GETTING REAL ABOUT BUSINESS ABILITY

The Management Layer – Part I

Definition of Business Agility – Agile Alliance

Business agility (is):

- the ability of an organization to **sense changes internally or externally and respond accordingly** in order to deliver value to its customers.
- a description of how an organization operates through **embodying a specific type of growth mindset** that is very similar to the agile mindset
- appropriate for any organization that **faces uncertainty and rapid change**
- supports any practice that is appropriate for that organization's context and helps them **embrace change and deliver value to its customers**

Business agility values:

- Individuals and their interactions
- Collaboration
- Drive **outcomes** and constant **learning**
- Iteration to learn and reflect on **feedback** and adapt both product and process

Business agility is / does not:

- prescribe a specific methodology or even a general framework
- prescribe a set of practices

Definition of Business Agility - Craig Larman

Business Agility is the ability of an organization to turn on a dime for a dime.

If teams can succeed in creating shippable product every product increment, then the business has the flexibility to decide if and when to release the product.

Definition of Business Agility – Enterprise Scrum

Business Agility is the ability to respond quickly and effectively to all forms of change to deliver maximum value and customer experience; while teams and whole organizations manage everything that matters in a truly agile, adaptive, all-at-once, customer-centric way.

Definition of Business Agility – Gartner Research (2004)

Business Agility is the readiness at which an organization can respond to foreseeable and unforeseen demands, both for seizing opportunities and for recovering from disruption and trouble

THE ELUSIVE AGILE ENTERPRISE: How the Right Leadership Mindset, Workforce and Culture Can Transform Your Organization

Forbes-insights & Scrum Alliance

81% of all survey respondents consider organizational agility to be the most important characteristic of a successful organization

82% of respondents consider agility to be very or extremely important to an organization's success and competitiveness

Craig Larman's Laws of Organizational Behavior

1. **Organizations are implicitly optimized to avoid changing the status quo middle- and first-level manager and "specialist" positions & power structures.**

2. **As a corollary to (1), any change initiative will be reduced to redefining or overloading the new terminology to mean basically the same as status quo.**

3. **As a corollary to (1), any change initiative will be derided as "purist", "theoretical", "revolutionary", "religion", and "needing pragmatic customization for local concerns" — which deflects from addressing weaknesses and manager/specialist status quo.**

4. **As a corollary to (1), if after *changing the change* some managers and single-specialists are still displaced, they become "coaches/trainers" for the change, frequently reinforcing (2) and (3).**

5. Culture follows structure - *Culture/behavior/mindset follows system & organizational design*. i.e., **If you want to really change culture, you have to start with changing structure, because culture does not really change otherwise.**

Obstacles to Business Agility - Design

Poor Organizational Design

- Engineers are split 25% on project 1, 40% on project 2, etc.
- Organized teams by component, creating specialties and silos
- Separate Engineering and QA organizations
- BA, RA, PM, Arch, System Engineer roles
- Systems integration and SI testing groups
- Teams split up across 3 and even 4 time zones!
- Project Managers, Project Managers and even more Project Managers

All this overhead is introduced as a side affect of the original decision to organize by component teams.

The Organizational structure itself is set up on the basis of ***Internal Contracts*** between the business and IT in order to create internal competition, thus it becomes a 2-party competitive game where both sides work to push blame on the other

Obstacles to Business Agility - Rewards

Reward Systems Not Aligned to the Agile Mindset

- Our typical reward systems are based on being in control and on plan, instead of **responding to change** or **delivering customer value**!
- Green shifting up the organization structure
- Focus on individual achievement (heroism)
- Not everyone eagerly embraces agility: Longtime employees (29%) are the biggest detractors of organizational agility and may stand in the way of widespread adoption.

Obstacles to Business Agility – Adoption

Many organizations are adopting an ad-hoc approach to Agile:

21% of respondents use Agile when/where needed

23% use it within specific functions

However, adoption needs to be enterprise-wide (and consistent) to realize real results!

Three Steps to Increase Organizational Agility

1. Create a C-suite with an Agile Mindset

The C-suite plays an integral role in driving adoption of agility across the enterprise:

35% of survey respondents say the CEO is responsible for organizational agility, and

87% view the CEO as the biggest proponent of organizational agility

The latest VersionOne Annual State of Agile reports “Inadequate management support and sponsorship” as the ***#3 barrier*** for agile adoption, with 42% of respondents.

Three Steps to Increase Organizational Agility

2. Hire and Develop the Right Mix of Talent

As the role of the C-suite changes, organizations must find the right mix of talent—from all business functions—to drive transformation and collaborate with stakeholders:

83% of leaders cite the right talent and/or skills as being key to a successful transformation.

Education and awareness are central to converting agility from a framework into a management strategy:

54% have trained and/or utilized employees to lead the Agile transformation
58% say they need to learn more about Agile.

Three Steps to Increase Organizational Agility

3. Foster an Agile-friendly culture and organizational structure

Culture is key to supporting an Agile enterprise:

65% of survey respondents agree their culture is an asset to organization
66% consider agility an essential part of their company's DNA.

YOU CAN"T OVERLAY AGILE onto a classic staged gate sequential system! This is the worst possible system you can have but yet it's the most popular!

Many Organizations Eliminate Hierarchy in the hopes of Increasing Agility

44% of survey respondents have introduced a flatter structure to become more Agile.

BUT THIS MAY BE PREMATURE; Agile is about creating the right dynamics for teams to iterate quickly, not simply moving boxes around on organizational charts.

EXERCISE: *WORDS MATTER!*

Replace the following words or phrases with better ones aligned to Business Agility

Run a Meeting	→	**Facilitate a Meeting**
Assigning Work	→	**Pulling Work**
Hand-Offs	→	**Completed Work**
Requirements	→	**Assumptions**
Fail Fast	→	**Learn Fast**
Empowerment	→	**Self-Organization**

GETTING REAL ABOUT BUSINESS ABILITY

The Management Layer – Part II

Why are organizations struggling to be Agile?

- If you can't **prioritize**, cool agile tools will not stop you from failing
- If you can't **deliver**, cool technical tools will not stop you from failing
- If you can't regularly **refactor** the organization to focus on new opportunities, no scaling framework will prevent you from failing

The Cost of Misalignment Between the Business and Engineering

As seen at GE, Toyota, 3M and many other companies

25% of staff delivering stories customers will use

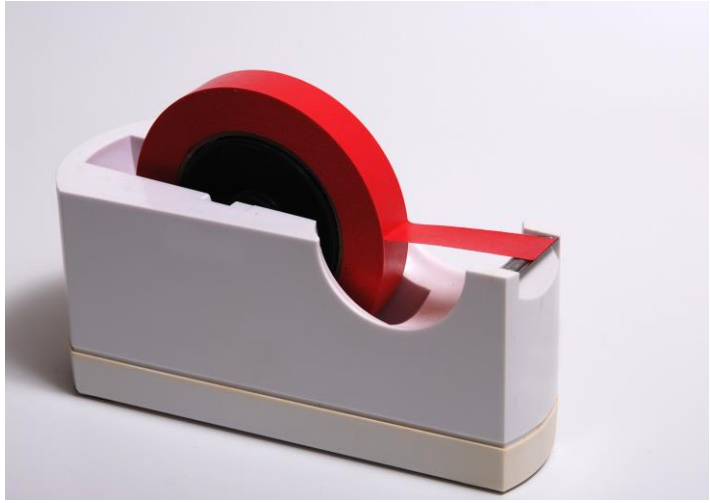
64%*70% = 45% of staff delivering stories the customer will never or rarely use (Standish Group)

30% of staff working on zero value stories

- **Lack of direction causes staff to make up work**
- **Unwillingness to prioritize proliferates useless projects**

A Minimum Viable Bureaucracy removes latency in Decision Making

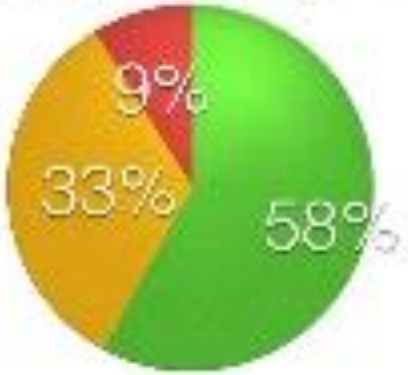
- Goal – Improve decision making inside the organization
- A bureaucratic process creates poor decision latency
- Everything we do requires so many sign-offs that nothing gets done
- We have layers upon layers of managers that slow down decision making



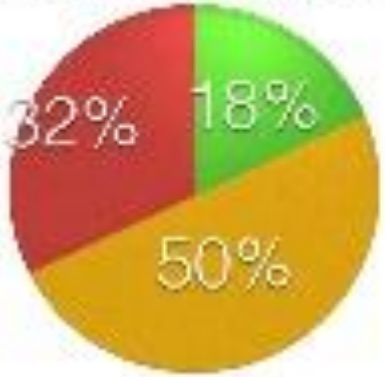
Decision Latency: Why Standish Group Thinks Scrum Works

- **Time to make a decision is the primary driver of project failure and budget overrun**
- Scrum pushes decisions down to the team and small teams reduce decision latency
- Strong, decisive, available Product Owner is critical to short decision latency
- Scrum of Scrums, Enterprise Action Team, and Metascrum shorten decision latency

Decision Latency 1 hr



Decision Latency 5 hr

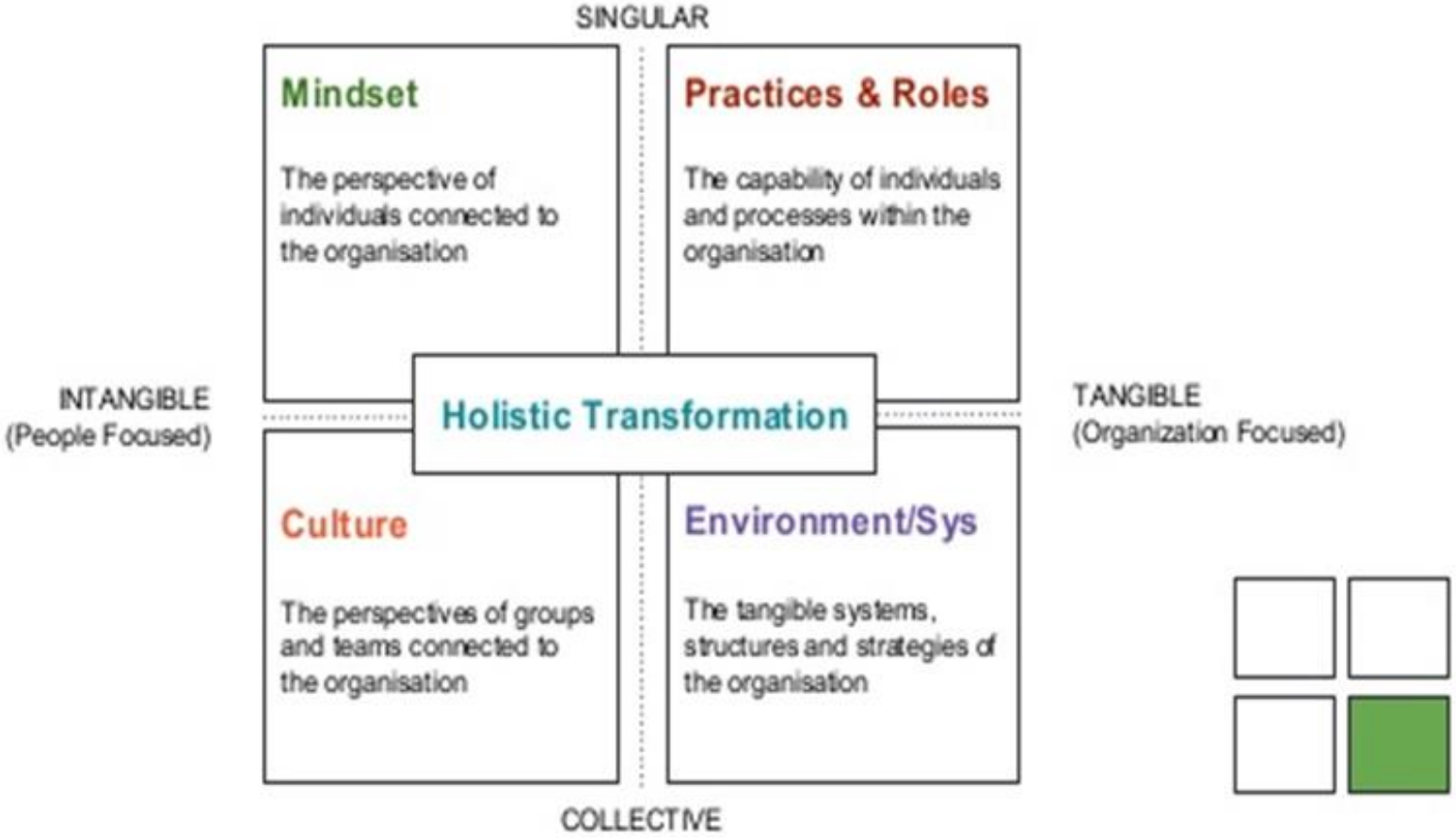


Standish Group 2013-2017

Decision latency is directly related to Process Efficiency!

The Eco-System

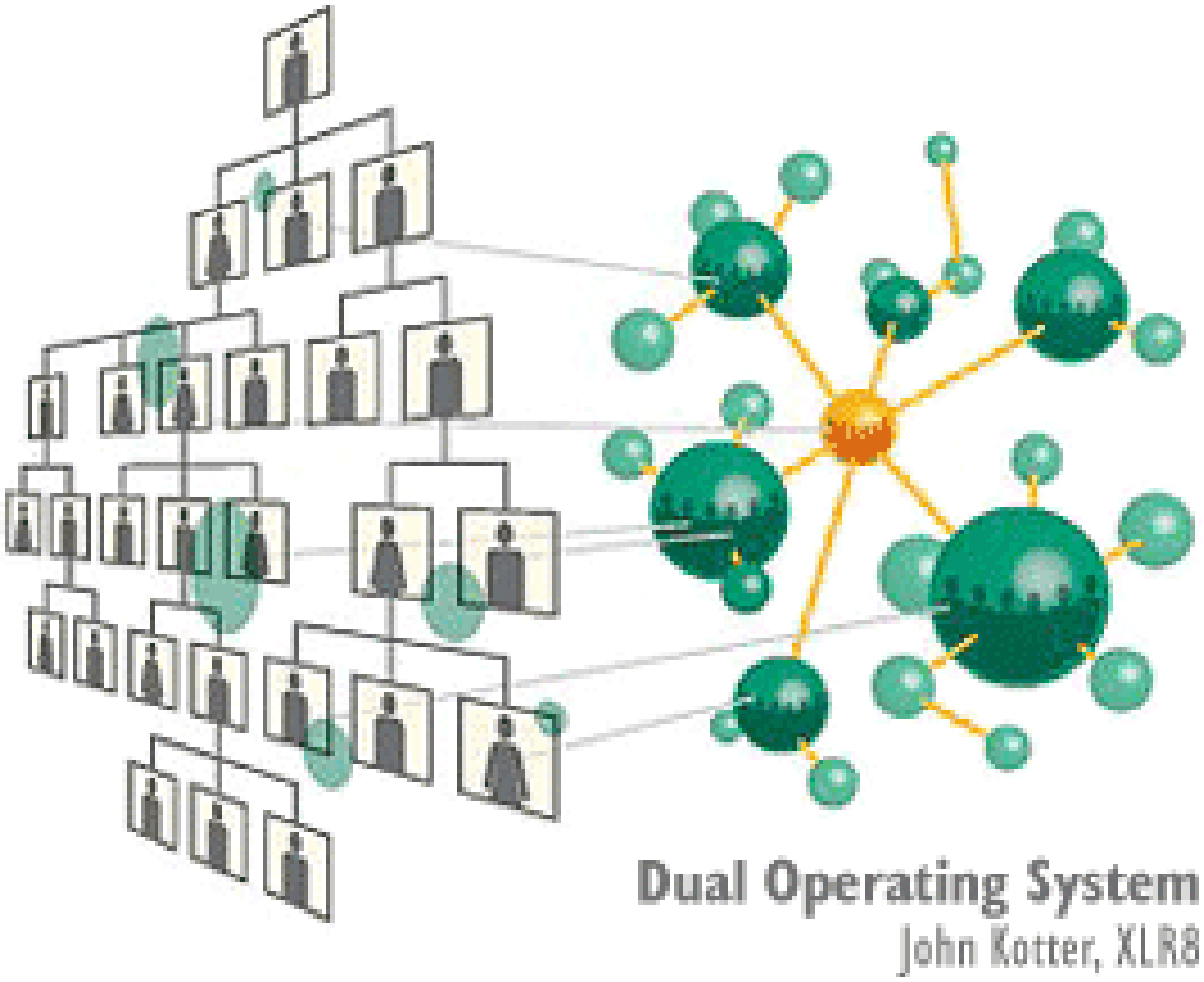
Fundamentally Changing the Way Decisions are Made

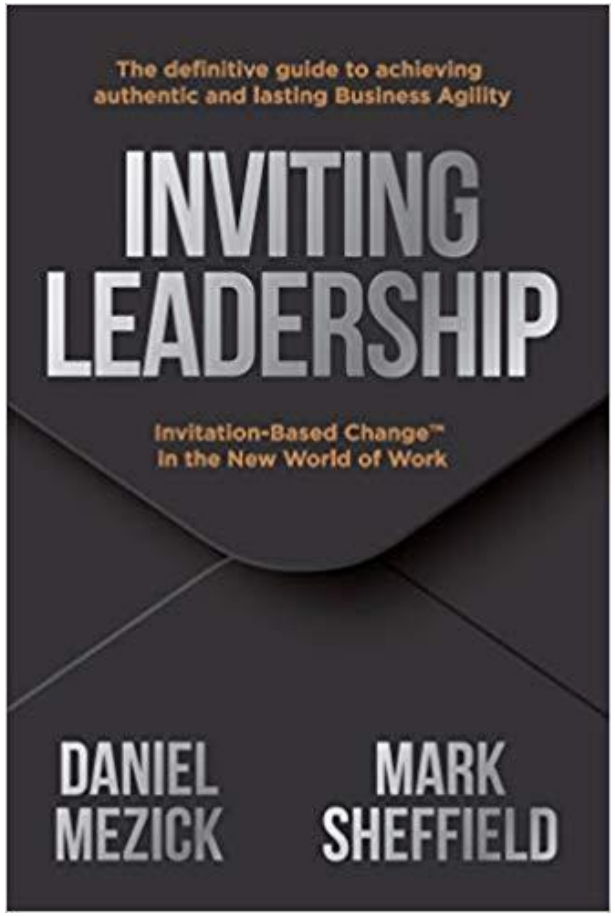


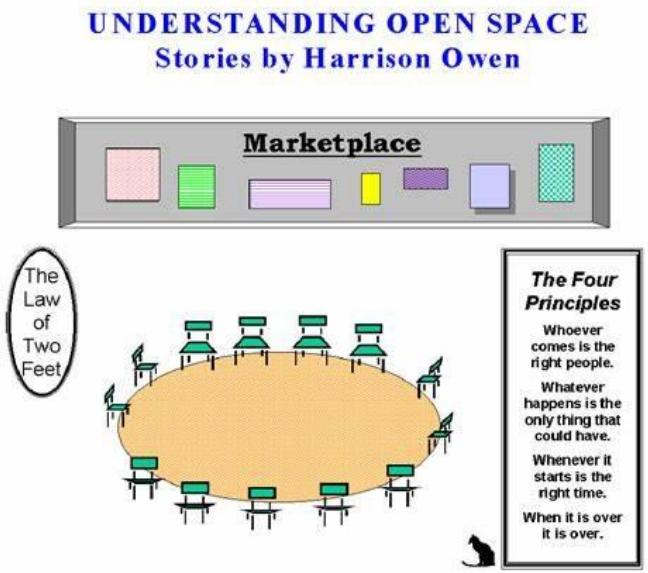
A Holistic Transformation Approach

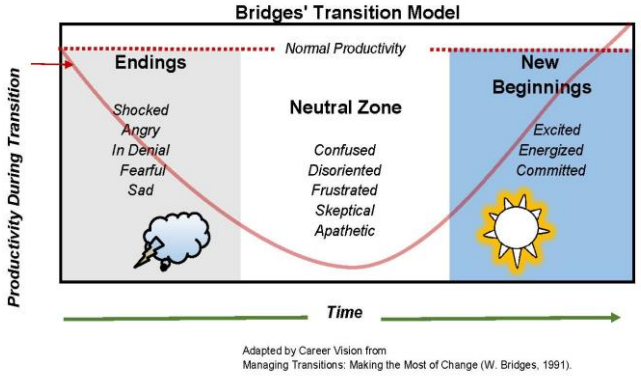
Adopted from Michael Spayd's Integral Agile Transformation Approach

Without the Duel Operating Model Failure is Guaranteed

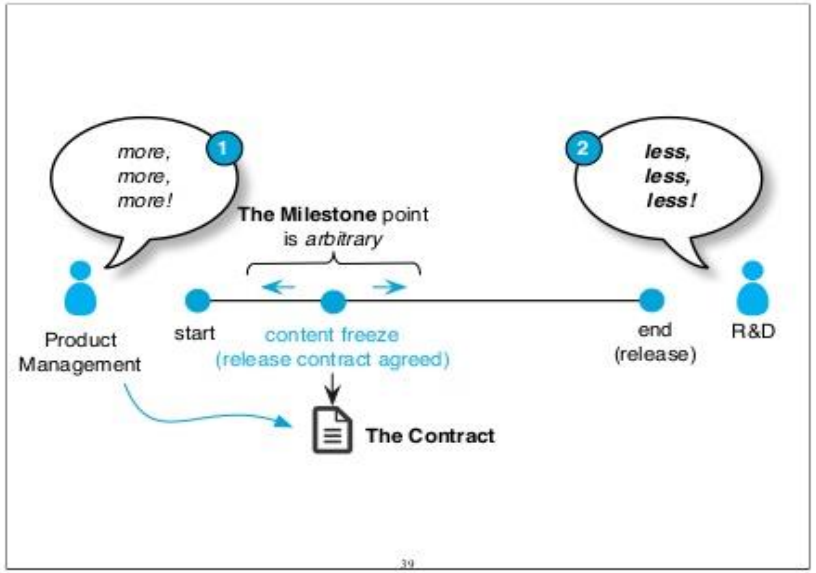



The definitive guide to achieving authentic and lasting Business Agility
INVITING LEADERSHIP
Invitation-Based Change™ in the New World of Work
DANIEL MEZICK
MARK SHEFFIELD


UNDERSTANDING OPEN SPACE
Stories by Harrison Owen
Marketplace
The Law of Two Feet
The Four Principles
Whoever comes is the right people.
Whatever happens is the only thing that could have.
Whenever it starts is the right time.
When it is over it is over.


Bridges' Transition Model
Normal Productivity
Endings
Shocked
Angry
In Denial
Fearful
Sad
Neutral Zone
Confused
Disoriented
Frustrated
Skeptical
Apathetic
New Beginnings
Excited
Energized
Committed
Productivity During Transition
Time
Adapted by Career Vision from
Managing Transitions: Making the Most of Change (W. Bridges, 1991).

- The **2-Party Competitive Game** supposes we follow the plan and be on track – it **presents illusion of being in control** and having predictability
- It actually causes a **reduction in transparency -** thus you can't see what is going on and you cannot control things, so you get the opposite of what you actually want!
- Product Management does not have control of what they want in the contract so they shout "**more, more, more**"!
- R&D program and Senior Managers are accountable to what is delivered so they shout "**less, less, less**", until we hit the T2 tollgate!
- T2 Tollgate represents the time where both parties have maximized their ability to shift the blame when something goes wrong and one party or the other is not satisfied!
- Thus the entire Org structure is **optimized to shift blame** instead of a system optimized to solve the customers problems!
- Immense pressure is placed on our dev teams to meet the committed date which they do but at the cost of the accumulation of technical debt and unsustainable work hours.
- And this cycle continues until the product becomes unmanageable and we shift the product to India or China for maintenance and start over with a new product!



both parties in this 2-party competitive game are optimizing to shift blame when there is a problem

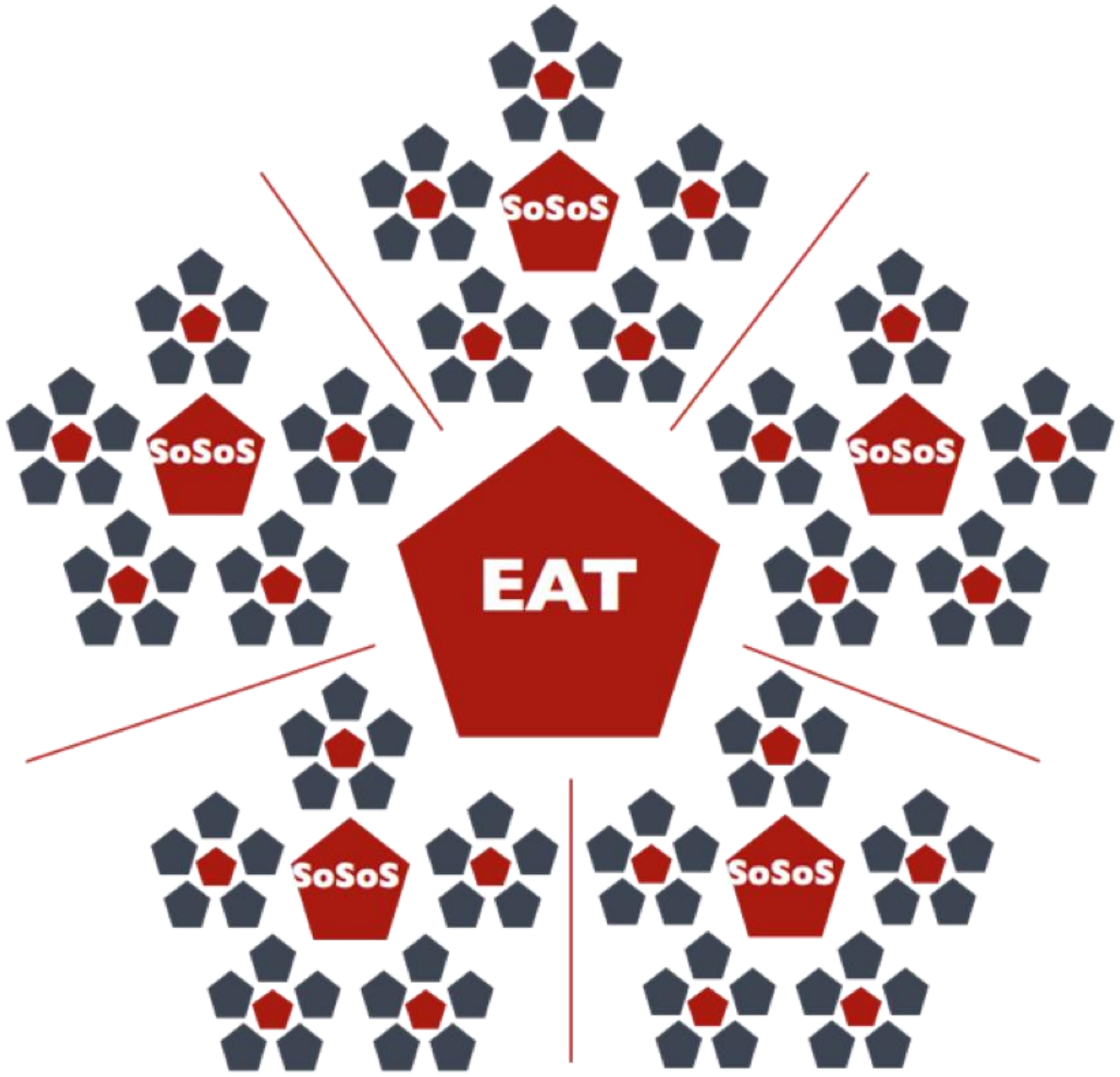
FAKE SCRUM does NOT eliminate the 2-Party Competitive Game!

- Real Scrum is based on recognition and admission that variability exists, and we work with it!
- Real Scrum removes the R&D manager from any release responsibility and introduces a new model where now there is a Product Owner, who replaces the Product Manager who was yelling “more, more, more” above, that owns the steering wheel and interacts with the teams directly defining the What and Why
- Real Scrum enables the team to put PRIDE in the work they do and how they do it!
- Real Scrum fixes Time (Sprints) and Quality (DoD), and requires Scope Flexibility

REAL SCRUM ULTIMATELY CHANGES THE WAY DECISIONS ARE MADE IN YOUR ORGANIZATION!

It all starts with Executive Leadership Engagement!

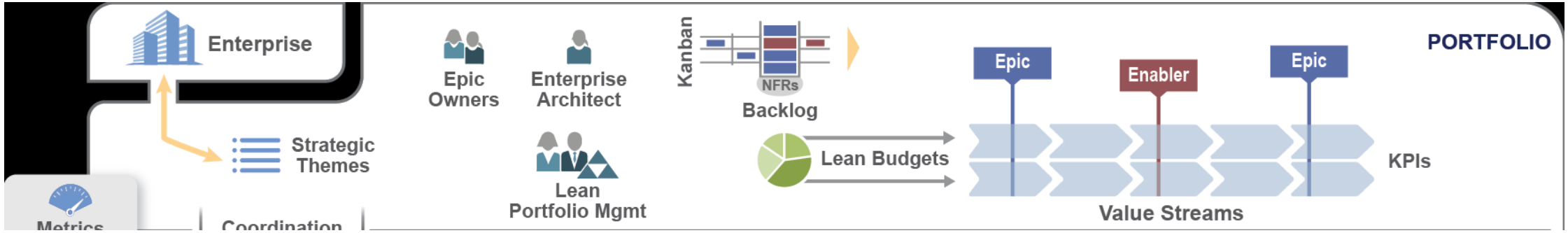
- The Executive Action Team (EAT) consists of highly authorized executive leaders who can change company policy, write a check and motivate change
- Includes representatives from General Counsel, HR and the Agile CoE
- Owns the organizational Transformation Strategy and “EATS” impediments that block it
- Supports the PO and SM cycles through mentoring, coaching, and challenging the organization to iteratively evolve
- Continuously observes metrics tracking product delivery



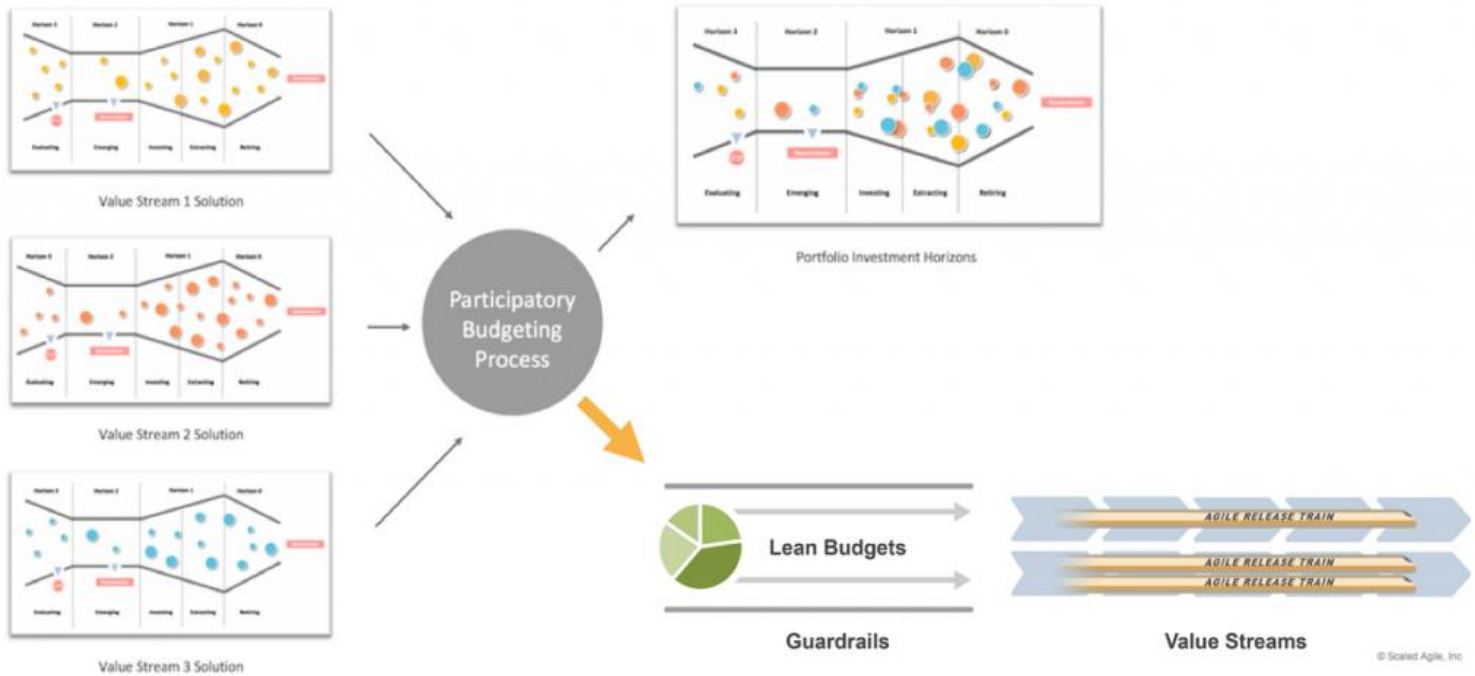
Executive MetaScrum (EMS) Goals

- Creates and owns an **overarching strategic vision** for products & makes it visible to the organization
- Defines value streams, budgeting and guardrails
- Generates a single **prioritized backlog of products** that Chief Product Owners can pull from
- Decides upon and **monitors metrics that give insight** into the products

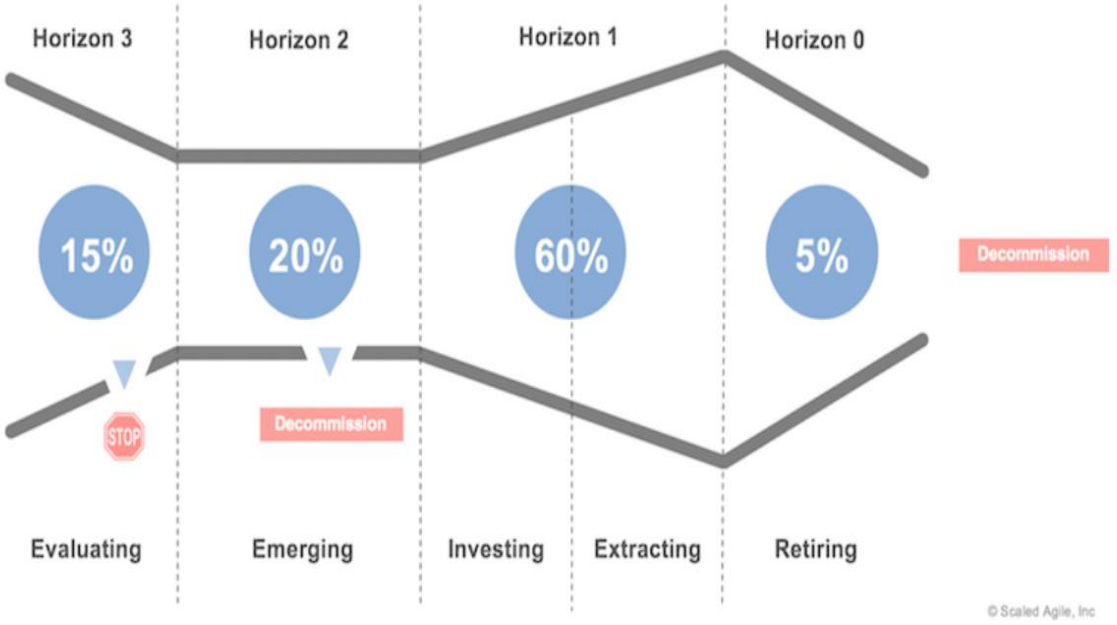
The Executive Meta Scrum Mirrors SAFe Portfolio Management



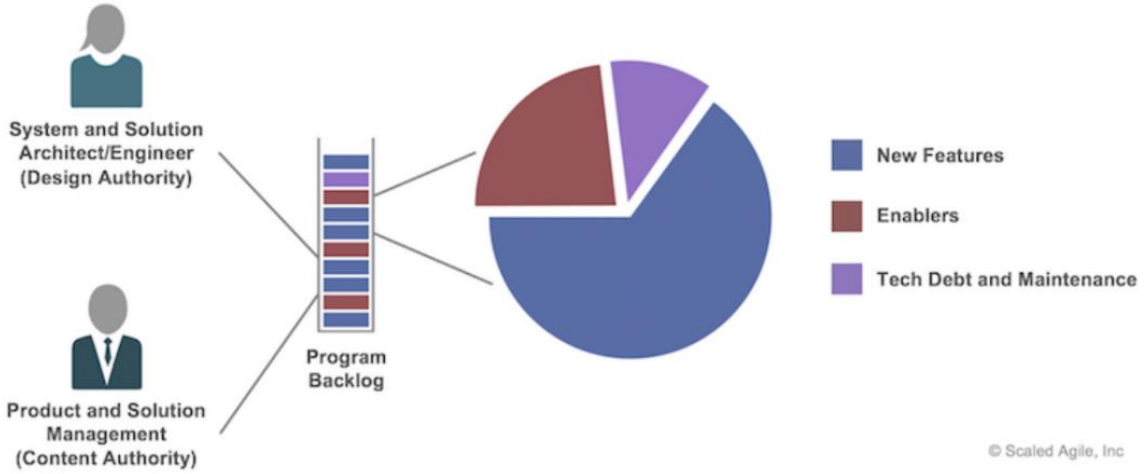
- Move away from funding projects and towards funding Value Streams
- Establish Budgets for these Value Streams supported by a set of Guardrails
- The Guardrails establish a Shared Consciousness around the business strategy and enable trust throughout the Business

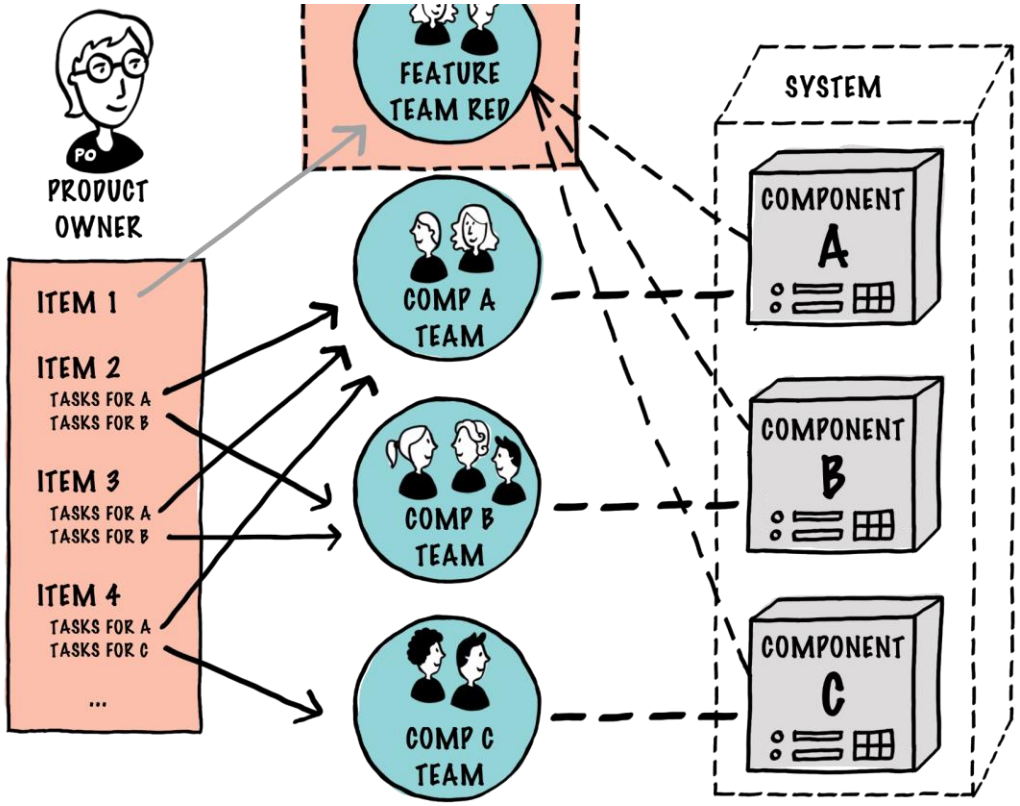


The Chief Product Owner ensures that planned investments for their value stream are within the investment horizon guidelines–or provide clear business reasons for when they vary

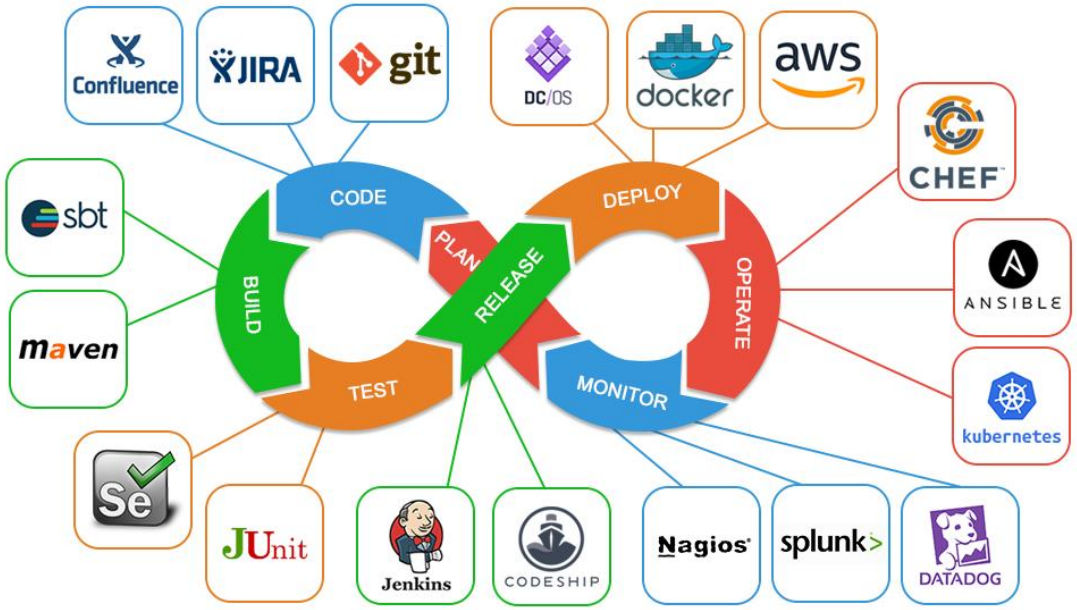


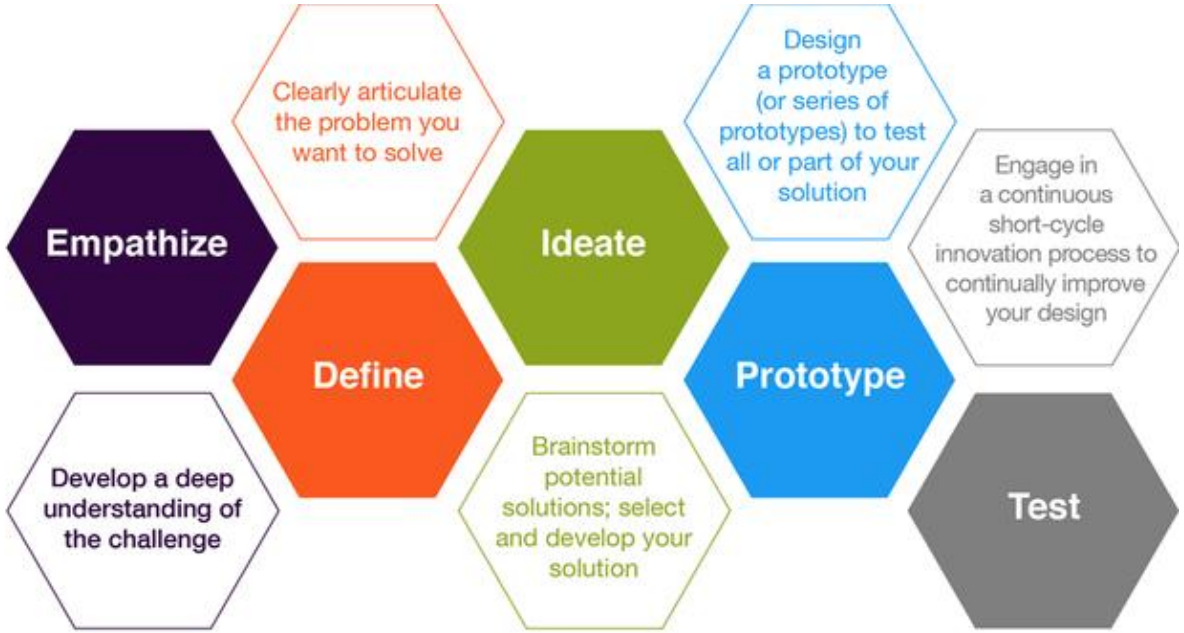
The Chief Product Owner develops explicit policies for managing capacity allocation within each Horizon, inspected and adapted quarterly





Gradually Shift from Local Optimization to System Optimization





Extreme Programming (XP)

"People will think about the business holistically **only if** everyone has access to the **same systemwide data**. That's why there are no information silos and why no one questions anyone else's need to know."

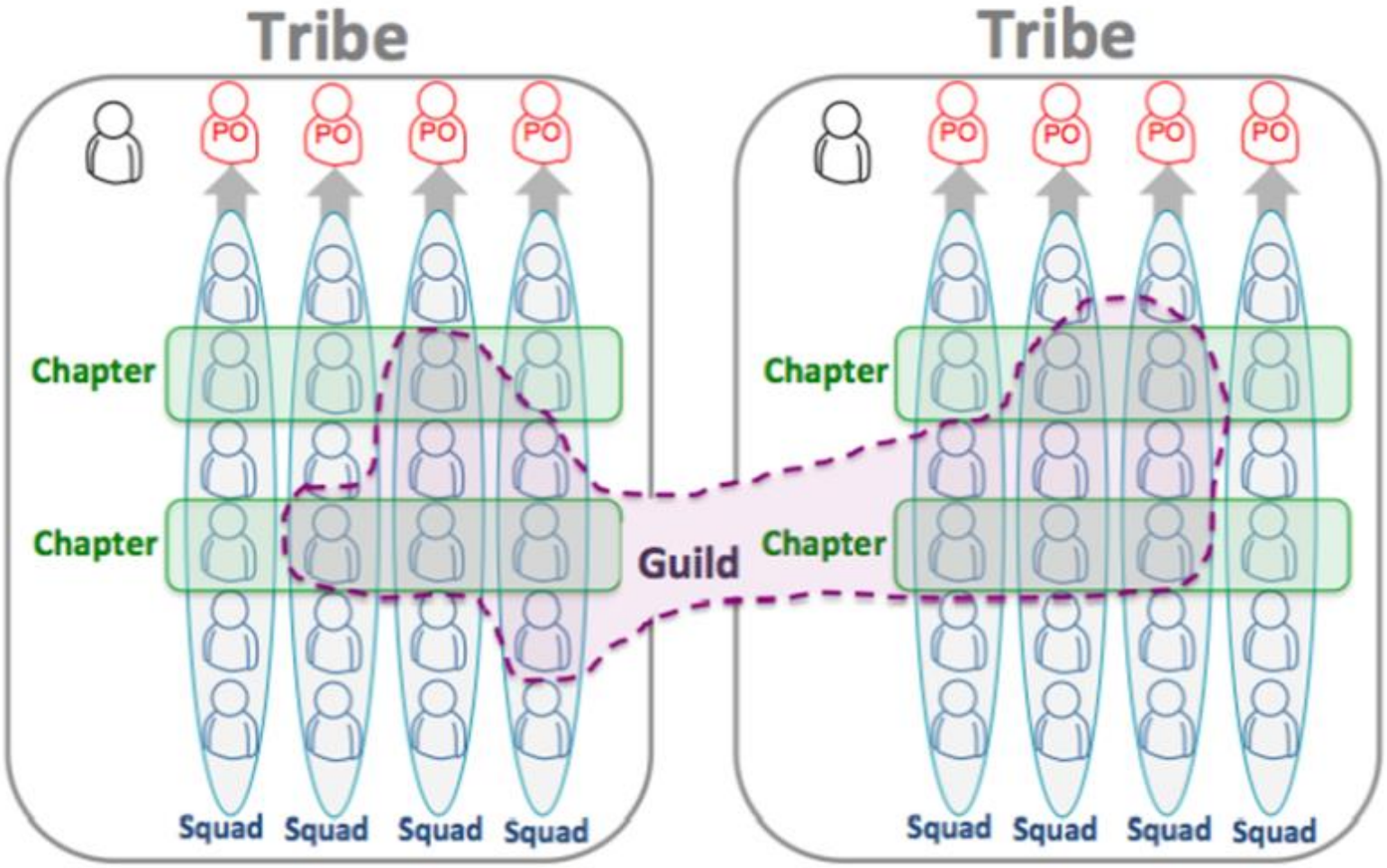
Chris Rufer
Morning Star Packing Co

Scaling Agile @ Spotify

with Tribes, Squads, Chapters & Guilds

Henrik Kniberg & Anders Ivarsson

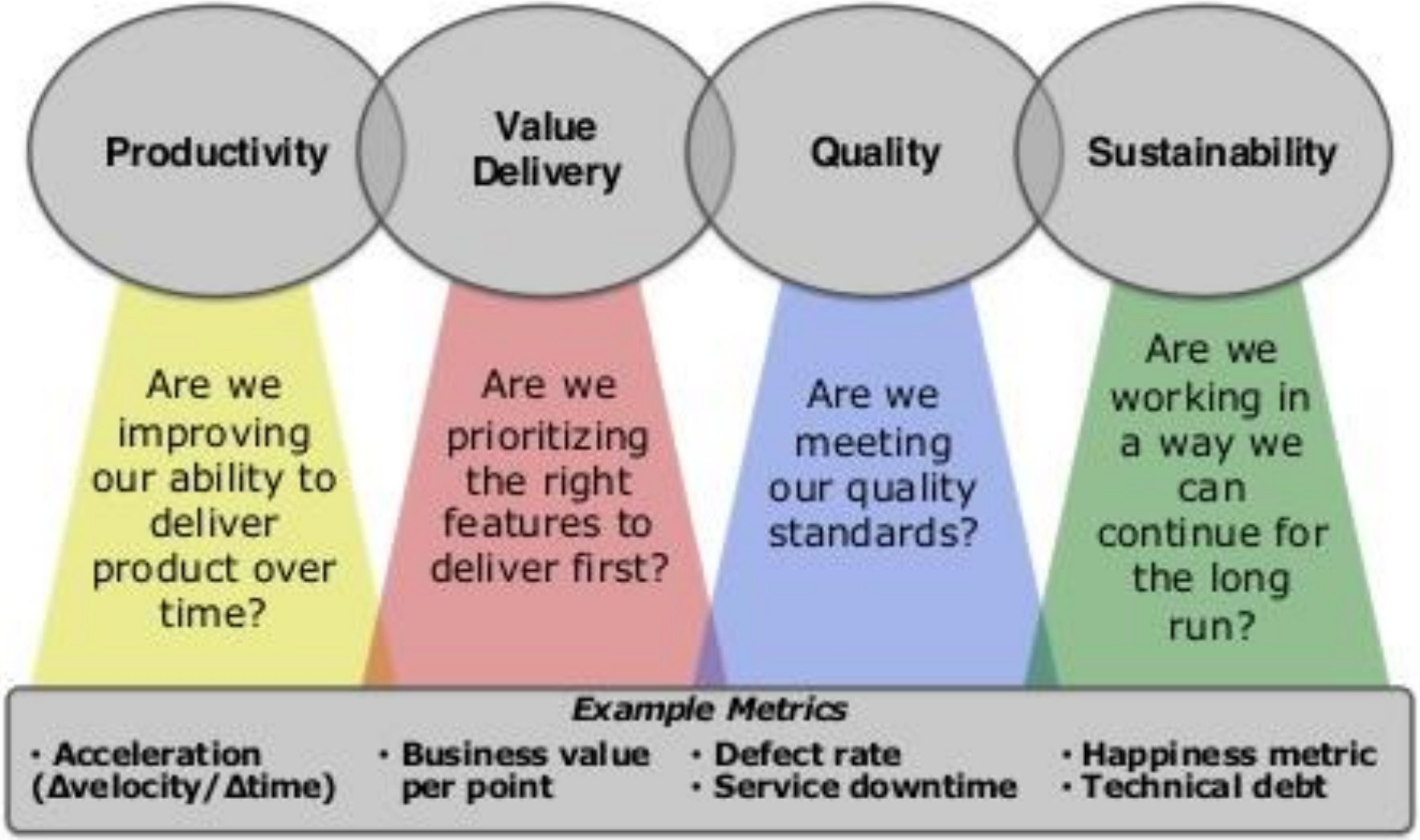
Oct 2012



Transformation Maturity Metrics

Used ONLY to Start a Conversation!

Four Lenses for Measuring Progress



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Exercise: What metrics should we track?

Brain Storm metrics for your group

Discuss:

- **Leading / Lagging**
- **Pros / Cons**
- **Side Effects**
- **Be ready to present a good and bad metric**
- **Describe Why**

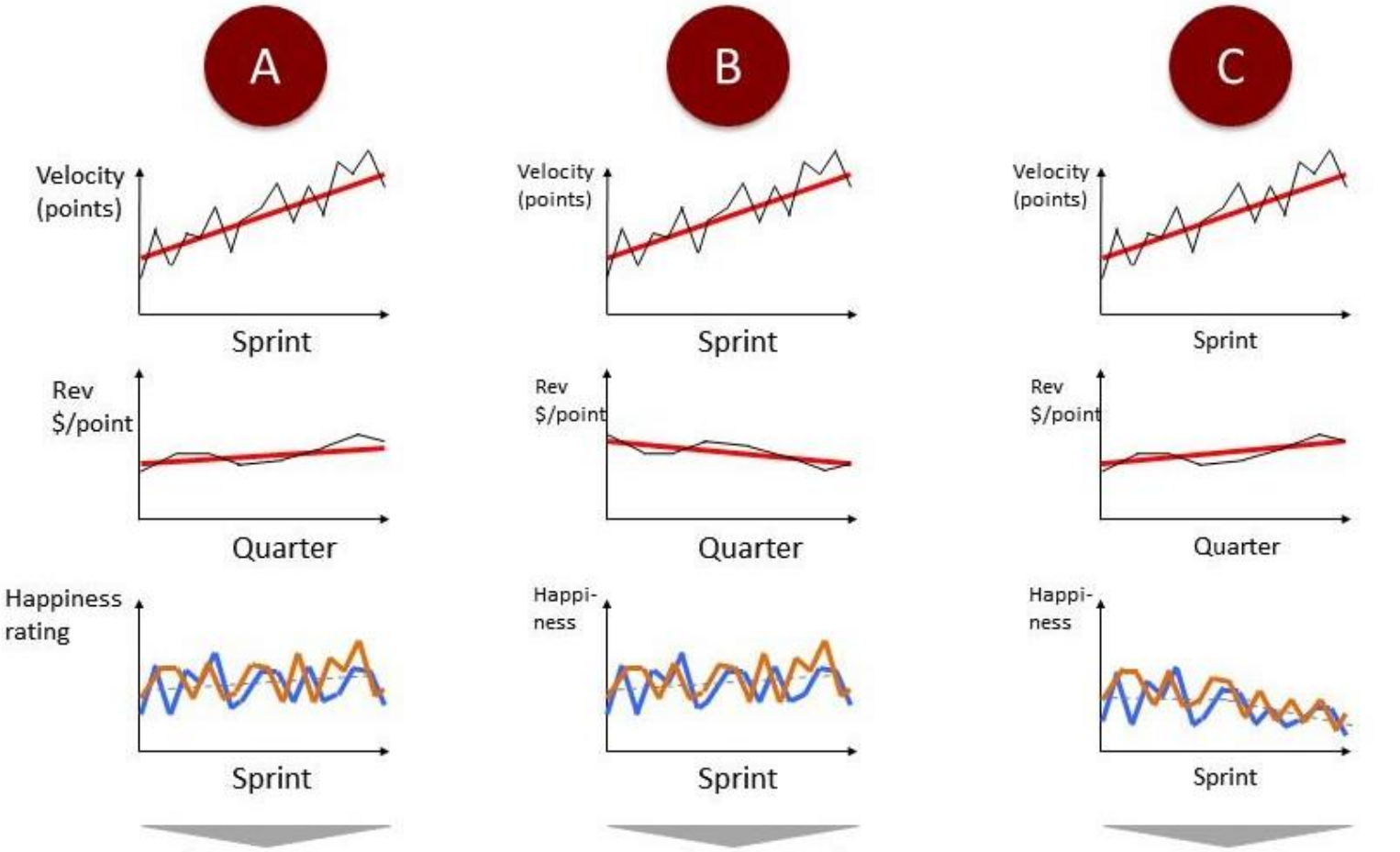
Productivity

Value Delivery

Quality

Sustainability

Looking at Metrics Together Reveals Insight



The Team is working well

Team is driving velocity by focusing on easy, low-value stories

Team is burning out to deliver results

scruminc.

PROCESS EFFICIENCY

Real Work Time / Calendar Time

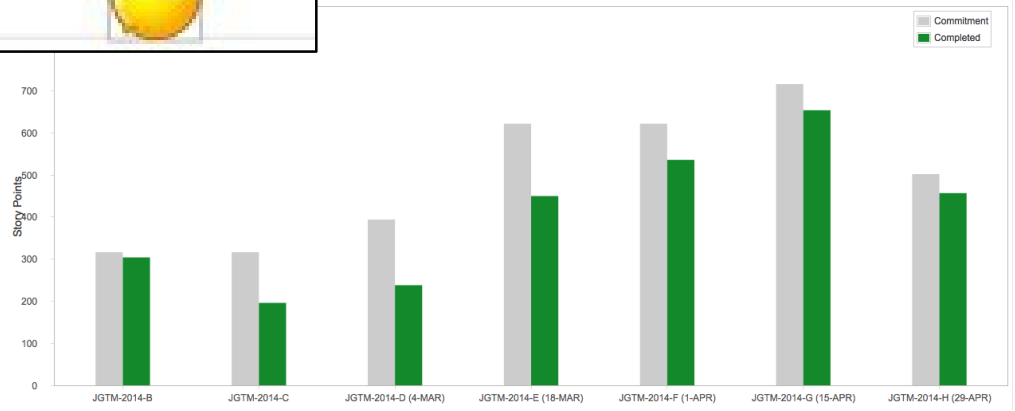
RWT = story size / team velocity

E.g. 5 point story, 50 point tea
velocity and ½ sprint to compl

PE = (5/50) / .5 = .1 / .5 = .2 or

Revenue Per Point

eam Velocity Chart / Priority



$$\text{BVPP} = \frac{\text{Business Value}}{\text{Points (Velocity)}}$$

OKR

OBJECTIVES + KEY RESULTS

We Must Think like an Investor!

PRODUCTIVITY → REVENUE → STOCK PRICE

- If you are not doubling or tripling velocity in the first few months, something is wrong!
- Hold the Business accountable to double the revenue once velocity doubles

BEWARE!

Metrics MUST ONLY start a conversation, they can never be used for punishment or reward!

OUTSOURCING

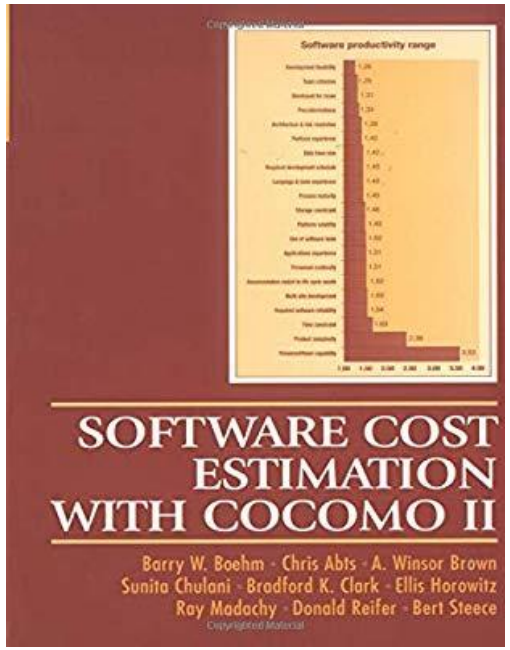
OFFSHORING

“Lets off-shore to India because programmers cost 1/3 of ones here with only 90% variability in productivity”

DO YOUR LEADERS ACTUALLY BELIVER THIS?

- 1000% influence on productivity on the quality and capability of the developers, so hiring cheap labor is the **stupidest thing** you can do if you care about productivity!

- Top quartile of developers is at least 4X (400%) faster than the bottom quartile!



Symptoms of Poor Off Shoring Model

- Multiple vendors providing resources from several locations and time zones!
- Team events start at 10:30PM or 5:00AM
- High resource turnover rates
- Resources say they are 100% committed but they are not getting work done in expected time periods – What are they working on?
- Poor engagement from offshore resource during team events
- Functional silos - SM and / or PO not local
- Only 1-2 hours a day where entire teams can collaborate

Collocation Doubles Velocity

Make Remote Teams Feel Collocated

Rapid Software Development through Team Collocation

Found in IEEE Transactions on Software Engineering

By *Stephanie D. Teasley, Lisa A. Covi, M.S. Krishnan, Judith S. Olson*

Issue Date: 2002-07

<p>In a field study conducted at a leading Fortune 100 company, we examined how having development teams reside in their own large room (an arrangement called radical collocation) affected system development. The collocated.....

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There are BETTER ways to Off-Shore

Research shows dispersed teams (geographical locations) have very low productivity

- Co-located teams in different centers of excellence!
- Sprint for the product, not the site!
- Sites needs to be equal partners and get meaningful work!
- CI across these sites, not just within each site!
- Use Git, more video and collaboration sites that meet your security requirements
- Avoid tools that cost money
- Don't offshore only certain Roles or Functions - HAVE COMPLETE TEAMS
- Hire full time workers, not contractors
- Eliminate Dark Work!