



How to scale your Agile right

Successfully implementing Agile in large corporations

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Arthur D Little

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Authors:



Volker Pfirsching

Partner ADLdigital,
Munich
pfirsching.volker@adlittle.com



Marc Droste

Manager Automotive & Manufacturing,
Munich
droste.marc@adlittle.com



Michael Opitz

Partner Telecom, Information, Media &
Electronics, Munich
opitz.michael@adlittle.com



Richard Beetz

Senior Advisor, Technology & Innovation,
Frankfurt
beetz.richard@adlittle.com

Executive summary

Being capable to react to change with agility is a key requirement for all companies onboarding digital business models or digital products and processes. It is becoming even more of a necessity to compete. Yet large and grown companies, in particular, see many challenges with the necessary balance between agility and stability – implementing agile methodologies outside the technical domain fails in many cases for many reasons.

One big cause of failure is the attempt to apply one of the many off-the-shelf agile models to a large organization. These typically work well for small companies of the internet economy, but not so much in large corporate set-ups. This article offers a framework to scale and customize an individual, tailored agile approach, catering to specific requirements of the organization. These needs are assessed in the initial "*understand*" phase. It then offers a methodology to pick building blocks from the many agile concepts available that "*shape*" a working model according to the needs of your enterprise. Answering the question of how to "*learn*" and "*adapt*" after the pilot launch of an end-to-end agile process, the report gives concrete examples of how large corporations have overcome imminent obstacles.

1. Agility is the new black

Companies are looking for ways to adjust not solely their business models, but also their organizational setups: agility and flexibility of processes, structures, ways of working and culture are becoming the new paradigm. However, larger firms need to balance becoming more agile and flexible with retaining stability in certain core processes to ensure productivity at scale. Agility is certainly the trend, but is not the whole story.

Where can companies do business as usual, and where is there a need to change fundamentally? How do they find the right entry points and approaches to transform?

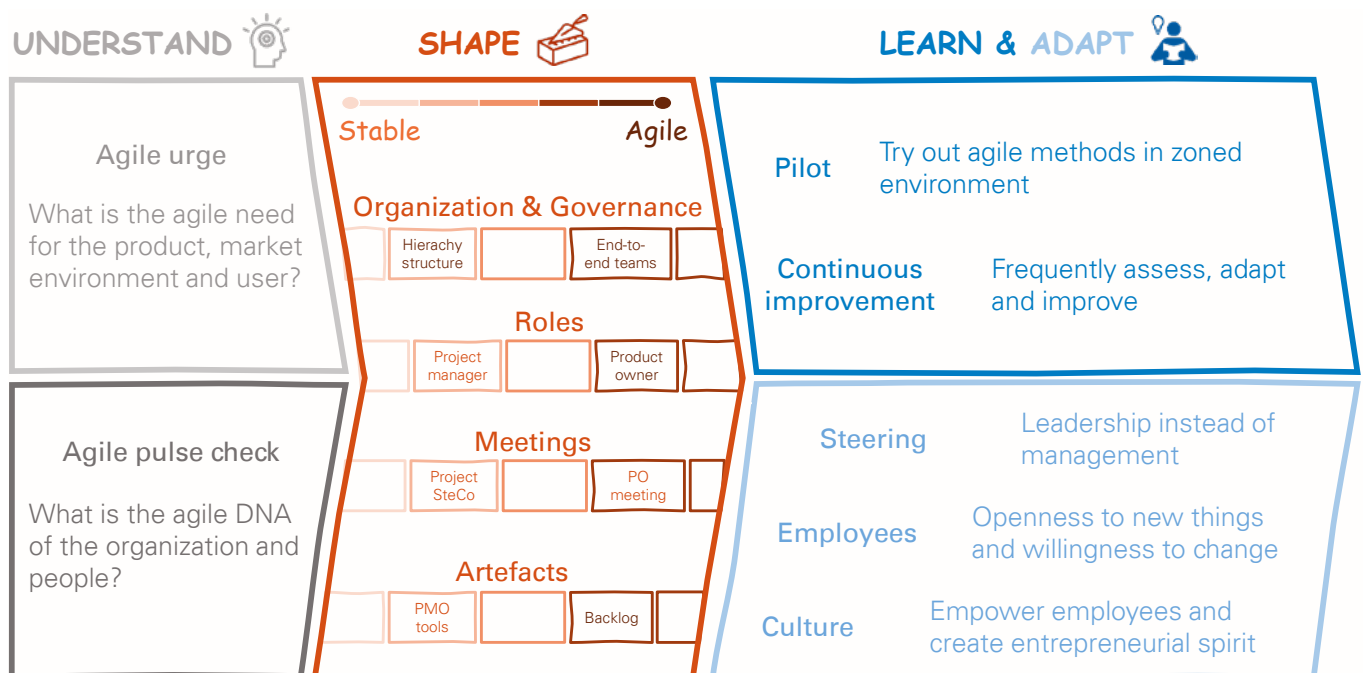
The challenges

The current set-ups of many large organizations are not suitable for rapidly changing environments, meaning that these companies are struggling with the ability for fast-paced product and service development, as well as internal projects and business process changes. While agile methodologies are familiar to many executives, often they are solely associated with IT, which means the wider organization misses the

opportunities they offer for transformation. Additionally, many companies that try to implement agile outside the IT domain fail due to lack of understanding or insufficient readiness, or poor implementation. They struggle to combine agile and traditional principles in a way that delivers the benefits of both, and in so doing fail on both counts. How can this scale-up be achieved, and how far-reaching does the process need to be?

A framework to find the right amount of agility

We use a simple framework that makes it possible to address these challenges and determine how much agility a certain area needs. Agile elements can be applied for a variety of business situations and topics, in a way that retains empowerment and simplicity, and avoids upfront over-specification. It can span single teams, smaller processes, customer needs or business services, projects with budgets of several hundred million euros, entire product lines or even the complete agile reshaping of large business units. This framework comprises four main action points: UNDERSTAND, SHAPE, LEARN and ADAPT.



Source: Arthur D. Little

2. Understand your agile DNA

Understanding the current situation of the company, department or project is crucial to identifying barriers and deciding which level of agility is suitable. We need two perspectives before we can shape the new model: what is the need for agility for the topic, whether it is product, project or process; and what are the capabilities and skills of the organization?

With the “need for agility” we try to understand the ideal amount of agility for the given topic:

- What is the user or end-customer need? How well is it defined, and how likely to change? The more unpredictable or variable the need, the more agility can help to stay at the top of the race.
- How “digital” is the environment? For example, digital products and services for end customers are intuitively more suitable for higher degrees of agility.
- What is the business criticality of the current situation? What will be the consequences of applying an agile model and failing, versus those of doing nothing? Could agile help to improve the competitive position or tackle new segments?

At the end of this step, the various stakeholders can be more easily aligned on common objectives for introducing agility.

The second perspective, an “agile pulse check” provides an understanding of current capabilities and skills. It assesses how ready the organization and its people are for the changes ahead. Factors to focus on include:

- The scope of the change – Is it a discrete environment, or is it highly intermingled with the rest of the organization? For example: a new customer experience in an online web shop can have anything from a negligible to a relatively huge impact on the processes and organization in wider parts of the company. Agility in developing something new on the front end can conflict with the need for stability and security on the “hidden” back end, such as for order-processing solutions and processes. The agile approach therefore needs to be aware of this and assess the (potential) impact on other parts of the organization.
- The number of people involved and their previous experience with agile working environments.
- Product/service characteristics – How easily can agility realistically be introduced in the current set-up?

Key aspects to UNDERSTAND

- UNDERSTAND the degree of change in customer demands and expectations around products and services.
- UNDERSTAND the volatility of the market and disrupting trends, which are challenging established business models.
- UNDERSTAND the experience and capabilities of your organization, staff and management to work with agile methodologies and adapt to the new working culture. (Don’t underestimate possible open and hidden opposition against agile change for many reasons, such as loss of power).
- UNDERSTAND the different objectives and align them towards a common goal.

Example: Agile pulse check

Arthur D. Little was engaged by a European telecommunications provider to assess a perceived failure to introduce agile working models in the procurement and adjacent IT departments. The initial goal was to develop a standardized, scaled agile framework that could easily be reapplied to varying project situations, and to pilot it in two selected lighthouse projects. An initial agile pulse check revealed the root causes for the lack of success: it started with a different understanding of “agility” and varying expectations of the outcomes across stakeholder groups. While IT was expecting agile to reduce the time to market of a “too-slow IT development,” procurement was hoping for easier process flows and interfaces with suppliers. Lastly, the CEO wanted a “kick off” towards a digital transformation, with the introduction of agile working models in all business units.

While all these goals could be achieved with agility, it was clear that different target pictures led to conflicting priorities between the varying stakeholders. Taking a step back, a common UNDERSTANDING of the desired goals and objectives to be achieved with agility was developed in a cross-functional workshop series. These objectives were then mapped to customer expectations, as well as the organization’s own capabilities and the agile status of employees. The scaled agile working model was adapted accordingly and, after successful lighthouse projects, is now being transferred to other units.

3. Shape your agile working mode

In small companies and IT/project environments, agile methodologies such as SCRUM have already proven their worth when it comes to increased project delivery speed, quality, and decreased time to market, while simultaneously reducing costs.

Evolving agile methodologies can help to bring them to more suitable larger scales, such as the purist Nexus framework for steering a few teams, the lean Large-Scale Scrum (LeSS) methodology for several and complex streams or the sophisticated Scaled Agile Framework (SAFe) for whole organizations, including strategic and portfolio management. Which one should an organization choose? There's no one-size-fits-all solution. Again, we need to address the outcomes of the UNDERSTAND phase and adapt and combine different frameworks to best fit our customer requirements and internal capabilities. Single frameworks can sometimes be used, but it is often better to combine intelligently a number of "building blocks" extracted from these frameworks to shape a customized and better-fitting solution.

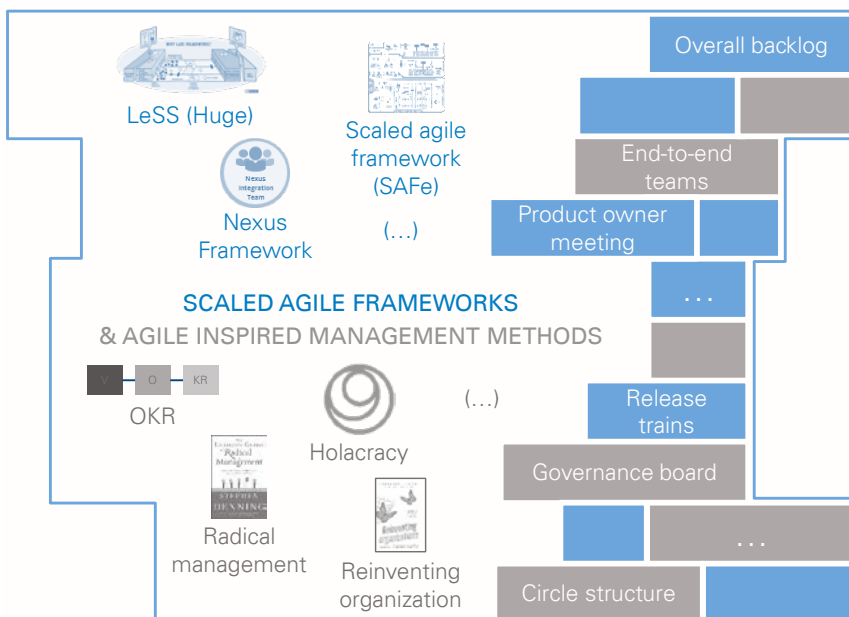
On top of the pure agile and product-/project-oriented methodologies, the toolbox can be augmented with building blocks from agile inspired management methods, e.g., Holacracy for organization or Objectives and Key Results (OKR) for goal setting and steering. In order to be successful, these methodologies must be applied through a comprehensive approach, covering processes from idea to launch. This requires

a targeted application and combination of agile elements and artifacts to achieve the benefits that agile methodologies promise. Key for success is to keep the DNA of the main methodologies or working models intact – otherwise the great ideas and concepts deflagrate and leave only buzzwords, or even chaos, behind. Additionally, the interface towards the remaining "non-agile" part of the organization must be clearly defined and shaped to ensure the coexistence and seamless integration of both concepts.

Based on the findings of the UNDERSTAND phase, an organization can then select the right agile building blocks to create a customized set-up that integrates flexibility within the existing corporate structure.

Key aspects to SHAPE

- SHAPE a tailored approach for your company through combining different methodologies, based on the internal abilities and external market and customer circumstances.
- SHAPE according to the needs of the business domain. Agile is not a "one-size-fits-all" solution, but needs to be customized.
- SHAPE so that the parts of the organization that require agility and stability can efficiently work together.
- Define synchronization points clearly.



Which building blocks to apply in order to increase speed, efficiency, customer-orientation and flexibility?

Source: Arthur D. Little

4. Learn to improve and adapt continuously

One of the key challenges when implementing agile is to incorporate the required learning to more effectively apply processes, roles, meetings and artifacts to meet changing market demands and environments.

Throughout sprint cycles, agile methodologies demand strict adherence to deadlines and milestones, in order to achieve positive results without changing the process during the phase. At the end of each sprint, the past period is critically reflected upon and potential levers for optimization are discussed: What went well? What went wrong? How can we improve in the next period? Only by following this strict rule can continuous improvement of people, processes and the whole organization be achieved.

Following this process requires an organizational culture that is open and able to incorporate the change needed, without lengthy decision-making mechanisms in the background. To enable this capability, certain zones of change can be introduced. These define the level and degree to which teams and organizations are free to decide and implement the changes needed to achieve the required improvements in working efficiency, culture or spirit. This process should be overseen and guided (if needed) by a governance board.

The case example of an organization's sales and marketing department struggling to align different digital initiatives, as all applied different agile methods, helps to understand the need for overarching governance. The initiatives in scope ranged from

Example: The necessary organizational change for agile

A large manufacturing company was initiating a reorganization process to set up a new digital unit that aimed to develop customer-centric digital services with increased speed, shorter time to market and higher customer value-add. As a first step, it looked to UNDERSTAND the root causes of why the previous organizational set-up was not able to meet the challenges ahead. This assessment uncovered fragmented responsibilities along the value chain, as well as extensive and redundant reporting structures. In consequence, time-consuming decision processes were holding the organization back. For example, to make a simple change to the company website, nine different departments needed to be involved and aligned and have given their approval. This made the process exhausting for all stakeholders, leading to a high frustration level.

Based on the model, the manufacturer implemented the end-to-end responsibility building block (SHAPE). This meant service teams were given full, end-to-end responsibility for the conceptual setting, development and deployment of their respective services. This change was inspired by the concept of "circle structures" from the Holacracy framework. This organizational governance system is characterized by self-organizing teams, which have end-to-end decision-making authority in clearly fenced areas, called "circles". A circle's main goal is to achieve its defined purpose. To do this, the circle can further break itself down into its own roles and assign responsibilities.

The client decided to introduce this building block across all digital service teams to ensure full decision-making power and autarky. Even though the teams were rather loosely coupled, a set of rules and processes to increase transparency allowed for creativity and autarky simultaneously, while enforcing stringent process adherence at certain synchronization points.

As a last step of the SHAPE phase, a governance model was developed. This ensured that a common structure was set, which allowed all agility- or stability-seeking teams to be subject to the same reporting line. The key element of this governance structure was the establishment of an overall product owner (PO) meeting, in which all area POs frequently (re-)prioritized the overall backlog items and urgent topics. This roundtable of exchange was very well perceived and effective, because dependencies were identified early on and the stretch between stability-requiring topics and agile ones could be managed with greater visibility. It also enabled more flexible and efficient budget and resource allocation to higher-priority topics, which allowed the organization to react more flexibly to changes in its environment.

For the LEARN phase, the company focused on a number of levers. Key elements were used to foster a common culture for training and coaching. The implementation of a consistent understanding of roles, responsibilities and other artifacts, while leaving room for individualization, was also highly effective. The most critical success factor, however, was the dedicated involvement of senior management, which lived the new values as role models for the broader employees. This entailed the management changing its culture from situation evaluating and decision-making to problem solving.

The ADAPT phase was crucial, as some of the stakeholders still were quite reserved considering the new working model. A mixed team of internal and external agile coaches helped the organization to maintain the will and discipline to make the cultural shift over time. The adaptation processes of some stakeholders took over a year, and several smaller drawbacks needed to be overcome. However, because of the installed open-feedback mechanisms, the issues could be mitigated and most of the early critics could be pacified, or even became evangelists of the new working model over time.

developing varying customer-facing apps or applying targeted Google AdWords management to centralized customer data management. While all these initiatives could potentially be developed autonomously, they all had many interdependencies and interfaces. The different and unsynchronized working models in every initiative led to a lack of communication, frequently delayed launch dates and, eventually, low quality in the digital services delivered.

To overcome this, an overarching “governance board” was implemented. This board triggered and enabled the continuous improvement of the current working models and fostered the interaction between them. It was allowed to make frequent changes to respective roles and responsibilities based on identified issues and situations. This flexibility allowed resources to be moved when necessary, and was one of the key success factors to ensure acceptance of agile methodologies. A quote by a current employee illustrates the positive effects of the governance mechanism: “If the process is bad I need to stick to it, but it takes only the current sprint, after which the process can be optimized for the future.”

Key aspects to LEARN

- LEARN to frequently change and improve processes. If something is painful and time consuming, adapt it and try it differently. Allow for failure and reset.
- LEARN to try out new things and methods in zoned and controlled environments. It is not necessary to change the entire organization at once.

ADAPT

After having decided on the agile building blocks to be implemented in an organization, it is important to reflect on the skills, abilities and openness to change in its or the project's staff. Can missing skills be developed in current staff, or do we need external hires?

In our experience of digital transformations of large corporations, we have seen that a significant share of employees (more than

30 percent) are commonly not ready yet for the required mind shifts in an agile set-up. For example, agile methodologies expect continuous involvement of business stakeholders in the technological development of new products and processes. This replaces the old model of formulating requirements and challenging the results of the implementation months later. This shift requires a change in traditional business behavior, which cannot be achieved overnight. Agile coaching measures are necessary here for longer periods of time.

Typically another 50 percent of staff need active training and development to acquire the necessary skills to function in the new set-up. As a direct consequence, it is necessary to develop a dedicated training program, which gives current employees the potential to grow into their new roles in the new working environment. The development of the required skills goes hand in hand with a change in culture. Only by ensuring cultural change can the key benefits of agile methodologies come to life – an environment of empowered employees that fosters creativity and entrepreneurial spirit.

This cultural change is the challenge that many companies struggle most with. As in any transformation, cultural change takes the most time and constantly needs to be attended to. But besides the high amount of attention required, companies need to be able to honestly assess and understand that not all employees are willing and able to undergo the changes that come with new working models. Only when respecting this crucial element and making decisions in accordance with it will transformation be successful.

Key aspects to ADAPT

- ADAPTING to a new culture takes time, effort and a structured plan to empower employees.
- ADAPTING implies that not everybody in the organization will be ready and able to support the changes needed.
- ADAPTation also needs to happen on a management level, changing from management towards partnership and support.

5. Successfully tailoring agile: scale and blend!

Adopting agile outside the IT department delivers major benefits to larger organizations, enabling them to become more competitive, undergo digital transformation and meet changing customer needs. However, there's no one-size-fits-all solution to implement agility, and it is vital to tailor the approach to your company's needs, as well as to integrate agility into the overall context – not every process, product or project in every environment can be done better with agile. Additionally, the tailored agile approach needs to fit a more general transformation of the organization, which will naturally evolve towards blending creativity and disruption with productivity and efficiency.

Therefore, individual combinations of building blocks from agile and innovative working models that match particular needs have to be developed. Bear in mind that becoming a “fully agile” or “blended-agile” organization is a continuous process and can involve drastic cultural changes that not everybody in the organization will be willing to participate in from the start. You need to know where to start the change, and where you still have time and can spare your breath for a while.

Notes



Contacts

If you would like more information or to arrange an informal discussion on the issues raised here and how they affect your business, please contact:

Austria

Karim Taga
taga.karim@adlittle.com

Italy

Katia Valtorta
valtorta.katia@adlittle.com

Spain

Salman Ali
ali.salman@adlittle.com

Argentina

Daniel Monzon
monzon.daniel@adlittle.com

Japan

Yonoshin Mori
mori.yonoshin@adlittle.com

Sweden

Martin Glaumann
glaumann.martin@adlittle.com

Belgium

Frederik Vanoene
vanoene.frederik@adlittle.com

Latin America

Guillem Casahuga
casahuga.guillem@adlittle.com

Switzerland

Volker Pfirsching
pfirsching.volker@adlittle.com

China

Russell Pell
pell.russell@adlittle.com

Middle East

Adnan Merhaba
merhaba.adnan@adlittle.com

Turkey

Coskun Baban
baban.coskun@adlittle.com

Czech Republic

Dean Brabec
brabec.dean@adlittle.com

The Netherlands

Michael Kolk
kolk.michael@adlittle.com

UK

Richard Eagar
eagar.richard@adlittle.com

France

Vincent Bamberger
bamberger.vincent@adlittle.com

Nordic

Fredrik Harenstam
harenstam.fredrik@adlittle.com

USA

Mitch Beaumont
beaumont.mitch@adlittle.com

Germany

Volker Pfirsching
pfirsching.volker@adlittle.com

Norway

Diego Mackee
mackee.diego@adlittle.com

India

Srini Srinivasan
srinivasan.srini@adlittle.com

Singapore

Yuma Ito
ito.yuma@adlittle.com



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Arthur D. Little

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