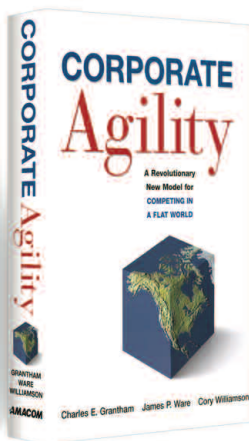




SOUNDVIEW
Executive
Book Summaries®



by Charles E. Grantham, James P. Ware and Cory Williamson

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CORPORATE AGILITY

THE SUMMARY IN BRIEF

Early in 2002, a modest research project called the *Future of Work* gathered a small group of corporate thought leaders from such companies as Agilent Technologies, Cisco Systems, Intel, PeopleSoft, Capital One and Herman Miller to survey both labor and management in an attempt to discover how new technologies, the changing work force and economic globalization were changing how and where people worked, and what those changes meant to the future of work in the Information Economy.

In this summary, you will learn the results of the groundbreaking *Future of Work* research project and the forward-thinking strategies that have grown out of this new knowledge.

Filled with case studies of companies that have learned to stay ahead of the curve and advice from their top executives, this summary will help every company ensure that it stays profitable and sustainable for years to come. The stories, case studies, experiences and research results serve to make the future of work — where all of us will spend the rest of our professional lives — both more productive and more humane.

IN THIS SUMMARY, YOU WILL LEARN:

- How to reduce fixed operational costs to remain competitive in the global marketplace.
- How to institutionalize the innovation process to quickly react to a changing marketplace.
- How to confront the coming talent gap for creative and knowledge-based workers.
- How to pick and choose concepts that can assist you in reaching your current strategic goals.
- How to recognize changing marketplace conditions you may be forced to confront in the near future.
- How to deal with the increased mobility of the work force.

THE COMPLETE SUMMARY: CORPORATE AGILITY

by Charles E. Grantham, James P. Ware and Cory Williamson

Introduction

The initial results of the *Future of Work* project confirmed that although the global economy had undergone a series of rapid, model-shattering changes, most businesses were unable or unwilling to adapt their traditional management styles to new conditions. Prisoners of their own outdated business practices and assumptions about how work gets done, businesses found themselves losing ground to competitors who had not even been on the map a decade before. They became victims, rather than beneficiaries, of advances in information technology. And at a time when the attraction and retention of qualified employees had become an even more critical factor in a business' success or failure, they found themselves out of touch with a work force that had undergone a dizzying transformation in attitudes, abilities and ambitions.

Together, these factors resulted in a crippling loss of corporate agility.

Dinosaurs and Jaguars

How does a business evolve from a slow and unwieldy dinosaur to a nimble jaguar? The process is a collaborative, strategic approach to management that acknowledges and leverages the growing interdependence of human resources (HR), information technology (IT) and corporate real estate (CRE), a process called *collaborative strategic management* (CSM).

Each of these three functional areas has its own disciplines, its own values and its own challenges. Yet no business can operate effectively unless HR, IT and CRE are in sync, aligned both with one another and with the organization's broader strategic goals. For all these reasons, businesses today desperately need a clearly defined methodology that allows them to align their HR, IT and CRE strategies, and thus achieve that all-too-elusive corporate agility. ■

More Corporate Agility, Less Corporate Real Estate

In the summer of 2006, senior managers from Hewlett-Packard and Sprint-Nextel sat down at a Global

Workplace program workshop in Dallas, Texas, sponsored by Jones Lang LaSalle's Workplace Strategies (WS) team, a relatively new but fast-growing division of Jones Lang LaSalle's Strategic Consulting Group. At the time, Hewlett-Packard's Global Workplace team was overseeing the completion of the first phase of its Workplace Transformation program, aimed at supporting HP's increasingly mobile work force and significantly reducing its CRE holdings worldwide.

The growing mobility of the work force, due more to naturally evolving work styles than to company policy, had left the lights burning above thousands of unoccupied desks, and the company, as a result, was scrambling to *right-size* its real estate holdings. For an organization with approximately 150,000 employees and 65 million square feet of real estate, the logistics were daunting.

By the summer of 2006, with the program's first phase well under way, the Global Workplace team had come to Dallas to share its experiences, to learn what it could from other companies' best practices and to discuss the opportunities for outsourcing specific program responsibilities to service providers such as Jones Lang LaSalle.

Jones Lang LaSalle

Jones Lang LaSalle's own WS pilot program was motivated by the same primary goal that had caused HP

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More Corporate Agility, Less Corporate Real Estate

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to reorganize its businesses — the reduction of fixed operating costs. Almost as important, however, was management's desire to increase agility and innovation by encouraging greater cooperation between its business units, which had been scattered throughout the four floors occupied by the company in its headquarters at Chicago's Aon Center.

Convinced that the lack of communication between these units was causing the company to miss opportunities to offer clients a greater variety of its services, management turned to the reorganization of its new space in the Aon Center. The new design, an Open Office Environment, was intended to increase cooperation by greatly reducing the number of offices and corridors, encouraging collaboration through random, spontaneous contact. The approach began to yield results almost immediately.

Workplace Transformation

Every effort to increase agility and/or reduce cost through workplace transformation necessarily involves significant effort in all three key support areas: HR, IT and CRE. You can't trim or enlarge one piece of the puzzle without affecting the others. The agile corporation is one whose senior executives know how to *collaborate* with their peers in order to achieve such strategies.

When a prominent business magazine named Jones Lang LaSalle as one of the best companies to work for, it noted that the near total absence of interior walls led to the increased availability of senior executives — and to greater employee satisfaction. ■

The Three Major Business Challenges

The workplace programs of today will age just as surely as the work force will. It is only by continually reviewing market conditions, re-examining corporate strategies and reallocating resources accordingly that businesses can prosper in a volatile and unpredictable global economy. The three major challenges facing business today are:

1. **Reducing fixed operating costs.**
2. **Confronting the coming talent shortage.**
3. **Institutionalizing innovation.**

Corporate agility can be achieved only through the continuous, collaborative management of HR, IT and CRE.

Collaborative Strategic Management

CSM means putting processes and practices in place that will allow HR, IT and CRE managers to create a unified approach to the organization's business imperatives, and to resolve them while respecting a core of shared corporate values.

CSM is *strategic* in the sense that it anticipates — in fact, even expects — continual change in the broader business environment. It is about management *over time*, because continuous environmental change demands continuous organizational and managerial change. CSM is the dynamic and ongoing process of internal decision making that is the essence of corporate agility. ■

Reducing Fixed Operating Costs

Reducing fixed operating costs in order to increase corporate agility is *the* central business challenge of the 21st century. In an ever-more dynamic global economy, businesses must move from a fixed-cost to a variable-cost business model in order to remain competitive and to increase their ability to react quickly to changing conditions.

The primary opportunities for reducing fixed operational costs include the following:

- **Reducing the corporate real estate footprint.** Given the increased mobility of the work force and the changed nature of its work styles, management has begun to realize that a great deal of its costly real estate is unused. Meaningful change in a corporate real estate portfolio must begin with the accurate assessment of conditions, behaviors and needs, and then must be followed by the right-sizing of the real estate portfolio.
- **Reconfiguring corporate real estate.** If the retained space is not configured to support recent shifts in employee attitudes and work styles, as well as technological advances, costs will remain higher than necessary.
- **Green building.** Green building, or sustainable design, is yet another method of reducing fixed operational costs, and one that bears on other issues of corporate agility as well.
- **Choosing a location.** No longer limited to the local labor pool, a more distributed work force and online recruiting allow companies to throw out a wider net for new hires, but these realities also force companies to accept more flexible work patterns.

The work environment is ultimately about connectivity, or how a company utilizes a network of places, both virtual and physical, to enable its employees to connect with one another, and with customers and suppliers, no

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Reducing Fixed Operating Costs

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matter where they are. *Strategy of place* involves identifying the people who you need to hire, knowing where they are and predicting where they will want to be in the future as they move through their careers. ■

Attracting and Retaining Human Talent

Attracting and retaining qualified, engaged employees is the second of the three primary business challenges of the 21st century. There simply isn't enough human talent to meet the current needs of business, much less the constantly expanding global economy. The bottom line here is that in a few years — say, 2010 — the United States will have 10 million more jobs than it will have qualified people to fill them.

Where will companies go to get the talent? About one-third of the total will come from retirees remaining in the work force, though most likely not in a full-time capacity; one-third will come from outsourcing or moving work to interior population centers within the United States; and the remaining third will come from retraining workers displaced from lower-skilled and lower-paying jobs.

Meaningful Work

From the beginning, furniture manufacturer Herman Miller's founder made it clear to all those who worked for him that the quality of his employees' lives was as important a part of his company as the machinery that produced its furniture. Eighty years later, that spirit survives in Herman Miller's intentional Employee Experience.

Built on its founder's belief that *people are what companies are made of*, and that demographic and cultural shifts are changing the face of the modern work force, Herman Miller began to build its Employee Experience program in 2004 to ensure that the company remained an employer of choice for the future.

In order to coordinate the program with the company's evolving business strategies, its designers first assembled a cross-functional core team composed of upper-level managers from HR, IT and CRE, all of whom reported to a chief administration officer. The team then defined key ideas and integrated these ideas into the following themes:

- **Meaning.** Most people want more from work than just a paycheck.
- **Choice.** Intelligent, qualified employees don't like being told what to do.

- **Opportunity.** Opportunity is necessary for employees to satisfy their need for growth.

- **Engagement.** When meaning, choice and opportunity combine to give employees the feeling that they are "owners" of the company, employees will be engaged.

- **Leadership.** Leadership makes employees feel trusted and encouraged.

As the relative supply of creative labor shrinks, the pressure to achieve agility will grow. ■

Innovation and Survival

Institutionalizing innovation is the last of the three major challenges facing businesses in the 21st century. To innovate means to make new, and most companies that fail, fail to develop not only new products and services, but also processes to promote agility.

What was missing from U.S. automakers' business plans, if not innovation? While Japanese, Korean and European carmakers saw that market forces favored smaller, more fuel-efficient vehicles, General Motors, Ford and Chrysler continued to manufacture automobiles whose fuel ratings came ever closer to being measured in gallons per mile.

Institutionalizing innovation means changing more than the minds of management or union leadership. It is rooted in the relationship between innovation and these other factors:

- **Technology.** IBM's On Demand Workplace (ODW) was built as a collaborative, personalized online workplace that delivered relevant content and tools to employees no matter where or when they were working. The program linked thousands of previously disparate resources into a single portal through which employees could access the information and services necessary to do their jobs. By 2003, the ODW programs had reduced IBM's annual costs by \$683 million.

- **Company culture.** In 1991, Herman Miller launched its Supplier Diversity Program to increase opportunities for minority-owned and women-owned businesses. In 1993, the company became a founding member of the U.S. Green Building Council, the only office furniture manufacturer on the association's initial roster.

- **The workplace of the future.** Creative spaces are a product of a conscious and continuous design process that has a beginning, but no end.

- **The work force of the future.** Walk into a dim, hushed, compartmentalized space, and you feel creativity in retreat. Walk into an open, busy, naturally lit

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Innovation and Survival

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interior, and you feel a rise in your energy level and sense that you are once again in a community.

The lines between these areas of inquiry, just like those between HR, IT and CRE, are no longer drawn as clearly as they once were. They have a tendency to overlap, so it is important to have a companywide strategic approach to institutionalizing innovation. ■

The Virtual Work Force

In the past, labor was brought to the workplace and inserted into an existing, unquestioned framework. Then, the work defined the work force; now, the situation is changing. The work force of the future, by virtue of its skills, attitudes, ambitions and scruples, is now in the process of recreating the workplace of the future.

There are at least six solid reasons to establish distributed work programs, and each contributes to corporate agility:

1. Reducing basic work force support costs
2. Increasing work force productivity
3. Attracting and retaining talent
4. Reducing the business risk of disruption from terrorism or a natural disaster, or defending business continuity
5. Reducing traffic congestion, air pollution, and more generally, the impact of business on the environment.
6. Moving work to where workers want to live. ■

For additional information on resistance to the distributed work force, go to: <http://my.summary.com>

Offices Without Walls

It is the nature of the work itself — whether in sales, client services, work force support or facilities management — that ultimately dictates both *where* the work should be done and by *whom*. Or, in the words of Accenture's Corporate Real Estate Workplace team, "Work is not a place you go, it's something you do."

That is certainly the case with CorasWorks, a software company founded in 2003, with hundreds of customers spread across 24 major industries, in 20 countries whose software has more than 500,000 regular users — but that has only two employees reporting to the office on a daily basis.

It's a description that fits Agilent's Fieldscope program too, where supermobile employees rarely utilize

Third Places

One of the most striking findings of the original *Future of Work* research program was the discovery of the demand for "third-place" work locations for mobile knowledge workers. Within the next couple of years as many as 20 million people will be choosing to work one or more days a week in third-place facilities — that is, public or private spaces built specifically for the temporary, or semi-permanent, business purposes of companies and individuals.

company workspace, working instead out of their homes, in clients' facilities or in *third places*.

These examples are familiar to anyone responsible for corporate real estate planning or involved in workplace strategies today. They demonstrate once again the way real estate, human resources and information technology all come together in the future of work.

Workplace Strategy

In reviewing the ways in which a number of very different organizations have created new work environments or adapted old ones to the requirements of today and tomorrow, several themes evolve. In every case where the transformation was reasonably successful, all three of the critical support functions — HR, IT and CRE — were actively and strategically involved in both the planning and the execution of the change. In addition, there was extensive end-user involvement.

Workplace strategy includes the active coordination of all resources required to enable work wherever and whenever it takes place. The workplace of the future will be highly agile, mobile and distributed across time and space. How do you develop a comprehensive corporate strategy to deal with this changing environment? From a project management point of view, five sequential steps must be undertaken to make this vision come alive:

1. Assess business requirements, capabilities and audit processes.
2. Define a workplace strategy, complete with a vision of its business value and impact.
3. Make specific tactical and operational recommendations for change.
4. Implement a staged plan of action.
5. Evaluate outcomes and make additional changes as needed. ■

For additional information on workspace resident involvement, go to: <http://my.summary.com>

The Well-Designed Workplace

The General Services Administration (GSA) has produced one of the finest, most comprehensive and codified approaches to workplace design, exemplified by its program *Leading by Example: A Demonstration Toolkit for Creating a GSA World-Class Marketplace*. This is a result not only of the organization's leadership and staff, but also of the lessons learned from the vast number and varied characteristics of the projects undertaken by the organization over the years.

The Seven Hallmarks of the Productive Workplace

The GSA toolkit is meant to help the GSA design, construct, occupy and maintain workplaces for its associates in a manner that is optimal for the nature of the organization's work; that fosters its business strategy; and that expresses the agency's mission, values and culture. Its guidelines and processes are drawn from the Seven Hallmarks of the Productive Workplace, first introduced in the GSA's Integrated Workplace. Its principle features are:

1. Spatial equity. Design the workplace to meet the functional needs of the users by accommodating the tasks to be undertaken without compromising individual access to privacy, daylight, outside views and aesthetics. Requirements include natural daylight, views, fairness and multiple work settings.

2. Healthfulness. Create workplaces with a clean, healthy building environment free of harmful contaminants and excessive noise, with access to clean air, light and water. Requirements are air, water, ventilation, ergonomics, restrooms and amenities that provide a greater level of healthfulness and community.

3. Flexibility. Choose workplace configuration components that can be easily adapted to organizational or work process changes, and that can be readily restructured to accommodate key functional changes with a minimum of time, effort and waste. Requirements include furniture strategy, workstations that allow user adjustment, fluid layouts based on function, technology with integrated cable management and remote work capabilities.

4. Comfort. Distribute workplace services, systems and components that allow occupants to adjust thermal, lighting, acoustic and furniture systems to meet personal and group comfort levels. Requirements include thermal control, lighting control, ergonomically sound workstations, multiple work settings, adequate space and security.

5. Technological connectivity. Enable full communication and simultaneous access to data among distributed co-workers for both on-site and off-site workplaces.

Specific requirements include coordination, plug-and-play systems that allow occupants to easily make connections, data sharing, telephone services, network access, virtual meeting needs and wireless accommodations.

6. Reliability. Support the workplace with efficient, state-of-the-art heating/ventilating/air conditioning (HVAC), lighting, power, security, and telecommunication systems and equipment that require little maintenance and are designed with battery and/or greater back-up capabilities to ensure minimal loss of service or downtime. Requirements include clean air ventilation, proper lighting, effective HVAC, instructions on the use of systems, security, maintenance and confirmation of the systems' intended benefits.

7. Sense of place. Endow the workplace with a unique character, appropriate GSA image and strong business identity to instill a sense of pride, purpose and dedication among individuals and within the workplace community. Requirements include providing well-designed signage; ensuring connectivity; demonstrating brand, values and beliefs; providing a sense of ownership; using desirable color schemes and finishes; and preserving original design quality. ■

Collaborative Strategic Management

In ideal situations, we attempt to move communication from an impersonal level toward a level of intimacy, which means an *increasingly common understanding of values and respect for differences*. This occurs when groups move from simply coordinating their activities to acting in a truly collaborative fashion. In this sense, the structure of the communication network is the foundation upon which you can build task structures and therefore, organizational effectiveness.

The Workplace/Work Force Transformation Program

With the advent of truly global markets; the continuing revolution in information technology; the globally distributed work force; and the growing, worldwide human talent gap, senior managers are beginning to understand that they may no longer be able to hit their own targets without the strategic cooperation of the company's other business units. It seems increasingly clear that those corporate entities unable to adapt their management practices to the growing interdependence of HR, IT and CRE will soon find themselves marginalized by their more strategically coordinated competitors.

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Summary: CORPORATE AGILITY

Collaborative Strategic Management

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The first order of business is the creation of a task force made up of upper-level executives from the departments of real estate management, human resources and information technology. Without sufficient, well-advertised involvement from upper-level management, the momentum necessary to overcome a company's natural resistance to change cannot be achieved.

Align Goals

The first task is strategic alignment of goals. It is imperative that any workplace strategy be completely aligned with the core business mission and plan. That means knowing the product development strategy for both production and market channels; the work force staffing plans; the financial management strategy; an overview analysis of the branding program; and how the technology deployment plan will support all these.

The optimal method of doing this review is a short series of executive roundtables where the external team brings information on the state-of-the-practice and the resources that are present. Briefings center on key questions regarding such issues as business drivers, competitive threats, strategy development and decision processes.

The result of this first step is a *statement of the business problem* and specification of the results desired. This statement is then used for an internal return on investment (ROI) analysis prior to proceeding with the next steps. This allows for creation of a set of recommended tactical programs that, when executed, will lead to the results required.

A New Workplace Strategy

At this point, the leadership team should assemble a task force to lead the job of defining a new workplace strategy. Once assembled, the task force will follow four simple, quantifiable steps:

1. Assessment. Deconstruct departmental activities. Map work processes. Conduct a task/activity analysis. Assess organizational readiness. Conduct a work force survey of needs and expectations. Develop alternate scenarios.

2. Recommendation(s). The key here is a comprehensive analysis of where suboptimization is occurring, where money can be saved and where funds should be reinvested to reach a set of collaborative strategies. The task force's recommendations will almost certainly include a series of gradual reductions in total square footage under company management, taking into account each division's needs given the company's new work force/workplace strategies, and a geographic

realignment of the company's real estate assets.

3. Implementation. During this critical stage, the focus turns to IT, without which the attempt to distribute the work force will fail. The task force must ensure that these steps have been taken: division of IT has been prepared well in advance of any changes in staffing and real estate, the company's internal communications have been reconfigured *before* organizational change occurs, and coming changes in technology and the infrastructures this will require have been thoroughly considered before the company's systems are revamped.

4. Evaluation. The task force will be required, in conjunction with upper-level management, to continually re-examine the company's core goals and strategies, in order to recommend adjustments in work force/workplace strategy.

Management must consider these factors: establishment of units within each division for prototype testing; a linked training and development plan for initial program participants; a mechanism by which customers and suppliers can respond to the changes; and making permanent a new business model team that continuously looks for more effective, and efficient, ways to organize the business. ■

Achieving Corporate Agility

Achieving agility requires executives and managers to adopt fundamentally new ways of thinking. They have to shift away from the old linear, industrial model toward a more collaborative, systemic and holistic view of the world and their role in it. There must be a significant shift in how decisions are made in agile corporations, as opposed to a more traditional organizing and governance style.

Preparing for the Next Wave of Change

There are eight major categories of questions that you should be asking — simultaneously and continuously. There is no magic or best way to sort these questions, and of course, there is always some overlap. But if you are devoting resources to continuously investigating these areas, you will be prepared for the next wave of change:

1. Meta forces of change. What are the global sociopolitical forces that impact how we work? What are the possible alternative futures, given those forces?

2. Public policy issues. What are the workplace/work force effects of trade policies, employee benefit requirements, environmental laws and labor laws? What will these public policy issues be in five years, and how will

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Achieving Corporate Agility

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they affect your business and your customers?

3. Demographic dynamics. What are the multigenerational dynamics of demography, especially in underdeveloped countries? What factors influence generational cultures and values? What are the long-term trends in educational funding, in the United States and elsewhere?

4. Geography or talent pools. Close on the heels of the demographic questions, where will the most desirable talent be living in five, 10, 20 and maybe even 50 years? Why? What is the psychology that underlies mobility?

5. Work process and collaboration styles. What motivates humans to collaborate? How do compensation and reward systems affect work behaviors? More research is needed, as we really don't yet understand these areas very well.

6. Social and intellectual capital metrics. How should work force performance in a distributed work environment be measured and audited? How do you capture increased social capital on your balance sheet? What is that social capital worth in the marketplace?

7. Challenges and difficulties of managing a distributed work force. What are the specific competencies required to manage distributed workers successfully? What do leaders of the future look like? How do they develop these competencies?

8. Deeper understanding of barriers and sources of resistance to the new models. What are the cultural barriers to the fundamental changes that the future of work will bring — and demand? What kind of change management processes must be put in place? How do we get senior management on board?

Disposing of Unneeded Real Estate Assets

A significant part of the cost savings associated with collaborative strategic management (CSM) comes from shedding that 30 to 50 percent of unnecessary real estate. The quicker you can get that fixed cost asset off your books, the sooner you realize bottom-line gains.

Firms that represent tenants looking for good deals — and therefore bypassing traditional brokers — are already emerging in the market. The traditional broker is losing his or her place as a mediator, a development that is already underway in the automotive, airline and banking industries with the advent of e-commerce.

There should be a special, identifiable group of people within the organization who are tasked with answering these questions, over and over again.

A New Way of Looking at Organizations

Organizations contain three levels — or, more appropriately, *spheres* — of work. In the *activity* level, products or services are produced and distributed. In the *administration* level, different activities are coordinated. In the *policy* level, general direction is set. The point here is to locate the forward-looking role, the “futures group,” at the policy level.

The three spheres of work — activity, administration and policy — represent a minimum set of necessary levels of an organization in the traditional sense.

Executives set policy, middle managers coordinate action and non-managers do the work of the enterprise. You have to know where you are in the organization to understand how you fit into the overall scheme of things as well as how and what you can do to increase the organization's agility.

Core Issues at Each Level

The core issue for the activity sphere is “What are we doing?” These people are concerned about efficiency, resources and getting things completed.

Administrators are concerned with “How will we get it done?” They are characterized by control issues, methods of work and maintaining the status quo. Administrators are interested in survival.

Policy makers look at the question “Why are we doing this?” Their concerns center on issues of direction, effectiveness, the creation of new abilities for the organization and renewal.

An agile organization is one that strategically integrates the management of its real estate, human resources and technology assets. It does that in a collaborative fashion that requires a change from the decision-making processes and styles that rely on today. Finally, an agile enterprise organizes itself into three (and only three) levels that center on completion, survival and renewal. ■



If you liked *Corporate Agility*, you'll also like:

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