

# What it takes to build an environment for agility

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Building anything today — from a soda bottle to a digital transformation — starts with making a model. Alan Trefler, founder of Pegasystems, explains what changes are needed to do it well.

**The buzz words of contemporary business** sometimes seem to demand that managers discard everything they know and start from scratch. Not so, says Alan Trefler, founder of software company Pegasystems. In this wide-ranging discussion with McKinsey's Barr Seitz, Alan explains what he sees as most important in executing a successful transformation: thinking "end to end"; realizing that change is a continuing process; and providing a "modeling environment" that makes it easier for the business side to work with IT to drive change and mitigate risk.

## Thinking differently about transforming the business

One of the principles we think is most critical in transforming a business is the concept of end to end. You can't start something on the front end but drop it in the middle. You need to think about how you're going to tie together the execution of the transformation with the customer experience.

The other way you need to go end to end is across the different channels so that something can start in one channel and be completed in another. Companies will fail in their transformations when their plans don't anticipate multichannel capabilities for any of their processes.

## Making change a core competency

Everybody talks about agility these days and they're all trying to achieve it. But some of it feels a little desperate, in my opinion. Lots of companies are opening up offices in Silicon Valley because they took a look at what some of the business leaders were doing and said, "Boy, you know, we need to tap into that."

But the reality is, if they can't bring that capability into the core way that they think about customer engagement, then those offices and that effort are, frankly, not going to work out. To make change a core competency, you first need to realize that change is not a one-time thing but is something that will have to continue. Great leaders say, "We don't expect that we're going to change and be done."

Part of creating this kind of culture is understanding that change is not something delivered to you by a bunch of IT people. Change is something that really needs to be owned by the whole organization. And the business people need to be able to get their hands dirty, actually, and drive the change.

### Building a learning culture

You need to get people who are committed to change and are prepared to rethink what they are doing. Then you need to put them into an environment where they can quickly model what they want to achieve and test those models in real-life situations—not write specs that go off to India to be coded and then appear late. This culture of change is less worried about specs and more worried about continuous improvement, rapid cycle times, and real-life experience.

### Creating a 'modeling environment' for business people

If somebody is building pretty much anything today—a new soda bottle or a piece for a car—folks start by modeling it in a CAD-CAM<sup>1</sup> system to define the shape and the structure. You can turn somebody who's not a scientist loose on one of those models and the computer software will make sure that whatever it is they model can really be produced. Now, with 3-D printing, you can go from idea to the creation of a model to the specialization of that model to actually building it.

How does that compare to computer software? We still have people writing this stuff by hand, debating whether one computer language is better than another. We think this needs to be turned completely inside out. You need a modeling environment that's designed for business people to participate in, that can protect them from mistakes, that creates a sandbox in which they can work with more technical people but feel like they're actually in control of many of the key elements that they care about. That's how we see organizations building the technology base for agility into how they work.

<sup>1</sup> Computer-aided design and computer-aided manufacturing.

## Building on strengths for a successful transformation

The notion that during a transformation you have to put your business at risk or throw away what you're doing to renew your business may be true in some cases. On the other hand, those are the sorts of projects that we see disastrously fail. In the vast majority of cases, businesses should take the things they do well and find out how to build on them. We believe in this concept called wrap and renew, in which you take certain parts of your infrastructure as given and build aggressively on top of that, based on the desired customer experience.

The way you evaluate your strengths has got to be a combination of empirical analysis based on observation of the customer base and a rigorous look at the competition. Being able to do that analysis with a high level of objectivity is completely central to doing the proper selection.

## Working with existing tech during a digital transformation

Something that we see commonly in the industry is that an organization will have multiple back-end systems, and they want a coherent, unified way to engage the customer. It will take them years or maybe a decade to fold those back-end systems into their preferred one. What we recommend is you take the system you like the best and model key system elements—customer definitions, account definitions, transaction definitions—around the way that system works. Then you “teach” the other systems how to work with the main one through a model that is smart enough to know how to make the right process or data-transformation adjustments.

Being able to regenerate the code anytime the model changes is what makes a model living and complete. What's interesting is that whereas years ago, model-driven technology really couldn't get you very far, today you can have systems where not a single line of code needs to be handwritten. □

**Alan Treffer** is the founder and CEO of Pegasystems based in Cambridge. This interview was conducted by McKinsey Digital and Marketing & Sales Practices' **Barr Seitz**.