pillar of corresponding mindsets, our focus is less on the understanding that the members of a company should have regarding the necessity of agility and the required agile organizational and planning principles. Awareness of this has been widespread in most companies for quite some time. What is still lacking, despite the widespread awareness, is the routine and joy in practicing approaches and behaviors that bring these principles to life in the company.

### Self-evidence of agile mindsets

- Acquired authority is more satisfactory than conferred authority.
- Promoting and using collective intelligence is just as self-evident as using individual intelligence.
- Being open about mistakes and learning from mistakes quickly is the norm, more than hiding mistakes.
- “Learning” is just as much fun as “already being able to do something.”
- Taking limited risks generates success, where it cannot cause major damage, with the same routine as hedging all decisions.
- High-speed implementation while taking into account gaps in equipment is more self-evident than overengineering before market launch, where this benefits the customer.
- The focus on the user is more self-evident than the focus on one’s own concepts of what a good product is.
- Relative goals with respect to comparison groups are more self-evident than absolute goals.
- A vision and a mission with substance constitutes a self-image that replaces catchy but ultimately empty advertising slogans.
- Setting an example by adhering to the company values is an even greater aspect of the self-image of the executives than it is for all other members of the organization.
- Striving for maximal precision and reliability is self-evident exactly where maximal precision and reliability are needed most.
- Continual, consistent implementation of process frameworks for agile methods is more self-evident than a half-hearted approach to agile implementation initiatives.

With this wealth of approaches that should be self-evident for an agile manager, the disillusioned spectator may ask how someone who “grew up” in a classic organization is supposed to manage all this. We do, in fact, know people for whom this transition is a resounding success, but it can hardly be expected of everyone. What is required, though, if a company wishes to become more agile, is that at least a good number of people do many of the things listed here as a matter of course. But agility will not happen as long as these things are self-evident to hardly anyone in the company.

If we want to foster the willingness and skills for agility, then rational and cognitive thinking should not be in the foreground but rather the self-evidence of acting in an agile manner and the resulting motivation to do so. Knowledge, insight and technical expertise may be requirements for creating this self-image, but they certainly do not guarantee it. The actual guarantees for agile behavior becoming part of a self-image are routine and personality traits that play into this type of behavior.

Obviously personality traits are extremely difficult to change, if they can be changed at all. We can still hope, though, that many of the behaviors we see in organizations that are far from agile are not due to personality traits but are rather due to habits related to the company. We must still assume, however, that not everyone who is very successful in classic organizations has hidden personality traits buried deep within themselves that will make agile behavior a matter of course for them. This is even more problematic when an individual’s self-image and the image others have of the individual, regarding these skills, are vastly different. Because then the insight is missing that there are some obstacles which must first be overcome before the organization can really become more agile.

The self-image of many executives is far more agile than the image others have of them. If the image others have of them is, however, closer to reality than their own self-image, then achieving agility becomes a very difficult task.



## **Which pillar must be in place first?**

Particularly in consideration of the challenge that we have just mentioned, we will conclude by providing suggestions for how companies can proceed if they are looking to become more agile. For the pillar of agile mindsets to be put in place and to be reinforced, it can be very helpful to also set up the pillars of classic (agile) management methods and the new (agile) management methods. The two pillars do not provide enough support for agility on their own but they can contribute toward cultivating the required mindsets. After all, these mindsets only develop, if they were not already present, through daily use and the resulting routine.

Additionally, it can be very helpful to use several methods that are not counted among the agile methods in this paper but that require and foster an attitude toward social interaction that is ideally suited to the agile organizational principles.

## **Methods for bolstering agile mindsets**

- Peer group supervision
- Dynamic facilitation
- Appreciative inquiry
- Humble inquiry
- Open space
- BarCamp

Those who practice these methods and who have experienced the effect of the respectful and unbiased interaction that is inherent in all of these methods will recognize that these methods foster the creation of agile mindsets substantially.

The methods named above as well as the methods from pillars one and two can also help foster the creation of agile mindsets. This does not, however, change anything about the fact that the agile methods from pillars one and two can only begin to fulfill their actual function if the mindsets of the organization's members are agile. The function of these methods is not just to ensure an intent for agility but also to ensure capability with regard to professional agility.

Above we stated that the pillar of agile mindsets can also provide for more agility in a company all on its own. And that is true. Providing “more agility” does not mean, however, that a competitive amount of agility or even a leading position in the agility stakes can be achieved in this way. This measure of agility can only be achieved if all three pillars described in the text support an agile organization.

## Recommended literature

The following texts are books which were very helpful for us in providing an overview of the workings of agile organizations. (As the initial version of the current whitepaper was written in German and we do not wish to change the content, we have listed the literature mentioned in the German version.)

Brandes, Ulf/Gemmer, Pascal/Koschek, Holger/Schülten, Lydia (2014): Management Y – Agile, Scrum, Design Thinking & Co.: So gelingt der Wandel zur attraktiven und zukunftsfähigen Organisation, Frankfurt am Main.

Foegen, Malte/Kaczmarek, Christian (2016): Organisation in einer Digitalen Zeit: Ein Buch für die Gestaltung von reaktionsfähigen und schlanken Organisationen mit Hilfe von skalierten Agile & Lean Mustern, Darmstadt.

Gloger, Boris/Margetisch, Jürgen (2014): Das Scrum-Prinzip: Agile Organisationen aufbauen und gestalten, Stuttgart.

Gloger, Boris/Rösner, Dieter (2014): Selbstorganisation braucht Führung: Die einfachen Geheimnisse agilen Managements, München.

Gray, Dave (2012): The Connected Company, California.

Nowotny, Valentin (2016): Agile Unternehmen – fokussiert, schnell, flexibel: Nur was sich bewegt, kann sich verbessern, Göttingen.

Pfläging, Niels (2015): Komplexmethoden – Clevere Wege zur (Wieder)Belebung von Unternehmen und Arbeit in Komplexität, München.

## In closing, a word of thanks

The creation of a text is rarely down to just one person, even if just one person writes it all down. This text is based on a series of conversations with key collaborators in the “Agile Organizations” community of practice, which I founded within the Society for Organization at the beginning of 2015. Even if I can no longer say for sure – as is often the case for creative processes – exactly who were the sources of specific thoughts that inspired this text, I can at least thank those individuals who regularly shared their

thoughts as members of the “Agile Organizations” community of practice: Thomas Andersen, Ania Bakowski, Bodo Frenk, Ulrike Führmann, Jorma-Niels Lehmann, Marion Schmitz and Matthias Uebel. Special thanks go to Birgit Mallow, who expertly dissected the first drafts of this white paper and whose efforts were so informative that this white paper would not exist in its current form without her.

## About the author

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