JCURV PERSPECTIVES

ENTERPRISE AGILE TRANSFORMATIONS – WHY THEY'RE A MARATHON, NOT A SPRINT

Many organisations embarking on an enterprise-wide transformation to agile working struggle to sustain or scale the benefits they initially achieve. The journey towards agility is a marathon, not a sprint, and it requires continued commitment, at all levels of the organisation, to ensure agile ways of working stick.

The first six to 12 months of introducing agile throughout an organisation will result in visible improvements in speed to market, productivity, efficiency and employee engagement.

Buoyed by this initial success, it can be tempting for leaders to assume their job is done, and turn their attention elsewhere.

However, to avoid a backwards step, leadership teams must acknowledge that the journey to enterprise agility is a long-term goal, requiring investment and deep-rooted changes to the way the business operates. Agile is not a quick fix.

JCURV's experience in supporting large-scale agile transformations has shown us that there are several predictable challenges that organisations face when embedding agility.

These include the loss of focus within the leadership team, and the loss of discipline among delivery teams; the limitations imposed by organisational silos; fixed annual budgeting cycles and performance management; the technical difficulties imposed by legacy infrastructure; and the bottlenecks caused by out-of-step suppliers and lengthy procurement processes.

In this paper, we set out the seven 'levers' that you can incorporate early in your agile transformation journey to deliver a steady pace of change and lasting success.

The initial 'sprint' to deliver value

After six to twelve months of incorporating agile working, most organisations will have established several cross-functional, dedicated delivery teams focused on key customer and business outcomes. Tens, if not hundreds, of staff will have been on-boarded and the new ways of working can be seen at all levels, from executive teams through to the frontline.

In our experience, most organisations experience a demonstrable step-change in speed to market, productivity, efficiency and employee engagement.

Figure 1: Example of value delivered at six months at a leading retail bank after embedding agile working.

GROWTH	• **£30m annualised profit improvement (5% uplift)**
EFFICIENCY	• **£0.5m efficiency and productivity savings**
TEAM ENGAGEMENT	• **27% increase in employee engagement levels**
TEAM CAPABILITY	• **Over 500 staff immersed** • **Eight scrum masters and five product owners operating** • **Communities of practice up and running**

At this point, the team needs to shift its focus from short sprints to focus on the long-haul. That involves building long-term capability to sustain the initial success and extending agile ways of working to other parts of the business.

The barriers to sustaining and scaling enterprise-wide agility

This phase of the transformation is extremely important. Organisations need to prepare to overcome several predictable enterprise-wide impediments that become exposed.

1. Loss of leadership focus

The commitment of the leadership team is a key indicator of how well the organisation sustains agile working. However, there are several predictable challenges that threaten sustainability. These include leaders:

- Shifting their interest to other business priorities as they see agile delivery teams in action; they believe they have done enough for their teams to sustain the effort.
- Seeing agile as a set of projects, *not* as an enterprise-way of working that will help deliver their vision and strategy; they think the 'mission is complete' and stop looking to expand the effort.
- Struggling to prioritise or stopping low-priority work, forcing delivery teams to take on too much, and reducing their effectiveness.
- Reverting to traditional behaviours, such as re-introducing hierarchy, top-down decision-making and reducing teams' autonomy and empowerment.
- Not championing or taking accountability for agile working, instead delegating it to middle management.

As a result, an organisation's agile journey will be at risk of stalling, or even reversing.

2. Loss of discipline across teams

As the number of people in the organisation applying agile ways of working increase, it is easy for core practices to become diluted.

This challenge is not restricted to large corporates with decades of legacy culture and working practices; we have observed the same challenge in fast-growing technology firms too. Teams display some or all of the following characteristics:

- Failure to focus on continuous improvements to agility, stalling the process.
- Lack of discipline in delivering value at the end of each sprint, producing minimum viable products (MVPs) over gold-plating, and not running retrospectives.
- Failure to on-board new team members, or rushing the process; this results in weak ways of working and diluted practices.
- Exhaustion with the relentless pace of change, impacting employee engagement levels and productivity.

3. Fixed annual budgeting cycles

Most organisations' investment decisions are governed by a top-down annual budgeting process. This approach often works against agile ways of working as it:
- Is typically governed and agreed annually, lacking flexibility, and preventing the business from pivoting and learning.
- Disempowers those closest to the opportunity to make key decisions or investments, instead putting the executives in charge of all decision-making.
- Discourages their teams to experiment, test and innovate, because of the pressure on delivering what has been forecast twelve months previously.

As a growing number of agile teams are established, the traditional budgeting process becomes a significant impediment for sustaining organisational agility.

4. Organisational silos and a fixed performance management process

Many organisations are structured around functional silos rather than aligned to customer or stakeholder outcomes. Siloed structures slow down cross-functional working, particularly when the number of agile teams increases.

Company performance management and annual incentive structures can also become a barrier to teams and individuals. As agile delivery teams adjust their direction each sprint, the value employees get from being managed to deliver annual goals quickly diminishes.

5. Legacy technology and processes

Technology is the most frequently stated, *perceived,* impediment to organisational agility.[1] The key barriers include:

- Legacy infrastructure and architecture preventing the ability to release change quickly, efficiently and securely.
- Organisations failing to provide the collaboration tools to support teams working in multiple locations, poor communications and the inability to share documents.

6. Outpacing suppliers and procurement

Whether it's an agency building a loans platform for a bank, or food manufacturers delivering goods to retailers, suppliers are only as good as their customers. As more businesses adopt agile working, suppliers can quickly become a bottleneck.

Many of them will use traditional waterfall approaches to deliver change, but their ability to respond effectively has rarely been exposed or challenged.

Procurement departments can also work against agile working. For example:

- Teams can take up to three months to onboard vendors (versus a two-week sprint).
- Procurement strategies are adversarial, keeping suppliers away from the business until a contract has been won; this discourages co-creation and joint problem-solving.

One or all of these barriers can stall the journey to long-term agile working.

Levers to sustain agile ways of working in an organisation

JCURV has identified seven levers to overcome these barriers. Incorporating these levers at an early stage in agile transformation strategy will give your organisation the stamina to support lasting success.

1. Sustaining a clear and safe environment

Leadership teams set the tone for the entire organisation. As role models, they need to:

- Appoint an executive sponsor who is accountable for agile working.
- Ensure they regularly review progress of, and learnings from, agile working, and tackle enterprise-wide barriers.
- Review and prioritise agile working in those areas which deliver the organisation's vision and strategy.
- Support senior executives in developing agile leadership skills and behaviours, and make agility and adaptability a core competency.
- Celebrate success and recognise teams' progress to create the 'pull' for more teams to want to get involved with agile working.

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[1] At JCURV we see that IT is a material and significant impediment, however, it is not as impactful as leadership and organisational behaviours.

2. Put continuous improvement at the heart of agile

To maintain discipline and to evolve an organisation's agile approach as it matures, it is critical to embed continuous improvement at all levels. We recommend:

- Establishing an owner for embedding agile working in the business who is responsible for capturing what's working and what needs to be done to address enterprise-wide impediments. He or she should work with the delivery teams and the executives to overcome these challenges.
- Establish and grow a community of practice for product owners and scrum masters across the business where these groups:
  - Own and drive best practice in agile working
  - Own the development of product owner and scrum master capability and identify and close any gaps across the organisation.
  - Co-ordinate the delivery of training and coaching to key organisational stakeholders (e.g. onboarding new joiners and new members of agile teams).
- Arrange regular meet-ups with peer organisations to share best practice and help challenge the status quo.

3. Make agility a core competency for all staff

In a fast-paced world, the importance of being able to adapt to change is essential. This is not just about training teams in agile tools and techniques, it's about building and nurturing an agile mindset. Organisations need to:

- Incorporate agility as a core skill across an organisation, initially prioritising leaders and managers, but ensuring it's baked into core training for all staff and joiners.
- Build agility into corporate values and behaviours to ensure continued focus.
- Adapt performance management to account for frequent reviews; we recommend quarterly goals, allowing staff to quickly flex to changes in business priorities.

Example: A FTSE 100 organisation has established a top 100 programme to build agile capability at management level. The team meets each quarter to share findings, discuss challenges, and define experiments and initiatives that will help them exercise the required behaviours of senior leadership.

4. Introduce agile budgeting and portfolio management

Increase the flexibility of the budgeting process by:

- Moving annual budgeting to funding outcomes and teams.
- Switch accountability for decision-making and ownership of profits and losses (P&Ls) to teams which are closest to the problem and/or the commercial opportunity.

Example: Norwegian savings alliance, SpareBank1, has eliminated much of its central budgeting process, empowering the branches, functions and teams to take ownership of their own investment decisions. This enables them to outperform competitors.

5. Align organisational design to customer outcomes

It's important for organisations to address the inefficiencies created by silos. The leadership team should:

- Align the business around value streams or customer journeys to encourage cross-functional working and focus on value.
- Introduce agile working to support functions (e.g. HR, compliance, risk, and finance) to enable delivery of their specific outcomes – a client recently used agile principles to improve its employee on-boarding process.
- Build clear career paths for agile roles (e.g. scrum masters and product owners).

Example: A large FTSE 100 bank has aligned its entire organisation to 25 customer journeys with several permanent cross-discipline teams established to deliver specific outcomes for those customers.

6. Iteratively build an adaptive technology platform

The technology roadmap is not always aligned to key business priorities. Once this has been done, the next step is to:

- Identify the foundations requiring re-engineering to support those priorities and replace them to deliver value for your business.
- Iteratively align your IT structure to support your key business outcomes, embedding IT staff in your delivery teams.

7. Bring suppliers 'into the tent'

Procurement strategies often require a radical rethink to support an organisation's long-term agile journey. The speed and quality of your change efforts can increase significantly by bringing suppliers into agile teams. You can use several levers:

- Bringing suppliers into delivery teams creates joint accountability for the delivery process.
  - It supports deeper understanding of the team's goals and potentially avoids unnecessary work.
  - Suppliers' input will enable accurate prioritisation of both the roadmap and any backlogs.
- Assess suppliers not only on their deliverables, but ensure they also apply agile working.

Example: A FTSE 100 retailer has brought its suppliers into ideation sessions prior to committing to a project to co-create solutions and test its suppliers' ways of working. This has reduced the speed to market of new solutions by more than three months.

On your marks, get set…

Being aware of the barriers we have set out above, and the strategies to overcome them, will support organisations on the early steps of their agile journey. Taking a long-term view, and keeping a clear eye on the goals ahead, will enable a sustainable, enterprise-wide approach to agile working.

Training for a marathon, rather than a sprint, will deliver a radical step-change in speed, value realisation, staff engagement and, most importantly, competitiveness.

JCURV is a London-based management consultancy working with FTSE 100 organisations, with a mission to increase the agility of UK PLC.