

Chapter 6

Organisational agility

Introduction

Change is one of the great certainties of business life, and how well an organisation responds is a measure of its agility. Organisations today find themselves increasingly challenged by having to manage unpredictable and continually changing customer opportunities. Forecasts become unworkable and success is dependent on an ability to respond rapidly and flexibly to customer requirements, to change gear and immerse the organisation in these new opportunities on a constant basis.

The notion of organisational agility has its origins in flexible manufacturing systems, where it was believed that automation alone would confer this capability. Over time, a wider business application has emerged, led by developments in supply-chain management. An acknowledged expert in this field, Professor Martin Christopher from Cranfield School of Management, defines organisational agility as a 'business-wide capability that embraces organisational structures, information systems, logistics processes and, in particular, mindsets'. The agile organisation creates competitive advantage for itself by being able to adapt its people and processes to the continually changing needs of the marketplace, increasingly with the support of technical innovation. The challenge for organisations is to fuse together people and process approaches to achieve cost-effective value delivery. Competitive advantage today lies in recruiting and motivating the right people, giving them the most appropriate tools and training, while at the same time constantly improving business process. When either element, people or process, fails to

embrace change, the organisation becomes less nimble and therefore less able to compete.

Organisational agility forms the final vector of the Service Excellence model. It is the last stepping-stone to achieving customer focus that brings with it profit and growth. In the Service Excellence model agility is implemented through information and action:

$$\text{agility} = \text{information} + \text{action}$$

Information and the management of information have risen up the organisational agenda and now comprise a major business discipline, known as knowledge management. The aim of knowledge management is to build a collective and dynamic corporate memory. It has been driven by advances in IT and growth in the use of the Internet, which allow information to be exchanged across the world, 24 hours a day, seven days a week, all at the touch of a button. Failure to adapt knowledge management practices to the continually changing environment leads to what has been described as 'corporate amnesia', a phenomenon that prevents organisations learning from their own experiences.

Therefore, in order to support organisational agility, an organisation needs to master the flows of information throughout its value chain. As Lew Platt, former CEO of Hewlett-Packard, has often been quoted as saying, 'If Hewlett-Packard knew what Hewlett-Packard knows, we'd be three times more profitable'.

Agility then becomes viable depending on how strongly the organisational culture encourages and embraces change. Best practice organisations encourage constructive criticism and see that their staff receive the appropriate tools and training to cope with change. In an agile organisation, people respond positively and confidently to change.

This chapter

This chapter examines the role of organisational agility in creating customer service excellence by looking at how well organisations anticipate and respond to the changing world. This is based around the five key questions in this vector of the self-assessment questionnaire:

- Constructive criticism is an essential element of our culture.
 - The organisation provides methods, tools and training to enable change.
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- We have tools and techniques that facilitate the capture and sharing of knowledge and expertise.
- The organisation monitors and shares information about the changing socio-economic environment.
- Our people respond positively to change.

The role played by each of these elements is explored in more detail and then demonstrated through case studies of two previous Awards winners: The Veterans Agency and BAA Fit Out team.

Constructive criticism is an essential element of our culture

Change management is most ably delivered by organisations that encourage their employees to challenge the decisions and plans of their managers without having to fear any form of retribution. As Michael Dell, founder and namesake of the world's leading computer services provider, says, 'One of the challenges of a company that is succeeding is that you run the risk of complacency'. He encourages his team to explore incremental improvements and to experiment with ideas that add value, primarily in terms of efficiency. This means fostering an organisational climate where employees feel comfortable challenging the status quo. This was demonstrated by a recent Service Excellence Awards entrant who claimed 'our team meetings are a two-way process where constructive criticism is expected'.

Successful, agile organisations evolve their own unique approaches to engendering this sort of climate. It can often depend on the level of cross-functional collaboration between marketing, operations and human resource management departments. The focus of this combined resource is ensuring that there is alignment between the value proposition offered to customers and that offered to employees. For example, previous Awards winners Countrywide Porter Novelli, a successful business-to-business PR consultancy, operates what it calls the 4Is culture:

- Imagination – making our work memorable.
 - Irreverence – challenging the status quo.
 - Improvement – a little better every time.
 - Initiative – making the first move.
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This articulation of principles does not simply take the form of a bright logo to be used in communications, but provides a framework for managing delivery of the value proposition both internally and externally. It represents a distinct advantage that Countrywide Porter Novelli believes it offers clients, and guides the recruitment, training and promotion of staff internally. Unusually, the director of personnel and development and the marketing director sit down together to discuss joint implementation of the internal and external marketing strategy on a regular basis.

This way of working represents a set of values that support the vision of customer service excellence. As discussed in detail in Chapter 5, values are the beliefs that guide behaviour within the organisation and they need to be embedded throughout: in organisational structure as well as human resource practices such as recruitment, training, appraisal and reward schemes. It is also important that they are embedded in internal debate (as with the system of team meetings mentioned earlier) and in succession planning (ensuring that any new leader understands the ethos and past history of the organisation).

The organisation provides methods, tools and training to enable change

In order to capitalise on the advantages of creating a culture where constructive criticism is an essential element, organisations need to ensure that they invest in equipping employees to manage change. This is because although positive attitudes to 'irreverence at work' and a climate of encouragement go a long way towards enabling change management, employees also need to be able to call on the most appropriate tools and training. What gets offered will vary according to the experience and history of the individual organisation. However, best practice organisations are distinguished in that they employ a portfolio of approaches as a means to an end, as a way of working towards improved levels of customer service excellence.

Some organisations work to identify a common approach to change and then ensure this is diffused throughout. For example, this may include common formats to running meetings and post-project appraisals. It is also routine for organisations to adopt common tools across functions. Formal change management training programmes are widely deployed and organisations distinguish

themselves by deciding whether to run these in-house or use a third party to do this for them. Some organisations then make the most of joining forums for sharing experiences and best practice in what are essentially benchmarking operations. The Service Excellence Awards provides one such example of the way in which these schemes and programmes can offer a useful source of more objective feedback on an organisation's efforts to manage change. Two useful metrics in all of this are first, to track over time the percentage of people in the organisation that have undertaken formal training of one sort or another in managing change and secondly, to audit how many days of change management training were provided across the organisation in any one year.

Schemes and methodologies such as the CharterMark quality model, ISO 9000 and Investors in People are used by best practice organisations to help them equip people to manage change, and identify and implement improvements in customer service excellence. Organisations that embrace the learning to be gained from adopting a portfolio of methodologies, tools and training find that they start to move beyond formal training to managing change as a way of doing business. This works to produce an ever greater level of agility.

We have tools and techniques that facilitate the capture and sharing of knowledge and expertise

Knowledge management is now recognised as a strategically important business process that can make or break an organisation's reputation for customer service excellence. It has been transformed by developments in IT.

The first step in creating a knowledge management system is to establish a process for capturing knowledge about the organisation, its customers and the business environment. There are two main types of knowledge to be managed: these are known as explicit knowledge and tacit knowledge. Explicit knowledge is the more tangible of the two. It represents the type of knowledge that can be captured in written or process form and is easily reused. The 'what' dimension of corporate 'know-how' is made up largely of explicit knowledge. Tacit knowledge, on the other hand, refers to the implicit and often ambiguous knowledge that is acquired mainly through personal experience. It is usually context-specific and provides the

'how' dimension of corporate 'know-how'. Tacit knowledge is difficult to formalise and hard to capture. As people are generally better at talking about experiences than writing them down, new techniques to capture tacit knowledge are emerging, many of them based on the art of storytelling.

Knowledge itself, of course, has no intrinsic value as its value comes from being used, and, unlike any other business resource, knowledge grows with use. Extracting and exploiting the value of knowledge to deliver customer service excellence is a core competence of Awards winners. Previous winners, PetCareCo Limited (formerly known as Triple 'A'), provide a useful example of the way in which the integration of technology and knowledge management into service delivery is transforming many organisations. The PetCareCo case study features in Chapter 4, *Engaging People*, and describes how the staff at this one-stop pet resort and care centre based in Washington, Tyne and Wear, provide superlative standards of pet care while their owners are on holiday. The business is staffed by a team of dedicated animal lovers who are supported in their work by a sophisticated, but easily manageable, range of technology. For example, handheld devices are used to carry daily pet care schedules and a back office system records data on every pet, enabling the company to instantly recognise and recall any previous 'guest' history, and use it to make the pet feel welcome and at home. The aim is to ensure that every animal gets the right service, at the right time, in the right place.

The organisation monitors and shares information about the changing socio-economic environment

Every MBA programme around the world will cover – at some point – at least one session on the importance of formally scanning the marketplace and understanding the forces that may impact on its future stability. Students learn to categorise these forces with acronyms such as 'PEST analysis': the political, economic, social and technological trends that may offer new opportunities and threats. Others extend this acronym to 'PESTEL' by adding on environmental and legislative trends. Regardless of which is favoured, it is important that an organisation makes provision to understand the key trends that may impact on the environment in which it operates. These trends need to be monitored on a continual basis, and not

merely looked at as part of a once-a-year planning exercise. This has implications for the scanning and planning activities within the organisation. The aim today is create an ongoing process that better reflects the dynamic complexity of the marketplace rather than relying on conventional approaches that set down the three- to five-year ambitions of the organisation in a static plan.

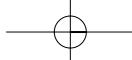
What matters most is the interpretation of these trends and again, classic business school learning can be drawn on here. It was business guru Michael Porter who identified five forces that determine the intrinsic profit attractiveness of a market or market segment: industry competitors, potential entrants, substitutes, buyers and suppliers. Each of these may represent a threat to the organisation: the threat of intense segment rivalry (or an over competitive situation in a certain segment); the threat of new entrants; the threat of substitute products; the threat of buyers' growing power; and the threat of suppliers' growing power. This model provides a comprehensive way of assessing how changes in the external environment may impact the organisation and is used to great effect by both commercial and not-for-profit organisations.

The mark of an agile organisation is one that not only monitors information on the changing environment, but shares it through organisation-wide systems that are linked into decision-making processes. This contrasts with less customer responsive organisations where some of this information is gathered but not widely shared.

Our people respond positively to change

Organisations that can demonstrate that their people embrace change as natural and essential are those who can rightfully claim that 'it is part of our culture to treat change as the norm'. Awards winners continually question what they do and the way they do it. They compare their performance with others and consult with customers and staff. Many have done away with traditional hierarchies and replaced them with largely self-managed teams supported by a small management team.

Making the shift from an organisation where change is viewed with concern to one where employees respond positively and confidently to change as a way of life, requires building an organisation-wide



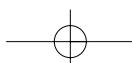
capability that is embedded in organisational structure, processes and people management. In adapting both people and processes to the continually evolving opportunities in the marketplace, the agile organisation creates competitive advantage for itself.

This approach is exemplified by 3M, a company that continuously and consistently demonstrates success in the marketplace. At 3M (UK) employees are given the freedom to take risks and try out new ideas, and this has led to a steady stream of new products. John Mueller, former Chairman and CEO of 3M (UK), is quoted as saying, 'We want to institutionalise a bit of rebellion in our labs. It has been said that the competition never knows what we are going to come up with next. The fact is, neither do we'.

However, marketing creativity at 3M is carefully balanced with financial control. Performance is assessed by evaluating the results of its innovations: 30 per cent of annual company sales must be generated from products less than four years old, and ten per cent from products less than one year old. This distinction is refined in two further categories, with new-to-the-world developments being looked upon as 'the ideal' versus the substitution of new products for old. This represents an analysis of performance at a base level that can then be extracted down to smaller segments of customers, and can also be translated internally into departmental, team and individual targets. 3M realises the importance of enabling its people to see their own picture in its vision for the organisation.

Summary points

- The agile organisation creates competitive advantage for itself by being able to adapt its people and processes to the continually changing needs of the marketplace.
 - Constructive criticism in the workplace is an essential element in overturning corporate complacency.
 - Organisations need to invest in tools and training to enable their people to manage change effectively.
 - Knowledge management aims to build a collective and dynamic corporate memory, made up of explicit and tacit knowledge.
 - Understanding of the political, economic, social and technological forces at play in the market needs to be linked to decision-making processes.
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- Positive and confident attitudes to change need to be embedded in organisational structure, processes and people management.

Further reading

Martin Christopher and Helen Peck (2003). *Marketing Logistics*. Butterworth-Heinemann.

Alan Harrison and Remko van Hoek (2002). *Logistics Management and Strategy*. FT Prentice-Hall.

Probst, G., Raub, S. and Romhardt, K. (1999). *Managing Knowledge: Building Blocks for Success*. Wiley.

Best practice cases

Introduction

A business that is focused on delivering truly responsive service excellence is a business that can 'turn on a sixpence' and make the most of the opportunities and challenges it faces. The two case studies presented here illustrate this well. The Veterans Agency (Public Services winner in 2001) is responsible for assessing and paying pensions to disabled servicemen and women and their spouses in the UK. This case reveals how it coped when faced with the kind of administrative task that many other organisations would find daunting. As Lorraine Smith, Business Excellence Manager at the Agency, comments, this is an organisation that has learned how to 'absorb new challenges'.

The second case focuses on BAA Fit Out, the project delivery team that provides construction and logistics services to BAA airports at Heathrow, Gatwick, Stansted and Southampton. The Fit Out team were overall winners in the Manufacturing/Engineering category of the 2001 Service Excellence Awards. They impressed the judges with their consistently agile and innovative response to projects that often involve them in having to carry out much of their work in short time windows at night when airports are not working. All of this is done with the interests of their customer's customers – the passengers – at heart.

Veterans Agency

An Executive Agency of the Ministry of Defence

Veterans Agency

Introduction

During 2001 and 2002 the War Pensions Agency, a part of the Department of Social Security, changed its name and its organisational home. The organisation became the Veterans Agency, and moved to the Ministry of Defence (MoD). The repositioning of the Agency, in both its widened customer scope and improved reporting lines, is a testament to the Agency's success in making efficient payments to ex-service people with care and compassion. The continuing success story of the Veterans Agency is rooted in excellent customer service, and in particular its extraordinary organisational agility.

The British government introduced the War Pensions Scheme in 1917, following the huge number of casualties in the Great War. After the Second World War the scheme was expanded to include ex-members of the Polish Forces who served under British command, merchant seamen and civilians injured due to enemy action. War pensions work was relocated from London to Blackpool, where the Agency still operates today. More recent conflicts such as those in the Falklands, the Gulf, Bosnia, Kosovo and Afghanistan also come under the scheme.

The foundations of the scheme have changed little since it was established, although a war pension can be paid for any service-related disablement and is not confined to wartime activity. The Agency serves some 271,000 customers, over 26,000 of whom live outside the UK in more than 100 countries. Some £1200 million is channelled through the scheme each year.

There are around 920 staff members at the Agency, ensuring that claims are met promptly and accurately. Communications with customers are handled with sensitivity and respect. There is a clear sense of admiration for customers throughout the Agency, and a strong commitment to their interests. There is no doubt that Veterans Agency staff see themselves as both servants of, and advocates for, the people they call 'our brilliant customers'.

With legislation in its area of activity rarely changing, and its main traditional customer base shrinking naturally over time, the Agency

might seem an unusual focus for organisational agility. Its challenges are not the more obvious ones of competition and innovation that characterise most commercial sectors. The Agency's customer base is smaller than that of many public agencies, and more easily defined. Yet the Agency's unique role and relationship to its public service environment have created acute challenges to its organisational agility, and provoked responses that have wide-ranging lessons.

A test of agility

The best example of the Agency's agility, and the experience that has done most to earn its respect among peers, was its handling of the payments ordered for Second World War prisoners of war (POW) held in Japanese camps. The government gave the Agency this task in November 2000, with tight deadlines for the disbursement of the £10,000 payments.

This was a large and complex task, involving many thousands of claims and checks on top of the Agency's usual workload. The Agency welcomed the responsibility, and set about delivering the goal, with every member of staff involved. A rapid pilot exercise was held, with the close involvement of campaigners for the payment. The Agency had always maintained a special section for dealing with claims from the Far East theatre, so there was already a good partnership relationship between the organisation and the target customer group. In fact, the strength of these customer relationships contributed to the allocation of the task to the Agency in the first place, since there were other government units who might also have received the challenge.

The Agency quickly realised that a dedicated group would need to be formed to deliver the project. But the creation of such a group would mean major disruption throughout the organisation. Agency skills are not easily replaced by outside help, so managers were unable to employ temporary workers on a one-for-one basis to cover for displaced staff. A complex process of shuffling and sharing resulted in temporary staff being brought in to support the more general clerical functions, freeing up Agency staff to help each other fill the gaps created by the formation of the project group.

None of the reallocation of responsibilities could have been achieved without the enthusiastic support of all those involved, and their determination to make the project a success. It is a clear case

of a common cause galvanising a highly customer-oriented team. Everyone accepted that they would face some pain, and all areas of the agency gave up staff to the project, right down to operating hotlines outside work hours.

Just dealing with this sudden tide of work might seem challenge enough. However, the Agency also recognised that the project provided a clear opportunity for the organisation to grow its competences. The project demanded that the organisation extend its traditional services to include identifying potential recipients of the payment; normally, customers are fed automatically to the Agency from the MoD. In the case of the Japanese POW payments, Agency staff had to research wartime records and deal sensitively with people who had experienced extreme deprivation, and had waited a long time for recognition and compensation. The project became a personal cause for many who worked in the customer-facing roles, with customers writing to the agency to express their surprise and satisfaction at the efforts made on their behalf. The Agency processed more than 25,000 claims and made 20,000 payments during the intense 6-month period. Veterans Agency staff took the project to heart, as well as using their heads.

The move to the MoD

Extraordinary demands often bring out the best in people. Are more normal times at the Veterans Agency as impressive? The Agency's relocation to the MoD suggests that they are. The move to the MoD was actively embraced as an opportunity to enhance existing service delivery, reach a wider customer base and develop the capabilities of staff still further.

Staff had never been entirely happy with the historical accident that made them part of the Department of Social Security, latterly the Department for Work and Pensions. They never felt that the Agency's customers should be managed alongside other groups of claimants, in recognition of the service those customers have provided to the community, and the sacrifices they have made on our behalf. In practical terms, the practices and systems of the DSS did not always match the Agency's requirements. A new payments system imposed on the Agency by its parent in the 1990s disrupted its work and, more importantly, alienated its customers. Agency customers were used to receiving personal letters from the organisation – letters which had been hand-typed as late as the early 1990s.

The new, bulk-printed letters with their simplified language and checkboxes were not appropriate for the Agency's older customers.

Insufficient training within the Agency and a reliance on external consultants did not help matters. Yet Lorraine Smith, Business Excellence Manager at the Veterans Agency, says that the experience 'made us stronger'. The turmoil made Agency staff realise the depth and strength of their customer orientation, and the extent to which their attitudes differed from those of other organisations. The experience also taught them that they knew their own requirements better than any outside expert. Their confidence in their own knowledge was based soundly on their strong customer relationships, and their culture of acting promptly, flexibly and sensitively to customer needs. That these lessons were learned and that they further strengthened the organisation is evident in the way the Japanese POW project was given to the Agency. There was no suggestion or expectation that the Agency would not achieve the goal itself, or that it would look to a third party for help.

Keys to success

One key to its success is the Agency's careful monitoring of key performance indicators (KPIs). Performance measures are highly visible within the organisation, and published in regularly updated form to the public via the Agency's web site. The performance measures are sophisticated enough to demonstrate that even where the delivery of a customer service goes wrong, customers still rate the service highly. This discovery is yet to be made by many commercial organisations.

Another key to its organisational agility is the Agency's approach to staff involvement in change. Staff at all levels can challenge, contribute to and constructively criticise decisions. Internal focus groups are often used to tackle new or revised processes.

This commitment to inclusive and visible management is reflected in the openness of the Agency's main operational tools. The Programme Review Board (PRB) meets monthly to explore the Agency's workload in its entirety. All new items and any issues involving current work are considered, analysed and challenged according to clear criteria. These criteria include optimum business delivery, full support of the Agency's agreed strategies, priorities and values, as well as affordability and manageability. Changes to the work programme are managed through a dedicated programme office and an explicit change control process. The Agency's agenda, and its progress, are therefore visible at all times to the whole team.

Management team Phone Days and Staff Forums also provide staff with an opportunity to air their views or ask questions about Agency business. In a recent staff survey, 87 per cent of all staff felt their manager always or usually listens to their ideas.

A model of customer orientation

Surveys continue to show that the majority of Agency people regard change positively, appreciating the essential role of change in delivering continuous improvement in the business. Substantial changes in the Agency's structure and operational processes have rolled out alongside continued performance improvement against targets in each year. The average time taken to process a claim has declined from 146 working days in 1994/1995 to 73 working days in 2001/2002. This is well within the target of 90 working days. The Agency's target for accuracy in processing claims is 94 per cent; it achieved 96 per cent in 2001/2002. Delivering new and improved services while improving both customer and staff perceptions at the same time is no easy feat, but the Agency has achieved both through a combination of individual dedication and organisational strength.

The Agency ensures that it is never a 'faceless bureaucracy', no matter the length or complexity of a case, by assigning named staff at all points in the process. This process starts when a new claim is received, with an executive caseworker from the assigned team telephoning the customer to introduce themselves. Customers know that their interests are being pursued by real, accountable individuals.

The Agency runs a programme of Lunchtime Presentations where speakers from other areas of the MoD, ex-service organisations and other bodies help staff to gain insight into aspects of service life or disabled living. Topics in the programme have included 'Life as a Civilian Internee' and 'A Guide Dog Owner's Story'. The lunchtime events are always over-subscribed. Other awareness initiatives include a development programme called Understanding Disablement which provides staff members with short-term placement in services for the disabled, and allows them to participate in a Ski Bob event for amputees held annually in Austria. These education and awareness initiatives create very close identification between staff and their customers. Few organisations commit to this level of immersion in customer concerns – but the benefits in terms of enhanced customer relationships are reflected throughout the Agency's operations.

The Agency's clarity of vision, based on the primacy of its customer relationships, is a guarantor of its enduring organisational agility. Agency people admire their customers. They take the time to learn about the types of disability that their customers have, as well as the types of experiences they have had. This strong identification with their customers as real and worthy individuals makes organisational agility second nature for Agency staff.

Within its new home at the MoD, the Agency now has the opportunity to show leadership as a key player in the comprehensive government 'Strategy for Veterans'. This new strategy includes not only those who have served in the UK Armed Forces, but also their widow(er)s and dependants. This makes a large and diverse community of some 13 million people in the UK alone. The Strategy addresses communications between veterans, the government, the voluntary sector and the general public. The Veterans Agency has a key role to play in the Strategy as it develops, not just as a customer-facing contributor in its own right, but also as a complementary team working with other agencies in the government and voluntary sectors.

Lorraine Smith recognises that reconciling the fluidity of change with the need for stability is at the paradoxical crux of organisational agility. Her answer to the paradox is rooted in the talents and attitudes of the people who make up the organisation:

I can only be complimentary about the workforce here. Everyone here feels our customer is worthwhile, and our service is worthwhile. So you've got to carry on, *and* you've got to meet the extraordinary demands too. If we stuck to business-as-usual we'd be quickly out of business, so we've got to move on. We have to absorb the new challenges.

The Veterans Agency's performance against its 2001–2002 targets agreed with the MoD

<i>Target</i>	<i>Achievement</i>
<i>Putting service first</i>	
Secretary of State Target: To deliver a quality service to war pensioners and war widows by achieving the standards published in the War Pensions Agency's Service First Charter	
<i>Management targets</i>	
<ul style="list-style-type: none"> To issue decisions on claims to war pensions within an average of 90 working days 	✓ 73 working days

(Continued)

<i>Target</i>	<i>Achievement</i>
<ul style="list-style-type: none"> • To issue decisions on war widow(er)s claims within an average of 36 working days • To visit all recently-bereaved war widow(er)s within 15 working days of a request being received • To achieve a claims accuracy rate of at least 94 per cent 	<p>✓ 25 working days</p> <p>99.86 per cent of visits within 15 working days</p> <p>✓ 96.17 per cent of claims were assessed as accurate</p>
<p><i>Working in partnership</i></p> <p>Secretary of State Target: To reduce the average time it takes an appeal to pass through the war pensions appeal process. By 31 March 2002 the average time should reduce by 10 per cent from 2000–2001 baseline levels</p>	<p>Time reduced by 42 per cent</p>
<p><i>Management targets</i></p> <ul style="list-style-type: none"> • To clear appeals to war pensions within an average of 195 working days at Stage 1 of the process • To clear appeals to war pensions within an average of 15 working days at Stage 3 of the process 	<p>✓ 135 working days</p> <p>✓ 11 working days</p>
<p><i>Modernisation and managing change</i></p> <p>Secretary of State Target: To implement the recommendations of the War Pensions Agency's Decision Making and Assessment Review to the standards and timetable agreed with the Department of Social Security</p>	<p>✓ achieved</p>
<p><i>Valuing our people</i></p> <p>Secretary of State Target: To lead and manage people effectively through specified measures and contribute to the reduction in public sector sickness absences by 22 per cent from 1998 Public Service Agreement baseline levels by 31 December 2001</p>	<p>✗ not achieved, see Note 1</p>
<p><i>Efficiency</i></p> <p>Secretary of State Target: To generate efficiencies during 2001–2002 to absorb the effect of pay and price pressures; and to improve efficiencies so that the Agency operates within its running cost allocation</p>	<p>✓ achieved</p>

Note: 1. The transfer of personnel records from the Department for Work and Pensions to MoD has disrupted the Agency's recording of sickness absence data. Consequently, the Agency was unable to measure sickness levels across 2001. Data the Agency had available, however, indicated it was unlikely to achieve its 2001–2002 target.

Source: Report by the Comptroller and Auditor General HC 522 Session 2002–2003: 28 March 2003 Improving Service Delivery: The Veterans Agency; http://www.nao.gov.uk/publications/nao_reports/02-03/0203522.pdf

Performance – VA Published Service Charter Standards: 2002/2003

<i>Service Charter Standard</i>	<i>Target</i>	<i>Achieved year to date (April 2002–March 2003)</i>
Decisions on claims to war pensions should be issued within an average of 82 working days	82	62.66
Decisions on war widow(er)s claims should be issued within an average of 34 working days	34	24.49
All written enquiries and complaints should be acknowledged within 5 working days of receipt	5	97.75 per cent
All written enquiries and complaints should be responded to within 10 working days of receipt	10	98.15 per cent
All Chief Executive correspondence should be responded to within 15 working days of receipt	15	97.64 per cent
Calls to the VA Helpline should be answered within an average of 20 seconds	20	18.3 seconds
All visitors should be attended to within 10 minutes of their appointment/arrival, whichever is the later	10	99.92 per cent
All recently-bereaved war widow(er)s should be visited within 15 working days of a request being received	15	99.93 per cent
A claims accuracy rate of at least 95 per cent should be achieved	95	98.00 per cent
Appeals to war pension should be cleared within an average of 175 working days at Stage 1 of the process	175	136.00
Appeals to war pension should be cleared within an average of 100 working days at Stage 2 of the process by March	100	136.22
Appeals to war pension should be cleared within an average of 15 working days at Stage 3 of the process	15	10.60

Source: <http://www.veteransagency.mod.uk/aboutus/per02-03.htm>



BAA Fit Out

Introduction

Organisational agility is not just a nice-to-have at BAA's Fit Out team: it is the team's reason for existing. Agility is a key ingredient

of its industry environment, but for Fit Out agility is the determinant of all its activity. The team is responsible for rebuilding functional areas of airports with minimal disruption – in a business where seconds are measured in millions of pounds and the most rigorous standards of safety permeate every action. It is a mission that has Fit Out pulling a multi-storey building out of its pocket and erecting it in a few short hours in the middle of the night. Their mission is causing the team to reinvent the construction industry from the inside out.

Fit Out is a project delivery team that provides construction and logistics services to Heathrow, Gatwick, Stansted and Southampton airports. The team operates as an individual business entity with an independent operating budget. It is a virtual organisation that embraces suppliers and specialists outside the BAA family.

A core team of 60 staff members leads 11 partner companies, acting as a design and build organisation. Employees from the partner companies are seconded into the team's virtual company environment.

Fit Out serves several different customers, including airlines, retailers and passenger facilities management. The team also works for BAA's property department and its World Duty Free business. This is a very diverse customer base, with each customer having a distinct specialism. Their different business objectives, combined with the highly dynamic nature of their activities, make them demanding customers. Add in 24-hour operations in a high-tech, security-conscious environment and you already have a set of requirements and constraints that would stress any business, even before taking into account the specific details of any one project. The only way the team can carry out successful constructions in the airport environment is to adapt its business to complement that of its customers. The Fit Out team's aim is to become the 'invisible builder'.

A modular approach to design and construction

The Fit Out team characterises itself as a delivery team working within a logistically challenging environment, with a large capital spend. These conditions impel it to lead its industry in the invention of new approaches, and the adoption of available best practice from other areas. The team's Clive Coleman cheerfully admits that they will take successful ideas from anywhere they can find them. The team uses Activity Based Planning, for example, a tool borrowed from the American manufacturing community, and runs a 'One In A

Million' safety initiative modelled on a programme used in the oil processing industry.

Although Fit Out is keen to adopt and adapt whatever tools it can to further its mission, it is also committed to innovating where necessary. The main focus of the team's innovation is its modular approach to the design, build and installation of airport components. This is the key to its 'invisible mission' strategy.

The team's unique answer to its unique pressures is to create a manufacturing approach to construction. Construction is traditionally carried out onsite, with materials, labour and project management being brought together in a circumscribed, controlled area. Construction sites typically put physical areas out of normal action for long stretches of time. They also allow different trades to contribute their skills and solve problems as they arise. Traditional construction, although controlled by blueprints and manifests, incorporates a large measure of give-and-take, sometimes dictated by the peculiarities of the site, but often arising from the space and time given to the project.

The manufacturing approach, on the other hand, demands standardisation, and is less tolerant of deviation in process or materials. The principles of manufacturing stretch back to the standardisation of parts for the guns of the American Civil War and the rationalisation of processes in Ford's early factories. Industrial production brings us goods of high quality and reliability, at low prices, and with speed. But it does not usually bring us buildings.

Fit Out's solutions form a kit, or a palette, of modules that can be mixed and matched to create final building components. By combining elements in different ways, the team can build airport components that look completely different to each other while actually being formed of identical components. A departure lounge at Gatwick's North Terminal, for example, will appear different to one at Heathrow's Terminal 3, even though its elements come from the same kit of parts.

Fit Out likens its kit of parts to domestic kitchens. Kitchens appear to offer a wealth of choice to the consumer but are in fact based on a limited set of standard components. The dimensions of carcasses and worktops, for example, are standardised throughout the industry. Choice is created by the wide variety of finishes, closures and accessories that can be applied to the basic kit. These secondary components provide a huge number of permutations. In a similar way, Fit Out produces a range of 110 standard products, each of which can be customised in a number of ways to suit specific uses.

Benefits of a modular approach

The first place in the value chain where this approach saves time and money is the design phase. Architects and designers normally start projects with blank sheets of paper – but starting from scratch is expensive. In Fit Out's world of rapid construction, many fundamental design decisions are removed from the process, leading to a much quicker start. At the same time, the solution kit approach provides greater predictability to the project, right from day one. The use of standard parts implies known costs and lead times, so the project plan is generated from the initial kit selection.

By inventing and implementing this approach, Fit Out has put itself firmly on the cutting edge of its industry. New methods are not always welcomed in industries with entrenched habits and trusted, traditional ways of meeting customers' requirements. The virtual nature of Fit Out has helped to carry suppliers along with the vision. By being part of the team, rather than a partner relying on instructions, the first tier of suppliers have embraced the approach and quickly come to see how it enhances their own businesses.

The airline business is in itself a very agile industry. Airline schedules change every 6 months, so the industry works to a 6-month planning horizon. Airports themselves are, as any traveller will testify, works-in-progress; they are never 'finished'. The snapshot state of an airport at any one time is a measure of its evolution towards new goals. And yet airports have to be fully usable at all times. Therefore each site is in a constant state of change, yet required to give seamless service.

The dictates of the airline business create very short decision-making timelines. The Fit Out team responds to this reality by offering solutions where precise definitions can be left open as late as possible. The team's modular approach to construction effectively allows it to compress the construction schedule.

Move to offsite working

The Fit Out team is steadily shifting construction activities offsite. The team has invested in the manufacturing approach because it is the logical answer to their dilemma: how to build quickly, flexibly and reliably, and with an eye to cost control. Its strategy has led to improved quality and reduced costs, while extending the real choices of its customers and upgrading the skills of its component members.

The team sees itself as a supplier of products to its customers, rather than services. This is one sign that the manufacturing approach runs through its whole operating ethos. It defines its products as 'interior space transformation', which map to specific items including shop units, departures and arrivals lounges, concourses, piers and link bridges. All the team's products have to work alongside products from other delivery teams, which supply shell and core buildings, baggage handling systems and infrastructure.

The move to offsite working might seem like a neat, if novel, solution to the difficulties of working in the airport environment. In fact, building onsite is becoming increasingly untenable as the airline business's own agility continues to load new demands on the environment. Night-time slots are shrinking as airports become busier. Night working is also expensive, with a typical 4-hour slot billed as a 12-hour shift at time-and-a-half rates. At the same time, the number of functions targeting the available slots for maintenance and enhancement activities is growing. Fit Out's window of opportunity is therefore constantly shrinking. With an environment that is in a state of constant turmoil, Fit Out is forced to evolve new capabilities to survive.

Managing within the constraints of the business

The team also faces other practical constraints that force it to preserve and improve its agility. One of these factors is the shortage of labour in the south east of England, where BAA's primary operations are located. The region is enjoying a construction boom. BAA is contributing to the load on the industry through its high-profile Terminal 5 project at Heathrow. But T5 is just one of the projects that will generate a doubling in the company's construction efforts over the next few years.

As if the squeeze on construction slots and labour were not enough, Fit Out must accommodate a stringent security system. Airports have always been highly secure sites, but the terrorist attacks of 11 September 2001 have tightened controls still further. Every worker requiring access to an airport must have security clearance. The rigour of the required checks can mean a delay of up to three months for the issuing of a pass – a delay which would undermine Fit Out's compressed timelines.

Fit Out's answer to these constraints is to pre-empt them. It accommodates itself to the ever-shrinking window by improving

the range of its pre-built solutions. It solves the labour problem by creating its components using manufacturing skills and techniques, and locating these operations in low-cost areas wherever possible. The team honours the airports' security requirements by reducing the number of people it requires to have onsite, by pre-clearing the staff that it does need onsite, and by using a pool of people with security 'passports' wherever possible. These strategies put the aim of complementing its customers' business into inventive action.

A radical approach to innovation

The organisation's latest innovation is a facility based in Crawley for manufacturing very large structures such as piers. The team has been building smaller components using offsite techniques for some time, but the new facility represents a major step up in scale. Here, entire buildings are put together using the latest manufacturing techniques from heavy industry. Inspired by the flowline technology used by the Airbus consortium to build aircraft wings, Fit Out have created a manufacturing environment where the construction project moves between work teams on rails. The final product is large, but not so large that it cannot be transported by road. The facility's current site at Crawley balances the costs of construction and haulage, though subsequent 'building factories' may be located elsewhere. Some £20 million to £26 million worth of construction flows through the Crawley factory every year. This is a substantial figure in its own right, but it is a fraction of the alternative cost that would be accrued in building in the traditional way – if the traditional way remained a viable option.

Fit Out has also taken the imaginative step of bringing large-module construction techniques to non-intrusive areas of an airport site, and then using the taxi-ways to manoeuvre the completed structure to its permanent position. Five-storey buildings have been assembled and installed in this way, though the team prefer to work on slightly smaller scales with this strategy. A typical example is a two-level bridge intended for Terminal 3 at Heathrow. The bridge, designed to span the gap between the terminal and a pier, was around 75 metres long, some three storeys high, and weighed 1000 tonnes. It was built near Terminal 4, then moved during the night and hoisted into position. Though the bridge appeared overnight, the project as a whole took a year.

Another spectacular project involved building a bridge to cross a taxi-way catering for wide-bodied aircraft. This was the first such

bridge of its kind anywhere in the world, and to build it in the traditional way would have cost £11 million, including the cost of diverting the taxi-way around the construction site. Fit Out constructed the bridge at the edge of the site and then moved it into position during a single week.

Such feats are spectacular, but rare. Fit Out's continuous impact on its customers comes from its day-to-day agility in meeting the less glamorous, but equally vital, requirements of its demanding environment. For example, improvements to security at airports are driving the increased separation of arriving and departing passengers. Some sites already comply with this requirement, but BAA is making a £250 million investment to reconfigure four terminals to bring them into line. Fit Out has developed a common solution set for this challenge, and is also taking between 40 per cent and 50 per cent of the working hours required for each terminal offsite.

Improving agility at Fit Out

Adding a new element to an airport is not quite as easy as Fit Out's modular approach perhaps makes it sound. This is because no airport was built from the ground up using a modular approach. Although Fit Out can offer excellent agility and value for money through its standard products, interfacing those products with their real-world destination requires some level of customisation. The team therefore needs to apply a measure of flexibility in the installation phase, which again requires an agile response. Any failure to make the components work on the ground would negate the elegance of the modular approach, destroying the compressed timelines by which the team lives.

The team recognises that there is great scope to improve their performance further. Fit Out's targets include the goal to deliver 65 per cent of the assets it builds as standard products by 2005. The figure currently stands at around 25 per cent. The team believes it can meet this target by continuing to apply the modular principles it has already implemented. The further target of reducing the hours spent by the team onsite by 65 per cent is more stretching. Many infrastructure tasks, such as paving runways, are inherently difficult to accomplish elsewhere than their required positions. Pursuing new technologies and management strategies is a continued focus for the

team as they work to win this goal. This fits well with the ethos at BAA, which Coleman describes as 'doing well, doing better: keep raising the "doing well" bar.'

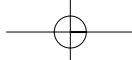
Fit Out is also a good example of a virtual organisation succeeding in practice. The team's members form an extended organisation that overlaps BAA's traditional boundaries. The structure promotes a partnership approach to projects, and to long-term investment in facilities, skills and techniques. Construction projects can often become adversarial, being designed around contracts. Fit Out's projects are collaborative ventures where suppliers are encouraged to make their own decisions within a holistic approach. Breeding flexibility into the team's approach is vital for ensuring that customers retain the right to change their requirements right up until the last possible moment.

Further management challenges

The heightened sense of speed within Fit Out brings two further challenges to management. One is that the continuous nature of change within the delivery environment makes it difficult to appreciate progress at the micro-level. As Clive Coleman says, 'You never actually see the minute hand move. You have to measure over time to see improvement.' This is a very different situation to what we find in transaction-based businesses, where improvements can rapidly be measured in terms of volume.

The second management challenge is related to KPIs. Within the Fit Out team itself, a core set of KPIs remain relatively stable, with some evolution demanded by the need to keep raising the bar. However, the team's KPIs are often impacted by changes within the wider company. The composition of the KPI dashboard changes frequently, meaning that KPI collection and interpretation rarely become a matter of routine.

The team is not daunted by this variability in metrics. Indeed, Fit Out's appetite for benchmarking shows that the team relishes finding new ways of measuring its progress. It has performed benchmarking exercises within BAA, and is increasingly benchmarking against external organisations. An ever-increasing commercial focus at BAA, tied to the innovative nature of Fit Out's solutions, is driving the team to compare its activities with other types of construction assets, and with other industries.



Looking ahead

When it won its Service Excellence Award in 2001, Fit Out had reported impressive results that it would be hard for any organisation to beat – including itself. The on-time, on-budget project completion rate was 94 per cent. Timeframes and costs had tumbled, while the team's safety record had continued to score well above industry norms. Its goals for the future show that Fit Out still sees great room for growth, and is not tempted to be complacent.

Fit Out is proving how radical solutions to problems set in complex environments can be both developed and implemented in a repeatable fashion. When agility is non-negotiable, innovation and standardisation can produce quality, value for money and speed. It is to the team's further credit that they have managed this transformation across a disparate group of partners in a focused, virtual organisation. Fit Out's pursuit of organisational agility is reinventing the way organisations are built, as well as airports.

