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Unlocking Business Agility

Abstract

Today, businesses of all kinds face increasing threat of competition and market disruption fueled by advances of the digital age. The need to innovate rapidly and adapt quickly has become pervasive. Business Agility is the way for leading businesses to become learning organizations that deliver fast and responsively, innovate and disrupt markets, and adapt their organization and culture. In this white paper, we define what Business Agility is and how it is embodied in learning organizations. We also examine the unique opportunities and challenges that leadership faces in this endeavor.

Introduction

The first wave of Agile – Agile team delivery – emerged two decades ago. Agile methodologies were applied successfully at the development team level, demonstrating significant improvements in team productivity and value delivery. The second wave of Agile – Agile scaling, which began over a decade ago – demonstrated that large enterprises can successfully scale Agile and Lean development practices to programs of teams. The adoption of Continuous Delivery and DevOps, the technical side of Agile practices, eased the integration of large complex systems, allowing dramatic reductions in cycle time. Having transformed their IT delivery, these same enterprises are now implementing the third wave of Agile – Business Agility – in order to extend the benefits of speed, responsiveness and adaptability more broadly throughout the organization.[1]

Employees and leaders in just about every industry are realizing that the management practices that worked so well in the past are no longer sufficient to meet the challenges and disruptions of today's business landscape. Some of the trends leading business management in a new direction include:

> Agile software development, Design Thinking, and Lean Startup [2], which have had a transformative impact on product and service development

> Flattened organizational hierarchies and decentralized decision-making

> A movement from directive, control-oriented management to new models for leadership that empower and develop knowledge workers

> Lean startup-inspired investment strategies that provide access to startup capital within the line of business and the ability to pivot business models and gain first-mover advantages, while disrupting long-standing competitors.

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We have entered a new digital age in which rapid technology advances, immediate access to information, and global inter-connectedness continues to accelerate the pace of change. The static, rigid organization is a crippled one. Becoming a learning organization is a never-ending journey, an aspiration at the enterprise level that everyone must strive for, but never with the assumption that it is possible to be continuously and entirely a learning organization.

In this whitepaper, we define Business Agility, examine what it looks like in different contexts, and articulate the relationship between it and the learning organization. We also examine the unique opportunities and challenges that leadership faces as they strive to unlock Business Agility.

What is Business Agility?

Business Agility is the ability of a company to outlearn and outperform their competition by becoming a continuously learning organization. Business Agility enables an enterprise to:

1. Sense and respond to customer and market needs with innovative and disruptive products and services rapidly, before competitors can

2. Adapt organizational structures, processes, and culture continuously to best enable #1 at any time

3. Establish a collaborative work environment capable of inspiring committed knowledge workers

With this outcomes-focused definition of Business Agility, we can now recognize the need revolutionize existing business models and ask: what model can the Agile organization use to achieve Business Agility?

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A Model for Business Agility

The Agile business has several key features:

1. The enterprise is guided by a compelling vision, strategy and goals for the near-, mid- and long terms. Even as these change, they are always clear to all employees.

2. Innovation is an internal capability that can both evolve existing products and services and also pivot existing business models, product lines and market segments as needed to ensure the long-term sustainability of the brand and the enterprise community that supports it.

3. Product delivery is rapid, feedback-driven and seamless, weighing customer outcomes and satisfaction over other measures.

4. Organizational structures and culture – reporting hierarchy, processes, governance, accountability, employee incentives, cultural norms – are flexible and resilient and geared to optimize delivery and innovation, as well as employee engagement.

5. Managers and leaders champion the Agile mindset [3, 4], continually in their approach to inspiring, guiding and empowering everyone around them, facilitating and re-examining vision and strategy, and redesigning their organization as needed for greater success.

The model below is meant to visualize how overarching vision, strategy and goals for the business are guided by effective leadership and feed into innovation and adapting organizational structures. These form the container within which products and services that delight customers can be developed, which also makes the delivery of innovation initiatives possible. With this model in mind, let us consider the organizational capabilities that make Business Agility possible.
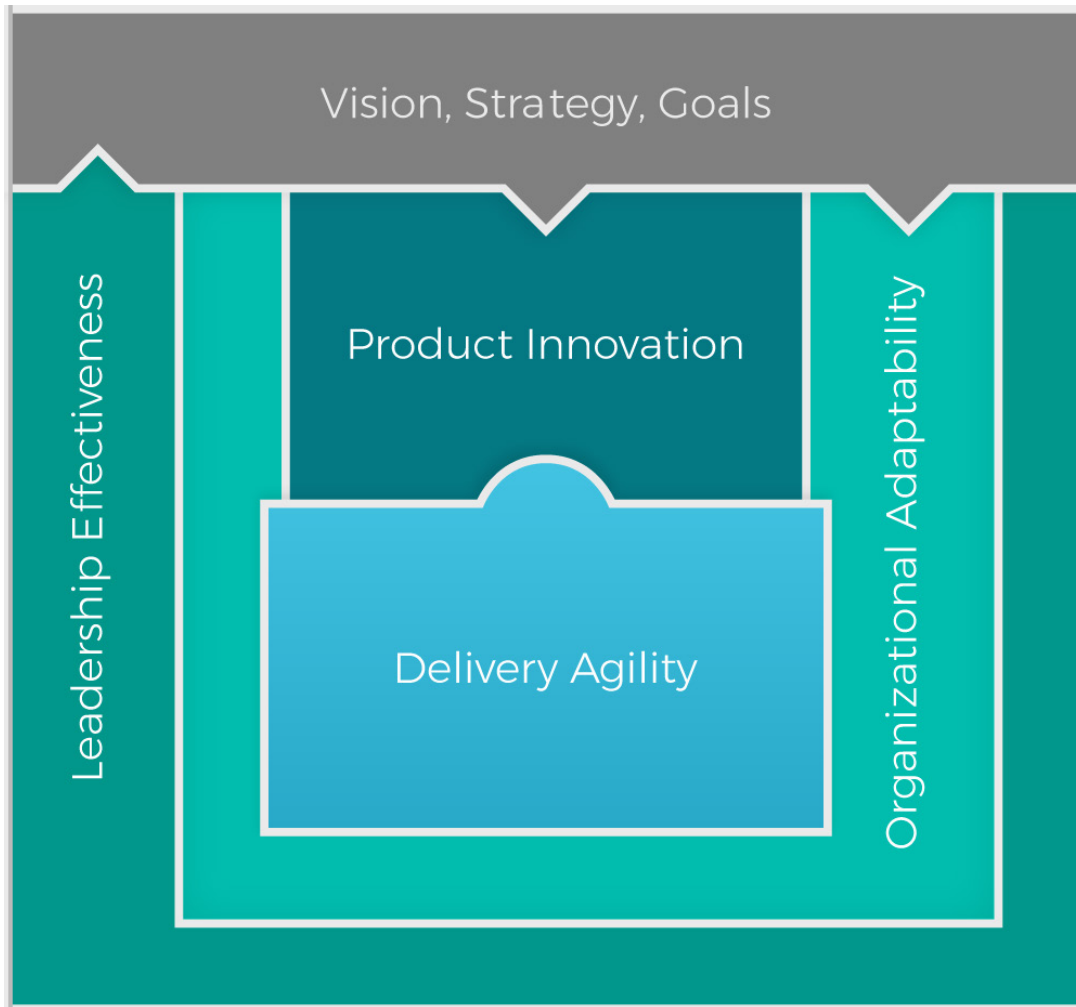
A model for Business Agility

Though you can develop each capability independently and get improved results, transformation and the greatest impact it can yield only occurs when you develop all three organizational capabilities.

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Business Agility Capabilities

Business Agility is realized by companies with three core capabilities:

1. **Deliver fast and responsively**
   Developing and delivering products and services faster and with higher quality is the core engine of value for the Agile business.

2. **Innovate and disrupt**
   Just as important as delivering fast and responsively is being able to determine and learn what products and services to build and provide, and to gracefully pivot when necessary.
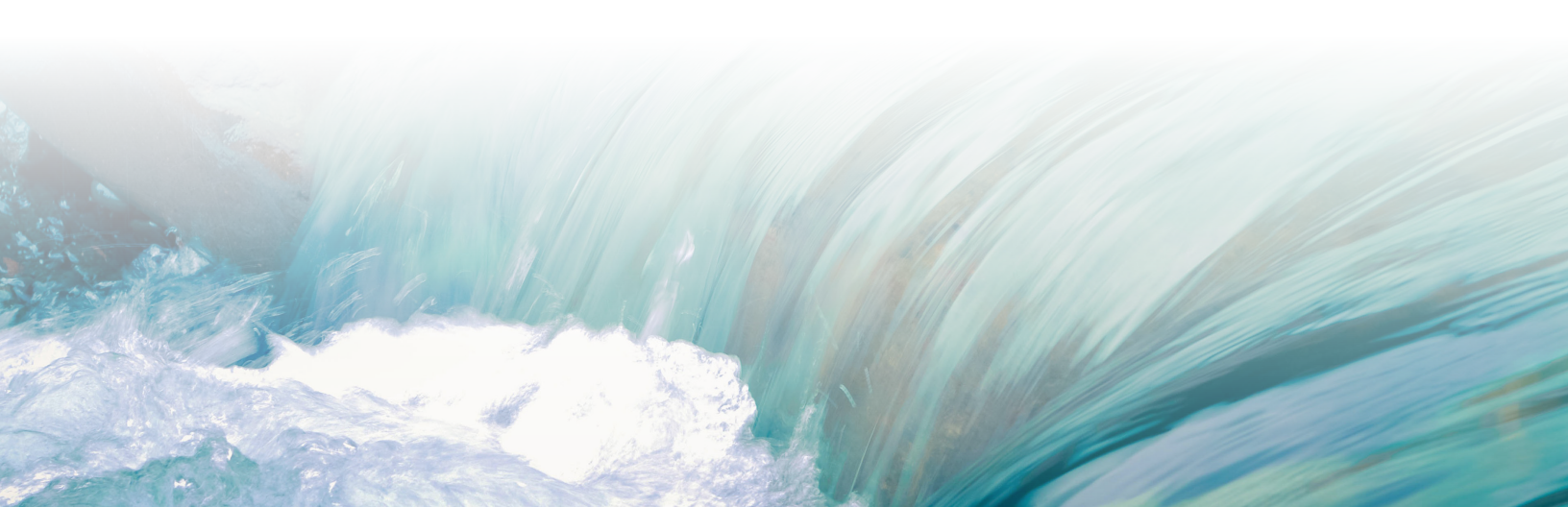
3. **Adapt organization and culture**
   With so much change, our organizational structures, processes, and culture need to adapt all the time to best enable success, guided by Agile leaders.

Finally, Business Agility requires leaders that can establish and enroll people in shared visions of success and can guide and manage all of the above successfully. This requires changes to how we lead and manage.

As organizations develop these three organizational capabilities, Business Agility emerges – the whole being far greater than the sum of its parts. This is critical as businesses tend to focus on one or more of these, but not all of them. Though you can develop each capability independently and get improved results, transformation and the greatest impact it can yield only occurs when you develop all three.

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Delivery Agility	Product Innovation	Organizational Adaptability	Motto	Characteristics
X			"Fragile"	» Organizational impediments inhibit agility. » Disruption by smaller, more innovative competitors is quite possible. » Products do not meet real (or most important) customer needs.
	X		"The R&D Group"	» Ideas, designs and prototypes never see the light of day. » R&D and delivery are in separate silos. » Innovations can't be delivered.
		X	"The 6 Sigma Org"	» Process improvement is a company goal. » Despite the number of improvements, they have little impact and few are focused on constraints. » Product and delivery take a back seat to process.
X	X		"Mired in Bureaucracy"	» Delivery and innovation results stalled. » Processes, structures and culture inhibit success.
X		X	"Feature Bloat"	» Products and services don't meet customer needs, resulting in many unused features and unaddressed market segments. » Competitors with the slightest leg up are able to disrupt entire markets.
	X	X	"Failure to Launch"	» Products and services are slow to market. » Customer satisfaction is poor. » Technical debt is rampant.

Table 1:

Organizational Antipatterns

To understand how Business Agility addresses each of these issues, let's look at each of the three organizational capabilities and finally Leadership Effectiveness.

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Delivering Fast and Responsively with Delivery Agility

Foundational to Business Agility is the ability to design, develop, build, and ship high-quality products and services fast in response to the market voice. This prevents the business from losing market share to smaller, more nimble competitors. This capability is what we call "Delivery Agility." We identify three indicators of Delivery Agility:

1. The ability to build high-quality products

2. The ability to deliver fast and responsively

3. The ability to thrill users

Many companies who adopt Agile methods, improve their delivery capability but not to the degree that is needed to achieve the promise of Business Agility. To establish Delivery Agility, the following is necessary:

> » Continuous Delivery [5]
> Continuous delivery is using build, test, and deployment automation to get more frequent, reliable software releases.

> » DevOps [6]
> "DevOps is the outcome of applying the most trusted principles from the domain of physical manufacturing and leadership to the IT value stream."

> » Quality engineering
> From practices like test-driven development, pair programming, and refactoring to the ongoing pursuit of engineering mastery, quality is a mandatory aspect of responsible delivery and thus customer satisfaction and delight.

> » Scaling Agile Delivery
> Large companies have complex product development challenges and need to ensure that their approaches integrate work across teams in a manner that does not diminish value. Scale may be related to team

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organization – large teams, multiple teams, multiple geographies and more. It may also be related to product size and complexity – such as products that are integrated together and with other systems.

» Full Value Streams
Agile and Lean principles must be applied to constraints across several work domains, such as ITSM, portfolio management, budgeting, people development, governance, operations, infosec and more.

When organizations implement all of these, they will have achieved Delivery Agility. As they begin to deliver more, the need for the second capability, Product Innovation, will become more obvious.

Innovating and Disrupting through Product Innovation

During this digital age, technology improvements are enabling competitors to develop new and improved products faster than ever. In such an environment, the disruptor is at a greater advantage than the disrupted. Companies that have experienced some success with improved delivery quickly realize the need to become better at determining what products and services to deliver and why. It's one thing to become able to deliver more stuff; it is entirely another thing for that stuff to have impact with customers. Only enterprises capable of rapidly experimenting towards new products and services, discovering and creating new customer segments, and iterating on business models will thrive in the digital age. We call this "Product Innovation." We identify three indicators of Product Innovation:

1. The ability to impact markets
2. The ability to adapt business models
3. The ability to create and disrupt markets

> It's one thing to become able to deliver more stuff; it is entirely another thing for that stuff to have impact with customers.

Product Innovation as a capability is about learning what customers truly need faster than your competitors. Practices that can expedite this learning include:

> » **Customer development and Lean Startup**
> Frameworks for discovering and validating the right market ideas via experimentation

> » **Design Thinking**
> Using the designer's sensibility and methods to identify customer needs and new product/service opportunities

> » **Lean product and portfolio management**
> An evolution of these traditional methods and roles that focuses on maximizing the flow of value to customers

Even more advanced innovation approaches include digital innovation studios and innovation colonies, both charged with rapid prototyping of new products, services and even business models. For these innovation vehicles to be viable, the patron organization must provide them protection and funding without imposing upon them the traditional constraints that stymie radically creative business generation - such as governance, regulatory compliance, traditional portfolio management, and IT infrastructure and support. This leads to the need for our third capability, Organizational Adaptability.

Adapting Organization and Culture to Improve Fitness for Purpose

An acronym we hear a lot lately is VUCA: volatility, uncertainty, complexity, and ambiguity. VUCA defines the digital age and illustrates the need for organization-wide nimbleness: organizations cannot compete successfully if they remain static. Processes, structures, culture, and even management models must evolve continuously to enable what we call "Organizational Adaptability". We identify three indicators of Organizational Adaptability:

Product Innovation as a capability is about learning what customers truly need faster than your competitors.

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1. The ability to innovate management models

2. Lean flow through business processes

3. Closely aligned structures, roles and incentives

In the pre-digital industrial era, we built structures and processes that allowed us to scale production and increase efficiency. While this enabled us to build the foundation for the digital age, today organizations must focus not on scale and efficiency, but on creativity, continuous learning, and adaptability, which have become the scarcest resources driving today's value delivery. Organizational Adaptability is how businesses tap into the creative and learning potential of their people, while maintaining alignment on purpose in a VUCA business environment.

When organizational structures are rigid and static, product innovation and delivery is stifled, mired in bureaucracy, cultures of fear, functional silo inefficiency, and resistance to change. Clinging to such virtues allows faster, smaller, more Agile competitors to steal market share and woo away disenfranchised market segments and knowledge workers. To become innovators and disruptors, companies must innovate their organizational and managerial approaches, reduce bureaucracy, and evolve leadership styles and cultures. These are defining features of a learning organization.

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What is a Learning Organization?

Learning is quite different from training. Training is the use of existing knowledge to achieve an objective that is known in advance. However, in an uncertain, volatile environment, the past is no longer as good a guide for what to do in the future. Learning is a never-ending process for acquiring and creating knowledge (through sense making, probing, etc.). Organizational learning, by extension, is when entire organizations operate from this standpoint of continuously creating knowledge. Not by coincidence, the environment that supports learning at the individual and organizational levels also supports close collaboration of knowledge workers leveraging tacit knowledge and integrating their perspectives to make sense out of the environment, whether that is a new market segment or a competitive marketplace. For this reason, continuous learning – that is, being a learning organization – is the only way we know of for today's businesses to survive and thrive in change and uncertainty.

In specific terms, the learning organization is characterized by:

» **Continuous engagement**
This entails maintaining connectivity and alignment between customers, employees and managers.

» **A nurturing collaborative environment**
Work environments are oases where knowledge workers are inspired, create and thrive.

» **An innovative culture**
Creativity is a precious resource and a mindset that sparks, yields and implements new ideas, without fear of reproach or failure, is pervasive throughout the organization.

» **Organizational learning and sense-making**
The organization has developed the systemic ability to effectively probe, sense and respond to the unfiltered, often-chaotic external environment.

» **Dynamic organizational equilibrium**
Within a VUCA context, the organization seeks to return to a balanced state by continuously adapting to rapidly changing external and internal conditions.

In short, learning organizations epitomize Business Agility.

Sensing and responding to change and uncertainty is an organizational capability but it falls to leadership to enable the organization as a whole to act on their learning.

Leading the Way to Business Agility

The role of leadership – and by extension management – is key to the organization unlocking Business Agility. While we have articulated what is expected of leaders, note that managers are being called to action as well. In the Agile organization, managers are stewards who design environments where Delivery Agility and Product Innovation thrive through the passionate engagement of knowledge workers. This requires active work on structures, processes, and culture at many levels. In particular, the Agile organization needs leaders with Agile mindsets and values who thrive in complexity [7, 8]. We identify three indicators of Leadership Effectiveness:

1. The ability to establish and engage others in a compelling vision
2. The ability to evolve organizational capability and fitness
3. Leadership that maximizes learning by empowering and developing knowledge workers

Most companies will have a significant amount of work to do to develop the capabilities of Business Agility we have outlined and maintain them continuously. This responsibility falls upon leadership at every level of the company. Unfortunately, managers in most companies today do not have the skills they will need to succeed in this endeavor. Because the primary levers of business success were scale and efficiency during the 1900's, management cultures evolved to focus on skills related to coordination, control, utilization, deterministic planning, etc. As we said, the primary levers of business success today are creativity, continuous learning and adaptability. These new levers require a shift not just in our processes but also how we manage and lead. Below are some of the opportunities and challenges that leadership and management will confront on the path to Business Agility.

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Organizational Capability	Leadership Opportunities	Leadership Challenges
Deliver Fast and Responsively	» Championing quality goals and sustainable pace for better delivery » Enabling teams to use their skills for best advantage » Connecting teams' work to strategic goals	» Clarity of management role » How to lead self organizing teams » Scaling delivery (many teams, functional groups, etc).
Innovate and Disrupt	» Enabling rapid learning and quick decisions » Championing customer learning and validation » Connecting strategy to product and team goals	» Learning versus failing mindset and culture » Making the case for innovation » Ability to make product and investment tradeoff decisions (e.g. keep-cure-kill decisions)
Adapt Organization and Culture	» Focusing improvements on constraints » Championing continuous improvement » Examining full value streams » Encouraging collaboration and cross-org learning	» Misaligned org processes and structures » Functional silos » Fear or "no" cultures » Power structures

Table 2:

Organizational Capabilities: Leadership Opportuniries and Challenges

In addition, there are also some leadership challenges common across all three areas:

» Style shifts (e.g. from predict, plan and coordinate to envision)[9, 10]

» Mindset shifts (e.g. learn over know, enable over control, etc.)[3, 4]

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Resources

1. The Third Wave of Agile (white paper)
   by Charlie Rudd, SolutionsIQ

2. The Lean Startup
   by Eric Ries

3. The Agile Mindshift: Leading People and Managing Systems (blog)
   by SolutionsIQ

4. Adult Cognitive Development and the Agile Mindset (podcast)
   by William Rowden, SolutionsIQ

5. Continuous Delivery
   by Jez Humble and David Farley

6. The DevOps Handbook
   by Gene Kim, Jez Humble, John Willis and Patrick Debois

7. Agile Managers: Redefine Your Role (webinar)
   presented by William Rowden, SolutionsIQ

8. Managing in Agile (webinar)
   presented by George Schlitz and Tiffany Willis, SolutionsIQ

9. Turn the Ship Around
   by L. David Marquet

10. Drive
    by Daniel Pink

Further Reading

» Pinning Down Business Agility (white paper)
  by Evan Campbell, SolutionsIQ

» The Future of Management
  by Gary Hamel

» Antifragile
  by Nassim Nicholas Taleb

» Biology of Business
  by John Henry Clippinger III

» Change the Culture, Change the Game
  by Roger Connors and Tom Smith

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Conclusion

Business Agility comprises the set of organizational capabilities that enable an enterprise to outlearn and outperform their competition by becoming a learning organization. Learning organizations are capable of:

1. Delivering high-quality products and services fast and responsively

2. Innovating new products and services as well as business models and thus capable of disrupting existing markets

3. Adapting their structures and culture to succeed despite constant change and uncertainty.

Leaders of a new breed are needed.

Leaders of a new breed are needed to clarify and orient people to a shared vision of success, and to design environments in which it can be achieved at any time — all while guiding the improvement of these Business Agility capabilities. It is ultimately up to leadership in every organization to seize their stake in the future. To assist in this endeavor, here are some crucial questions that leaders must ask themselves as well as other leaders in their organizations.

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Org Cap	Leadership Opportunities
Deliver Fast and Responsively	Assess your delivery capability: » Is high quality a part of every team's deliveries? » How well do you scale? » Are teams able to make tradeoffs and release small increments? » Are we improving the full development value stream, from idea through development through operations and support? » Is automation leveraged to increase learning and reduce waste?
Innovate and Disrupt	Determine how much innovation is a part of your org: » Do teams rapidly experiment with customers? » Are we attempting to disrupt and examining how we might be disrupted? » Are product goals connected to more strategic goals? » Are we "maximizing the amount of work NOT done"?
Adapt Organization and Culture	Assess your organization's "fitness for purpose": » Do structures and processes enable success or impede it? » Are roles clear, and do personal development goals align with product success goals? » Are we hindered by functional silos? » Is learning and "failure" encouraged? » Is transparency welcome or avoided? » Do we have an environment that encourages decision making or is stifled by need for consensus?
Effective Leadership	Examine your Agile leadership effectiveness: » Are managers designing environments for success? » Do managers have a clear idea of their roles? » Are managers becoming better at leading in complexity? » Is there a clear development path for managers to become Agile leaders? » Do leaders have a transformation strategy and plan that is continuously adapted?

Table 3:

Organizational Capabilities: Crucial Questions for Leadership

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About SolutionsIQ

SolutionsIQ, an Accenture company, is the largest and most capable Agile Transformation consulting company in the industry. Accenture's existing Agile Transformation practice has been folded into SolutionsIQ. With hundreds of expert consultants and the industry's most proven change management frameworks, SolutionsIQ's solutions provide the largest and most complex organizations confidence that they can achieve unprecedented levels of delivery performance, product innovation, and business agility to drive their competitiveness, adaptability, and growth.

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Want to Learn More?

Visit SolutionsIQ.com

Email: info@solutionsiq.com

Toll-Free: 1-800-235-4091

Direct: 1-425-451-2727

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