Agility Inc.

Building Widespread Agility.

The latest insights from the world's leading management thinkers and practitioners.

May 2022

A research initiative by

Capgemini invent

THINKERS 50

The Management Lab by Capgemini Invent

Capgemini Invent's Management Lab originates from the European Centre for Strategic Innovation, a management research and strategic advisory center founded in 2013 by Alessandro di Fiore (1965-2021), one of the most influential global voices in strategy and innovation.

The Management Lab by Capgemini Invent forges new ways of thinking about strategic and organizational innovation. It builds its own research and collaborates with selected faculty partners at the world's leading business schools: Harvard Business School, MIT, IMD, LBS and INSEAD.

By bridging new ideas into practice, the Management Lab by Capgemini Invent tests and develops actionable frameworks, practices and tools which can be applied to the real world of business.

The Management Lab by Capgemini Invent is a regular contributor to leading management magazines: HBR.org, "I" by IMD, Dialogue Review, the European Business Review, and LSE Business Review.

Thinkers50

Thinkers50 scans, ranks and shares the greatest management ideas of our times. Its definitive global ranking of management thinkers is published every two years.

Since its launch in 2001, the ranking has been topped by Peter Drucker, Michael Porter, CK Prahalad, Clay Christensen, Roger Martin, W. Chan Kim and Renée Mauborgne, and in 2021 Amy Edmondson. The Thinkers50 Awards have been described by the Financial Times as "the Oscars of management thinking".

The Thinkers50 has ten established criteria by which thinkers are evaluated – originality of ideas; practicality of ideas; presentation style; written communication; loyalty of followers; business sense; international outlook; rigor of research; impact of ideas and the power to inspire.

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About the research

We teamed up with Thinkers50 in 2020 to conduct a research initiative on the adoption of agile for organizational design and transformation.

Now, two years after, the time is ripe for an update of the research findings to reflect recent developments, latest theories and new insights from emerging thinkers and new practitioners.

Foreword by Stuart Crainer

In the twentieth-century the organizational focus was on size and efficiency, economies of scale. Corporations became huge sprawling global organizations which could produce goods in astonishing numbers at a highly consistent quality. The zenith of this was the concept of zero defects which was one of the big management ideas of the tail-end of the century.

Mass production, the creation of the modern global corporation and high-quality manufacturing were formidable achievements. They should not be dismissed, but time moves on and so, too, does organisational best practice. We have moved from the era of zero defects to one of what Zhang Ruimin, the inspirational Chairman - emeritus of the Chinese company Haier, calls, "zero distance". Technology has broken down barriers between producer and consumer. The better we understand and respond to this new reality, the better placed we will be.

To achieve zero distance with your customers requires a very different sort of organization: one that is fundamentally agile in its thinking and activities; one that is willing to change and able to change as consumers and markets dictate. Agility is the new organisational benchmark. Join us in exploring what this means not just in theory, but in best practice.

Stuart Crainer

Co-founder of Thinkers50

Introduction

More than ever, companies need to **cope with an uncertain and fast-changing environment** characterized by less stability and predictability. Industry boundaries are moving rapidly, and in some cases, fading. The traditional paradigm is challenged by new, disruptive trends: from innovative technologies and groundbreaking business models, to new and more demanding generations of consumers and workers.

The war in Ukraine and the COVID-19 coronavirus outbreak are the most recent examples of how **rapid and unexpected changes in the world's market dynamics can disrupt a company's course of action**. Leaders need to plan for disruption, from finding alternative means of distribution or supply, to targeting new pools of customers.

Yet, mastering the ability to adapt quickly to market changes – known as business agility – is a daunting change. It goes beyond the application of agile methods. It entails a deep, pervasive transformation in how an organization is managed; but also in how people think and interact. The more traditional an organization is, the more challenging it is to adapt to a new way of managing and operating.

Twenty years after the Agile Manifesto signed by 17 thought leaders from the software development space, our research and experience working with companies across industries worldwide confirms a literature-practice gap. There's a **shortage of "How To" guidelines, tools and models** that legacy companies can replicate or adapt to **achieve greater organizational agility**.

In this White Paper, we try to close this gap by offering the **latest advice from leading experts combined with an actionable framework** to support legacy companies designing and embarking on their journey to agility.

The Research Team

Building Widespread Agility

Executives are fascinated by the **promises of agile**: the ability to manage changing priorities, improved time-to-market, rapid learning and more flexible responses to market uncertainty. Resilience, greater speed and flexibility are the new Holy Grail of management.

Most companies started their agile journey with software development teams – what we call '**Level 1 of agile ambition**'. Gradually, they have also applied agile principles and practices to areas outside of IT, mainly inside Development but also within some central functions, such as Human Resources, thus reaching the '**Level 2 of agile ambition**'.

Yet, only a few have moved successfully towards widespread agile organization. *Why?* Because for the past two decades, the **main barriers and implementation challenges to building widespread agile organizations remain unsolved**.

According to the latest State of Agile Survey, **culture and leadership, lack of skills and inconsistencies in processes and practices are key roadblocks** to developing high-performing agile organizations.

As there are plenty of materials available on Levels 1 & 2, this White Paper focuses on the '**Level 3 of agile ambition**' and aims at helping courageous leaders to overcome the main barriers and lay the foundations for a meaningful agile transformation.

Level 3

Level 2

Level 1

AGILE IN IT

AGILE APPLIED TO SELECTED FUNCTIONS

WIDESPREAD AGILE ORGANIZATION

LEVELS OF AGILE AMBITION
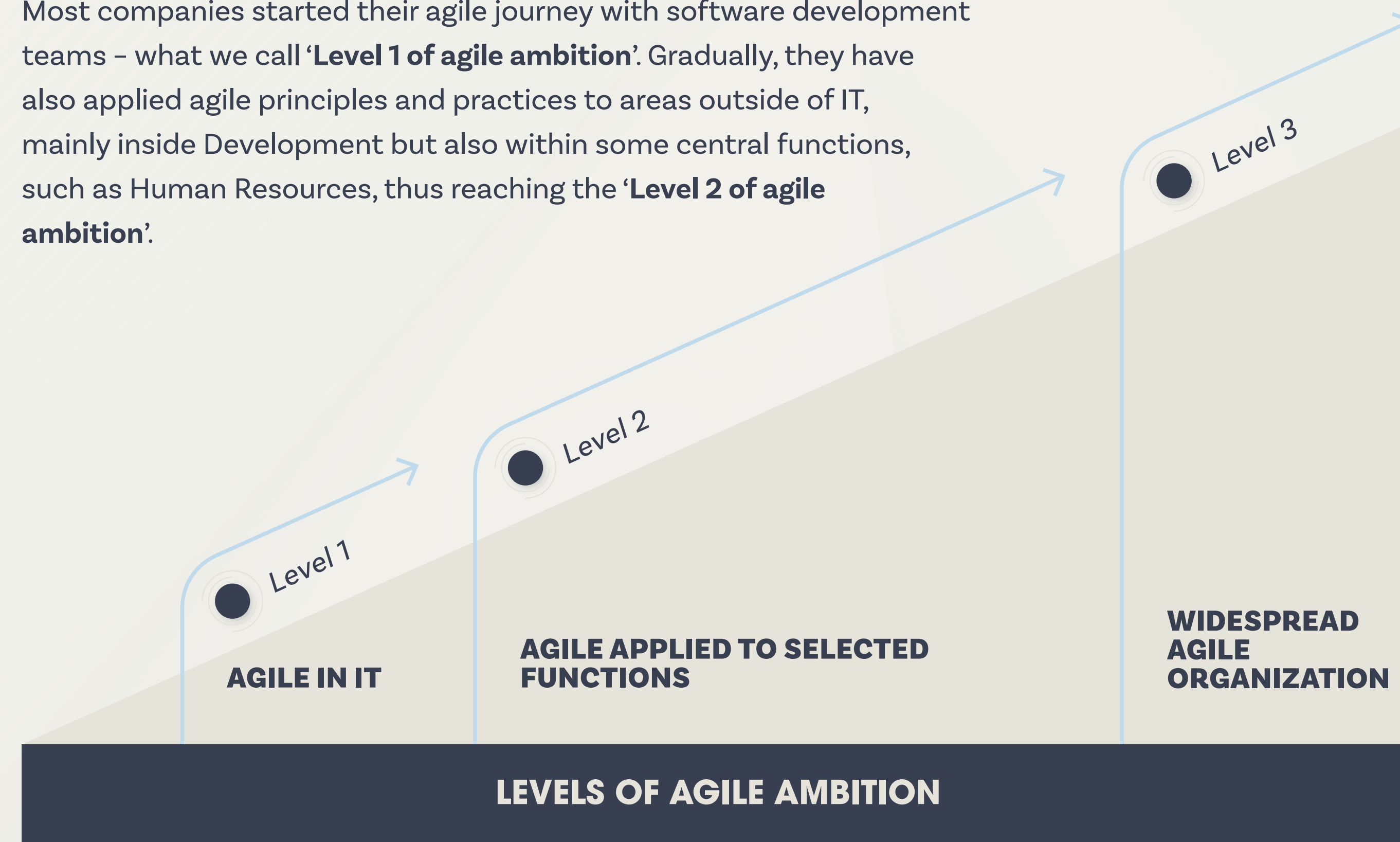
In Memory of a Friend and Thinker

Alessandro Di Fiore, who was the founder of the European Centre for Strategic Innovation, now part of Capgemini Invent, had organizational agility in his DNA.

As an entrepreneur, he created agile organizations and, as a consultant, he helped organizations worldwide on their journeys to greater agility in their thinking and behavior.

A true pioneer of ideas and best practice, Alessandro died in 2021. His inspiration lives on.

*Most companies use agile as a methodology for delivering projects and creating high-performing teams. This is **one level of ambition**.*

*A higher **level of ambition** is typical of companies adopting agile to transform the company itself. It's the organization, the culture, the processes. We call this **agile, organizational transformation**. There are very few companies who go from step 1 to step 2. If we look outside the tech industry, we can mention **ING Bank** which is probably the most studied case in business schools, but also **Bosch** and our client **PTC Therapeutics**, which have had the courage and the ambition to create a truly team-based organization reorganized around agile teams.*

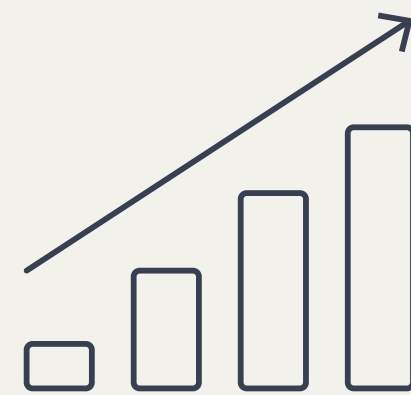*That's something we've seen very few companies to do around the world.*

Alessandro Di Fiore

CEO and Founder, European Centre for Strategic Innovation
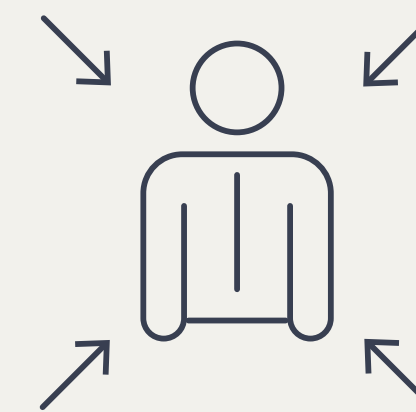
The Benefits of Agile Organizations

SPEED

Both in decision-making and execution, with cycle time compression

PRODUCTIVITY

You do more with less (thanks to team autonomy in decision-making)

CUSTOMER CENTRICITY

Better product alignment with customer needs (feedback loops)

EMPLOYEE ENGAGEMENT

As autonomy and accountability increase, people engagement leads to higher performance
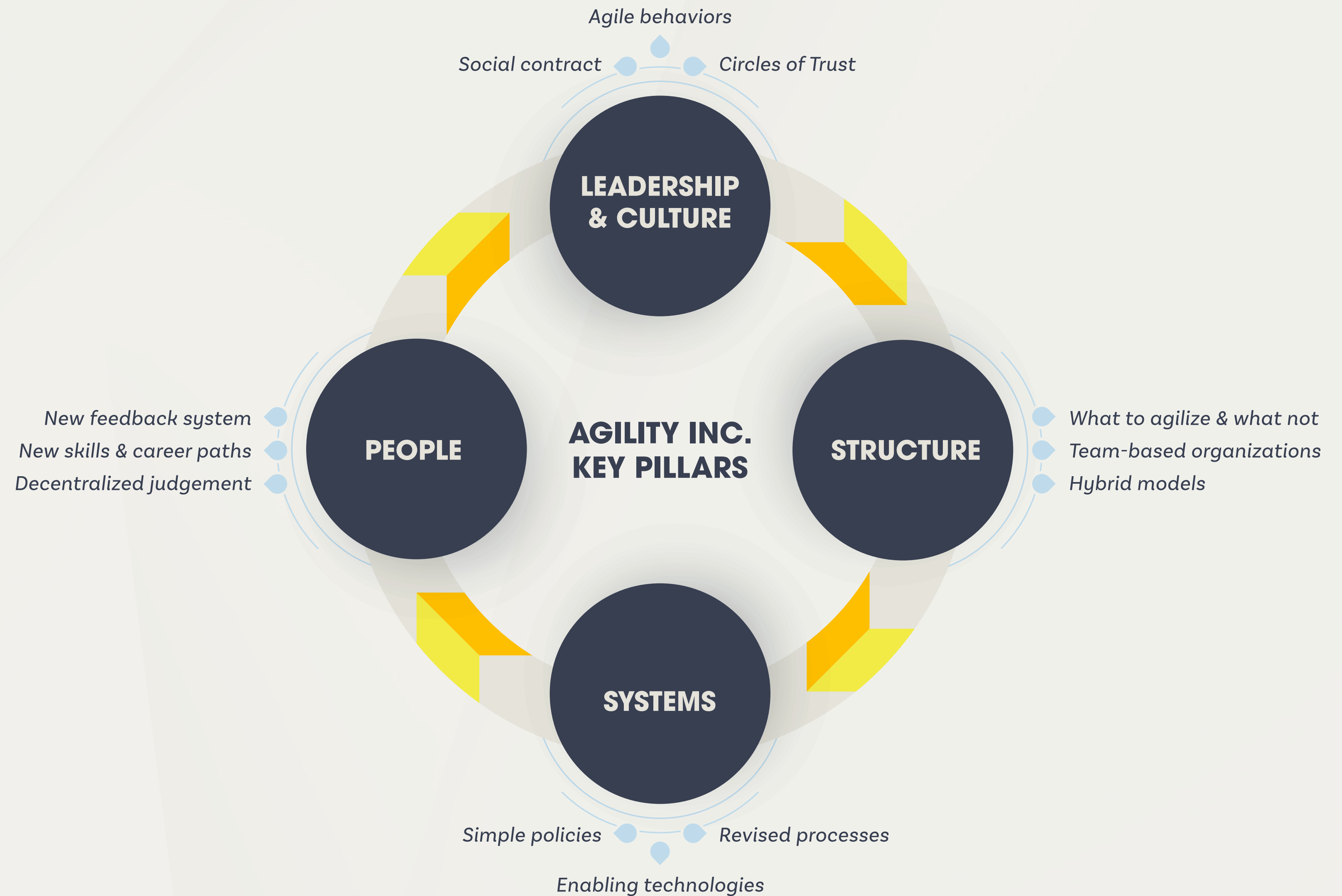
4 Pillars of Agility Inc.

Organizational change is never easy. Especially when it's so ubiquitous.

Pioneers have abandoned the traditional agile project management playbook and devised a **comprehensive approach** to move forward all key elements of their organization into the next level of agile maturity.

Achieving greater organizational agility isn't a matter of improving how agile is currently applied at project team level; it involves altogether **changing how the company is managed and operates**.

This means embarking on an **evolutionary journey**: starting from first pilots – what we call 'Minimum Viable Organizations' (MVOs), to iteratively evolve towards a new **Adaptive Operating Model** (AOM) that encompasses four main pillars: leadership and culture, structure, systems, people.

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Agile behaviors

Social contract   Circles of Trust

LEADERSHIP & CULTURE

New feedback system
New skills & career paths   **PEOPLE**   **AGILITY INC. KEY PILLARS**   **STRUCTURE**   What to agilize & what not
Decentralized judgement   Team-based organizations
Hybrid models

SYSTEMS

Simple policies   Revised processes

Enabling technologies

Leadership and Culture

Agile transformation calls for a new Social Contract consisting of a set of concrete leadership behaviors to put in action in daily routines and practices (not only new behaviors to start doing, but also existing behaviors that hinder agility that need to be stopped). Unlike abstract values, actionable behaviors should be regularly measured and monitored, leveraging social mechanisms like Circles of Trust.

Agile behaviors

Social contract

Circles of Trust

LEADERSHIP & CULTURE

Leading Agile Organizational Change

Much of the confusion about what culture means derives from a failure to consider the interaction between leadership and culture. **Culture and leadership are two sides of the same coin**. Both very stable and difficult to change.

In any cultural change initiative, the leadership behaviors are the critical lever to look after and act on. This is even more pronounced when implementing agile within the existing company's culture.

According to a Capgemini Invent survey on agile organizations, 70% of respondents named it as the main challenge to overcome. Also, the latest State of Agile Survey confirms that cultural clashes, organizational resistance to change and absence of leadership participation are among the most important agile adoption barriers. *Why?* Because **agile requires leaders to embrace new behaviors, while stopping others**. They should start providing a clear strategic direction ("what"), acting like true enablers and coaches for their teams; and stop micromanaging the operational process ("how") as traditional bosses would do.

Karolin Frankenberger (Academic Director, EMBA HSG) has described clearly that leaders are no longer omniscient figures who assign tasks and instructions. They are **'servants' making sure their teams can thrive**. Successful agile leaders should act as catalysts of change, working alongside their teams, leading with empathy to unleash people's potential – every day.

However, executives are often not used (usually, not even trained) to a 'servant' style. The **risk is to over-simplify or underestimate the mindset shift challenge** by reducing it to a different communication style. Declaring "We are agile", organizing fancy events with guest speakers or distributing leaflets about a company's agile values not only leads to very limited results, but often generates cynicism.

Agreeing on a New Social Contract

Most cultural programs do not achieve the change they desire

TRADITIONAL CULTURAL CHANGE APPROACH

▶ Leaders delegate the communication and cascading of newly designed espoused values

▶ Abstract values are communicated broadly in the organization with very limited impact on people's behavior and culture

▶ Sometimes, cynicism emerges because the communicated espoused values are inconsistent with leaders' behaviors

When a transparent agreement is created, leaders comply at different levels
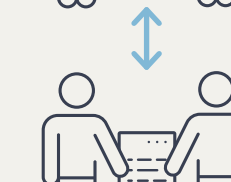
SOCIAL CONTRACT

▶ Alignment between the leaders' to-be behaviors at different levels is key to generate traction

Level 1 leaders commit to behaviors with their Level 2

Level 2 leaders commit to behaviors with their Level 3

…

▶ The Social Contract summarizes Leaders' to-be behaviors, and is made visible to all employees

Wisdom Pills from Thought Leaders and Practitioners

Change is triggered by specific actions in daily meetings and routines. *For example, to role model "candor": if something is said during a meeting, then you leave and one of your direct reports comes up to you to tell you a concern behind close doors. You should stop it and coach the person to express openly and candidly the concern during the meeting.*

Gary Pisano

Professor at Harvard Business School

Organizations are shadow of their leaders. *That means that in order for organizations to be agile, they need leaders who are agile in their thinking. Agility, for leaders, is possible only when there is **curiosity and experience goes hand in hand with humility**.*

Francesca Gino

Professor at Harvard Business School; Winner of the Thinkers50 2019 Talent Award

The Social Contract Consists of a Set of Behaviors in Action

(illustrative)

A LIST OF CONCRETE BEHAVIORS

▶ To make the social contract concrete, leaders need to agree on a list of behaviors

▶ Together with Prof. Gary Pisano we have developed a deck of 40 behaviors clustered around his "5 Innovative Cultures Paradoxes"

▶ Some behaviors are "good", some are "bad"

▶ Focus on max 3-4 behaviors to stop and 3-4 behaviors to start
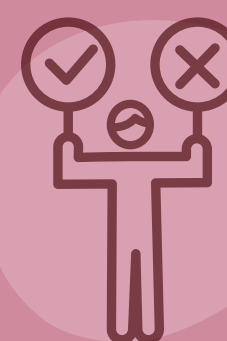
WHAT BEHAVIORS TO STOP OR START DOING?

STOP DOING

Coaches and advises subordinates
Copyright © 2022
Gary Pisano
Professor at the Harvard Business School

Wants to be involved in all decisions
Copyright © 2022
Gary Pisano
Professor at the Harvard Business School

Marks own territory
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Professor at the Harvard Business School

START DOING
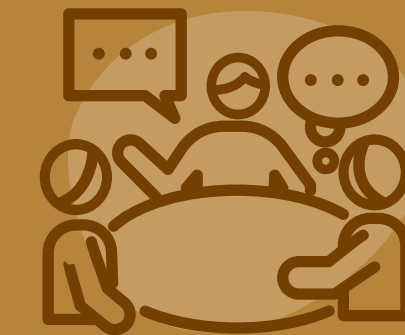
Encourages candid and open debate
Copyright © 2022
Gary Pisano
Professor at the Harvard Business School

Encourages conversation on failures
Copyright © 2022
Gary Pisano
Professor at the Harvard Business School

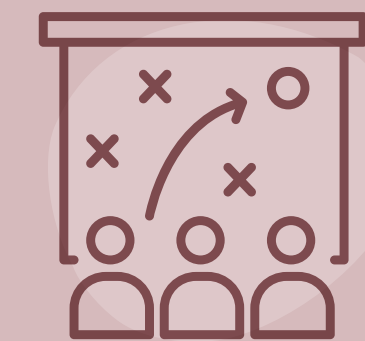Communicates strategy effectively and concretely
Copyright © 2022
Gary Pisano
Professor at the Harvard Business School

Social Contract in Practice

(illustrative)

JANUARY 2022

We the management team agree to STOP doing the following behaviors:

▶ Constantly vet all proposals taking control of any decision

▶ Finger pointing and irritation when something goes wrong

▶ Escape debate and confrontation labelling people who criticize as not being "team players"

▶ Mark own territory, hindering cross-functional and cross-divisional initiatives

We the management team agree to START doing the following behaviors:

▶ Give clear indications on strategic priorities and leave autonomy to the team

▶ Ask for criticism and admitting not to know all the answers, in public

▶ Help ask the right questions rather than telling what to do

▶ Encourage the exchange of ideas and experiences between functions

We commit to quarterly checkpoints to discuss openly the adoption with our colleagues

Signed by:

Wisdom Pills from Thought Leaders and Practitioners

*Corporate culture will be increasingly based on a concept of **"soft leadership,"** which aims to empower people. The concept of leadership is **moving away from "command and control"** towards a leadership model that is attentive to relationships, trust and respect for each person's talents. The focus will be on **"caring for people,"** listening and helping them seize the opportunities presented by the transformation that we are experiencing.*

*The **role of the manager is therefore transformed** into the job of accompanying people on their professional path, enabling each person to put passions into play, and **helping people and teams** to position themselves in a framework that allows their **talents to flourish**.*

Guido Stratta

Head of People and Organization ENEL Group

*We need to have a **different mindset** when it comes to agility. The truth is: failure is going to happen when you face things you have never done before. Oftentimes, we are making easy discourses about celebrating failure, embracing failure, but **no one likes the failure**. What we need to have instead, is an understanding that **in agile circumstances perfection can't and shouldn't be the goal**. We never achieve perfection when we're doing something new. It's a contradiction: if you want it to be perfect, that means **it has been perfected through multiple iterations**. In order to get to that standard you have to experiment. Companies need to have a culture of **psychological safety**.*

Dorie Clark

Author and Professor at Duke University's Fuqua; School of Business and Columbia Business School

Walk the Talk: Measure and Sustain the Adoption of Agile Leadership Behaviors

MEASURE AGILE BEHAVIORS

- ▶ While abstract values are hard to measure, concrete behaviors can be measured more easily

- ▶ A **behavioral baseline** is a good starting point
  - ▶ Get insights on critical behaviors hindering agile
  - ▶ Define where to focus to have the highest impact

- ▶ A quantitative approach helps to measure the gaps, define corrective actions and track the progress
  - ▶ A US Life Sciences firm launched a survey organized around the "5 Paradoxes" and found that lack of Candor was the main barrier
  - ▶ One corrective action was to train and coach leaders on how to give candid feedback

- ▶ To demonstrate and sustain the change over time, a good practice is to repeat the survey annually

SUSTAIN AND MONITOR AGILE BEHAVIORS

- ▶ It's not enough to agree on a list of concrete behaviors to start or stop doing

- ▶ To avoid that the new social contract stays on paper it is essential to live it in the daily routines and practices

- ▶ Social control mechanism are key to make sure that the change sticks

- ▶ One simple practice is to organize **Circles of Trust**
  - ▶ A periodical meeting to monitor behaviors and share candid feedback on how well the peers are making the transition and living them in their work
  - ▶ Preferably ad hoc, but can also be included as an item on the agenda of existing, recurrent meetings

Agile Leadership and Culture: Key Recommendations

Start from the top

Leaders should act as role models and show that the change in mindset and working practices starts from the top. *How?*

Shifting from managing to **enabling and supporting people**, pushing down decision-making and promoting **end-to-end accountabilities** and **autonomy.**

Create a new social contract

To gain traction and drive widespread change, leaders' behaviors – at all levels – need to be aligned.

The social contract consists of a **set of actionable behaviors leaders commit to start doing** (or misbehaviors to stop).

Measure and monitor behaviors

Unlike abstract values, concrete behaviors can be measured via **quantitative baselines and periodical surveys and KPIs**.

The adoption of behaviors can be sustained thanks to social control mechanism such as **Circles of Trust.**

Structure

STRUCTURE

- *What to agilize & what not*
- *Team-based organizations*
- *Hybrid models*

Widespread agility requires changes to the organizational structure. Based on the characteristics of work and on the degree of uncertainty of the business context, different organizational structures apply, from hybrid models up to fully agile team-based organizations.

The Challenge of *Agilizing* the Organizational Structure

Let's face it: going agile is fascinating – especially for incumbents subject to rapid disruption or displacement.

Yet, rethinking a traditional, hierarchical organization is notoriously hard – and sometimes painful.

Digital native companies, such as Google, Spotify or Netflix, were born agile as they did not have a legacy structure.

The tempting logic for traditional companies is to copy the operating model of such agile champions.

As an example, when ING Bank's executives initiated the firm's agile transformation, they visited Spotify and were fascinated by the company's organizational model of tribes and squads.

But, applying the Spotify model in a large company such as ING proved challenging with significant unanticipated complexity.

The **challenge for legacy companies is how to combine and integrate different organizational frameworks and practices**, depending on the nature of each process and task, and on the company maturity on the overall agile transformation journey.

As a basic rule, if the company performance depends on the success of multidisciplinary teams, the organization should evolve towards an **agile, team-based model**. Otherwise, the company should consider applying **hybrid solutions** that integrate agile principles and practices to the original organizational framework.

What to *Agilize* and What Not

Successful organizational change starts with a set of questions, both for the overall company and for each organizational unit:

▶ *How dynamic is the context in which your company operates (i.e., the business environment is evolving; there are external factors that can affect project targets)?* **[SPEED & FLEXIBILITY]**

▶ *How much broad and diverse is the set of skills (i.e., those not available in a function/unit) required to deliver your task / activity?* **[SKILL MIX & COLLABORATION]**

▶ *How much variable are the skills required to perform the task / activity (based on evolving data, backlog, strategic direction)?* **[ADAPTABILITY]**

▶ *How important is the frequency of customer feedback to improve your products or services?* **[CUSTOMER ORIENTATION]**

▶ *How unclear are the details of the expected final work output?* **[OUTPUT UNCERTAINTY]**

▶ *How little regulated and standardized is the process to deliver the work?* **[DEGREE OF STANDARDIZATION]**

▶ *How much decision-making can be transferred from executives to self-managed teams?* **[DECISION MAKING TRANSFER]**

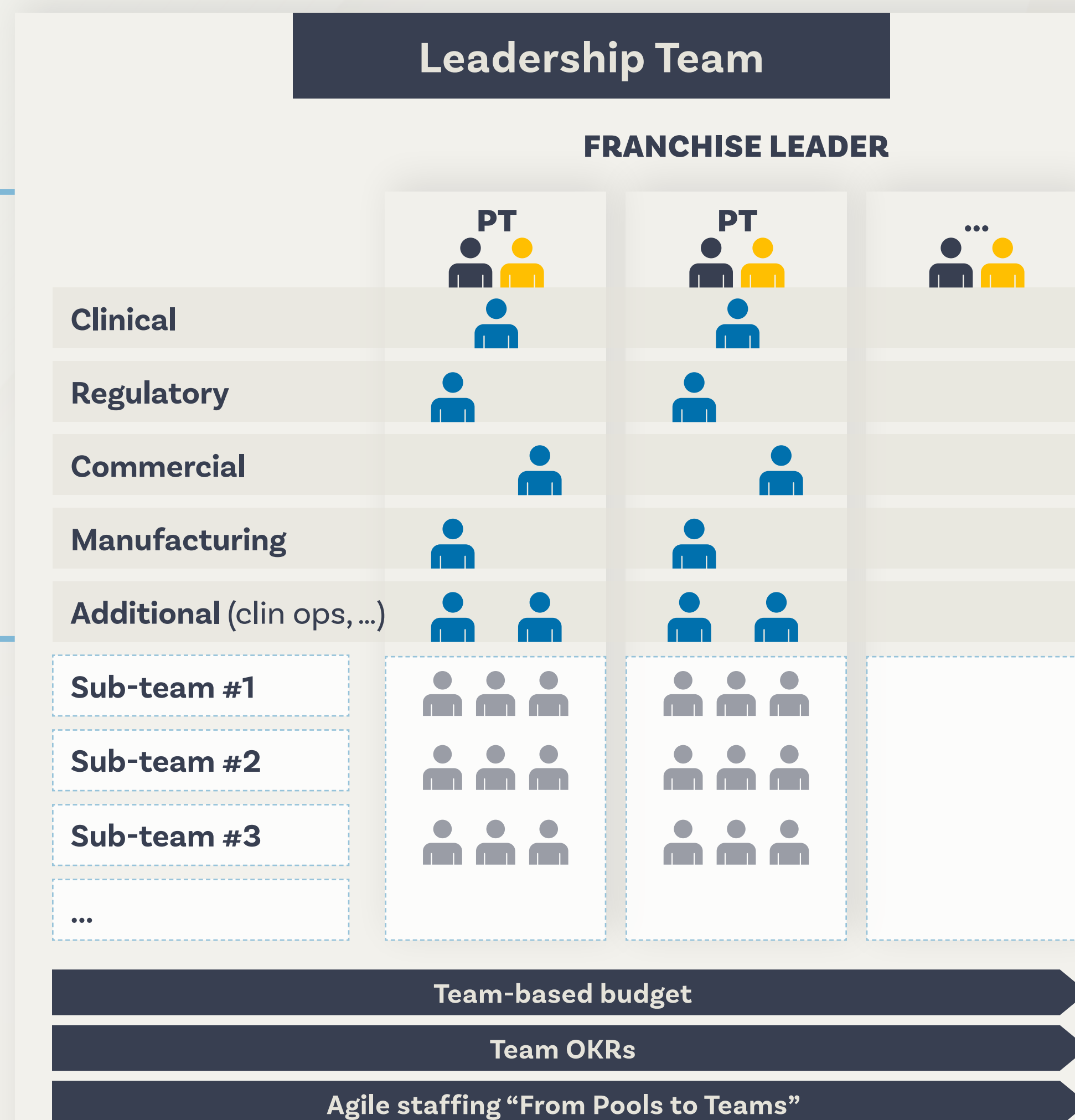|	**LOCAL CHANGES**	**HYBRID MODELS**	**TEAM-BASED ORGANIZATION**
Based on the answers, different organizational structures apply, from minor changes, hybrid solutions up to fully agile organizations **The Agile Organizational Continuum**	▶ *Traditional hierarchical structure* ▶ *In some cases, the specific local structure (e.g., IT function) is reorganized into agile teams*	▶ *Dedicated agile teams operating on a project basis* ▶ *For central functions: temporary agile circles around projects or tasks - without revisiting the organizational structure*	▶ *Permanent transformation of company core to agile* ▶ *Silo-based organization totally transformed into cross-functional, multi-skilled teams, with clear accountability on end-to-end delivery*

How to Structure a Team-based Agile Organization
Example in Drug Development

FRANCHISE LEADER(S)
- ▶ End-to-end drug development expertise, like a GM, a business person with clinical expertise
- ▶ Portfolio priorities within cluster of PTs
- ▶ Integrates top-down goals with bottom-up

FUNCTIONS AS POOLS
- ▶ A pool of talents deployed on program teams and sub-teams
- ▶ Function Leader responsible to plan the supply of talents and grow capabilities of the pool
- ▶ Higher emphasis on talent development

Leadership Team

FRANCHISE LEADER

	PT	PT	...
Clinical	👤👤 👤	👤👤 👤	👤👤
Regulatory	👤	👤	
Commercial	👤	👤	
Manufacturing	👤	👤	
Additional (clin ops, …)	👤👤	👤👤	
Sub-team #1	👥👥👥	👥👥👥	
Sub-team #2	👥👥👥	👥👥👥	
Sub-team #3	👥👥👥	👥👥👥	
...			

Team-based budget ▶

Team OKRs ▶

Agile staffing "From Pools to Teams" ▶

PROGRAM TEAM - PT
- ▶ Permanent
- ▶ Scope: strategy and options, some execution
- 👤 Product Owner
- 🟡 Agile Master/Coach (across teams)
- 👤 Members: Core from key functions + ad-hoc

SUB-TEAMS OF THE PT
- ▶ Backlog driven-subteam (formed and dissolved based on needs identified in the backlog)
- ▶ Scope: execution oriented
- ▶ Sub-team leader, usually one of the core team members with the needed functional role
- ▶ Members: appointed by leader based on scope

Agility Inc.   **22**

Wisdom Pills from Thought Leaders and Practitioners

Agility brings significant benefits to drug development, by shortening the cycle of examination of the opportunities and issues and re-planning as necessary and therefore reducing time and effort waste and improving collaboration and alignment.

At Praxis, Program Teams have become the pillars of the organization, they are dynamically staffed with Team Members that drive the short and long-term objectives of the program. Within the Program Teams there are also Sub-teams which are temporal and created to execute the backlog items. A team-based organization does not mean a lack of accountabilities, the opposite.

The design and implementation of a team-based model has required a significant effort, function by function, process by process, person by person.

*Anyway, this is really a journey where you need to keep involving people. Explaining the **Why** is more important than What is being done. We, as managers, are really good at saying the **What** but not so good at saying the Why. In our case the Why is because we need to bring more drugs to patients than ever before.*

Marcio Souza

Praxis Medicines CEO

Praxis is a clinical-stage biopharmaceutical company translating genetic insights into the development of therapies for patients affected by central nervous system disorders characterized by neuronal imbalance

praxismedicines.com

How to Apply a Hybrid Model: the Case of Central Functions

HR Transformation at B. Braun

B. Braun initiated the "Tasks & Teams" change program to introduce agility with the goal to overcome silos and to reduce complexity by reinventing structures and processes.
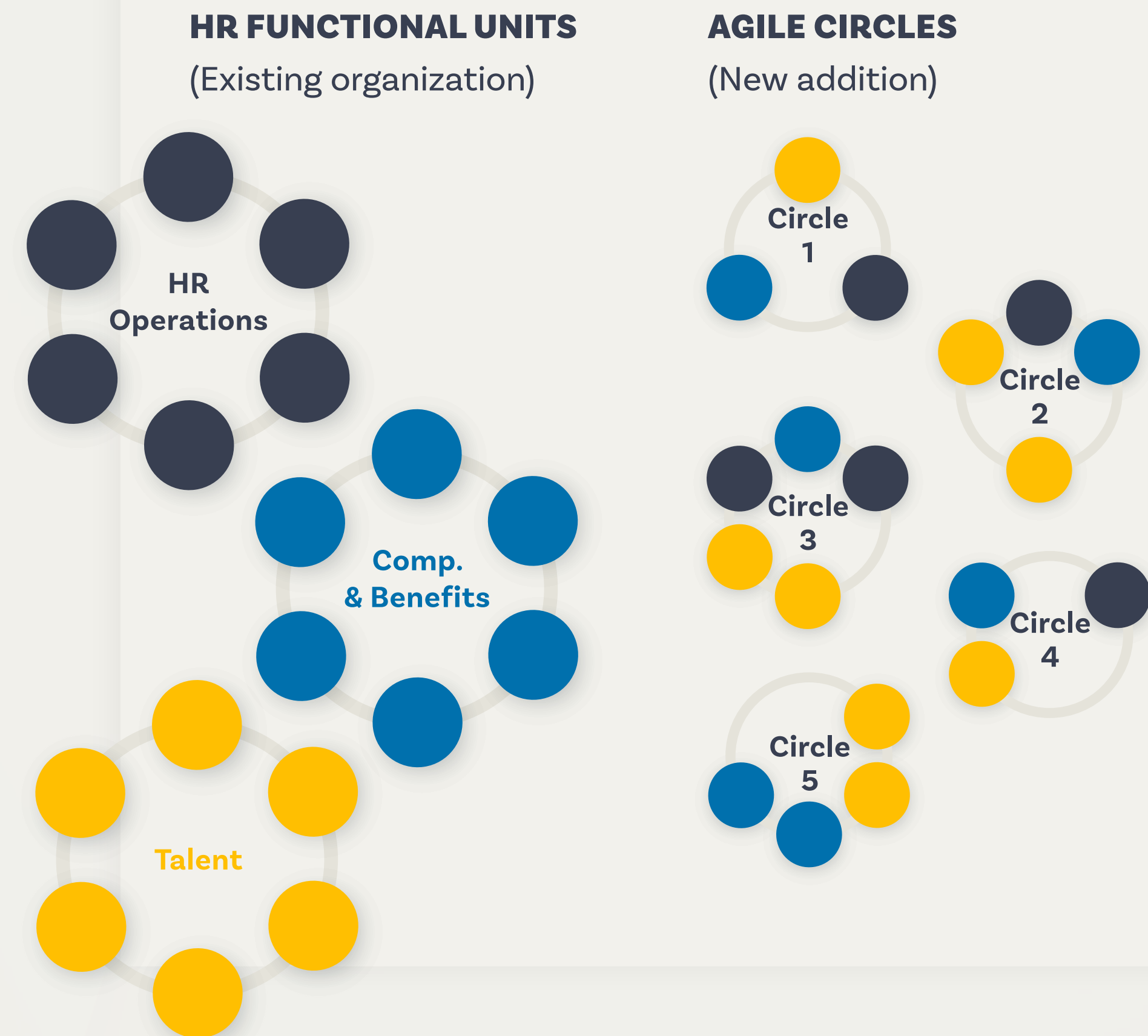
The **HR Department** was selected as the pilot function to apply the new approach.

The existing structure was generally maintained; beside that, B. Braun introduced new cross-functional and self-organized teams, called **Circles**.

Existing structures handle daily business and individual responsibilities. While new topics, projects and tasks are organized in Circles with clear short/mid-term goals and 3-6 multidisciplinary members.

For example, one circle oversees the conceptualization of the new remuneration system for the executives.

In each Circle, there are three new roles: the Facilitator (akin to an agile coach), the Documentarist (recording the results of the circle and providing transparency), and the Representative (like a product owner).

HR FUNCTIONAL UNITS
(Existing organization)

AGILE CIRCLES
(New addition)

HR Operations

Comp. & Benefits

Talent

Circle 1

Circle 2

Circle 3

Circle 4

Circle 5

Wisdom Pills from Thought Leaders and Practitioners

> In adhocracy, activities are coordinated around solving problems – we put actions and customers first. We are solving challenges acting on opportunities.
>
> Some people like to separate out particular functions into ad-hoc units and leave the mainstream organization in a more rigid way. The risk is that customer function units often become disconnected with the mainstream. The best way forward is for adhocracy to become a state of mind across all the organization.

Julian Birkinshaw

Professor of Strategy and Entrepreneurship, London Business School

> Scaling the agile delivery model by integrating the SAFe methodology in the NSE operating model is a key step in our transition to become a Tech Company.
>
> Addressing this change through a step-by-step implementation is working well. This shift won't have the same characteristics and impact on all the organizational areas but as more Vodafone units are picking up the agile transformation route, this will bring us several benefits in terms of customer centricity, better value propositions and scaled delivery.
>
> We have an opportunity here to optimize our results leveraging our resources and talent.
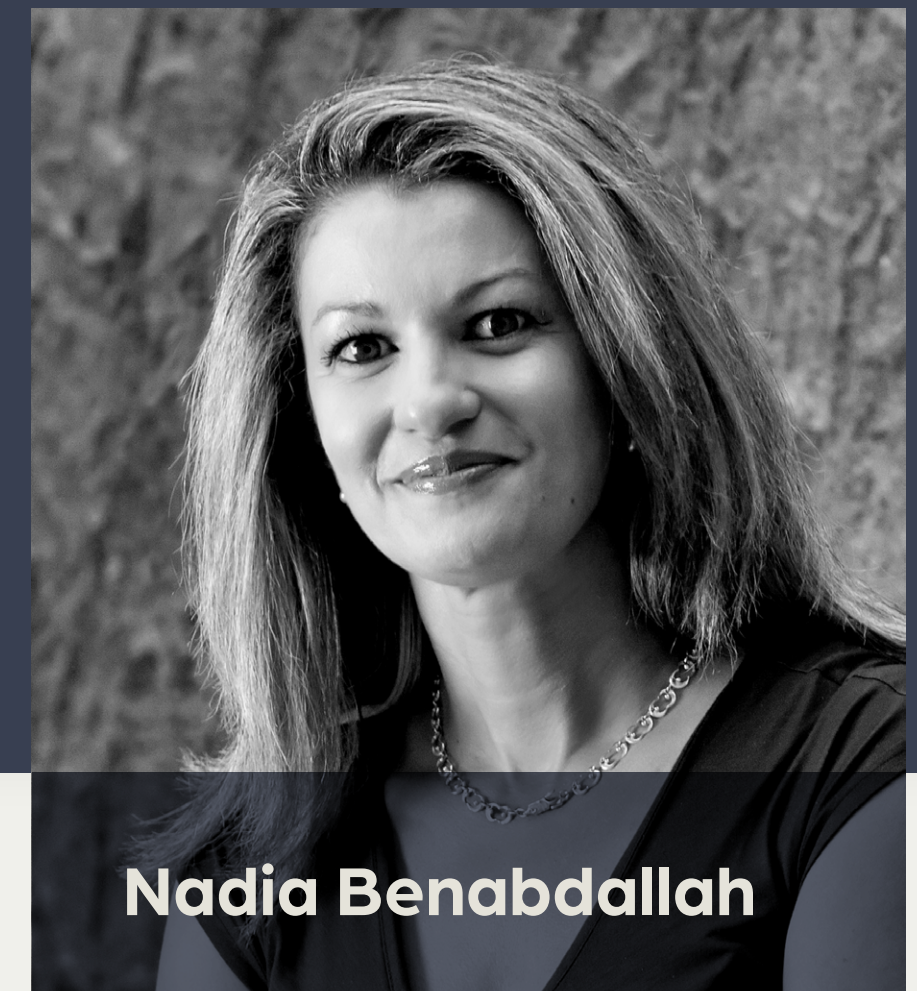
Nadia Benabdallah

Network, Strategy & Engineering Director at Vodafone

Structure:
Key Recommendations

Select what to *agilize* and what not

The idea of redesigning all the functions of a company regardless of their characteristics, forcing the agile organization archetype, is over simplistic and could lead to employee backlashes.

Carefully evaluate which teams, functions, and sub-functions, fit with an agile model and reorganize them accordingly.

Agile does not require an all-or-nothing approach

Some routines and tools will be valuable and applicable, other less so depending on your context and business needs.

Rigidity is the antithesis of agility. Functions, units or teams might not —almost certainly will not — look like 'pure' agile Spotify squads, and that is perfectly acceptable.

Do not forget about the central functions

When a full transformation of central functions is challenging, hybrid models can be a valid alternative.

They allow **embracing agile principles and practices while keeping the existing structure**.

Systems

Without a revision of the company's long-established processes, policies and enabling technologies, the prevailing organizational winds will systematically slow down teams and hinder their ability to achieve their performance potential.

SYSTEMS

Simple policies   *Revised processes*

Enabling technologies

Reimagining Key Processes to Drive a Real Transformation

A successful transformation journey requires to **rethink some key processes**, relics of 20th century management, that create rigidity, bureaucracy and slowness. The most common mistake is to scale agile teams while the rest of the organization keeps operating in the traditional way.

Truly agile organizations have understood the importance of aligning management processes to sustain an agile way of working. **Planning, resource allocation and budgeting** are the key processes to start with.

Planning. Agile planning may sound like an oxymoron, since the traditional logic of centralized, annual planning is the antithesis of an agile organization where self-managing teams set their own priorities and revise resource allocation. Agile strategic planning deals with an uncertain future and adapts to frequent and dynamic changes.

Instead of being focused on hard data, it also considers soft data and invests more time and effort in strategic conversations. Instead of reflecting the 'top-down' view, it coordinates the company vision with the single teams' priorities and autonomy, which gives the 'bottom-up' input.

Resource allocation and budgeting. Shorter planning cycles require more resource flexibility to seize new opportunities. Resources are assigned to iterations rather than released for long projects. The allocation should not solely follow quantitative financial criteria and metrics but also other customer-centric criteria, especially in areas such as new businesses and product development. Similarly, budgeting procedures should reflect resource flexibility and allow for reallocation based on shifting priorities and market needs.

SYSTEMS

Agile Processes in Action: Planning & Investment Approval

AGILE PLANNING & INVESTMENT APPROVAL

ENEL X has moved from a static and rigid planning model that traditionally created a fixed annual plan and goals, to a **dynamic and flexible planning** approach that shortened the planning cycles.

Goal-setting follows an agile approach, using Objectives and Key Results to ensure **quarterly alignment between strategy, business & tech trends, and the execution at multiple levels** (company, business lines and product/team level, countries).

Before starting new business initiatives, teams produce a **brief Word Memo** which outlines the strategic rationale, workplan and resources needed for first MVPs. This new 'light' format coupled with fewer approval gates speed up the evaluation process, while triggering more strategic conversations.

Once approved, the monitoring of initiatives allows the **gradual release of funding and resources based on value creation**.

> *Our experience shows that it's key to bridge the strategic vision of the company with the goals of teams.*
>
> *We use OKRs cascading for this.*
>
> *Although balancing top-down and bottom-up views can be challenging sometimes, the rewards are impressive: more strategic conversations, more alignment and engagement around shared goals, and a widespread sense of goal (and outcome) ownership.*
>
> *OKRs also foster a cultural shift which is key in a fast-changing business environment: the willingness to learn from failures to keep growing and the agility to quickly refocus on what is important for our customers.*

Chiara Dalla Chiesa

Head of Strategic Marketing, ENEL X Global Retail

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Simple Policies to Sustain an Agile Way of Working

Freedom within a Frame

GUIDING PRINCIPLES

Traditional policies and procedures tend to be very detailed and prescriptive. As it is practically impossible to cover every specific situation, it's wiser to provide employees with principles to guide their judgment and decisions, ensuring autonomy and adaptability to evolving customer needs within a general, meaningful framework.

▶ For example, the Ritz-Carlton luxury hotel chain has 10 guiding statements, such as "I build strong relationships and create Ritz-Carlton guests for life" and "I am empowered to create unique, memorable, and personal experiences for our guests". These allow frontline employees to use their judgment and to improvise.
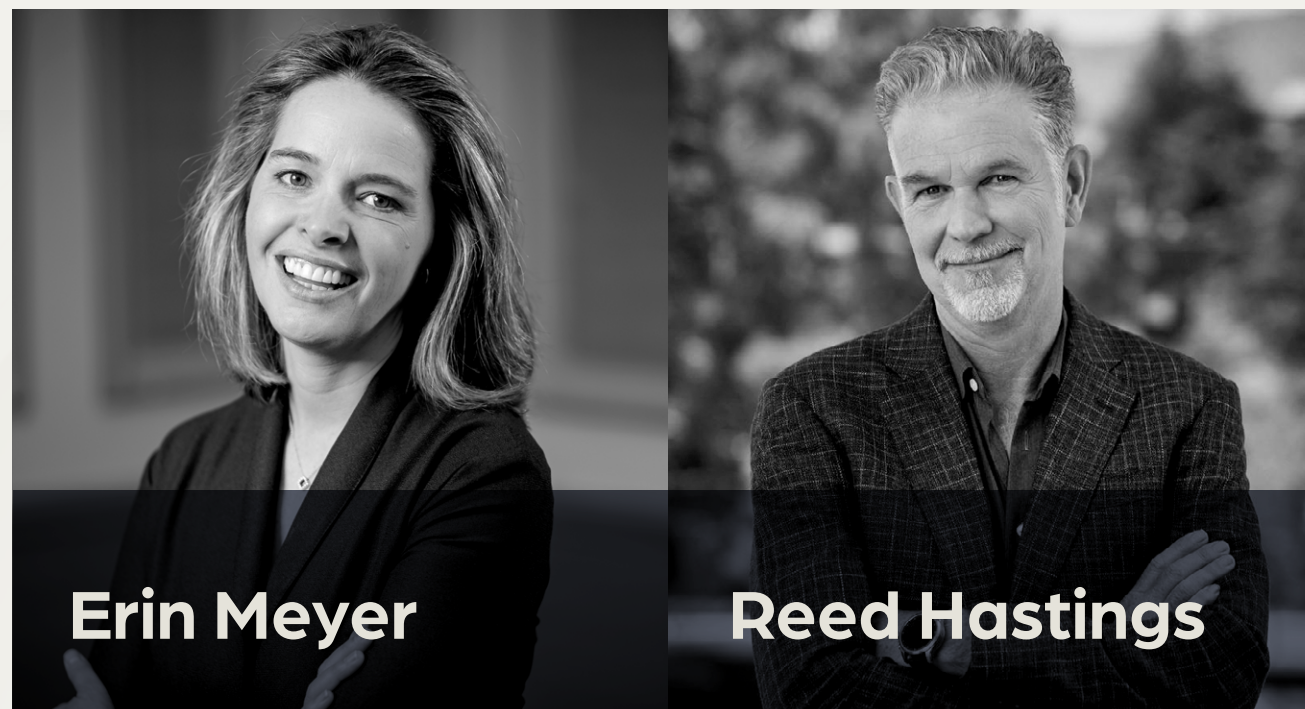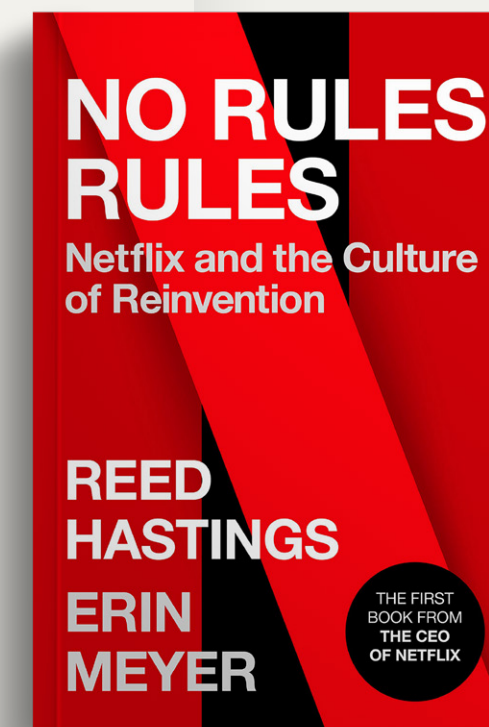
BOUNDARY RULES

Set objective indications of ranges and conditions within which a decision can be made autonomously. Define the upper limit that would trigger formal authorization. Typical boundary rules are expressed as: "below/above X", "up to X", "within the range of...", "if", and so on.

▶ For example, one of our clients, a US-based large industrial firm, simplified the Stage Gate process for new product development introducing a "fast track" for projects below a certain investment threshold

Wisdom Pills from Thought Leaders and Practitioners

At Netflix, there are **no vacation or expense policies. Employees don't need approval.**

That allows lower-level employees to be more **autonomous and make more decisions themselves**, because they understand the overall goals and intentions of the company and can act accordingly. When Hastings and his team first devised these **unorthodox principles**, the implications were unknown and untested. But in just a short period, their methods led to unparalleled innovation and speed.

NO RULES RULES
Netflix and the Culture of Reinvention

REED HASTINGS
ERIN MEYER

THE FIRST BOOK FROM THE CEO OF NETFLIX

Erin Meyer

INSEAD Professor

Reed Hastings

Netflix Chairman and CEO

Thinkers50 award winners 2021

*The reason companies fail to adapt is **that they become very bureaucratic over time, they become inwardly focused**, people stop thinking about how they can figure out and respond to customer needs and they start focusing on their own agenda.*

*The essence of creating agile organizations is to ensure that people across the organization are **accountable to genuine customer needs**, that often means creating special teams close to customers, **opening up internal administrative parts to make sure they understand the customer line of sight**.*

Julian Birkinshaw

Professor of Strategy and Entrepreneurship, LBS

Re-archITect: Modularity & Enabling Technologies

Today, enabling agility is within reach with the right tools that help individuals, teams and leadership to make use of agile practices at scale. However, to make the leap to widespread organizational agility, **companies need to rearchitect their legacy IT**.

Legacy IT architecture is one of the biggest barriers to the adoption of agile organization-wide. **Many IT systems were built as monolithic architectures.** This condition limits flexibility and adaptability making any change very slow. Indeed, in a monolithic architecture implementing new features require the modification of multiple interdependent components, which is often exacerbated by the proliferation of unintegrated systems and data.

In other words, old tech sandbags the company's ability to achieve better performance thanks to agile.

A **modular architecture** better fits into an agile philosophy of speed, autonomy, self-containment and customer centricity.

Whereas modular organizations were challenging to implement in the past, they are becoming increasingly popular today thanks to **microservices** and application programming interfaces (**APIs**).

This does not apply only to IT, but also to other functions and areas of the organization.

Wisdom Pills from Thought Leaders and Practitioners

Amazon was a pioneer of this approach to drastically reduce coordination complexity. The system was broken down into microservices communicating through the APIs. For the Amazon engineers, launching a new product offering is **like assembling Lego bricks,** mixing and matching capabilities for new offerings that fit the changing marketplace.

Amazon has turned its entire IT infrastructure into tens of **thousands of microservices** by standardizing the input and output of each function.

These microservices can then exist as independent, decentralized modules that interact with other modules.

Take now an example in a more traditional industry: **Haier** shows how a legacy business can organize itself as a swarm of self-managing business units. Each one comprises just 10 to 15 employees and full autonomy. Instead of being centrally orchestrated, they independently interact with one another. Coordination is managed through internal platforms in the cloud, as in an app store. Because each team is self-contained, an isolated failure won't cause global disruption.

Mark Greeven

Professor of Innovation and Strategy at IMD Business School

Systems:
Key Recommendations

Quick fix for key processes

Typically, organizations willing to foster widespread agility start by revising two critical processes, **planning and budgeting**.

Main goal is to make them more flexible, less bureaucratic, and better-suited to a volatile, unpredictable world.

Simplification of policies and rules

In agile organizations, individuals and teams have more freedom and empowerment to explore and experiment. However, the strict rules, procedural controls and hierarchical authorizations hinder their ability to deliver successfully.

Although a thorough revision and simplification of the processes, procedures and rules is fundamental, it's recommended to adopt a **phased approach to gradually inject more flexibility**.

Accelerate flexibility through modularity and new tech

Evolving a monolithic, highly interdependent organization into a modular one is key to grasp the full potential of agile.

Moreover, leveraging **microservices and APIs** can significantly reduce complexity, as well as coordination and communication costs – beyond IT functions.

People

Agile way of working calls for more autonomy and decentralized judgment. To make good decisions people need to become 'fast learners' developing new skills. A more continuous and horizontal feedback system can reinforce the learning cycle.

New feedback system

New skills & career paths

Decentralized judgement

PEOPLE

The Fast Track to Decentralized Judgement

In every organization that aims at achieving widespread agility, **bureaucracy is a tax on human accomplishment**, as it favors rules and procedures over human judgment. While for many executives it is unavoidable, pioneers show that there are alternatives and solutions that can effectively simplify procedures and policies for true empowerment.

When employees are not bound by prescriptive rules, they need to exercise decentralized judgement. Decentralized judgement also implies **room for exceptions**, understanding why the guideline in a particular case could not be followed. Exceptions are possible but they need to be flagged in an auditable and transparent way in the system.

Making decisions at local level requires access to information and data, and then knowing how to process them.

Handelsbanken in Sweden and Affinity Bank in US are pioneers of enabling autonomous judgement at their local branches.

Decentralized decision-making casts leaders in a new role. As illustrated in the section about Culture & Leadership, **leaders need to create the conditions** (tools, data and systems, skills, etc.) to help their collaborators perform.

Pioneers in Practice

NETFLIX

SIMPLE RULES: Very few, high-level, e.g., "*Think as if it were your own money*"

+

CONTEXT SETTING: Frequent meetings with leadership, extensive sharing of information and best practices within the company

PEER CONTROL: "Socialize" for feedback in case of new projects and ideas

POST-DETECTION: For travel expenses, either manager's control or audit on 10%

AFFINITY BANK

SIMPLE RULES: Existing policies but simplified in their writing and documentation. Concise version as guidelines

+

CONTEXT SETTING: Employee can deviate from policies following some principles

SOCIAL CONTROL: Visible to all (transparency); flag exceptions in the IT system, need to write the rationale for the exception

POST-DETECTION: If not motivated in the system, manager will step in asking to write rationale

New Skill Mix and the Implications on Performance Appraisal Systems

To be able to **make good decisions** autonomously, individuals and teams need **continuous coaching and training** to hone their skills, both hard and soft.

HARD SKILLS:

How to use tools and software/applications to make data-informed decisions. Compared to the past, it is easier to give employees access to systems and data to make better and timely business decisions

SOFT SKILLS:

The ability to navigate uncertainties without the boss telling 'what to do' requires collaboration, openness to talk with peers, get frequent feedback, ability to adapt with creativity

Rather than gathering feedback once a year from the boss, people need more **continuous and actionable guidance** from all the people they work with, more openly, transparently and candidly. This is a key driver of accelerated learning and positive learning loops.

Airbnb: Data Democratization to Scale Decentralized Decision-making

Since 2016, **approx. 5600 employees have access to data science tools** to make timely decisions related to requests from both users and providers of homes, as well as to act swiftly on innovation opportunities.

Employees are **trained on how to use data tools and extract insights** to make informed decisions.

Data University is Airbnb's attempt to make the entire workforce — not just its engineers — more data literate. It has designed 101-level courses on data-informed decision making which are available to all employees.

The course mix includes courses on data education (Writing SQL, Visualizing data, using statistics and analysis...), data tools (Dataportal, ERF, Tableau...), and data access (data documentation, access permission...)

Wisdom Pills from Thought Leaders and Practitioners

Most people get stuck in what's in for them, what the roles are. We're so used to do things the way we used to do them, and agility really challenges these things at their core.

If I'm a middle manager, my job has been taking something from senior managers and passing it down to employees. In a truly agile system that job isn't the same. **The issue is determined by skills, mindset and personal traits.**

The implication is that **a quick and scalable up-skilling and re-skilling is the key**, even if, in some cases, it is also necessary to let some employees go and hire new personnel – whenever the transition to new roles does not succeed.

Howard Sublett

Chief Product Owner, Scrum Alliance

Whether your company is considering a team-based structure or not, there are ways to reinvent performance **management and make it more valuable and less boss-centric**.

The end-of-year performance review has often become a negotiation around compensation and promotion rather than a true development discussion.

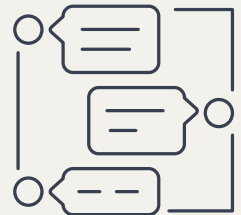The opportunity to create a **socially-based feedback system** feels even more urgent during the COVID-19 crisis, since many people are working remotely and without the same level of daily interactions with managers.

Marcio Souza

Praxis Medicines CEO

The "Social Feedback" – Key Design Principles

FEEDBACK FROM PEERS, MANAGERS, REPORTS

All feedbacks are equal and have the same weight.

ANONYMOUS AND PROMPTED

In order to avoid biases, the system will be anonymous and will push automatically requests for feedbacks to reviewers.

CATEGORIES OF EVALUATION

- Performance (what) categories
- Behaviors (how) categories

SIMPLE AND BINOMIAL FEEDBACK

For each observed category, vote of Improvement vs. Recognition with a short description of context and explanation.

VISIBLE FEEDBACK

Visibility is at three levels:

- Aggregate individual feedbacks visible to the recipient
- Aggregate individual feedbacks will be visible to the Functional Manager (input for monthly check-ins)
- Aggregate team data will be visible to all team/function

AGGREGATE TEAM DATA AS BASIS FOR RETROSPECTIVE

Aggregate team data will be used as a basis of discussion.

People:
Key Recommendations

Evolve the control model and decision making

To truly empower individuals and teams, providing more freedom is not enough – and often, it can be risky.
People need:

▶ Clear vision, direction and goals

▶ New skills for exercising judgement

▶ Coaching and support from leaders (no longer 'traditional bosses')

▶ Transparency of decisions

▶ Access to data to make better informed decisions

Rethink performance appraisal

HR needs to reinvent the traditional performance management process in order to better fit the needs of individuals working in agile teams. Rather than sticking to annual performance reviews, successful agile implementation requires continuous (almost real-time) and horizontal feedback – especially in the first phases, when individuals are still learning how to work differently.

Agilize your Transformation Journey:

Minimum Viable Organizations

A New Perspective on Change Management

Traditional change management tends to work top-down with a detailed To-Be model and a set of clear execution actions and timelines to get there. This runs counter to lean-agile values and principles.

The journey needs to be evolutionary and iterative in nature. The **experimental condition is a fundamental part of the mindset shift**.

To thrive in a world of perpetual transformation, managers should stop thinking and acting prescriptively, and rather embrace a liquid style, where adopting a **systemic view, hypotheses, experimentation, testing and learning** become the new core of management.

We leverage the concept of **Minimum Viable Organization (MVO)**, which enables companies to apply an iterative and incremental approach to defining and establishing a suitable **Adaptive Operating Model (AOM)**, which will enable them to achieve business agility in the specific context of their organization.

The Transformation Evolves Through a Series of MVOs

Capgemini invent

Adaptive Operating Model 1.0

Each MVO iteration focuses on a distinct pilot (approx. 100 people) applying a lean, agile way-of-working in their context.

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 (Adaptive Operating Model).**

MVO
Iteration ...

MVO
Iteration 3

Adopt & Share

MVO
Iteration 2

Adopt & Share

MVO
Iteration 1

"North star"

High-level vision of the organizational structure, processes & governance

Adopt & Share

Adopt & Share
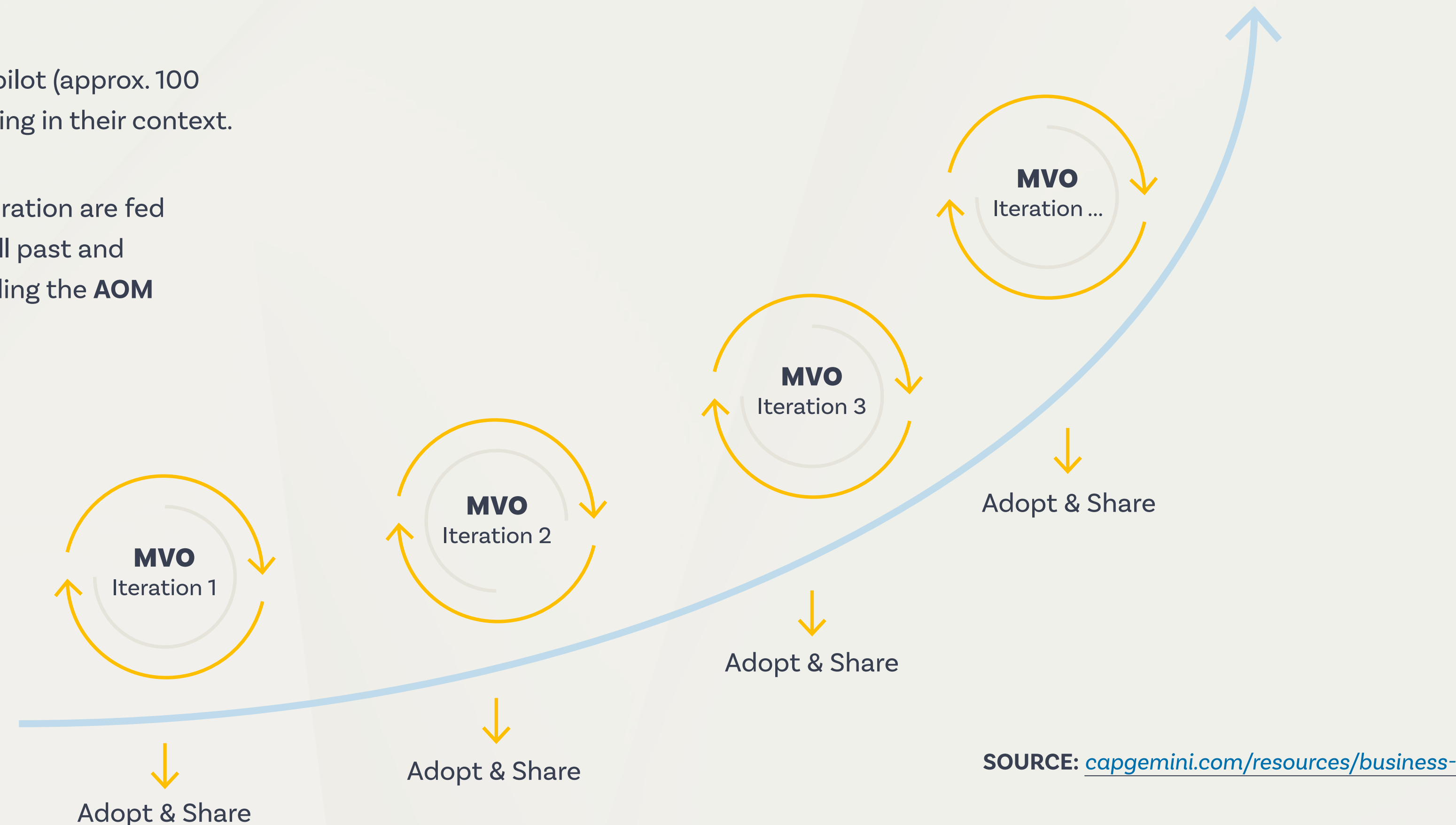
SOURCE: *capgemini.com/resources/business-agility*

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Wisdom Pills from Thought Leaders and Practitioners

To become an agile enterprise, companies need to move beyond just "doing agile" and *actually achieve business agility*.

This doesn't happen overnight, but it most certainly *starts at the top*. We need to *engage leaders early so they can walk the talk* and enable a culture that is built around *experimentation and continuous learning*. This culture should also extend to the way we transform into an agile enterprise, something our *"Minimum Viable Organization" (MVO)* approach is built around.

By *putting people at the center* of our iterative and incremental approach, we empower them to design their own future. This in turn *leads to an edge in the "war for talent"*, all the more key if we want to *sustainably re-invent work models*.

Volker Darius

Managing Director of Enterprise Transformation & Portfolio, Capgemini Invent

Further Reading

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▶ **[ARTICLE]** Karolin Frankenberger et al., *The Transformer's Dilemma*, Harvard Business Review, 2019

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▶ **[ARTICLE]** Alessandro Di Fiore et al., *Why Science-Driven Companies should use agile*, Harvard Business Review, 2019

▶ **[ARTICLE]** Darrell K. Rigby, Jeff Sutherland and Andy Noble, *Agile at scale*, Harvard Business Review, 2018

▶ **[ARTICLE]** Julian Birkinshaw, *What to Expect From Agile*, MIT Sloan Management Review, 2017

▶ **[ARTICLE]** Michael Mankins and Eric Garton, *How Spotify balances employee autonomy and accountability*, Harvard Business Review, 2017

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▶ **[BOOK]** Gary Hamel and Michele Zanini, *Humanocracy*, Harvard Business Review Press, 2020

▶ **[ARTICLE]** Gabriele Rosani, *Want to make your company agile? Start from HR*, LSE Business Review, 2019

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▶ **[ARTICLE]** Alessandro Di Fiore, *Planning Doesn't Have to Be the Enemy of Agile*, Harvard Business Review, 2018

▶ **[BOOK]** John Doerr, *Measure What Matters: OKRs: The Simple Idea that Drives 10x Growth Portfolio*, Portfolio Penguin, 2018

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