Capgemini invent | Project &Team

BECOMING A FLOW-BASED ORGANIZATION

Business Agility in Corporate Functions

A joint study by Capgemini Invent & Project & Team

TABLE OF CONTENTS

1. INTRODUCTION

Forward-thinking organizations are adopting a new "flow" approach to continually improve and deliver customer solutions and Time-to-Value (TTV). Accelerating the flow of value requires integrating a Lean-Agile mindset in all areas of the organization, including such corporate functions as HR, legal, procurement, marketing, and finance.

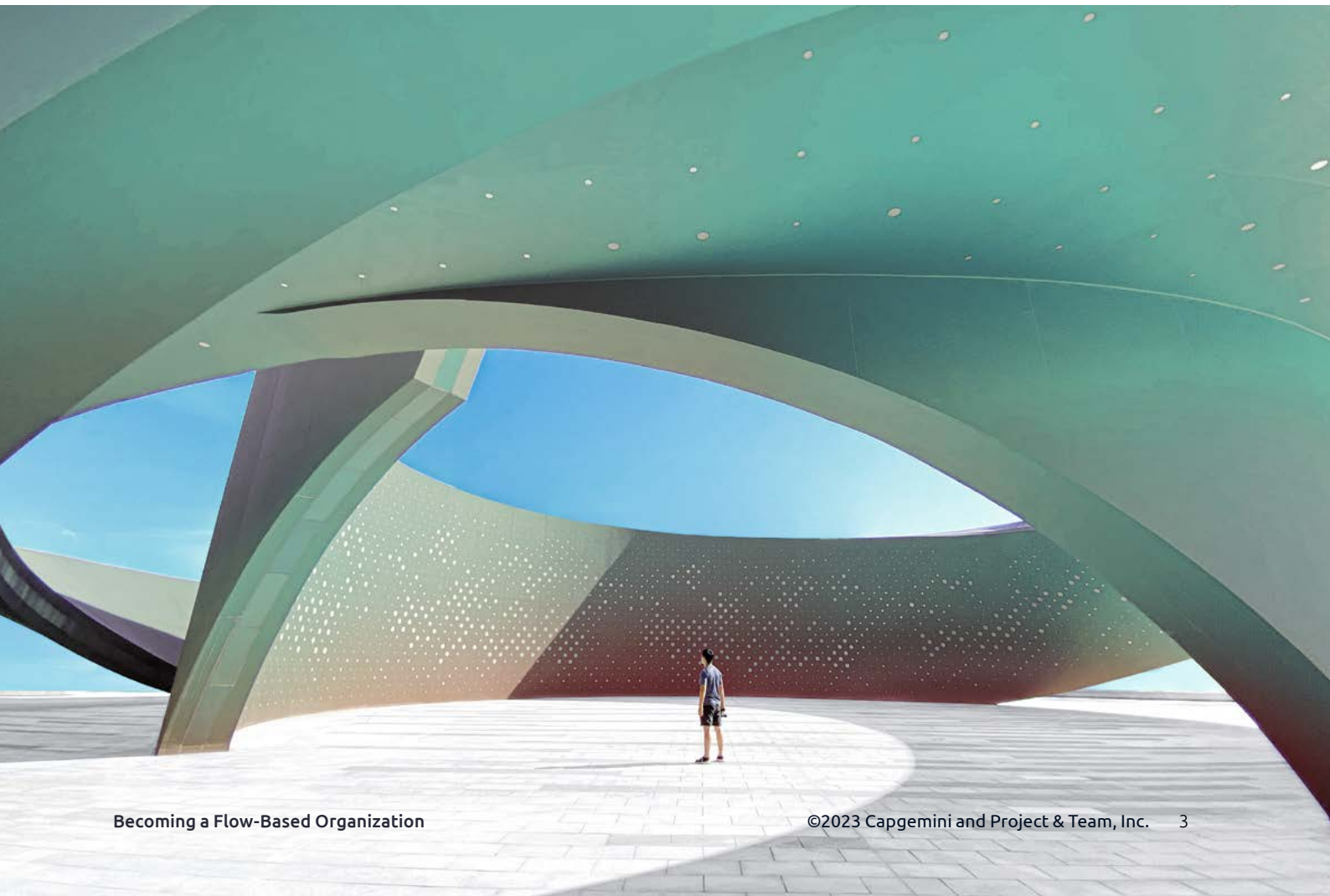
The traditional approach of restricting Lean to manufacturing and limiting Agile to IT software product development is no longer practical or competitive. In many cases, this outmoded approach has created a "business and technology divide," which can hinder the effectiveness of Lean-Agile for the enterprise as a whole.

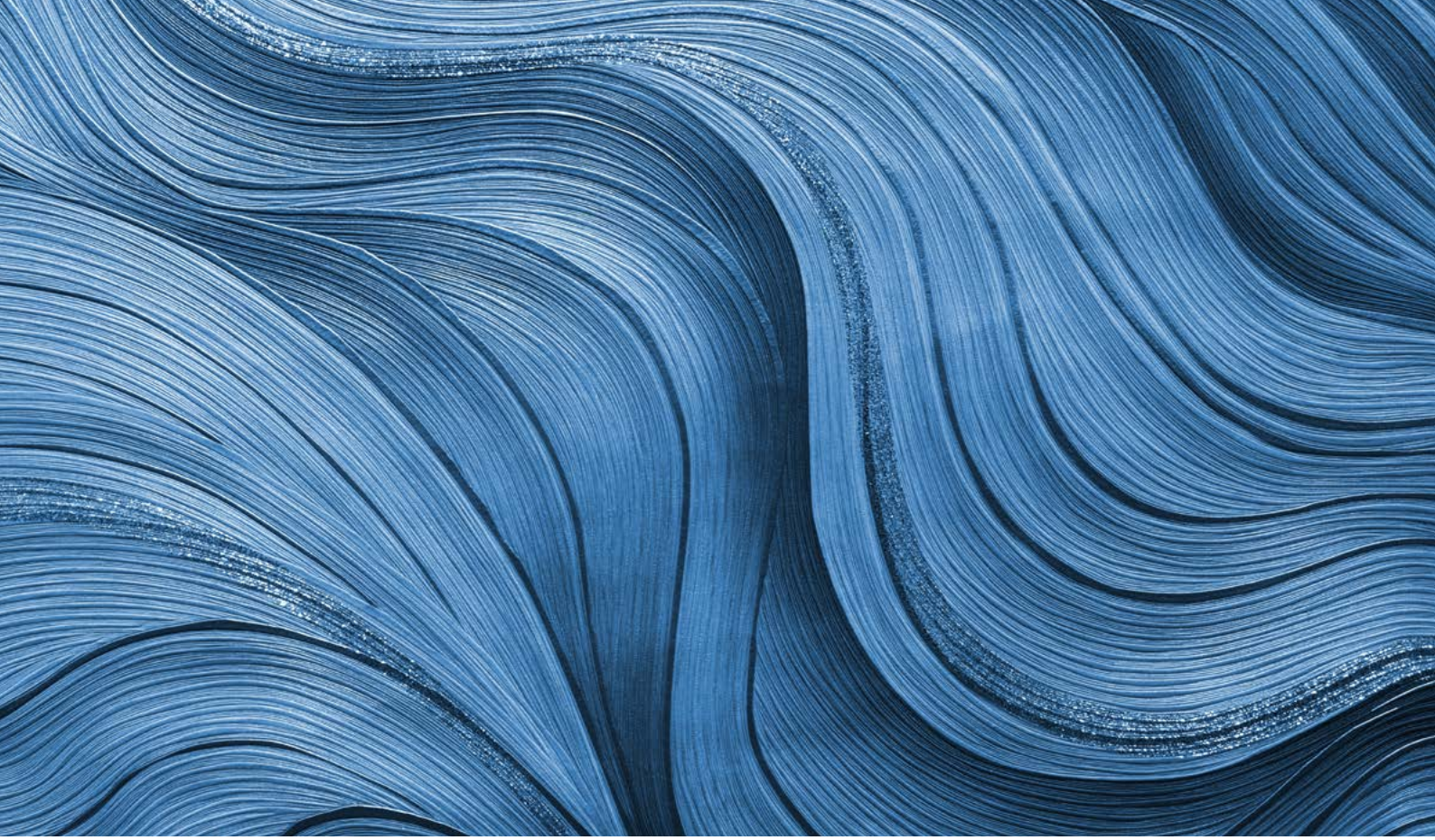
The truth of the matter is that significant business outcomes are realized by incorporating scalable Lean-Agile principles and practices throughout the organization. With this approach, silos are bridged, improving cross-team coordination and shared learning. Execution ceaselessly aligns with enterprise strategy, providing a feedback loop for investment funding. The flow of value is measured continuously, leading to optimal resource utilization for maximum return on investment. At the same time, employee motivation is kept high, via empowerment, for example.

With today's emphasis on digital transformation in business, organizations more than ever before must detect and respond to accelerating change rapidly. Many organizations have already started their journey, but Business Agility improvements are measured by how adaptive an organization is holistically, including corporate functions. All components of the organization must be able to adjust together on an ongoing basis.

Organizations that include corporate functions as part of their Business Agility transformation are better positioned to realize business outcomes. In this paper, we posit how to advance Business Agility by applying continuous rapid learning and feedback loops. We focus on three key success factors and then show how to apply them to different Business Agility maturity patterns.

In this context, we will primarily separate organizations into two parts: Adaptive Product Development (APD) and Adaptive Corporate Functions (ACF). In the former, the focus is on developing the products that contribute directly to the value creation of the enterprise. In the latter,ACF primarily services internal customers. However, these two parts are not mutually exclusive: in this paper we dive deeper into what role corporate functions play in the Business Agility transformation as well as what Business Agility might look like in ACF."





2. CORPORATE FUNCTION INTEGRATION MATURITY CURVE

A key challenge many organizations face is how to bridge the business and technology divide described earlier – to use Lean-Agile successfully across the enterprise. The following three states in what we call the "Corporate Function Integration Maturity Curve" illustrate the different levels of maturity that organizations move through as they attempt to bridge the divide. We look at this journey from the perspective of the business – or, more specifically, the corporate functions of an organization.

Limited integration

Today, most companies are still differentiating between the "run-the-business" (RTB) and "change-the-business" (CTB) parts of the organization. Typically, RTB is organized in functional silos, whereas CTB is largely orchestrated in a project-oriented fashion.

However, many senior executives are coming to realize that considering change as the exception rather than the rule leads to suboptimal outcomes. Therefore, an increasing number of organizations have started a journey to become more product-oriented, focusing on the flow of value and looking beyond traditional organizational silos – for example, by leveraging market-leading Agile-at-scale frameworks like the Scaled Agile Framework (SAFe®), which has been written as just "SAFe" for better readability going forward.

Even in many companies that have started down this road, the business and technology divide is still commonplace. This means that corporate functions are often still not involved on a continuous basis in IT software product development. Rather, their involvement is via big-batch requirements-gathering efforts instead of real business ownership. In place of system demos, they may adhere to traditional governance mechanisms like steering committees.

At most, business representation in these cases is limited to selected experts joining a team-of-teams construct on a part-time basis in what SAFe calls "Shared Service" as part of an "Agile Release Train," but not to the degree needed to really improve flow and integrate frequent feedback loops.

Semi-integration

While many organizations are still stuck in the business and technology divide mentioned above, some business leaders are increasingly realizing that this puts a ceiling on the value that can be created – regardless of the supposed agile maturity on the tech side of the enterprise.

We have witnessed an increasing number of clients working to overcome this divide by breaking down functional silos and examining the value streams across the organization. Business representation in product development is increased significantly. This is achieved by ensuring a presence from relevant corporate functions on a semi-permanent or full-time basis, leading to what SAFe calls a "Business-Enabled ART." By including relevant business expertise, learning loops are much shorter and solution development can become much more customer-centric.

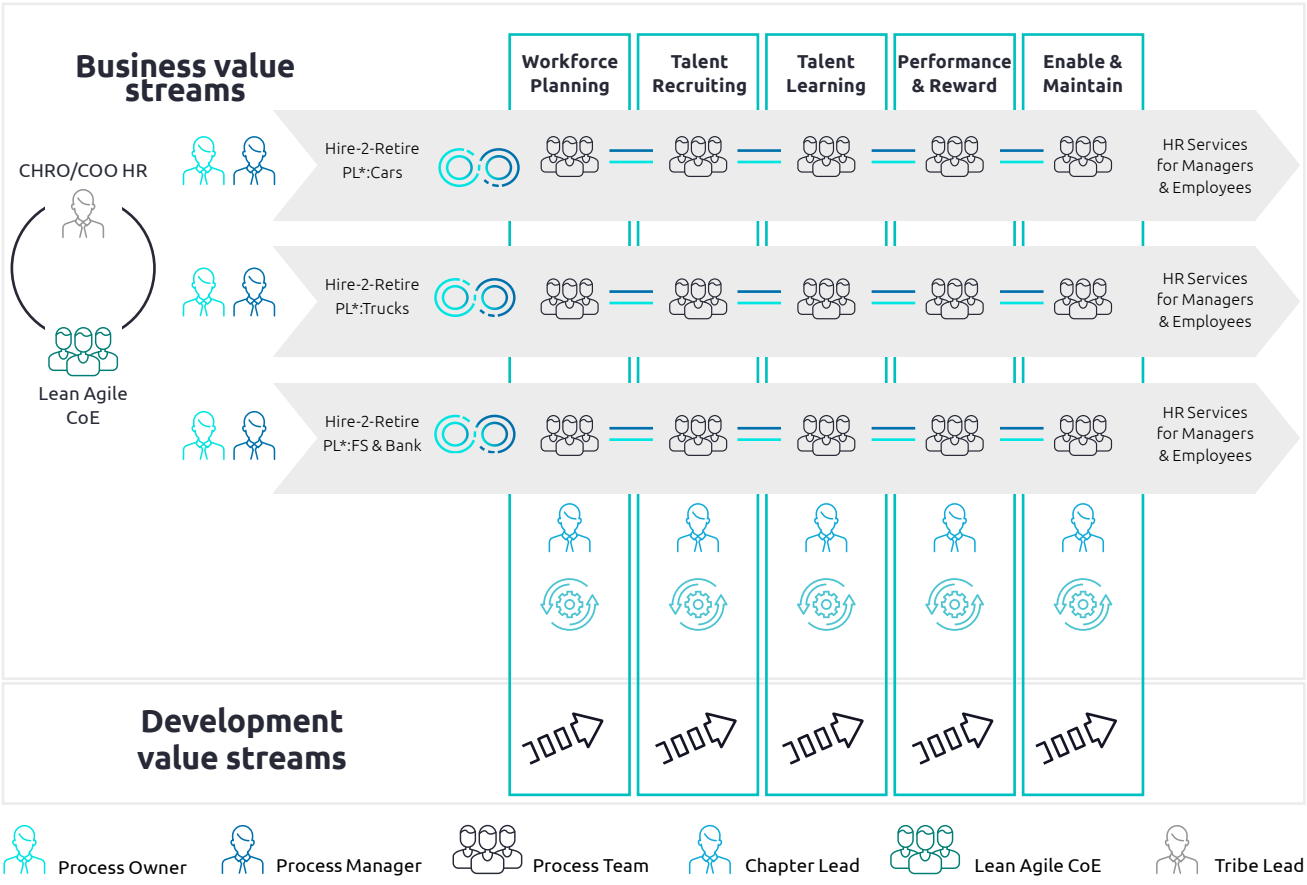
Since not all employees from corporate functions will become part of value-stream-aligned constructs from one day to the next, it is also worth considering what this means for those who – at least for now – are staying put. In those cases, an increasing number of clients are applying similar lean-agile values and principles, such as organizing in more cross-functional teams and leveraging lean-agile practices to improve the flow of value in a set-up that SAFe has termed "Agile Business Function."

These developments are fairly recent in many organizations, and also don't happen overnight. Consequently, the spectrum of maturity within this state on the "Corporate Function Integration Maturity Curve" is heterogeneous. In some cases, organizations are beginning to institutionalize the involvement of some corporate functions (such as sales and marketing) in the product development, while instilling a Lean-Agile mindset in other corporate functions (such as finance and controlling). In other cases, companies have already applied these patterns across the majority of their corporate functions and have thus become increasingly product-oriented.

Let's consider a simplified client example of an HR function in a global automotive company. In this case, the value stream set up by the client aligned cross-functional teams. These teams then collaborated around the entire Hire-2-Retire employee lifecycle for different segments of the enterprise.

To ensure that alignment was still enabled across the cross-functional teams, domain-oriented chapters were created. This set-up was a typical example of an Adaptive Corporate Function. It entailed sending partly dedicated experts to represent the corporate function in the context of the "Adaptive Product Development"—represented in this illustration as "Development Value Streams," the term used by SAFe."

CLIENT EXAMPLE: ADAPTIVE HR CORPORATE FUNCTION



Full integration

While many organizations have reached a hybrid level of corporate function integration, there are those early adopters that are now close to full integration. This has led to a blurring between those aspects of corporate functions that become part of value-stream aligned Adaptive Product Development (in what SAFe calls "Business-Enabled ARTs"), and those that are staying put in their Adaptive Corporate Function (in what SAFe calls "Agile Business Functions").

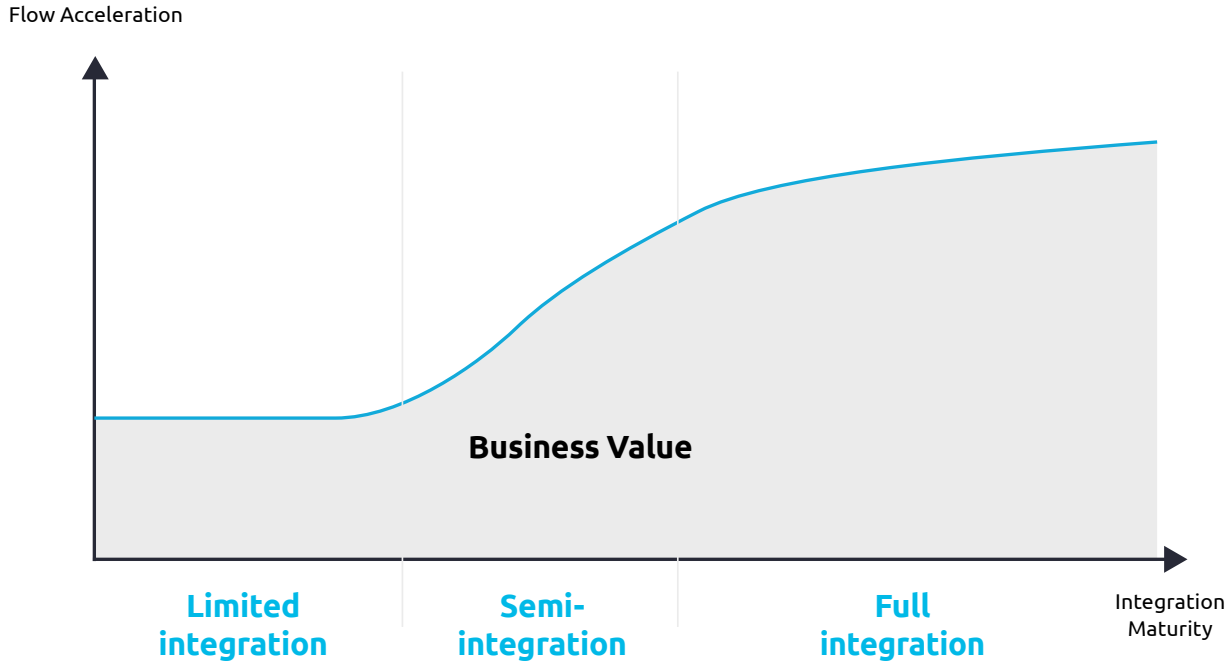
Some of our clients at this level of maturity have begun to remove organizational boundaries between those people building the solutions and those business functions consuming the solutions. This is a construct that SAFe calls an "Agile Business Train." Feedback loops here are shortened, because both those building solutions and those who, for example, are using them to cater to the end-customer are aligned on the same cadence. This enables a fully integrated solution development that can react to outside impulses almost in real time.

Taking this level of (almost) full corporate function integration a step further, some companies have even started to fully bridge the business and technology divide at an overarching portfolio level. They are essentially merging the team-of-teams constructs consisting of those people building the solutions and those business functions consuming the solutions being built. That in turn enables an overarching portfolio prioritization and an integrated lean budgeting of those different types of value streams – something SAFe calls a "Combined Portfolio."

Of course, full corporate function integration might not be ideal for every organization. It is up to each organization to identify their appropriate level of corporate function integration, given that trying to achieve full integration might not be the right call from a cost-benefits standpoint.

Either way, getting to a mature semi-integration and moving towards something even remotely resembling full integration requires a huge appetite for change within a company. It is important to remember to identify where an organization currently finds itself on the "Corporate Function Integration Maturity Curve." Once established, the organization can then take the first pragmatic steps toward a more mature set-up – keeping in mind that full integration might always remain a visionary target state.

CORPORATE FUNCTION INTEGRATION MATURITY CURVE



3. OUR APPROACH TO ADVANCE ON THIS MATURITY CURVE

As outlined in the Capgemini "Business Agility" point-of-view[1], applying an iterative and incremental approach to defining and establishing a suitable "Adaptive Operating Model" (AOM), instead of a traditional Target Operating Model (TOM) is key to achieving Business Agility in the specific context of the organization. This means establishing continuous rapid learning and feedback loops and focusing on tangible early results, something we call our Minimum Viable Organization (MVO) approach. This approach is especially integral when organizations want to move along the "Corporate Function Integration Maturity Curve," as defined in the previous chapter.

1. Defining the North Star

Given we recommend not to engage in classical big-planning upfront to define what traditionally would have been called a TOM, it becomes even more critical to co-create a vision for re-inventing an organizational model. This north star should serve as guidance, but it should not be defined in too much detail, to avoid limiting the effect of continuous rapid learning and feedback loops.

2. Select One or More MVO pilots

Once the North Star has been defined, the question now becomes how to start. Depending on the organization's appetite for change, the next critical step is to identify one or even multiple MVO pilots using, for example, a pilot selection workshop. As outlined in our previous point-of-view on Business Agility, " each MVO pilot focuses on a distinct pilot of approximately 100 people applying a Lean-Agile way-of-working in their (product-development) context."

Applying the MVO approach in the context of Corporate Function integration could mean identifying a Business-Enabled ART to validate how to best integrate marketing and sales. It might also mean using an Agile Business Function to experiment with how finance and controlling, for example, could best apply Lean-Agile in their local context.

[1] Capgemini Invent (2022) Business Agility: How it's not yet another buzzword

3. Each pilot goes through multiple iterative learning loops

For each MVO pilot, we recommend applying a structured iterative and incremental cycle, something we call MVO Iterations. In our experience, each MVO pilot should ideally go through three such iterations – namely, "Experiment," "Coordinate," and "Integrate," with each iteration requiring fulfillment of a certain Definition of Done (DoD) to move to the next.

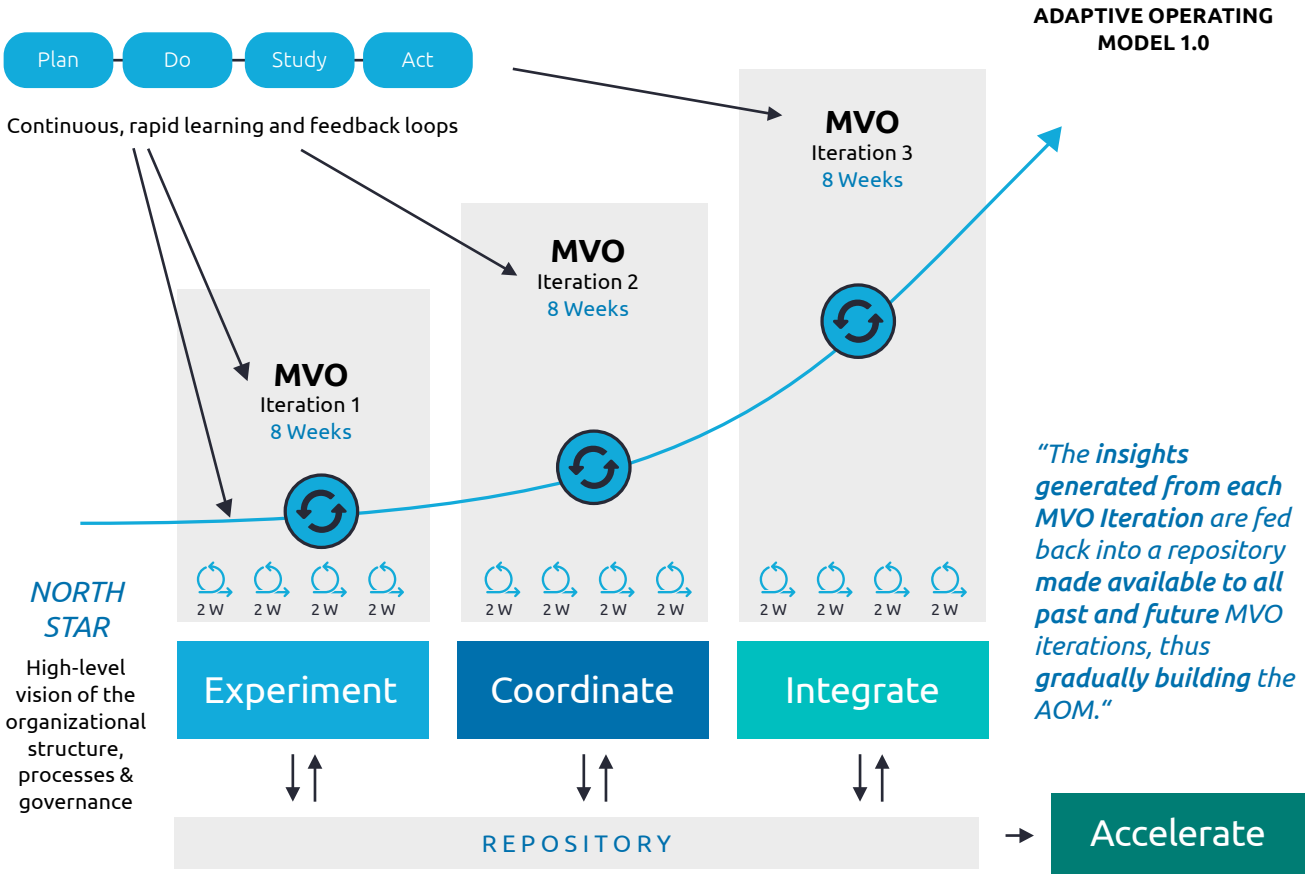
Applying this approach in the context of corporate function integration, we might validate the notion that, for example, Lean-Agile should be applied in an HR context by removing organizational boundaries between people building the solutions and those business functions consuming the solutions, essentially creating an HR Agile Business Train.

On a continuous basis, but especially as part of the third iteration, the learnings generated from the MVO pilot are fed back into a repository. This repository is made available to all past and future MVO pilots, thus gradually building the AOM.

AN ITERATIVE & INCREMENTAL APPROACH TO DEFINE THE ADAPTIVE OPERATING MODEL FOR YOUR BUSINESS

Minimum Viable Organization (MVO) Approach - **Experiment, Coordinate, Integrate** to **Accelerate**

*"Our MVO approach **focuses on a distinct MVO pilot** (approx. 100 people) **applying a Lean-Agile way-of-working** in their (product-development) context throughout multiple (usually 2-3) MVO Iterations."*



*"The **insights generated from each MVO Iteration** are fed back into a repository **made available to all past and future** MVO iterations, thus **gradually building** the AOM."*

Why focus on continuous rapid learning and feedback loops?

Continuous rapid learning and feedback loops focusing on integration (of corporate functions) are essential for achieving successful Business Agility transformations. This is because they enable organizations to quickly adapt to changing market conditions and customer needs. By continuously learning and integrating feedback, organizations can identify areas for improvement and adjust their strategies and processes accordingly, enabling them to stay ahead of the competition.

Business benefits include:

- **Agility:** Continuous rapid learning and feedback loops help organizations to become more agile, enabling them to respond quickly to changing market conditions and customer needs. With these processes in place, organizations can identify areas for improvement and adjust their strategies and other processes accordingly.
- **Innovation:** Continuous rapid learning and feedback loops enable organizations to innovate faster. By testing and iterating on new ideas, organizations can quickly identify what works and what doesn't, enabling them to bring innovative products and services to market faster.
- **Customer focus:** Continuous rapid learning and feedback loops help organizations to stay focused on their customers' needs. By integrating customer feedback into their processes, organizations can ensure that they are delivering products and services that meet their customers' needs and expectations.
- **Continuous improvement:** Continuous rapid learning and feedback loops enable organizations to improve their processes and strategies continuously. By integrating feedback from employees, customers, and other stakeholders, organizations can identify areas for improvement and make changes to their processes and strategies to address these areas.
- **Collaboration:** Continuous rapid learning and feedback loops help to promote collaboration and teamwork. By integrating feedback from employees across different departments and functions, organizations can identify opportunities for collaboration and cross-functional learning.

"The data of our study is based on the answers of 316 respondents. A total of 162 respondents were from Germany and 154 from the USA. Out of these respondents, 51,5% are at C-Level or Management Level."

"Our average respondent is 41.1 years old. 47% identified as female and 53% identified as male."

"53% of our respondents work in large companies with over 1,000 employees and 47% in smaller sized companies."

In summary, continuous rapid learning and feedback loops focusing on integration are critical for achieving successful Business Agility transformations. By enabling organizations to quickly adapt to changing market conditions and customer needs, innovate faster, stay customer-focused, continuously improve, and promote collaboration and teamwork, organizations can stay ahead of the competition and thrive in today's rapidly changing business environment.

Based on our research, three key success factors strongly correlate with successfully moving along the maturity curve of Business Agility transformations, especially when it comes to the role of corporate functions in particular:

- **Clear communication and vision:** approx. 49% of respondents,
- **Mindset and culture:** approx. 31% of respondents, and
- **Application of Agile-at-scale frameworks:** approx. 28% of respondents.

Success Factor #1: Clear communication and vision

Business agility transformation involves significant changes in the organization's structure, processes, and culture. To ensure a successful transformation, clear communication and vision are critical. Here are some key points to keep in mind for clear communication and vision for Business Agility transformation:

- **Define the vision:**
  Clearly articulate the goal of the transformation. What does success look like? What are the benefits that the organization will achieve? A clear and compelling vision will help everyone understand the importance of the transformation.
- **Communicate the vision:** All stakeholders, including employees, customers, partners, and investors must know the vision. Ensure that everyone understands why the transformation is necessary and how it will benefit the organization.
- **Provide context:**
  Explain the market trends, competitive landscape, and other factors that are driving the need for change. This will help people understand the urgency and importance of the transformation.
- **Involve everyone:**
  Everyone must have a role in the transformation process. Seek feedback from employees, customers, and partners. Encourage collaboration and co-creation to ensure that everyone feels a sense of ownership in the transformation.
- **Be transparent:**
  The transformation process must be transparent. Share progress updates, challenges, and successes with everyone involved or affected by the process.

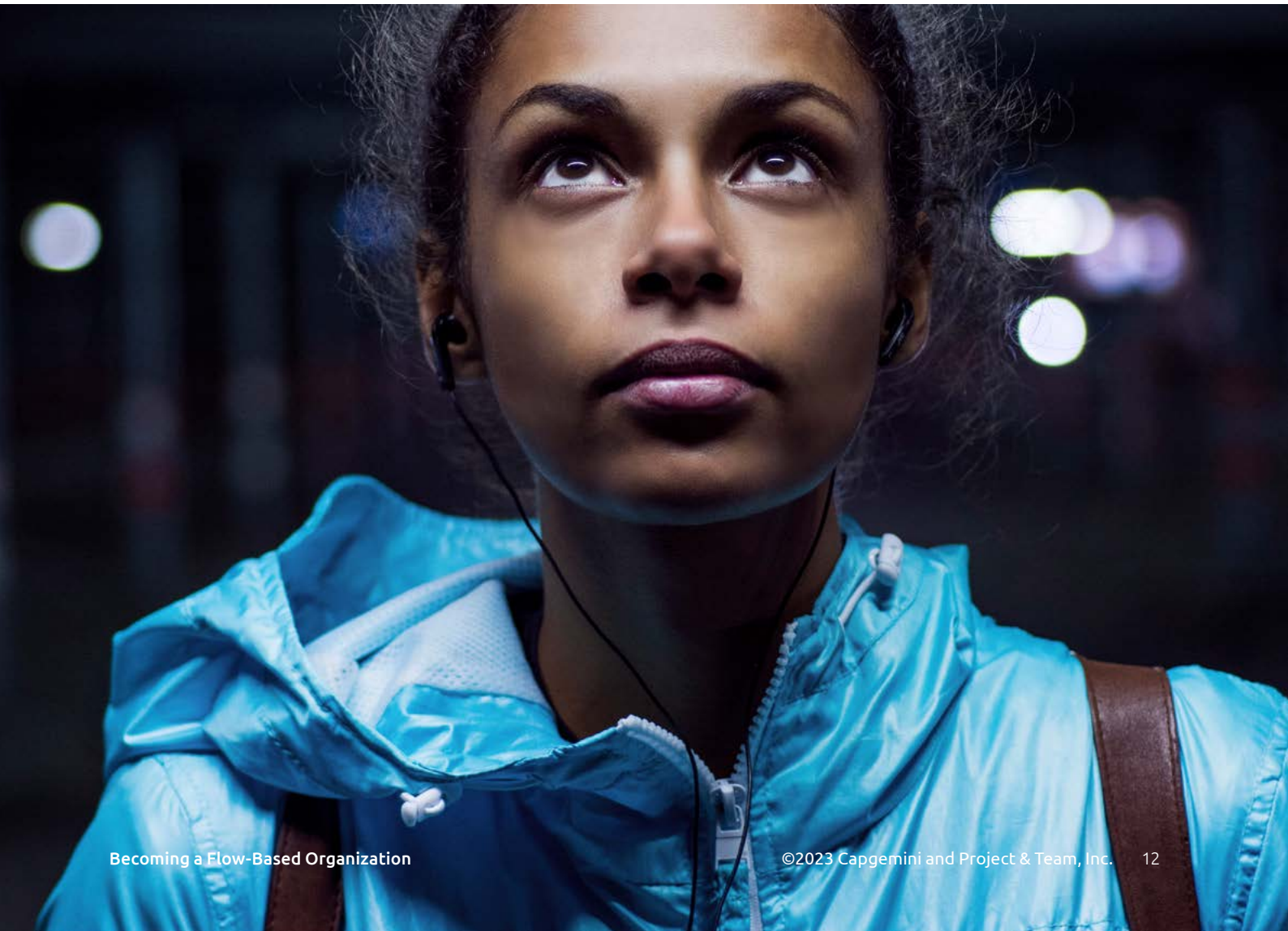
Success Factor #2: Mindset and culture

Mindset and culture are critical success factors for Business Agility transformations because they both play a significant role in shaping an organization's ability to respond quickly and effectively to changing market conditions and customer needs. Here's why:

- **Mindset:**
  Business Agility requires a shift in mindset from traditional ways of working to a more collaborative, customer-focused approach. This involves embracing experimentation, continuous improvement, and a willingness to take calculated risks. A growth mindset is essential to embrace these changes.

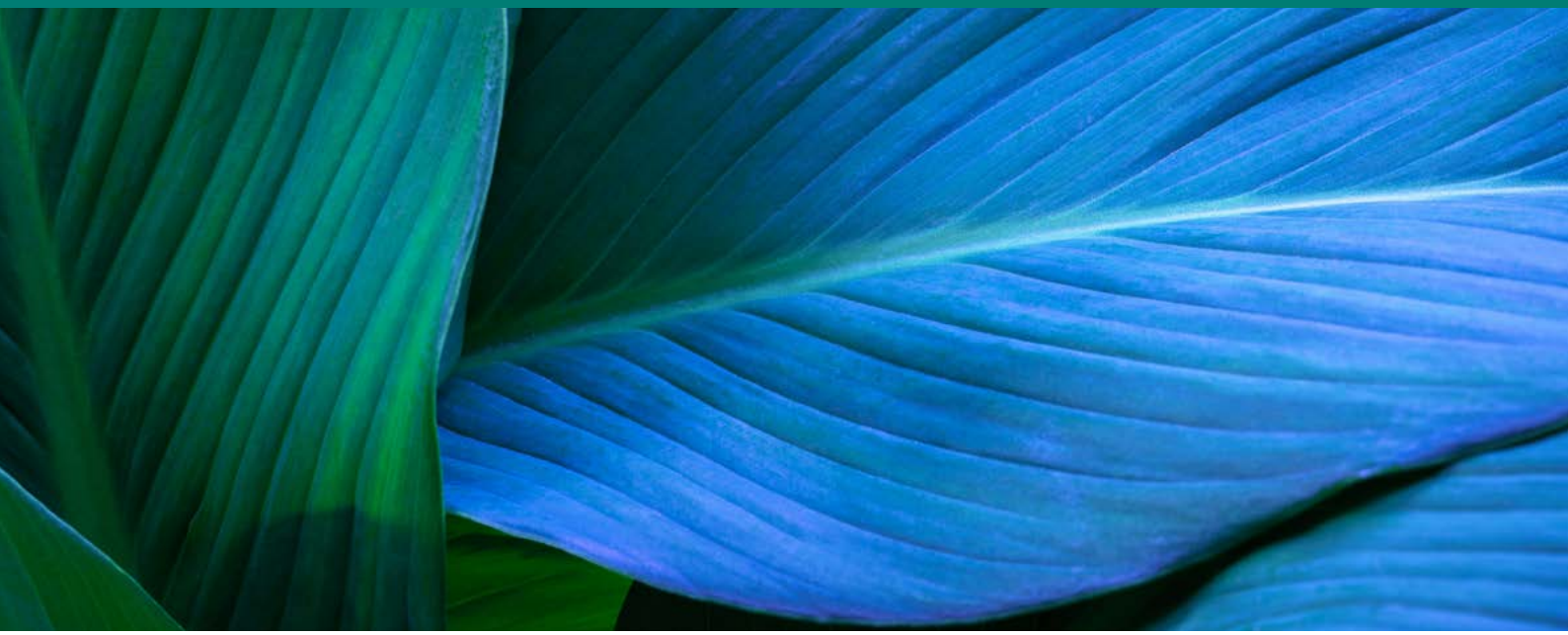
- **Culture:**
  Culture refers to the organization's shared values, beliefs, and behaviors. A culture that promotes openness, transparency, and experimentation can create an environment where employees are encouraged to take risks and challenge the status quo. A culture that values learning, adaptability, and continuous improvement is critical for Business Agility.

When an organization's mindset and culture are aligned with the principles of Business Agility, it can lead to improved collaboration, faster decision-making, and increased innovation. This, in turn, can help the organization to respond quickly to changing market conditions, stay ahead of the competition, and ultimately achieve greater success.



Success Factor #3: Application of Agile-at-scale frameworks

Agile-at-scale frameworks can help organizations speed up their Business Agility transformations in several ways:



- **Scaling Agile practices:**
  Agile-at-scale frameworks frameworks such as the market-leading SAFe framework, Large-Scale (LeSS), and Nexus, to name a few, provide a set of practices and principles that can be scaled up to larger organizations. These frameworks help organizations adopt agile methodologies at scale, ensuring that the entire organization is aligned and working towards a common goal.

- **Improving collaboration:**
  Business Agility transformations require collaboration across different departments and teams. Agile-at-scale frameworks frameworks emphasize cross-functional collaboration, enabling teams to work together more efficiently and effectively.

- **Increasing flexibility:**
  Agile-at-scale frameworks promote a more flexible approach to project management. By breaking down work into smaller, more manageable chunks, teams can adjust their priorities and respond quickly to changes in the market or business environment.

- **Encouraging continuous improvement:**
  Agile-at-scale frameworks promote continuous improvement through frequent feedback, retrospectives, and continuous learning. This helps organizations to continuously refine their processes and practices, ensuring that they remain effective and relevant over time.

- **Aligning with business objectives:**
  Agile-at-scale frameworks help organizations align their agile practices with their business objectives. This ensures that teams are working on the right things, and that their work directly contributes to the organization's overall goals and objectives.

Agile-at-scale frameworks provide a structured approach to scaling Agile practices across the organization, which can help organizations speed up their Business Agility transformations and improve their ability to respond quickly to changing market conditions.

4. CASE STUDY OF FULL CORPORATE FUNCTION INTEGRATION

An Adaptive Corporate Function case study from HR and Payroll:

Implementing Lean Portfolio Management in a multi-billion-dollar international aerospace and defense business with more than 150,000 employees is obviously a complex challenge. By incorporating corporate functions along an approach like the Capgemini "Business Agility" journey, many small, meaningful changes were introduced across the enterprise. This led to a major shift in the identification, prioritization, and management of investments throughout the organization.

Specific examples of how corporate function business processes were changed by agile frameworks and cross-functional teams include substantive changes in:

- Employee onboarding/reductions in force
- Integrating subsidiary businesses
- Tax and related accounting updates

Before the introduction of agile into corporate functions, the company was several years into a significant but ultimately unsuccessful multimillion-dollar initiative to upgrade its IT architecture, systems, and business processes. This was initiated to meet the diverse HR, payroll, and time-keeping needs of its employees.

This company was working with a complex system of legal, legislative, and union requirements, which complicated their goal of delivering first-time accuracy of global payroll and timekeeping requirements. Company leaders knew they needed to change their previous ways of working. The company shifted the program to agile development through design thinking, leveraging the SAFe framework for scaling agility.

Historically, projects like this were owned by one particular business unit or another, with little cross-collaboration. This often led to waste and poor business architecture – and ultimately, budget overruns and poor-quality results.

Success Factor #1: Clear communication and vision

The Executive leader invited the organization to align with his goal of implementing a successfully integrated payroll and timekeeping system, which would be delivered by culturally changing our ways of working and adopting the Scaled Agile Framework.

Success Factor #2: Mindset and Culture

By committing to educating and supporting all team members in embracing a new way of working, the work culture cultivated an environment in which teams could succeed with leadership support.

Success Factor #3: Application of Agile-at-scale frameworks

The adoption of cross functional teams and the structure of the SAFe framework increased visibility and alignment across the organization and enabled nimble and adaptable executive decision-making based on verifiable facts and data.

This time, the company's efforts followed the approach to achieving Business Agility outlined above to develop a fully integrated solution:

Experiment: To pilot agile for corporate functions, the company flew in its best and brightest employees for a week-long workshop to organize around a value proposition and design an integrated solution. In the two-year history of this enterprise-wide project, the programmers, architects, business process experts had never before sat down face-to-face.

In essence, four large teams were running side-by-side, each creating and running an Agile Release Train, and together forming a Solution Train. Of the four, one was led by the payroll department (an extension of accounting) and three were led by HR.

Coordinate: To scale from the pilot, the organization formed cross-functional agile teams with payroll, accounting, HR, and IT functions in each team to support planning, committing, and executing work.

Because this was the first time the organization's departments worked in an agile way, they required a change both in mindset and in their way of working. For example, among other things all team members on the ARTs went through a "SAFe for Teams" training course and all leaders and managers went through a "Leading SAFe" training course.

Integrate: To handle coordination among departments, all program activities and operational excellence metrics were digitized and shared across the program. Knowledge workers were empowered and motivated by the creation of cross-functional teams to design, build, and test in two-week cycles. The teams organized around value to drive results, aligned to a strong and clear vision.

The new culture of embracing the opportunity to design and test frequently created an environment where creative solutions were identified early on, and the entire program was singularly focused on the end design.

Accelerate: In an ever-changing global environment, the program is continuing its focus on product development and life-cycle value flows. At the beginning of the agile development process, the company had a backlog of approximately 30 subsidiaries that were not fully integrated into the company's corporate functions. By using Lean-Agile processes in cross-functional teams, estimates for integration were reduced from six months per company to six months for the entire backlog.

The company has now dipped its toes in Artificial Intelligence and Predictive Analytics, harnessing robotics technology to support integrating employee data from non-fully integrated subsidiaries and converting it to payroll files.

Continued growth in AI and robotics practices, aligned to architectural product-based design, will continue to drive value to the enterprise. The company is continuing to evaluate additional application options. From the earliest steps in its journey in a nonintegrated state, the company has advanced through the maturity curve to full integration of their corporate functions in agile ways of working.

5. CONCLUSION

As we've seen, corporate functions play a key role in enabling other departments within an organization to become more adaptive.

Consequently, it is important not to "agilize" corporate functions at the end of a transformation, but rather to start as early as possible. This is especially important for corporate functions that have many interfaces to different departments. Starting the process with corporate functions as soon as possible can greatly reduce lead times because everyone is working in the same cadence.

The agile world is one in which everyone in every department strives for continuous improvement. The work never ends because business demands never end. As long as business continues to innovate, whether through technological advances or because of competitive pressures, agile frameworks and processes will be an essential part of any organization's strategy for success.

An ancient proverb holds that a journey of a thousand miles begins with a single step. Wherever or not your organization happens to be on a Business Agility transformation journey, the most important thing you can do is to take that first step – knowing that you will continuously improve as your organization becomes more comfortable with the frameworks and processes that will guide you along your path to success.

We hope this explanation of the basics of corporate functions' importance in Business Agility gives you a good understanding of how to get started. If you need more information, Capgemini and Project & Team have a long track record on how to successfully approach challenging Business Agility transformations. We always welcome a conversation about how we might be able to help you on your journey.

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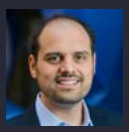
About Project & Team, Inc.



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Adapting to disruption, technology, and culture shift, all while trying to adopt an agile organizational model, can be chaotic.

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