BUSINESS AGILITY

SEVEN TRANSFORMATIONAL SPARKS

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IS THIS YOUR ORGANIZATION?

Consider the ongoing struggle of the Information Technology (IT) department versus the organization. In the first, **IT faces off with the business side**. End-users are neglected in favor of internal processes and governance. There is a serious “Us versus Them” issue, with unsupportive handoffs, thrown like hot potatoes between silos. IT teams are frustrated by long business decisions and slow funding, putting projects behind before they start. When products are received poorly in the marketplace, IT takes the blame. Projects are dragged down by a lack of trust and transparency.

When the **business side faces off with IT, another picture emerges.** Common complaints are that projects take way too long, cost way too much, and are completely inflexible to changing business needs and requirements. Again, the lack of collaboration between IT and business units causes friction.

Take a third scenario – **IT Teams use Agile methods but they are surrounded by waterfall as far as the eye can see**. It’s a common scene: IT Teams are beautifully Agile, working in tight iterations to release chunks of value. Committed to Agile values and practices, these teams may not be flawless, but they continuously improve their processes, plus work is transparent and team members are engaged.

But around those teams, the rest of the organization is full of non-Agile speedbumps. It takes upstream business units a year to bundle requirements and throw them “over the wall” to the teams. In fact, **upfront business planning takes as long or longer than the entire delivery process.**

On the launch side, Marketing adds a month to deliveries and Support is far out of the loop on communicating fixes. To compound issues, Human Resources has been struggling to sustain the Agile IT teams with hires that fit an Agile environment.

Finally, the biggest source of lost time and money is not even found in the delivery or deployment process – it is in the product itself. The business wants a feature, but it's not necessarily the right thing to build. **Customers don't use the features being delivered, and this cripples the ability of the organization to compete and innovate.**

In other words, these **rigid, hidebound patterns with internecine strife stifle the innovation and agility crucial for an organization to succeed.** Business Agility **sparks** allow IT teams to spread Agile adaptability, speed and quality to the entire organization. They enable our organization to truly create and respond to change.

WHAT IS BUSINESS AGILITY?

Business Agility is an organization's ability to create and respond to change. It is achieved by taking a customer-focused view and applying the agile mindset, principles and practices. This involves everyone from individual team members to the portfolio level, across the enterprise.

In other words:

Business Agility = Velocity * Focus * Flexibility

BUSINESS AGILITY = VELOCITY * FOCUS * FLEXIBILITY

Achieving business agility is a multi-faceted, multi-variate problem that requires integration across several facets: Velocity, Focus, and Flexibility.

Velocity is about achieving end-to-end flow and speed. It requires more dynamic and emergent strategy, more dynamic funding, and a value stream approach to getting work done.

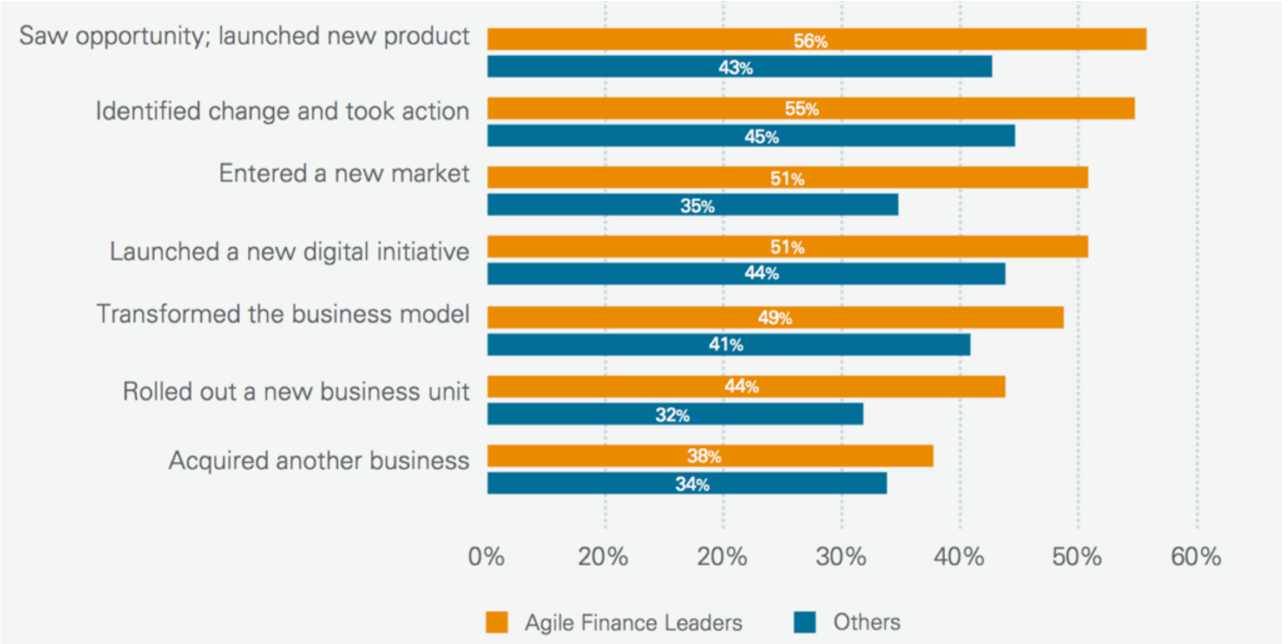
Focus is about getting clarity on business outcomes with higher fidelity. For example, instead of annual goal, what is the quarterly goal? What can we do for our customers and our business right now?

Flexibility is about being able to more dynamically make the shifts and pivots necessary to react to the latest data.

As Agile methods evolve from IT teams to an industry standard, an Agile approach needs to take hold across silos, and in every department. Business agility thus extends Agile beyond IT to business functions like marketing, sales, operations; and most importantly to the 'C' suite.

Why? Because traditional means of management such as annual goals and funding, silo-based org structures, and traditional governance models are simply too slow and cumbersome to effectively compete against disruptors and innovators.

For instance, Oracle's "Agile Finance Revealed" study indicates clear evidence of agile finance leaders driving innovation and business agility, including: launching new products, entering new markets and transforming their business models.[1]



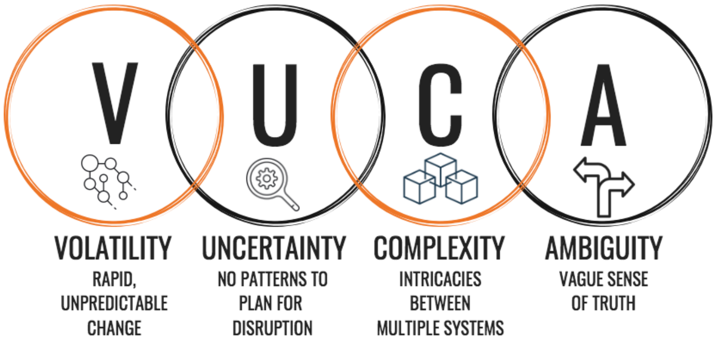
Agile Finance Revealed: The New Operating Model for Modern Finance
AICPA & Oracle

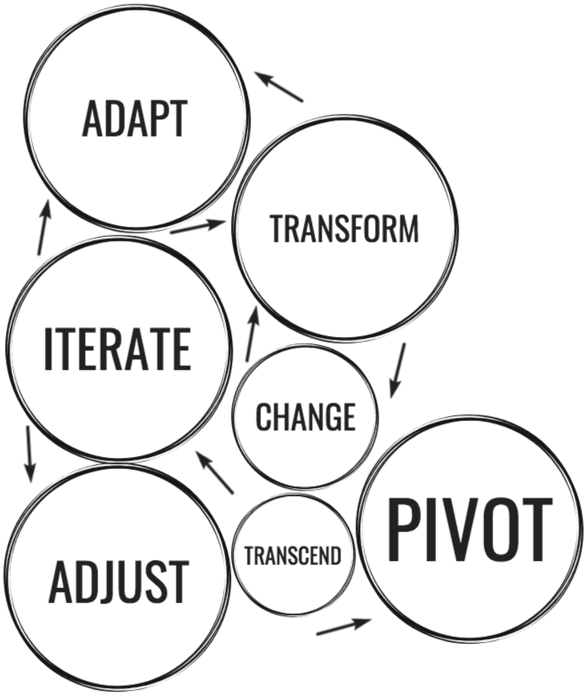
BUSINESS AGILITY: THE STRATEGIC IMPACT

Per current trends, 75% of the companies listed on the S&P 500 Index will be replaced by 2027, with the average company tenure trending toward 12 years, down from 60 years in the 1950s[2]. Business Agility allows the enterprise to adapt to changing markets and pivot with their customers to stay alive in the digital world.

The current business environment can be explained by the concept of VUCA (volatility, uncertainty, complexity, and ambiguity), originally coined by the U.S Army War College to articulate Cold War conditions. Today's businesses face turbulent conditions which can only be steered through successfully by strong leadership.

Businesses must continuously re-examine strategies, culture, processes and platforms as digital technologies redefine product development in this VUCA landscape, and as automation and globalization drive business disruption.





CIOs and other C-Suite leaders who understand the need to stay relevant and plan to lead their companies successfully through this market turbulence, have reorganized around this continuous change.

These leaders have implemented Scrum, XP, Kanban and other team-based Agile methods. They have also scaled Agile methods up to the program and portfolio levels with the Scaled Agile Framework® (SAFe®), Disciplined Agile Delivery® (DAD), Large Scale Scrum® (LeSS) and more recently with Scrum at Scale® (S@S).

When these methods do not produce results, it is not for lack of trying. Unfortunately, **in most organizations, every single process, organizational structure and role is designed to support the current and probably traditional method of delivery.**

This is Conway's Rule writ large on our organizations, and something we must overcome. If the goal is speed or agility, work management and organizational systems and policies are not appropriately structured and must be transformed across the enterprise.

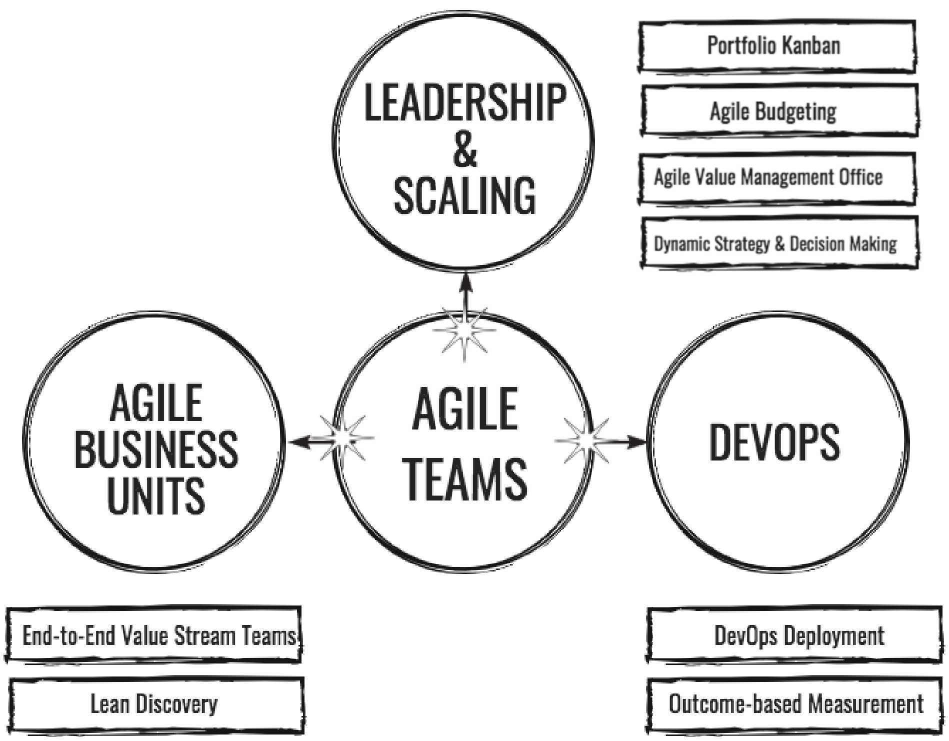
> "Any organization that designs a system (defined broadly) will produce a design whose structure is a copy of the organization's communication structure."
>
> — M. Conway

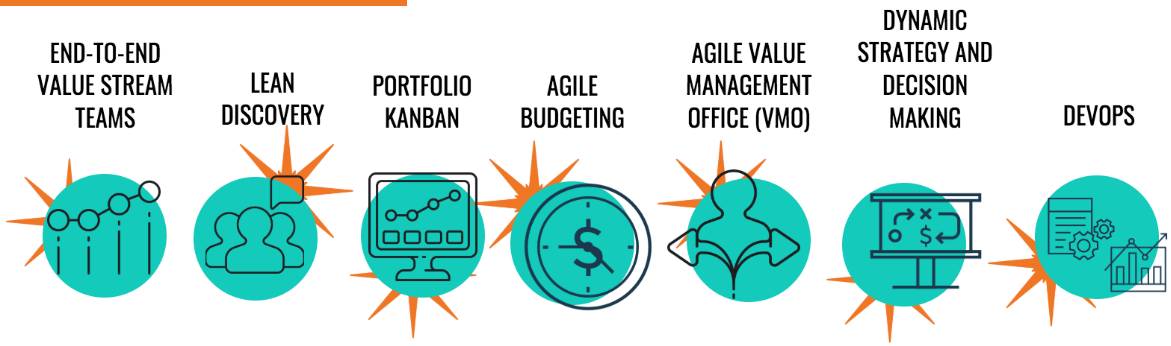
Achieving true agility in a VUCA environment therefore requires **a methodical and experienced restructuring of processes and structures along the entire value stream, from business strategy through to operations and every step along the way.**

SPARKING BUSINESS AGIILTY

Building on the solid foundation of agile teams, industry leaders like Capital One, Nationwide Insurance, Microsoft and Walmart are sparking passion and change towards business agility through three essential shifts: shifting left with Agile Business Units, shifting right with DevOps, and shifting up with Leadership and Scaling.

Sparking the shift toward Business Agility enables the whole organization to become adaptable and responsive to change. Whether or not business units use Agile methods themselves, the Agile organization is one where all components align around value streams to allow for rapid experimentation, continuous learning, and low risk, iterative creation.





At LitheSpeed, we advocate these **7 transformational “sparks”** to accelerate your agile transformation towards business agility:

Shift-Left:

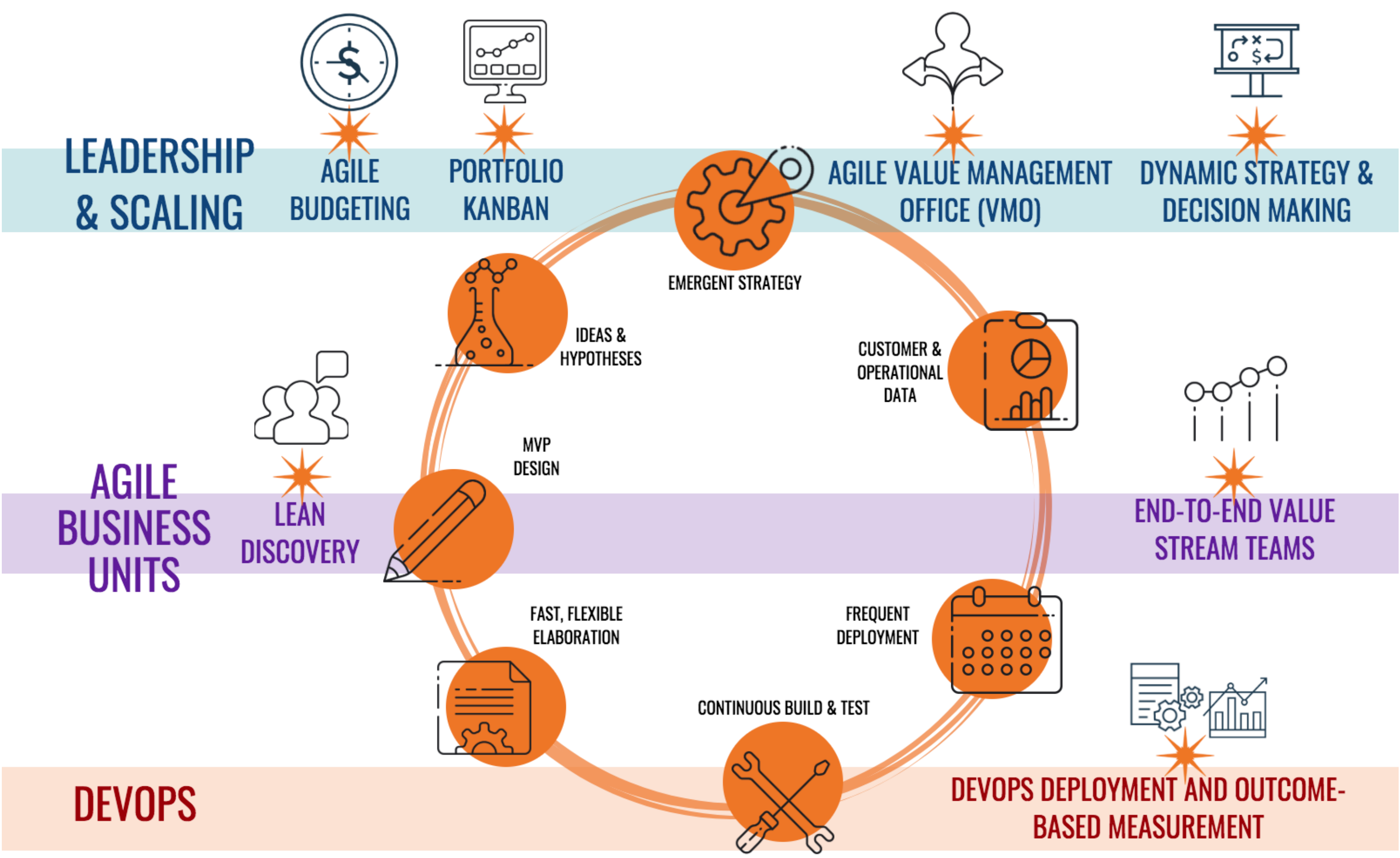
1. End-to-End Value Stream Teams
2. Lean Discovery

Shift-Up:

3. Portfolio Kanban
4. Agile Budgeting
5. Agile Value Management Office (VMO)
6. Dynamic Strategy & Decision Making

Shift-Right:

7. DevOps Deployment and Outcome-Based Measurement



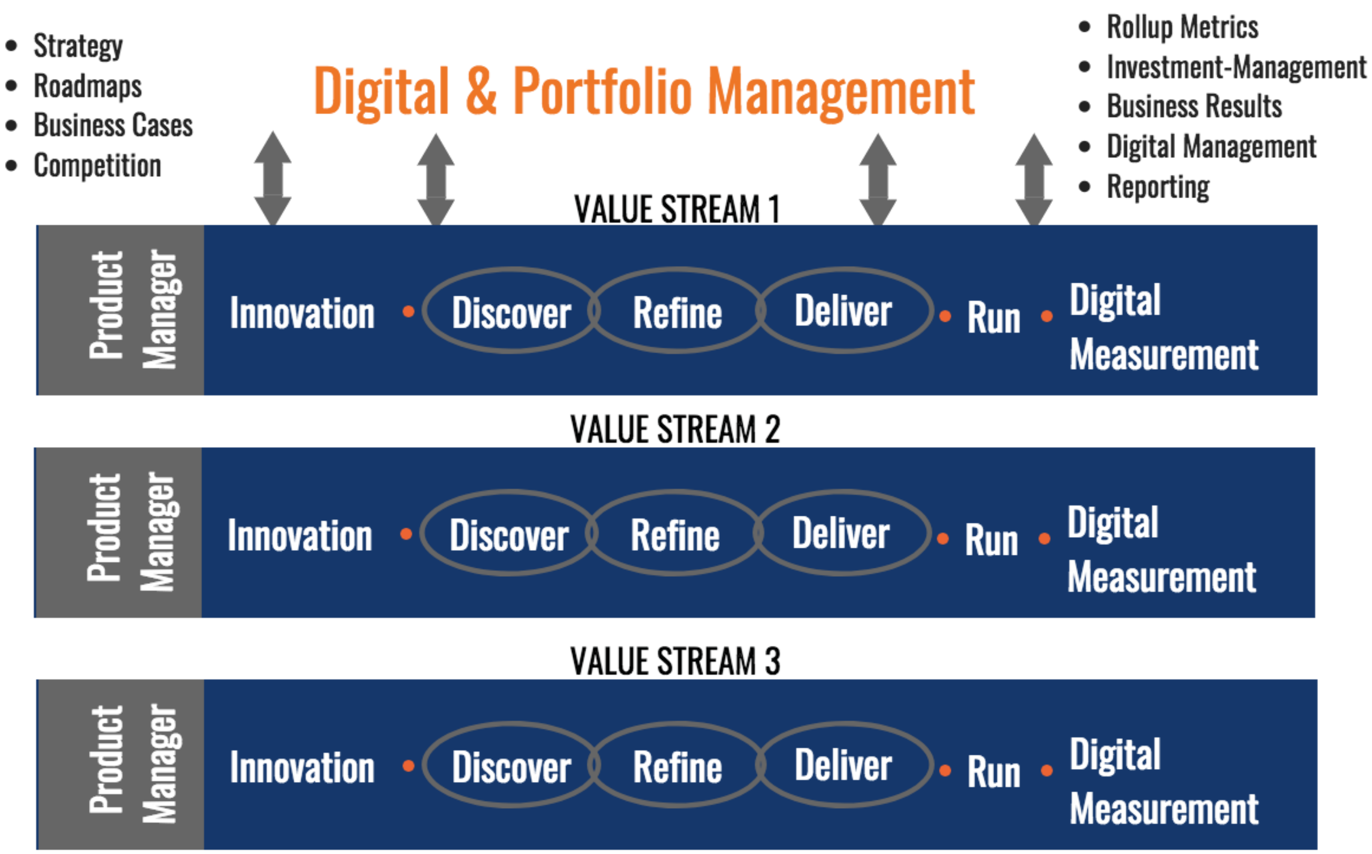
END-TO-END VALUE STREAM TEAMS

An agile business has, at its base, a network of end-to-end, entrepreneurial **End-to-End Value Stream Teams** that are focused on improving customer experiences, and adapting rapidly to their changing needs.

These Value Stream Teams extend the notion of 'stable agile teams' and extends it across the full range of activities that it takes to define, build, and deploy a solution. In a sense, it is a company within a company that can take full ownership and accountability of its product.

This entrepreneurial unit is able to move with speed and flexibility because it does not need to navigate ten different silos and functions. It has all of the skills and resources that it needs to deliver, **right now.**

Minimal, sufficient-to-purpose Digital and Portfolio Management oversight and governance defines how the Value Stream Teams operate. This includes short term considerations like metrics, investment, measurement and reporting, and long-term considerations like strategy and roadmaps.



LEAN DISCOVERY

The past few years have seen the integration of Lean Startup® Techniques into Agile methods. For instance, Dual Track Scrum overlays a discovery component onto standard Scrum Delivery, and allows for Lean Startup style validation of business ideas in parallel with product delivery.

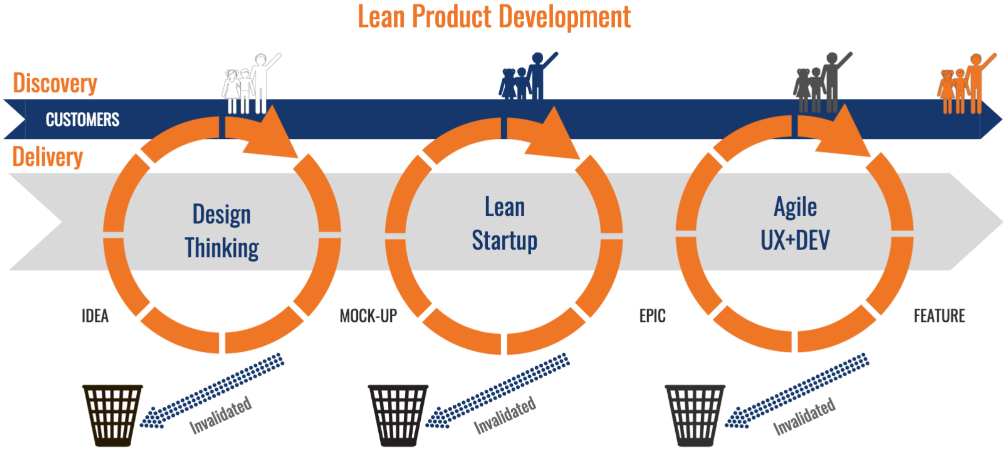
In our experience, the business and product side of most organizations still operate in traditional waterfall approaches that are largely driven by a projectized funding model. The net is that there is pressure to lock in scope, schedule and budget upfront. But, by locking in scope, in particular, we increase waste, stifle innovation, and deliver useless features to customers.

> *Tell us all of the features that you will deliver and how much they will cost, and when you will deliver.*

This is the refrain that characterizes a big-batch approach, leading organizations to lock down scope too early.

Such an approach dramatically reduces flexibility to respond to market changes as they occur. It also introduces huge delays since it can take many months of upfront analysis and estimation before we even start to build products or deliver projects.

In our own agile product development work, we employ an integrated model that integrates the disciplines of Lean Startup®, Design Thinking and Agile Delivery. While high level scope is defined and agreed upon up-front, **detailed scope is deliberately deferred to the last responsible moment, and is driven by a continuous, lean discovery effort.** Business ideas are validated or invalidated via Lean Startup style experimentation. Design Thinking helps us progressively develop exactly the solution that end users need, and then we only develop the features they need and discard all others.



PORTFOLIO KANBAN

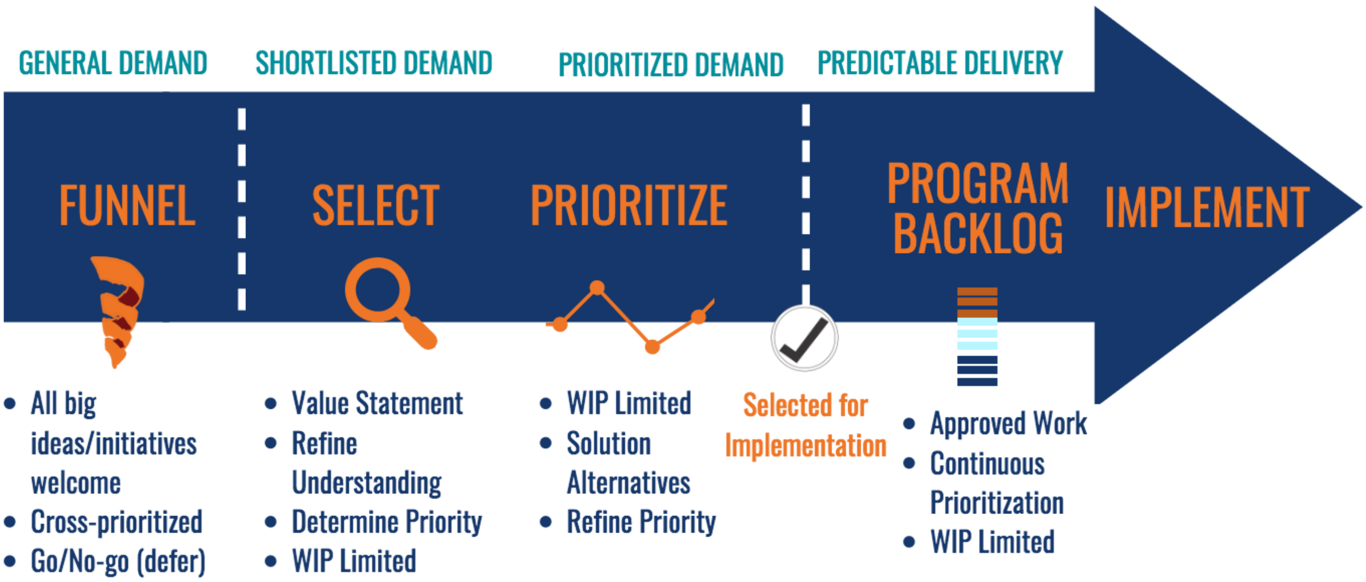
Visual Management Systems (VMS) or "Kanban Boards" are Lean artifacts. Typically, they are large boards or information radiators that create transparency into all the work being done. They allow anyone to very rapidly see work in progress, understand its status, and also rapidly assess what is under control and what isn't.

These Kanban boards are designed to optimize flow. Applied at the portfolio level, they help drive a continuous flow of ideas, prototypes, deliveries, revenues, and customer feedback.

Managing for flow is not a model to which most organizations are accustomed; they tend to manage for local silo efficiency, utilization, or around traditional processes, none of which enhance organizational flow. An end-to-end Visual Management System to manage the portfolio is essentially a tool to help leaders see and manage flow. At the highest level, it helps them to spot bottlenecks and manage speed of delivery.

A simple Portfolio Kanban, as shown, can help leaders prioritize general demand, shortlist and prioritize demand, and feed a program backlog with prioritized work lined up for implementation by multiple teams.

PORTFOLIO KANBAN: ESSENTIAL ELEMENTS



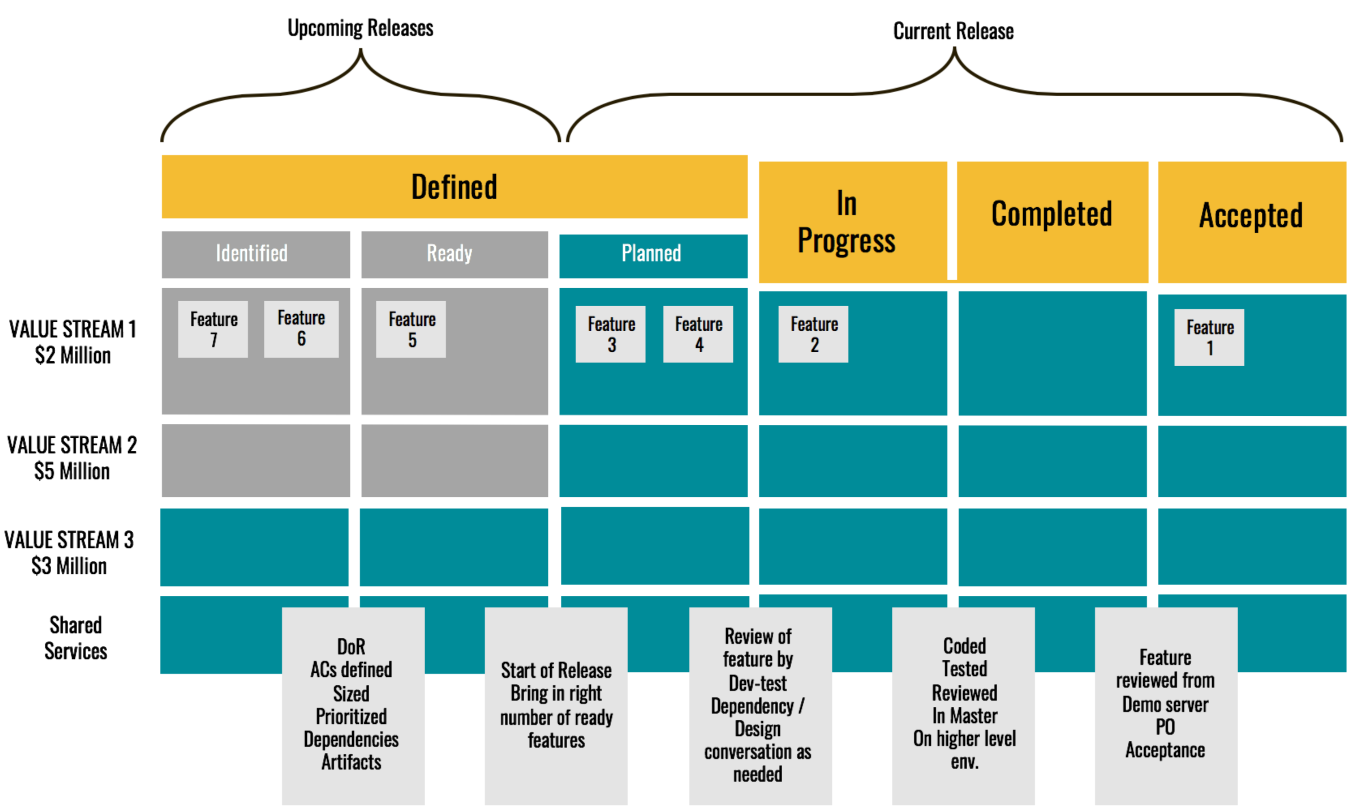
AGILE BUDGETING

In most organizations, budgeting is aligned to annual funding cycles and to large projects, both of which are usually too long of a planning cycle to be adequately reactive to market changes.

Agile businesses are starting to budget at a higher level of abstraction. Instead of budgeting and estimating around a highly detailed scope of work or requirements, they budget around a desired business outcome.

> *We intend to spend $5M this year to improve our customer experience in the area of customer communications and notifications.*
>
> *With this money, we will deliver the following 4 new capabilities which we think will drive lower call-center usage by 15%.*

With this level of funding, we have a timeframe, a dollar amount, an expected business outcome, and a high-level scope. We can then let the Product Owner and team innovate around ways to achieve the outcome that are fast and flexible. We can respond to what competitors are doing because we are not constrained to a set of firm requirements that were developed nine months ago. We can also deliver some capabilities right away and measure to see if those features are taking us on the right path towards meeting our business objectives.



AGILE BUDGETING

Agile businesses are built upon the idea of fixed and stable teams that stay together for extended periods of time. By staying together, they become well-oiled machines that have learned how to leverage each other's strengths, have learned how to communicate with each other, have learned how to work together, and have learned how to get things done.

By extending them to Value Stream teams, we can achieve huge levels of efficiency and productivity that far outweigh the supposed flexibility coming from pulling people and moving them around to different projects. The 'fungible resource' model of moving people around to projects causes teams to be in a constant state of storming/forming/norming and makes it almost impossible for them to achieve 'high performing' state.

In addition, fixed Value Stream teams are much easier to manage financially. A fixed Value Stream team has a fixed cost. It has a constant burn rate that makes costing and estimation much simpler.

Take the following for example:

- **10 person Value Stream Team**
- **Average all-in, fully-loaded cost of $200/hour per person**
- **2-week sprints**

In this scenario, this team costs **10*200*80 = $160,000/sprint** and every sprint costs the same amount.

When estimating and budgeting, we could look at a piece of work and estimate in this way:

- **This work will require 2 Value Stream Teams**
- **It will take about 10 sprints**
- **Therefore, it will cost about 2*10*$160,000 = $3,200,000**
- **And it will take about 20 weeks**

AGILE BUDGETING

Agile businesses are making the switch the fixed teams with fixed costs in order to simplify estimation, budgeting, and resource management. And they are also moving towards more flexible scope definitions so that teams can both innovate and quickly respond to changing conditions while still staying within the scope boundaries of the project.

The results are **faster startup/ramp up time** due to reduced planning and estimation time, simple financial accounting for project costs, and **flexibility to meet constantly changing business priorities and needs.**

An example of Agile budgeting put in place at several financial services Fortune 500s is budgeting value streams and products instead of a bunch of individual projects. Strategically, they might say that:

> *Last year, we spent $50M on products/applications X, Y, and Z. Those applications are now somewhat stable and are in maintenance mode. This year, we want to shift $10M of that into product X and $20M into products C and D. In exchange for these investments, we seek to gain the following business outcomes (revenue, cost-savings, user growth, etc.)*

This style of budgeting empowers the Product Manager to achieve these outcomes against these budget constraints. In this model, the focus is business outcomes and product-budgets, not a bunch of projects with pre-defined and pre-estimated requirements.

To track the budget, they complete quarterly reviews of interim business outcomes and interim spend. **Spending priorities can be shifted as needed, moving money around to other products if necessary.** If money moves, entire teams can be moved around as well.

AGILE VALUE MANAGEMENT OFFICE (VMO)

Many traditional PMOs are optimized around two key goals: project initiation and governance, both of which need to change if they are to adequately support business agility.

Project Initiation: In many organizations, the PMO tries to find ways to start projects. A VMO focuses instead on completion and flow.

Our funding was approved, we need to get started right away.

The PMO and Resource Managers then start to pull people out of other efforts or do some fine-grained slicing and dicing of resources so that we can get started. The problem of course is that we are stealing from other projects that are already underway. Those projects now slow down and do not achieve the delivery flow that we are after.

The result is usually many projects, all going on simultaneously, all moving very slowly. In short, we have a ton of spending going on and not a lot of delivery happening!

For the PMO to enable business agility, it needs to manage the work-intake process better. As advocated by Shane Hastie and Evan Leybourn in their book #noprojects,[3] re-framing and reorganizing the PMO as a Value Management Office (VMO) enables a tighter focus on true agile goals and outcomes. It needs to time the start of new work in such a way that inflight work can deliver. It needs to insist that projects and releases all be smaller and more frequent so that resources are not locked down for too long. Finally, it needs to visualize and see overall organizational project flow and put more focus on delivery and less focus on project starts. Or, put another way, the PMO needs to drive the mantra, **stop starting, start finishing.**

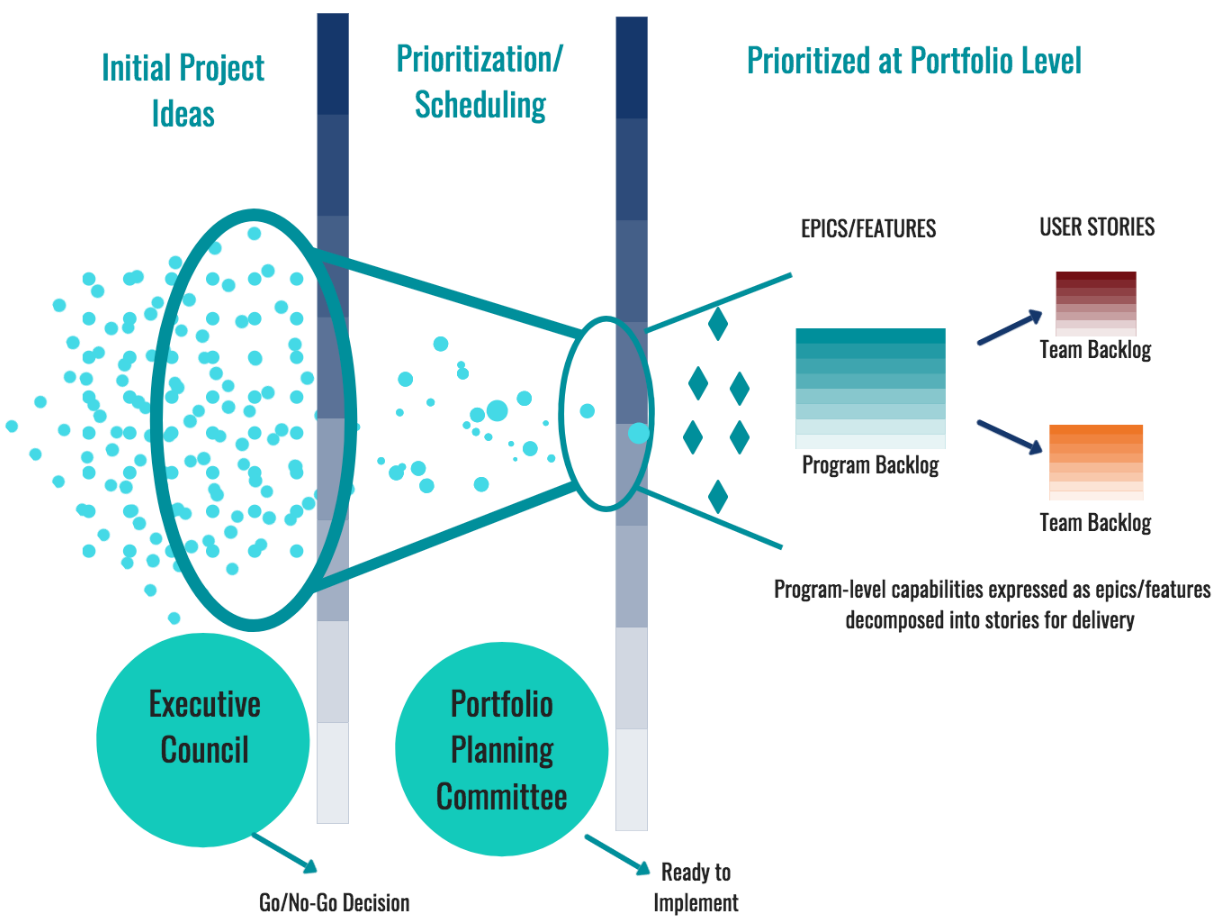
AGILE VALUE MANAGEMENT OFFICE (VMO)

Governance: Governance in many organizations is built around the idea of large, infrequent changes. The expectation is that product deliveries, project releases, and business process changes will all happen very infrequently and when they do, the changes will all be done at once.

For example, in most organizations, changing a production IT system involves a series of approvals and signoffs that can take weeks or even months to get through.

Once again, these processes are not designed around the concept of "flow". They are not designed to handle small, frequent changes.

To enable business agility, the governance model will need to change. It needs to encourage small and frequent changes, since those are less risky. And it needs to design smaller, lighter weight controls that can be executed quickly and efficiently.



AGILE VALUE MANAGEMENT OFFICE (VMO)

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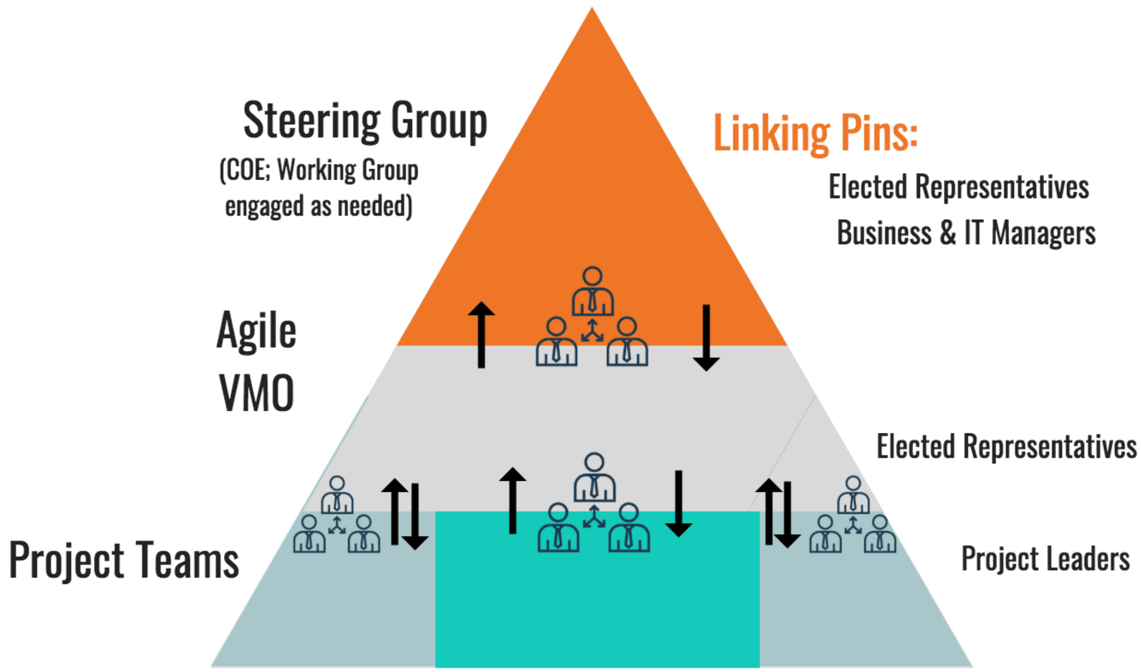
In our foundational 2006 paper *The Lean-Agile PMO: Using Lean Thinking to Accelerate Agile Project Delivery* we laid out a detailed plan for the PMO to act as an adaptive management team and manage the flow.

Essentially, as shown below, the VMO ensures execution of strategy through effective portfolio, program and flow management.



Steering Group

- Sponsor and provide support for new initiatives
- Prioritize Projects
- Establish metrics and track progress
- Members:

Key executive sponsors and application owners
Individuals from the project coordination team

Agile VMO

- Execute vision of the steering committee
- Manage the portfolio of projects on an iterative basis
- Allocate resources across projects
- Support to the teams (removal of organizational obstacles, etc.)
- Manage Dependencies

Project Teams

- Delivery of working software in an iterative manner
- Empowered cross-functional teams (Development, Business, QA)
- Time boxed iterations/flow based methods

DYNAMIC STRATEGY & DECISION MAKING

DYNAMIC STRATEGY

One F500 CIO that we work with says

> *Agile allows me to make smaller bets.*

Many organizations are locked into an **annual mindset.** They set financial targets for the year, they set strategy for the year, and they launch projects for the year. Underlying this approach to strategy is the assumption that, through detailed upfront analyses, we can predict the future of our businesses accurately enough to choose a clear strategic direction a year or more in advance. Unsurprisingly, in many of these organizations, delivery also happens by the year. It is not uncommon for us to see large organizations with 200+ day cycle-times for the delivery of larger programs and strategic initiatives.

As organizations move toward Agile, many accompany a new way of working with modern and trendy management structures, such as the adoption of Holacracy or enterprise-wide self-management. Because organizations become adaptable, listen closely to end users, and work in short iterations, there is often the misconception that they just go with the market flow, with no longer term strategy or business plan.

In fact, the most Agile enterprises are heavily grounded in a shared sense of purpose, driven by a leader with a razor-sharp vision and an unwavering set of principles. **Rather than just go with the flow, Agile organizations make decisions based on data, and build dynamic strategy through continuous sensing, learning and responding.**

One of the most powerful things that leaders can do to make their organizations become more agile is to move to shorter strategic windows. **A more agile business might set quarterly goals, and have small quarterly strategies that make incremental progress towards those annual goals.** Delivery organizations will then need to create smaller, shorter efforts that show measurable progress towards the strategy.

Each quarter, the leadership team can assess which targets are being met and which ones are not. By this time, competitors may have launched new capabilities, customers may be demanding new services, our own financial stance may have shifted, and we can adjust the next quarter's strategy based upon the best and latest data. **No longer are we locked into year-long bets, year-long spending, and a year-long wait for results.**

DYNAMIC STRATEGY & DECISION MAKING

DECISION MAKING VELOCITY

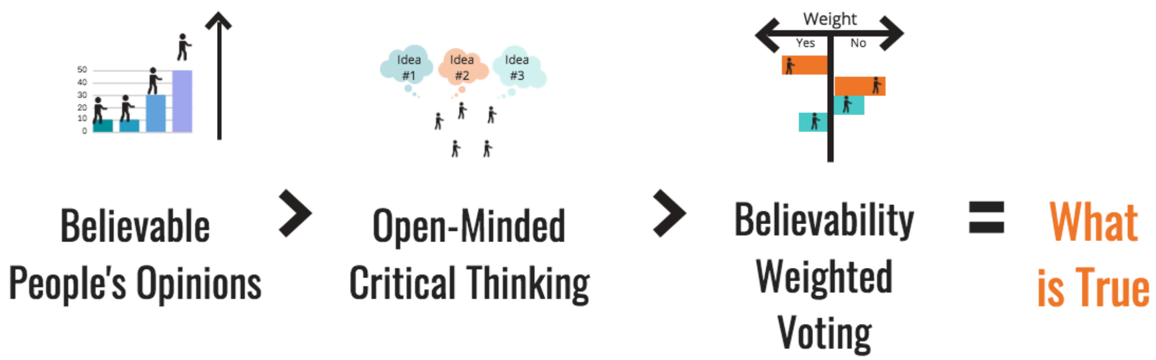
Such a system will require a **more dynamic, and decentralized decision making process,** one that works fast and efficiently, and one that can create good and credible decisions sometimes based upon very incomplete data. More importantly, leaders will need to build their team members' capability to make decisions on their own, without the leader herself becoming a bottleneck.

In Principles: Work and Life,[4] founder of the mammoth hedge fund Bridgewater Associates Ray Dalio shares guiding principles that have been the cornerstone of the growth of his company and himself. In his straightforward list of rules, readers find a rock-solid path to **rapid, decentralized decision making.**

To make decisions effectively, according to Dalio, one must learn well, simplify and decide well. A "radically open-minded" leader weighs choices based on advice from people with "believability," and decision making becomes a process guided by principles. To Dalio, believable people have "repeatedly and successfully accomplished the thing in question—who have a strong track record with at least three successes—and have great explanations of their approach when probed.

The leader's job then is to **develop decision making capability, ensure that decisions are made through open and transparent critical thinking and discussion, and that the decisions made by people with proven decision making capabilities are weighted more** than decisions made by people without experience of a track record or believable opinions.

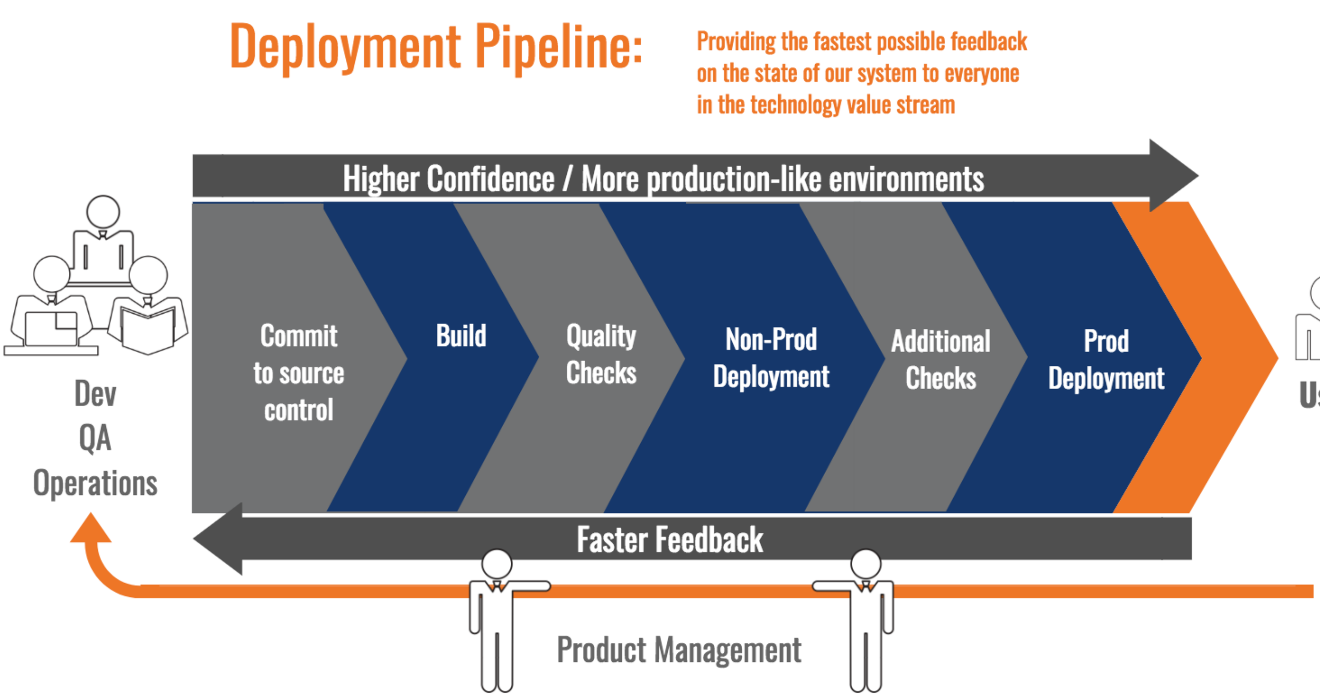
DECISION MACHINE



DEVOPS DEPLOYMENT & OUTCOME-BASED MEASUREMENT

DevOps principles and practices encompass the entire technology value stream and enable IT organizations to develop and deliver value quickly, reliably and securely to its customers or stakeholders. Improving the flow of value through the technology value stream is foundational to achieving business agility. Further, it is necessary to amplify and radiate the feedback at every step back to the team and business stakeholders so that there is visibility into how customers are interacting with their products and services.

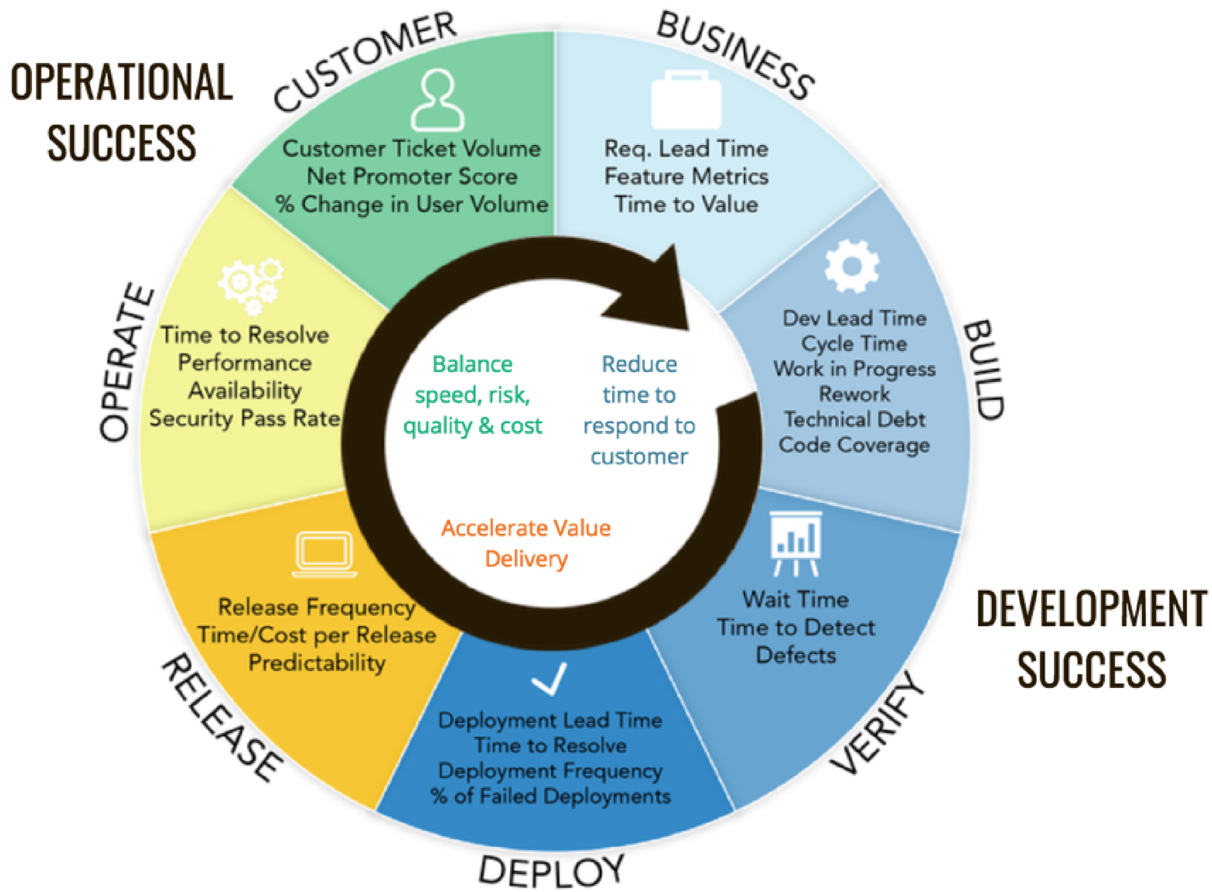
DevOps emphasizes communication, collaboration and integration across traditionally separate organizational silos, and relies on automation to drive business success. **Technical practices such as version control, continuous integration, continuous delivery, automated testing, loosely-coupled, cohesive architectures, low-risk release patterns, and telemetry are key enablers to faster delivery of features safely and reliably.**



DEVOPS DEPLOYMENT & OUTCOME-BASED MEASUREMENT

Besides the business benefits, DevOps adoption has shown to foster higher employee engagement, morale, and retention as well. Quite simply, organizations that embrace DevOps practices get more done, with higher quality, improved operational efficiency and higher customer satisfaction[5].

Furthermore, DevOps techniques enable outcome-based measurement, as shown. From customer success to business success and through intermediate stages, **we can measure the delivery of value and outcomes at each and every step.**



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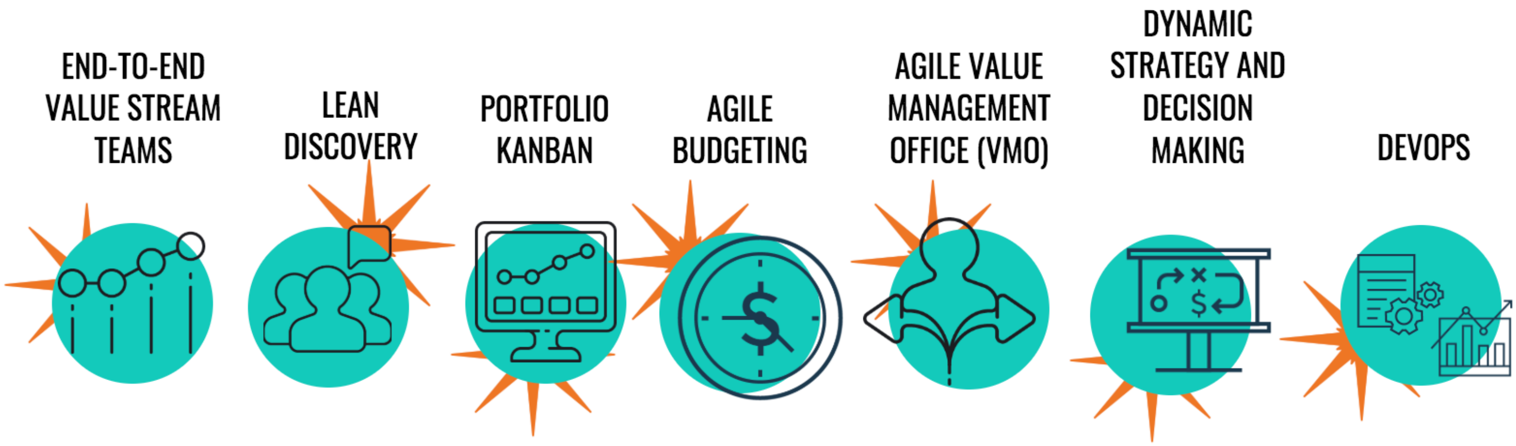

To extend Agile adaptability, speed and quality from IT teams to the entire organization, we need to spark true Business Agility, and truly enable our organizations to create and respond to change.

Building on the solid foundation of agile teams, industry leaders are igniting passion and change towards business agility through three essential shifts: shifting left with Agile Business Units, shifting right with DevOps, and shifting up with Leadership and Scaling.

Contact LitheSpeed to get started with these sparks on your shift to Business Agility.

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He is the author of the books Managing Agile Projects (Prentice Hall 2005), Scaling Agile: A Lean JumpStart (2015); and several publications including Transitioning to Agile Project Management and The Lean-Agile PMO: Using Lean Thinking to Accelerate Agile Project Delivery. He is the Chair of the Agile Alliance's Agile Executive Forum and the founder and moderator of the Lean Startup in the Enterprise Meetup. Sanjiv was also a founder and advisory board member of the Agile Leadership Network (ALN), and a founder member of the Project Management Institute's Agile Community of Practice.

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She joined LitheSpeed after facilitating project management training and community development workshops as a Peace Corps volunteer (Philippines 2012-2014). She has previously consulted on global translation and multimedia projects and holds a B.A in Telecommunication Media Studies from Texas A&M University, where she launched her media career as an intern with 104.7 The Mix.

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