

Capgemini  invent

# BUSINESS AGILITY

How it's not yet another buzzword





"Success today requires the agility and drive to constantly rethink, reinvigorate, react, and reinvent."

**BILL GATES**

Becoming agile and shifting towards a truly adaptive organizational model has been a priority for an increasing number of companies in the past years. The pandemic has been one of the biggest tests to organizational adaptability: when we analyzed organizations' maturity in their agile transformation before the pandemic, we saw a clear need to quickly accelerate transformation efforts. Only 20.4% stated they had truly established agile ways of working across the organization, their employees, and leaders. Now, the pandemic has served as a catalyst and put companies, that had not taken their Agile transformation seriously enough, under pressure.

Organizations have been forced to respond quickly to the crisis and its business impact and to rethink their business approach in general. The ability to rapidly adapt to market and environmental changes in a productive and cost-efficient manner has become business critical. Although the application of lean-agile values and principles is an important step, true Business Agility is achieved only when a company is operating in such a manner at scale. Scaling is required

both vertically, from single teams and projects to programs and up to portfolio(s) as well as horizontally from department to division, and the entire enterprise. **The goal of Business Agility is to create the ability for an entire organization to rapidly adapt to market and environmental changes in a productive and cost-efficient way.**

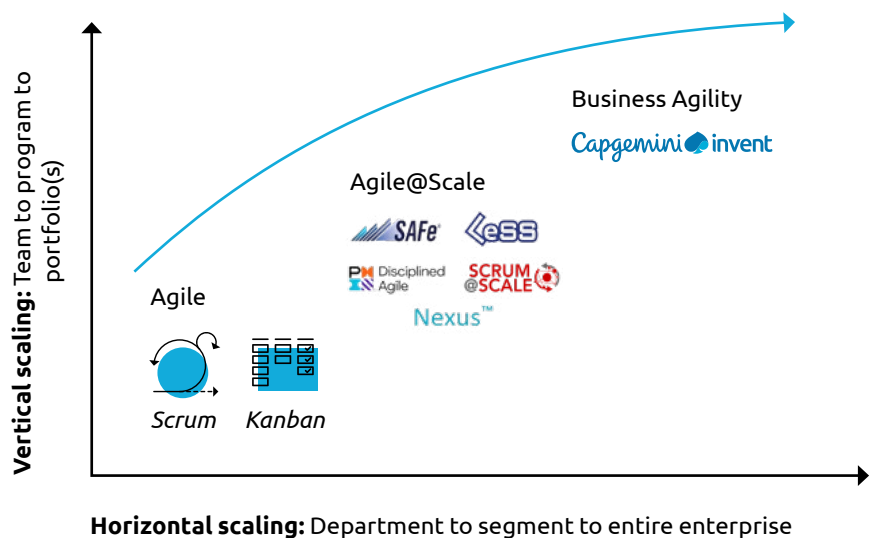


Figure 1. From Agile to Agile@Scale and onwards to Business Agility

# WHY SHOULD CXOS CARE?

The basis of Business Agility is a holistic implementation of agile that goes far beyond the IT department. Our change management study on organizational dexterity,<sup>1</sup> which encompasses the pursuit of the mental adaptability of organizations, showed a significant correlation between Business Agility and business success: 46% of companies that successfully established agility in their organization reported that they clearly exceeded their economic targets. Those companies also showed higher employee satisfaction, with 98% of employees reporting to be happy with their work overall. On top of that, Business Agility has been linked to a number of benefits, as shown by client examples in our Agile at Scale study<sup>2</sup> with team productivity increasing by up to 50%, and time to market being reduced from 700 to 30 days.

The overriding challenge is how to get there. An agile transformation journey is no standardized process, and no framework contains all optimal patterns for different complex organizations in different industries, e.g. the Automotive sector, for which we highlighted the particular challenges in our recent study "Business Agility in Automotive."<sup>3</sup> Moreover, Business Agility impacts all employees, from IT product development to central functions, requiring the buy-in and involvement of the entire organization. CXOs should care, as it is under their purview to ensure the organization fosters the right mindset and culture and reaches true Business Agility to harvest its benefits.

Agile is about creating a clear target picture and then evolving and adapting continuously. People across all hierarchy levels in the organization need to own and shape the new way of working. Business Agility requires a culture that fosters exploring, creativity, and learning – articulated and modelled by senior management.

Our change management study found that culture and mindset are the main barriers to transformation for 73% of companies. Just telling people what to do will lead to failure. Going agile at scale means starting with the business value in mind, then building upon it.

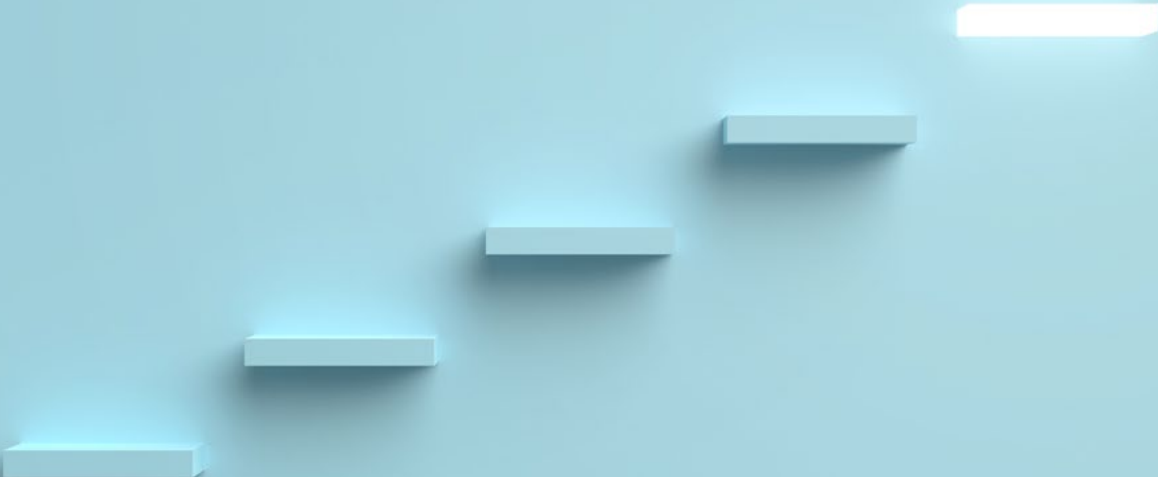
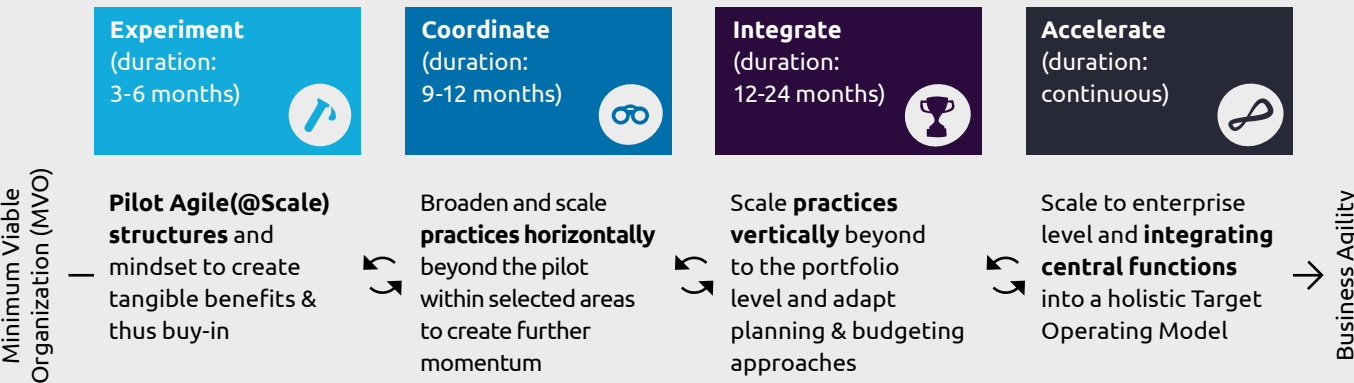


# FOUR STAGES OF REACHING BUSINESS AGILITY

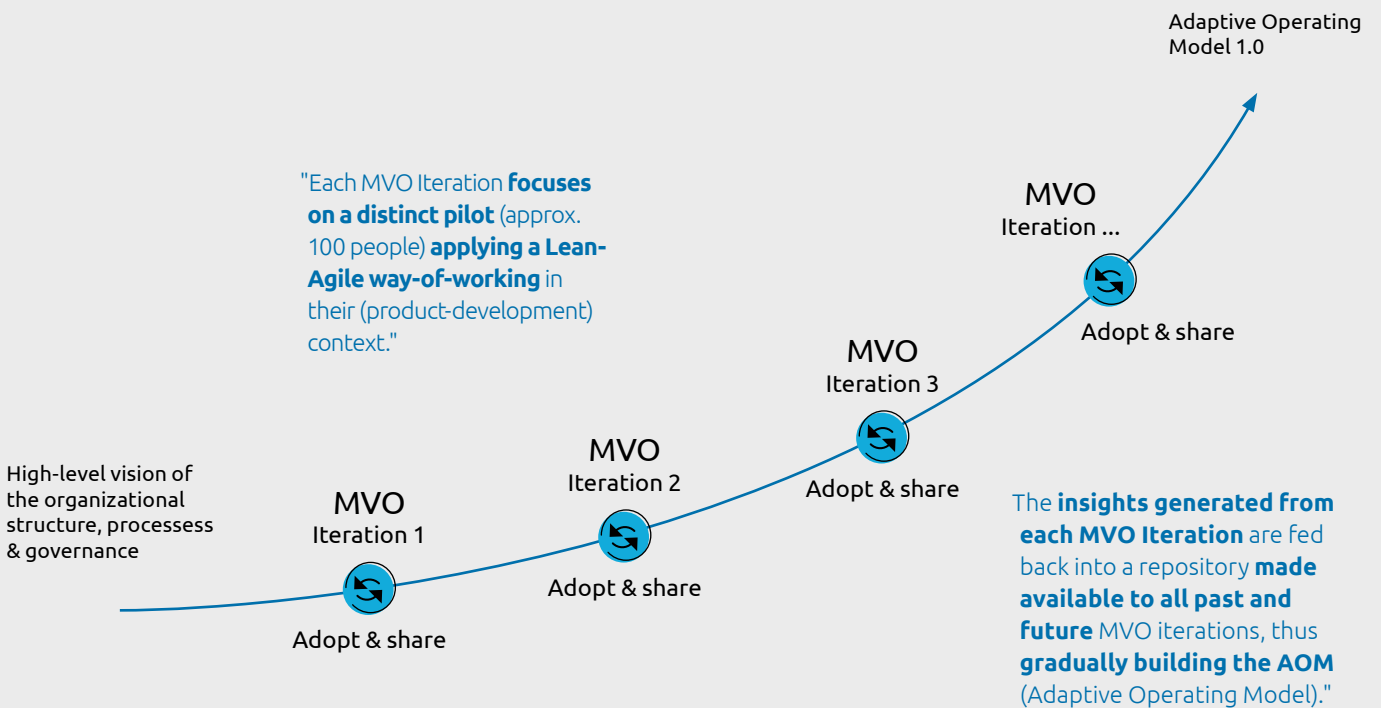
Since standardized approaches don't cover company-specific requirements, a more flexible approach is needed. Our Agile at Scale report<sup>4</sup> elaborates on how agile practices for

experimenting, orienting, governing and accelerating are key steps to scaling agile values and principles, from team to program, and up to portfolio level.

In contrast, to achieve Business Agility, we need to take scaling even further: building on our established agile at scale approach, we have identified the following four stages:



This approach embeds our minimum viable organization (MVO) concept, which enables companies to apply an iterative and incremental approach to defining and establishing a suitable adaptive operating model (AOM), which will enable them to achieve Business Agility in the specific context of their organization.



This overcomes the difficulty of understanding up front how – what is normally called – the target operating model (TOM) should look once lean-agile has been adopted throughout. Our model starts with a high-level vision of the organizational processes and structures that, based on our experience work, and gradually evolves the AOM based on what is learned on

each successive MVO iteration. Early in the journey towards Business Agility, it is advisable to establish mechanisms for continuously enriching and improving the AOM repository.

# FOUR STAGES OF REACHING BUSINESS AGILITY

## STAGE 1. EXPERIMENT

For a successful first step one should; (1) start with customer focused initiatives; (2) adopt the right Agile@Scale framework, and; (3) engage middle management.

When starting an agile transformation, being able to quickly provide initial tangible benefits is key. Therefore, we encourage a quick start, rather than spending months drawing up a perfect plan and a detailed TOM. If an MVO has been defined early on, a pilot can be selected based on the identified strengths and weaknesses. If not, a pilot area can be defined based on a pilot selection workshop with the goal of showing how to bridge the business and IT gap in product development.

To ensure a sustainable adaptation, it's best to start small. Taking a digital hub as an example, their need to quickly respond to customer needs, customer-focused initiatives are predisposed to Agile ways of working and therefore well-suited to start experimenting with. They require cross-functional collaboration and can profit from rapid feedback cycles with customers.

Selecting a suitable Agile@Scale framework (e.g., SAFe, LeSS, DA, etc.) is key to kickstarting an Agile transformation and ensures the organization does not try to reinvent the wheel where there are proven good practices already in place. Leveraging proven Agile@Scale frameworks results in achieving faster first transformation benefits and enables the organization to easily

scale vertically from team to program level in subsequent steps.

To make the experimentation successful, it is crucial to take middle management along the journey towards servant leadership, as their role is strongly affected by this transformation. For middle managers to view the transformation as an opportunity rather than a threat, their commitment must be secured by clarifying the changes and the benefits from change through early trainings and on the job agile coaching.

# FOUR STAGES OF REACHING BUSINESS AGILITY

## STAGE 2. COORDINATE

To move further towards Business Agility by scaling horizontally, it's important to; (1) move towards shared ownership; (2) adapt leadership skills and styles and; (3) tackle compliance and regulatory challenges.

After gaining momentum through successful experiments, the goal focuses on expanding the application of lean-agile principles through horizontal scaling, by setting up further "teams of teams" to the new ways of working, usually close to the previous pilots but also into more complex product developments. Horizontal scaling becomes more effective when establishing a local lean-agile transformation team or center of excellence to drive the maturity of the new way of working.

During the further horizontal scaling, a critical success factor is the development of a suitable culture and the move towards shared ownership. A Dev(Sec)Ops mindset and toolchain must be promoted as product developments increase in quantity and complexity. This is not by any means just a tech topic, as raising awareness of the business value of the required investments (e.g., into test automation), especially towards business leaders, will be critical to avoid an early plateauing of previously achieved tangible benefits. Likewise, employees should develop T-shaped skills, to foster an increased collaboration and accelerate the momentum. Cross-collaboration also benefits from leveraging Agile@Scale frameworks in

multiple location environments since teams will be using the same cadence and terminology.

In order to enable new ways of working sustainably it is imperative for management to adapt their leadership skills and styles. An agile mindset requires managers to provide a clear strategic direction ("What") without micromanaging the operational process ("How") but rather serve as enablers and coaches. Based on our experience, letting go of control is one of the biggest mindset obstacles for leaders, as they tend to fall back on old behaviors and top-down approaches. To overcome these hurdles, intensifying leadership training and coaching, and securing management buy-in and commitment (beyond lip service) is a must to successfully continue the journey.

All organizations will face industry-specific obstacles, which should be tackled head-on and addressed rather early in the transformation. Otherwise, it is very likely that naysayers will have it very easy to discredit lean-agile as something that "just doesn't apply here," due to supposed incompatibility with internal guidelines. These oftentimes resulted from an interpretation of actual laws and regulations that took place in the context of more traditional ways of working. Therefore, an open mindset is needed to come up with innovative approaches which enable an organization to stay compliant while still profiting from the numerous lean-agile advantages.

# FOUR STAGES OF REACHING BUSINESS AGILITY

## STAGE 3. INTEGRATE

To continue the journey towards Business Agility by scaling vertically, its key to; (1) realign around value streams from a customer perspective; (2) rethink planning and budgeting methods to increase adaptability and; (3) adopt new partnerships with a long-term horizon in mind.

What has been achieved up to this point now needs to be linked to the wider organization, affecting key functions such as planning, staffing, and budgeting to allow a sustainable integration. This does not mean turning around the whole organizational structure. The key question to ask here is: "Who needs to work together so we can actually act in a customer-centric way?"

To fully align the organization to customer value creation it is necessary to realign the operational (and not necessarily organizational) structure around value streams. This requires cross-functional structures who have an end-to-end responsibility for building their respective products. Functions that are not at least indirectly linked to the creation of customer value do not need to be integrated into value streams, and through a dual operating model, they can stay isolated from major changes at least for now. For the duality to work it is vital to integrate agile parts of the organization – the so-called value streams – into the overarching strategy process governance and steering mechanisms which align with the separation of disciplinary from functional leadership roles.

Becoming more adaptable also requires shifting from traditional multi-year budgeting processes to more dynamic venture-capital style budgeting. Since the focus should lie on products developed by value streams rather than projects, funds can be released incrementally, depending on the value created. This also enables budget to be decoupled to a large degree from scope defined upfront, thus enabling more flexibility. To avoid a carte blanche approach, at the same time it is key that traditional key performance indicators (KPIs) or similar measures that focus on process adherence are replaced by business value measures, such as objectives and key results (OKRs).

Characteristics of lean-agile within an organization, like empowerment and a more collaborative approach to many activities, should not be limited to only internal employees but rather extend also to those value streams which are leveraging external suppliers. Hence, procurement processes need to be adjusted for enabling closer collaboration while also aligning time-horizons to the now shorter planning cycles. This requires strategic partnerships with a common objective and more flexible contracts, that align both parties' incentives and thus enable more collaborative behavior, all in the interest of achieving higher customer satisfaction.



# FOUR STAGES OF REACHING BUSINESS AGILITY

## STAGE 4 . ACCELERATE

To achieve actual Business Agility as an organization, its key to; (1) apply agile in the broadest sense to meet differing needs; (2) embed relentless improvement in the organization, and; (3) continuously improve the culture.

The last stage constitutes moving from lean-agile within the product development context to holistic Business Agility, which requires the integration of central functions, such as finance and accounting, marketing and HR. The latter is especially critical to sustainably achieve Business Agility, calling for a “reinvention” to create a talent-centric HR function powered by insights, purpose and technology.

This integration can either mean bringing parts of a central function closer to the product development in the value streams or applying lean-agile in the central function itself. For instance, marketing may start structuring campaigns into smaller batches that are aligned to product development cadence whereas finance and controlling might employ cross-functional teams during their year-end closing process to achieve a fast close. Our experience has shown that lean-agile should be applied differently in different parts of a company and that often MVO iterations are needed to determine which suits best. The only constant is that the underlying values and principles need to be applied across all departments of a more adaptive organization.

Having reached this stage of the transformation, another key success factor to become an agile organization is to institutionalize relentless improvement across all levels of the organization. Only then will an organization be able to systematically improve itself based on the relevant feedback loops and thus be in the position to sustainably stay ahead of the curve. For example, it is very important to integrate learnings from a value-stream-based operational structure into the organizational structure that will, over time, narrow the gap within the dual operating model.

Last but not least, the new way-of-working described above requires a growth (vs. a fixed) mindset, especially from leaders across the organization. The MVO approach is very inclusive and transparent in nature, which means that not everything is decided upfront by a small group of people and therefore you will not know all the answers upfront but instead discover a lot together while continuously improving. This requires everyone involved to get comfortable with being uncomfortable. We are convinced that future-proof organizations need to continuously be able and willing to check if their culture is fit for the purpose of attracting and retaining top-notch talent.

# MASTERING THE TRANSFORMATION REQUIRES A NEW PERSPECTIVE ON CHANGE MANAGEMENT

While a guiding approach is important, the transition to Business Agility is a transformation that requires thorough change management. However, traditional change management tends to work top-down, which runs counter to lean-agile values

and principles. On the other hand, an isolated bottom-up approach lacks the direction needed to proliferate change across an entire enterprise. Open-source change management, such as the Capgemini New Change Deal,<sup>5</sup> offers a combination of both, which

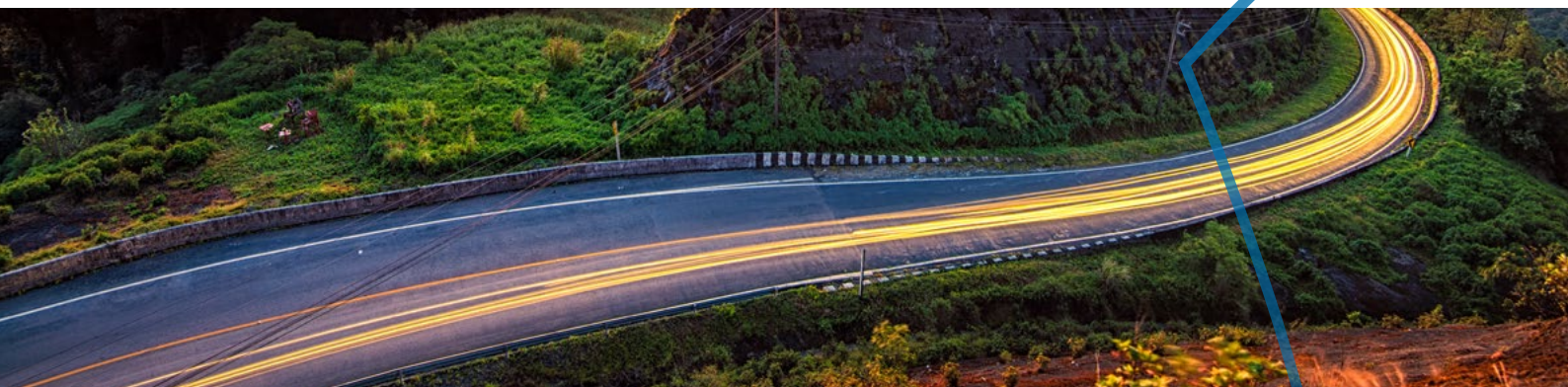
makes it a viable approach for agile transformations. While a shared vision, structure, and strong leadership come from the top, teams are empowered to drive changes, make decisions, and own the transformation bottom-up.

## THE ROAD TO BUSINESS AGILITY IS A DEMANDING MULTI-YEAR JOURNEY

To succeed, it is not enough just to do agile – you have to be agile. This involves putting less emphasis on generic frameworks and more on customizing the approach to suit the organization's culture while still adhering to lean-agile principles. It also implies implementing agile at the organizational level, bringing together the entire product portfolio and all

processes. Working systematically through the four stages above and applying our proven MVO approach will help organizations achieve Business Agility faster and more confidently. Crucially, it will help them adopt the right culture: one of experimentation, learning, and adaptability to changing conditions.

Organization-wide agility is not a destination – it is an ongoing commitment to deliver customer value faster and adapt better to changing conditions. Only when an organization recognizes that the goal posts will and must keep shifting will it truly achieve Business Agility.



# REFERENCES

- <sup>1</sup> <https://www.capgemini.com/resources/change-management-study-2019/>
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- <sup>4</sup> <https://www.capgemini.com/research/agile-at-scale/>
- <sup>5</sup> <https://www.capgemini.com/gb-en/service/invent-old/new-change-deal/>

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