

# APPLYING AGILE

## Enterprise Agility: Pushing Innovation to the Edge of the Organization



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Threatened by digital competition, many companies are embracing lean-agile approaches to accelerate innovation to remain market relevant and fiscally viable. When companies master them, these approaches become a competitive advantage in harnessing talent and capability, a key tenet of what we call Business 4.0.

Using lean-agile approaches to nurture innovation requires mastering the discipline of generating new ideas and managing the subsequent innovation portfolio based on strategic or other business outcomes sought. It means applying lean-agile precepts *not only* in those functions directly involved in the development and delivery of products and services to end customers, *but also* throughout support functions and shared services.

## The Meaning of Enterprise Agility

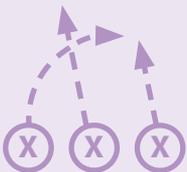
To match the accelerating speed with which their market sectors are changing, companies must take a broader approach to becoming innovative—an approach that we refer to as ‘enterprise agility.’ By that, we mean an organization that can adapt all the core elements of its business—its strategy, product and service offerings, the business processes that create and fulfill demand for those offerings, its people’s skills, and technology and IT infrastructure—at the pace that’s required to stay competitive and solvent. That, in turn, means adopting a lean-agile culture throughout the organization, not just in software development.

**While there are three broad dimensions to achieving enterprise agility—strategy and process, people and culture, and tools and technology—in this article, we discuss the elements that are conducive for innovation:**

- 1. Strategy formulation** to guide the organization’s innovation efforts;
- 2. Cultural transformation** to change values, beliefs, mindset, and behaviors at all levels; and
- 3. Focused experimentation** to improve everything.

Let’s look at each element.

# 1



## Strategy Formulation

A key step in enterprise agility is outlining a company’s innovation strategy: what it seeks to accomplish through innovation, and how. This strategy requires executives who are aligned, engaged, and committed to innovation. They must communicate consistent messages across the enterprise about the goals, why they matter, and how every employee in every function and group can contribute. Top managers must then encourage the next level of leaders to successively spread, contextualize, and reinforce those same messages in their business units and functional areas.

Strong governance is another element of the innovation foundation. This allows the right distribution of responsibility and accountability, and ensures transparency in decision-making.

We recommend establishing a balanced scorecard that is consistent with the enterprise's innovation strategy.

By measuring the effectiveness of ongoing activities against a list of strategic goals, a company can focus on efforts that will deliver a continuous pipeline of innovations.

2



## Cultural Transformation

But developing and communicating an innovation strategy is not nearly enough. Leaders must give their people the motivation, training, and tools to make it a reality. They must encourage continuous dissatisfaction with the status quo, while rewarding creativity.

Leaders must also develop competencies in lean-agile techniques:

- **Empowered teams** who can develop minimally viable products and services to test with customers, to 'fail fast' and learn from iterative attempts.
- **Systems thinking:** focusing on how a system's parts interrelate, and how that system works within larger systems.
- **Design thinking:** idea-generation and problem-solving that looks at human behavior and needs, in addition to business and technology factors.<sup>9</sup>

<sup>9</sup> Harvard Business Review, Design Thinking, June 2008, accessed March 13, 2018, <https://hbr.org/2008/06/design-thinking>

Leaders who commit to the lean-agile approach must also commit to rethinking where they surface ideas for improvements everywhere, including those for new products and services. Such leaders will also create an entrepreneurial work environment that extends to the edges of the company—outside (those that touch customers) and inside (those that support those who touch customers).

**The following is what a snapshot of that environment looks like:**



**Outside edge.** Here, an agile enterprise empowers frontline people who interact directly with customers, including employees in customer services, sales and delivery, to discover unfilled customer needs. For example, it could be an idea for a new product or service offering, or a better way to deliver that product or service.



**Inside edge.** This is about support functions such as HR, finance, legal, and procurement working to improve the ways they help their customer-facing colleagues. This means rethinking traditional ways of working that rely on narrowly defined specialized roles, predictable scope, pre-defined timelines, budgets and staffing. New thinking—about improving existing systems and service—will enable faster responses not only to the internal customers, but will improve the organization's ability to serve external customers.

For example, think of a traditional contracting process with fixed terms. If a new type of customer service option requires a more flexible scope with few pre-defined requirements, adaptive procurement, and legal functions will be poised to make that a reality faster than before.

By adopting lean-agile ways of working where innovation is an everyday phenomenon, the people at the outside and inside edges of an agile enterprise will be able to create and implement new ideas more rapidly.

Yet it takes more than people and ideas. It also requires lots of agile experimentation. Two internal TCS information systems (a collaboration platform and a digital learning system) are good examples. Our company needed to enable training and development to go beyond the classroom, so that employees could be located anywhere, and learn at their own pace. Teams working on the systems used both design thinking and agile development practices to collect and evaluate ideas, and apply constraints (such as information security policies, scalability at the enterprise level, and technical debt.<sup>10</sup>) They used agile development methods to sharpen ideas and create prototypes. They used DevOps to push minimally viable products into production so that end users could test them and provide feedback quickly.

**The results:** Fresco Talk, the collaboration platform, grew quickly to 60,000 TCS employees without an in-house marketing campaign before spreading out across the company globally. The digital learning platform, called Fresco Play, went through fine-tuning with end users in the real world business environment before it was rolled out to 400,000 employees.

Forward-looking companies are also collaborating outside of their corporate walls to harvest innovative ideas from their ecosystem partners. A leading U.S. audio equipment manufacturer and a major toy maker are each tapping partners (such as TCS) to generate new product ideas through a structured ideation process. The two companies then flesh out the most promising ideas and test them with business stakeholders before they enter product development cycles.

<sup>10</sup> Technical debt refers to the work a team will later need to perform to address problems that were not apparent at the time the software product was first developed. See Agile Alliance, Introduction to the Technical Debt Concept, accessed March 13, 2018, <https://www.agilealliance.org/introduction-to-the-technical-debt-concept/>

# 3

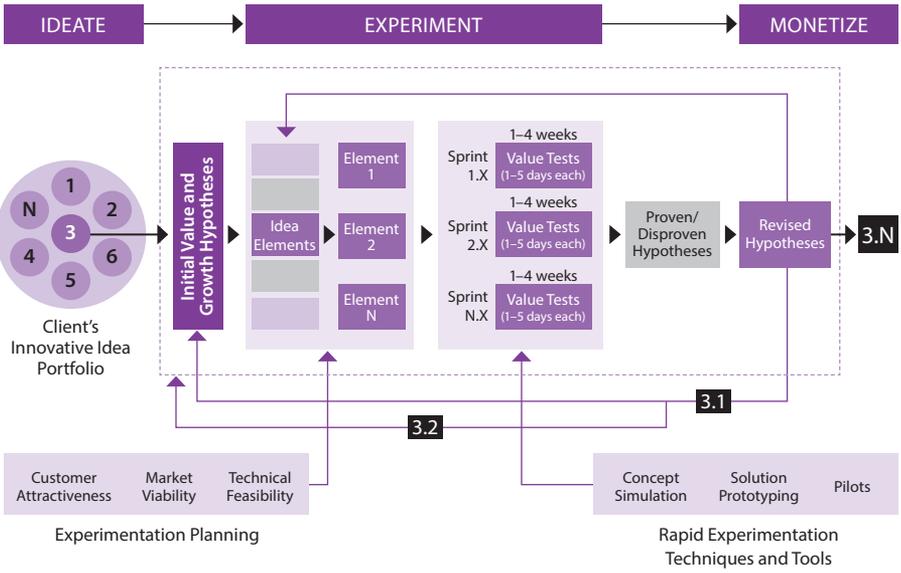


## Focused Experimentation

As the initiatives above show, leaders must set up a system to vet incoming ideas for market relevancy and technical and financial practicality, by testing and improving them with feedback from customers (or, customers' proxies, such as market experts or customer service representatives, when actual end-customers are not ideal evaluators for confidentiality or competitive reasons).

An approach we have seen work is the Rapid Iterative Experimentation Process (RIEP). See Figure 5. With RIEP, a company sets up a system to evaluate incoming ideas by applying criteria consistent with its innovation goals. It builds a portfolio of the best ideas that, in light of corporate strategy and market conditions, balances risk and opportunity. It can perform experiments to determine which ideas are well suited for market introduction, and then bring the best products and services into production.

The experimentation stage embodies the lean-agile approach and is particularly important. It is a rapid, iterative process of solution prototyping, concept simulation, and testing to validate ideas along multiple dimensions. This process will quickly and cost effectively prove or disprove critical hypotheses about an idea's customer attractiveness, market viability, and technical feasibility. It gives internal investors (for example, the



**Figure 5:** Rapid Iterative Experimentation Process

CEO and business unit heads) the information they need to more confidently make decisions to pivot, halt, or continue with ideas in the portfolio.

Large companies practicing RIEP often start with a centralized group—some call it an innovation lab or design studio or agile studio—to perform the experiments. In smaller firms such as startups, the culture demands an ‘all-hands-on-deck’ approach where likely everyone is involved.

## Enterprise Agility at Work

Empowering people on the edges of your business to see and experiment with new concepts has been a key ingredient to the rise of some of the most successful digital companies: Facebook, Amazon, and others.

Take Facebook. “You’d be surprised by how much of the product roadmap over time is set, not by us talking about what we think we should do and deciding, but by engineers coming with ideas,” said co-founder and CEO Mark Zuckerberg.<sup>11</sup>

Facebook stages regular hackathons in which its engineers develop initial prototypes of new products and product features. These have led to some of its best offerings—Chat, Live, and the platform on which developers make games. Hackathons have also led to its first video player.<sup>12</sup>

Amazon also promotes a culture of experimentation at the front lines. Says *Lean Startup* author Eric Ries: “I know examples where a random Amazon engineer mentions, ‘Hey, I read about an idea in a blog post. We should do that.’ The next thing he knows, the engineer is being asked to pitch it to the executive committee. [CEO] Jeff Bezos decides on the spot.”<sup>13</sup>

When Sun Life Financial opened its fourth innovation lab near its Toronto headquarters in 2017, the 153-year-old financial services company cited its ability to bring agile teams together to meet, not just with each other, but also with area startups to exchange ideas. The innovation labs have elevated Sun Life’s ability to connect with customers, something which Alice Thomas, chief digital technology officer, said is emblematic of the company’s digital transformation. “It’s adapting to how clients want to engage with us,” she said.<sup>14</sup>

<sup>11</sup> Business Insider, Mark Zuckerberg Reviewed the Coolest Stuff Facebook’s Engineers are Working on, December 6, 2016, accessed March 13, 2018, <http://www.businessinsider.com/mark-zuckerberg-reviewed-coolest-facebook-hackathon-projects-2016-12>

<sup>12</sup> Inc., Facebook’s Engineers Are Working on 5 Pretty Cool Innovations, December 12, 2016, accessed March 12, 2018, <https://www.inc.com/jessica-stillman/5-of-the-coolest-innovations-currently-being-built-by-facebook-engineers.html>

<sup>13</sup> Vox, How Amazon Innovates in Ways that Google and Apple Can’t, December 28, 2016, accessed March 13, 2018, <https://www.vox.com/new-money/2016/12/28/13889840/amazon-innovation-google-apple>

<sup>14</sup> IT World Canada, Sun Life’s Chief Digital Technology Officer Readies for Silicon Valley - Inspired HQ Launch, February 27, 2017, accessed March 13, 2018, <https://www.itworldcanada.com/article/sun-lifes-chief-digital-technology-officer-readies-for-silicon-valley-inspired-hq-launch/390998>

## No Time to Lose

Now is the time to develop enterprise agility. Many companies face imminent threats from the changing business environment, with crowdsourcing of new ideas, open source technology, and a myriad of service providers with niche skills, products, and services that are readily available via digital channels. They are all seeking connections with your customers.

And it's no secret why. Innovation at the edge has become a way of life at companies like Google, and Facebook. Established enterprises like Sun Life Financial and many others are actively investing in creating their own agile organizations.

To start, build a culture that puts a premium on creativity. Encourage innovation throughout the organization. Invest in experimentation. As digital competitors accelerate their pace of innovation, established companies must empower their employees at the edge, enabling its front lines to generate innovative ideas, and then put its weight behind the most promising ones.