The future is flexible
Pathways to organisational agility and growth for UK information technology firms

Introduction

In today’s business environment, organisations increasingly need to be flexible, nimble and adaptable, both when preparing for potential shocks and deftly seizing opportunities in the constantly shifting and expanding commercial and economic landscape. In the information technology (IT) sector, 75% of business leaders describe agility as more important than ever. Among other goals, these leaders are seeking to shorten the time to market for products and services, improve environmental sustainability, and enhance their capacity for innovation (see figure 1).

The following report uses survey data¹ to profile the UK’s IT sector regarding business agility and flexibility, assessing the sector’s current practices against a best-practice frontier. It then outlines areas for improvement and growth that will help firms navigate a more challenging economic environment and achieve their business objectives. The results clearly show that UK executives understand the business case for increasing organisational agility and flexibility and are steering their firms in the right direction. But, at the same time, companies are facing myriad impediments to realising agility.

Figure 1: Leaders turn to agility to achieve business goals
Top five desired outcomes from increasing agility among UK IT firms

<table>
<thead>
<tr>
<th>Outcome</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shorter time to market for products and services</td>
<td>40%</td>
</tr>
<tr>
<td>Improved environmental sustainability</td>
<td>27.5%</td>
</tr>
<tr>
<td>Increased integration of technologies</td>
<td>22.5%</td>
</tr>
<tr>
<td>Enhanced innovative capacity</td>
<td>25%</td>
</tr>
<tr>
<td>Improved workforce recruitment</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Economist Impact survey, % of responses to “Which of the following are the most important outcomes for your organisation to achieve through efforts to increase business agility?”; IT sector

¹ Mixed-method survey of 200 UK business leaders and government officials across five industries (financial services, government/public administration, information technology, professional services, and retailing/FMCG) conducted from November to December 2021. For details on the survey programme, including the full questionnaire, please refer to the main report, Embracing Agility in a Time of Disruption (Economist Impact 2022).
I. Distance to the frontier: the state of agility and flexibility among UK IT sector firms today

Agile businesses are characterised by flexible, transparent and nimble workforces. Employees can move laterally as strategic opportunities are spotted, allowing the enterprise to dynamically shift resources and adapt to market changes. Rapid cycles of feedback, transparency and improvement are central to this capability, enabling leadership teams to reallocate resources and invest in select strategic or innovative initiatives as needed. Agile businesses are well placed to succeed in an increasingly challenging macroeconomic environment.

IT firms have successfully implemented a number of these practices (see figure 2), including the ability to iterate and experiment by deploying rapid test-and-learn cycles for products and processes. Three in four IT leaders report that their organisation encourages experimentation and innovation, and 45% have already implemented rapid cycles of iteration and experimentation. These practices are directly in line with the sector’s agility goals of reducing time to market and enhancing innovative capacity.

Agile firms are also characterised by flexible, dynamic, empowered workforces. IT firms in the UK have made strong progress on these capabilities in some aspects, but there is room to grow in others. For example, IT firms are prioritising agility in their workplace strategies: increasing flexibility is a business-critical priority for 42.5% of IT firms compared with an average of only 22% across the four other surveyed industries. IT firms are also seeking out employees with the right attributes, listing being proactive and seeking out opportunities to contribute, actively participating in information and knowledge sharing, and being able to adjust quickly to new tasks and responsibilities as the three most important employee characteristics for building agility.

Figure 2: Practices implemented to improve organisational agility

- Rapid iteration and experimentation: 7.5% not sure, 17.5% not implemented and not planning to implement, 30% not yet implemented but planning to implement, 40% testing or piloting, 45% have implemented
- Continuous learning and evaluation procedures: 7.5% not sure, 22.5% not implemented and not planning to implement, 35% not yet implemented but planning to implement, 40% testing or piloting, 35% have implemented
- Clear communication channels between levels of management: 7.5% not sure, 32.5% not implemented and not planning to implement, 35% not yet implemented but planning to implement, 40% testing or piloting, 37.5% have implemented
- Transparency and information sharing between cross-functional teams, external partners and third-party vendors: 7.5% not sure, 30% not implemented and not planning to implement, 35% not yet implemented but planning to implement, 42.5% testing or piloting, 35% have implemented
- Clear and measurable performance goals for employees: 5% not sure, 7.5% not implemented and not planning to implement, 15% not yet implemented but planning to implement, 42.5% testing or piloting, 30% have implemented
- Quick and efficient decision making processes across teams: 5% not sure, 7.5% not implemented and not planning to implement, 15% not yet implemented but planning to implement, 30% testing or piloting, 30% have implemented
- Standardised ways of working between teams: 7.5% not sure, 15% not implemented and not planning to implement, 35% not yet implemented but planning to implement, 52.5% testing or piloting, 22.5% have implemented

Source: Economist Impact
It is commendable that IT firms are prioritising these agile, flexible aspects at the business strategy level; however, when it comes to implementation, survey data reveal some gaps that may hinder progress towards these goals. For example, surveyed IT firms report that difficulty hiring and allocating dedicated staff and resources is a top challenge in increasing agility, but only 30% have implemented clear and measurable performance goals for employees and only 22.5% use clear, standardised ways of working between teams.

Another key area to watch for IT firms is communication. Survey data show that IT firms are doing well on some aspects of this pillar: 35% report implementing transparency and information sharing between cross-functional teams, external partners and third-party vendors. However, a gap emerges when it comes to prioritising internal collaboration and co-ordination, both in business strategy and in practice. Fostering collaboration across teams and functions is a business-critical priority for only 32.5% of IT firms, while 17.5% say this is a low priority or not one at all. Leaders in the sector ranked the ability to collaborate with team members as the second-to-least most important employee characteristic. These data point to areas for further exploration and growth for the sector, as firms that don’t prioritise these will struggle to become truly agile businesses.
The future is flexible: IT industry profile

II. Closing the gaps: key findings moving forward

As survey data demonstrate, the main barriers to agility and flexibility for UK IT firms are a lack of effective internal co-ordination and communication and difficulty allocating staff and resources to agility efforts. Business leaders can deploy a number of tools and strategies to address these challenges and improve their organisational agility and flexibility.

As IT firms increase their flexibility through hybrid working, digital headquarters and other strategies, prioritising internal communication (alongside external) will be essential to achieving business objectives. While IT firms are doing well on external communication, internal communication lags both in practice and in business strategy. Indeed, a lack of effective communication was cited as the top challenge to improving business agility among the leaders we surveyed. More IT firms are shifting to hybrid working models, making internal communication even more important. IT leaders consider business messaging applications to be the top technology for increasing agility, recognising the communication challenges that hybrid and remote work can bring. Still, many IT firms have yet to implement agile practices that will improve internal communication, like implementing quick and efficient decision-making processes across teams and standardised ways of working between teams.

Although workforce priorities are in the right place, IT firms need to set their employees up for success with the right combination of training, tools and ways of working to fully achieve agility and flexibility. While IT firms acknowledge that hiring staff and allocating resources are the top challenges to building agility, relatively fewer firms are taking the necessary steps to address these hurdles. To realise their agility goals, IT firms can set their employees up for success by establishing clear and measurable performance goals, investing in continuous learning platforms and platforms that enable greater workflow management and automation, and working to establish a shared organisational vision and purpose. A renewed focus on employee development and training will be critical for IT firms working towards agility.

Figure 3: Planned investment changes over the next three years among UK IT firms

<table>
<thead>
<tr>
<th>Category</th>
<th>Decrease</th>
<th>Remain the same</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital workspaces and/or digital headquarters</td>
<td>2.5%</td>
<td>17.5%</td>
<td>80%</td>
</tr>
<tr>
<td>Workplace technologies</td>
<td>5%</td>
<td>17.5%</td>
<td>77.5%</td>
</tr>
<tr>
<td>Data collection</td>
<td>5%</td>
<td>22.5%</td>
<td>72.5%</td>
</tr>
<tr>
<td>Data processing and management</td>
<td>0%</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>Talent acquisition</td>
<td>2.5%</td>
<td>30%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Business intelligence and analytics</td>
<td>2.5%</td>
<td>30%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Employee development</td>
<td>0%</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>In-person workspaces</td>
<td>2.5%</td>
<td>35%</td>
<td>62.5%</td>
</tr>
</tbody>
</table>

Source: Economist Impact
The future is flexible: IT industry profile

IT firms should play to their strengths, leveraging technological solutions to unlock their full potential. As firms in the IT sector move towards agility and flexibility, they are (perhaps unsurprisingly) turning to technological solutions to enable their transformation. Eighty percent of surveyed firms plan to increase their investment in digital workspaces and/or digital headquarters over the next three years (while only 62.5% of firms plan to do the same for in-person workspaces over the same period). IT firms are also ramping up investment in workplace technologies, data collection, and data management and processing capabilities, demonstrating that their future plans rest on a robust portfolio of tech solutions (see figure 3).

As business leaders in the UK IT sector work on building agility, they must take stock of their shortcomings and begin taking the necessary steps to address the identified gaps. Overall, the firms that take a holistic view of embracing agility and ensure that every workstream and department is nimble will be best placed to achieve their goals.
About Economist Impact

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About the research

Unlocking agility in a time of disruption was developed by Economist Impact, commissioned by Slack. This report analyses Economist Impact primary survey data on business agility and workplace strategy among UK-based IT organisations. It is the third in a series of three industry profiles covering the financial services, retailing and FMCG, and IT sectors in the UK.

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- Vaibhav Sahgal, programme advisor
- Eve Labalme, programme lead
- Lindsey Boss, research analyst
- Amanda Simms, editor
- Susana Ferraz, graphic designer

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