How Retail CEOs Can Drive Agile to Grow Their Business
Retail CEOs now have the memo. Yes, Amazon was the No. 1 online retailer in the United States in 2017, with $94.7 billion in online sales, almost 20% more than in 2016. Yes, Amazon acquired the Whole Foods high-end healthy foods supermarket chain, thus expanding its reach into brick-and-mortar retail. For retailers, confronting competition from digital-first enterprises is like the proverbial drinking from the fire hose: more than they can handle. Retail CEOs also know these challenges require digital transformations that make their companies faster at innovating, introducing new processes, products, services, and marketing campaigns. And they also realize it’s about optimizing their store and online operations, and being more adept at experimenting with new business models.

Retail leaders also understand that their companies’ technology problems have become customer pain points. Consumers can see if a store’s online prices differ from those in-store. If a mobile payment option isn’t available or isn’t working, customers may go elsewhere. If a personalization algorithm offers mismatched products or services, customers will be disappointed. In this environment, it is critical to address problems as they occur. And that requires them to be agile and adaptive.
However, introducing agile approaches into their business—a proven means for speeding efforts to innovate and compete—is difficult. But it is no longer an option. Realizing this, several retailers worldwide are on an end-to-end value chain transformation to become agile, digital enterprises.

**The Reluctant Agilists**

While there is great enthusiasm across the retail industry for agile adoption, there is also great resistance—frequently from functional managers fearful of losing authority, and from leaders reluctant to flatten their organizations—exacerbated by an industry-wide unfamiliarity with agile fundamentals.

We have seen some retailers attempting partial adoptions of the agile approach—what we call ‘proxy agile’. They do this by slicing existing projects into smaller projects, hoping to gain speed. The IT organization’s ways of working may change, but the business decision-makers do not. These projects retain the overall scale of traditional ‘waterfall’ software development projects and thus cannot respond quickly to (or even collect) customer feedback. Nor can they test and release products rapidly enough. As a result, they fail to help retailers make rapid innovations.
Breaking Through the Barriers

Agile calls for sweeping changes in deep-rooted ways of working. It starts with leadership. Used to a command-and-control management structure and its associated behaviors, the C-suite has a propensity to attribute the barriers to agile to ‘somewhere down there’ within the organization. Instead top executives need to be ready to model the following behaviors:

• Values-based leadership
• People empowerment and distributed leadership
• Test and learn leadership
• Product leadership
• Partnership and engagement among business and technology experts

Agile leadership also demands empowering change agents in agile teams, and providing support so they can drive transformation.

This work is not easy. Here are seven ways retail organizations can overcome the most common barriers to agile adoption:

1. Espouse strong leadership commitment.

Paying lip service to agile is not sufficient; the CEO, and all top-level executives, must be committed and engaged. This commitment begins with education: engaging coaches and trainers who can teach business stakeholders the principles of agile, and conduct exercises to practice and inculcate its collaborative and inclusive methodology. All business leaders should understand and internalize both the need for change and the essence of the agile approach. They must assume product ownership, including responsibility for defining the product roadmap and instituting short feedback loops to learn from and act on end-user feedback.
2. Create a transformation blueprint.

The CEO must also recruit his or her executives to work with technologists to identify how to serve customers better, prioritizing initiatives that provide the most value for all stakeholders. This group must create a transformation blueprint to help leaders understand what the company will look like after agile adoption, how it will operate, and what their roles and duties will be.

3. Establish communities of practice (CoPs).

The company should set up communities of practice to drive agile adoption and motivate cultural change. When the agile transformation is under way, the CoPs should provide governance for the effort, and metrics to produce evidence of benefits such as improved customer satisfaction scores or faster time to market for new products and processes—especially improvements in the software development lifecycle.

4. Replace traditional ways of scoping projects with value-driven scoping and budgeting.

The old ways of organizing, staffing, budgeting, and planning projects must be replaced with value stream-based funding. Retailers should launch high-value, low-cost initiatives first, and delegate scoping and budgeting to agile delivery teams. We recommend following a quarterly cycle for portfolio demand planning, discovery, prioritization, and funding to enable delivery based on business value.
5. **Adopt intelligent automation.**

Agile approaches to delivering new services won’t work without embracing the automation of IT systems. This means adopting a machine-first delivery model, with DevOps automating the work of engineering and operations for software building, testing, and product introductions.

Retailers also must invest in building capabilities for AI-driven automation of engineering processes to enable fast and frequent delivery of customer products and services, while reducing development overhead. One of the most interesting areas of AI is seeing how the technology can be used to improve estimates. AI is well placed to provide agile teams guidance on decisions in which there is a complex interplay between different variables and a lot of data available from previous projects.

6. **Manage organizational change.**

Project managers and application developers accustomed to the waterfall method are used to having months to plan, and a year to build a new product, while their bosses call the shots on features and scope. The agile approach flips that, with the team making those decisions and working on short projects in iterative bursts. This can be disconcerting. Every team member should understand the organization’s current state of operations (as well as its competitive position), why the change is necessary, how it will happen, and what it will take to make it successful. This strategy helps ameliorate the all-too-human fear of change while addressing future uncertainties.
Ongoing communications and coaching is essential. A communications channel such as a mobile app can help answer any questions on the transformation journey and share information at appropriate milestones. Mechanisms must be set up for experience gathering and knowledge management. A learning academy can offer advice, instruction, and support. Such programs will enable agile team members to work closely with agile coaches, scrum masters, product owners, and the engineering and operations teams to design just-in-time interventions. These interventions can be designed as experiential learning through case studies, scenarios, and performance aids based on an analysis of the organization’s performance.

7. Measure the progress.
Organizations must develop a framework to assess the impact of changes and choose the right communication strategy for measuring progress and delivering feedback. Establishing a change agent network for each business area by work function and by geographic location will support the ongoing effort to drive change management associated with adopting agile. Providing a dashboard view for the organization is crucial to frequently assess the progress of the agile transformation journey. Evangelize success stories and discuss lessons learned for quick adoption of needed adjustments.
Cruising Down the Agile Stream

Agile approaches do not prescribe a standard operating model. Organizations must determine what specific capabilities are relevant in their customer context and experiment (people, process, technology, and operating model) by using pilot projects and fine-tuning their approach.

The best way to introduce agile techniques is to eliminate large waterfall projects immediately, and replace them with work designed to be accomplished quickly.

When that work is tested with customers and they react positively, project managers and developers begin to see the benefits of receiving immediate feedback. They will warm to their task—especially if their efforts are reinforced and rewarded by management. Although this may sound straightforward, in practice it requires time, patience, and persistence.

An anecdote from our experience shows that leaders can make an important difference. We recall being at an executive meeting with a retailer’s functional heads, who were striving to become more agile. After a presentation and discussion on what an agile transformation required, the head of store operations stood up to volunteer that his group be the first to adopt agile. It turned out that company wanted to relaunch a new mobile application for store associates, and the executive wanted to provide his staff members with capabilities to do their jobs better. While stores are typically the most challenging environments in which to introduce agile, this executive saw the urgency of the need to change and seized the chance.
The Benefits of Agile Adoption

When it comes to agile adoption, two major questions surface in boardrooms: How can agile really help? What difference does it make if our enterprise becomes “fast”?

The experiences of several leading retailers that have transformed themselves into digital-first enterprises offer answers. A digital-first enterprise is product-centric. It is a technology-led organization that relies on automated systems. It invests in a modern architecture and takes advantage of cloud computing.

Becoming digital-first has helped several retailers create a unique and differentiated customer proposition. It enables them to make intelligent decisions and quick adjustments empowered by customer feedback, thus increasing their organizations’ resilience in the rapidly evolving retail environment.

In addition, agile development methods have helped them adopt new business capabilities quickly like expanding their product lines, offering new fulfilling methods, convenient payment options, and an interconnected customer experience. Agile methods also enable intelligent decision making. These retailers have harmonized their mobile apps, websites, and stores to provide a seamless, consistent experience for customers who switch between devices and modalities. Figure 7 provides snapshot examples of what leading retailers can achieve by becoming agile.

Retailers are using different strategies for beefing up their digital portfolios.
<table>
<thead>
<tr>
<th>Retailer Benefit Categories</th>
<th>Best Buy</th>
<th>Target</th>
<th>Walmart</th>
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<tbody>
<tr>
<td><strong>New Payment Offering</strong></td>
<td>Started try-before-you-buy rentals for some products(^{25}) and introduced Apple Pay.(^{26})</td>
<td>Introduced Wallet, payment function in Target smartphone app.(^{27})</td>
<td>Walmart Pay, QR code-based payment system unveiled in 2016, central to retailer’s digital wallet which also offers a retailer-branded credit card via smartphone app.(^{28})</td>
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<td><strong>Faster Delivery of Products</strong></td>
<td>Best Buy online sales rise as a result of ship-from-store capability.(^{29}) In a test, Best Buy offered faster delivery than Amazon.(^{30})</td>
<td>Target unveils same-day delivery service,(^{31}) acquired Grand Junction to make faster deliveries,(^{32}) and Shipt to offer same-day in-store delivery.(^{33})</td>
<td>Walmart expands Pickup Towers, self-service in-store stations that enable shoppers to get their online orders using a smartphone, to 700 stores.(^{34})</td>
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<tr>
<td><strong>Introduce New Product Lines</strong></td>
<td>The recently launched in-home advisor program provides a Best Buy expert to suggest products and services to help customers accomplish their goals.(^{35})</td>
<td>Target sets a goal of introducing more than 12 new product brands every 18 months.(^{36})</td>
<td>Walmart gained a presence in more niche product lines through acquisitions of online retailers like Bonobos, ModCloth, Hayneedle,(^{37}) and Moosejaw.(^{38})</td>
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<td><strong>Websites and Mobile Faster</strong></td>
<td>Best Buy sees its improved digital customer experience resulting in high online sales growth.(^{39})</td>
<td>Updated Target.com allows Target to be more nimble while delivering a consistent experience across devices, leading to higher conversion rate on mobile devices.(^{40})</td>
<td>Walmart adds in-app features like Store Assistant, Mobile Express returns service, Scan &amp; Go mobile checkout, to enhance the shopping experience.(^{41})</td>
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<tr>
<td><strong>Fulfillment—Way to Get Goods</strong></td>
<td>Best Buy embraces omni-channel fulfillment; half of online orders shipped or picked up from stores.(^{42})</td>
<td>Target tests next-day delivery service in Minneapolis(^{43}) and offers free two-day shipping.(^{44})</td>
<td>Walmart rolling out in-store kiosks to pick up goods ordered online to as many as 650 stores.(^{45})</td>
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<tr>
<td><strong>Localization and Pricing</strong></td>
<td>Best Buy price matches all local retail competitors (including their online prices) and products shipped from and sold by select major online retailers.(^{46})</td>
<td>Target offering increased localization and personalization in assortment in stores and online.(^{37})</td>
<td>Walmart’s price matching policy extends to items sold on Walmart.com.(^{48})</td>
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**Figure 7:** The Benefits of Being Faster, Examples from Leading Retailers
Agile Retail: It All Starts at the Top

Agility at the enterprise level is about applying the principles and values of agile to create an organization level ecosystem that embraces and supports agile. All the departments including support teams such as Marketing, Sales, Finance, and Administration start espousing a ‘by default agile’ mindset. Cultivating such a digital, agile environment requires strong commitment from the leadership team. They must make the transformation their top priority, and define, lead, and communicate the transformation.

At the end of the transformation, organizations will have a blended team of business and technology managers who are highly productive in driving on demand capability releases on a resilient technology platform that responds to any system glitch.

Agile retailers not only serve their customers better, they are better able to compete with emergent digital natives, with a chance to win. This makes the effort worth it.