FOUR PRINCIPLES
An Abdul Latif Jameel Company

USING LEAN MANAGEMENT
IN BUILDING AGILE ORGANIZATIONS

IN TODAY'S MARKETPLACE, COMPANIES ARE FACED WITH THE NEED TO ADAPT QUICKLY TO RAPID CHANGES IN CUSTOMER DEMAND AND THE COMPETITIVE LANDSCAPE.

The accelerating pace of technological change and rising customer and client expectations put increasing pressure on companies seeking to be in the forefront of their industries. To stay on top of – let alone ahead of – these challenges, companies must continuously monitor, adapt and evolve to gain an advantage over competitors and maintain a stable relationship with customers.

A widespread result of these sweeping changes is greater uncertainty with regard to business models due to the unpredictability of product success and consumer demand. Trends change seemingly overnight, and a product or service that was cutting-edge while in development can easily be outmoded by the time it comes to market. To minimize such risks and succeed in this environment requires a high level of adaptability and flexibility. Companies must be able to assess the popularity of a product or service during – not after – the development process and change direction quickly when necessary. "*The days of two, three, four-year road maps are behind us*," says Stefano Gaspari, Principal at Four Principles. "*Today companies need to be able to innovate in response to constantly changing customer requirements.*"

One of the most popular ways to transition a company to a more adaptable mindset is through the use of Lean/Agile methods. A Lean/Agile organization achieves both stability and adaptability by building a network of teams who are guided by a common purpose and focused on delivering value for all stakeholders at every level of the organization, along the value chain. Hallmarks of a truly Lean/Agile enterprise include a people-centered culture and rapid learning and decision cycles enabled by up-to-date and emerging technologies.

There is strong evidence that companies that employ a Lean/Agile management style enjoy greater growth than those that stick with traditional top-down structures. Data collected in a recent joint survey by Scrum Alliance and Forbes Insights show that Lean/Agile organizations accelerated their time to market, boosted revenue, and increased their pace of innovation by introducing a mindset of end-to-end accountability.

And across the board, companies with Lean/Agile structures report greatly improved employee morale and better success in attracting top talent.

"*If your work involves urgent timelines and your projects require continuous evolution in response to changing demands and collaboration across departments, specialties and skillsets, then Lean/Agile is for you,*" says James Ryan, Principal at Four Principles. "*You'll be more competitive, your teams will be more productive, and quality will be higher.*" Meanwhile, companies with the rigid and hierarchical management strategies often characterized as "waterfall" are more likely to miss opportunities to capitalize on market changes and thus may jeopardize future success.

THE CHALLENGE OF CHANGE

There's no question, though, that making the transition to Lean/Agile requires a rethinking at all levels of a company, starting with leadership. Strict and static structures, hierarchical chains of command, and siloed areas of authority are some of the biggest barriers to creating a company culture in which flexibility and innovation can thrive.

To make an enterprise-wide Lean/Agile transition requires a willingness to reevaluate and modify everything from strategic planning to operating models to day-to-day processes. It requires a reorientation according to the guiding principles of customer-centricity, end-to-end accountability and greater flexibility and communication via the cross-pollination of interdependent and empowered teams.

Other more specific factors that facilitate the transition to Lean/Agile include flexible resource allocation, an open-plan and interactive (whether co-located or virtual) work environment, and role mobility.

A Lean/Agile transition may require changes to personnel and will certainly require new skillsets and the training to develop them. Most companies require guidance in the form of coaching and leadership training to follow through on an organization-wide commitment to agility. "*The landscape is littered with companies that have attempted Lean/Agile transformations and fallen short,*" says Stefano Gaspari, Principal at Four Principles. "*Getting the right help at the right time can make all the difference.*"

ASSEMBLING A FULL TOOLBOX

While Lean and Agile have separate definitions and histories and some differences in application, what they share is a focus on self-organizing, multi-functional teams and a series of principles and practices focused on process optimization and continuous, iterative cycles of improvement. Lean, which arose in the manufacturing industry, is a natural partner for Agile with its focus on eliminating waste and streamlining processes by including only tasks that add value.

Both concepts, while originally developed to cope with the challenges inherent in software, technology and industry, have turned out to have broad application to all fields of business and even beyond that into fields such as education, finance, and even the military. Specific processes and steps may require modification, but the general outline holds true whether the end goal is a physical product, a service such as health care delivery, or a campaign such as in advertising and marketing.

"*The same general categories of outcomes tend to be important regardless of industry*," says James Ryan, Principal at Four Principles. "*Time to market or speed of delivery is important no matter what you're doing.*"

Within a Lean/Agile framework, leaders and teams often employ concrete methods such as Scrum, Kanban, Hoshin Kanri, and other well-developed approaches to creating and running a team-based organization. Scrum offers a structured framework for project and product management in which self-organized teams meet daily in so called "huddles", "scrums", or "stand-ups". Where work is broken into short-term cycles known as sprints at the end of which deliverables are tested and the incremental learnings are fed back into the system for iterative product delivery.

Teams may use Kanban boards as visual project management aids to track steps and improve communication and collaboration. Hoshin Kanri, also known as Policy Deployment, is a goal-management methodology designed to eliminate inconsistent direction and make sure that action in every area of the company aligns with strategic goals.

Scaling models can help companies organize teams according to a broader companywide structure, often featuring overlapping groups designated as squads, chapters, tribes and sometimes guilds. Dutch finance giant ING embarked on such a full-scale Lean/Agile transformation in 2015 with the goal of providing seamless, fully integrated customer service via multiple access channels and better understanding the customer journey. Following a model developed by Spotify and used successfully by companies such as Netflix, Google, and Zappos, ING reorganized multiple disciplines into small, self-steering multidisciplinary squads, typically made up of no more than nine people, gathered into tribes of up to 150 people linked by interconnected missions. Over the course of two years they rolled the new structure out to the entire headquarters and consider it key to the company's continued success.

Another concept central to scaling Agile throughout a company is the idea of servant leadership, or the reorientation of authority so that those at the managerial and C-suite levels are taking their cues from those actually doing the work. Manufacturing giant Gore has earned a name for itself as a management revolutionary by moving from a top-down "pyramid" structure to a more democratic one the company describes as a "lattice" with no fixed or assigned authority. Employees interact directly with one another rather than through intermediaries and set tasks and objectives according to project needs. As part of this shift, managers take on new roles, functioning more as facilitators than as supervisors. With less responsibility to direct others, managers are freed to support the skills and goals of others, eliminate gaps and obstacles that could be preventing teams from functioning at their highest capacity, and providing strategic guidance.

Other organizations have taken this idea even further by moving to what's known as a "flat" organizational chart. The Japanese concept of Kaizen exemplifies this type of rethinking as it empowers all employees, regardless of level, to call out a problem or inefficiency and suggest improvement.

"*The goal is to give every team end-to-end accountability for specific outcomes and allow them to make their own decisions about how to best achieve those outcomes*," says Ernest Nedic, Director of Four Principles' Kaizen Lab. "*Across the enterprise, everyone is operating with a mandate to deliver the best value to clients as quickly as possible while making sure each decision is aligned with strategic goals.*" Four Principles specializes in providing the in-depth Lean/Agile leadership training necessary to achieve this cultural shift.

LEAN/AGILE: THE GAME-CHANGERS

Complete end-to-end agility can have astonishing results. Take the example of Wikispeed, which developed 100-mpg prototype automobile in less than three months. The brainchild of Joe Justice of Scrum, Inc., Wikispeed earned a place in history as a disruptor of the auto industry for their Scrum-based radical management style and scrappy approach to design and manufacturing. It all started with Justice's ambition to win a $10 million X Prize offered by Progressive Insurance to the first team able to successfully build a car with a fuel efficiency of 100 miles per gallon that also meet road-legal safety standards. Going up against well-funded companies and universities, Justice and his team of 44 came up with a functioning prototype in less that three months and tied for tenth place in the mainstream class.

With members located in four different countries, Team Wikispeed organized their project in one-week sprints that iterated not just one component, but the entire car every seven days. Learnings were used to re-organize priorities, resulting in a radically accelerated pace of development. Using the $10,000 "consolation prize" money from the X Prize, Wikispeed continued to develop their Roadster, which is now available for purchase on their website in eight separate modules, in the process providing a model for others who wish to start small and go big.

Today, Wikispeed is an open-source hub of design knowledge, offering plans and specs for free, and with prototypes in the works for a next-generation mail delivery vehicle, taxicab, and ultra-light race car. They continue to be cited as a model of organizational agility, one that demonstrates how an unknown newcomer, or "nobody," in a particular market can become not only a "somebody," but a groundbreaking innovator others look to for inspiration.

No company that has attempted an Agile transformation hasn't encountered pain points along the way. But the Four Principles approach, which combines the best and most practical aspects of Lean and Agile, provides enterprises the guidance and tools they need to tackle such ambitious organizational change. With a proven track record of optimizing businesses across a wide variety of sectors, Four Principles utilizes the full range of Lean and Agile concepts and techniques to reprogram corporate culture and achieve a Lean/Agile thinking mindset. The result is a comprehensive yet concrete model for organizational change. Contact us to learn more.

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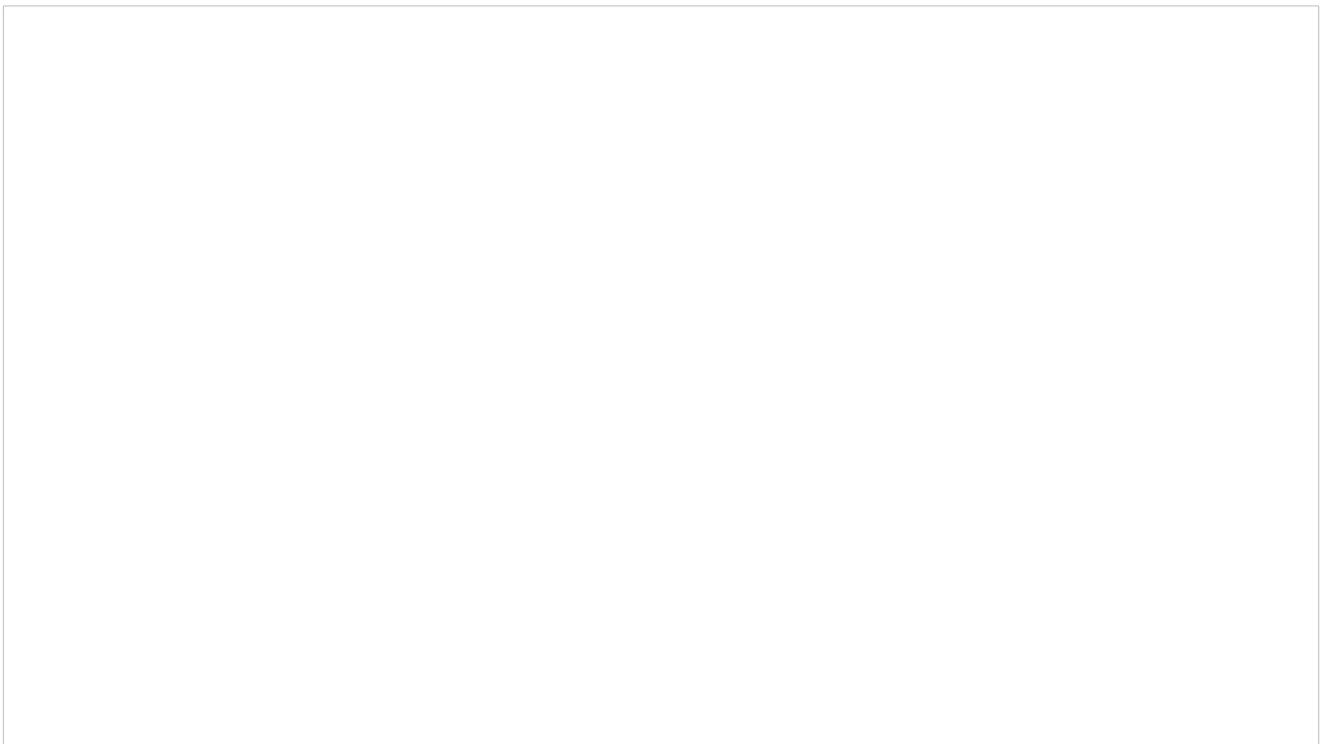
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