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Doing vs being: Practical lessons on building an agile culture

Four global success stories offer insights and lessons learned on achieving organizational agility.

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Around the world, a growing number of organizations are embracing agility to improve delivery, increase speed, and enhance customer and employee experience.[1] Indeed, in the time of COVID-19, many organizations have accelerated their shift to agile. Our recent research found that agile organizations responded faster to the crisis,[2] while those that do not embrace agile working may well forfeit the benefits of speed and resilience needed in the "next normal" after the COVID-19 pandemic.[3]

In essence, agility at an enterprise level means moving strategy, structure, processes, people, and technology toward a new operating model by rebuilding an organization around hundreds of self-steering, high-performing teams supported by a stable backbone.[4] On starting an agile transformation, many organizations emphasize and discuss tribes, squads, chapters, scrums, and DevOps pipelines. Our research shows, however, that the people dimension—culture especially—is the most difficult to get right. In fact, the challenges of culture change are more than twice as common as the average of the other top five challenges (Exhibit 1).

Shifting culture requires dedicated effort. Unfortunately, many organizations on this journey struggle to articulate their aspired agile culture and bring it to life. This article demystifies culture change in an agile world through four practical lessons drawn from real-life success stories from around the world.
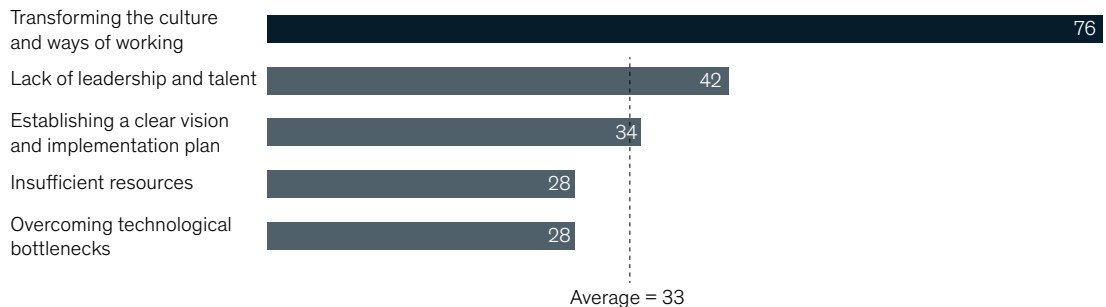
Lesson 1: Define the *from–tos*

Each organization is unique. Accordingly, each needs its unique culture to power the new agile operating model. Organizations building an agile culture should base their approach on aspirational goals. They also need to understand their current culture, including the behavioral pain points that can be used as a starting point to articulate three to five specific mindset and behavior shifts that would make the biggest difference in delivering business results.

At New Zealand–based digital-services and telecommunications company Spark, one of the first steps the leadership team took in its agile transformation was to launch an effort to articulate the cultural *from–tos*. Spark boldly decided to go all in on agile across the entire organization in 2017[5]—

Exhibit 1

More than 70 percent of respondents are transforming to agile; changing the culture is their biggest challenge.

Top five challenges during an enterprise agile transformation, % of respondents (n = 1,411)

Transforming the culture and ways of working	76
Lack of leadership and talent	42
Establishing a clear vision and implementation plan	34
Insufficient resources	28
Overcoming technological bottlenecks	28

Average = 33

[1] "How to create an agile organization," October 2017, McKinsey.com.
[2] Christopher Handscomb, Deepak Mahadevan, Euvin Naidoo, Suraj Srinivasan, and Lars Schor, "An operating model for the next normal: Lessons from agile organizations in the crisis," June 25, 2020, McKinsey.com.
[3] Kevin Sneader and Bob Sternfels, "From surviving to thriving: Reimagining the post-COVID-19 return," May 2020, McKinsey.com.
[4] Wouter 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.
[5] 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.

flipping the whole organization to an agile operating model in less than a year. From the beginning, Spark understood that the change needed to be a "hearts and minds" transformation if it was to successfully enable radical shifts to structure, processes, and technology.

Spark's culture change started with its Sounding Board, a diverse group of 70 volunteers from across the organization. These were opinion leaders—the "water cooler" leaders and Spark's "neural network"— not the usual suspects visible to management. The Sounding Board's role was creating buy-in for and comprehension about the new model and designing enablers (behavioral shifts and new values) to help employees along the agile journey.

An early task for the Sounding Board was to identify the behavioral shifts teams would need to thrive in the new agile operating model. Members used their experiences, inspirational examples from other companies, and Spark's work on culture and talent to define these shifts. And to help inform what changes were necessary, the Sounding Board sought to understand mindsets (those underlying thoughts, feelings, and beliefs that explain why people act the way they do) that were driving behaviors.

The *from–to* aspirations were then shared with different groups, including the top team, and distilled into four key themes. Each theme had to resonate with colleagues across the organization, be both practical and achievable, be specific to the company (that is, not derived from general agile theory). The resulting articulation of *from–to* behaviors allowed Spark to understand and compare its existing cultural reality with the desired end state (Exhibit 2).[6]

Exhibit 2

A clear, purposeful cultural aspiration is the foundation of a successful transformation program.

	From	To
⚠	**Being cautious** • Playing it safe; it's always acceptable to escalate • Believing failure is to be avoided at all costs	**Owning it** • Doing what is right • Feeling safe to have a go and experiment
🔊	**Loudest voices winning** • Only listening to big personalities or leaders • Feeling cautious to speak up	**Valuing every voice** • Actively seeking diverse perspectives • Taking responsibility to speak up
👥	**Managing and directing** • Telling others how to get things done • Relying on rules to organize team work	**Empowering and coaching** • Trusting others to get things done • Using guidelines and questions to help others solve problems
🔍	**My tasks** • Prioritizing own deliverables over broader team needs • Passing to a player, not for a player	**Team success** • Looking to make others shine • Being deliberately open and transparent • Being generous with time for others

[6] In parallel with defining the *from–to* shifts, Spark redefined its values. While the behavior shifts supported the new values, they were intentionally kept conceptually separate. The values define something more enduring and aspirational while the *from–tos* are akin to a targeted "gym program"—something the organization needs to focus on in the next months to become agile, given where the culture is now.

Finally, to set up its *from–tos* as more than words on paper, Spark made culture one of the agile transformation's work streams, sponsored by a top team member and discussed weekly in transformation sessions. The work stream brought culture to life through action. The *from–to* changes were incorporated in all major design choices, events, and capability-building activities. The work stream aligned fully with other culture initiatives that would help to move the needle on cultural change, such as diversity and inclusion.

Melissa Anastasiou, the team member who led the company's culture workstream, observed: "Like many organizations, the company's experience has been that culture change is hard and does not happen overnight. It takes collective and consistent effort, as well as a genuine belief in and understanding of the 'why' at all levels of the organization. Setting a clear and purposeful vision for what great looks like—and ensuring that this vision is authentically bought in from bottom to top that is, from shop floor to C-suite—put us in the best possible position to deliver the change to full business agile."

Lesson 2: Make it personal

This lesson is about making the change personally meaningful to employees. To take change from the organizational to the personal frontier, leaders need to give their people the space and support to define what the agile mindset means to *them*. This will differ between senior leaders, middle managers, and frontline staff, and have different implications for each. Inviting colleagues to share personal experiences and struggles can build transformational momentum and unlock transformational energy.

This was an approach adopted by Roche, a 122-year-old biotechnology company with 94,000 employees in more than 100 countries. In order to build an agile culture, Roche facilitated a deep, personal change process among senior leaders.

More than 1,000 of these leaders were invited to learn a new, more agile approach to leadership through a four-day immersive program that introduced them to the mindsets and capabilities needed to lead an agile organization. The program, called Kinesis, focused on enabling leaders to shift from a limiting, reactive mindset to an enabling, creative one. It also started the journey of learning how to shift from a traditional organization designed for command, control, and value capture to an agile organization designed for innovation, collaboration, and value creation.[7]

Throughout the program, leaders came to recogize the ways in which their individual mindsets, thoughts, and feelings manifested in the design architecture and culture of the organizations they led. This recognition highlights why change programs that start with personal transformation are more successful. Organizations are built and led by their leaders: the way they think, make decisions, and show up shapes every part of the organization. This dynamic is amplified in agile organizations, which have an unusually high degree of openness and transparency.[8]

The Kinesis program focused on leading through example. Roche's head of talent innovation (the primary architect of the initiative) heard dozens of stories of leaders coming back from Kinesis and showing up differently. Beyond its learning programs, Kinesis also helped make the change personal by catalyzing large-scale experimentation in organization and business models. Within six months of the senior leader programs, many participants had launched agile experiments with their own leadership teams, departments, and several in their organizational units—engaging thousands of people in cocreating innovative ways to embed agility within the organization.

A core tenet of Kinesis was invitation, not expectation. Leaders were invited to apply lessons learned back to their own organizations. With the new mindset and the invitation, most participants

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[7] See "How a healthcare company is pursuing agile transformation," January 2019, McKinsey.com.
[8] See "Agile: The new active ingredient in pharma development," June 2019, McKinsey.com.

did. Compared with the initial expectations of 5 to 10 percent of participants running a follow-up session with their teams, 95 percent chose to do so.[9] Today, agility has been embraced and widely deployed with Roche in many forms and across many of its organizations, engaging tens of thousands of people in applying agile mindsets and ways of working.

Lesson 3: Culturally engineer the architecture

Even the best-designed culture programs can fail if the surrounding context does not support—or worse, hinders—new mindsets and behaviors. To sustain a new culture, the structures, processes, and technology must be redesigned to support behavioral expectations. To be successful, the desired culture change needs to be hardwired into all elements of the business-as-usual organization as well as the transformation.

Magyar Telekom of Hungary (a Deutsche Telekom subsidiary), invested to embed and ingrain agile mindsets and behaviors throughout the agile transformation it started in 2018. As with Spark and Roche, Magyar Telekom began with the foundational lesson of defining its *from–to*. The telco started with three core values that, as the transformation matured, eventually evolved into seven values and were translated into slogans for more effective communication[10]:

— *Focus,* becoming more focused by critically assessing the current tasks and saying no to things that are not worth the required effort

— *Ownership,* encouraging ownership by nudging employees to think of their tasks as if being performed for their own company

— *Retrospection,* emphasizing the need to review and assess, celebrating successes and learning from failures

To ensure formal mechanisms supported this agile mindset shift, Magyar Telekom used structural changes on an individual and organizational level, aligning the people, customer, and business processes as well as the physical and digital working environments to an agile culture.

Magyar Telekom's people processes, for example, practically reflected four principles:

— All messages employees receive from the company are consistent with its cultural values

— The cultural values and themes of focus, ownership, and retrospection are embedded in all HR and people processes

— The employer brand, recruitment process, and onboarding journey ensure every new employee understands the agile culture's cornerstones

— Criteria for career progression define and support agile mindsets and behavior shifts

Magyar Telekom's business processes were also hardwired to support its culture values. One of several examples used to support the focus and retrospective themes was the quarterly business review (QBR), a common element of agile operating models for business planning and resource allocation. QBRs typically involve stakeholders from major areas of the organization to set priorities and manage organizational demand and dependencies.

To further emphasize focus, the telco committed to implementing and scaling the QBR in the whole organization, including nontribe areas such as customer care or field execution. This formal mechanism had strong cultural implications. First, it signaled that the organization was committed to its cultural theme of focus. Second, the company-wide QBR aligned the whole organization around clear priorities, helping employees focus only on activities that create value while explicitly recognizing and deprioritizing activities that do not.

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[9]Larry Emond, "How Roche Helps Leaders Achieve the Power of an Agile Mindset," Gallup, April 29, 2019, gallup.com.
[10]For example, "ownership" became "we deliver what we commit to."

Third, the QBR cycle also included retrospectives to understand and learn from previous successes and failures in a formal, structured, and highly visible process.

Another powerful way to ingrain culture is to change the physical and digital environments. Floors and walls can, quite literally, create either collaboration or barriers between teams. Magyar Telekom altered its floor plans to create spaces for individual squads, as well as all squads in a tribe, to sit and work together. The new physical environment promoted collaboration and continuous interactions. Team-level tools were introduced—including spaces for squads' ceremonies and writeable walls where teams could visualize priorities, track progress, and engage in real-time creative thinking. Similarly, the digital work environment was updated with agile tools such as Jira issue-tracking and Confluence collaboration software, enabling efficient handling of epics, features and user stories. Within weeks, the Magyar Telekom work spaces turned from stereotypical offices to collaborative incubators of the new agile culture.

Lesson 4: Monitor and learn

Continuous learning and improvement is a core principle of agile working. It applies to agile culture as well. Successful agile transformations have shown the value of monitoring progress, evaluating behavioral change and its impact on performance, and running regular retrospectives to learn from successes and failures. However, measuring behavioral change has traditionally been a challenge.

ING, a well-known leader of agile transformations in banking, innovated here and used multiple approaches to track the impact of its agile transformation on productivity and several dimensions of performance, time to market and volume, and employee engagement. As part of these tracking initiatives, ING also tracked the progress of culture change and its impact on the overall transformation. The bank even teamed

with INSEAD's Maria Guadalupe, a professor of economics, to study and improve the quality of tracking efforts and the resulting insights.

ING's first tracking initiative was a 40-question survey with 1,000 respondents that ran five times between 2015 and 2017. The survey questions, including those related to culture, were linked to the bank's objectives and key results. This correlation between the transformation's soft and hard drivers and its performance metrics allowed ING to see which cultural factors led to results and were critical to the transformation's success. According to Michel Zuidgeest, ING's lead of Global Change Execution, the product-owner roles and their corresponding behaviors, for example, turned out to be one of the most important factors affecting outcomes. Skill sets for product owners, chapter leads, and agile coaches—as well as the way they work together—were not clearly defined at the start of the transformation, and individuals in these roles had to grow the right mindsets and behaviors before team performance improved.

ING's second tracking initiative, started in 2019, combined a 300-person "working floor" survey with senior leadership interviews across 15 countries. Once again, metrics on agile included culture-related questions on whether people on the floor felt more responsibility, whether they could collaborate better, and whether they were more able to learn from others in the company. In parallel, ING used qualitative methods to track the shift toward an agile culture. Updated performance frameworks and dialogues, for example, tracked whether employees were adopting desired behaviors while a continuous listening framework gave an ongoing pulse check of how people were doing.

ING used the data from its tracking initiatives to produce practical learning. Survey and interview results were used in QBRs, leadership dialogues, and improvement cycles. Outcomes were shared with tribes, the central works council, advisory groups, and others, and used in performance dialogues. ING also shared its findings with

universities, sharpening both the company's tracking efforts and university research. The value of tracking became very clear. ING managed to measure culture progress, establish the correlation between culture and performance, and use culture data to bring its agile operating model to life.

ING's tracking initiatives produced insights on agile maturity, performance, and culture. Payam Djavdan, ING's global head for One Agile Way of Working, explains that as the agile culture metrics improved—specifically the sense of belonging, motivation, purpose, and empowerment—employee engagement consistently increased. Similarly, several dimensions of team performance improved as the culture of credibility and clarity took hold while greater autonomy, a core principle of agile culture, allowed teams to take on their own challenges. In parallel, performance dialogues revealed that trust in tribe leads was a defining factor in employees' engagement and their ability to share the tribe's purpose.

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Culture counts in all organizational transformations; it becomes critical in agile transformations. Organizations can do agile by changing their structure, processes, and technology. But they cannot be agile without changing the way people work and interact daily. Enabling a successful, agile transformation requires a fundamental shift in culture. Lessons from organizations that have successfully made this shift can give others a head start on their own transformation journeys.