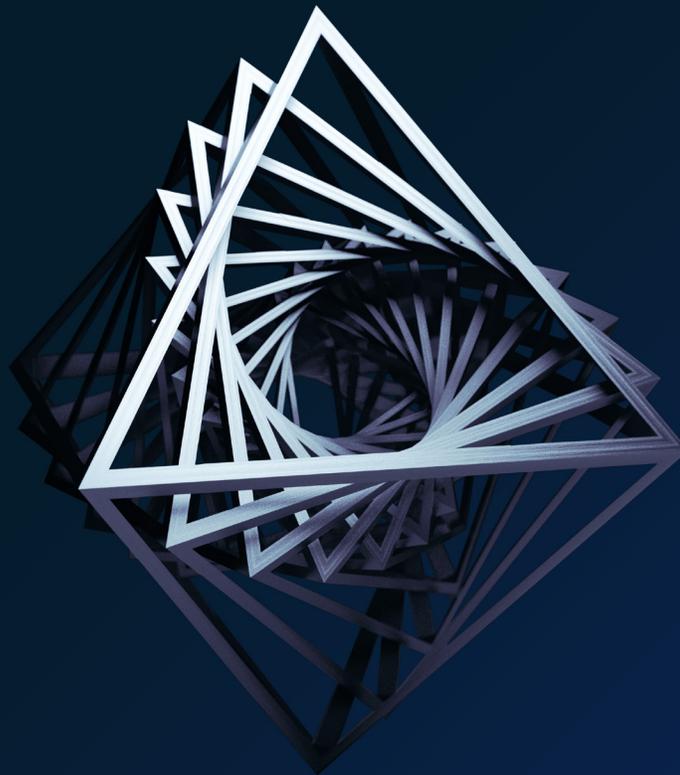


Organization Practice

Agility in the time of COVID-19: Changing your operating model in an age of turbulence

Can organizations be transformed while employees are working remotely? Four real-life stories suggest that they can.

by Quentin Jadoul, André Nascimento, Olli Salo, and Renato Willi



Before the coming of COVID-19, business and technological forces already required organizations to manage change and make decisions more quickly than ever before. The pandemic has vastly intensified those needs. Never have companies of all sizes felt so much pressure to make their business models fit changing requirements. And the need for speed won't be temporary—digitization, globalization, automation, analytics, and the other forces of change will go on accelerating too. It's been said that "The pace of change has never been this fast, yet it will never be this slow again." That quip dates from 2018 but is even more apt now.¹

To survive and thrive in this more volatile, uncertain, complex, and ambiguous world, leading companies are reaping significant benefits by embracing agility at scale.² Enterprise agility reimagines an organization as a collection of high-performing teams, each with a clear purpose and the skills it needs. In the early days of agility, these teams—often called squads, combining developers, testers, data analysts, customer-journey specialists, and user-interface designers—played their biggest roles in the digital corners of companies. But similar models have now been launched across the whole spectrum of business and technology. Retailers use squads built around specific product categories (for example, fresh food) to drive volume and margin. Telecom providers ask squads to simplify products. Mining companies make their operations safer and more efficient by empowering squads across operations, maintenance, and engineering. These are just three of countless examples. Companies

across industries are moving from efforts to optimize their performance within siloed functions to capturing the value between them.

These teams must all have the same direction, or the organizations that rely on them fall apart. At an enterprise level, the connective tissue—the stable backbone—consists, for example, of a 90-day priority-setting and resourcing cycle,³ a common culture,⁴ "chapters" (that is, groupings of employees with similar functional backgrounds) responsible for consistency, a longer-term vision for specific functional areas, and agile leadership.⁵ When companies (such as ING,⁶ Spark,⁷ and TDC) scale up to hundreds of teams, these enterprise-level elements of unity become extremely important.

Our research shows⁸ that agile companies have outperformed others in adapting to COVID-19. By examining their priorities and using practices such as objectives and key results (OKRs), they have speeded up their work and adapted to new industry landscapes. The weekly and daily rhythm of agile teams has worked well in remote settings. Tools for tracking performance and health give leaders a sense of how well and quickly things are happening and where to pay more attention.

There's no perfect time

Organizations going agile must reimagine themselves around customer journeys, products, and other axes of value creation. Typically, this

¹ From Justin Trudeau's speech at Davos, searchengineland.com.

² Wouter Aghina, Christopher Handscomb, Jesper Ludolph, Daniel Rona, and Dave West, "Enterprise agility: Buzz or business impact," March 2020, McKinsey.com.

³ Quentin Jadoul, Akos Legradi, and Daniel Rona, "Quarterly Business Review: How to extract benefits beyond transparency," October 2020, McKinsey.com.

⁴ Nikola Jurisic, Michael Lurie, Philippine Risch, and Olli Salo, "Doing vs being: Practical lessons on building an agile culture," August 2020, McKinsey.com.

⁵ Aaron De Smet, Michael Lurie, and Andrew St. George, "Leading agile transformation: The new capabilities leaders need to build 21st-century organizations," October 2018, McKinsey.com.

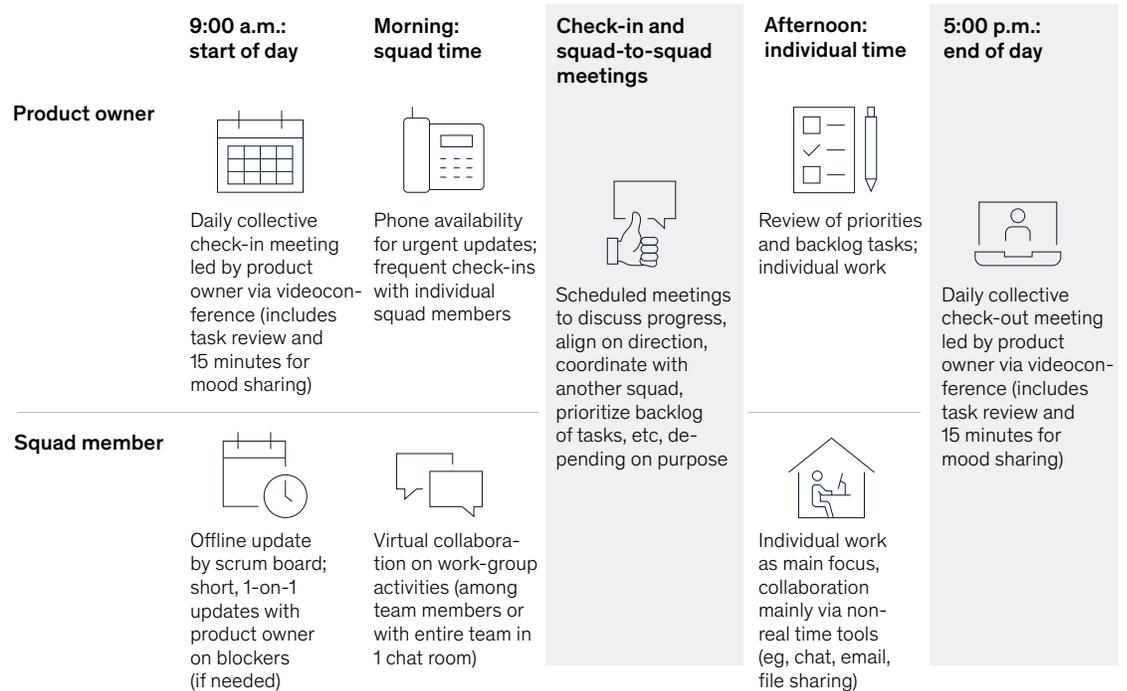
⁶ "ING's agile transformation," January 2017, McKinsey.com.

⁷ Bo Krag Esbensen, Klemens Hjartar, David Pralong, and Olli Salo, "A tale of two agile paths: How a pair of operators set up their organizational transformations," February 2019, McKinsey.com.

⁸ Christopher Handscomb, Deepak Mahadevan, Lars Schor, and Marcus Sieberer, Euvim Naidoo, and Suraj Srinivasan, "An operating model for the next normal: Lessons from agile organizations in the crisis," June 2020, McKinsey.com.

Exhibit

How could a remote workday look in practice?



means transitioning from multilayered functional organizations into simpler forms, often with just three layers, as in the case of Allianz Turkey.⁹ Besides changing the structure, agile organizations must change their processes and people models and, often, decentralize their technology by making business units responsible for it.

These changes across the operating model—structure, process, people, and technology—can seem scary in the middle of a worldwide pandemic. Meanwhile, the pressure on businesses to transform themselves so that they capture the next wave of productivity, speed, customer-engagement, and employee-engagement benefits keeps mounting. Of course, most organizations would prefer to transform themselves under quieter conditions, but many realize that such times may never return. Some leaders also see positive forces at play now, since

the turbulence has made it easier to challenge the status quo and to reinvent the way work is done.

Companies that made it work

For such executives, we have distilled the lessons learned from the experience of four large companies across the globe—teleoperators in Latin America and in Europe, a European insurance company, and a global sports-apparel manufacturer. All four have transformed themselves by adopting agile operating models during the past few months. All had clear plans to do so before the global pandemic but none had prepared for it in advance. Despite the challenges and the temptation to press the pause button, they all decided to move full speed ahead because they realized that the benefits of agility would be more valuable now than ever.

⁹“How Allianz Turkey created an agile organization,” August 2020, McKinsey.com.

An agile accelerator in a Latin American telecom

Before the pandemic, a large telecom company in Latin America had spent months preparing to restructure parts of its operations as an agile accelerator: a 250-person unit comprising 25 cross-functional teams, each with clear business objectives—digital initiatives, customer journeys, and products. COVID-19 struck just as the company was finalizing the design and gearing up for intensive training sessions. The top team quickly realized that it would have to reduce the accelerator’s budget and that more than half of the squads would need to rethink their objectives given the sudden changes in the market. Of course, the lockdown meant that all plans for in-person training and launch events were now utterly useless.

What to do? Stopping the launch would injure the company’s confidence. It would also mean that the existing, relatively slow-moving organization would have to lead the response to COVID-19. The company decided to move ahead with a modified version of the original plan—one that stressed its underlying principles.

1. *Double down on value.* The company designed the new, smaller accelerator by focusing on what really creates value now, as organizations generally do when they restructure themselves along agile lines. Don’t start from existing functional silos or projects; instead, take a hard look at your company’s real strengths— attracting customers, superior category management, great products, and so on—and use them to design your agile units and teams.¹⁰ This exercise helped the company to realize that a handful of squads were essential, but the others were not.
2. *Streamline and virtualize events.* The first big-room planning session was supposed to be the key event in preparing for the launch. In this kind of meeting, teams use directions from

top executives to define OKRs for the quarter and agree on the interdependencies between themselves and the rest of the organization. That makes them more comfortable committing themselves to specific outcomes. In pre-COVID times, this kind of complex event typically involved a one- or two-day in-person meeting in a big open area to facilitate the thousands of necessary discussions.

Such a meeting, of course, was now out of the question, so the organizers quickly virtualized the event by authorizing the creation of multiple parallel videoconference rooms and a “clickable map” allowing people to move between them. To prevent people from getting lost in a digital maze, the executive team appointed agile coaches, who established a master timetable that set out the schedule and, most important, produced tight outcome templates so everyone knew what was expected from each session. After the launch, the agile coaches developed ways to run simplified versions of other key events as well.

3. *(Even more) empowerment to the teams.* When teams work remotely, they must be empowered to make decisions that deliver results quickly and to reduce the feedback loop. Requiring teams to check with the boss can cause days or weeks of delay, since communication takes place less frequently than it does when people work together in the same physical space.

The company learned this truth the hard way. To get hundreds of people to work together in remote big-room sessions, it first centralized the management of dependencies (things that had to happen before other things could). That worked poorly because it not only caused delays but also relied on frequently erroneous second-hand information. What worked better was to give squads more time to manage interdependencies among themselves and to collaborate organically. The center provided

¹⁰Santiago Comella-Dorda, Christopher Handscomb, and Ahmad Zaidi, “Agility to action: Operationalizing a value-driven agile blueprint,” June 2020, McKinsey.com.

visibility (through a shared board) and urgency (through a time line).

Enterprise agility in a European telecom

A telecom company in Europe had achieved good results from a number of agile units for years when it decided to scale up its agile workforce to 4,000 people, from the current 400. The journey began in late 2019, and the plan was slated to go live in April 2020. The company also announced restructuring measures to become more effective by using agile methods and to provide new digital services.

Just days before all nominations to appoint people to new roles and new structures were to be confirmed, COVID-19 hit Europe. The company postponed the launch by one month in the increasingly futile hope that some degree of reopening would be possible, so redundancy discussions could take place face-to-face rather than remotely. It also wanted to run some training and launch events in person, though in smaller settings than the boot camps originally planned for thousands of people at a time.

As COVID-19 kept advancing, the top team realized it would need to do the whole “flip” remotely. This had three key elements:

1. *Emphasize the transition journey.* Working from home can be stressful, and even more so when roles and operating models change. The company devoted special attention to amplified communications; to explicit support from former managers, new leaders, and specialist HR resources; and, overall, to creating a clear, streamlined transition journey. This transition journey consisted of both learning (for example, self-paced learning on a digital platform as well as full-day virtual boot camps) and applying it in practice by together defining the purposes and objectives of the new team. High-quality videos and all-company virtual meetings conveyed

some of the key messages in an effective way and built a sense of community.

2. *Keep your ear on the ground or at least on the speakerphone.* The weeks before and after any launch are critical. Normally, top leaders spend a lot of time walking the floors to get a sense of where things are and aren't working well. In remote settings, they must address this problem through surveys, key events (such as town halls), and efforts to ensure that all senior leaders and agile coaches can share their observations with the top-leadership team.
3. *Build a remote playbook and train people in remote skills.* The company set up tools to help people stay in touch with one another, to track the progress of the transformation, and to monitor outcomes—all remotely. Every event was designed to produce the intended results in remote settings. (This is a relatively straightforward matter on a team level but can get complex when entire units or companies must agree on objectives.) The company paid special attention to helping leaders lead in new ways—not only with the right interactions, but also by collaborating in remote settings and showing the same level of empathy they would in person.

All-in agile at a European insurance company

In 2020, a large European insurance company that had experimented with agile IT and digital teams for years decided to turn the head office into a fully agile operation: products, marketing, data, digital, actuaries, customer journeys, pricing, and so on. In the new organization, people would work in cross-functional teams responsible for the longer-term performance of products and journeys and for quarterly OKRs.

Halfway through the design effort, the company had to switch to fully remote work, so the remaining design sessions were virtual. The company also had to decide how it would start the transition journey

for 1,000 members of agile teams, 20 newly hired and to-be-trained agile coaches, ten “tribe leaders” (unit leaders), 100 product owners, and 100 “chapter leaders” (functional people leaders). It decided to proceed full speed ahead with a remote launch and to create a virtual academy for building capabilities at scale.

1. *Build capabilities through journeys.* Traditional in-person training events tend to be packed into one or two-day boot camps to ensure that companies deliver the key lessons in a cost-effective, timely way. Remote work makes it more sensible to spread the learning over time, in smaller chunks, and to combine learning with real-world applications in all cases. The company spaced the learning effort over the three months preceding the launch. Participants could access curated digital content and attend training sessions covering individual key topics in this virtual format.
2. *Invest in high-quality content and experiences.* In physical settings, the excitement of meeting with a group of eager people inspires participants to learn, and lively group discussions help build the necessary

knowledge. In virtual settings, companies must create the same sense of excitement in other ways: for instance, virtual games played over videoconferences, high-quality training videos, sessions with engaging external speakers, and professional help to ensure that everyone asks the right questions.

3. *Use the transformation to boost engagement.* After working remotely for half a year, many employees started to show signs of disengagement. The agile transformation turned out to be a good way for people to rally around the future operating model, learn new skills, and find a real home with other people who shared a mission and worked together closely. All this helped boost the level of engagement even before the launch.

Frontrunner in a global apparel company

When an iconic sporting-goods and apparel brand decided to embark on a large-scale agile transformation, it launched its first effort, or frontrunner (a unit with ten cross-functional squads) in the logistics and operations function. It aimed to

The agile transformation was a good way for people to rally around a future operating model, learn new skills, and connect with those who shared a mission.

rethink the value chain from the customer backward rather than work through siloed organizations that managed their parts of the supply chain in a far from optimal way. The first teams were onboarding and training when COVID-19 forced the company to rethink the launch. Instead of delaying it, the leadership decided to go forward in the belief that speeding up the pace of change in the supply chain would now be more valuable than ever.

Three months into the effort, this bold choice has already paid off. Sales bounced back rapidly, and engagement among team members is high. Several principles (later applied to other teams) made this success possible:

1. *Establish a clear operating model for teams.* In remote settings, it is especially important to provide every team with clear basics, such as team norms (expected behavior), sprint rhythms (especially the timing of ceremonies), and ways of communicating (tools, how to make decisions, and so forth). Even more important, teams must agree up front what to do when people don't behave according to expectations or things don't go as planned. The teams themselves created these norms—an approach that works better than externally imposed rules do.
2. *Stop starting and start finishing.* To focus on the important things, teams should maintain a sustainable pace, focusing as much as possible on the work immediately at hand. The key step is to visualize the flow of work from the inception of an idea to the moment when a team decides that work on it is done. This approach creates transparency by helping teams act together to solve existing problems before turning to new ones.
3. *Become a true team.* The final and most important element of successful teams is a strong team culture—the glue that makes

everything work together. When a team starts its work, its members should spend time getting to know one another, so that they build personal connections and become more engaged in their daily work. Make time in your virtual meetings for informal conversations that would normally happen in the hallways or by the coffee machine. To ensure that meetings motivate and energize the team, don't forget to bring joy and fun to your daily interactions.

Launching transformations in turbulent times

These four examples around the world show that organizations can change their operating model even when they must work remotely in volatile times—and as we have seen, some argue that volatile times will never depart. Will the sailing be smooth? No, but an agile transformation never is. It's true that companies must now consider more issues about how they will run the transformation, but these problems can be solved or at least ameliorated. Companies considering a large-scale transformation in turbulent times must think about four important issues:

1. *Don't skip the ABCs.* Before diving into the transformation, spend enough time together up front, as a top team, to think about your aspirations, the basics of agile work, and the commitment it requires to succeed. Setting aspirations means being clear about the “why” of agile: what are the targets you want to meet and the value you hope to create? How will you know when you have met your goals? A mastery of agile's basics comes not only from studying them and engaging with experts but also from talking to executives who have gone through these changes and can share their experience. Finally, the top team must commit itself to spending the time and energy needed to drive the transformation—even in tough times and with no excuses.

2. *Start with frontrunners.* Although some organizations have launched radical “big bang” agile transformations, most approach agile in steps or launch limited pilots—for example, in one country. That approach requires a company to choose areas in which it can show real gains and then to quickly launch teams that demonstrate what agile really means. These frontrunners help you build an operating model that works in remote settings.
3. *Drive holistic change, especially its human aspects.* Agile is not about new reporting structures or Post-it notes. Change at the enterprise level—for example, the way your organization does budgeting, manages performance, and runs the tech stack—requires changes across all five “trademarks” of agility: an organization-wide “North Star,” a network of empowered teams, rapid decision and learning cycles, a dynamic people model that ignites passion, and next-generation enabling technology.¹¹
4. *People over process.* Even more important, agile represents a fundamental change in the culture and in expectations. Make sure that your employees’ journey of change is transformative, even life-altering—but not too disruptive. Remote work increases the need to double down on communication, to support human-to-human connections, and to offer practical support to people during the transition.

As you begin to chart your course to agility, the global situation and local or regional conditions will change each and every day. To keep your transformation on track, make sure you have a clear vision of the end goal and of the benefits you seek. Do not approach this as an exercise in remote ways of working. To create a great organization that’s fit for the future, keep your sights higher.

¹¹Wouter Aghina, Karin Ahlback, Aaron De Smet, Gerald Lackey, Michael Lurie, Monica Murarka, and Christopher Handscomb, “The five trademarks of agile organizations,” January 2018, McKinsey.com.

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