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Whitepaper

Leadership within Lean-Agile Enterprises

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Content

The Desire for Agility

The move towards more responsive and higher performing IT organizations is well established. For many years, the terms Lean, Agile and DevOps have been used to indicate a movement away from the traditional form of IT service management to a form that is more compatible with the speed of change in the current market conditions. These philosophies have proven to be successful in sufficient cases that increasing numbers of businesses are adopting these principles and applying them to their entire organization. This has led to the rise of the term 'enterprise agility'.

"Are You in Control?"

This move usually starts with a single team, using a method such as Scrum. This is usually a 'rogue' operation, as it is not sanctioned, but rather tolerated by leadership. Since the team is highly motivated to work in a different way, a way that is more fun and which produces great results, the change is generally a success. Other teams follow the example of the first, often with similar results. At this point, leaders start to become enthusiastic about the potential of the new method. It is often mid-level leaders who see the potential first, as a result of their proximity to the teams.

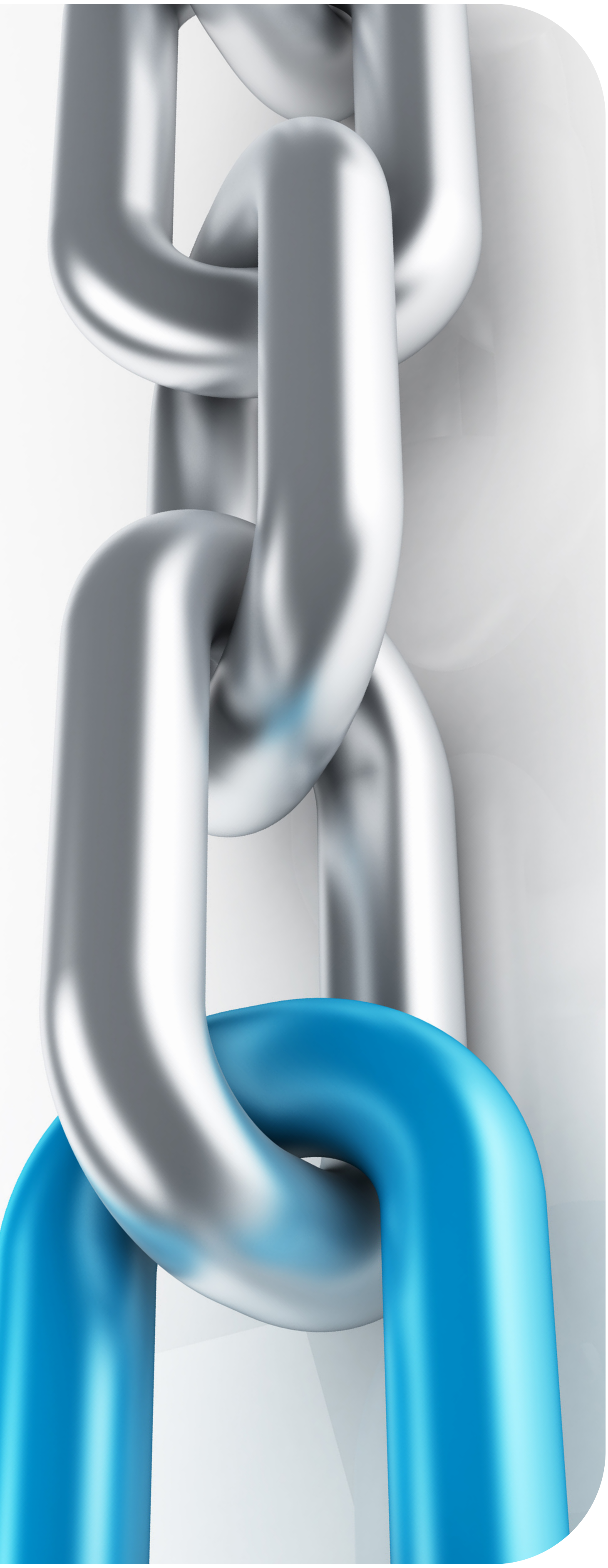
The new way of working is 'pitched' to senior leadership, who see the change as highly desirable. Who wouldn't? The pitch is that with the new method, IT can be more productive and more efficient, providing better quality at a similar or even lower cost. It sounds like a golden ticket to the company's goals.

The 'transformation' picks up speed within IT. Unfortunately, the teams whose turn it is to take on the new methodology are now less motivated, and the whole transformation starts to become a much more arduous affair. But the leaders have seen the potential now, and are eager to turn this into a reality. Agile coaches are recruited to convert the more obstinate teams, transformation plans are drawn up, the way of working is standardized and documented, massive training programs are introduced, and goals are set for the adoption of the new way of working. All this results in some success, but there are many areas that are still not delivering on the promise.

On the sidelines, the leaders are scrambling to understand what they have unleashed on the organization. With four-hour 'executive' sessions to bring them up to speed, senior leaders learn the relevant lingo so that they can contribute to the conversation whenit turns to all things Lean, Agile, and DevOps. In the meantime, other staff are being sent on multiple two-day courses to understand what is actually required to ensure the new way of working is effectively implemented.

The Missing Link

Leaders play a somewhat confused role in the move to becoming a more agile organization. On the one hand, they are very enthusiastic about the possibility of escaping the current siloed structure, in which the massive amounts of coordination required destroy any capability to respond rapidly to changing market conditions. On the other hand, as with previous attempts to improve the performance of their organization, they see this transformation as something that primarily affects the operational teams. Leaders seem to feel they need to provide continuity by doing the same as they have always done. This is exactly why many transformations turn into 'first attempts of transformation'. There is a certain point in any transformation where the leaders must accept the fact that a different way of working at the operational level of the organization automatically means that something needs to change in the way leaders act.



This is the 'missing link' in most transformations: a lack of adjustment from current leadership behaviors and practices towards leadership that is more compatible with the Lean-Agile way of working.

Before we explore this missing link and discuss how to avoid this problem, we must start by recognizing that changing leadership practices and behaviors is much more difficult than it seems. It is not that leaders do not understand the rationale behind the change, nor do they lack the understanding of what is required of them in terms of behaviors. These are things that can be explained in the four-hour 'executive' sessions. The key issue is actually making the move to practice and adopt the new behaviors. The difficulty stems from the fact that leaders are faced with a political choice.

A political choice is one in which there is substantial uncertainty and difference of opinion. Unfortunately, this difference of opinion is not always voiced. It is not always clear who is for and who is against. Solving a political problem is a challenge. The leadership hierarchies of organizations are places in which power and influence are major drivers, especially if making the right move can increase a player's hold on both. This means that the timing of a 'move' can be critical.

As a leader, when should you voice support for agility in the organization? Very quickly, because there is no rational argument against it. But when should you start to work in an agile way yourself? That is a more difficult question to answer. For a start, you need to get the timing right. Too early and you can be perceived as a threat; too late and you risk being seen as 'behind the times'. Either way, adopting new leadership practices is a tense affair.

And it's not just middle management that feels the pain. It goes all the way to the top; CEOs are accountable to stakeholders such as shareholders and supervisory boards, who often have more traditional views of how the organization should be run. So even CEOs are caught in a political environment in which changing behaviors is not always easy.

This catch-22 can be described in a single sentence: the fear in every level of the hierarchy is that the level above will ask the question "are you in control?" and you will not be able to give a sufficiently convincing answer.

In the meantime, at the operational level of the organization, frustration starts to rise regarding the lack of support and movement in the leadership 'pyramid'. If this goes on long enough, teams will become disillusioned with the lack of action and start to reject the move to agility. We know from studies over the last 150 years that leadership is essential in every single organizational change. So, the challenge is: how can organizations break through this stalemate? This is the same as asking the question: how does one solve a political problem?

There are, in fact, many ways to solve political problems, whether by decree, through popular uprising and revolution, or through debate and compromise. Whichever way is chosen, when a political problem is solved it becomes absolutely clear what course of action will be taken. Absolute clarity is the one thing that removes the politics from any situation, especially if it also clear what the consequences are of not taking the 'agreed' action.

Creating Clarity

As stated earlier, in most cases, leaders have spent insufficient time and effort actually understanding what they have unleashed, by design or by consent, on the organization. The four-hour 'executive' sessions are largely to blame for this. The common complaint from executives themselves is that leaders, especially senior leaders, do not have the time to sit in on sessions about agility. But this too is a matter of choice; the choice being: do you believe your new strategy of 'becoming agile' or 'using Lean principles' is important, or not?

If it is important then you need to spend time on it; if not, choose a different strategy that you are prepared to spend time on.

Let's assume that agility is going to become the core principle of the way the organization will work in the coming years, even decades. What do we do next?

There are essentially three steps:

1. Determine why you and your organization need to become agile. Ensure it is crystal clear to all involved why the existing way of working will only lead to a poorer result. In describing the why, you will need to identify the principles (Lean, Agile) you wish to abide by.

2. Identify the practices that will support the principles and put them into action.

3. Create, buy or borrow the tools that you need to embed the practices into the organization.

Define Why

It may sound strange, but in fact there are many senior leadership teams that do not formulate the reason why they wish their organizations to become 'agile'. They do, however, clearly state the benefits they expect to realize from becoming agile – a more responsive organization, greater customer satisfaction, lower costs ... generally anything that will ensure higher profits (for corporations) or the ability to work within a budget (for the public sector).

Organizations are increasingly expected to have a purpose, with a clear story about how they wish to have an impact on their customers or even the world. Today, the expectation is that making a profit should be a result of having made a positive impact, so defining the why is crucial to this purpose. A further difficulty is considering whether the organization's purpose is aligned with the leaders' purposes ... and the other way around. Again, making money should be a result of other goals, rather than the sole purpose of the leaders and the organization.

In any case, the leaders are responsible for a creating a compelling story that describes their purpose, principles and reasons for wanting to make the move towards a more agile organization.

The second step in creating clarity is possibly the most important, because it deals with the day-to-day manner in which the organization will be led and managed.

This concerns the management system. To be clear, the management system of a Lean/Agile/DevOps organization relates to the traditional management system in the sense that the same work is done by leaders. The difference is that this work is done in a truly different way.

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The Work of Leaders

If we look at the great civilizations of the last 50,000 years, we will see that leadership has always done the same work. The only difference between cultures is that leaders have done the same job in a different way. The work of leaders can be categorized into six areas, as described in the table below. These activities have different names (e.g. 'cascading' has been called directing' or 'commanding' by leadership scholars), but they have essentially stayed the same throughout time.

Figure 1: The key activities of Leaders

Activity	Description
Organizing	• Providing capital, personnel and raw materials for the day-to-day running of the organization • Building a structure to match the work
Visioning	• Creating the vision and strategy for the organization, basedon customer needs, purpose, values and principles • Defining the 'Change Story' for the organization's direction
Planning	• Drawing up plans of actions that combine unity, continuity, flexibility and precision given the organization's resources, type and significance of work and future trends • Prioritizing work and subsequently coordinating it on different levels and with different time horizons
Cascading	• Interrelating all sectors of the organization • Unifying and harmonizing activities and maintaining the balance between the activities of the organization, through active and constant prioritization
Monitoring	• Identifying weaknesses and errors by managing feedback, and conforming activities with plans, policies and instructions • Identifying and celebrating the successes of the organization
Developing	• Recruiting, hiring and training team members; maintaining favorable working conditions • Ensuring that leaders and team members continue to meet the requirements of the organization, related to the value required by customers of the organization

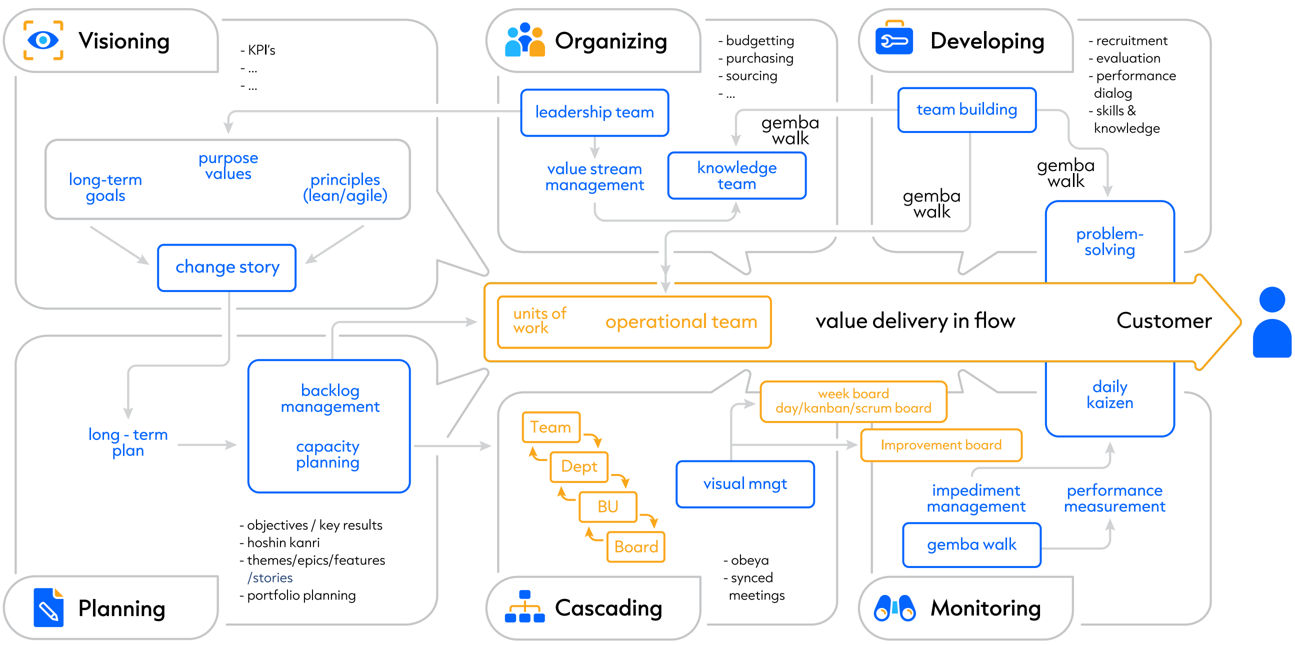
We can easily see that these activities represent the lion's share of what leaders do on a daily basis. The big question is: how do we do these activities in an agile organization?

This is the crux of the move to an agile way of working. The things that teams do are relatively well known and well described. The work of leaders is less well defined.

We need to look at each of the activities in turn and describe how these are done in an organization that bases its way of working on Lean-Agile principles. Before we do this, it is important to note that there is a single purpose to all these leadership/managerial activities in a modern organization: to ensure that operational teams can deliver value in flow to customers. There is no other reason for the existence of leadership in organizations. This means that all leadership activities must be focused on ensuring that this single purpose is embedded in each of the activities. It does not actually matter where we start in the list of activities, because we will need to revisit each of the activities and improve their effectiveness continually.

In figure 2, note the blue blocks, referred to as keystone practices. These are practices that are absolutely essential to the success of the management system and are the first consideration in any shift to Lean-Agile working.

Figure 2. The Lean-Agile Management System



Organizing

Most organizations are already structured in the form of an organizational chart. In the Lean-Agile organization, we essentially recognize three organizational entities: operational teams, leadership teams and knowledge teams. Operational teams are multidisciplinary teams made up of multi-skilled team members, with a clearly defined scope of responsibility linked to a clearly defined set of customers. This enables the team to take full responsibility for value delivery to the customer. Leaders must create an organizational structure in which the dependencies between teams are reduced to an absolute minimum, creating 'autonomous' teams. In more traditional organizations, the organizational chart comprises groups of people who work on the same subject matter, so finance people sit with finance people, marketeers with marketeers, IT people with other IT people and so on.

In the Lean-Agile organization, subject matter experts are organized through knowledge teams. These are teams that meet regularly to discuss a specific expertise, rather than necessarily sitting together permanently. Knowledge teams come in two forms: the first is what we would generally refer to as staff teams, e.g. HR, Legal, Purchasing. These are groups who have expertise to help support the delivery of value by the operational teams.

The second form of knowledge teams are the teams that come together regularly to discuss the way in which a certain subject matter will be dealt with. For example, gatherings of database experts, programmers or architects to share the best practices in these areas. The leadership teams must reflect the operational teams in their characteristics, that is they should be multidisciplinary, multi-skilled and with a clear scope of value delivery.

Organizations tend to comprise dozens of teams, which makes organizing autonomous teams extremely difficult.

What choices must leaders make when bringing together larger numbers of teams? The key choice is to bring together teams that work on the same value stream.

Understanding the flow of work through the organization, from customer request to delivery of value to the customer, is a vital skill for leaders to acquire. This capability must bereflected in the organizational structure.

Visioning

Assuming we have an existing situation in which people are organized in some form of structure through which value is delivered to customers, however inefficiently, it is now up to leadership to create the story for the direction of the organization, known as 'visioning'. In a Lean-Agile organization, the direction is described in the form of a purpose. The purpose is formulated by each team in the organization, based on the purpose as described by the board. The purpose comprises the long-term goals of the organization, its True North values, and some reference to Lean-Agile principles. The common purpose is then turned into an individual change story by each leader. The change story describes why the individual leader is committed to the direction and is aimed at inspiring the teams to move in that direction. The change story is also the basis for the long-term plan.

Planning

Leaders must create a long-term plan for where they wish the organization to go. This five to ten-year plan is translated to a medium-term plan for the next 12-18 months. Interestingly, many leaders say that it is impossible to make a five to ten-year plan for the organization because the world is changing so fast. This is true if the plan consists of detailed descriptions of the technological changes that need to take place. But the long-term plan must be based on the achievement of the purpose of the organization, rather than interim tactical goals.

This is reflected in the often-used structure of themes (long-term goals), epics (medium-term goals), features (short-term goals) and stories (concrete products to be delivered). In Lean terms, this is the process of Hoshin Kanri policy development and deployment. Hoshin Kanri is characterized by its participative nature. By engaging the entire organization, changes in direction can be readily embraced and absorbed.

The essential practices here are backlog management and associated capacity planning. Backlog management is about ensuring that the next thing teams do is the task offering the highest contribution to customer value, and is reflected in the units of work (stories, incidents, service requests, etc.) carried out within the teams. This is not only about delivering products and services to customers but also about ensuring the longer-term viability of the products and services to the customer. It may mean doing 'behind the scenes' work that seemingly does not contribute directly to the delivery of customer value. This would include any activities that ensure processes are carried out in flow, i.e. with a minimum of waiting time and work-in-progress. Creating and maintaining a backlog is one of the keystone practices. Associated with this is the keystone practice of capacity planning.

This is all about ensuring that whatever is asked of the organization from a backlog perspective, must be achievable in terms of the available capacity of people in the teams. Balancing the demand for value with the ability to deliver is vital for the long-term well-being of the organization.

Cascading

Cascading is about ensuring that communication flows through the organization. There are three topics that are of particular interest: strategic choices, impediments and coordination of work. It is important to note that the communication flows should be rapid and bi-directional, from teams to senior management and the other way around.

The strategic choices are directly linked to the planning activities. The cascade is used to communicate and gain input regarding the strategic choices of the organization. In this respect, the cascade is a vital and complementary aspect of planning.

The cascade is also used to ensure that work is coordinated across the organization, and that work being carried out by multiple teams is done at the right time to ensure that the result is delivered in flow to the customer. The last aspect is the resolution of impediments or other problems. Impediments cause work to stop flowing and need to be tackled promptly. The cascade is used to ensure that the impediment is moved to the level in the organization where it can best be solved.

The cascading activities must be supported by comprehensive visual management at all levels. This visual management comes in the form of obeyas at each of the managerial levels and, for projects, in the form of team boards at the operational level. Each level has sufficient visual management to ensure that it is clear what work is being done, what work is coming up and whether there are any problems causing delays to the work.

Monitoring

Monitoring is one of the most important activities for leaders because of its daily nature. In Lean-Agile organizations, monitoring fulfils the 'Go See' principle. Leaders collect information for their own decision-making from the boards of the teams for which they are responsible. The keystone practice is the 'gemba walk'. The gemba is the place where the work is being done and can be both managerial or operational.

Leaders must at least do two things when doing a gemba walk. The first is to be curious regarding performance, both qualitative and quantitative. 'Curious' in the sense that leaders must be truly interested in the performance and must be prepared to, respectfully, ask questions. This does not mean micro-managing what is going on in the teams; instead, it is all about being informed and truly understanding why things are the way they are. Based on these questions and answers, leaders can help to remove impediments to the flow of work, especially when there are policy choices causing the problems. This is the second reason for the gemba walk: impediment management.

During gemba walks, leaders must always encourage continuous improvement. This is known as 'Daily Kaizen'. As the continuous improvement 'engine' of the organization, leaders must challenge teams to solve problems on a daily basis. Generally, this means focusing on problems that are causing irritation within teams. The problems may be small, but spending a small amount of time everyday tackling these irritants helps to create an environment that is more conducive to high performance.

Developing

Following on from the daily removal of impediments, problems and irritants, leaders must also ensure that larger and deeper problems are solved. This should be done using a structured problem-solving method. Taking time to solve more complicated or even complex problems increases the capabilities of those solving the problems. It is, therefore, a vital activity for the development of high-performance people and teams: a keystone practice. Here again, the gemba walk is an important practice for leaders. They must be able to help the teams with problem-solving; not by giving answers but by helping with the structured problem-solving method that will help to reach a high-quality solution.

In order to develop a high-performance organization, leaders must be capable of building and helping to build teams. It is within teams that people can find the safety to experiment and practice, thereby building new skills and knowledge. This is a subsection of the team-buildingbkeystone practice. This links into the need to observe, understand and drive the evolution of behaviors in the team. Carrying out performance dialogs is part of creating a culture in which rapid feedback ensures that quality is embedded at the source of the work.

The third and final step of creating your Lean-Agile management system is to choose the tools you wish to use. In many cases, the tools must be the same to ensure consistency across the organization, e.g. the planning, cascading and problem-solving mechanisms. In other cases, you will have the freedom to develop and use your own tools (e.g. how you do a gemba walk, the tool you use for skills and knowledge analysis). In the end, the tools only help to embed a practice into the organization and as long as the tool does exactly that there are no right or wrong tools.

"So ... Are You 'in Control'?"

Daily monitoring through gemba walks, rapid cascading of information and a quick response to problems are key elements in ensuring leaders have much greater 'control' over what is going on in their areas of responsibility than ever before. The downside for traditional leaders is that leadership and management are turned from passive activities into active verbs: managing and leading. Leaders need to change their daily routines, replacing traditional (largely office-based) activities with more agile practices, which involve getting out onto the work floor to see what is going on. Experience shows that changing from traditional behaviors to Lean-Agile behaviors is quite a challenge, for two reasons:

1. The political environment described earlier encourages inertia. There is no real solution to this problem other than making a choice to do things differently. The choice is individual, based on a collective consensus to move towards a Lean-Agile management system.

2. There is always a period of time when both traditional and Lean-Agile practices overlap, causing an overload in the leader's calendar. The solution here is to shorten the time in which the two sets of practices overlap.

As stated earlier, it does not really matter where you start when it comes to changing your practices. It is just important to start. Each of the aspects will be addressed on multiple occasions, since the system is based on a Plan Do-Check-Act cycle.

Focusing on team-building will automatically lead to the reconsideration of the constitution of the teams; are they optimally staffed to ensure the flow of work? Or are there still dependencies? This, in turn, leads to a reconsideration or confirmation of the purpose of each team. Does the team still have the same responsibilities or scope? Having checked the purpose of the teams, we must ensure that the work is adequately planned, then cascaded to the right teams. Is it clear who is doing what and when, and do any problems need to be cascaded to a different level of the organization? By monitoring the work and impediments closely, leaders create an environment in which the right challenge is created, and people are asked to solve problems and use these opportunities to improve their capabilities. This brings us back to checking whether the organizational structure still matches the value delivery requirements.

With each cycle, leaders will be able to improve their ability to facilitate and support the delivery of value in a much more effective and respectful way than they had previously done with the more traditional practices, all the while standardizing their ability to apply the principles, embed the practices and use the tools. In the end, it is your choice whether you truly wish to be in control or not!

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Experienced in a wide range of industries

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