

THE ESSENCE OF AGILE

**Embracing Agility Means Agility
by the Business, for the Business**



Author

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The push for agility in software development started nearly 20 years ago. But today, with technology becoming essential to the way business is delivered, agility in the IT function alone is not enough.

To make much faster changes in their product, service offerings, and the business processes that support them, companies need to implement agile principles and approaches throughout the enterprise. Enterprise agility encompasses all components of an enterprise's design and management: its strategy, people, processes, technology, and infrastructure. The goal is to deliver what customers want, and to continuously adapt to market and customer changes.

As with all transformations, this is a tall order. It involves altering the DNA of the organization, and how it senses and responds to the marketplace. Asking every function in a large organization to adopt agile principles all at once is a huge undertaking likely to produce both false starts, occasional resistance, and cynicism.

This is the holistic challenge of embracing enterprise agility to create a flexible, adaptable, responsive, and more competitively fit organization.

Achieving enterprise agility takes commitment. It means investing in people skills, in new tools and technology, and in a workplace organized to encourage teamwork.

It requires making the organization's culture flatter. It calls for adjusting decision-making styles, including the speed at which people make them. It means spending time and resources on change management to sustain these new ways of working.

The effort pays off. Enterprise agility improves collaboration. It leads to a higher quality of products and services delivered. It speeds time to market for those offerings. It improves processes for creating demand (through marketing, sales, and R&D) and for generating supply (through production and distribution). It strengthens customer service. It boosts productivity.

And the need for enterprise agility is clear. Established companies are learning that digital startups have three distinct advantages that enable them to make rapid inroads into markets once ruled by incumbents. These digital natives:



1. Do not have to compete on the same terms, with the same strategies, business processes, and legacy systems as incumbents to pursue market opportunities. (For example, to compete with taxi services, Uber and Lyft do not have to maintain a fleet of vehicles.)



2. Can develop digital systems far more rapidly, using testing, and data from customer trials to ensure a higher likelihood of success. (Consider Amazon's continual adjustments to its web store offerings.)



3. Typically develop these digital systems rapidly using lean-agile approaches (as do Airbnb, Spotify, and Google, among others) rather than traditional, sequential, time-consuming waterfall project management.

While the business urgency to create an agile enterprise is clear, it's unrealistic to ask every executive running every business function to adopt agile approaches immediately. Eventually, organizations that wish to compete in a digital world will have to embrace agile as a new way of working, but because the transition is a significant shift in how business process and product managers operate, and what they value, asking them to do so at once is likely to be met with resistance.

Area	Traditional Organization	Lean-Agile Organization
Organizing People	<ul style="list-style-type: none"> • Leaders delegate • Traditional hierarchy 	<ul style="list-style-type: none"> • Leaders empower • Flatter organization
Culture and Process	<ul style="list-style-type: none"> • Strictly defined roles • Structured groups with assignments 	<ul style="list-style-type: none"> • Self-organizing teams • People develop skills to take on multiple roles
Tools and Technology Infrastructure	Monolithic architecture	Modular architecture with micro services

Figure 1: Differences Between Traditional and Lean-Agile Organizations

A better approach to an enterprise’s agile transformation begins with a tight focus on a core set of activities within a business function, making those activities agile, and then demonstrating their benefits to the rest of the organization—and then replicating that work elsewhere to scale it across the organization. We call this embracing agile at the core of value generation for the enterprise, and using success to enable change to ripple across until it transforms the entire business.

The road to any large endeavor begins with a thoughtful assessment to determine where to begin.

Where to Begin

Deciding which part of an enterprise to make agile first should start with an agile readiness assessment to identify the business area best positioned to adopt agile practices. This area will become the agile pilot for the enterprise. And as agility depends upon a foundation that makes it possible to develop and test new products and services iteratively and quickly, this determination should start with

Company	Business Activity with Focus on Agile	Reason for Focus
PayPal ¹	Product development	Shift from projects-based work to product focus to emphasize team accountability to quality customer experience
Kraft Foods ²	Marketing	Changing consumer behaviors required faster metabolism; real-time decision-making for defining consumer targets and communicating marketing messages
Zappos ³	Customer service application	Strengthen the company's reputation for quickly responding to customer requests for information about goods for sale, to generate more loyalty and future business

Figure 2: Examples of Companies That Have Embedded Agile in Their Business

an examination of the existing ways in which people are organized, the culture in which they work, and the processes, technologies, and tools they use to accomplish that work.

Figure 1 provides a simplified view. It includes characteristics in place that describe a traditional organization (or functions within an organization)

before it adopts lean-agile principles, along with the characteristics that describe organizations and functions after they have adopted them.

A critical consideration in discussing how enterprises become agile is noting that it is not an all-at-once proposition. Figure 2 shows how companies have incorporated agile techniques in parts of their businesses to meet specific business needs.

¹ TechTarget SearchCIO, Four Pillars of PayPal's 'big bang' Agile Transformation, August 2014, accessed March 13, 2018, <http://searchcio.techtarget.com/feature/Four-pillars-of-PayPals-big-bang-Agile-transformation>

² Forbes, How Data Nourishes Agile Marketing at Kraft Foods, October 26, 2014, accessed March 13, 2018, <https://www.forbes.com/sites/avidan/2014/10/26/how-data-nourishes-agile-marketing-at-kraft-foods/>

³ Fast Company, How Zappos Uses One Week Work Sprints to Launch Big Projects Fast, July 11, 2014, accessed March 13, 2018, <https://www.fastcompany.com/3032947/how-zappos-uses-one-week-work-sprints-to-launch-big-projects-fast>

Performing an agility assessment calls for analyzing the organization's work activities and separating them into two categories:



Pattern A applies to the parts of the organization working on software development, maintenance, and operations. This includes areas such as IT, operations, and quality assurance testing. These IT-centric functions are poised to adopt lean-agile principles as well as agile methods and practices. By lean and agile principles, we use the terms outlined in the Scaled Agile Framework:⁴

- Respect for people and culture, in which people perform work to benefit customers;
- 'Flow', describing how teams achieve optimized work processes to create continuous and sustainable value;
- Innovation, in which producers create new products for customers to validate;
- A focus on relentless improvement.



Scrum



Sprint

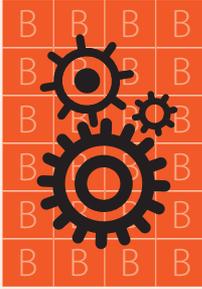


Stand-up meetings

Agile methods include **scrum** (in which the product owner works with team members to identify priorities for development), **sprints** (periods lasting a set period of time in which the team develops minimally viable products to test), and **stand-up meetings** (daily, or regular team meetings to get fast status updates).

While in most organizations it's common for Pattern A activities to occur in IT-centric functions—after all, agile began as a software development movement—they can also occur in other functions. Some companies will find these activities in sales (such as with a customer app), or in HR (if recruiting is central to that company's business model).

⁴ Scaled Agile Inc., Lean-Agile Mindset, November 17, 2017, accessed March 13, 2018, <http://www.scaledagileframework.com/lean-agile-mindset/>



Pattern B applies to business functions such as strategy and planning, marketing, finance, HR, R&D, learning and development, and others. These functions are well suited to adopt lean-agile principles, but not necessarily all agile methods. The adoption of agile methods and practices should be reviewed for their applicability and real benefits, as opposed to force-fitting agile to proven business processes.

Selecting an Agile Pilot Project

The next step after identifying the area of a company to make agile is selecting a pilot project. An ideal pilot project should be neither too short (to be credible and representative) nor too long (so the company can see timely outcomes and benefits). We typically recommend three-month pilots, giving the company sufficient time to inspect, adapt, and adopt lessons after four or more iterations during the project.

The pilot project should matter to the larger organization—but not be a top priority. Top priority projects will place too much pressure on a project team engaged in what is also a learning exercise. On the other hand, unimportant projects will not gain adequate commitment by participants, and will fail to establish credibility for lean-agile approaches.

A successful pilot project provides proof that lean-agile practices are valuable. It demonstrates to leaders and the organization that they can execute an agile project in the company's core. With a successful pilot complete, it's time to build on that experience.

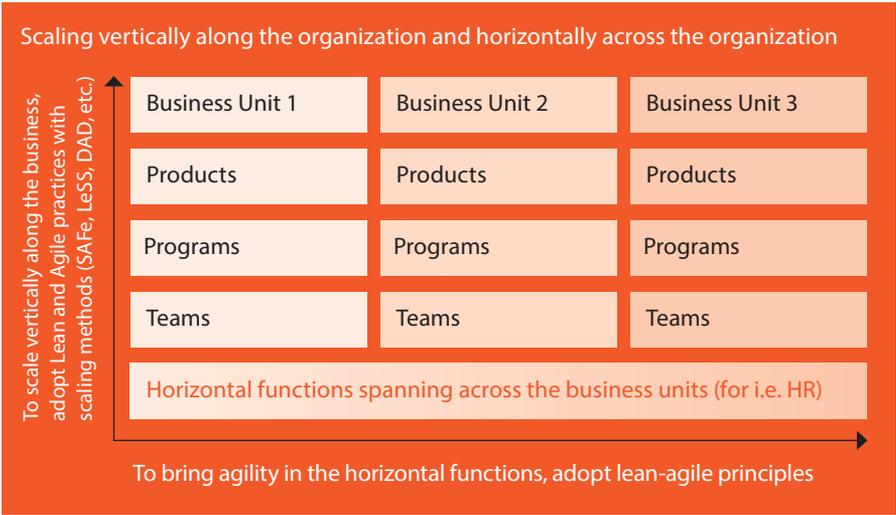
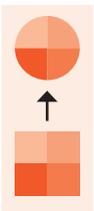


Figure 3: Scaling Agility Across the Enterprise

Spreading Lean-Agile Practices to Other Areas

The decision to bring the benefits of lean-agile practices to other areas of the company typically requires choosing between two paths. To spread agile approaches across an enterprise, companies either can scale lean-agile practices vertically within a business unit or horizontally across business units.



Vertical scaling within a business unit calls for adopting lean and agile practices using proven frameworks. Scaling methods such as the Scaled Agile Framework (SAFe), Large Scale Scrum (LeSS), and Disciplined Agile Delivery (DaD) are all well-established examples of frameworks that companies can follow to promote and propagate lean-agile practices and methods. For example, a retailer could first adopt agile for its portfolio of merchandising products in a particular value stream (the steps required to make goods for available for sale, and then sell them). Next, it would adopt agile methods and practices for supply chain products related to the same value stream.



Horizontal scaling would follow a similar pattern by emulating the successful experience in the company's core in a different business unit, bringing lean-agile practices to the new functional area. For example, a company could begin in its development organization, and then bring lean-agile principles to operations, and later to customer service.

Whether scaling horizontally or vertically, success factors include:

- ✓ Creating a competency pool within the organization using a construct such as an agile center of excellence where talented staff can practice agile principles and methods, and be available to work on subsequent projects. This can help a company disseminate agile approaches effectively.
- ✓ Business support. The goal of spreading lean-agile practices throughout the enterprise is nothing less than a thorough transformation. In our experience, agile enterprise transformation succeeds best when the business drives changes, and IT works as an equal partner.
- ✓ Building cross-functional, agile teams with people possessing the authority to drive change. Cross-functional knowledge will help the team to spread agile ways of working when the company moves from a pilot project in one area to adopting agile ways of working in another. This team will create clarity for stakeholders, defining both the roles they play, and the work they do.

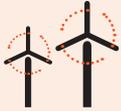
To initiate the journey to spread agility to other parts of the organization, start by using the agile readiness assessment to identify areas for improvement that are well positioned to adopt the new practices. Then prepare a transformation roadmap, for second, third, and more projects, and functional areas. Organize teams around value streams in the business area so the team's work is focused on projects valuable to customers (whether external or internal). Invest in coaching to help teams learn lean-agile practices and methods.

During projects, inspect results and adapt accordingly. Review progress according to relevant business metrics. Track outcomes. Conduct regular retrospectives to identify project areas that met or exceeded their goals, and those that could be improved. Correct course and adapt as required to meet the company's objectives.

Results from the Field

The examples of two companies that disseminated lean-agile principles across their organizations illustrate the kinds of benefits others can expect.

Example 1: A large Australian energy company



Problem: Challenges included new energy options like solar and wind, stiff competition from new market players and new energy regulations giving customers more choice in providers.

Solution: The energy company adopted agile across the enterprise with the goal of reducing time to market for new products to support frequently changing business priorities. It increased its capability to develop fit-for-purpose solutions to compete in its market, and prepared for a major digital transformation.

Driven by its CEO and CIO, the company's initiative reorganized business and IT based on customer experience value streams. The company established capacity-based agile teams with a 'core and flex' model (core team members were helped by people with right skills added as needed). It made investments to improve collaboration, including redesigning the work floor, and strengthening the technology infrastructure to support distributed agile teams. It automated software development and operations activities using DevOps practices.

Results: The company achieved a 90% reduction in deployment time for software products, a 40% reduction in production incidents that could lead to disruptions, and faster resolutions of application problems, leading to higher customer loyalty.

Example 2: A large U.S. retailer



Problem: Traditional project delivery methods were unable to meet business expectations for quality and timeliness. Functional silos dominated. Too many interdependencies among applications meant that software products depended on other software products to work—making them unreliable and inefficient.

Solution: Reorganized the enterprise, transforming it into a business portfolio-based product organization. It switched to agile and Scaled Agile Framework delivery methods across all business lines. A technology refresh included infrastructure upgrades that supported automation, including DevOps. New work spaces were created to improve collaboration and agility for business stakeholders and development teams.

Results: The retailer saw an eight-fold increase in annual product deployments. New product features reached the market 40% faster than before. Production problems fell by 20%. IT costs dropped by 20%. And IT infrastructure improvements led to a 95% reduction in lead times needed for providing required resources.

Time for an Agile Enterprise

Lean-agile is a proven approach being adopted by all types of enterprises. For companies facing new competition, especially from non-traditional, digitally native companies, not pursuing lean-agile is not an option.

When starting this journey, draw the vision for agility at an enterprise level. Every company is unique, so, where to start and how to scale will be different for everyone. But prioritizing the need for speed is always the same. Then experiment, learn, and adapt.

And do not look for perfection; do not fear failure. In agile terms, failure is an opportunity to learn, refine, and improve the organization, and the result. Fail quickly. Learn. And then go fast.