Achieving Greater Agility

THE VITAL ROLE OF CULTURE AND COMMITMENT
Throughout 2017 we have been studying, analyzing, and reporting on all aspects of agile transformation. Our research includes:

**Pulse of the Profession** In-Depth Reports

- Achieving Greater Agility: The people and process drivers that accelerate results
- The Drivers of Agility: Engaging people and building processes to accelerate results

**2017 Thought Leadership Series**

- Achieving Greater Agility: The vital role of culture and commitment
  Developed in collaboration with KPMG
- Achieving Greater Agility: The essential influence of the C-suite
  Developed in collaboration with Forbes Insights
- Achieving Greater Agility: The critical need for cross-functional collaboration

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- **Howard Bagg** | Director, KPMG Program Delivery Services
- **Deven Trivedi** | Director, KPMG Program Delivery Services
Agility: Groundwork for Success

Agility is about being flexible. Building the capability to react to what is happening. Learning, and then adapting. There’s a focus on iteration, interaction, and collaboration. In today’s market, those most successful at achieving greater agility are able to respond quickly and effectively to remove roadblocks. They switch priorities effortlessly and dive headfirst into market changes.

In fact, our research confirms that the most important factor influencing project success rates is an organization’s agility level. Agility is even more important than project approach—the greater the agility, the better the outcomes: financial results, customer satisfaction, project metrics, strategy implementation, and benefits realization.

We confirmed this in our comprehensive yearlong study of agile transformation. Our report series addresses how people, process, and culture impact the quest for greater agility and innovation. In taking a look at the roles in agile transformation, we recognize that:

- All project management approaches—predictive, agile, and a hybrid of the two—support agility.
- The PMO can be a beacon or enabler of greater agility.
- People and processes are important for higher levels of agility, and culture is the key that unlocks agility’s value.

Cross-functional collaboration, an innovative attitude, and support are essential as an organization moves through an agile transformation. If well-trained people, effective processes, and a supportive culture are employed together to build greater agility, organizations have a strong foundation for success.

From there, it’s up to us to drive positive change. Everyone in the organization has a role to play in an agile transformation—most of all those of you in the project delivery area. During the journey, there will be many new challenges that require acting and thinking differently—and we shouldn’t avoid change because we are afraid to fail. Instead, let’s focus on learning from our courageous efforts, and if we fail, accept it as valuable input to our next attempt. Because that’s how we grow. As Bill Gates put it: “It’s fine to celebrate success but it is more important to heed the lessons of failure.”

Let’s do great things together!

Mark A. Langley
PMI President and CEO
SEEKING AGILITY: Insights from Experts

Although many organizations recognize that agility enables better responses to changing business conditions, few have taken the necessary steps to reach that goal. We see from our yearlong research on agile transformation that the majority value agility, yet only a small percentage are achieving it. We turned to Rita McGrath, PhD, strategic management expert, and Tony Scott, innovative leader in information technology, for insights into ways to improve, asking them: What do you consider the most important aspects of culture when seeking greater organizational agility?

Dr. Rita McGrath

In my view, the biggest change from a traditionally run organization to an agile one is the extent to which its operating model rests on trust. When people trust one another, great things can happen.

Trust is conducive to psychological safety, which is correlated with faster, better, decision making, and more accurate information. It allows people to take individual initiative without fear. Trust also facilitates learning when things don’t go as expected; and vastly reduces the amount of time people spend reminding one another of deadlines, following up, and designing contingency plans. It reduces the amount of time people spend in meetings simply to defend their turf or gather information, and increases people’s willingness to communicate openly.

Building teams in which members trust one another is a key leadership activity in the quest for organizational agility. Lead by example—model the behavior you would like to see others emulate. Make trust an explicit value explained in a team charter, clearly laying out which behaviors are desired and which are not. Specify roles clearly. Have people work on joint projects to build confidence in one another. Make sure violations of trust norms are addressed, ideally openly. It can also be helpful to assess one another’s learning or social styles to increase understanding of the different ways in which people solve problems. Create opportunities for people to be together in person.

Finally, it can be helpful to regularly assess the effectiveness with which a team works together with a diagnostic or survey that can provide data points for where a team might need to do some joint work.

Tony Scott

In my experience, leadership behavior is the single most important aspect of an organizational culture. When leadership behavior consistently recognizes and rewards the right things—in terms of organizational goals, people, initiatives—it sets the stage for many other cultural changes to happen. If leadership is not consistent about recognizing and rewarding the "right" kind of agile behavior, culture is unlikely to change.

Second, agility is often a function of risk tolerance. Organizations that have a low risk tolerance (in at least some areas of their enterprise) often put in place organization-wide processes and grow cultural norms that can stunt agility, even in parts of the organization where the risks are very low. A great discussion that many low risk tolerance organizations can have is to figure out in a structured way how much agility (and risk) they can tolerate in all of their functions, and begin immediately to optimize agility where there is opportunity.

Third, the ability to be agile can often be viewed as the "enemy" of planning and strategy. The best organizations tie their agile experiments and culture to their planning and strategic initiatives to determine the best approach to achieve organization goals and strategic outcomes. In these institutions, doing something differently is not the end goal. Failure must be accepted as being culturally okay to some degree. Doing it differently means finding a way to improve outcomes.
ACHIEVING GREATER AGILITY | THE VITAL ROLE OF CULTURE AND COMMITMENT

Executive Summary

It is becoming increasingly clear to CEOs that an organization’s success is dependent on its ability to adapt and respond to the changing external market condition. An agile organization embraces change by moving quickly, decisively, and effectively to anticipate, initiate, and take advantage of change, yet remains robust enough to absorb any setbacks. Organizational agility is not just about being fast, it also implies the capacity to remain in touch with customer needs.

Transforming an organization to improve agility is challenging and most organizations are falling short of their intended goal. These headwinds can be caused by numbers of reasons:

- Lack of executive sponsorship
- Not being able to change an embedded culture
- Not taking an organization-wide view
- Underestimating the impact of change
- Not planning to support old and new approaches during the transition

There are certain key factors that will help accelerate agile transformation in a sustainable way:

- Take a top-down (or PMO-first) approach, rather than transforming and then scaling
- Establish a formal agile transformation program reporting to the CEO
- Divide the effort to control change impact
- Coordinate change management across the enterprise
- Focus on the people with training and coaching to help them transition to their new roles
- Transform in waves, with associated business, technology and infrastructure groups becoming agile together
- Monitor and drive maturity to achieve maximum benefits and prevent stalling

AGILITY IS NO LONGER OPTIONAL AS CUSTOMER DEMANDS AND MARKET TRENDS CHANGE MORE RAPIDLY BY THE YEAR, WITH ONGOING DIGITAL TRANSFORMATION ACCELERATING THE PROCESS.

92%

In the Forbes Insight/PMI survey, 92 percent of respondents said that organizational agility is critical to business success, yet only 27 percent regarded themselves as highly agile.

(Source: Achieving Greater Agility: The essential influence of the C-suite, PMI, 2017.)

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“For us, agility is adaptability, being flexible, reacting to what is happening, learning, and then adapting.”

FELIX HIERONYMI | Project Leader for Agile Transformation, Bosch

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Organizational Agility: Key to Success

Smart organizations change by moving quickly, decisively, and effectively to anticipate, initiate, and take advantage of change, yet remain robust enough to absorb any setbacks. Organizational agility is not just about being fast, it also implies the capacity to remain in touch with customer needs. Transforming is much more than the technology “going agile.” It is a change in mindset across the organization to focus on becoming adaptable and driving business value to customers.

The delivery of business value follows three distinct phases, regardless of approach:

- Decide the next best product to build.
- Build it efficiently and with flexibility.
- Implement with speed and quality.

Agility can only be truly effective when these delivery phases are blended into a seamless flow of business value. This business value chain includes groups across the enterprise that work together to deliver a predictable flow of value. The least-agile group limits the overall flow along the chain and establishes how agile the organization has or will become.

Why organizational agility is critical

With digital transformation and innovation being the top two strategic priorities for organizations—both of which require speed to market and the ability to fail fast—it should not come as a surprise that a vast majority of executives see agility as critical to business success. In the Forbes Insight/PMI survey, 92 percent of executives said that organizational agility is critical to business success, yet only 27 percent regarded themselves as highly agile. Of the highly agile group, 41 percent said revenue and/or profits had improved and 50 percent said that increased agility had improved their time to market. (Achieving Greater Agility: The essential influence of the C-suite, PMI, 2017).

Agility can produce better outcomes in financial performance, customer centricity, project success, strategy implementation, and benefits realization. As shown in Figure 1, high agility corresponds to better outcomes compared to peer organizations (Achieving Greater Agility: The need for cross-functional collaboration, PMI, 2017).

![Figure 1: High agility corresponds to better outcomes](image)
Why do organizations struggle with agile transformation?

If organizational agility is so critical to success, why do so many organizations struggle to achieve it? Most transformations will achieve some degree of success, but they tend to stall at some point for any number of reasons including:

**Lack of executive sponsorship**

Unless agile transformation is coming from the top down, it cannot be sustainable in the organization. There are a number of organizations where small teams or groups (like IT) have adopted agile approaches, but to move from agile adoption to agile transformation, senior-level buy-in and funding are necessary.

Achieving culture change is the most important factor in a successful agile transformation. It is critical that the mindset is driven from the highest levels where culture is set. Senior executives need to communicate early and often at all levels of the organization to let their people know that the agile journey will benefit all, and that it is OK for mistakes to be made as long as lessons are learned. Their biggest challenge will be middle management who are concerned about their role in an agile organization and may be reluctant to give up control by empowering delivery teams.

**Not taking an enterprise view**

- **Not establishing a formal, central transformation program**
  Agile transformation requires a consistent approach and message across an organization, which can’t be achieved if multiple groups run their own programs. A formal program managed by a PMO will enable an efficient enterprise transformation that is uniformly applied across an organization.

- **Transforming in isolated pockets**
  Agile transformation must be achieved across the enterprise and should not be implemented in isolated pockets. Few organizations will be able to take a “big bang” approach and launch agile all at once enterprise-wide. For everyone else, transformation must happen iteratively to allow traditional barriers to be broken down, with collaboration replacing years of customer-supplier relationships.

- **Technology delivery going alone**
  Not including business and infrastructure groups from the very beginning can be fatal to an agile transformation, especially within a complex operating model. Business groups traditionally work with projects and programs that have fixed funding and deliverables, which will limit solution development agility. Technology groups can only deliver business value if their solutions are deployed for customers to use. If infrastructure teams don’t transform, deployments can take weeks, causing inventory to build up rather than deliver that value.

- **Not including other groups early and often**
  With traditional approaches, an implementation phase can take weeks or months due to formal user-acceptance testing and the need for sign-offs from all stakeholders. Groups such as cost accounting and risk and compliance will need to rethink their approach in order to support the transformation and help the organization become more agile.
Not considering organizational structure change

An agile transformation will impact the entire organization, even groups that rarely change. The layers of management should be reduced in order to create a lean organization. The organizational structure should be able to facilitate collaboration. Behavioral change management is critical to sustain agile transformation, specifically in the areas of talent management, training/re-skilling, business technology collaboration, and performance management processes.

Not considering transition time

In reality, most established organizations will not (and most likely should not) become fully agile across all business and technology groups. There will always be initiatives that are best delivered using established project management methods. These initiatives and their associated programs will be hybrid, supporting multiple delivery disciplines not just during transformation, but well beyond.

Keys to a successful agile transformation

An agile transformation can be very disruptive and impact all corners of an organization so, in most cases, transformation can’t happen all at once. Transformation also can’t be scattered into many isolated pockets where it might wither and die or where one group impacts the agility of another. Transformation is most effective when all groups associated with a specific business value chain are part of a focused effort and adopt agile at the same time.

Many organizations choose to start small with a few technology delivery teams, and then expand into a scaling framework and eventually into portfolio management. Adopting this approach increases organizational inertia and limits the agility that can be achieved. We believe that a top-down or “PMO-first” approach would be much more effective, as it:

- Communicates the C-suite message in a consistent way
- Enables collaboration across diverse enterprise groups
- Addresses whole business value chains, allowing end-to-end agility
- Accepts that multiple approaches must be supported at least through transformation
- Transforms/modernizes current approaches before introducing new ones
- Minimizes friction between traditional phase-based delivery and more modern approaches

Utilize the PMO as a change agent

PMOs have always coordinated activities across business, technology, and infrastructure groups to deliver business value. They have exactly the skills and the experience needed to successfully drive an agile transformation program through multiple iterations over possibly many years. The PMO is also well placed to accelerate agile maturity after transformation, remove any remaining impediments, and overcome the inevitable friction between teams.

"The PMO is uniquely positioned to foster agility by rallying employees, driving greater adoption of fast-fail strategies, building small and nimble teams, and assigning accountability.”

STUART CULLUM | Managing Director, Program Delivery Services, KPMG
Change the culture
Culture comes first. Moving from a traditional command-and-control approach to more distributed decision making is hard to do and must be driven from the highest levels. There needs to be empowerment at all levels and freedom to fail fast and learn, all of which are very different from the siloed, hierarchical, command-and-control operating models we see today.

C-level sponsorship and promotion is not just a single mention during an employee town hall meeting, but frequent communication and reinforcement by all C-level executives to all levels within an organization.

Establish a formal agile transformation program
Achieving organizational agility is critical to the entire organization, so agile transformation can’t be left to individual groups. It needs a formal program, which is sponsored by the CEO and managed by a PMO to drive progress and remove impediments. A formal program will:

- Establish a framework in which transformation can happen
- Develop strategic capabilities for use within the framework
- Encourage groups that have not worked together to collaborate
- Develop new job roles and organizational structures
- Help transform corporate policies and procedures
- Evaluate agile maturity and report progress

Divide up the effort
Identifying business value chains and grouping them for transformation is essential. A business value chain includes a business capability, its supporting technology assets (e.g., applications, systems, platforms, etc.), related infrastructure groups, and PMOs.

Manage the change
Agile transformation impacts what people do, how they do it and, in some cases, where they do it, so it is very easy to exceed people’s change capacity without a robust change management program that phases in new ways of working.

Focus on the people
People will make or break an agile transformation. If they are confident they have a role in the new culture, that they will be trained, and that they will be allowed to make some mistakes along the way, transformation will succeed. If not, they will stick to what they know no matter what and make transformation difficult and painful. The approaches organizations consider to help people through a transformation include the following:

- Establish a formal change management program early in the transformation that communicates what is expected, and acknowledges the employee “what’s in it for me” (WIIFM)
- Regard talent management as a distinct part of the program focused on retaining, retraining, and hiring the people needed for the new agile organization
- Review and update HR and performance processes so that they do not inhibit agility
- Ask constantly about the impediments that people are experiencing and how to remove them

Transform in waves
It is essential that the business, technology, and infrastructure groups associated with a particular value chain are transformed as a unit to avoid inefficient handoffs and delays. Similar business value chains are grouped and transformed together.
Transformation improves business function effectiveness

When organizations achieve higher agility, business functions operate differently. They identify the most efficient and effective ways to work, and avoid a one-size-fits-all approach to value delivery.

**PMOs**

Organizational agility requires a hybrid PMO—one capable of supporting many different delivery approaches. This type of PMO can support a range of disciplines, providing command and control for traditional approaches and entrepreneurial enablement for agile teams.

A high-functioning PMO is one of the most important factors supporting and enabling agility. This is shown in the Forbes Insight/PMI survey that indicates that 54 percent of the surveyed executives believe that their PMOs are a leading factor of organizational success.

The transformed hybrid PMO will:

- Have an overall, end-to-end view of a business value chain
- Leverage some traditional skills and learn some new ones
- Provide a consolidated view to senior management regardless of the approach used
- Modernize traditional approaches using agile principles to improve predictability and lower risk
- Support agile approaches and scaling frameworks
- Enable agile portfolio management

**Business Groups**

Business groups move away from annual project funding to a more frequent, more transparent backlog approach that feeds technology with a consistent flow of the next best things to build. Their focus shifts from monitoring schedule and cost, to measuring business value delivered, by the capacity that has been funded.

Product owners are empowered to act as the voice of the business in technology and to make day-to-day design decisions.

**Technology Delivery**

Technology delivery teams will focus on becoming “lean,” eliminating wait times associated with distributed teams, and minimizing documentation that is only used internally. They will reorganize into smaller, cross-functional teams that are preferably co-located to improve communication. New ways to work are implemented, emphasizing how to make and meet commitments and show progress, rather than just report it.

**Technology Infrastructure**

Technology infrastructure will work with risk and compliance groups to agree on new ways to minimize delays, effectively deploying new business value.

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**Agile transformation won’t happen all at once.**

Teams will mature at different speeds as they become more familiar with the new agile world. PMOs supporting transformation can monitor maturity over time to identify teams that need additional coaching as well as recognize any impediments that are holding teams back.
Conclusion and Implications: Bolster your transformation

Achieving organizational agility is a critical success factor for today’s organizations. Greater agility increases competitiveness by speeding innovations to market and minimizing impacts from competitors. And because organizational agility is a competence and not a matter of method, we recommend focusing on the following areas for a successful agile transformation:

> Consider the existing organizational culture
> Focus on people
> Manage the change
> Use the PMO as a change agent to drive agile transformation
> Establish a formal agile transformation program
> Plan the transformation in waves
> Mind the gap: The gap between highly agile and the rest is growing. In many industries, organizations are at the point where they must “pivot or perish.”

Organizations that have had some success transforming their culture are reaping the rewards and starting to pull away from those that are still struggling. Now is the time to reinvigorate your agile transformation and start closing the gap with the leaders of the pack.

“The time for change is now—not in three to five years. This is a digital world that we’re in. It’s a very disruptive time and if you don’t move with agility, you’ll have difficulty meeting customer needs. We need to be able to respond with flexibility and speed to our customers.”

CHRIS STONE-STECKLEIN | Senior Director of International Strategy, Walmart

Source: Achieving Greater Agility: The essential influence of the C-suite

THE BOTTOM LINE

Increased organizational agility = Better performance = Higher customer satisfaction = Improved competitive advantage