

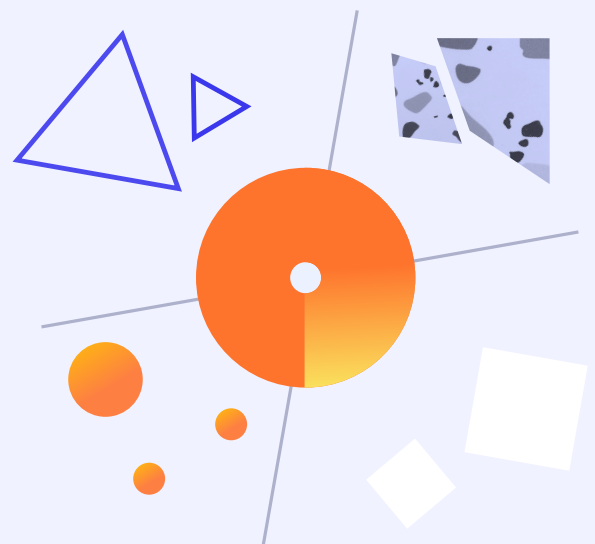
Summer 2022

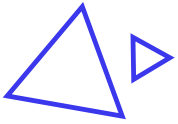
The leadership journey to create an agile enterprise: changing culture and mindset starts at the top

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Executive summary

Enterprises face a constantly changing environment. Customer expectations are always rising. New competitors can enter from adjacent markets more easily than ever before. The cloud, artificial intelligence, and a host of other emerging technologies enable new business models that place the customer at the center of the business. Data comes in both “big” sizes for massive analytics engines and “little” sizes from frequent A/B testing for what customers prefer.

Adding to that environment, the COVID-19 pandemic created a dizzying set of contradictions. For some, time seemed to stand still. Yet, many established trends accelerated, setting new changes into motion. Rapid change was an established trend before the pandemic, and it’s only going to get faster. Feeling like you’re standing still is not an option for the modern enterprise. Speed of execution and adaptation is now arguably the core of competitive advantage. How agile is your firm? What characteristics and practices define the agile enterprise in your business?

Technology plays a large role in driving changes in the world, but for enterprises to adapt it will require more than purchasing and deploying the right technologies. It will require a cultural transformation to drive enhanced business performance, employee engagement and customer satisfaction.

Toward that end, the goals of this white paper are to help senior management:



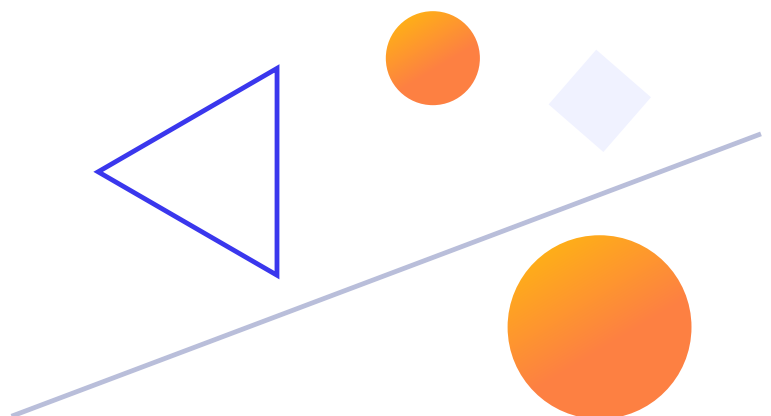
Understand the nature of the organizational problem



Explore key aspects of agile methodology that can be extracted to a higher-level cross-organizational model



Identify some starting points for making this transformation





Introduction

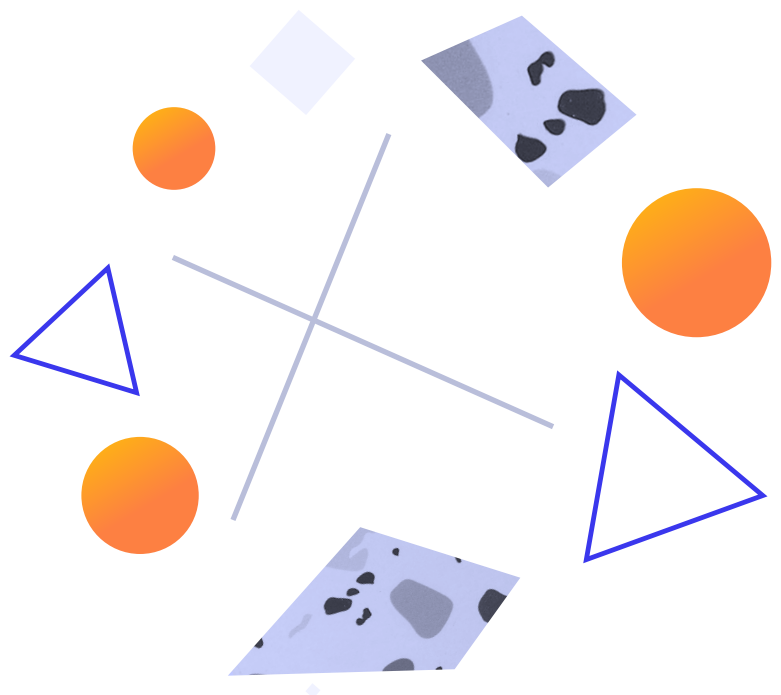
To appreciate the value of agile workflows, look no further than the RMS Titanic. On the night of April 15, 1912, the captain and officers of the ship thought they had the processes in place to avoid catastrophe. The ship was state of the art in design. The crew was the finest of any at sea. Yet, the passengers' journey was ill-fated from the start. The very design of the ship – with its well-known lack of sufficient lifeboats for all the passengers – betrays a lack of customer focus. In addition, the entire enterprise lacked an agile mindset.

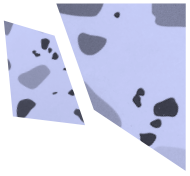
While many factors contributed to the ship's sinking, there are lessons in this story for the modern enterprise. When a lookout spotted the iceberg, he rang a bell and telephoned the bridge. The captain had to verify the sighting. Then the captain sent a message to the engine room, via telegraph, to reverse engines. The pilot was ordered to turn the ship. The iceberg side-swiped the ship and, after inspection, the officers thought the ship was fine. It was a slow, faulty feedback loop since the incident actually gouged a 300-foot gash below the waterline.

The Titanic suffered from a hierarchical command and control culture, slow sense-and-response systems, and huge gaps between actions and the feedback on results that could drive further action. The ship and the organization running it could not act with agility. All the technology of the day could not save it.

Today's enterprises can be as large and unwieldy as an ocean liner. The operational concept of "agility" has taken root in these firms through advances in tools and methodologies in software development. Expanding the agile concept across the enterprise presents challenges well beyond the software tools. Management's mindset and the organization's culture must embrace agility first, or tools will have limited impact. Organizational transformation requires cross-functional changes that are well outside the limits of a toolset.

Agile transformation is about **integrating** people, processes and technology. It can be tempting for management to start with the technology since they are the most concrete aspects of agile transformation. However, the technology is not the starting point and does not drive the transformation. The impact of even the best tools is limited without first addressing the less-tangible aspects of people and processes.





From software development to enterprise transformation: Re-conceptualizing agility

The agile enterprise is one that can change its culture and mindset to operate in new ways. Such systemic change, of course, is easier said than done. Small changes can begin and bubble up from anywhere in an organization. To reach all functional units and become a way of life, these small changes face challenges (e.g. organizational boundaries, entrenched practices) and can spread faster with the buy-in and demonstrated support from senior management. Senior managers may need to undergo their own cultural and mindset changes to unleash the creativity and potential of their enterprises.

McKinsey defines an agile enterprise as one “based on creating fluid organisations that continually evolve to capture market opportunities while highly engaging their employees.”¹ The global consulting company found that such businesses boast a 20 to 30 percent boost in financial performance over their less agile peers. Powering that bottom line are significant increases in operational performance, customer satisfaction, and employee engagement stemming from cross-functional teams owning value creation and decision-making for flexible workflows.

These teams incorporating IT people, and software tools are no doubt

¹“The five core IT shifts of scaled agile organizations,” McKinsey and Co. April 15, 2021 (<https://www.mckinsey.com/business-functions/organization/our-insights/the-five-core-it-shifts-of-scaled-agile-organizations>).

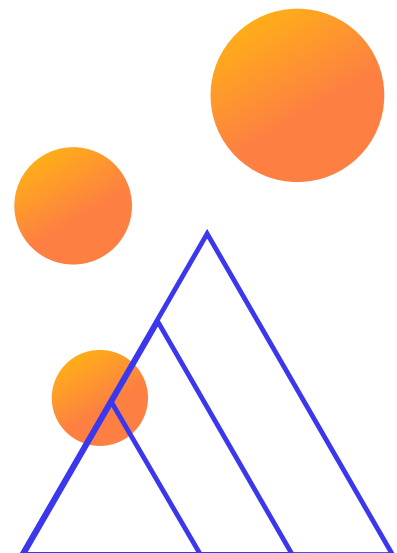
involved in creating the outcomes McKinsey documented; however, tools alone do not create an agile enterprise. The “agile” concept entered management lexicons through IT departments and software development. Silos were broken down, creating what we now call DevOps – software developers on the same teams with production operations people (e.g. those responsible for maintaining websites, e-commerce systems, internal sales automation) and staff from the business units needing the applications. These teams reinvented processes that created continuous integration and delivery of software upgrades in a never-ending cycle of business improvement. Enhanced communication among all stakeholders in the software value chain improved understanding of requirements, customer impacts, technology limitations and outcomes. The gap between innovation and feedback narrowed so that innovation could be ongoing rather than multi-month (even multi-year) cycles under traditional methods. Software tools such as the Atlassian suite help manage this software value chain, but the real agility comes from people driving fluid processes.

Expanding this “agile” concept beyond this one technology-based value chain creates tremendous advantages, as the McKinsey data attests. However, the functional boundaries that must be crossed encompass more disciplines such as Marketing, Human Resources, or Sales. These departments have their own cultural characteristics and – unlike the DevOps teams – do not necessarily have the same tangible deliverables (i.e. an application) binding the value chain together. Identifying the value chains to recreate in this more flexible, fluid agile

approach is a more complex task. The creation of value for customers must become that same tangible force for everyone.

This presents senior management with a unique challenge. Business schools train professionals to be experts in managing complicated organizations with many moving parts engineering profit one step at a time. The agile organization is more of a complex biological ecosystem where power is diffused and everyone is constantly learning – no one set of experts has all the answers and the questions to address should be changing regularly anyway. Value for the customer is created by the interactions of autonomous entities. In that model, as McKinsey suggested, profit is a product of increased operational performance, customer satisfaction, and employee engagement.

This transformation is not easy or fast and is better characterised as a journey where everyone in the organisation is a fellow traveler. As with any educational process, it helps to start with some concepts and step forward to execution.





Every company is technology driven today

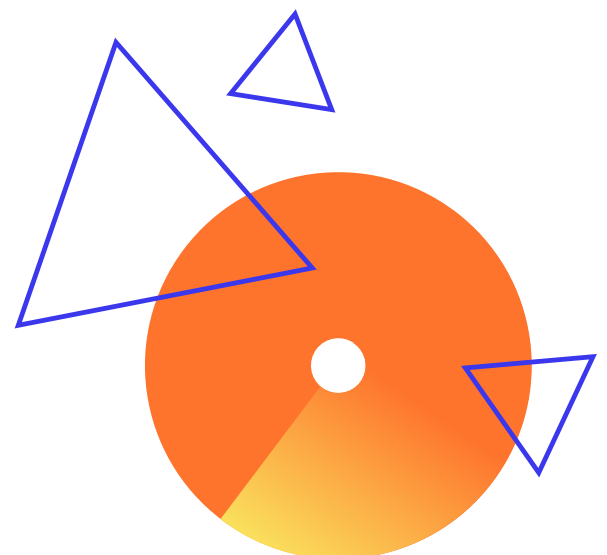
For the agile mindset to take hold throughout the enterprise, everyone must begin looking at the company in new ways, from senior management to the front line. One way to think about this is that, today, every company is a technology company, deploying innovations such as software to create incredible flexibility and reach. Employees rely on software to get their jobs done. Software creates value for stakeholders. Software drives interactions with customers, whether through e-commerce, CRM systems or even video conferences.

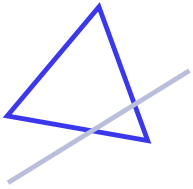
All these software interactions are independent of the final product or service delivered to customers. Looking to software for insights on broadening the concept of enterprise agility makes sense in this light.

Aligned Agility has worked with a wide variety of enterprises on adapting agile methods to both specific projects and to enterprise-wide transformation. Agile workflows always cross organizational silos. For one consumer products company, Aligned Agility, experts helped the IT organization work closely with business units as the complexity of managing many large workflows in Jira simultaneously became daunting. Establishing new forms of communication among team members proved just as important as adapting the tools to the value chain. This change in organizational dynamics – facilitated by the technology – sped up execution across the business.

Enterprises hit these inflection points regularly. Sometimes, these moments erupt everywhere at the same time, such as the COVID-19 pandemic of 2020-21. Companies already operating under agile methods were able to reconfigure processes as their customers' needs and the environment rapidly evolved. Some companies adapted on the fly because it was the only way to stay in business, and they have an opportunity to continue developing this more fluid approach to operations as the global economy moves forward.

Different companies embrace this agile mindset and culture shift for different reasons. One common thread is the role of leadership in championing the shift: those leaders who emerge everywhere in the organization as they are empowered to act; and senior managers who must help create an environment where they can emerge.





Leaders face a mindset and culture shift first

One of the organizing mantras of the agile software movement has been “People, Processes and Technology.” The challenge in spreading the agile concept across the enterprise, into all its operations, transcends choosing the right tools. It is a leadership challenge focused on people and processes.

Senior managers in today’s enterprises are not necessarily schooled in agile concepts. In some respects, relinquishing control and empowering people to act without being told what to do could be intimidating for managers trained to be the experts with all the answers and all the power. To realise the performance gains, those at the top must demonstrate their willingness to change the way power and communication flow in the organization.

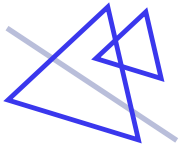
Senior stakeholders must create an environment where power can become decentralised and diffused into the organization.

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Hierarchical power structures and vertical lines of communication inhibit open communication, rapid decision-making, adaptability and fast execution typical of agile organizations. A brief return to the Titanic scenario can quickly underscore the problem.

While many things contributed to the infamous sinking of the ocean liner, a centralized system of authority slowed any and all actions to avoid disaster. The power structure was hierarchical, focused on the captain and key officers. No one in a position to take the needed actions – the people who had the necessary information the soonest – had the authority to act. The lookout could not order the helm to turn or the engine room to reverse engines. The captain had to be informed and then confirm the sighting. When the captain's telegraph message reached the engine room, it is unlikely that it was handed to the crewman with his hand on the switch to reverse engines. It had to first go to the chief engineer to be read, delaying the actual reversal of engines for precious minutes. Obviously, the world is very different from the age of the Titanic. Yet, this hierarchy was natural to all involved and a similar template has existed in enterprises large and small where charismatic, hard-driving or visionary personalities at the top seem to have all the answers.

No one has all the answers in today's complex, fast-changing world. Yet, answers could emerge from anywhere in the organization given the right culture and mindset.



The journey to the agile enterprise

As a practical matter, overnight transformation to agile operations and autonomous teams across the enterprise is not possible. The truth is agile organizations evolve. To create a framework for what that looks like operationally, some concepts need to be understood.

Autonomous teams

Today, the word “autonomy” is often defined by the concept of the autonomous vehicle, an automaton completely independent of human input and potentially lacking accountability for decisions made. The autonomous vehicle does not provide the proper template for understanding the autonomous teams driving the agile enterprise.

Autonomous teams own a complete workflow, from concept to customer. They are cross-functional in nature and self-organizing, recruiting and expanding or contracting as necessary. They are the experts in their fields, close to the acquisition and analysis of any relevant data. They are empowered to act by making decisions to keep their value chain operating efficiently and rapidly. They are the first to evaluate the outcomes of their actions in a never-ending improvement loop.

Closing the Action-Feedback Loop

As the enterprise forms these autonomous teams, it is useful to eliminate gaps between action and feedback. Think of a stimulus-response system. When the team takes an action, they should be able to know its impact or efficacy at the soonest possible moment.

That knowledge should then drive the next action based on that feedback, whether it's corrective, accelerant or the proliferation of a successful experiment to other areas of the business – this is real data-driven decision making in action. The most important response to understand, of course, is that from a customer indicating the need for a breadth of team membership and communications structures, whether those responses are coming electronically (e.g. a customer clicking on a website) or via field communication channels.

Outcomes vs. processes

The agile organization operates fluidly, so maintaining mission alignment needs to happen through open communication and clear delineation of roles and inflection points. Senior leaders can manage by setting meaningful desired outcomes, rather than specifying actions. The self-organizing teams can determine the appropriate actions since they are the most knowledgeable about a particular workflow.

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Problems will still crop up, and they need to be identified and understood rapidly using real data so that the autonomous teams can move toward solutions. Eliminating political baggage is absolutely necessary – and once again must be demonstrated by actions from senior leaders – so teams can move deliberately and quickly.

The need for automation

Any activities that can be automated should be automated. That frees up resources for experimentation. Instead of aiming for dramatic improvements that require lots of planning and major resources, small advances can still be meaningful. Experimental processes such as A/B testing can discover these advances regularly. Through A/B testing, when a clear improvement – preferably verified by customer actions – is identified it can be spread throughout the enterprise.

These are guidelines to build an agile strategy. Where do you start?

Imagine a continuum. At one end is the hierarchical, command and control, Titanic-style centralised organization. At the other is an imagined completely agile, fluid version of your enterprise in all its stimulus-response, customer-centric glory. With brutal honesty, locate your current reality on that continuum. Identify a next phase of operations that would move in the agile direction.

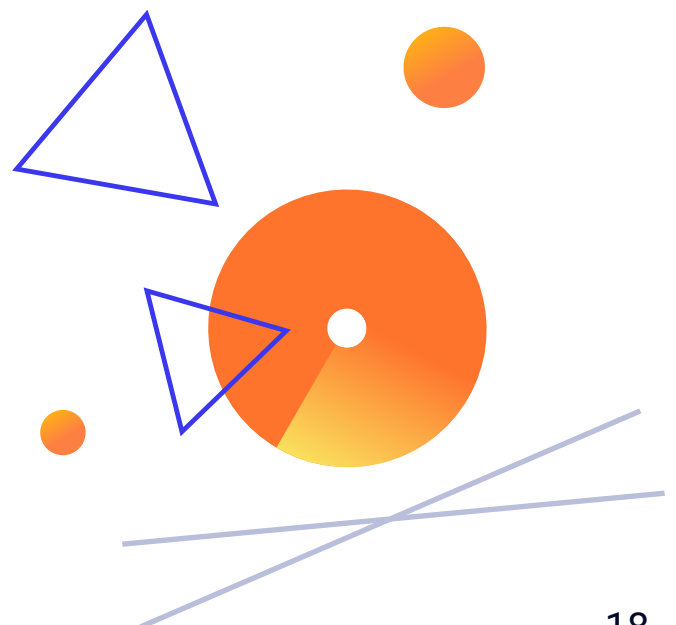
For clarity's sake, your first moves in building the pioneering team and practices should be crafted around value streams or initiatives. This can avoid disrupting revenue generation and other ongoing activities. It also

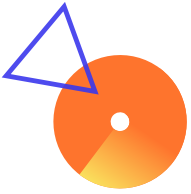
frees this new team of some organizational constraints so that it can experiment to discover what works in this new mode without bumping up against bureaucracy or the limitations of past practices. Assess results openly and honestly (in a retrospective, for example), recognising that not everything is going to work. Senior leaders and this team should “fail together” in the spirit of learning and creating institutional knowledge.

Incentives should be built into the process, recognising that money is not necessarily the biggest motivator. Management’s demonstration of support is a better motivator for engagement in the agile journey. That can be accomplished through greater exposure to senior leadership, open communication channels and leaders openly recognizing accomplishments through employee communication mechanisms.

Since this first autonomous team is, by definition, cross-functional, it will undoubtedly brush up against other workflows and value-creation systems as it gains confidence over time. Management can then begin identifying other adjacent parts of the enterprise, or value chains that can either be subsumed into this first experiment or can adopt successes from the first team and begin transforming another part of the enterprise. Management should cross-pollinate where possible and keep a sharp map of interdependencies between workflows. These interdependencies provide the emerging roadmap for the agile journey across the enterprise.

Once started, the agile journey continues without end. It is not a one-size-fits-all endeavor. You may get all the way from one end of the continuum to the other, or you may simply find what works. It is not a static position, though, since continuous improvement is the heart of these autonomous team operations.





The agile journey begins

The story of the Titanic is one of many failures. One systemic failure was the mindset with which the ocean liner was organized: hierarchical decision-making and communications coupled with huge gaps in action-feedback loops. These are people and process issues. The technology of the day simply reinforced them rather than compensated for them.

Agile methodology, and the rallying cry to create agility across the organization, extends from the IT department and software development and operations. There is much to learn from the transformation of this technical sphere. However, we've said it before and we'll say it again: senior managers should not assume that the agile enterprise is simply the product of deploying the right technologies. When agile gurus preach the power of "people, process and technology," it's easy for enterprise leaders to focus on the technology. The agile enterprise, however, starts with rethinking culture and the people and processes that operationalize that culture. Only then can the proper tools help accelerate and manage those operations.

Transformations take time, but start to create value very quickly. There will be obstacles to overcome and setbacks along the way. For the entire organization to commit to this journey, senior management must demonstrate their commitment and rethink the way they manage.

With that in mind, here are two broad areas of guidance to help you on your journey:

Strategically, map out:

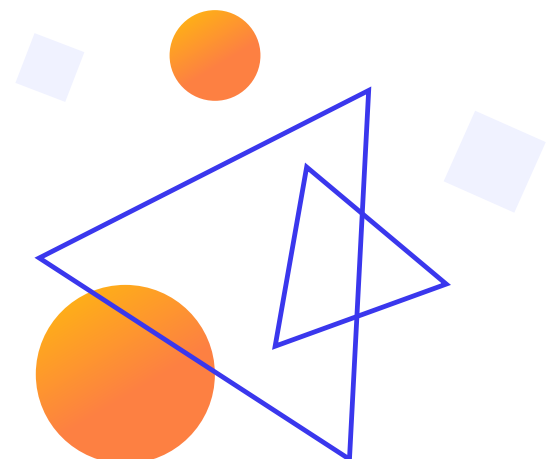
- Autonomous teams that own an entire value creation workflow and are empowered to make decisions to enhance that workflow
- Close action-feedback loops so that virtually everything can act in infinite iterative cycles
- Think in terms of desired outcomes and let processes emerge and evolve to achieve them
- Build consistency, automating where possible and proliferating what works

Get started and build momentum:

- Honestly assess where you lay on a continuum of rigid top-down operations versus completely agile, fluid operations and set a direction from there
- Start with new initiatives to form the pioneering teams and empower them to work autonomously
- As this pioneering team matures, identify adjacent workflows that can adapt to successful strategies and tactics

Perhaps the last bit of guidance is the hardest. As we've said, creating an agile enterprise is a journey, rather than an event. Unlike most journeys, whether by ocean liner, car, or airplane, it is one that is an ongoing adventure. The agile enterprise continues evolving and adapting to the external environment as the global economy evolves and adapts. It's a journey with many wins, learning opportunities and recalibrations along the way – as they say, every day's a school day.

Bon voyage...





Too many agile consultations end with reams of notes and no action – we’re here to change that.

Many organizations think an enterprise agile tool will solve all their problems. Unfortunately when it comes to tooling, there is no silver bullet. However, we can show you how incremental process and mindset changes combined with the right tools become a golden spear to delighting your customers.

We’re not focused on one tool, nor tied to one framework. Instead we empower your teams to think differently about how they work to drive lasting change and tangible business results.

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