Capgemini Consulting

Agile Organizations

An Approach for a successful journey towards more agility in daily business

Content

1 Management Summary

Agility as a business concept has been used in IT and other development work for over 20 years, but the application of this methodology has been largely limited to the project world. Yet the implementation of an agile mindset and the associated benefits can unlock the major potential of the Agile Organization concept. This is a development that is currently subject to much debate and discussion across different industries and sectors. Agility is a key aspect of a healthy operating model[1], which serves as an organizational blueprint and lays the foundation for the detailed design and implementation of a strategy.

To enrich the debate, Capgemini Consulting has conducted the "Agile Organization Study 2017". Of the insights gained, three key findings stand out most notably:

Those who succeed in grasping and internalizing agile working principles aim to go one step further.

Business units that have had successful experiences with agile working methods tend to further intensify these methods. In IT-related units, for instance, 96% of the respondents indicated that they apply agile working methods within projects and the day-to-day business. Moreover, our survey reveals that agile advocates striving to further expand agile working methods constitute a disproportionately high quota. Within the middle and back office operations, approximately 48% have experience in agile working, ranking second place following IT, and similar to their IT colleagues, plan to further pursue an agile transformation. In total, 83% of the respondents confirmed their goal to roll out agile working methods within their enterprises (Figure 1).

Figure 1: Any plans for further transformation towards Agile?

- Yes
- Not yet planned
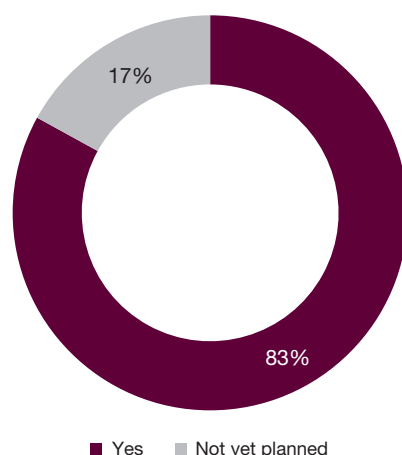
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Innovation works best agilely. Yet the agile way does not necessarily represent the best approach in all matters.

In general, agile working methods prove to be successful in innovation and where rapid progress frequently turns out to be the better approach over perfectionism. Agile methods function best in departments strongly linked to direct and indirect market influences (e.g. marketing, sales, product development, R&D, etc.) as well as project management cross-functions.

In departments that focus primarily on the identification, avoidance and prevention of errors and risks, agile working methods prove to be less successful and initial experiences do not indicate progress in this direction. Finance/Risk/Compliance (FRC), accounting and controlling are examples of such areas. If the Agile Organization concept is to function in

these sectors, it will be necessary to balance both tension and correlated implementation difficulties between agile and traditional working methods.

The approach towards an Agile Organization is unchartered territory for most enterprises

Our research shows a huge variation in the perception of the ultimate target state in Agile Organizations. In terms of agile methods, success factors and priorities for an Agile Organization, a concordant view has not yet been established.

Due to this large variation and lack of available clarity, we have developed a consistent framework, including a transformation charter, based on both our consulting experience and the survey findings. This framework takes into account typical implementation failures we have observed in the market. Our transformation charter is composed of four dimensions:

- Organizational Culture
- Leadership & Governance
- Organizational Structure & Processes
- Tools & Technology

The framework also relies on the concept of incubators. These serve as vehicles and enablers for each dimension's agile transformation and guide the organization on its journey towards agility. This procedure avoids radical interventions and utilizes instead a gradual organizational transformation. As a result, short-term success can be quickly achieved.

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[1] Please refer to our Study „Agility & Congruency: The success formula of healthy Operating Models"

2 | Introduction

Agile Organizations have been introduced by many proponents as the new norm to equip companies with the ability to rapidly adapt to market and environmental changes in a productive and cost-efficient manner. This need becomes even more imperative as pressure from nimbler competitors and more demanding consumers increases.

In this report, we take a close look at organizational agility, what it entails and how it can be applied to companies in different industries. For this purpose, we have conducted the "Capgemini Consulting Agile Organization Survey" with 119 participants from industries accross all business sectors (Figure 2).
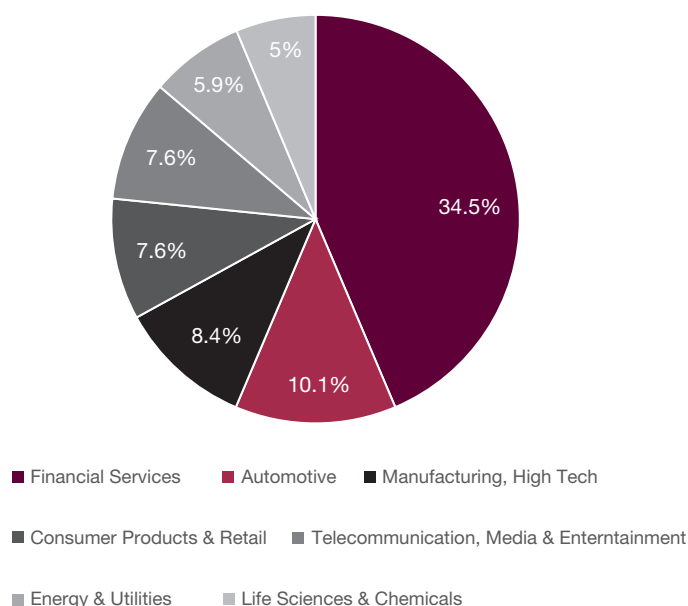
While the majority of the participants were large companies in the financial service and automotive sectors, important comparative data was also obtained from other industries and smaller companies. Twelve countries, including China, the USA, and many European countries participated in the survey, with the majority of participants coming from Germany.

Our survey results indicate that agile methods are known to respondents primarily through their use in projects, yet most respondents see significant benefits in broadening their application scope to daily business processes.

Based on the results of our study and experience gained from various projects, we were able to refine and optimize our transformation model towards becoming a more agile and customer-centric organization based on daily agile practices. The remainder of this document lays out the primary cornerstone concepts of this approach.

Figure 2: Industries represented in the survey (%)

Industries presented in the survey (%)

- Financial Services
- Automotive
- Manufacturing, High Tech
- Consumer Products & Retail
- Telecommunication, Media & Enterntainment
- Energy & Utilities
- Life Sciences & Chemicals

Number of employees (%)

> 10.000	52.1 %
5.000 - 10.000	8.4%
1.000 - 5.000	16%
100 - 1.000	15.1%
0 - 100	8.4%

Revenue in Million $

> 1.000	52.9%
500 - 1.000	12.6%
50 - 250	12.6%
50	12.6%
250 - 500	5%
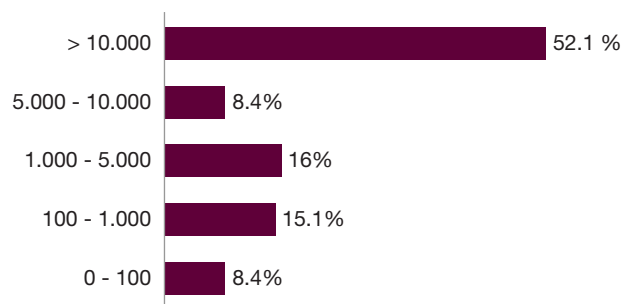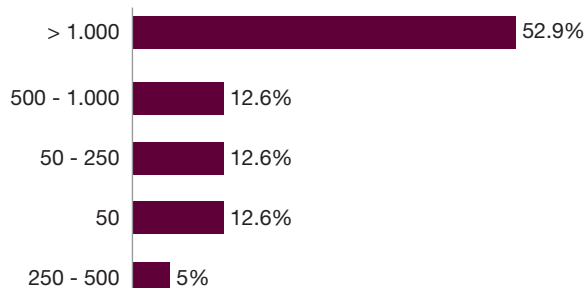
*excluding 4 % of participants not stating their revenue

3 What is Agile?

Progress in globalization and digitalization has shifted the work environment from relatively stable, transparent and predictable to more instable/ inflexible, non-transparent and unpredictable. Constant transformation and uncertainty are the new norm, posing many new challenges to companies. The ability to quickly and flexibly respond to changing business environments and stakeholder/customer expectations – in other words, being agile – is a decisive factor in determining an organization's competitiveness and long-term survival.

But what does agility actually imply? Most people know the term agile as a project management method used in software development. However, agility can be considered in a far broader context, such as the generalization of the principles of the Scrum concept and techniques to diversify business activities.

Scrum is an example of an agile approach originated from agile software development. It assumes that software projects cannot be planned in detail prior to project begin due to the complexity of such projects. For this reason, planning is based on the principle of step-by-step refinement. This implies that companies have the opportunity to react quickly and flexibly to changing environments and are not bound to a static project.

Other agile management tools include Kanban, DevOps, Scrumban, Design Thinking and iterative development. These are similar in nature as agile approaches and are focused on collaboration and improvement of quality and processes. Companies can easily utilize these approaches individually or in combination. As in the case of Scrumban, a cross-

optimization can be observed when tools are used in combination. Scrumban is a hybrid approach, combining the Scrum and Kanban methodologies. Kanban is used for incremental process improvement, with a pull system smoothening the flow of a project. Kanban itself was developed as a flexible and decentralized production process control system in which identification cards are assigned to each product, assembly and item used in operations. Both approaches support a company on the road to agility.

At its core, the term "agile" refers to an iterative, incremental method of managing design and building activities with an aim of carrying out new products in a highly flexible and interactive manner. In this case "product" might be any kind of deliverable of an agile team (i.e. software, customer product, process improvement, marketing campaign, etc.). It requires capable individuals across different disciplines, openness to constant (customer) input and a non-hierarchical management form with a mindset that allows for failure.

> **Being agile means constantly being adaptive to change. It constantly raises the question what we can do better in order to succeed.**
>
> **Ralph Kienzler, Head of „Group Accounting",**
> **Landesbank Baden Württemberg**

A milestone in the coining of the term agile was the publication of the "Manifesto for Agile Software Development (Agile Manifesto)"[2] in 2001, which brought to print certain practices that had already been used in software development for more than a decade. It also has conceptual links to lean techniques including Kaizen and Six Sigma. These principles are management and business strategies which are used by companies for continuous improvement and effective processes while avoiding errors and risks and achieving greater benefits for the company as a whole.

The Agile Manifesto is centered on four values:

- Interaction and individuals are more important than standard procedures and tools.
- Delivering a working product is more important than extensive documentation.
- Fostering more customer collaboration over relying mainly on contract negotiations.
- Being open to changes instead of needlessly clinging to your initial project plan.

Applying these values or principles on an organizational level provides an indication of how an Agile Organization is going to look.

To dismiss the term "Agile Organization" as just another fashionable term, would be a mistake. It neither refers to just simply being a nimble organization nor does it encompass a static process framework. Rather, an Agile Organization represents a change in mindset that enables an organization to react more quickly to external forces, while at the same time fostering
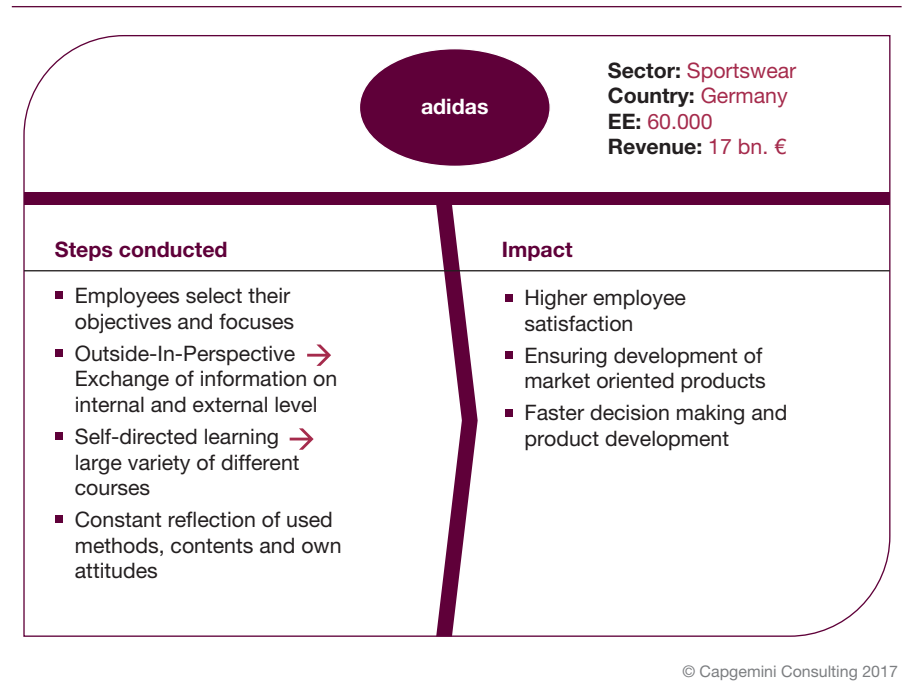
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2   http://agilemanifesto.org/

resilience, responsiveness and learning from within. Additionally, agility means to constantly assess the status quo and to adapt to changes instantly in order to succeed on the road of transforming to organizational agility.

This ability to learn and improve quickly is a major differentiator of (most) start-ups in comparison to larger and/or established companies. Start-ups tend to focus on customer needs instead of being held back by hefty internal processes. Thus, being agile means retaining the start-up mindset, even in larger organizations.

> **Agility is a company's ability to sense and respond to change adequately and in due time.**[4]

There is currently no generally accepted definition for the term "Agile Organization". For this reason, Capgemini has launched the Capgemini Consulting Agile Organization Study 2017. The results provide us with an added factual basis, which we can utilize in helping our customers on their journey towards becoming an Agile Organization.

Figure 3: Case Study Adidas[3]

adidas

Sector: Sportswear
Country: Germany
EE: 60.000
Revenue: 17 bn. €

Steps conducted

- Employees select their objectives and focuses
- Outside-In-Perspective → Exchange of information on internal and external level
- Self-directed learning → large variety of different courses
- Constant reflection of used methods, contents and own attitudes

Impact

- Higher employee satisfaction
- Ensuring development of market oriented products
- Faster decision making and product development

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[3] http://www.humancapitalclub.de/files/auf-dem-weg-zur-agilitaet.pdf

[4] Please refer to our Study „Agility & Congruency: The success formula of healthy Operating Models"

4 Results of our survey

Overall, the results of our survey show a high potential and motivation for a (further) roll-out of agile working methods. The survey results also indicate the business units in which agile working could be applied best and the units in which agile working shows a rather low potential. Finally, it becomes clear that the approach towards becoming an Agile Organization is still fairly unknown. This is consistent with another study performed by Capgemini Consulting, which addresses the strategic organizational changes that need to be made to an organization's operating model in order to implement agility on a long-term basis.

Those who succeed in grasping and internalizing agile working principles aim to go one step further.

Figure 4 contrasts the experiences in agile working as well as plans and intentions for a further roll-out of agile-related working methods. As many as 83% of the partici-

pants strive to further expand agile methods within the corporation, and 54% of this group has already had positive experiences with agile working. However, 29% have no current experience in agile working but strive to transform into an Agile Organization. For those with experience with agile approaches, 85% decided to continue utilizing the agile methods, with 100% of sales organizations responding affirmatively.

Only 17% of the participants do not see a need to take steps in order transform towards an Agile Organization. Overall 9% of organizations that have already worked with agile principles consider agile methods neither promising nor beneficial in adding value to their enterprises or units. For those participants from Finance, Risk and Compliance units, this figure is significantly higher (15.4%). Nevertheless, when comparing the outcomes, a large majority of those accustomed and familiar with

agile working principles do see further potential in these methods.

The bottom-left corner of the diagram shows respondents without any experience in agile working and not wishing to pursue related methods. Yet, even the companies without prior experience with agile working principles consider the concept of an Agile Organization appealing (bottom-right corner, 29%).

Figure 4: Is agile in use and are there any plans for a further transformation towards an Agile Organization?
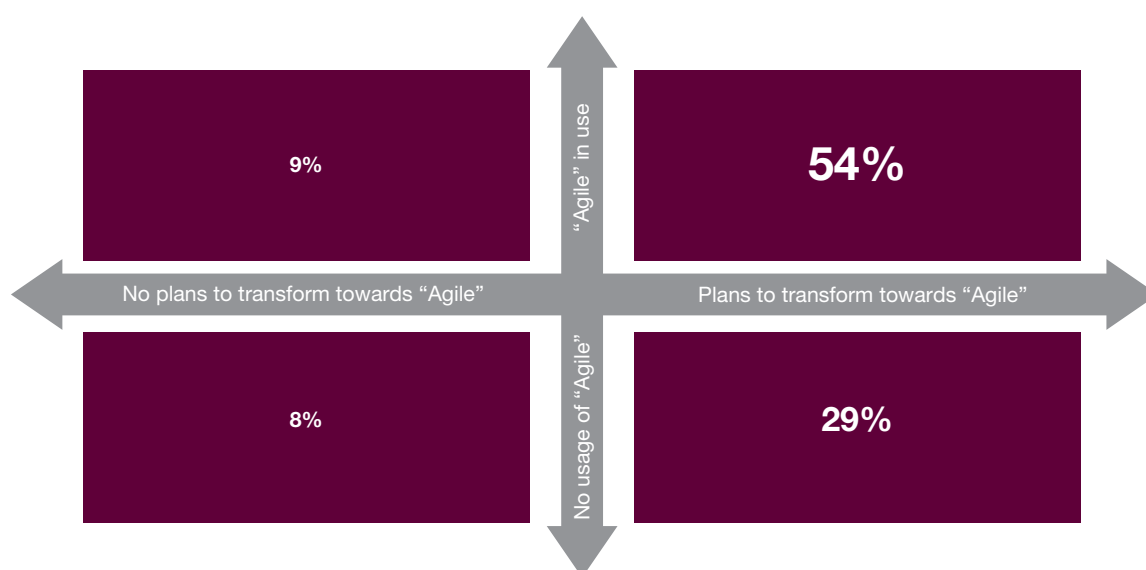
Figure 5 shows, that the financial sector has established experience with agile working beyond the framework of regular projects. Also, as shown in Figure 6, the aim to transform the proprietary organization into an agility-driven one had been expressed more frequently by participants from the financial services sector compared to their industry peers, e.g. the automotive sector.

Figure 5: Financial Services: How are agile methods used in different departments?
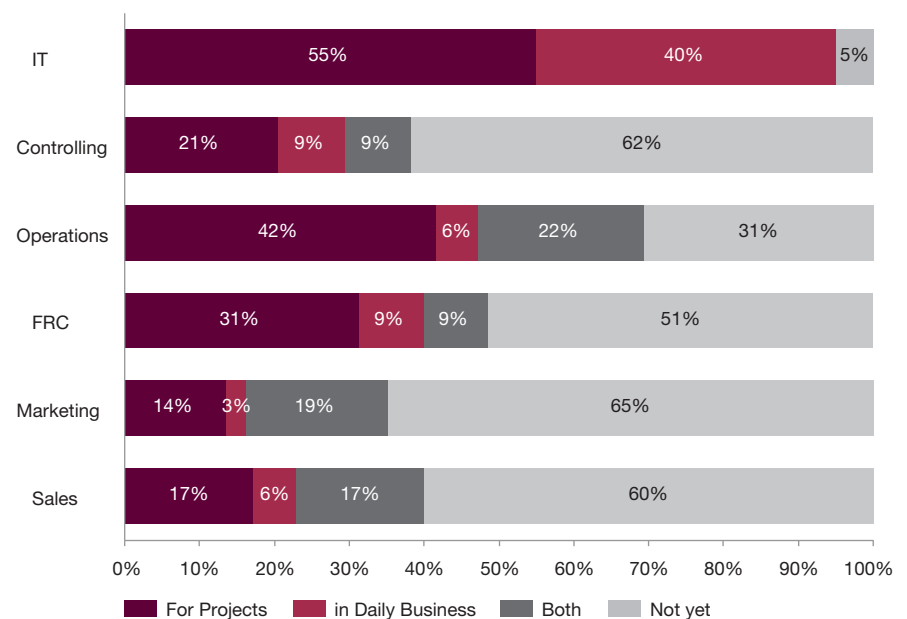
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Figure 6: Automotive: How are agile methods used in different departments?
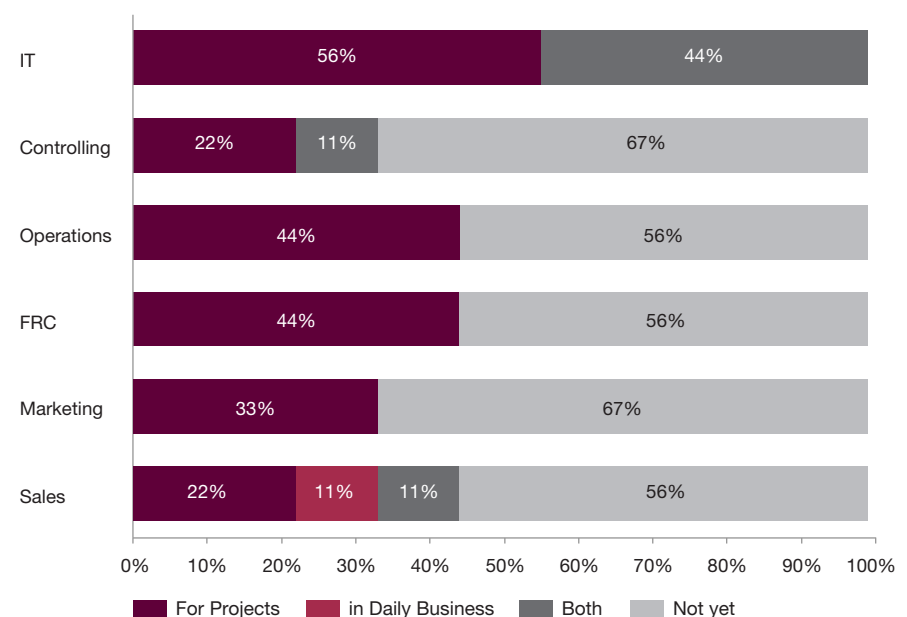
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Innovation works best agilely. Yet the agile approach does not necessarily reflect the best in all matters.

For a better understanding and interpretation of the above data, we took a deeper look at the business units in which the advocates for and opponents of Agile Organizations originate.

Not surprisingly, IT related departments are largely at the forefront in terms of integrating and applying agile working principles and naturally plan to continue.

When looking at the non-IT related departments, the following trends could be identified:

Departments or business units with a strong customer focus, in which the idea of innovation represents the top priority and where rapid, determined actions are more important than perfectionism, are more likely to achieve their goals more quickly and more efficiently through agile working methods.

However, departments and business units in which the identification, reduction and avoidance of risks rank first and where strict policies and guidelines play a significant role, are less likely to attempt to increase their efficiency through the application of agile working principles.
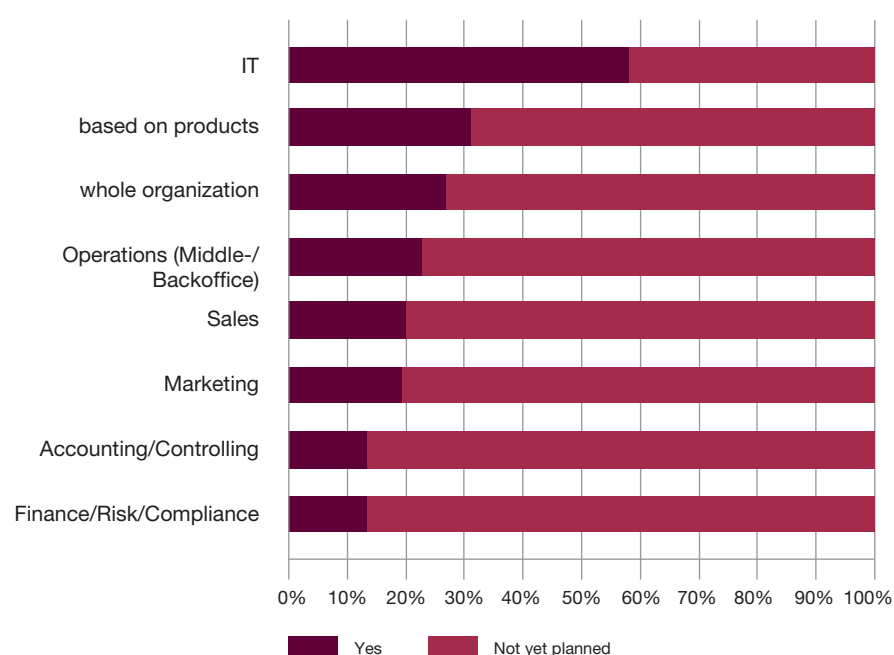
> Being agile is the art of combining the virtues of flexibility and stability.

Florian Rodeit, Head of Finance
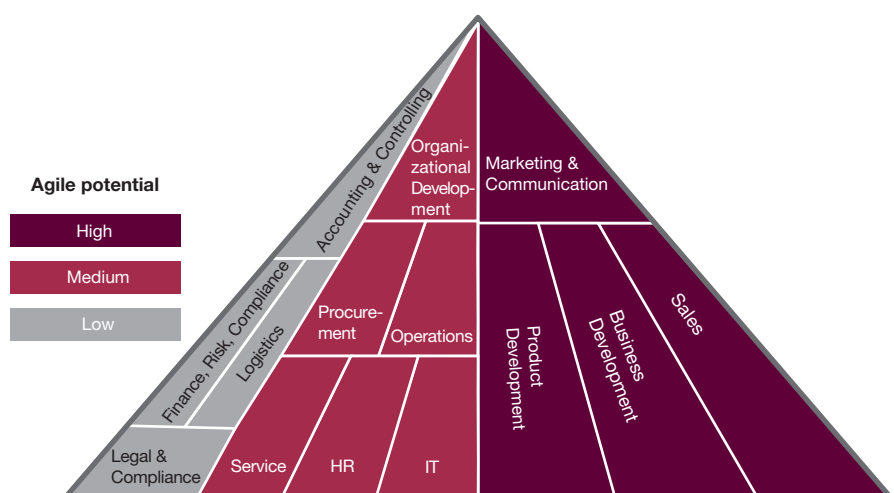Operations Center Prague,
Deutsche Börse AG

Figure 7: Department comparison of future transformation plans towards agile

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Figure 8: Agile potential of different departments

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Even though single agile elements, such as daily stand-up meetings, can have positive effects on intra-department collaboration, the agile way of working has only limited potential within certain business units.

The approach towards an Agile Organization is uncharted territory for most enterprises.

While agile project management (e.g., Scrum) is clearly defined, this is not yet the case for Agile Organizations. Our

survey results confirmed this view, as a clear tendency of the most important attributes of Agile Organizations could not be derived. As seen in Figure 9, almost all of the available attributes were evaluated with high or very high importance.

Figure 9: Evaluation of the importance of some agility characteristics

1 Unimportant	2 Slightly important	3 Important	4 Very important

Characteristic	Value
Short feedback cycles	3.5
Customer needs = core value	3.48
Team-empowerment	3.45
Self-organizing teams	3.45
Faster product development cycles	3.35
Quick problem solving	3.34
Constant testing, measurement and learning	3.30
Dealing with uncertainty	3.27
Increase transparency	3.24
Future oriented	3.23
Early risk discover	3.14
Cross-functional roles	3.07
Customer participation	3.06
Flat hierarchies	2.99
Low Power distances	2.86

Average, 1=Unimportant; 4=Very important

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The main objectives that should be achieved with a potential transformation process towards an Agile Organization proved to be clearer. As suggested in Figure 10, objectives like "Increase flexibility", "Reduce time-2-market" or "Faster decision making" are of particular importance for those departments previously considered to have a high agile potential, matching our hypotheses made earlier in this report.

Figure 10: Main objectives to be achieved

Objective	Percentage
Increase flexibility	62%
Reduce time-2-market	61%
Faster decision making	55%
Reduce project complexity	53%
Become more innovative	52%
Become more productive	51%
Empower staff	47%
Increase efficiency in day-2-day processes	40%
Increase transparency	38%
Reduce cost in daily operations	29%
Become more self-directed	16%
Dismantle hierarchy	8%
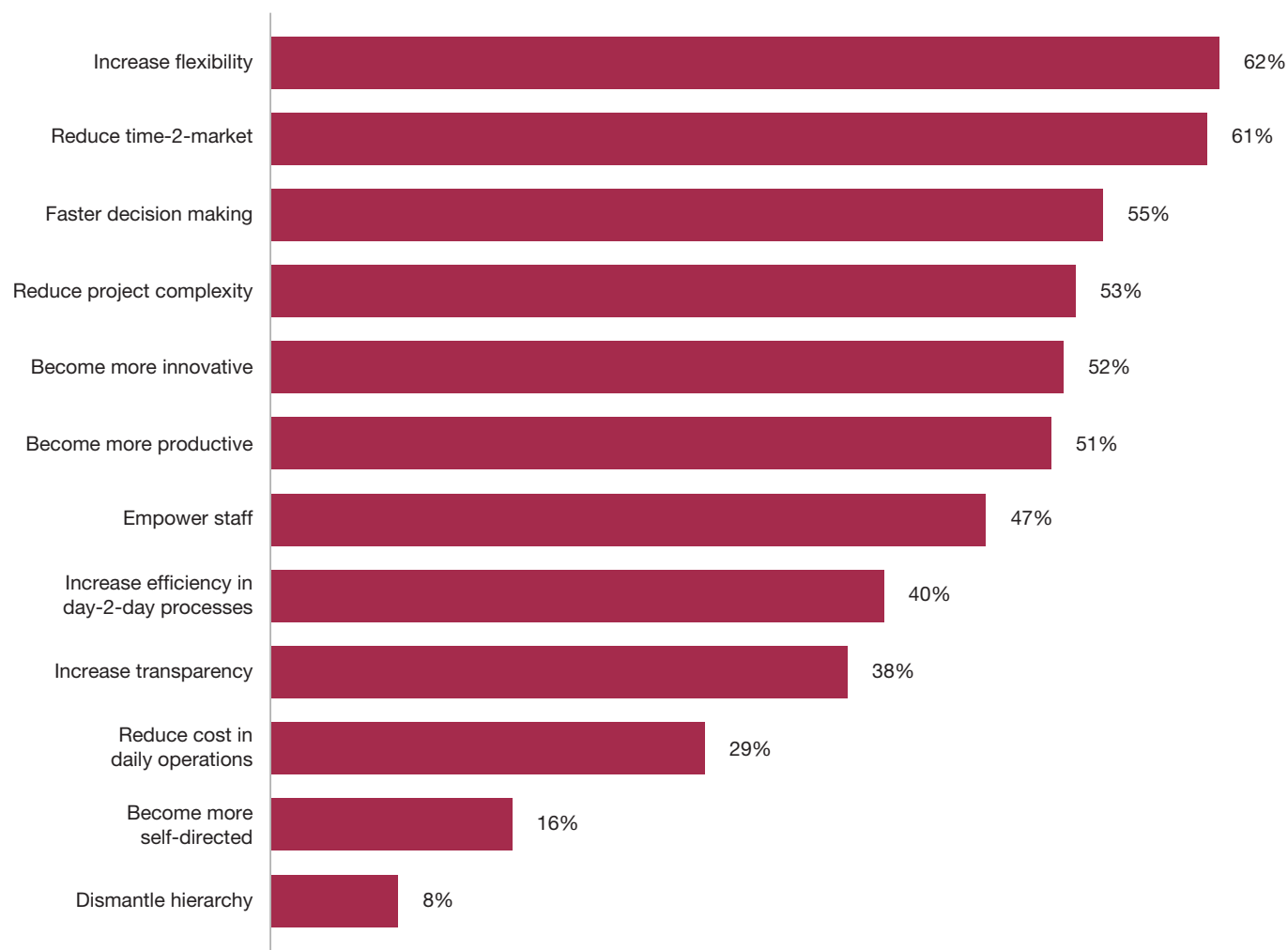
Additional findings

Which agile elements are known?

We wanted to know which methods, roles, governing elements and artefacts the participants deem most effective. Knowing from other surveys that respondents tend to prefer choices that are already in wide-spread use, it is no surprise that the top choices of participants reveal a focus on agile elements that are clearly linked to the project-oriented origins of the agile concept.

These findings underline the validity of our approach of widening the range to innovative methods, roles, governing elements and artefacts and putting them into the larger context of the best possible agile solution that fits the respective situation and department.

### Transformation challenges

Transforming an organization towards a more agile one depends on key success factors and certain challenges that have to be met along the way. Old structures have to be reorganized and employees have to be actively involved. There are upcoming questions, such as "Are managers prepared to take more risk and accept early set-backs?", "Which level of employee super-vision is the right one?", "How is it possible to remunerate extraordinary efforts and how are they mea-sured?", and "How is it possible to implement an open-minded culture that couples less super-vision with direct and transparent feedback?"

Understanding this, we wanted to know which aspects companies consider as key success factors or as challenges for Agile Organizations.[5]

Our goal was to find those characteristics considered as major factors for success, but also stated by the respondents as a great challenge when implementing them. Thus, the study shows that even though characteristics of agile methods are challenging, the success factors outweigh these challenges.

Figure 11: Agile Elements
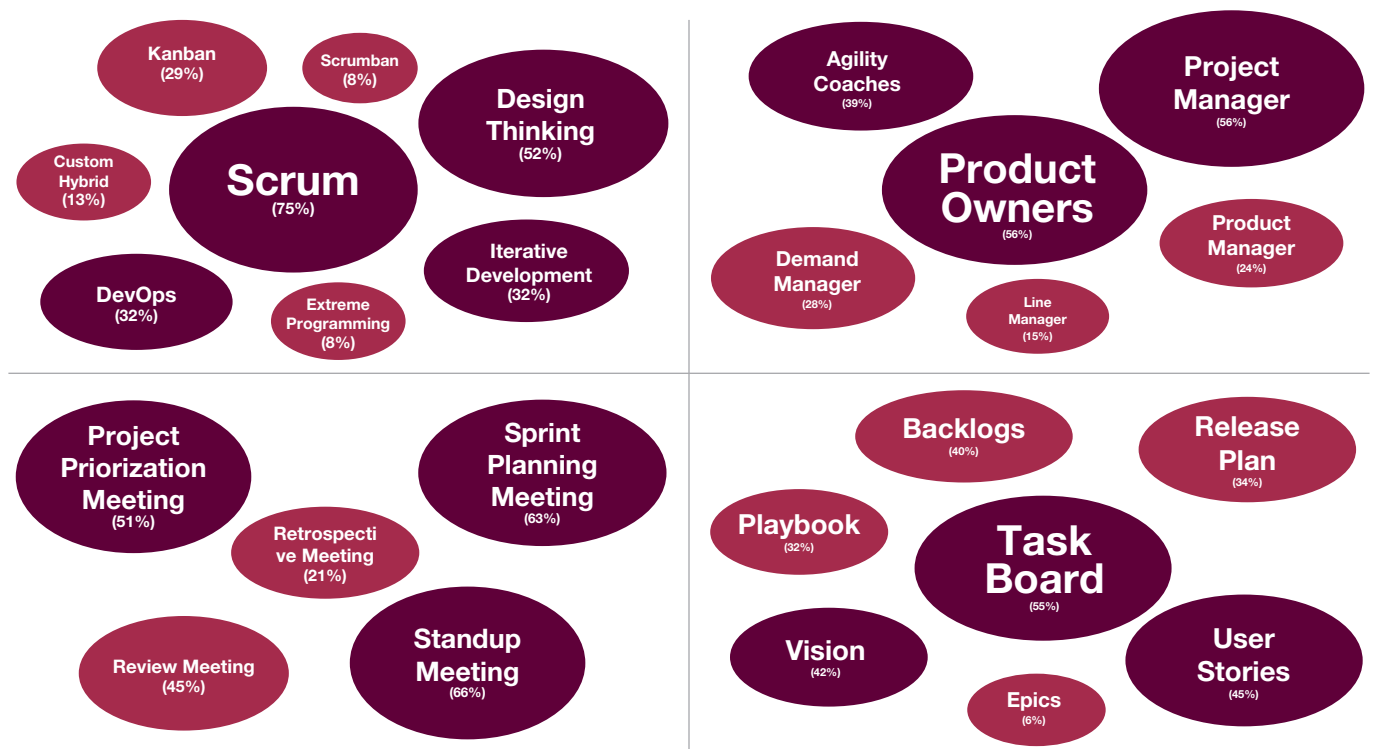
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5   Obviously an aspect can also be both chance and challenge at the same time.

Figure 12: Success factors & challenges

New management roles

Build understanding of methods and tools
- 85%
- 51%

Back, support and implement agile culture
- 72%
- 73%

Share responsibility
- 79%
- 81%

New understanding of leadership

Employees can have cross-functional roles
- 65%
- 68%

Teams can organize themselves into groups
- 87%
- 71%

Cultural elements

Break up existing silos between departmens/teams, etc.
- 79%
- 83%

Put customer at the core of the decision processes
- 86%
- 56%

Increase transparency
- 91%
- 48%

New organizational design

Create and manage virtual teams
- 75%
- 67%

Balance agile and "traditional" part of the organization
- 75%
- 84%

Success factor   Challenge

5 How to become an Agile Organization
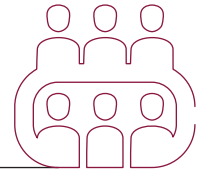
With all the insights at hand, we now want to focus on how to actually transform into an Agile Organization in order to reveal yet unreleased potential in your company. For this reason, Capgemini Consulting has developed a consistent framework based on our experience and the survey results. Applying this framework will help you to avoid common implementation failures we have observed in the market.

The main elements of this framework are the incubators, which ensure a fast and smooth transformation process instead of a radical break/big bang approach. The four dimensions of culture, leadership, technology and structure of the organization serve as guidelines and have strong dependencies on one other.
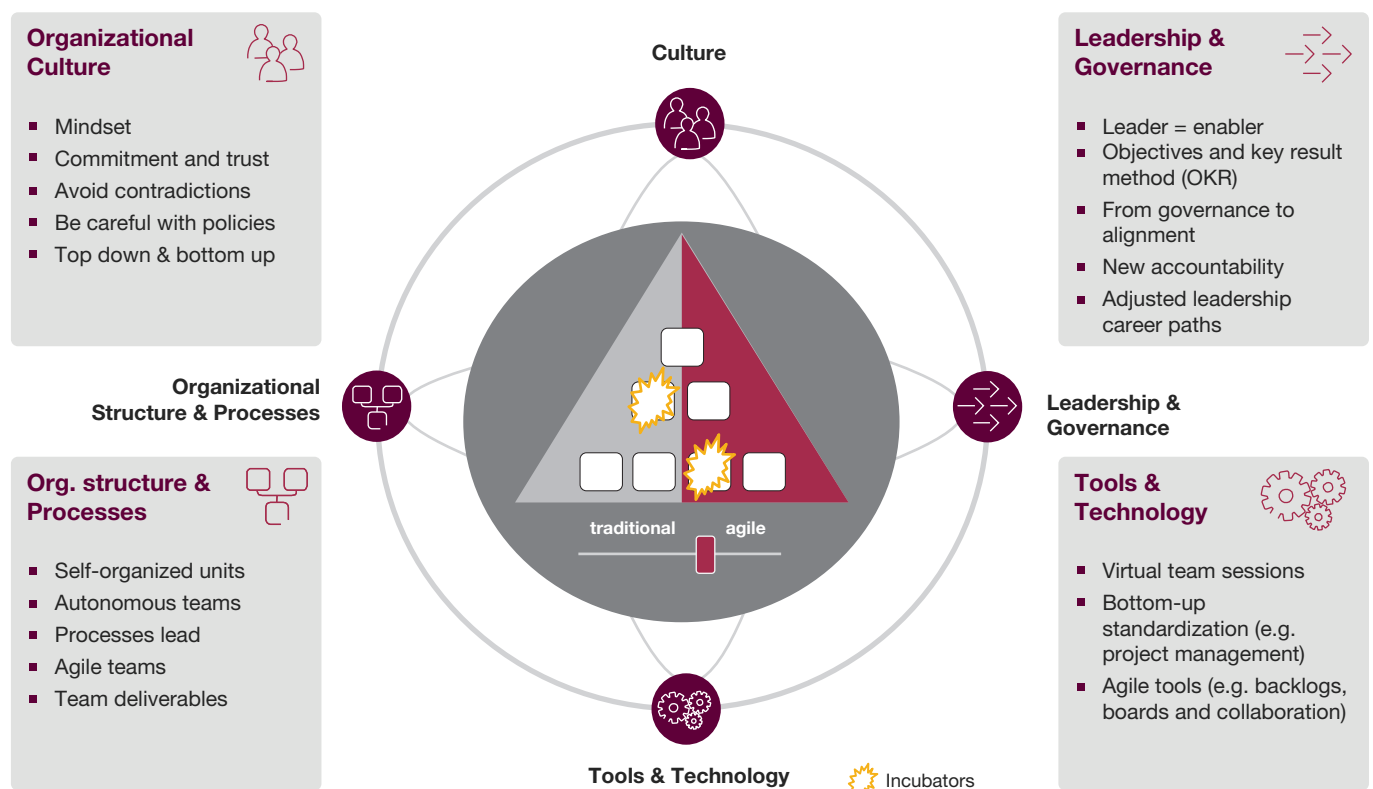
Agile Continuum and Incubators

The term "Agile Organization" cannot be considered as a clearly defined target state which can/should be achieved in a certain period of time. Rather, it is a continuum which reaches from very traditional and static companies to fully flexible and fluid organizations. Hence, becoming and staying an "Agile Organization" is a journey, and the desired target state can vary over time.

To walk the path towards more agility, organizations must first identify agile incubators as vehicles. Such agile incubators include teams, departments, or other corporate areas where first steps towards agility have already been undertaken. These incubators are also the most fitted to become agile and hence function as ambassadors or enablers of agile working.

Figure 13: Agile Transformation Framework

Organizational Culture

- Mindset
- Commitment and trust
- Avoid contradictions
- Be careful with policies
- Top down & bottom up

Organizational Structure & Processes

Org. structure & Processes

- Self-organized units
- Autonomous teams
- Processes lead
- Agile teams
- Team deliverables

Leadership & Governance

- Leader = enabler
- Objectives and key result method (OKR)
- From governance to alignment
- New accountability
- Adjusted leadership career paths

Leadership & Governance

Tools & Technology

- Virtual team sessions
- Bottom-up standardization (e.g. project management)
- Agile tools (e.g. backlogs, boards and collaboration)

Culture

traditional   agile

Tools & Technology   Incubators

Agile incubators can be represented by:

- Agile project teams, which have already embraced and successfully applied the agile mindset
- Departments with major influence on the entire organization which will be specifically trained
- Teams most notably characterized by open-mindedness towards agile working and hence volunteering to promote and actively support the agile transformation process.

These incubators in turn support other teams and departments in implementing an agile mindset and working principles. This approach leads to a smooth transformation process and first improvements in the short term. Using these first success stories will serve as an important support structure when aiming for a broader implementation of the agile mindset within the organization.

Organizational Culture

Each corporate culture is shaped by a common mindset, evaluation paradigms and behavioral patterns. In order to reshape historically evolved and manifested mindsets, the future desired cultural set-up has to be established and promoted both on a top-down and bottom-up basis; whereas, the latter is realized systematically through the already illustrated incubator concept.

Equally important is the top-down approach, which returns to the idea that wanted (agility related) behavior and value patterns must first be applied by the top management in order to trigger a "lead-by-example" effect. Furthermore, the senior management is in charge of adapting rules and policies in a way that they are aligned with the future desired cultural

set-up and exclude any potential cultural or political contradictions. Analogously, a culture of trust and commitment cannot be established if top management insists on strict governance rules and politics. Likewise, open communication cannot be achieved if high ranking executives do not anticipate it through an open, transparent communication strategy and less formal manners when interacting with employees of all levels.

As an Agile Organization demands new cultural paradigms, these paradigms should reflect the work environment, degree of experimentation and flexibility and digitalization of the organization that is envision for your future company. As previously mentioned, these cultural elements might be differently weighted for the various departments/ business units.

Moreover, corporate culture is a dimension to commit employees to a new way of working. Just as athletes cannot be forced to love a particular kind of sport, e.g. rugby - where the term "scrum" originates from - employees cannot be pressured to enjoy agile working methods. Rather, a corporate culture based on team spirit, trust and commitment, openness to change and experimentation, change of perspective and a critical view of traditional approaches directs employees to embrace agile work methods.

Our research results clearly show that changing the corporate culture is an important success factor but also the main challenge. Thus, in order to successfully integrate the measures described in this chapter, an organization should above all strive for the mindset to necessary for the cultural transformation towards an Agile Organization.

In the case of NETFLIX, for instance, when addressing the question of how to create an organizational atmosphere supporting innovative thinking and high performance, the management decided to foster a culture of high-value performance, freedom and responsibility by "treating employees like grown-ups". This objective was achieved in two ways: First by assigning trust in responsible behavior and judgment of employees to create space for independency, e.g. through elimination of formal travel and expense policies and formal vacation tracking systems (no limits on vacation days, no tracking of absence) and second by the substitution of annual reviews and performance improvement plans with frequent and open conversations with team leads as an organic part of daily work ("honesty"). Both steps led to increased independency and decision making power of employees through less organizational complexity and bureaucracy, an increased focus on results instead of working hours and employee control and finally more creativity and innovation fostered through increased flexibility and risk-taking.[6]

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6   https://hbr.org/2014/01/how-netflix-reinvented-hr
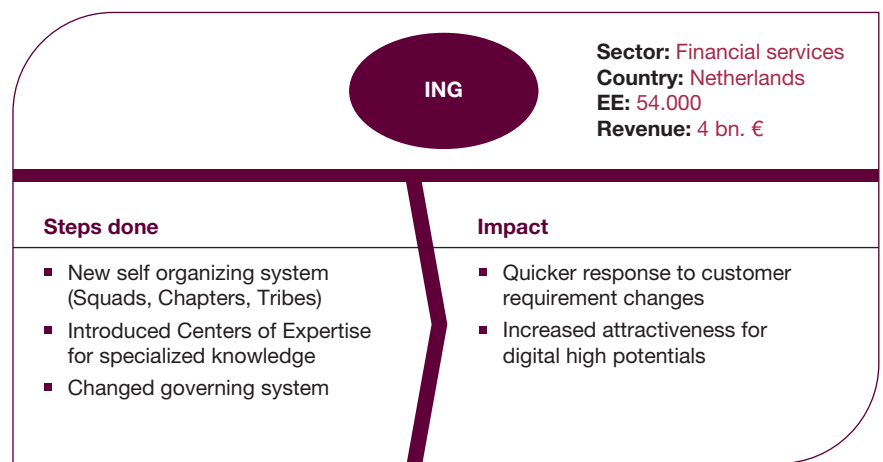
Leadership & Governance

In order to transform an organization towards agility, a non-traditional understanding of leadership and people management must be established and qualification measures and management tools must be adapted accordingly.

Leaders have to be prepared to assume and adapt to their new roles. Our findings show that team empowerment and self-organizing teams are essential agile characteristics. Leaders in Agile Organizations have to manage, enable and guide employees in a non-traditional environment marked by increased digital collaboration, with accountability shifting from functional managers to the agile team. Alternatively, leaders must also become committed drivers for the overall organizational transformation envisioning the Agile Organization and ensuring the new governance structures.

In traditional organizations, a main task of managers is to ensure that employees do what they are assigned to do. In Agile Organizations this function changes from governance to alignment, meaning that the primary challenge is now securing that the deliverables of the agile teams fit into the strategy and vision of the organization. Thus, combining autonomy within agile teams with alignment between those teams is a key success factor of an Agile Organization.

Figure 14: Case Study ING

Sector: Financial services
Country: Netherlands
EE: 54.000
Revenue: 4 bn. €

ING

Steps done
- New self organizing system (Squads, Chapters, Tribes)
- Introduced Centers of Expertise for specialized knowledge
- Changed governing system

Impact
- Quicker response to customer requirement changes
- Increased attractiveness for digital high potentials

Figure 15: Case Study Spotify

Sector: Music - Industry
Country: Sweden
EE: 1.600
Revenue: 2 bn. €

Spotify

Steps done
- Teams without hierarchy
- "No-Blame"-culture
- Selforganizing team structure (Squads, Chapters, Tribes)
- Constant feedback cycles
- Introduced agile coaches (external)

Impact
- More transparency concerning the status of other projects / tasks
- Ongoing exchange of knowledge and experiences
- Reduction of coordination problems and dependencies
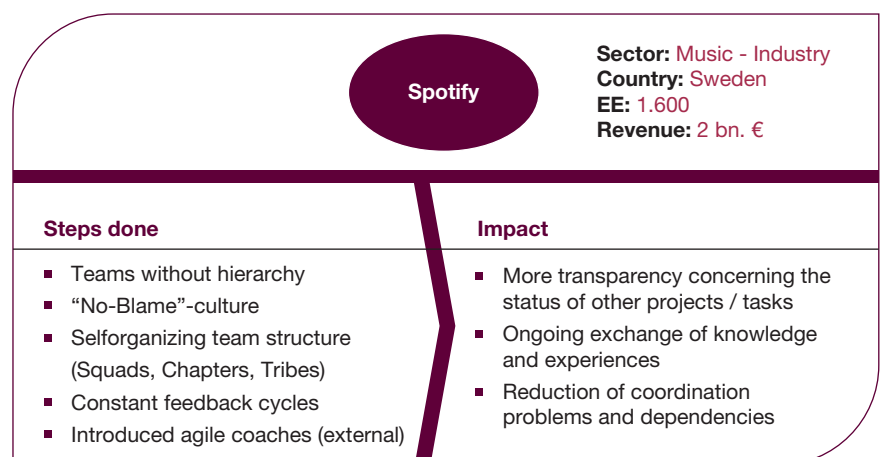
> "The successful implementation of an Agile Organization heavily depends on the readiness of leaders to empower staff, which is practically stressed when it comes to escalation requests."

Christian Mauerer, Body & Security - R&D Operations, Continental AG

All of these aspects imply a radical change for middle management and the necessity to provide comprehensive support to enable those leaders to tackle such challenges. We recommend to apply this support on three levels:

First, HR should redesign training, recruiting and management processes for agile teams to flourish. As mentioned earlier, working in agile teams requires employees to display a distinct skill-set. Talents must be flexible and strong team players, who enjoy self-organized work with digital tools, are a necessity. With employee-tailored trainings and new recruiting approaches, such agile talent can be secured.

Second, managing these new teams and structures requires a revision of traditional HR management tools such as performance and rewards measures. The Objectives and Key Results (OKR) method, for example connects company, team and personal objectives to measurable results, enabling the entire Agile Organization to be aligned while moving in the right direction. However, a key aspect of this method is that each employee´s performance measurement is completely decoupled from individual Key Results, which collaboratively empowers managers and employees to set stretch goals and ensures buy-in. The performance measurement process, on the other hand, is solely based on peer reviews, hence ensuring that the manner in which ambitious Key Results are achieved is just as or even more important than the mere fact that they were reached.

Third, based on the incubator approach you need to ensure that best practices serve as an encouragement and as a source of inspiration for the whole leadership team. This can be achieved through exchange with other firms or bringing in external speakers.

Organizational Structure & Processes

While there is no one-size-fits-all solution when striving towards an Agile Organization, adapting organizational structures and processes does represent a prerequisite for sustainably enabling agile measures. This is because organizational structures and processes determine how work is planned and distributed across all hierarchies and employees as well as who is assigned which roles and responsibilities.

According to our study results, reduced time to market and faster decision making are the main objectives of an Agile Organization. Therefore, Agile Organizations need to work in non-traditional team set-ups and prioritize quick reaction time as well as short feedback loops instead of strong hierarchies and documentation duties, challenging traditional organizational designs and processes.

One major new task for middle management is to ensure that newly gained knowledge and experience of agile teams are spread and made available for the entire company. This implies a fundamental change; in traditional organizations the responsibility of managers is strongly focused on their respective teams, which can leads to a silo mentality. In an Agile Organization, in contrast, these expectations are reversed thus making knowledge transparent and accessible needs the top priority for management.

With this respect Spotify has established a "No-Blame"-culture, a self-organizing team structure without hierarchies whereby Scrum Masters and teams were replaced with an external agile coach and squads[7] who were given full autonomy and ultimately constant feedback cycles. Autonomy in this context suggests having the freedom to decide what to build, how to build it and how to work together while building it.[8] Together these measures resulted in more transparency concerning the status of other projects, an ongoing exchange of knowledge and experiences and a reduction of coordination problems and dependencies.

Likewise, inspired by Spotify and Netflix, the Dutch bank ING has established a new organization based on Squads, Chapters and Tribes where squads are self-steering and autonomous teams of different, cross-functional focus areas (vertical integration) which are coordinated within tribes (composed of squads and chapters) and where chapters are team members working within a special focus area (horizontal integration). Yet the tribe lead is not a traditional boss, but rather ensures that knowledge and insights are shared and spread.[9] Ultimately the new self-organizing system led to quicker response cycles to customer requirement changes and increased attractiveness for digital high potentials. After the ING way of working proved to be a success in the Netherlands, it will now be rolled out in other European countries.

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[7] For a similar set-up please also refer to the ING example

[8] http://reqtest.com/blog/how-spotify-does-agile-a-look-at-the-spotify-engineering-culture/

[9] https://www.ing.jobs/Netherlands/Why-ING/What-we-offer/Agile-working.htm

With the integration of agile teams, another new element comes into play that has to be integrated not only within the organizational structure but also in the process landscape. Some teams might be integrated within specific processes in order to improve their efficiency, while others can close the gap between processes and projects.[10] Repetitive tasks, with which the organization has to deal with often, can be done most efficiently within a thoroughly defined process or partially or completely automated[11], where-as for new tasks with a solution yet to be defined a specific project might be set up. This is where agile teams can be used to close the gap between established processes and specific project set-ups helping to reduce the number of processes and projects, to keep the organizational

structures lean and to increase their flexibility. Such an approach is recommended for tasks that occur infrequently.

As our study shows, increased flexibility is the main objective in the implementation of an Agile Organization. To achieve this, agile teams can provide a useful means of increasing the ability of the overall organization to deal with non-standard customer requests.

Given the example from Microsoft, organizations should review traditional roles and responsibilities, flatten hierarchies and redesign entire divisions and processes including work content, timing and work space if you want to drive agile working and the agile mindset. Only if organizations rethink their structures can the benefits of agile working be fully realized and exploited.

> **The scaling of agile practices from senior management down to the team level is required to achieve both agile content as well as process development across the entire organization.**

Nadine Nadler, Senior Project Manager Business Development Central Europe, adidas AG

Microsoft for instance, before engaging in its organizational transformation under the new leadership of Satya Nadella, was organized in product divisions differentiating between seven core business groups, each with an independent financial entity, their own R&D, Sales and Customer Service Staff. Correspondingly, Microsoft operated on high hierarchical dimensions. Through various acquisitions the number of divisions had even increased. In addition, each product division had heterogeneous strategies, incoherent to the firm's structure and environment. As a consequence, the old structure lacked efficiency since information flow and processing had been limited to its organizational layers and divisional boundaries. From 2014, Microsoft's workforce was realigned to its new strategy which implied a reduction and reallocation of its workforce, a streamlining to its core disciplines and technology areas. Due to the reduction of obsolete management layers, the flattening of the hierarchical structure and the new set-up of initiatives represented by agile teams, the new organization was able to use the improved information flow to coordinate and control the initiatives, accelerate knowledge spread and availability as well as reaction times. As a consequence, relationship and trust driven agile teams have been built, experiencing smoother information flows, knowledge transfers, business processes and support models – achieving a new form of efficiency. Complementarily effectiveness was achieved where new know-how, expertise and insights were to be gathered and exploited from the integrated Nokia and reallocated Microsoft teams. This was achieved by setting the focus systematically on exploration tasks while building on Microsoft's mature technological devices and services in order to revolutionize the digital industry through new breakthrough innovations for digital work and digital life experiences.[12][13]

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[10] Agile is (too) often only used as a project-oriented method and not as a holistic organizational approach.

[11] Please refer to our Robotic Process Automation Study 2016

[12] https://news.microsoft.com/2013/07/11/one-microsoft-company-realigns-to-enable-innovation-at-greater-speed-efficiency/#sm.000033p2beqpkd8rvj52mpzv4tfzs#R1PXury1GY8JU8dW.97

[13] https://www.questia.com/read/1P3-3726875351/organizational-restructuring-and-collaborative-creativity

Tools & Technology

Agile Organizations are empowered by the right tools and technologies (IT) which serve different purposes at the same time. They offer easy access to basic agile principles, facilitate team collaboration and thereby enable quick business reactions.

Our experience shows that integrating single agile tools, even in traditional water-fall-approaches, can enrich team work and increase efficiency. Tools bear the potential of acquainting employees to a more agile way of working and thinking, thereby engrafting and unfolding the previously mentioned cultural and mind-set changes. Our experience has shown that effective progress can be achieved by adapting and assembling seemingly standard agile tools like task-boards, back-log, daily stand-ups or retrospective meetings to customer-specific needs. Trello[14] and JIRA[15], for example, allowed us to apply some tools digitally. Even accompanying methods like user stories and planning poker can benefit teams in many different ways.

When implementing new tools, the risks are as large as the opportunities. In order to find the right tool and to embed it successfully into the work environment, two elements are essential:

- Collaboration
- Simplicity

Collaboration is one of the key elements of agility. Therefore, any kind of tool, regardless of purpose, must support the communication within and across teams.

Moreover, a tool must be simple and transparent for the user. In other words, the user should only be focused on the tasks he or she is about to accomplish and not on using the tool. If the user has to think about which button to press or which feature to use, the tool is decreasing efficiency.

Incubators can be of great help in testing tools that might then become the impetus for other teams to re-utilize in a more self-guided approach. The agile way of working is not about writing lengthy concepts and planning, rather it's about doing, learning and adapting according to the learnings. The primary goal of the above cycle should be to regularly increase the speed of the learnings and adoption.

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14 http://www.trello.com

15 https://www.atlassian.com/software/jira
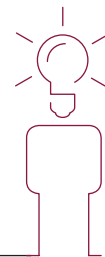
6 Conclusion

With this study and its related approach, Capgemini Consulting set out to shed light onto what makes innovative companies different, or more precisely, how organizational agility helps them react more quickly to external forces while simultaneously fostering resilience, responsiveness and learning from within.

Our survey shows that initial agile experience is already well represented across companies in all industries. According to our respondents, the vast majority of companies, regardless of their previous agile experience, are planning to further move towards becoming full-fledged Agile Organizations. However, our survey results also clearly show that there are still substantial challenges ahead, which can only be tackled by applying a proven and holistic approach to organizational agility.

Based on the results of the survey, it is essential to take a simultaneous top-down and bottom-up approach to agile process implementation. Only then can the required attitude of collaboration between senior management, which defines the culture of the whole organization, and lower hierarchies, which need to adapt to new ways of working, be established. Along the way, board members must act as change agents and fully support the new way of working, e.g. leading by example.

On a strategic level, changes to the operating model have to be made to enable identification and response in a structured and conscious way to work most effectively at scale.[16]

To make this journey a resounding success, we recommend starting small and celebrating initial successes before

> **Being agile is not really new, but with the new focus on this there are more opportunities to improve operations by constant innovation.**

Andreas Beck, Head of Back Office Financial Markets, Landesbank Baden Württemberg

expanding organizational agility across the company. If organizations follow the Capgemini Consulting Framework, the design and implementation of an Agile Organization is certain to drive cross-organizational results.

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16 This aspect will be further discussed in our Study „Agility & Congruency: The success formula of healthy Operating Models"
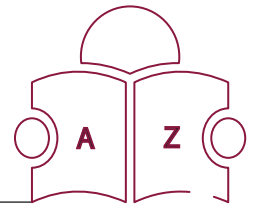
7 | Glossary

Agile Coaches

An agile coach can be a Scrum Master and a product owner, as well as someone responsible for coaching and strategic applications of agility within organizations. The role includes helping the team in planning and scheduling meetings and master challenges while assisting in finding the individual scrum process for the team and improve continuously. Team coaching is usually executed in three phases: a) beginner phase where coaching is about discipline and principles; b) competent phase where coaching is about leading the team to independence; c) final phase where coaching is about self-sustaining and connecting the team and ending the coaching process.

Source: **Scrum Guide**

Agile Project Management

Model for software development that uses dynamic and flexible process design, work in short iterative cycles, and coordination by self-tuning instead of precise ("constrictive") planning. The focus is on immediate creation of a decent program code, which is submitted to the client for testing, feedback and approval. Direct communication and close cooperation with the customer is priority; organization, tools and documentation are in the background.

Source: **Motzel, Projektmanagement Lexikon, Wiley, 2006**

Backlogs

Prioritized list of requirements with estimates that reflect the respective scope of functions, and possibly their complexity, and relative to each other.

Source: **http://scrum-master.de/**

Bottom-up

Leadership style that encourages employee involvement at all levels of the decision-making process and problem-solving process through employee involvement. The management approach is linked to flat hierarchies and employee involvement.

Source: **http://wirtschaftslexikon.gabler.de/**

Customer-centric

Positive consumer experience creation which adds value to the customer and the company by creating opportunities for differentiation (from other companies with different experiences).

Source: **http://www.businessdictionary.com/**

Design Thinking

Approach to solve problems and develop new ideas. The goal is to find solutions that are convincing from user perspective. In contrast to other innovation methods, design thinking cannot be described as a method or process, rather as an approach based on basic principles of team, space and process.

Source: **http://wirtschaftslexikon.gabler.de/**

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Source: **http://wirtschaftslexikon.gabler.de/**

DevOps

Describes a process improvement approach from the areas of software development and system administration. DevOps as in "Development" and "IT Operations". Enables a more efficient and effective collaboration of development, Operations and Quality Assurance through joint incentives, processes and tools. Quality of the software, speed of the development and the delivery as well as the cooperation of the involved teams are to be improved.

Source: **https://theagileadmin.com/**

Epics

In the context of requirements management an epic describes a requirement for a new software at a high abstraction level. The requirements are described in everyday language (analogous to user stories).

Source: **https://de.atlassian.com/**

Extreme Programming

Method, which places the task of solving a programming task at the forefront of software development, thereby rendering a formalized approach less important. This approach defines a software engineering approach that approximates the customer's requirements in small steps. The method assumes that the customer is not yet completely familiar with the requirements for the software to be created at the beginning of the project and cannot sufficiently structure the development team or the developer team responsible for the realization does not have all the information necessary to ensure a reliable effort estimate over the necessary period until completion.

Source: **http://searchsoftwarequality.techtarget.com/**

Iterative Development

Incremental approach describes a process of continuous improvement that is often carried out in small or even the smallest steps. The agile software development is based on an incremental approach, Wikis also work according to this principle.

Source: **http://searchsoftwarequality.techtarget.com/**

Kaizen

Japanese manufacturing technology; means consistent innovation management or simply improvement. Kaizen is a permanent improvement process.

Source: **http://wirtschaftslexikon.gabler.de/**

Kanban

System developed in Japan for flexible, decentralized production process control. Kanban literally means "card" and labels the identification card that is located at each end product, assembly, and item used in operations.

Source: **http://wirtschaftslexikon.gabler.de/**

Lean Principles

Lean management is understood as a management approach, which is characterized in particular by the basic principles of decentralization and simultaneity. The goal is to achieve greater customer orientation and consistent cost reductions for the company as a whole.

Source: **https://www.lean.org/**

Organizational structure

The organizational structure forms the vertically and horizontally structured system of competences, which, according to the instrumental concept of organization as a general framework of action, regulates the fulfillment by the division of labor of permanent tasks.

Source: **http://www.businessdictionary.com/**

OKR

OKR stands for "Objectives and Key Results" and it is a management method used to define goals across the company, team or workforce, keep track of progress, and measure goals. The basic idea is that each target (objective) is assigned to measurable key results. Successes are measured in regular intervals and new OKRs are defined.

Source: **t3n.de/**

Product Owner

Responsible to maximize the value of the product, the work of the development team and to manage the product backlog. The product owner is accountable and the product owner's decisions are to be respected by an organization.

Source: **http://scrum-master.de/**

Process landscape

Process maps serve the purpose to gain insights, which processes are present in the company, how these are logically linked and which interfaces to customers or suppliers in the company require particular attention.

Source: **http://www.ariscommunity.com/**

Project Priorization Meeting

Organizations need to prioritize the projects they pursue with project selection criteria. The main criteria for prioritizing projects are organizational benefits of the project, complexity of the project, risk value of the project and contract management.

Source: **http://www.mymanagementguide.com/**

Retrospective Meeting

This meeting is performed at the end of every sprint to inspect-and-adapt for a continuous improvement. The scrum team reviews its process and identifies opportunities to improve it.

Source: **https://www.scrumalliance.org/**

Review Meeting

At the end of each sprint, the team will present the results of their work live on the system to the product owner and all interested stakeholders. Here, feedback, opinions, suggestions, praise and criticism is collected.

Source: **http://scrum-master.de/**

Scrum

The approach of agile software development, which assumes that software projects can not be planned in advance in detail due to their complexity. For this reason, planning is based on the principle of step-by-step refinement, whereby the development of the system by the team takes place almost equally.

Source: **http://wirtschaftslexikon.gabler.de/**

Scrumban

Agile management methodology describing a hybrid of scrum and Kanban. Originally designed as a way from scrum to Kanban and today, the business-to-business process is the same.

Source: **http://kanbantool.com/**

Six Sigma

Business strategy which involves the use of statistical tools within a structured methodology in order to gain knowledge of how products and services can be produced better, faster and more cost-effectively than from the competition. Six Sigma is a method with which perfect quality should be achieved while excluding errors and waste in all business areas. Methodical steps are (a) measure, (b) analyze, (c) improve, (d) test.

Source: **https://www.isixsigma.com/**

Sprint planning meeting

At the beginning of each sprint, a sprint planning meeting takes place. It takes one day and serves to form the Scrum team's work package for the next sprint. The product owner presents the product with the highest priority to the product backlog items and names his sprint goal, which the team must agree too.

Source: **http://scrum-master.de/**

Stand up meetings

At a stand-up meeting, the participants stand, and as a result meetings are generally shorter and more efficient compared to meetings held in sitting.

Source: **http://searchsoftwarequality.techtarget.com/**

Success stories

Account of a great achievement of an organization or person which is often unexpected or was in spite of unfavorable conditions and still made a lot of money.

Source: **https://www.merriam-webster.com/**

Taskboard

A task board is used as an information radiator to ensure that information spread throughout the team in an efficient way. A task board can be virtual or on a wall and consists of three columns, divided into "To Do", "In Progress" and "Done". Tasks the team is working on are divided accordingly and shift during the work process.

Source: **https://www.agilealliance.org/**

Top-down

Basic idea is concreting from "high" to "down" from high degree of abstraction. A problem is divided into partial problems and these possibly in sub problems. It is also widely used in software engineering, for example modularization, abstraction levels and program development by step-by-step refinement.

Source: **http://wirtschaftslexikon.gabler.de/**

User Stories

A user story ("user count") is a software requirement formulated in everyday language. User stories are used in the context of agile software development (e.g. Extreme Programming (XP), Scrum) together with acceptance tests to specify requirements. Each user story is written on a story card. The author of the story should be the customer of the software project.

Source: **http://scrummethodology.com/**

Vision Statement

Declaration of objectives and aspirational description of an organizations planned achievements in the future. Is supposed to guide an organization in choosing the right actions.

Source: **http://www.businessdictionary.com/**

Waterfall model

Linear and non-iterative approach model, especially for software development organized in phases. The phase results, as in the case of a waterfall, are always used as binding specifications for the next phase.

Source: **http://economictimes.indiatimes.com/**

Further information on the Capgemini Consulting Agile Organization Study 2017

The focus of this study lies in examining the state of agile knowledge therefore we chose a quantitative online survey as our research method. The survey was conducted between July and October 2016 to which preselected candidates with relevant business experience were invited.

8 Authors

Christian Kroll
Executive Vice President –
Corporate Excellence and
Transformation
christian.kroll@capgemini.com

Lars Boeing
Principal – Capgemini Consulting
lars.boeing@capgemini.com

Thorsten Schmidt
Manager – Corporate Excellence
and Transformation
thorsten.schmidt@capgemini.com

Markus Vogg
Manager – Corporate Excellence
and Transformation
markus.vogg@capgemini.com

Bastian Thöle
Manager – Corporate Excellence
and Transformation
bastian.thoele@capgemini.com

Dr. Christian Lengfeld
Manager – Corporate Excellence
and Transformation
christian.lengfeld@capgemini.com

Ricarda Rauch
Senior Consultant, Executive
Leadership & Change
ricarda.rauch@capgemini.com

Further Contributions:

Lea Krämer

Dana Gemünde

Antonia Kirchfeld

Inga Schubert

Capgemini Consulting

About Capgemini Consulting

Capgemini Consulting is the global strategy and transformation consulting organization of the Capgemini Group, specializing in advising and supporting enterprises in significant transformation, from innovative strategy to execution and with an unstinting focus on results. With the new digital economy creating significant disruptions and opportunities, the global team of over 3,000 talented individuals work with leading companies and governments to master Digital Transformation, drawing on their understanding of the digital economy and leadership in business transformation and organizational change.

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