

# Is Agile Business Transformation Right For Your Organization?



Built for responsiveness and disrupting traditional hierarchies, business agility—both as a specific application of agile principles and methodologies and a broader “agile mindset” implemented as part of digital transformation—has become a hot topic.

The growing complexity of the global economy, coupled with greater risk from business disruptors such as the COVID-19 coronavirus pandemic, natural disasters, and international conflict, has pushed many organizations to consider moving to a more proactive and nimble footing.

Yet achieving agile business transformation is itself a complex endeavor, and organizations interested in reaping the benefits of agile transformation need to ensure they’re ready before making the leap.

By understanding agile practices, how they affect organizational structure, and the benchmarks that define successful transformation initiatives, you can better determine whether your own company is ready to become an agile organization.

# What is Agile Business Transformation?

We live in uncertain times, where an increasingly complex and interconnected global economy is constantly threatened by major business disruptors.

In such an environment, traditional, monolithic, and top-down hierarchies are not as effective in helping companies compete, grow, and thrive as those that promote a collaborative, responsive, and iterative approach.

Agile business transformation is a strategy for helping organizations successfully undertake the transformation journey from a traditional operating model and organizational structure to an agile one.

It is distinct from, but often an important part of, a company's overall digital transformation plan; business agility is focused on collaborative and iterative process improvement in particular, while digital transformation seeks to improve a company's competitive advantage and value creation through the use of a broad spectrum of methodologies.

<b>Traditional Operating Model</b>	<b>Agile Operating Model</b>
Linear	Non-linear
Rigid	Flexible and cross-functional
Project-focused	Product-focused
Top-Down	Contextual

A company becomes an agile organization when it successfully implements agile principles and methodologies across its business processes.

This can, and most often is, an iterative process itself, although some companies are inherently agile from day one and others are increasingly opting for an "all-in" approach that prioritizes a rapid and complete shift to agile practices and principles.

Regardless of how an organization approaches the change to an agile operating model, it needs to understand the importance of embracing agile principles, engage in strategic and proactive change management, and invest in the tools necessary to plan, implement, and improve their agile transformation over time.

*Just as a new bat and a helmet won't transform the buyer into a baseball superstar overnight, businesses who scramble to implement agile methodologies and digital technologies without engaging in change management necessary to support them will be agile in name only.*

## **Agile Business Transformation is More than a Framework**

Much of the discussion surrounding agile transformation tends to focus on the implementation of an agile framework, which borrows its focus on flexibility, iterative improvement, and products rather than projects from its origins in software development.

Popular solutions such as Kanban and Scrum seek to provide a set of tools organizations can use to implement agile practices.

But just as a new bat and a helmet won't transform the buyer into a baseball superstar overnight, businesses who scramble to implement agile methodologies and digital technologies without engaging in change management necessary to support them will be agile in name only, or AINO.

Agile adoption (implementing agile tools and frameworks) can absolutely provide short-term and demonstrable improvements in project management and other areas of your business.

But agile transformation requires, and focuses on, fundamental organizational changes that create and drive value in business processes while simultaneously providing mechanisms to improve that value with every iteration.

<b>Agile Adoption</b>	<b>Agile Business Transformation</b>
Fast and straightforward	Time-consuming and complex
Minimal impact on organizational structure	Comprehensive transformation of organizational structure
Tactical	Strategic
Focused on agile practices	Focused on agile principles

Instanced delivery	Continuous delivery
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# Key Features of a Truly Agile Transformation

There's no single "right" approach to achieving agile business transformation. Depending on their specific needs, a company might choose one of three common paths:

- **All-in:** An immediate commitment to agile transformation at all levels of an organization via structured and iterative waves.
- **Step-By-Step:** A more modular approach wherein agile teams are deployed strategically to implement agility across the organization over time.
- **Emergent:** In this model, agile transformation begins at the bottom and travels up, effecting organizational change over time.

Regardless of approach, successful agile transformations do share three common components.

The first of these is the Aspire, Design, and Pilot (ADP) model, which covers the actual development and execution of agile transformation initiatives.

The second is the Scale and Improve model, which provides structural and operational support for ADP and implements the changes in organizational structure required to implement agile principles and promote an agile mindset.

A third component, the culture and change team, works to "reboot" company culture and eliminate roadblocks to adoption.

They organize communications regarding transformation initiatives and keep everyone on the same page.

## ADP: Aspire, Design, and Pilot

To be successful, agile transformation initiatives need full, top-down support from leadership.

Research conducted by McKinsey and Company shows successful transformations are characterized by an emphasis on education and transforming both practices and mind-sets—and nearly two-thirds of transformation initiatives with significant impact on leadership capacity showed significant boosts to both the company’s short-term performance and its long-term financial and operational health.

Let’s take a look at the components in a typical model for agile transformation:

- Leadership and top teams assess the current operational structure and set the vision and scope of the agile transformation, including the desired outcomes, value streams, and deliverables.
- Blueprints are used to identify opportunities for agile-based improvements and develop operating models to take advantage of these opportunities. Blueprints are used to:
  - **Identify value.** Leadership identifies areas of the business that can benefit from agile transformation, as well as the sources of value and end-to-end value streams that such agility serves and is served by.
  - **Create structure.** The team defines and designs the overall structure of the transformation initiative and connects it to the value streams within the organization. Teams may be organized using terms like “pools,” “squads,” etc. Squads serve together to support common missions, often called “tribes.” Three of the most common types of teams include:
    - Cross-functional teams, which deliver products, activities, or projects using a self-contained, end-to-end model.
    - Self-managing teams, which determine goals, prioritize activities and direct focused support. Self-managing teams are common in lean manufacturing.
    - Flow-to-work teams, which provide “floaters” who have no specific squad but instead apply their skills and knowledge based on priority. Human resources (HR) or content creation specialists are common examples of flow-to-work team members.
  - **Establish agile teams.** Teams are created based on mission, deliverables, and associated value streams. Teams are responsible for finding the optimal application of agile practices to ensure

mission success (e.g., cross-functional collaboration, iterative product testing)

- **Integrate backbone support.** The blueprint establishes core business processes, technology, and team members required to achieve agility. It also identifies cultural and mind-set changes necessary for both short- and long-term success. The backbone is *critical* to long-term agile implementations.
- **Craft a roadmap.** The team chooses an implementation model and practices. They create a roadmap at the macro level, establish priorities for progress, and document delayed deliverables with a backlog list.
- An agile pilot is launched to test the new agile operating model. These pilots are used to demonstrate value generated through agile transformation (e.g., reduced manufacturing times, improved efficiency and return on investment (ROI) from process optimization, etc.). They often start small but expand over time as they provide foundational improvements that can be built upon for iterative improvements throughout the organization over time.

These components are not hierarchical. They can happen in any order, but often occur in tandem, each one providing context for corrective measures or enhancement.

Regardless of the actual execution and subsequent iteration, however, it's crucial to remember that full buy-in from leadership is essential to the success of the transformation.

## Scale and Improve

While your initial agile pilots will likely provide compelling evidence of value to key stakeholders (and prove instrumental in securing buy-in from leadership, if needed), the real test of any agile business transformation program lies in scalability and continuous improvement.

In order to scale its agile transformation initiatives effectively and consistently, an organization needs:

- Awareness that agility is an ongoing, iterative process, and not an

absolute or linear one.

- Significant time and resource commitments from leadership.
- Dedication to the transformation process, compliance with agile processes and practices, and ongoing change management.

Scaling and improvement occur in parallel with ADP. Agile cells (also called agile teams or agile units) are deployed in waves and team members and resources are reassigned as needed.

A lack of available resources can hamper scaling, so it's important to incorporate processes that allow for additional resource allocation where possible to prevent delays.

At the same time, ongoing backbone support (built into the ADP blueprint) ensures core business processes are optimized and the necessary changes to the organizational structure are made to support both each agile cell's mission and the overall agile transformation of the organization. Some of the areas addressed by backbone support include:

- **Business planning, budgeting, and overall financial management.** Agile transformation redefines the budgeting process for greater flexibility to simplify resource allocation and reallocation on demand. Financial goals for the organization are aligned with, and informed by, those of individual missions.
- **Decision-making and governance paradigms.** Traditional paradigms are set aside for context-savvy frameworks that allow for those closest to the information to make critical decisions, while still reserving top-down controls for especially sensitive or organization-wide decisions.
- **Risk management.** Agile practices strive to improve transparency, preserve business continuity, and strengthen controls.
- **Technological capabilities.** Agility relies on emerging digital technologies to drive iterative improvement and support digital transformation.
- **Performance and compliance management.** Digital tools are used to set, track, and modify key performance indicators for agility in order to hit mission targets, optimize business processes, and reduce risk, delays, and human error.
- **Collaboration and communication policies and practices.** Agile

organizations prioritize collaboration and communication. They're comfortable with cloud-based, mobile-friendly tech and understand the importance of a diverse workforce and the special needs that come with managing remote teams whose talents span time zones and continents.

- **Career paths as informed by role assignments and operating model.** Agile organizations define roles and competencies to ensure ongoing support for agile transformation and coverage of long-term strategic goals. They also incorporate context-aware contingencies to allow for changes to these roles and competencies to meet new challenges or changing circumstances.

Capability acceleration is the final component of the scale and improve model. As agility permeates the organization, team members will need to develop new skills, embrace new mind-sets and behaviors, and, in many cases, help their peers do the same.

Agile organizations create a “capability accelerator” to introduce ongoing training, education, and guidance into their business processes and practices.

Adjusting and accelerating capabilities is the purview of the cultural and change management team. Initially, guidance and training will likely come from dedicated agile coaches or guides.

These coaches are a crucial component of sustaining agility, since failing to promulgate the agile mindset along with agile practices will hamper transformation at an organizational level.

Over time, capability acceleration creates new roles within the organization itself. Agile coaches are joined by product owners, tribe leaders, chapter leaders, etc., all of whom have a clear understanding of how to successfully execute their roles.

These new roles are connected to career and development paths within the organization, “baking” agility into the organization’s processes and directly connecting advancement with agility.

In time, truly agile organizations will have significant resources available and dedicated to instilling agile mindsets and capabilities during the onboarding process.

This helps ensure every new team member is ready to play their part in supporting organizational goals while also providing ongoing removal of any lingering roadblocks to agility (and preventing the introduction of any new ones!).

## **Deciding Whether Agile Business Transformation is Right for Your Business**

While many businesses will benefit from company-wide agile transformation, it may not be a good fit for others.

Generally speaking, businesses that are heavily regulated or have a very rigid development and deliverables chain may not need, or see benefit from, agile transformation on an organizational scale.

That said, it is certainly possible for those organizations to garner benefit from selective agility as part of a larger digital transformation paradigm.

For example, an effective Procure-to-Pay transformation strategy can introduce agility to the organization through continuous improvement via metrics-driven iterative process optimization.

With artificial intelligence, deep data analytics, and process automation driving continuous improvement in the accounts payable and procurement functions, the entire organization can realize additional value and ROI via lower costs, improved budgeting and forecasting accuracy, optimized cash flow, and a rich data ecosystem that can be mined for actionable insights and more strategic decision-making.

Over time, then, even business models that are “incompatible” with agility can begin to realize its benefits and implement its principles within their own specific operational and organizational frameworks.

If you're on the fence about embracing the agile mindset, or unsure whether agile business transformation is the right choice for your business, starting small with a focused pilot that will bear demonstrable and immediate results (such as optimizing your P2P process) can be a good way to test the waters.

# Ready to Become an Agile Organization?

The benefits of agility are compelling, but the transformation journey can be an arduous one.

You'll need an effective change management strategy, strong support from the C-Suite, and full buy-in from your stakeholders—along with the right digital tools to develop, implement, monitor, and refine your approach.

If your organization is considering a shift to agility, make it a successful transformation by investing the time and resources necessary to ensure your new agile framework has a strong backbone supported by an agile mindset and principles.

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