

# The Agile Operating Model of the Future

How a highly flexible and responsive organization will be positioned for lasting success.



Companies today are under greater pressure than ever to deliver shareholder value – be it in the form of top-line revenue growth, cost reduction, greater working capital or elevating the customer experience. Delivering this value in a highly competitive marketplace has entered an entirely new stratosphere in 2018. One that thrives in a rapid-speed environment and is anchored in ground-breaking technology advances – both of which have become incubators for new sources of competition.

Inspired by communities across social media that interact almost exclusively via mobile devices, consumers are becoming increasingly emboldened to demand what they want, how they want it, where they want it and when they want it. These savvy users are demanding a more personalized experience, and in some cases, even welcome the opportunity to actively co-create with companies the products and services they consume. This rise in mass personalization is driving companies to realign their capabilities (people, processes, technology) and resources to meet individual consumer desires to win market share.

## The Fast, Agile Organization will Thrive in the Future

Being closer to the consumer in order to react faster to their needs fundamentally changes the tenets of a firm's operating model, as well as organizational boundaries that have traditionally existed in the enterprise. Decentralized decision making is challenging traditional leadership structures and necessitating more open, non-hierarchical conversations across the company, and beyond organizational boundaries with suppliers and customers.

Companies are having to reset their strategic direction in responding to this new wave of personalization. They want to be more agile, quicker to react, and more effective at creating differentiated propositions that command premium prices. They also want to deliver extraordinary customer experiences, exploit disruptive new technologies to cut costs and improve the quality of their offerings to realize a heightened state of value.

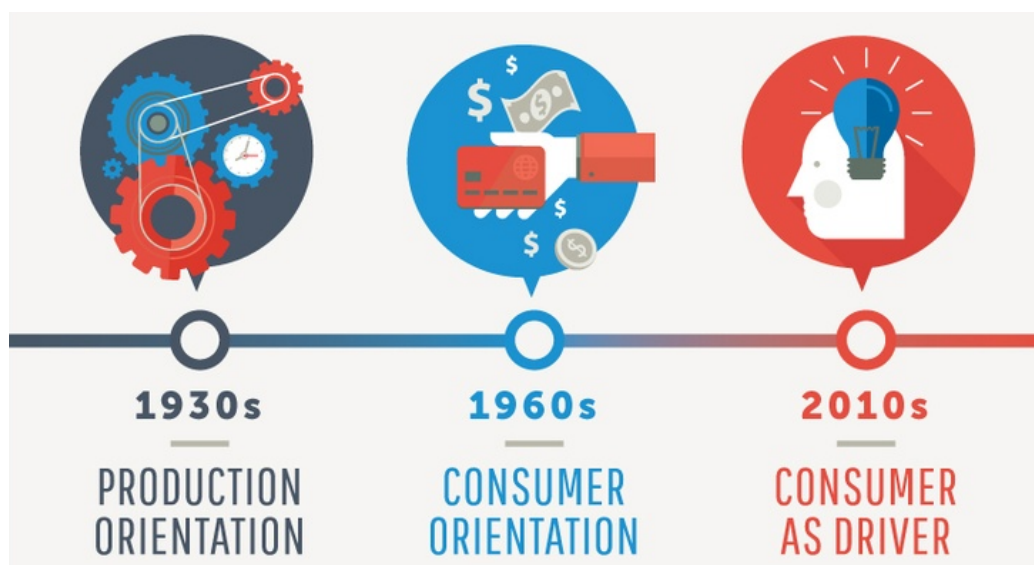
These lofty ambitions are requiring more dynamic business models on the production line and within the organization itself, which require companies to rapidly evolve their overall operations into one which is highly agile and flexible.

## Prototyping & Minimal Viable Products

Our teams of experts at Infosys Consulting have witnessed the shift to “agile delivery” as the go-to development approach in response to these market dynamics. For the organization of the future, technology developments must be delivered at rapid pace due to the speed of change across marketplace environments and to meet customer requirements BEFORE business operating models can even be re-calibrated.

More and more organizations are exploring how to work in an early prototyping, minimal viable product (MVP) fashion, as CEOs no longer have the luxury to wait a year or more for products to be delivered. Early movers operating in this principle smartly prioritize and release developments to reflect market priorities in such a way as to start adding value immediately, and then iteratively evolving as customer requirements are refined (along with their demand).

### Evolution of the Enterprise



# Welcome to the Age of the Flexible Operating Model

To create value and provide compelling customer experiences at the most efficient cost, companies are moving towards a new concept we call the “flexible” operating model. These organization structures are new generational ways of running a company that combine disruptive technologies and agile operational capabilities in an integrated way to achieve next-level improvements in mass personalization.

If implemented with precision, this can lead to incremental or accelerated revenue growth, with innovative and engaging customer experiences. A number of trends are helping foster this evolution.

- **Disruptive Technology** – AI, blockchain, digitalization, Internet of Things (IoT), machine learning and robotic process automation have all intensified the velocity of change and the impacts they have on job roles, people, skill-sets required, and the need for a DevOps culture versus silo-based delivery.
- **Demand Trends** – Customer preferences are constantly changing with more bespoke, tailored solutions. Demand is often coming quicker and who is creating the demand (e.g., millennials versus baby boomers) is having a profound impact.

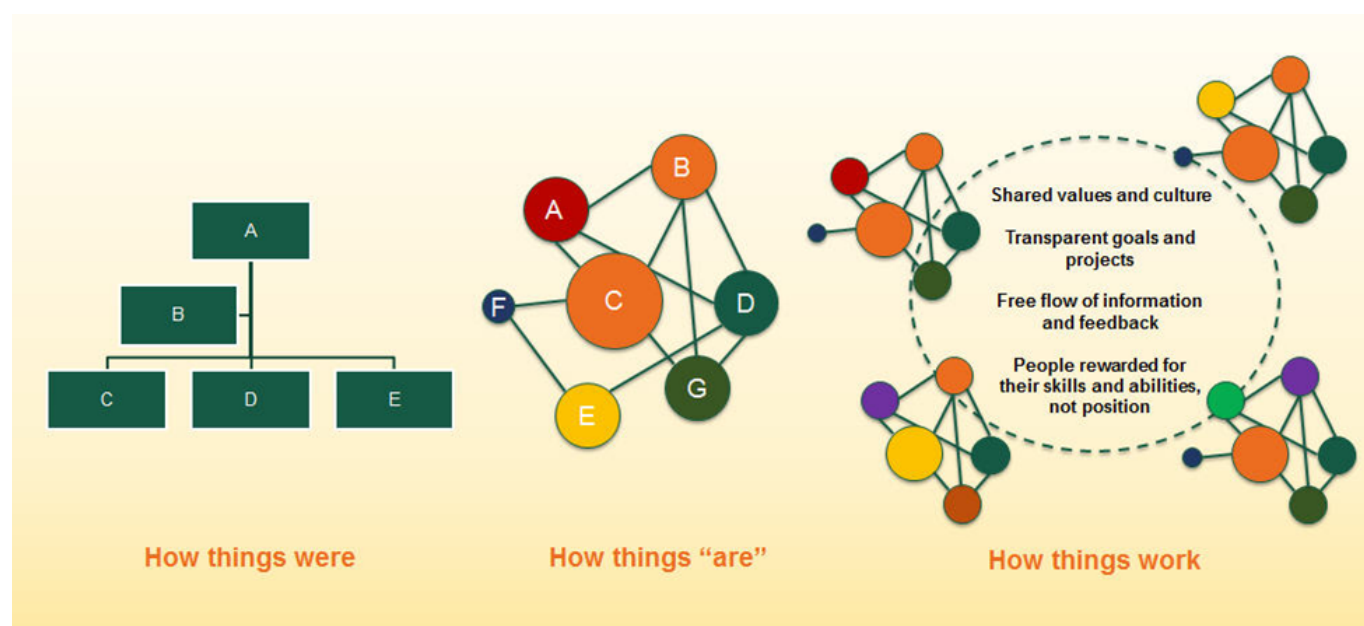
- **New Sources of Competition** – We have seen the competitive paradigm shake up a number of industries. For example, the supermarket business being challenged by Amazon. Or the traditional high street retail industry versus new omni-channel competitors.
- **Regulatory Changes** – As the speed of change intensifies, especially when driven by technology and data, governing bodies will continue to review and revise regulatory requirements to protect and support consumers (e.g. the new global data protection regulation). This is also shaping how organizations approach their future planning.

## The Implications on the “Flexible” Organization

As a result of the above trends, we have seen a dramatic shift in our clients’ adopting agile as their methodology of choice for product development – to respond to real-time needs of today’s demanding consumer. The success of agile-led developments is leading senior decision makers across almost every industry to consider the benefits of flexible, agile working for their broader operating model.

This requires an adaptation in their existing strategies and approach to organizational design, people, processes and technology. Let’s explore these areas in more detail...

### Flexible Organization Structure



## 1. Strategy >>

A sound strategy sets out how people can affect and influence the future direction, and how real-time trends and data are fed back into the business to ensure ongoing relevance. The strategy will seek to identify tangible and measureable outcomes which can be used by operating units and individuals to set performance targets, and more meaningfully to measure their contribution to success. Key principles underlying the agile organization include the shift from project-based working to product development, pre-eminence of customer focus, entrepreneurialism, transparency and standardized processes.

## 2. Organizational Design >>

A critical feature of the flexible organization is the need to shift from a traditional, silo approach to end-to-end processes and products which become the focal point of collaboration between multiple organizational skill-sets to deliver valued outcomes. Flexible organizations will identify well-defined competency homes, such as for traditional technology teams like architects, analysts and data engineers. Performance is more appropriately measured and rewarded according to their work as part of cross-cutting, multi-disciplined product development teams formed to address key market needs (and their ability to add value as they move from one team to another).

## 3. Empowering People >>

Developing agile, flexible ways of working has significant impact on almost every aspect of the organization, including structures, roles, responsibilities, business vocabulary, processes, collaboration models and technology. Product owners are the focal point of ensuring the consumer is at the center of product development. They need to be given authority to make key decisions and engage directly with customers to avoid unnecessary roadblocks. Direct customer interaction ensures clear communication of requirements and priorities into the agile development process, which in turn drives agility and increased productivity.

Leaders will need to adapt, as some roles go from front-line leadership of projects to managing capabilities which add value as part of product developments led by product owners. For employees, it will be critical to understand and adapt to working more flexibly across a range of projects where they will need to leverage their core skills to deliver value across a range of projects.

## 4. Working Processes >>

New products and services are developed in close interaction with customers - and ideas and prototypes are field tested early in the development process, so units can quickly gather data on improvements. Co-creation through the value chain with key customers and suppliers will need specific engagement and relationship skills, as these stakeholders become critical partners of the product development process.

Standardized processes deployed within functions across multiple regions with a common language enable mobility and scaling. For example, moving people between geographies to add value where it is most needed can produce a global capability where changing demands require rapid action and solutions. Teams will need measurable performance goals for processes to help track customer satisfaction and to determine how processes can be improved.

People are encouraged to experiment and iterate to seek ways of improving process and customer outcomes. 'Fail fast' is encouraged, while an entrepreneurial spirit is supported (and rewarded) throughout the organization.

## 5. Fostering Collaboration >>

The way an organization fosters strong collaboration between silos will need to be addressed from the outset. Strong product owners who can mobilize multi-skilled teams around cross-cutting value propositions are critical to this process. Product owners need to have sufficient knowledge to work with and understand issues raised by team members from diverse groups such as IT, Sales and Marketing. Transparency of information and data becomes even more critical if self-managed teams are to identify ongoing improvements and share learnings across teams.

## 6. Data-Driven Automation >>

Advanced analytics is the autonomous processing of data using sophisticated technology to discern insights and make recommendations. It provides intelligence to improve decision making and can especially enhance customer personalization journeys. Digital tools have the capacity to transform customer journeys in powerful ways, by reshaping time-consuming or transactional elements of the journey. Robotic process automation (RPA) is an emerging technology that can replace human effort in processes that involve aggregating data from multiple systems, or taking a piece of information from a written document and entering it as a standardized data input.

## Running a Flexible Operating Model.

Senior executives need to actively and visibly lead the change in culture as they evolve into a flexible operating model. A sound leader should clearly identify, agree on and adopt the values and behaviors that will enable them to shift to an agile-based culture. Leaders will need to challenge and confront behaviors which are a barrier to collaboration between traditionally silo'd teams to ensure they can come together to deliver the greatest value for the organization and their customers.

In this spirit, senior decision makers need to take time to ensure they are sufficiently conversant in agile working concepts and how they impact governance. Key examples include:

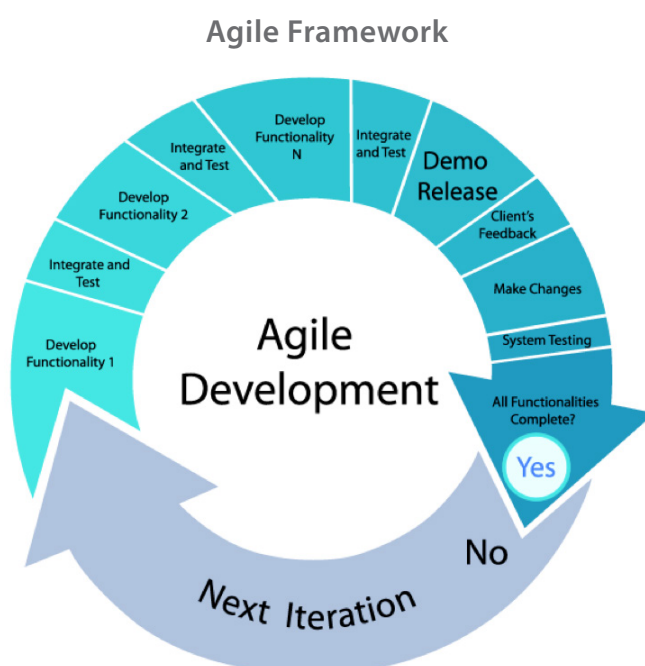
- **Budgets** – Decisions to progress development is based on return-on-investment and meeting pre-agreed product performance targets, rather than a single budget being agreed and tracked for the duration of a program.
- **Design** – Iterations to requirements are not considered 'change requests,' but rather natural evolutions on design that add greater value as a result of ongoing customer interaction.
- **Planning** – Priorities are driven by the product owner in conjunction with ongoing collaboration with end users, business units and IT to ensure the greatest value can be generated in the shortest possible time. Priorities may shift through a product to reflect a revised value perception.

## Collaboration and Co-creation as the Backbone

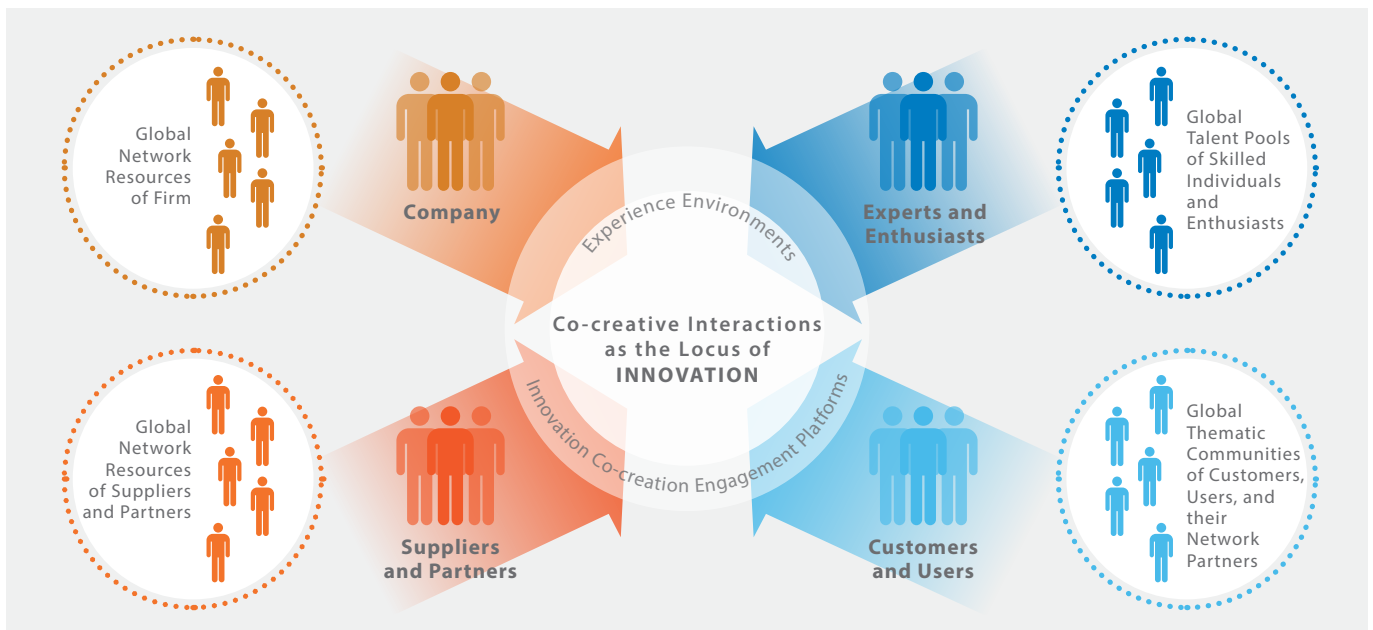
Agility requires a shift to a flexible operating model where performance is measured and rewarded. Staff also need to receive a greater share of training and coaching as it relates to the issues and opportunities they are helping to address. Traditional silos are replaced by capability teams that come together to deliver end-user focused outcomes. Here these teams receive specialist training and coaching from SMEs in their field of expertise. However, their performance is increasingly measured in terms of their contributions as members of cross-cutting teams formed to address specific requirements.

Several other elements play a key role helping to realize an agile approach:

- **Co-Creation** – Business and IT co-create and collaborate with requirements shaped together on an almost day-to-day basis, versus requirement gathering being a one-time event at the outset of the project.
- **Development Waves** – Agile team composition evolves and morphs according to prioritized sprints and the components to be developed. Teams are structured to support development waves.
- **Broader Business Support** – It is critical other parts of the business are prepared to support developments in an agile way to prioritize sprints and identify highest ROI for customers.



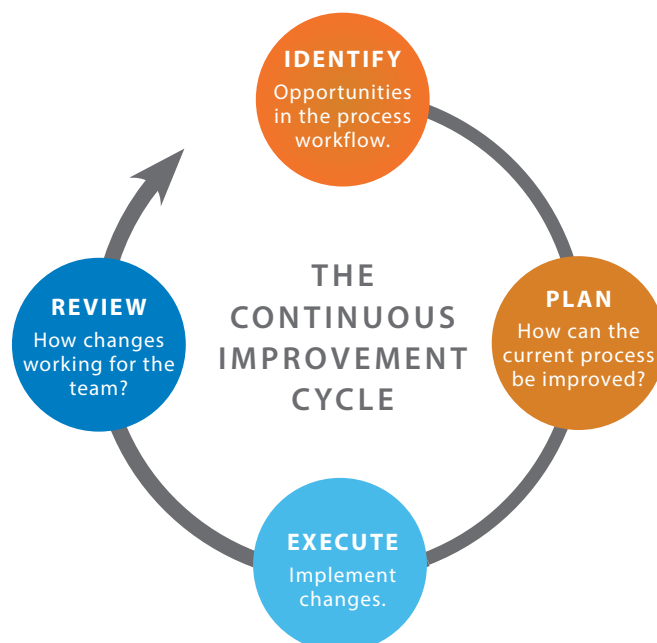
## A Model for Innovation Co-Creation



## A Culture of Continuous Improvement

The essence of a great, high-performing culture in the agile operating model is one that embodies several core principles. It's one that is always streamlining processes, eliminating waste and fostering a continuous culture of learning and improvement.

- **Customer Value-Focused** – Teams continually assess requirements with a lens of generating the most value to the end-user as early as possible. Not all requirements are equal and there is no single finish line, as with a traditional waterfall approach.
- **Make Mistakes Early, Learn & Adapt** – Flexible operating models focus on continuous learning and the fluidity of knowledge and experience sharing within the teams to support accelerated progress. This helps to avoid blockers in the future, and to learn early from mistakes.
- **Speed & Progress** – Business development teams proactively share progress and the value of their projects with the broader business. The development teams should not be viewed as elitist and should be encouraged to evolve learning of agile related concepts.





# Today, Only the Flexible will Survive and Thrive!

Consumer demand for increased personalization runs counter to the 'command and control' of the traditional, centralized operating model. It's clear much consideration has to be given to the devolution of decision making power and accountability for results in the enterprise of tomorrow.

Decentralized decision making is changing traditional leadership structures and necessitating more open, non-hierarchical conversations across organizations, as well as outside into the value chain through co-creation.

The full impact of this flexible operating model comes from combining operational improvement efforts around stream-

lining processes, eliminating waste, and fostering a culture of continuous improvement with the integrated use of agile approaches and capabilities.

With nearly nine out of ten of the Fortune 500 companies that existed in 1955 now gone, merged, or contracted, this demonstrates the extreme of market disruption that is abound. Companies need to deeply understand that the innovation driven by the endless pursuit of profit can only come from serving customers with better prices, high quality products and great customer service – and can only be realized by having an agile, flexible operating model.

The companies that are best positioned to thrive will embrace these concepts, while the ones that don't will likely risk losing customer loyalty, revenues and market share at a rapid pace.



# About Infosys Consulting

We are a global advisor enabling organizations to reimagine their future and create sustainable value leveraging disruptive technologies. And as part of technology leader Infosys, we have access to a global network and delivery capability of 200,000 professionals that help our consultants implement at scale. To see our ideas in action, please visit [InfosysConsultingInsights.com](https://www.infosysconsultinginsights.com).

## About the Experts

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### **Sujal Katechia** – Senior Principal, C-Suite Advisory Practice

Sujal is a leader within our C-Suite Advisory Practice with over 11 years consulting and 9 years industry experience in helping client executives harness disruptive technology, more effectively manage technology resources to drive agile, next-level business performance and optimize the value of their strategic IT investments. He leads the firm's operating model center of excellence helping clients design, enable and implement flexible operating models ensuring alignment between people, process and technology capabilities to achieve transformational outcomes. Sujal has an Executive MBA from Imperial College Business School, and is the lead author of this point-of-view paper.



### **Nim Sanghera** – Associate Partner, Transformation Management Practice

Nim is an expert in organizational design, target operating models and change management for Infosys Consulting. He has 25 years of experience working across industries ranging from oil and gas, to finance and insurance and consumer products. Nim currently leads a number of the firm's organizational design and business transformation programs for our global clients. He has a Master's degree in management and administration and is a special contributor to this report.



### **Jonquil Hackenberg** – Partner, C-Suite Advisory Practice

As partner and UK advisory and supply chain practice head, Jonquil defines the go-to-market strategy for digitally-focused market offerings - and leads strategic change and complex supply chain transformation programs for the CPG and manufacturing industries. Her focus includes organizational solutions around flexibility, predictability, sustainability and traceability. She is passionate about people, ardent about leadership and about developing high-performing teams with a sense of purpose, internally leading all coaching initiatives for the UK. As an educationist, she is committed to learning and growth – reflected in her part-time role as a lecturer at Beuth University, Berlin, and in her authorship on sustainability and renewables in Industry 4.0. She possesses an MBA from Beuth University and is fluent in German, English and Spanish. She is a special contributor and subject matter expert to this paper.

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