

# BOARD PERSPECTIVES

ISSUE 162

## Transforming the Business to Operate at Market Speed

As a term in business, “agile” is typically used to refer to a project management methodology, especially for software development. But there is a different, more strategic connotation of agility that merits close attention by boards as markets evolve.

A recent survey of 3,000 CEOs and senior executives reports that most CEOs (98%) recognise they need to change their companies’ business model within the next three years.<sup>1</sup> Three in four CEOs indicate that their companies face significant disruption. Interestingly, seven in 10 are concerned that their executive teams lack the agility to manage and keep pace with this disruption.

Another global survey corroborates the concern over lack of agility.<sup>2</sup> It reports resistance to change as a top 10 risk looking out both 12 months and 10 years. CEOs and their executive teams face the challenge of transforming their businesses while preparing their organisations to adapt and adjust to the realities of rapidly shifting markets. The bottom line is that leaders acknowledge the inevitability of disruption while also expressing concern regarding their organisations’ agility to pivot in response to change. This incongruence does not engender confidence.

<sup>1</sup> 2023 AlixPartners Disruption Index 2023, AlixPartners, 2023: <https://docs.alixpartners.com/view/397725974/>.

<sup>2</sup> Executive Perspectives on Top Risks 2023 and 2032, Protiviti and NC State University’s ERM Initiative, December 2022: [www.protiviti.com/us-en/survey/executive-perspectives-top-risks-2023-and-2032](http://www.protiviti.com/us-en/survey/executive-perspectives-top-risks-2023-and-2032).

In the latter survey, directors and C-suite leaders, and especially chief strategy officers and chief digital officers, also share concerns about near- and long-term issues that frame a tough environment for strategists and executives tasked with bringing a digital mindset to sustaining strategic relevance and continuously improving customer-facing and back-office processes.

They highly rate risks relating to and affecting the acquisition and retention of top talent, reskilling and upskilling the workforce, and the agility of the organisation's culture in responding to change, all of which are related to the formulation and implementation of innovative, differentiating digital strategies. Near term, they see challenges in growing the business. Longer term, they see persistent economic headwinds, financial volatility, higher labour costs, increased competition and, of course, unabated disruptive change.

Leaders need only reflect on the reimagining of business since the turn of the century to gauge the implications of accelerated change over the next decade. Speed and scale are being augmented with greater bandwidth at lower costs, enabling new ways to connect with customers and transforming how companies and whole industries operate. That's why companies should undertake appropriate steps over the near term to help ensure they remain connected to the customer experience, invest in future growth, and position themselves to innovate and compete in the evolving global economy over the longer term. If an economic recession develops, leaders need to keep an eye on the future while preserving near-term financial health.

So, the message is clear: As markets evolve, so should companies. But what should leaders do to enable their organisations to function at the speed of the market? The following eight points offer a holistic approach for directors to consider in boardroom discussions.

**Focus on improving the customer experience continuously.** In inculcating agility into an organisation's culture, this mindset is ground zero. Companies are competing on customer experience now — for, in the marketplace, customer loyalty exists only until something better comes along. That's why driving value for the customer is at the heart of all decision-making, creating new sources of value for existing customers while opening up new markets to grow the customer base. This never-ending, innovative pursuit is all about reimagining and improving business models and processes in an ever-changing business environment. Anything short of that is tantamount to playing to lose, as it breeds sluggishness, operational blind spots and strategic error as markets progress.

**Draw from data-driven customer insights.** Leaders should view their organisations as living organisms. The faster the organisation learns, the faster it evolves. Improvement initiatives are fuelled by attention to speed in gathering and learning from continuous feedback. The data needed to uncover and connect deep customer insights vital to informed business decisions should be collected and operational improvements should be implemented at the speed necessary to compete and retain market relevance.

**Speed up the decision-making process.** Remember the “change or die” urgency requiring rapid decisions at the onset of the COVID-19 pandemic? That same philosophy is needed in an environment where customers’ preferences are constantly changing, leading them to always gravitate toward something that’s better, faster and lower cost. To break down the silos that slow execution, the end-to-end customer experience should be at the heart of the decision-making process.

Leaders should encourage processes leading to high-velocity, quality decisions that support the dexterity in execution that’s so essential to a customer-centric organisation. For example, function like a startup by keeping things simple, avoiding overplanning, resisting delays until “all of the data is in,” taking prudent but necessary risks and listening to feedback. Decision-making should not be a one-size-fits-all process. Some decisions require a formal process, but many can be reached in an unstructured manner.

**Connect technology to customer value.** Technology should be viewed in terms of the customer experience rather than the customer process. This means combining a sales, service and marketing perspective and customer behavioural insights to break through internal barriers and drive improvements to the customer experience. Customer-facing teams should focus on harmonising automation and personalisation to meet customers’ expectations of a tailored experience, which often requires an integration of competencies across the organisation that can be challenging to orchestrate.

**Weave innovation into the fabric of the operating model.** In today’s marketplace, efforts to differentiate the business or customer strategy are harder to sustain and may result in advantages of shorter duration than in the past. Ways of working that infuse innovation into the business – with the intention of continuously differentiating the business in the market – are required to sustain competitive advantage.

**To manage at speed in business, the company must be at least as fast to adapt as – with an emphasis on being faster than – agile followers in the industry.**

Accordingly, leaders should couple technology and operational expertise with insightful customer knowledge and an innovative culture that encourages experimentation to design new products, business models and growth strategies, all facilitated by automation and digital agility. An innovative mindset should be applied across all areas of the business to foster value-added outcomes in growing and scaling the business.

**Employ agility as a business mindset versus just a methodology.** Uncertainty is here to stay. Yet, with uncertainty also comes opportunity. Organisations need to create flexibility and infuse agility into operating principles and processes to navigate continued waves of change. They can do this by adjusting their priorities and focus to take advantage of new potential value streams, rapidly solve for jobs to be done, and facilitate pivots in response to changing customer needs, shifts in supply and demand, or advances in enabling technology. Employing agility as a mindset will prove decisive in defining the leaders who emerge from periods of downturn or business disruption.

**Set the tone for lean behaviours with a supportive organisational structure.** With the board's support, the CEO should encourage an open, flexible and agile organisational structure with a flat hierarchy that drives efficiencies; speeds up innovation cycles; and facilitates collaboration, communication, and rapid decision-making and execution. Executive sponsors should empower focused, dedicated teams armed with purpose and clear objectives and expectations to tackle well-defined tasks, as assisted by appropriate alliance partners. Sponsors should keep efforts on the fast track.

**Select the talent that will lead to success and embrace learning at market speed.** The war for talent is over. Talent won. Directors and executive leaders should understand technology and digital business models, take an active role in digital leadership and encourage the investments needed to recruit, develop and train employees and retain critical talent. Companies should also assess their digital capabilities as a core competency on a regular basis.

Diverse talent enables and is enabled by a learning organisational culture that embraces open-mindedness, critical thinking, fresh ideas and contrarian points of view fuelled by data. Feedback loops from interactions with customers, suppliers and other outside parties broaden employee participation, invigorate the innovative process and help to root out unconscious bias.

In summary, directors and CEOs face two givens. First, speed matters. Speed is dictated by the market and influenced by external and internal factors. Markets evolve, and so must companies – at speed. The tailwind effect of embracing change at market speed breeds confidence in the C-suite and boardroom.

Second, customer loyalty is fleeting unless it is earned with superior products and services. Thus, business in the digital age is like a Formula 1 car race. If the car isn't fast enough, its driver has no chance of winning, much less competing. To manage at speed in business, a company must be at least as fast to adapt as — with an emphasis on being faster than — agile followers in the industry.

The reality of the digital age is that time and speed in business have evolved beyond the tactical to emphasise a more strategic and holistic view that challenges conventional thinking, transforms customer experiences and disrupts long-established value chains. Armed with a deep understanding of emerging and maturing technologies and the ability to apply them in imaginative ways to drive disruptive innovation, directors and management must continuously rethink the organisation's business model and its role within the value chain.



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## Questions for Boards

Following are some suggested questions that boards of directors may consider, based on the opportunities and risks inherent in the organisation's operations:

- Does the board support the CEO in setting the tone for speed through actions and words emphasising the importance of staying close to the customer, keeping an eye on relevant market trends, organising for speed and embracing change? Does the board agenda allocate sufficient time to discussing the company's innovation strategy and culture? Is this dialogue supported with appropriate innovation-related metrics that summarise the results the strategy is delivering, the return on investment, and the effectiveness of the company's innovation culture and capabilities?
- Is the board satisfied that the organisation is capable of challenging conventional thinking and disrupting long-standing ways of working that are obstacles to improving the customer experience? Is the company recognising market opportunities and emerging risks in a timely manner and addressing them with timely adjustments to its strategy and infrastructure?

- Does the organisation have a deep understanding of digital business concepts, building digital ecosystems and the potential of digital hyperscaling platforms that facilitate growth? Is the company driving innovation in its industry and investing in data and technology to enable continuous improvement?
- Do management and the board have access to sufficient intelligence regarding changes in competitors, customers, suppliers, new technologies, regulatory requirements and other relevant external forces? Is the velocity of the organisation's decision-making sufficient to improve customer-facing processes at market speed?

## How Protiviti Can Help

Protiviti helps organisations think digital-first. From digital strategy and business innovation to solutions and services across marketing, sales and customer success, we help companies redefine how they reach and engage customers, innovate business models, create digital products and channels, and deploy data to uncover and connect insights critical for decision-making and enabling operations. We help companies orchestrate the skills and agility required to unlock growth and compete in today's marketplace.

We partner with companies to drive profitable growth at the nexus of human-centred digital connections and enterprise operational change. By approaching every engagement with the vision of a startup founder, the precision of a watchmaker, the collaboration of a trusted adviser and the creativity of an artist, our focus is on orchestrating at the intersection of strategy, design, technology and assurance.

We use human-centred design and strategies to stay rooted in purpose, while elevating experiences past the point of simple utility to create lasting relationships and loyalty. Our approach is grounded in empathy for understanding and agile thinking for rapid action and focus on those the company serves. We partner with best-in-class technologies to bring leading thinking and capabilities to our clients.

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Named to the 2022 *Fortune 100 Best Companies to Work For*<sup>®</sup> list, Protiviti has served more than 80 percent of *Fortune 100* and nearly 80 percent of *Fortune 500* companies. The firm also works with smaller, growing companies, including those looking to go public, as well as with government agencies. Protiviti is a wholly owned subsidiary of Robert Half (NYSE: RHI). Founded in 1948, Robert Half is a member of the S&P 500 index.

Protiviti partners with the National Association of Corporate Directors (NACD) to publish articles of interest to boardroom executives related to effective or emerging practices on the many aspects of risk oversight. As of January 2013, NACD has been publishing online contributed articles from Protiviti, with the content featured on <https://blog.nacdonline.org/authors/42/>. Twice per year, the six most recent issues of *Board Perspectives* are consolidated into a printed booklet that is co-branded with NACD. Protiviti also posts these articles at [protiviti.com](http://protiviti.com).