

# A CIO's Guide: Five Steps to Business Agility

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## Introduction

As a technology leader, which one of these scenarios best represents your daily challenge?

### Scenario A

I am continually asked to deliver faster and cheaper on an endless list of business demands that seem chaotic and contradictory. In the midst of this demand-and-supply tug of war, my organization is viewed as the number one bottleneck to the company's success. I like the challenge, yet it does not feel like my best work. We have established many perspectives and guidelines to create greater agility in our business, but most methods do not seem to stick or do not deliver promised benefits.

### Scenario B

I am a true peer with my business counterparts. I help my colleagues to sense opportunity, to respond, and to innovate. In fact, I guide my peers in affecting change within the business through my ability to turn chaos and bottlenecks into efficient flow of value. Thanks to my agile approach in defining and supporting the business, I positively impact all levels of my company: from teams creating valued features, to sets of projects that deliver components which combine into valuable products or initiatives, to the flexibility with which I can adapt investment allocations to take advantage of market opportunities.

If scenario B resonates with you, congratulations. You are one of few; a visionary and front-runner in your peer group. You have smoothed out some of the obstacles that your organization once caused. You have adopted enterprise scale agile and continuous delivery, and your operations teams are now fully connected into your delivery groups. You have innovation everywhere: from engineering hackathons to initiatives that use Enterprise Lean Startup methods. Your entire company, from business owners to front-line customer support and even your customers, vendors, and suppliers, is engaged in quarterly steering, which is a cadence of planning, budgeting, disseminating knowledge, and gaining visibility and alignment. Your business can dynamically adjust to take advantage of new market opportunities without creating churn or disrupting organizational health. You have a true sense of sustained exploration and innovation. You have attained business agility, which is when an organization can sense and respond to change quickly and confidently, and as a matter of everyday business.

**As Gene Kim, co-author of *The Phoenix Project* would say, “You have to become a high-performing unicorn, transcending the experience of the lower-performing horses.”<sup>1</sup>**

If you are not a unicorn yet but want to be one, keep reading.

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1. Kim, Gene. Spafford, George. Behr, Kevin. (2013). *The Phoenix Project*. IT Revolution Press.

Organizations are moving toward creating greater agility for their businesses. It is a big effort, but you will reap the rewards. In fact, you will see real business results, even when you complete just the first step.

This paper will help you achieve the following objectives:

- Identify steps to transform your organization and increase business agility.
- Clarify what makes each step in your transformation stick.
- Pinpoint the mindset changes that you need to create and to sustain the organizational health that empowers people to regularly and quickly respond to change.

## Agility as Cognitive Advantage

The pace of change is accelerating. Customer expectations, competitive shifts, and regulatory changes are disrupting global markets and the way that you do business. In this fast, new application economy, software is at the heart of every business, driving every industry.

Gone are the days when you could build an application or product and then go years without changing much. To survive the disruptive outside forces lurking around practically every corner, you have to stay on top of your game and a step ahead of competitors. Your peers at other companies are likely facing challenges similar to yours, yet you see them leading the industry by consistently sensing market opportunities and delivering innovative new products. How do they do it?

Creating agility of this order means consciously re-architecting your whole business operating system into one that is designed for speed, steering, and opportunity. This new design delivers results, cutting costs and time to market in half, while increasing application quality and customer satisfaction.

Agile methods achieved superior results compared to the least effective traditional methods:<sup>2</sup>

- 29% better cost
- 91% better schedule
- 97% better productivity
- 50% better quality
- 400% better satisfaction
- 470% better ROI

**“Strong IT performance is a competitive advantage. Firms with high-performing IT organizations were twice as likely to exceed their profitability, market share and productivity goals.”<sup>3</sup>**

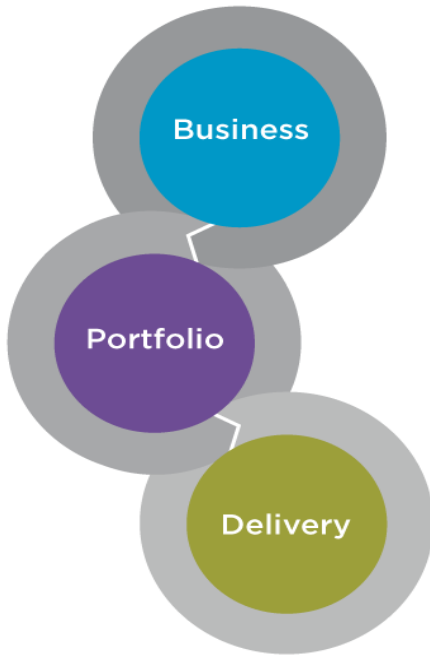
As early as 2007, data clearly demonstrated that business agility represented significant advantages. An MIT Sloan CISR study showed that agile firms grow revenue 37% faster and generate 30% higher profits.<sup>4</sup> So why haven't you seen results like these?

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2. “What is the ROI of Agile vs traditional methods?,” Dr. David F. Rico, PMP, CSM, Notre Dame of Maryland, (2008) <http://www.davidfrico.com/rico08b.pdf>

3. “2014 State of DevOps Survey and Report,” <https://puppetlabs.com/2014-devops-report>

4. “IT Portfolio Management and IT Savvy- Rethinking IT Investments as a Portfolio,” MIT Sloan School of Management, Center for Information Systems Research, Summer Session, Peter Weill, June 14, 2007.



To increase business agility, you need to examine and improve three layers within your business system:

■ **Business agility**

–Business agility depends on sensing opportunities and on the organizational health and structural flexibility to seize these opportunities and to deliver on them rapidly.

■ **Portfolio agility**

–Portfolio agility creates the critical bridge between strategy and execution. It allows you to optimize for the highest-value initiatives, to incrementally adjust funding, and to reduce the amount of time spent doing upfront analysis and estimates.

■ **Delivery agility**

–Delivery group execution is the foundation of business agility. It does not matter how good your strategy is if you cannot execute on it; and too many CEOs report that their businesses cannot deliver on strategy.<sup>5</sup> You need speed, quality, and frequent delivery that incorporates customer and stakeholder feedback cycles.

Critical learnings in the past several decades from lean and agile are key to achieving agility at each of these levels.

## What Is Keeping You From Business Agility?

It is hard to successfully respond to new opportunities proposed by the business when you are not delivering on the current strategy.

Your technology organization is not executing on time or on budget because it is overwhelmed by changing priorities and too many requests for the same resources. You are spending a good chunk of time maintaining legacy code to keep systems up and running. Good people are leaving the company because they would rather innovate and work on new technologies than legacy code. And five years would not be nearly enough time to deliver on the backlog of customer requests. In fact, you probably do not have visibility into just how many requests there are.

Compliance and audit mandates are a major concern and drive your aversion to risk. Before you can make any investment, you have to endure the delays created by lengthy planning and budgeting processes. Factors like these keep your organization on its current, cautious path, away from remaining competitive and delivering customer value.

The end result? You cannot respond effectively.

You are what is keeping you from business agility; you are also an executive sponsor and the leader who is key to achieving it.

You will need to find the courage to create that change, to start building trust and agility throughout your organization. And sustaining this change means adopting a different mindset, one based on lean thinking, far different from the siloed, political, command-and-control, lengthy stage-gate world you live in.

5. MIT Sloan, “A recent survey of more than 400 global CEOs revealed that the ability to execute strategy was their number one challenge, ahead of innovation, geopolitical instability, and top-line growth.” <http://executive.mit.edu/openenrollment/program/closing-the-gap-between-strategy-and-execution/#.Va01HE3JBmM>

## Lean Thinking

- Engage in high-trust leadership, teams, and relationships with customers.
- Follow the work, not the workers, and make all work visible.
- Inspect and adapt continuously.
- Limit WiP. Do not ask for more, ask for less; this especially will feel counterintuitive at first.
- Collaborate and commit through trust and transparency.
- Expect roughly-right planning on a continuous cadence.
- See the team as the resource unit.
- Match supply to demand.
- Tolerate incomplete data.
- Balance execution and exploration.

These are the mindset shifts you need to make to achieve true business agility, creating and sustaining the organizational health that helps you embrace change as part of everyday business. But you do not change your mindset just by deciding to. You get there through intentional organizational, process, and leadership shifts that continuously reinforce the new way of thinking. You get there in five clear steps.

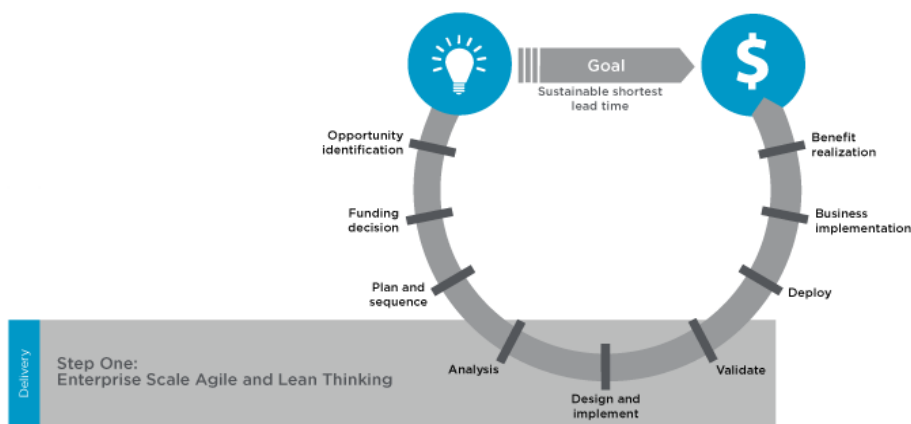
## Five Steps to Business Agility

No matter where you are on your agility journey, you can transform into a customer-centric, even customer-obsessed organization that produces inspired, sustained innovation and value.

**Delivery Agility: Deliver value faster. Start by building a strong yet nimble core of delivery. Again, it does not matter how good your strategy is if you cannot execute on it.**

### STEP 1: Enterprise Scale Agile and Lean Thinking

This first step is all about executing and delivering rapidly on your strategy. Get your software and IT teams finishing their applications, with quality, as quickly as possible. Here is how: Adopt an enterprise scale agile framework so that you can benefit from what hundreds of organizations have learned about delivering rapidly with agile delivery groups. Build stable agile teams and delivery groups, and get people thinking about delivering to shared outcomes. Hold your first big room agile release planning sessions (learn by doing) to begin your new, regular practices of high-trust mindset and raising and mitigating risks together. Repeatedly encourage people to limit WiP at all levels.



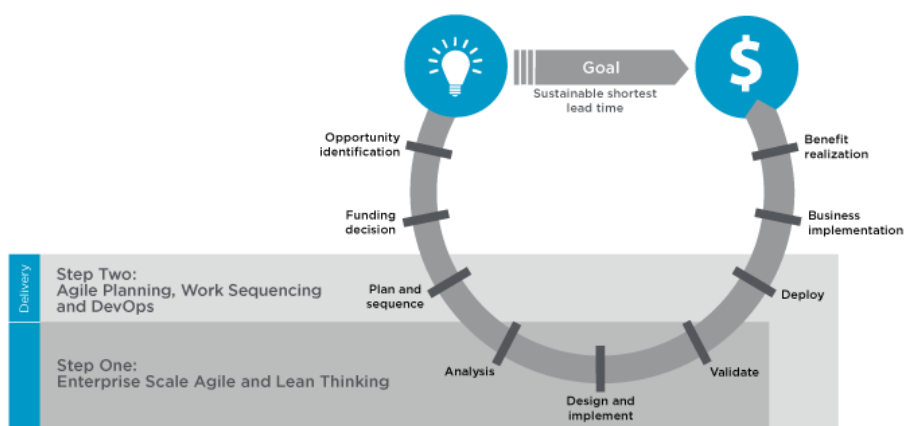
Measure three types of success metrics: adoption metrics, operational metrics, and impact metrics. You need your adoption metrics to be very focused on value streams and percent of investment, plus behavioral metrics on the specifics of what teams are doing. Note that measuring adoption should disappear in time. As part of this, make sure to evaluate employee engagement.

Provide collaboration software that encourages full-value-stream thinking. And use agile management software that gives all teams visibility into all WiP, not just theirs, everyone's. Include relentless improvement practices in every team's charter.

## STEP 2: Agile Planning, Work Sequencing and DevOps

Choose the most valuable, smallest pieces of work to deliver rapidly to your customers. Think carefully about planning the sequence of work and deploying that work more consistently. Demonstrate limiting WiP across development and operations teams. Account and buffer for unplanned work. Provide software support to show the flow of work from decisions about application/product and decisions about architecture all the way through to deployment in production. You also want to provide software support for various feature-toggled stages in production, and planned as well as unplanned work for all teams. Include operations, architecture, security, compliance and analytics team members in your delivery groups and in your big room agile release planning sessions. Give all of these teams visibility into each other's WiP, as well as to feedback from each stakeholder and customer session.

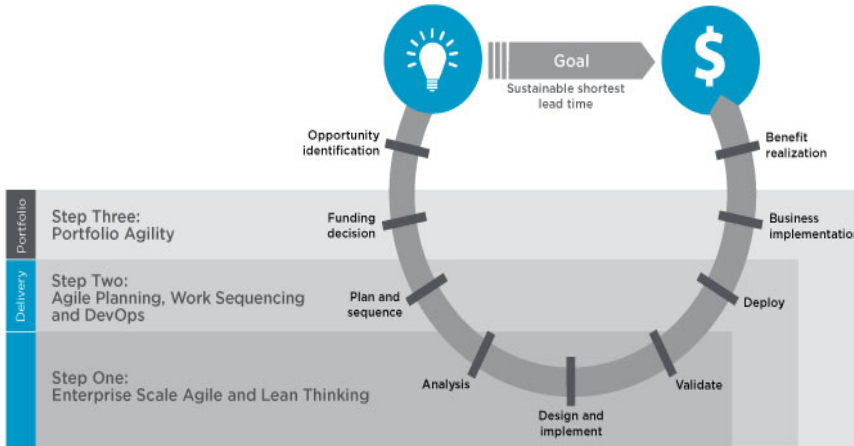
Measure the Net Promoter Score and the number of releases delivered to customers each year.



**Portfolio Agility: Optimize for business value. Connect strategy to execution.**

## STEP 3: Agile Portfolio Management

Within a value stream, consider the end-to-end cycle: from the moment you think about doing something; to the decision to proceed; to funding and allocating the right teams; to moving it through the development organization, deploying it to customers and implementing it throughout the business. Respect and leverage the very tight connection between the implementation organization and the business need. Encourage the flow of incomplete data and roughly-right plans to stable delivery groups. Eliminate the expectation of exact requirements combined with a set budget to deliver the whole set of exact requirements, and individual resources time-sliced among multiple projects.



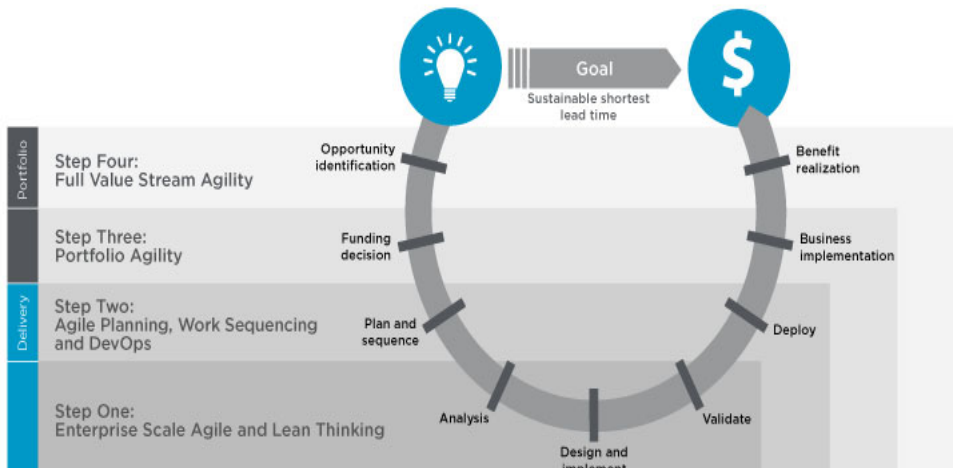
Support portfolio agility with software that allows you to look at potential allocations of work to stable teams based on real capacity and expertise. Compare options in order to spot the ones that deliver the most customer value to market most quickly.

Initially, consider measuring the ratio of funding decisions based on market and customer value outcomes compared to those based on traditional and specific requirements and plans.

## STEP 4: Full Value-Stream Agility

Dynamically and intentionally change or amplify the opportunities you are invested in, quarter after quarter, through big room quarterly steering and release planning and a strategy deployment process. On the other end, make sure you are getting the full value out of what you have delivered, that you are giving the business and your customers what they want, when and where they want it.

Optimize what you build for the greatest impact. Support this step by emphasizing the mindsets and skills of disciplined opportunity exploration (using methods such as Enterprise Lean Startup<sup>6</sup>) and by limiting organizational WiP. Provide supporting software that clearly shows organizational initiatives for the quarter and tie each of them to every person's daily work to make all of the organization's work visible. Additionally, choose software that connects initiatives to enterprise funding sources, incorporates agile costs into financial governance, and handles agile capitalization.



Optimize for Sustainable Shortest Lead Time (SSLT) - the time from when you first identify an opportunity to when you start realizing benefits.

6. Nies, Zach et al. (2014) The Enterprise Lean Startup Approach, Rally, 2014 <https://www.rallydev.com/toolkits/enterprise-lean-startup>

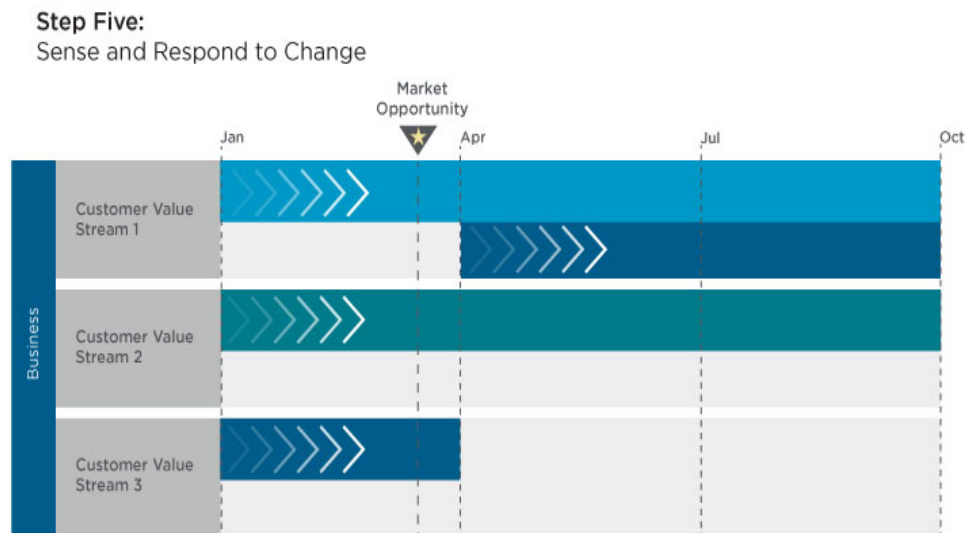
**Business Agility: Seize market opportunity. Sense and respond to change, quickly and confidently, and as a matter of everyday business.**

## STEP 5: Sense and Respond Clearly

Articulate shared outcomes, demonstrate high-trust leadership and adopt a lean-thinking mindset throughout your business. Cultivate organizational health by clearly expressing these same goals, establishing trust-based teams through regular and clear communication, and by collaborating across value streams as well as and up and down flatter management stacks. Create what will feel like threatening levels of transparency and delegated decision making, all the way down. Establish structural flexibility with adaptable funding models and understand how to flow work and how to flex your business shape on demand, including governance, auditing, and even key suppliers.

Sense new opportunities in the digital age by expecting innovation to come from everyone. Give every single employee a charter of disciplined exploration. Support this step with software that provides visibility into how you vet opportunities at each horizon, showing horizon-based metrics and continuation criteria. Additionally, choose software that supports organizational health by making business purpose, strategy and initiatives clearly, easily, and regularly visible to all. Use financial management software that allows you to visualize structural flexibility: how your investments are represented in work flowing across organizations and value streams.

Measure market share leadership.



No matter which step you are taking, set the stage for a successful transformation and change that sticks. Eighty-five percent of major change efforts fail to reach their desired goal, their stated potential.<sup>7</sup> But there are proven patterns to create sustaining change. Start with a compelling *why*, an empowered and enabled transformation team, and expect to learn more about the *how* as you go. Commit to the right first step and act on it immediately but in bite-sized chunks. Regularly inspect and adapt.

You have just read all this and we know what you are thinking: This is a huge organizational change. It will be messy. But by using a lean-thinking mindset and following the five steps, you can make incremental progress toward greater business agility and start achieving real business outcomes: delivering more customer value, faster.

7. "Managing Change: The Quadrants of Change," A. Felix-Reese, Inside Counts, 2008 (original theory: Ken Wilber)

## The Cost of Delay

What is the risk of waiting? Even a small increase in agility will net big improvements. Calculate these real-dollar benefits:

- 10% cost savings in the next year
- 10% better quality, 10% fewer customer-impacting incidents
- 10% better visibility into risks and compliance gaps
- 10% more engaged employees, 10% less churn
- 10% more innovation budget to explore new market opportunities
- 10% improvement in time to revenue
- 10% more predictability for the entire organization
- 10% faster response time to emerging business needs

Just think of the impact on your business if you got closer to a 50% increase in major release frequency, like Physicians Mutual.<sup>8</sup> Accelerated turnaround on IT projects by 30%–50%, like Tata Communications.<sup>9</sup> Improved project lead times by 60%, like Philips.<sup>10</sup> Reduced user-reported defects by 85%, like QSR International.<sup>11</sup>

So, what is your true cost of delay?

**Josh Linkner, author of *Road to Reinvention*, speaking at RallyON!™ 2015, said it best. “Someone or something is going to disrupt your business. It might as well be you.”**

**“Every industry is subject to disruption. Only a truly agile business is equipped to respond.”<sup>12</sup>**

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8. Physicians Mutual Case Study, Rally, 2015 <https://www.rallydev.com/resource/case-study-physicians-mutual-goes-big-agile-transformation>

9. Tata Communications Case Study, Rally, 2014 <https://www.rallydev.com/resource/tata-communications-case-study>

10. Rally Customer Perspective: Q/A with Edgar van Zoelen, Rally, 2015 <https://www.rallydev.com/blog/agile/rally-customer-perspective-qa-edgar-van-zoelen-philips>

11. QSR International Case Study, Rally, 2015 <https://www.rallydev.com/resource/qsr-international-case-study>

12. Forrester Research, Inc., January 2014, “Forrester Perspective: Measure And Improve Your Business Agility”



## Get Started

Making the move toward greater business agility is difficult. But by embracing lean thinking and accomplishing the distinct, high-impact activities we have outlined at each of the five steps, you will deliver results. Keep in mind that trying to build agility at steps that you are not yet ready for (before achieving agility at earlier levels) can destroy the organizational health of your business.

Avoid the costs of delay. Contact your Broadcom account representative to schedule an agility assessment and leadership consultation in the next 30 days.

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