

3 Ways Agile Thinking Can Transform Your Organisation



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We live in a VUCAH world: volatile, uncertain, complex, ambiguous, and hyperconnected. An environment like this demands adaptability. As such, business leaders need to throw out old notions of top-down management and bureaucracy, and be ready to respond to new challenges.

This is where Agile Thinking comes in.

While known for its tools and methodologies and represented in the popular imagination by a wall of Post-Its, Agile is a *mindset*.

The original [Agile Manifesto](#), published in 2001, offered a new approach to software development. But Agile Thinking has grown beyond that into an organisational framework.

Several factors have driven its popularity:

- In a [multi-national survey by KPMG](#), 68% of respondents cited the “need for faster product delivery adjusted to changing customer needs” as the top driver for agility.
- The *14th Annual State of Agile Report* found that [43% of organisations increased Agile adoption](#) during Covid-19. Respondents said Agile helps increase speed to market, improve the management of distributed teams, and boost team productivity.
- The Covid-19 pandemic has revealed the urgency for becoming Agile. Companies that had “deeply embedded” Agile practices long before the crisis managed its impact significantly better than their non-Agile counterparts, according to [research by McKinsey](#). And even within companies, Agile business units outperformed their non-Agile peers in 2020.

What It Means to Be an Agile Organisation

There are three differences between Agile and bureaucratic organisations, [according to Steve Denning](#), author of *The Age of Agile*:

Agile organisations	Bureaucratic organisations
Goal is to steadily deliver more customer value	Goal is to maximise shareholder value
Work is done by small, self-organising teams working in short cycles	Bosses define work roles, rules, and performance criteria
The company is organised as a network of teams	The company is characterised by top-down hierarchy and silos

The Agile mindset also includes the belief that people are motivated to perform even—or perhaps especially—without a manager breathing down their necks. It encourages companies to give teams the environment and support that they need to get the job done, and to trust them to do it.

It also promotes continuous improvement—the original manifesto urged teams to regularly reflect on how they can become more effective and to tune their processes accordingly.

How Organisations Transform With Agile Thinking

By adopting an Agile mindset, business leaders can help their organisations transform in several ways.

1. More Creative Solutions to Customer Problems

By believing that people are motivated to perform, the Agile mindset [fosters an environment of psychological safety](#) when it comes to trying out new solutions and taking risks. This allows team members to explore non-conventional, creative ways to solve customer problems.

Agile Thinking also emphasises the need to work in small teams to solve problems and respond to changes faster.

Research [supports this](#): several studies have shown that small teams are ideal for complex problem-solving. Although findings on the optimal team size vary from three to six people, the consensus is that individual contribution diminishes as a team grows larger.

Ikea Case Study: Remaining Relevant and Responsive to Consumers

In 2016, Ikea announced plans to [overhaul its organisational structure](#) and break it up into smaller entities to become more Agile. It has transformed many of its practices and businesses over the years to respond to the increased digitisation of retail.

For example, it [challenged its business model](#)—the one that had turned the brand into a global household name over decades. Ikea tried out furniture rental, recognising customers' desires to continually update their furniture in response to social media trends. The rental system also allows the company to recycle furniture, enabling the company to reduce its environmental impact and appeal to consumers who care about sustainability.

Ikea has also [embraced digital channels](#) and has started using third-party eCommerce platforms to reach audiences globally—for example, Tmall in China. It launched a click-and-collect programme to let customers buy online and pick up their purchases at the Ikea parking lot. And it rolled out 3D-imaging and augmented-reality tools to help buyers visualise their room designs with Ikea furniture in place.

2. Continuous Improvement of Systems and Processes

Agile organisations continuously reflect on how to become more effective. They prioritise responding to changes over following a plan.

This can be difficult when you've invested lots of time, money, and effort into certain systems over the years. Behavioural economists call this the [sunk cost fallacy](#)—the tendency to push through with endeavours because of previously invested resources, even though the costs have come to outweigh the benefits.

But if old systems no longer help you cope with current business environments or customer needs, it's time to reevaluate them if you want to keep your organisation competitive.

Ericsson Case Study: Continuous Iteration to Find the Most Effective Team Setup

In 2013, Ericsson embarked on a [large-scale Agile transformation](#) to develop the capacity for continuous feature delivery for a new XaaS platform. Instead of sticking to a prescribed plan, the organisation experimented with different set-ups for its Agile teams, including component-based virtual teams and cross-functional, cross-component, cross-site teams.

This continuous iteration and improvement helped them determine the ideal setup for achieving different goals. For example, they found that it was more effective to limit team interchangeability when working on complex, large-scale projects that required specialisation, as team members needed to have deep expertise.

3. Creating a Culture of Collaboration and Breaking Silos

Agile Thinking emphasises the creativity that comes from collaborative and collective work, both within and among different teams.

This encourages breakthroughs, especially when you assemble a multi-disciplinary team. It also breaks down bottlenecks by making sure team members are [cross-functional and interchangeable](#), so that when one is not available, another can fill the void.

Lego Case Study: Making New Solutions Possible With Cross-Functional Teams

In 2018, Lego launched a new digital operating model as part of its Agile transformation. Within a year, the company had improved important processes, such as:

- Quality management — A business team worked with a digital team to connect production machines to an Internet of Things platform. This enabled the visualisation of production data to monitor and improve quality.
- Supply-chain planning — Supply chain and marketing teams worked together to develop simpler tools that helped them map production and supply plans to changing and unpredictable market behaviour.
- Market engagement — To better respond to unpredictable market demand, cross-functional teams were formed around products and solutions. For example, sales, IT, and inventory management team members worked together to create and deploy pop-up sales stores.

Agile Thinking is a Catalyst for Transformation

The process of adopting an Agile mindset transforms an organisation. The resulting impact affects all areas of the business and leads to tangible results in the way you fulfil customers' needs and solve problems.

Contact Us

Agile transformation for an organisation starts from individuals - helping your team to develop the mindset, culture and value is the first step. Get in touch with us at pdel@sim.edu.sg to find out how we can partner with you to build an Agile team and organisation.

We also have a series of industry-relevant short courses designed for professionals who wish to master Agile Delivery and Project Management. Click [here](#) for more details.