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LEADERSHIP

# How to Make Agile Work for the C-Suite

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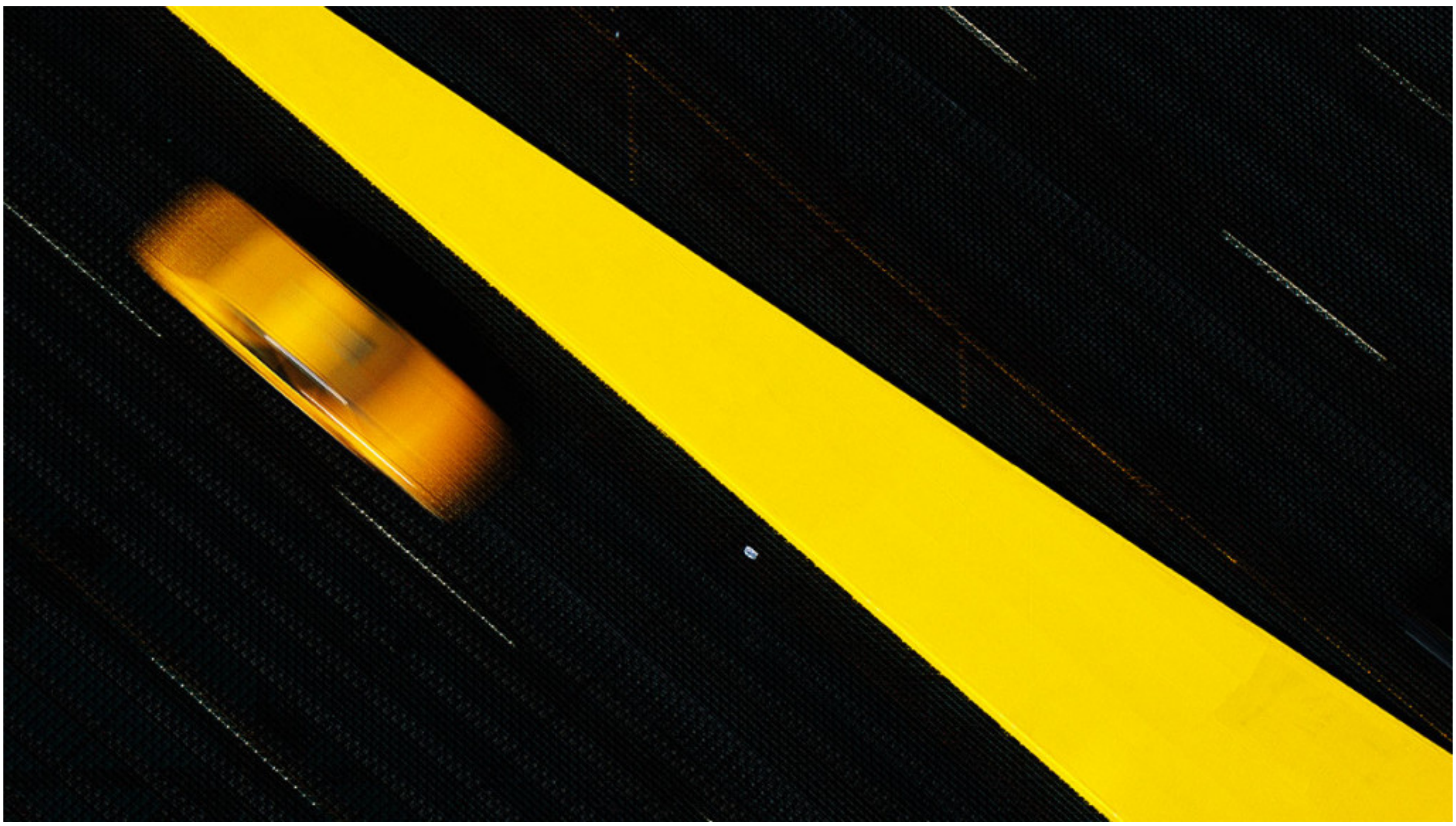

Many companies are attempting a radical — and often rapid — shift from hierarchical structures to more agile environments, in order to operate at the speed required by today's competitive marketplace. Companies like ANZ, the Australian-based banking giant, have made explicit commitments to adopt agile principles, while others like Zappos, are on the bleeding edge of organizational transformation. Many stopping points exist along the continuum from hierarchy to holacracy. To successfully transform to a more agile enterprise, companies must make conscious choices about where and how to become agile. They have to decide where to adopt agile principles and mindsets, where to use agile problem-solving methodologies to dynamically address strategic and organizational challenges, and where to more formally deploy the full agile model, including self-managed teams.

At Bain & Company, we do not believe that companies should try to use agile methods everywhere. In many functional areas, such as plant maintenance, purchasing, sales calls, or accounting, more traditional structures and processes likely will deliver lower cost, more repeatable outcomes and more scalable organizations. Sorting through every function and every part of your company's operating model to determine which parts of the agile playbook to adopt requires some deep thinking. It also means you have to figure out how to make the agile and traditional parts of your organization effectively operate with one another. This takes time.

There is, however, a no-regrets first move available to the leaders of organizations that are working through a complicated transition from a traditional to an agile enterprise, and that is to become agile at the top. Senior leadership teams that embrace agile do a few things differently. Based on our experience working with these teams, we recommend senior teams do the following if they want to become more agile:

**Treat your enterprise priorities as a managed backlog.** At the enterprise level, think of all of your corporate initiatives as a backlog, just like software developers think of future product features as a backlog. See your leadership team as an agile Scrum that prioritizes the backlog based on importance, then tackles them in sequence until completed. Reprioritize your enterprise backlog when new initiatives are added. This helps maintain focus and velocity while stopping initiative proliferation. Systematic Inc., a 525-employee software company, began applying agile methodologies in 2005. As they spread to all its software development teams, Michael Holm, the company's CEO and cofounder, began to worry that his leadership team was hindering progress. So in 2010, Holm decided to run his nine-member executive group as an agile team. The group started by meeting every Monday for an hour or two, but found the pace of decision making too slow. So it began having daily 20-minute stand-ups at 8:40 a.m. to discuss what members had done the day before, what they would do that day, and where they needed help.

Executive teams looking to adopt this practice need to focus on fewer things and move from a calendar-based planning process to continuous issue-based planning. When Steve Jobs was running Apple, one of his greatest strengths was ruthlessly focusing the company on its most critical priorities. As documented by Walter Isaacson, "After he righted the company, Jobs began taking his 'top 100' people on a retreat each year. On the last day, he would stand in front of a whiteboard and ask, 'What are the 10 things we should be doing next?' People would fight to get their suggestions on the list. Jobs would write them down—and then cross off the ones he decreed dumb. After much jockeying, the group would come up with a list of 10. Then Jobs would slash the bottom seven and announce, 'We can only do three.' "

And it's not just executive focus that needs to change. The traditional annual strategic planning cycle must be supplemented with real-time, issue-based planning so resources can be allocated more dynamically. Strategy, competitor actions and timely responses do not fit neatly into a fixed calendar. Companies like Textron and Cardinal Health began moving toward a more continuous planning process years ago after growing frustrated with the pace of decision making. Continuous planning ensures that resources are being directed toward evolving priorities and away from initiatives that have grown less important. The dynamic nature of agile initiatives also requires that executives devise new ways of keeping everything aligned and maintaining enterprise-level visibility, for example, via widely accessible dashboards that connect metrics across the company and link individual team metrics to aggregated company-level metrics.

**Create small, talent-rich teams working outside the hierarchy to address your most important priorities.** These teams are given permission to use Agile methods and processes and to work outside of the often energy-draining and slower-moving traditional processes and decision hierarchies. Many leading companies such as Airbnb, Spotify, Google, Amazon and Microsoft have adopted Agile as a way of managing innovation and product development. Self-managed teams with limited hierarchy and bureaucracy are explicit features of such organizational models.

AB InBev has an executive team that works in a more agile way, though the members probably did not study Scrum before adopting this way of working; it is inherent to their leadership style and culture. The CEO and his leadership team share a joint table. Issues are worked on quickly and cross-functionally in a less formal, less bureaucratic environment. This means no one has to call a special meeting, and issues do not have to be worked through different functional silos and then reintegrated at the top. This type of management boosts the velocity of decision making.

**Time-box your work and make extensive use of test-and-learn techniques.** Working in smaller increments of focused time, typically one to four weeks, also accelerates decision velocity and the overall corporate metabolism. This works well when you have moved from a calendar-based to a continuous planning process. Using test-and-learn techniques with both customers and internal stakeholders allows companies to take minimum viable solutions and iterate on them quickly, abandoning weaker solutions for better ones. This rapid, hypothesis-focused, real-time testing creates early constructive feedback for the team and accelerates the development of solutions.

No company demonstrates this intense focus on speed better than Amazon, which puts these concepts into practice every day. Amazon makes extensive use of well-researched white papers to help focus the management team on critical decisions. At the outset of a meeting, individuals are given time to read the white papers in silence before thoroughly discussing the merits of a proposal. Not all decisions are treated equally. In the words of CEO Jeff Bezos, "Many decisions are reversible, two-way doors. Those decisions can use a light-weight process. For those, so what if you're wrong?"

One key to making decision velocity and time-boxing possible is establishing the right burden of proof before action. We have seen many weaker companies where the greatest sin a manager could commit was not being able to answer every question the executive team asked, even if the answers to these questions would not have changed the decision. According to Bezos, "Most decisions should probably be made with somewhere around 70 percent of the information you wish you had. If you wait for 90 percent, in most cases, you're probably being slow. Plus, either way, you need to be good at quickly recognizing and correcting bad decisions. If you're good at course correcting, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure."

While we have seen few leadership teams that have embraced all of these ideas equally in the C-suite, companies are increasingly adopting these practices. Making this change stick and permeate through successive layers in the organization requires a change in leadership styles, from command-and-control to models that rely on trust. For leaders, this means learning to let go and to rely on their teams to offer the right answers. Companies like Spotify, with its principle of "loosely coupled and tightly aligned," and Google, with its broad spans of control, have mastered these concepts. These behavioral changes will not happen without a concerted effort, but we believe that new leadership techniques are within reach of all open-minded and talented executives.

Take a moment to hold your leadership team and yourself up to a mirror. Agile, and the resulting decision velocity, starts at the top of the house. Senior leadership teams that lead in an agile manner and make high-velocity decisions will see these behaviors mimicked at lower levels in the organization. Failing to do this is the surest way to shorten the half-life of your company and make everyone, including yourself, miserable along the way. But if you develop leaders with the right mindset and an agile approach to management, you can get the maximum value out of your company's use of its scarcest resources—the time, talent and energy of your workforce.

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