

Telecommunications

A tale of two agile paths: How a pair of operators set up their organizational transformations

Different approaches illustrate the company and market conditions that guide the organization of teams around work, and the rapid benefits that follow

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Although more than 70 percent of companies report that agile transformation is a top priority, we haven't seen the extent of agile adoption among operators that this level of interest would suggest.

50%

Companies that go agile are 50 percent likelier to outperform their competitors financially.

It's puzzling. We know companies that go agile are 50 percent likelier to outperform their competitors financially. We also know that agile directly helps operators win four of their core battles: faster time to market, higher customer satisfaction, significant productivity improvements, and a transformed employee experience that improves talent attraction and retention.

So, what is holding operators back?

We believe part of the answer is a lack of clarity about what "agility" actually means and how it plays out in practice within a specific company. The term is often used to connote a vague notion of being flexible. One executive explained his chronic lateness by saying he was just "being agile with time." Others associate the term with a type of software development or bean-bag chairs and flexible seating arrangements.

None of these definitions is accurate. What, then, is agility?

Think back to a crisis you were involved in or a time of urgent and decisive challenge. Maybe you were responding to an emergency in your community, serving in the military, or facing an impossible deadline at work. You assembled people from different backgrounds who were selected for their complementary skills, operated largely without hierarchy, and focused on a well-defined objective. These extraordinary achievements are often remembered as "peak experiences."

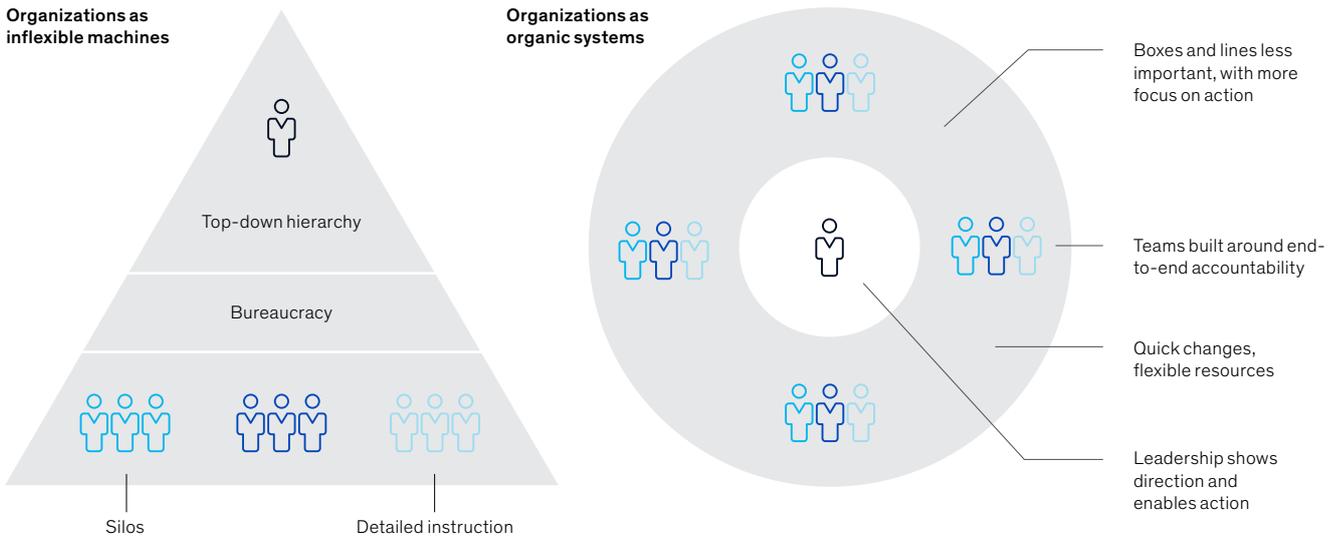
Agile, in a nutshell, is about assembling the elements of that peak experience for every employee, every day, without the need for a crisis. Agility at scale embeds these elements in the very fabric of how things are done by providing the following:

1. A very clear purpose, anchored in positive meaning
2. A sharp definition of what success looks like
3. Teams assembled with the skills required to succeed without reliance on others
4. A cadence that fosters short bursts of tangible output and regular celebration of outcomes

This is the core of agility—building organizations with hundreds of those great teams (Exhibit 1). However, great teams alone would result in chaos and lack of scale. The other critical piece is a strong backbone that supports these teams by providing a common purpose, cohesive culture, functional excellence, and standards, which in turn enable the processes and platforms that hold the company together.

Exhibit 1

Agility is a shift in the model of what an organization is, and how it operates.



- Organizations as "machines" with hard-coded instructions and a rigid blueprint
- Leaders as masterminds who delegate tasks and instructions
- Protecting most people in the organizations from stressors and complexity
- Optimizing for set outcomes and plans

- Organizations as organic systems, in which people collaborate quickly and effectively around tasks and projects
- Leaders as catalysts who show direction and set up the system for people to do their jobs effectively
- Exposing all employees to a certain amount of uncertainty and stressors to help them grow and stay flexible
- Optimizing exposure to unexpected events

Two approaches to agile

In our work with multiple operators around the globe, we have seen two successful approaches to agile emerge: agile accelerators and enterprise-wide agile (Exhibit 2). We'll use examples of agile in action at two different operators—Denmark's TDC and New Zealand's Spark—to demonstrate two emerging success patterns for how to organize teams around work. Both operators have reaped significant benefits through their transformation, including the four key benefits mentioned above, and attracted global attention in doing so. Telco executives from all over the world now visit both companies to learn how they changed long-held practices in favor of customer and operational excellence.

The choice between the two approaches to agile is driven by how agility can best unlock value in a particular company, the maturity of the organization, and the top management team's convictions about starting small versus undertaking quick and comprehensive change. Common to both is the necessity for a company to be "all in" about agility—only the scope of initial change is different.

Next, we'll see how these two approaches played out at the geographical antipodes, TDC and Spark.



Exhibit 2

Two approaches to going agile have emerged.

	What it is	The company profile	The approach	Telco example
Agile accelerators	Establishes a number of agile units (tribes) to achieve immediate business benefit (eg, in digital).	A need for rapid impact	Improve customer experience across core journeys	TDC
		Units that can be taken agile quickly, are taken agile (most have)	Reduce channel costs and go digital	
		Appetite to test the waters and learn what a wider agile transition requires	Innovate core products	
Enterprise-wide agile	Rebuilds the full organization around a radically delayed agile operating model.	Sound underlying performance and operational discipline	Accelerate end-to-end product and customer-journey development	Spark
		Strong core technology	Increase employee engagement	
		Good adaptability and full top-team commitment to rapid and deep change	Boost productivity across the business	

TDC: ‘Digital first’ first

About TDC

TDC is Denmark’s incumbent telco, serving both B2B and B2C customers

1990

Founded in Copenhagen

~8000

employees

~€2.8

billion annual revenue (2017)

The summer of 2016 was challenging for TDC, the leading Danish telco (see sidebar “About TDC”). The recent merger of its two main consumer brands had consolidated its B2C strategy and the newly appointed head of its B2C unit, Jaap Postma, had a long list of improvements to make in the new organization. TDC’s digital capabilities were at the top of it—market research and Postma’s own observations strongly suggested that the company was not meeting consumers’ rising expectations of online service.

Having witnessed the power of digital in his previous positions, Postma set it as a top priority and tasked Rune Keldsen, one of his trusted leaders with broad, relevant experience, to get this right. Postma and Keldsen quickly concluded that doing things the old way would not produce results fast enough. TDC had invested significant funds in digital for years, but these efforts always tended to take longer than anticipated, and by the time they were ready to hit the market, consumer needs had often shifted already.

To speed things up, TDC decided to inject agility into its digital transformation. It first launched one, then 12 cross-functional agile teams (or squads) consisting of product owners, commercial specialists, frontline experts, customer-experience designers, architects, and developers—all the competencies required to design, build, test, and improve digital customer journeys at speed. Each squad was brought under the organizational

construct of a “digital tribe” led by Keldsen. The squads were given end-to-end accountability to do whatever it took to create seamless and engaging customer journeys in online sales and service, while gradually establishing a flexible IT architecture.

Postma and Keldsen knew that to succeed with the digital transformation of TDC, they needed to establish a new culture and attract top talent. A casual walk-through of their Digital Warehouse shows they achieved this. At the facility, which is a rebuilt warehouse next to TDC headquarters, there is no more talking about business and IT, no more “facilitating” middle managers, and no more long steering-committee meetings. In their place are just cross-functional squads empowered to make change.

Eighteen months later, TDC sees the benefits of the new way of working. Its customer onboarding journey, for example, had been one of the main headaches for customers and a key reason for low satisfaction ratings. Post-transformation, TDC’s onboarding experience is now endorsed with five stars by 80 percent of customers. Call volume, one of the large cost drivers for TDC, is down by more than 40 percent now that customers can easily manage their interactions and solve their problems online.

Online sales provide another striking example. Six months before the transformation began, TDC formed a traditional project team tasked with designing and implementing a new digital sales journey for the main products. But with team members located in disparate parts of the organization and working in a traditional waterfall approach, the project team hadn't managed to release **anything** by the time it was rolled into the digital tribe. Once they were co-located and equipped with agile techniques like minimum-viable-product thinking, the group had not only built a new sales journey but already generated its first online sales within a few weeks. The first minimum viable product was limited in scope, yet generated

momentum, secured sponsorship, and bought the team time to deal with the technical complexity of an automated solution that came a few months later. Conversion rates soared. The agile approach had worked.

After the groundbreaking success of the digital tribe in B2C, TDC immediately launched a similar digital tribe in B2B. This tribe is reinventing the sales and service experience for business customers and launching solutions that have not yet been seen elsewhere in the B2B space. Over the last six months TDC has continued to scale its new agile ways of working with three new tribes around digital marketing and product development (a TV tribe and a cloud tribe), all of which kicked off with success.



Spark New Zealand: 'Be agile to go agile'

About Spark

Spark is New Zealand's incumbent telco, serving consumers, businesses, and enterprise customers

1987

Founded in Auckland

~5500

employees

~€2.0

billion annual revenue (2017)

Spark, New Zealand's incumbent operator, had been on a transformation journey since 2012, following the carving out of its fixed-access network to a separately listed new entity (see sidebar "About Spark"). Having completed a successful turnaround, rebranding, and IT reengineering, Spark was in good shape and shareholders enjoyed one of the sector's best total returns.

But the executive team was setting its sights higher. In their view, the game was no longer about outperforming other operators, but being match-fit for a market increasingly made of disruptive digital-native companies such as Amazon, Netflix, and Spotify. Competing or partnering with these companies requires a step-change in mind-set, speed of execution, and time to market, which the old functional organization model struggles to provide.

Armed with renewed urgency, Spark's top team and board of directors visited more than a dozen companies around the world to understand how agile worked for them and what it could do for Spark. They visited both born-agile companies and companies in different stages of their agile journey. These included, among others, TDC and ING in the Netherlands.

Spark leaders returned home with a simple conclusion: when it comes to agility, they needed to jump in boots and all, and trust the agile process

to get them through—"be agile to go agile." They wanted to avoid a prolonged period in which part of the company had adopted agile ways of working and the rest was still operating in a traditional hierarchy. Companies that fully embraced agility across the organization were thriving. Those that just did it half-way often faced some difficulties. Spark likened this to a person on a dock standing with one foot on the ground and one foot on a boat.

Managing Director Simon Moutter and Group HR Director Joe McCollum called for a three-day off-site in October 2017 for the leadership team to decide if Spark would be in or out. The collective team pledged to adopt agile throughout the entire business, fast and at scale.

The team laid out an ambitious timeline to keep the transition phase to a minimum. In November 2017 Spark launched a company-wide communication about the upcoming journey and appointed leads to the first three tribes it launched as frontrunners: broadband, managed data, and digital experience. Over the following months, the leads of these three tribes built their own organization of about ten cross-functional teams each. In parallel, the rest of the organization prepared the changes needed to tip the whole company into an agile setup by mid-2018.

The new 90-day governance cycle—the quarterly business review—allows for more effective and regular steering, higher transparency, and faster decision making across the whole business.

Along the way, Spark dedicated significant effort to change management and capability building. During the first half of 2018, well before any structural change occurred, hundreds of people engaged in defining and then putting into action a new purpose for the company: “Helping all of New Zealand win big in a Digital World.” This new purpose brought about an adjustment in the company’s values, target behaviors, and capabilities. They also emphasized diversity and inclusion so employees felt comfortable bringing their whole selves to work and working together, to ensure high performance in teams.

Operating in a small, remote market where talent with agile experience was hard to find, Spark selected 40 high-performing employees and trained them as agile coaches in a newly created academy. It also had all employees go through a two-day boot camp designed to build great teams familiar with the basics of agile.

In July 2018, Spark did a “big bang” launch of 18 tribes and moved approximately 40 percent of its employees into cross-functional teams comprised of IT, networks, products, marketing, and digital people. The agile transformation for the rest of the business—channels, corporate support functions, and other units—began immediately after.

Spark’s agile model was built based on a view of where and how value is created in each part of the business. Given the

nature of New Zealand’s telco sector, Spark decided to place significant focus on “product tribes.” These tribes own the customer journey, product management, and related systems for specific products like mobile or IT services, to allow full differentiation and rapid improvement. “Segment tribes” take care of attracting new customers and growing existing ones. Finally, “enabling tribes” provide services and capabilities for other tribes. Channels (such as retail, billing operations, and B2B sales and service) and support functions (such as HR and finance), use a mix of squads, self-managing teams, and other team configurations suited for the nature of the work.

Contrary to what the Spark leadership had been braced to expect from overseas companies that had made the leap to agile, Spark’s operating metrics remained rock solid during the transition. Now positive results are flowing in. The new work model with just three “layers” of hierarchy has allowed efficiency through greater focus on productive work. The new 90-day governance cycle—the quarterly business review—allows for more effective and regular steering, higher transparency, and faster decision making across the whole business. Employees are thrilled to work in a setting where they can have direct customer impact, and customers, especially in the B2B space, are starting to notice the difference. In the words of many employees, Spark would “not go back for anything in the world.”

Agile implications: ‘Open heart surgery while running a marathon’

Each of the operating-model transformations TDC and Spark undertook demonstrates a certain boldness. It’s been described as “open-heart surgery while running a marathon”—being prepared to dramatically change a company’s core operating model without missing a beat in performance.

Surgeons inform patients of the risks of an operation before performing it, and we want to conclude this article by doing something similar, so you are aware of the implications of embracing agility.

- **The impact on your people is profound.** An agile structure is built around teams of doers with little management overhead. Spark asked about 200 of its top managers to become agile team members, openly acknowledging that agile isn’t for everyone. Some chose to leave instead. Also, you need to invest in new skills, such as agile coaching, that previously didn’t exist at scale
- **You must overhaul your core finance and governance processes.** Agile teams need regular direction and prioritization, for which traditional large business

cases and multiyear plans that bring comfort to management won’t work. TDC leadership needed to get comfortable dealing with 90-day objectives and funding tribes instead of individual projects. This puts more responsibility on leadership to stay on top of details and to work transparently, which can require a mind-set change

- **The people model and culture need to change.** Valuing and paying people based on hierarchical position won’t work in a flat, high-speed organization. Extrinsic motivators like bonuses and job titles need to be reconsidered to enable intrinsic motivation in teams. Culture is so critical to success that nurturing and evolving it will likely take up most of the effort you put into your transformation
- **The role of the top team is very different.** Agile companies require strongly united leaders to sense the market and shape priorities, but then let the teams figure out how to meet them. At Spark, the top team led the change by becoming a leadership squad and adopting a rhythm of standups, retrospectives, and demos similar to those used by the rest of the business. They centered their deliverables around building a great organization that enables other teams to succeed.

If these realities don’t scare you, the best way to start the journey is to build strong alignment and a joint aspiration in your top team. We have found visiting agile companies an enriching and sobering way to start a journey toward agile—hearing the experiences of fellow management teams bypasses theoretical discussion to create a joint understanding of what agile can do for your company. Learn what you want and don’t want from an agile model. Then set explicit targets and design principles to keep you honest on what you are trying to achieve. Taking a decisive approach and basing it on the learnings from companies like TDC and Spark will give you the best chance at success.

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