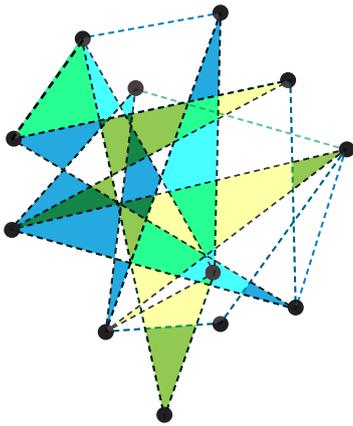# An Agile Manifesto for the Board

It's hard to avoid the term "agile" these days. The concept is generating excitement and zealous supporters at big companies worldwide, as it should since it's helped firms like ING Bank, Amazon, online music powerhouse Spotify and TV content producer Netflix to flourish. In fact, *Harvard Business Review*, that publishing mecca for management thinkers, has devoted no fewer than eight articles to the topic since 2016, including a cover piece this year on how to use agile to create "a truly flexible" large organization.[1] Agile has also been the topic of bestselling books, including *The Lean Startup and Scrum.*

More importantly, some companies are using agile to upend the way managers at all levels make changes to their businesses—changes that have made them faster to respond to customers and competitors, leaner, and more innovative.

However, not nearly enough senior executives deeply understand agile. That is limiting how far and wide agile methods are adopted in their firms. In fact, nearly nine out of 10 professionals surveyed this year believe their business are not highly competent in agile practices.[2] We believe that a key reason is that top management relegates agile methods to the IT function.

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[1] Harvard Business Review, "Agile at Scale: How to Create a Truly Flexible Organization," May-June 2018, accessed at: https://hbr.org/2018/05/agile-at-scale

[2] Collabnet VersionOne 12 Annual State of Agile Report, April 9, 2018, accessed Aug. 31, 2018. https://explore.versionone.com/state-of-agile/versionone-12th-annual-state-of-agile-report
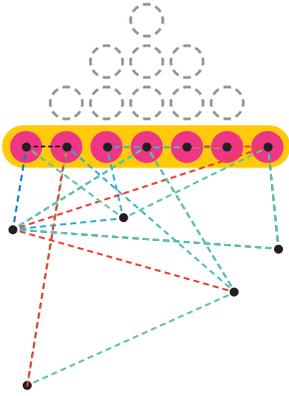
This practice increasingly will put their companies at risk to competitors that have embraced agile from top to bottom. In this article, I'll explain what I believe prevents most companies from fully embracing and thus mastering agile. Then I'll offer advice on how to overcome such hesitation.

Where Agile Has Gotten Traction

For agile's many proponents, the slow embrace of it at the top of companies may seem hard to understand. The adulation around agile has been building for years. The concept emerged at the turn of the millennium, when Web-based business and online ways of doing business in older companies were starting to take off. Suddenly, many online businesses and processes were available to customers round-the-clock at the click of a mouse, which greatly accelerated the speed of business. To compete against the Amazons, Netflixes, and Spotifys, established companies had to learn how to develop new systems in weeks or months, rather than years. Today, some find they must update their systems and online processes weekly or even daily.

Software developers realized that to compete in a digital world, organizations needed to move beyond traditional development techniques such as waterfall or sequential approaches. To address this, 17 of them wrote an agile manifesto in 2001 that reimagined software development to be faster, more adaptive and more effective. Companies like Amazon, Facebook, Spotify and Google make dozens of changes to their Web systems daily. In contrast, companies that use waterfall development may take months to make similar adjustments.

In the years since its inception, agile has grown ever more dominant. By 2017, 80% of U.S. federal government software projects were agile or iterative.[3] Research firm Gartner predicts 80% of large enterprises will adopt agile by 2021.

Still, while agile has been embraced by software developers worldwide, for many managers it remains a new or untried concept. In 2018, fewer than half of organizations surveyed by the Project Management Institute used

Nine out of 10 professionals surveyed this year believe their business are not highly competent in agile practices.[2] We believe that a key reason is that top management relegates agile methods to the IT function.

3   Deloitte Insights, "Agile by the Numbers," May 5, 2017, accessed at: https://www2.deloitte.com/insights/us/en/industry/public-sector/agile-in-government-by-the-numbers.html#endnote-5

an agile or hybrid agile approach over the prior 12 months.[4] Another study found that while most senior executives don't embrace agile, the concept is usually highly effective in other parts of their organizations.[5]

Agile is particularly important for certain types of businesses, especially those with digital products or legions of customers who buy their products online. Of course, this includes companies like Facebook, Google, Netflix and Spotify, but also banks, newspapers and airlines. The need for agile is less obvious yet still important in industries that rely on personalized digital marketing campaigns. Other industries where agile has taken hold include those that use self-service websites in customer service. USAA, which offers insurance and other financial services to military families, has more than 500 agile teams and plans to add another 100 in 2018.[6] Likewise, Netherlands-based bank ING has assigned most of its 3,500 full-time employees to agile teams.[7]

Senior Executive Resistance to Agile

Despite agile's momentum and many documented benefits, many senior executives have ignored it. I have found three primary reasons for this: skepticism, incomprehensibility and career threats. Let's go into each one:
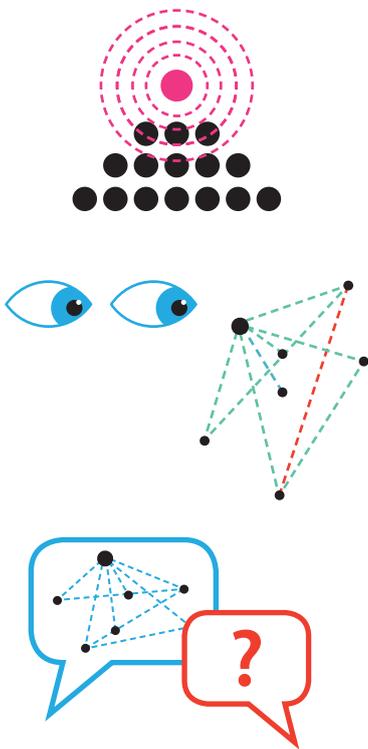
- **Skepticism.** Executives have seen years of corporate improvement programs before. Many have receded, only to be replaced by new "vital" tools. Remember re-engineering, pay-for performance and the balanced scorecard? These have come and gone over time, and seasoned executives inevitably have grown jaded. They may see agile as the latest management fad—a distraction to be resisted.

- **Incomprehensibility.** Agile brings a new and extensive vocabulary that executives must learn. The large and growing list of agile terms includes scrum, Kanban, DevOps, lean, minimum viable product (MVP), sprints, extreme programming, backlog grooming, burndown charts, burnup charts, and the scaled agile framework.[8] While developers and agile teams have found these terms useful, executives are likely to see them as opaque and off-putting jargon.

4   Project Management Institute, "Success in Disruptive Times" 2018, accessed at: https://www.pmi.org/-/media/pmi/documents/public/pdf/learning/thought-leadership/pulse/pulse-of-the-profession-2018.pdf

5   Bain.com, "Management Tools & Trends" April 5, 2018, accessed at: https://www.bain.com/insights/management-tools-and-trends-2017/

6   Harvard Business Review, "Agile at Scale," May-June 2018, accessed at: https://hbr.org/2018/05/agile-at-scale

7   Harvard Business Review, "The New Rules of Talent Management: One Bank's Agile Team Experiment" March 2018, accessed at: https://hbr.org/2018/03/the-new-rules-of-talent-management#one-banks-agile-team-experiment

8   See "The Ultimate Agile Dictionary" https://www.smartsheet.com/ultimate-agile-dictionary
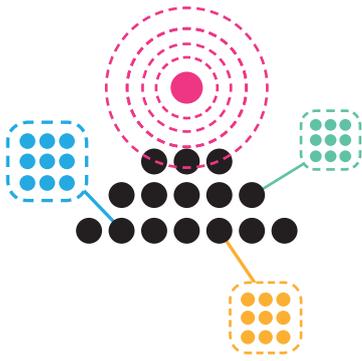
■ **Career threats.** If you are accustomed to wielding power, you could view the idea that teams manage themselves, rather than being directed from above, as subversive. How does an executive justify her position and compensation if she delegates key decisions to those under her? What distinguishes her from the rank-and-file employee? There's also the fear of dispensing with pyramid-style hierarchy and reorganizing into small agile squads—particularly when managers are confronted with the thought of dozens of such squads running around.

To master agile, however, its proponents must help skeptical executives overcome their resistance. Agile management requires buy-in not just from software developers but from the entire company. Managers at every level and in most business functions must embrace the new way of working. A world in which competitors can make important changes to products, services and processes in weeks or days—or hours, in the case of digital assets—forces companies to dramatically accelerate key decisions and actions.

An ecommerce site that cannot promptly fix an interface that customers find frustrating will no doubt lose them to the likes of Amazon, whose agile teams constantly improve the customer experience and whose developers can implement multiple software updates each day.

The adoption of agile methods is also critical in industries whose physical products contain a growing digital component. These include cars with telematics and onboard infotainment systems, and aircraft engines, power turbines and other industrial equipment, which increasingly come fitted with sensors and predictive analytics. Agile methods are also now vital in industries where the customer experience is the product. Disney, for example, is improving the customer experience at its Orlando, Fla., theme park using agile management and extensive data collected from the MagicBand wrist bands that visitors wear.

Over the next few years, as more and more large enterprises reorganize into highly responsive agile teams, the list of industries that must embrace agile will grow. Top managers who don't support and master agile methods will become problematic.

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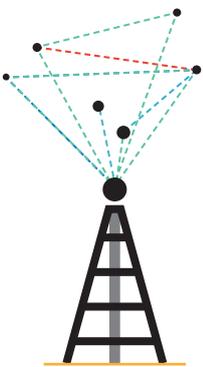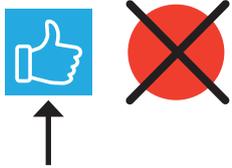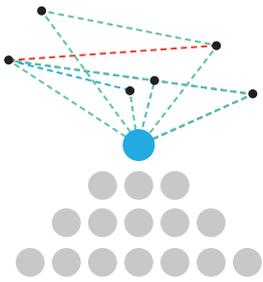
Getting Leadership Buy-In

From our experience in helping dozens of companies make the transition to agile, we have observed three measures that can greatly improve the chances of success.

1. Focus on the Benefits, Not the Approaches

Successful agile advocates present specific outcomes, in dollars and cents. They convince executives that it will improve operational performance (and therefore help them) *before* addressing how those results will be achieved. Showing executives the business impact of agile in financial and operational terms will greatly reduce skepticism. Look for stories like these:

- **Deploying agile to save an oil services firm**—In 2015, oil services engineering and construction firm WorleyParsons found itself in crisis. With the price of oil plummeting, demand for its services declined substantially. Successive rounds of cuts didn't solve the problem. Using agile squads, sprints, backlog prioritization and daily huddles, the company attacked the cost base. It implemented a wide range of changes, from overhauling the IT infrastructure to banning business class travel to accelerating responses to RFPs to fixing inefficiencies. In only 100 days, the firm increased its cash position 20%. In the first year, it saved $400 million on a $1.2 billion cost base, and margins increased by 5 percentage points. The equity markets noticed: Its stock rose fourfold.[9]

- **Building the world's most cost-effective fighter jet**—Executives who believe agile is better suited to a Silicon Valley startup than a complex organization should consider the Gripen fighter jet's fuselage, one of the world's most complex products. Saab Aeronautics uses more than 100 cross-functional agile teams, working in three-week sprints, to build the fuselage. To promote efficiency, the company has a daily process for identifying issues. "At 7:30 a.m. each frontline agile team holds a 15-minute meeting to flag impediments, some of which cannot be resolved within that team. At 7:45 a.m., those impediments are escalated to a team of teams, where leaders either fix them or further escalate

[9] Bain.com, "How Agile Teams Can Help Turnarounds Succeed," July 2, 2018, accessed at: https://www.bain.com/insights/how-agile-teams-can-help-turnarounds-succeed-hbr/

95% of finance executives reported revenue growth after adopting agile methods according to a study by AICPA/CIMA.

issues. This approach continues, and by 8:45 a.m., the executive action team has a list of the critical issues it must resolve to keep progress on track."[10] The result, according to an influential industry publication, is that the Gripen has been dubbed the world's most cost-effective fighter jet.[11]

Research has correlated agile management with strong results—financial and otherwise. Some 95% of finance executives reported revenue growth after adopting agile methods, while only 70% of non-agile leaders reported growth, according to a study by the American Institute of CPAs and the Chartered Institute of Management Accountants (AICPA/CIMA).[12] (See Figure 1). Practitioners of Scrum, the most popular agile methodology, estimate the approach is successful 62% of the time.[13] Other research has shown that the agile methods can speed time to market by 90%, increase sales-staff productivity 30%, and increase time spent on value-adding activities such as innovation, customer interaction, and problem solving by 130%.[14]

Figure 1: Agile Finance Pays Off

Revenue Performance
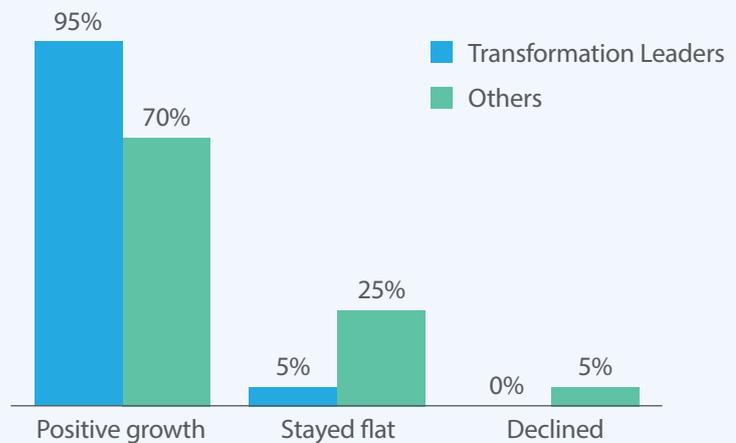
Source: American Institute of CPAs and the Chartered Institute of Management Accountants

10   Harvard Business Review, "Agile at Scale," May-June 2018, accessed at: https://hbr.org/2018/05/agile-at-scale

11   StratPost, "Gripen operational cost lowest of all western fighters: Jane's" July 4, 2012, accessed at: https://www.stratpost.com/gripen-operational-cost-lowest-of-all-western-fighters-janes/

12   Oracle, "Why the Modern CFO Needs an Agile Finance Model," undated, accessed at: https://go.oracle.com/why-modern-cfos-need-agile-finance-model

13   Scrum Alliance, The 2015 State of Scrum Report, accessed at: https://www.scrumalliance.org/ScrumRedesignDEVSite/media/scrumalliancemedia/files%20and%20pdfs/state%20of%20scrum/scrum-alliance-state-of-scrum-2015.pdf

14   McKinsey.com "Agility@Scale: Solving the growth challenge in consumer packaged goods" By Jan Henrich, Ed Little, Anne Martinez, Kandarp Shah, and Bernardo Sichel, July 2018, accessed at: https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/agility-at-scale-solving-the-growth-challenge-in-consumer-packaged-goods
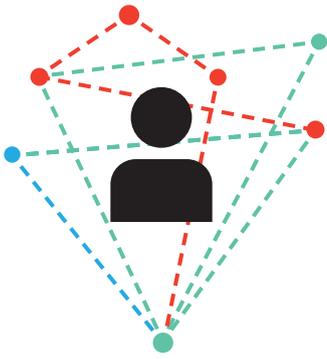
2. Describe Senior Management's New and Important Role

In addition to showing the benefits of agile, its proponents must communicate the key role of top management in mastering agile. This should reduce fears about the impact of agile on executives' careers and status. It also helps to describe the practices these leaders will need to stay effective.

The role of leadership in an agile organization is markedly different. Rather than *making* great decisions, agile leaders *help teams* make great decisions. Rather than exercising authority based on rank, experience and expertise, leaders must treat people as equals and empower them. Leaders must shift the culture from one that doesn't permit mistakes (and thus, at its extreme, operates on fear) to one in which failures are tolerated, lessons from those failures are celebrated, and changes are put in motion rapidly.[15]

In short, the role of a leader in an agile organization is to create strategy and empower, rather than micromanage.

Senior leaders must establish guidelines that agile squads can apply and operate within. For example, the marketing department of a multinational oil and gas company developed parameters for social media campaigns focusing on controversial environmental issues. After top management defined the campaign standards and objectives, regional and local agile teams quickly tailored messages for their markets.[16]
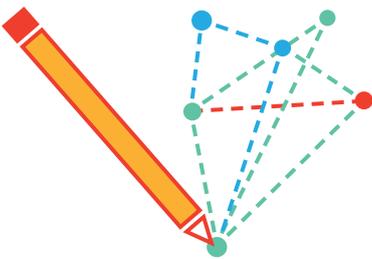
3. Write Your Company's Agile Manifesto

The final step is to write your own agile manifesto for your company's leaders—both the C-suite and the board. Unlike the Agile Manifesto of 2001 (which focused on agile methods), your agile manifesto must explore the potential business impacts of agile (in revenue and profit), and point to where this has already happened in similar companies, competitors and others.
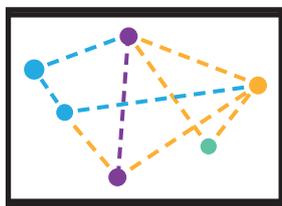
15   Tata Consulting Services, By Carl Shea and Nidhi Srivastava, "Effective Leadership of Agile Organizations: Building a Culture of Servant Leadership," accessed at http://sites.tcs.com/insights/perspectives/agile-articles

16   MIT Sloan Management Review and Deloitte University Press, G. C. Kane, D. Palmer, A. N. Phillips, D. Kiron and N. Buckley, "Aligning the Organization for its Digital Future," July 2016, accessed at: https://www2.deloitte.com/content/dam/Deloitte/co/Documents/strategy/Aligning%20Digital%20Future.pdf

Your messages must be clear. Speaking about agile in everyday terms will reduce its incomprehensibility to those who don't use the language every day. Avoid acronyms and use the vernacular of business, not software. For instance, instead of using terms familiar to developers like "services-oriented architecture" (SOA), explain that the goal is to develop small pieces of software, each of which focuses on a key business task.

You must liberally use real business examples to illustrate and prove the value of agile. Be sure to invoke the names of highly respected companies and well-regarded CEOs, division heads, etc., who have become big proponents.

To get you started, here are some examples:

- **Netflix**— Among its many accomplishments, perhaps the most impressive is the rapid rise of its original content. In 2018, just five years after launching "House of Cards," Netflix scored the largest number of Emmy Award nominations (112), a distinction that had been held by HBO the previous 17 years. How did an upstart conquer a highly competitive, established industry in so little time? The answer: fast feedback, iterative changes, and cross-collaboration—all core agile concepts. Instead of releasing pilots to see if a concept will work, Netflix tests and reviews projects under development to improve the chances its shows connect with audiences.[17] Using agile techniques, Netflix also individualizes marketing campaigns. The company produces multiple personalized trailers for programs and screens them with members based on data of their viewing habits.[18] These techniques have helped Netflix rise to dominance. The service is watched more than any other platform, including basic cable and broadcast. It released 452 hours of original programming in the second quarter of 2018, up more than 50% year-over-year.[19]

The role of leadership in an agile organization is markedly different. Rather than making great decisions, agile leaders help teams make great decisions.

17   CrossBearTesting, "5 Lessons Agile Teams Can Learn From Netflix," by Alex McPeak, Jan. 16, 2018, accessed at: https://crossbrowsertesting.com/blog/continuous-integration/agile-develoment-netflix-lessons/

18   GigaOm, "For House of Cards and Arrested Development, Netflix favors big data over big ratings" by Janko Roettgers, Feb. 12, 2013, accessed at: https://gigaom.com/2013/02/12/netflix-ratings-big-data-original-content/

19   Wall Street Journal, "The Netflix Squeeze" by Elizabeth Winkler, July 14, 2018, accessed at: https://www.wsj.com/articles/the-netflix-squeeze-1531576800
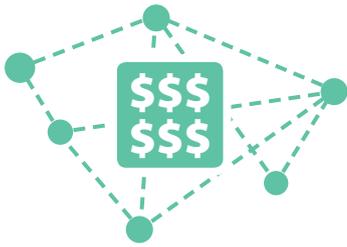
- **ING Bank**, like most banks, does not have its roots in technology. Yet several years ago, it foresaw the mounting threat from financial technology firms and recognized that agile methodologies made these startups more responsive. ING reorganized itself into agile squads in which business IT and employees collaborated, "constantly testing what they might offer our customers, in an environment where there are no managers controlling the handovers and slowing down collaboration," according to CIO Peter Jacobs. ING also did away with steering committees, project managers and agility-killing silos. The results: faster time to market, stronger employee engagement, and increased productivity. Rather than having five or six big online product launches per year, the company goes live with new releases every two weeks or so. That has helped ING deliver stellar online customer experiences.[20]
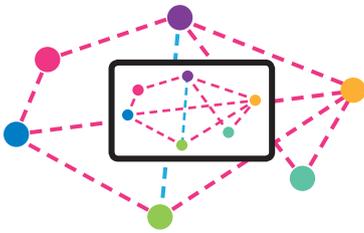
- **Nestle**'s Digital Acceleration Team has used agile techniques to manage global social media for its 2,000 brands. The approach has enabled the company to scale up its 24/7 social media presence across the world, and increase followers to more than 170 million consumers. It has also driven company innovation. As a result, e-commerce for Nestle accounts for 4% of sales.[21,22]
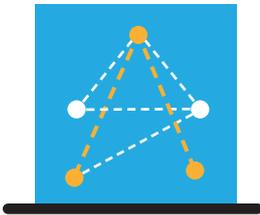

- **Amazon** is arguably one of the most innovative companies, ever. Not coincidentally, it was built on agile, and CEO Jeff Bezos pins the company's success on the concept. "In today's era of volatility," he has said, "there is no other way but to re-invent. The only sustainable advantage you can have over others is agility, that's it. Because nothing else is sustainable, everything else you create, somebody else will replicate."[23] Like Netflix, Amazon immerses itself in the data that its vast website generates. It constantly tests new ideas, both small and big—hence Prime, Fulfillment by Amazon, Amazon Web Services

[20] McKinsey Quarterly, ING's agile transformation" January 2017, accessed at https://www.mckinsey.com/industries/financial-services/our-insights/ings-agile-transformation

[21] MIT Sloan Management Review, Pete Blackshaw (Nestlé) - interviewed by Michael Fitzgerald "How Digital Acceleration Teams Are Influencing Nestlé's 2,000 Brands," Sept. 22, 2013, accessed at: https://sloanreview.mit.edu/article/testing-123/

[22] Nestle company presentation, Winning in a Connected World, 2015, accessed at: https://www.nestle.com/investors/presentations

[23] Digital Marketing Institute, "What are the Benefits of Digital Transformation?" accessed at: https://digitalmarketinginstitute.com/en-eu/the-insider/13-03-18-what-are-the-benefits-of-digital-transformation
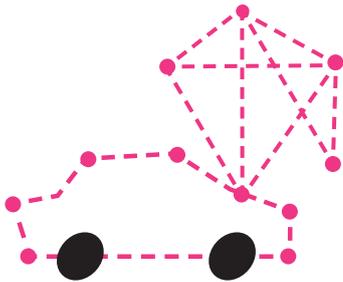
(AWS), Amazon Business, as well as the occasional failure, such as the Fire Phone. Despite the market dominance of its e-commerce interface, developers are constantly testing potential site updates to understand how consumers will respond. The data these squads obtain helps ensure that new releases are successful. And in rolling out new software, Amazon's nimbleness is unmatched in e-commerce. Despite its complexity, Amazon has structured its software so it can make many changes to its website *each day*.

- Electric carmaker **Tesla** is also built on agile techniques, and is engineered to make change easy. It created interfaces so that each component of its cars can be modified independently. The bumper team can change its design, so long as it maintains the interface with the parts it affects. Rather than waiting for waterfall-style major releases, the company makes about 20 engineering changes each week, to improve both production and performance.[24]

Why You Need to Start Penning Your Agile Manifesto Today

Agile is making a real difference in how managers and workers improve products and processes. If top management at your company resists agile, now is the time to write your own agile manifesto for them.

But be sure to make it a lively read, grounded in facts and figures of agile's business impact at market-leading companies. Your manifesto must be understood by the lay person, not just by the agile advocates. And it needs to clearly explain the vital role that senior management will play in an agile enterprise.

You can save the mechanics of how a scrum works for later, after you win buy-in at the top. And after they see boost financial performance, you'll be surprised how agile friendly they get.

Agile manifesto must be understood by the lay person and it needs to clearly explain the vital role that senior management will play in an agile enterprise.

24   Harvard Business Review, "Agile at Scale," May-June 2018, accessed at: https://hbr.org/2018/05/agile-at-scale

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