



The Agility Challenge | Recording Transcript

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in partnership with the **Center for the Future of Organization (CFFO)**

Drucker School of Management, Claremont Graduate University



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Panelists

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Peter Cavanaugh | Ecosystem Transformation Leader, **General Electric**

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Open Chair Guests

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Host

Roland Deiser | Chairman, **ECLF** & Director, **CFFO**

Roland Deiser 00:01

Hello - the webinar is on! I am welcoming everybody who made it and I thank everybody for registering and signing up for this. It's a roundtable which is hosted by ECLF and CFFO, and it's about the agility challenge - which is a challenge I guess quite a few of you are very familiar with, and which has been in the books for quite a while. I'm super excited to be joined by three people who have a lot to say to this, I assume.

Welcome Peter Cavanaugh, you are with General Electric as the business ecosystem transformation leader and formerly also with Crotonville. I'm glad you're here and we are going to hear, I hope, a lot about the agile challenges at GE.

Then we have Michael Arena, who has been for quite a few years with General Motors and was involved in the transformation there, which resulted in a book called "Adaptive Space" - about that space that happens between the formal and the informal that eventually informs really true change. And you are now with Amazon Web Services, and we'll see if they are agile or not. Glad you're here.

And then of course, Darrell, Darrell Rigby, whom I recently met. He had a major piece in Harvard Business Review about True Agile, i.e. how you make Agile really work. And there is also a book that just came out written by you. Darrell is a veteran with Bain and company - I think you've been with the firm for 42 or some years, so that's quite amazing. Equally Peter, by the way, being with GE since 1986.

Yeah, and my name is Roland Deiser. I founded about 20 years ago ECLF, a consortium of about 50 or so global corporations called the Executive Corporate Learning Forum where we talk among senior executives about the challenges of capability building in disruptive and turbulent times. And at the same time I also run the Center for the Future of Organization at the Drucker School of Management, which is a kind of a sandbox for me, a little Think Tank where we think about how organizations can configure themselves for the future. And it's called Future of organization, not organizations, because organizing is something that goes these days beyond the boundaries of individual organizations. So we're looking also at ecosystems recently and stuff like that. So that was just a quick introduction of our friends here.

Why did we choose agility? We have that ECLF consortium of corporations, and agility ranked very high on their interest since quite a while. As so many of those terms- like digital transformation or ecosystems - it is also a buzzword. Everybody is agile. What is it even? When we did the study on digital transformation, we found out that Agility is one of the biggest things really, to look at, but it has very many dimensions. It has an individual dimension - how is the mindset, how do people deal with that - and we'll get into this a bit. It has a micro-social dimension - how you design the teams and the collaboration architecture? And it has structural aspects as well, I guess. How do you design an architecture that includes different ways to organize and have processes done - things like that.

So without further ado, let's start. Welcome again to all the participants! Later in the session, ECLF members will have the chance to jump onto an empty chair. We'll see who will be in the audience here. But for now, let's engage in the conversation. And why don't we start with practice? Peter - is GE agile, and how do you deal with agility? What does it mean to you?

Peter Cavanaugh 04:24

So, it's a great question, Roland. I think one of the things from a GE perspective is, we're a large company, right? We have a lot of different businesses; we have a lot of different experiences that people have. I think for us the key focus of agility is thinking about the customer and saying, how are we creating the value for the customer - and in as we execute on that, we look to be more agile.

We look in our software business to be an agile software developer and kind of replicate that in different places. But I wouldn't say that we're an agile company. I think our perspective would be that we want to drive resilience for the employees, that we want to drive a good customer focus, and then have some kind of management structure for the overall operating characteristics of the company. And right now, our new CEO is driving a lean company, you know, a lean strategy.

The way I look at it, there's a lot of similarities between the tenet of lean and driving an agile organization. So I don't look at Agile or Lean as being completely different. It's a different side of the same coin for how you generate energy, for how you drive a really profound process. It's customer focus that allows the innovation, that drives the innovation, not just at the operating level in the business, but actually at the senior level in the business. And here it becomes very consistent between Lean and Agile.

Roland Deiser 06:25

You're nodding Darrell, when you hear "even in the upper echelons of the organization"...

Darrell Rigby 06:33

Yeah, he certainly caught my ear with that comment, because I agree wholeheartedly. I also agree that Lean and Agile are cousins. You know, I think they do have a lot in common with focus on the customer and continuous improvement. And I think, unless the senior executives really believe in these concepts, if they just become some sort of a slogan, a fad of the month, it's not going to do any good. But if this becomes something that the senior leaders truly believe and are willing to stick to for three to five years, if they say this is something that I honestly believe in, that I want to see drive through our organization, then change happens. Without that, it's likely one of the next fads that gets thrown on the junk heap of management. Heaven knows there are plenty of those sitting out there.

I think one interesting difference between Lean and Agile is that Agile believes you have to both run the business efficiently and reliably. And you have to change the business rapidly and effectively. And I think that sometimes Lean, when it's not done correctly, focuses on minimizing variability - and that's good, it improves efficiency. But Agile needs parts of the organization to have increasing variability through experimentation and testing and learning. I think it's the balance of those two concepts, the balance of lean efficient operations and agile changing that makes success. I think you need both of those inside the organization.

Roland Deiser 08:28

Yeah, absolutely. So, Darrell, how did you even get into that job? You are the agile and innovation leader for the practice of Bain & Company worldwide, right? What attracted you to this? You could do anything... And you did retail - I know from your biography - and retail, well, they had to be agile lately, I guess (laughs). So, how did you get into this?

Darrell Rigby 09:03

I did, and that's actually how it happened! About 15 years ago, when I was leading Bain's retail practice, I started working on a concept we called omnichannel retailing. That is, how do you make the best of both digital and physical worlds in creating a really great experience for customers. You shouldn't have just one or the other, there's got to be a way to bring them together. And as I was doing that, I started working with some very large retailers.

And one of the things that I noticed is that some of the retailers that were moving the quickest towards this omnichannel retailing - they were doing something different largely in their technology departments that I didn't understand. They were talking about sprints and backlogs and retrospectives, and I could not figure out what was going on. But I knew it was working in their technology departments. And I'm embarrassed to admit this now, but for a year or two, I said, look, I am not a technologist. I do not understand technology. I don't understand what they're talking about. It feels like this vocabulary is putting large stay-away signs to me, to the non-technologists.

So I brought in some of our technology folks, and they said, Oh, yeah, they're talking about Agile. And I said "well, just translate that for me, please. I know it's important, but just translate it for me." And the more I started learning about Agile, the more I said, I can't just ignore this. I have to figure it out. So I started sitting with some of the teams and these large retailers and was watching how they were working these very small, autonomous rapidly moving teams. It was so inspiring, and they were having so much fun, that I actually started learning about it and taking certification courses and reading books and learning all that. But the best way to learn was just sitting with these teams.

And then, the more I learned about Agile, the more I realized that this is not a way of doing technology. This is a way of doing innovation. And if it works in technology, think about the other places in retail that need innovation, about marketing and new product development and innovating this supply chain. And my head just started spinning with all the opportunities for Agile inside retailers.

And that's what I did. I started trying to figure out how to take it out of the technology department and into other parts of the organization. And then from there from retailers to all different kinds of industries. And I just fell in love with it. I truly believe it is the way humans are designed to work. So that's how I got started in it 10 or 15 years ago and I've just continued to learn it's for me. It's a little like fly fishing. You never really get good at it, but you just keep better and better and better at it. So lots of fun.

Roland Deiser 12:17

Well, I see a phone number here. Is this Michael, I assume?

Michael Arena 12:21

Yes, this is me, Michael. I don't know what's happening. But I'm having some zoom challenges today. So I will do the vocal and continue to troubleshoot.

Roland Deiser 12:34

Okay, so maybe you missed out a little bit while you were troubleshooting and getting on the phone. We just talked about how Darrell got involved into Agile, and that it came really from the disruption that happens in retail. That was your industry focus, Darrell, right, in your tri-fold matrix of consulting...

Michael, I mean, you had this incredible experience at GM - it's like GE in a way, right? I can imagine there was a lot going on. It's a prominent company. They both have a "General" in their name. They somehow were icons and, you know, GM falling much earlier from grace, but also GE falling from grace and now reinventing itself... - How was it at GM? And then maybe, Mike, a little bit about what you do at Amazon?

Michael Arena 13:33

Yeah, absolutely, thanks Roland. You know, I think the starting point for Agile matters a lot. And I think I can compare and contrast just a bit General Motors from how Amazon was born, and how Amazon acts as an agile organization from material inception. I think that matters. I used to say, when I was at General Motors, that I would think of organizations as a set of super tankers and speed boats. And the speed boats are where the organization needed to be agile. The speed boats were at General Motors where we needed to invent, where we needed to move super-fast in order to avoid being disrupted from the market. How do you compete against the Lyfts and Ubers? How do you compete on the self-driving landscape? How do you compete against a Tesla, who from it's very inception was an all-electric platform company?

And in that case, it was really about how do you continue to push trucks out the back door, because trucks make the money, and you need great durability and precision. I think Lean, in particular, is really important for running the back-core part of the business, for continuing to incrementally get the best you can and add speed - but it's still fairly methodical. While for these other activities - like how did you compete in the new mobility landscape - you needed the speed boats on the edge. So, I would think about it very, very differently than I do in a company that grew up that way. At General Motors, it was really about where do you need to be agile? At what points in the organization? Do you need to be agile, and how do you position those speedboats for the greatest success, how do you make those growth paths? And how do you operate as a startup in some of those new spaces? You almost had to be semi-modal to be able to do that. And then eventually, you know, these bets would become the new core. And I think you're seeing some of that at General Motors today.

Now I juxtaposition that with Amazon, and Amazon is absolutely agile. Amazon is nothing but a bunch of speed boats, thousands of them moving really fast. But there is an overarching set of principles just like what you would have with agility principles - or values culture, as we would describe it - that keeps a set of coherence across those speed boats so that there's some synergy. And it's not the same as a bunch of startups - there are synergies between them. And frankly, the level of sophistication in how that happens is quite remarkable. So, those are two very, very different comparisons, almost like on different edges of the continuum. So, I think the starting point matters a whole lot.

Roland Deiser 16:49

Yeah, absolutely. You know, I mentioned earlier that we have been working recently on a research project on business ecosystem leadership, on how to succeed in business ecosystems. I'm just thinking - you are with Amazon Web Services now, right? I mean, that takes Agile even to a higher level, because you are the 800-pound gorilla enabler of Agility in ecosystems, aren't you?

Michael Arena 17:12

Yeah. Yeah, for sure. First of all, I mean, AWS is all about agility. And the principles are true. You're working backwards from the customer. You certainly are iterating, and moving at fast speeds is disproportionately critical. So all those things are true, first of all.

Roland Deiser 17:30

My question in this respect was - if ecosystem efficiency or effectiveness obviously depends on that each and every stakeholder of that system somehow is a mature or able participant who needs to be agile to a certain extent - are you doing anything to help companies in their own agility journey? As Amazon?

Michael Arena 17:58

I don't know that we would present it that way, but absolutely. That is the whole theory of working backwards from the customer and ensuring that the customers are not just getting the technology that they need, but the understanding of how to apply that technology, and the partnerships necessary to enable that technology. So yeah, absolutely. That's all part of the overall delivery system and the way we go to market.

Roland Deiser 18:30

Peter - I assume you are somehow getting in touch with the cloud guys - what does this do to your organization?

Peter Cavanaugh 18:39

Well Roland, this creation story, as Michael told it, matters huge in terms of the way how Agile comes into the organization or manifests itself. You know, one of the ways that we talked about it a little bit is that the boundaries between functions inside our organization, and the boundaries between our organization and other organizations that we interact with, have become porous, to say the least, and sometimes invisible. And I think one of the things that Agile helps us do is to recognize how we're coordinating all of these efforts. How we're enabling all of these efforts with a focus on execution, a focus on delivering something that works to our customers.

When we moved to Boston, it was because we wanted to be out of the suburbs and in an engagement space. The space that we were creating in Boston is a space that is this formal/informal structure where the good ideas happen. Where we think about the way that people think and do their work and engage with more creative thinking on those activities - not just the regimented this-or-that as the operational objectives of a headquarters.

Roland Deiser 20:49

Maybe we focus a little and drill a bit more into the Agility challenges. If it makes sense, let's divide this into three dimensions: people, micro social processes and macro organizational elements of agility. What do you see? On the people side, for a start, what does it take to thrive in a context that needs agility and needs this flexibility? What does it require from people? Who wants to take a stab on that? Michael?

Michael Arena 21:48

Of course, I think a lot about the people side in the talent space. That's my day job. That's where I reside. The way I think about this, and I'll try to answer it from both a micro and a macro aspect. First on the micro side. You know, we tend to think that we need to get like super smart people inside of organizations. And that's absolutely true, human capital is disproportionately critical to an organization. But key is the way you arrange those people and the way you get them positioned to leverage.

It's not enough just to hire really smart people, train people, gain the experiences from people. You've also got to position those people so that their potential can be leveraged. Most of our organizations have just a ton of latent potential within them, simply because of the way people are arranged. I'm a social scientist by trade. So, I think about that a lot as social capital. You know, human capital is what you know, social capital is how well positioned you are to leverage what you know. And I think the way we arrange people is critical to Agile.

At Amazon, we describe our small little teams in sort of the scrum methodology that we use, we call them two-pizza teams, small teams. And those small groups, they can move up to 10x faster, just based on the way they're arranged. And it's just, you know, a critical configuration of experts that can complement one another, so that dependencies are removed and they can operate as a semi-autonomous speedboat to get stuff done.

So I think, at the micro level, especially in the development side of agile - so not where ideas come from, but how you get those ideas built and out into the world - it's about having super-cohesive small teams that can move really, really fast. And then - I won't talk about macro right now, but then having the macro components, which are threading those teams together is really, really essential. So, I think this people dimension is only really beginning to get the attention that it needs as it relates to Agile. And certainly - I know, Darrell, you've done a lot of work on that front. But I think for me, it's as much about social arrangements and how you connect people as it is about what you teach the people, and the human capital traits of those individuals.

Roland Deiser 24:32

Yes, I'll get to this in a minute, but Michael, you're already talking a little bit about the social element of agility. Isn't there something essential about people as individuals? You know - if they're not curious, if they're not able to collaborate? There was some book way back, at Stanford's Design school, which said "don't be an asshole," is the main criteria for hiring. Right? So, what do you do if you have a lot of assholes? Obviously, you put people together in great teams. And that's the next step. Right? So, having this swarm type of teams or two-pizza type of teams is already for me a kind of social architecture. There is something in people, deeper, on the individual level - I know the individual is a construct, it doesn't exist independent from social contexts-- but still. Anything related to the people dimension - and we'll get to the squads or swarms in a minute, I guess - but anything to add here?

Michael Arena 25:39

Yeah, I think, you know, nobody wants to work with assholes. So, let's go there right from the very beginning. I mean, those are people that are always thwarting and challenging your idea, which is problematic because you don't get liftoff. But actually, those people do. Let's not call them assholes, but let's say challengers. Actually, you know, challenge late in the process - like after you have built something, after you have built a new service, after you have really stood something up - in some respects you could even argue that retrospectives are about challenging the process. And so later in the process, I think, challengers matter a lot. Earlier in the process, you kind of want the high energy believers, the people that believe we can do this, because it takes that amount of energy to get liftoff. So it's just like social arrangements, how you stage the different dimensions of human capital in the evolution of standing something up matters a lot as well.

Roland Deiser 26:56

Darrell - just jump in, please.

Darrell Rigby 27:00

Sorry, just a couple of thoughts. One is, I love what Michael was saying about latent potential. Because one of the most interesting things to me about this terrible COVID pandemic, is how it has unleashed innovation inside so many companies. And there are a lot of companies that have said in the past, oh, we'll never be able to do Agile until we restructure our entire organization. Until we bring in a whole new group of talent, we'll never be able to do it. Well, guess what? We're finding all sorts of companies being agile over just a few months, not by restructuring the organization, but just by letting the organization work the way they naturally want to work, by stopping some silly things and bureaucratic processes that aren't necessary and taking the things that matter most and elevating them. And giving people the autonomy, i.e. the right to be able to provide greater input to what they're seeing with their customers and their suppliers and their line operators. And the most common conversation that I'm having with executives these days is, my goodness, we sort of stumbled into agility accidentally.

But how do we turn this sporadic innovation that we're seeing into systematic innovation and bottle this up and make our organization do this perhaps on a less exhausting way, make it more sustainable for people? I love the way we're operating - how do we keep doing that? And I think we're learning some very valuable lessons about people inside the organization; there are corporate MacGyvers inside, a whole bunch of those kinds of people that are just dying to innovate, and when they're innovating, they're happier, they feel more relevant. So I love what Michael was saying.

And I think that for an organization to really become agile - yes, we need these agile methods or these agile practices inside agile teams. And maybe it'll only be, who knows, 20% of the organization that's actually working in agile teams on a day-to-day basis. But throughout the organization, we need these agile mindsets, we need these values and principles that say, all of us can have a customer obsession, because all work should have a customer. All work. Our finance department has a customer, the internal users who are doing it, and I love that about Amazon, frankly, that they really have come to understand that every piece of work has a customer and that there's every reason to believe that we can operate effectively by respecting individuals and the power of diversity, and that everyone in the organization can contribute innovative ideas and we can maintain a sustainable pace. So, I love that these agile values and principles can take hold inside even some of the stodgiest, oldest, and slowest moving organizations, as long as necessity, the mother of invention, is driving it. How do we keep that attitude going?

Peter Cavanaugh 30:37

So right, Darrell, I mean, just from a standpoint of understanding that need generates something - particularly where we have a situation that has never happened before - it's created people to think differently about what the potential solutions could be in terms of learning. And when we think about that individual person inside the agile organization or adjacent to the agile organization - do they have the psychological safety to be able to bring up the challenges that they see? And if they do, are they the asshole? Or are they the challenger? And how are they doing that? The how becomes really important. The later it is in the process, maybe the more valuable the challenges, but it's also more problematic for the team that has been working with this person or individual throughout the time, and they just come up with it at the end. You know, it's like you couldn't you have told us that like two months ago? You know, imagine the frustration on that. So, what I would say is, our biggest thing is: where people see the need, they find a solution. And as we think about generating an agile mindset, generating the agile teams - it's really about creating the need. It's about adult learning principles.

Roland Deiser 32:09

Okay, then let's just go down one step further. Michael, you've alluded to this already, right? I mean, I know a bit - for instance, Daimler, they have this Swarms principle, which is about bringing together people from different functions. They collaborate across boundaries and they have certain rules. And then you have these famous agile roles, like pacemakers, agile leaders, and so on. Let's talk a little bit about that.

I feel sometimes that, you know, everybody is a scrum master, and if you do scrum it is agile. You do these kinds of design thinking workshops - but they're very much fluff in my humble opinion, if they don't really reach the core. So maybe something to that: How need they to be designed in a way that they connect with the core? Any thoughts on that? Michael, you have to unmute. I can unmute you.

Michael Arena 33:34

I think the formal roles and all that are really, really good to build a training and to get people to help them understand exactly what it means to be agile and what the methodologies are; how to think about the principles. But actually, where I've seen this work best is where it's literally dispersed across the organization. So just to go back a little bit to the design thinking comment - I think design thinking has a very limited capability, and I've spent a lot of time inside the D-school, so I'm a very strong advocate of design thinking. Design thinking is great on the front-end of the innovation curve. It's really good for discovery. I'll get to the roles in a second, but you could have agile and move really, really fast and iterate.

But if you really aren't discovering what's possible, if you aren't, you know, building bridges and looking out, you're an insular company, and all you're doing is moving faster and comparing yourself to yourself. I think design thinking actually helps to break down insularity inside of an organization. So I think the combination of linking some of these methods together in a very deliberate way-- and maybe that means you've got a scrum Master, maybe you've got a design thinking coach-- I think that's useful. But at the end of the day, it's really about bringing the core of the business to a new reality. Those roles matter, those methods matter for sure. But at the end of the day, where I got the most lift at General Motors in particular, was getting the senior leaders, getting those influencing engineers-- the chief engineers-- getting them engaged in the process, and actually creating almost a moment of enlightenment.

I can't tell you how many times I was personally challenged by some of these folks saying, we've been doing this for 100 years or I've been doing this for 25 years. And then I would just say, well, let's just go out and visit a city, let's go and look at how mobility is, you know, how mobility solutions are deployed today. Just go study what's different in the human today versus, you know, 20 years ago when we last did it. And almost always, what would happen is people would come back with this epiphany. And it could be, you know, junior engineer or senior engineer, it didn't matter. But what I really want to do is start to break that paradigm.

So I think what's most important for the core is to get them engaged in the work, to let them see the difference. Put them into the flow of an agile, - if it's a scrum or if it's a stand up - getting them out into the markets to see the customer to realize what can be different. And I think that those epiphany moments are what really helped to catalyze change at a broader level. Otherwise, you've got small isolated pockets, entrepreneurial pockets, that are doing agile really, really well. But you're not linking those things up in such a way that you can get the momentum and the impact to scale ideas and, frankly, to get new ideas and new products invested in. So I think it takes a combination of these moves. And

that requires some degree of sponsorship. But it's not sponsorship from a high-end saying this is what we will do. It's got to be at a ground level in regard to people engaging, and letting them have those epiphany moments themselves. At least that's been my experience.

Darrell Rigby 37:28

Yeah, just to build on that, Michael-- I love what you're saying-- and I believe wholeheartedly that agile is not going to make a bit of difference in an organization until it affects the core. And I think for a long time, there was a sense that the only way to create this ambidextrous organization is that bureaucracy will kill people. So what you have to do is to take these agile teams and greenhouse them, you have to separate them from the rest of the organization. Use Skunk Works. And what we've seen is - that doesn't work. And it doesn't work for two reasons.

If you think about the innovation process, we think of it as a cycle where there's the Discover part of it, of, how do you understand what the customer needs are, and how do we address them? And there's the Design part of it, of, what could we do about helping those customers to achieve their needs? And then there's the Develop part of it, where you are building prototypes, and the only way to build those prototypes is with operations, and then eventually you have to deliver it. And the biggest problems that we see with innovation is both at the front end, and the back end.

We know that 70-90% of innovations tend to fail. First of all, because we're designing to specifications that aren't really what customers want. Somebody inside the organization decided, oh, well, this is what we should develop. So they design specifications. And it turns out that two thirds of the time those specifications are wrong, that by the time we actually turn out a product two years from now, that's not what the customer was looking for. The second problem is that a team goes off, and they develop something of what the core says this is not economical. It may be a brilliant innovation, but we can't produce that; we can't make a profit out of it. So they don't adopt and scale it inside the organization.

And so what we say- the key to success is that you have to run the business efficiently. You have to change the business effectively. And you have to create a way to harmonize those two parts of the business so that they work together. They are not enemies. They tend to think of each other as enemies, but in a yin and yang sense they are actually mutually beneficial activities that need each other in order to be able to succeed. And the trick is teaching both sides of the organization how to do that. And letting the core see, we need your ideas, we have to understand from you how operations work, how customers work, how the business processes work, we need you engaged in teams.

And so these cross-functional agile teams, they're bringing operations into the teams, these experts into the teams. They may work together for 12 months, 18 months, 24 months, then they go back to their departments. And they say, let me tell you what I've learned. Let me show you how this can work. And it spreads through the organization in a very organic, natural way, as opposed to the traditional way of "Oh, we're going to launch a program. We're going to have this huge program management office. We're going to have our stoplight charts and our Gantt charts and we're just going to drive this through the

organization." No, that's not going to create the cultural change, the leadership change, and the harmonization of these businesses that's needed to succeed. I think that's been the problem with ambidextrous organizations. For decades, we've always known we need to do both of these. No one's been able to figure out how to do it. I think agile teaches people how to do it.

Peter Cavanaugh 41:15

One thing that we've done is to create mission-based teams, mission-based agile teams for a specific purpose, for a specific activity that is customer focused or customer facing. And when you have that mission-based team, you are pulling in the multiple different functions, you're pulling in a methodology, in many cases agile methodology. It's this idea of the cross-fertilization across the organization that is really important. Really important.

Michael Arena 41:50

Yeah, I think this is such a critical part of this conversation. In my view, it's this concept of spread and diffusion and/or scaling, if you prefer to call it that. Whatever language you put behind this. You know, the academic literature says that things developed inside of an isolated team are 43% more likely to be rejected by the antibodies outside of that group. A lot of work has been done up at Harvard to study this from a social dynamics standpoint. And it's these bridge connections that really are the antidote to that. I think it was just exactly what you just said, Peter - bringing people back together and spreading them out. It's the bridge connection that actually in our research suggests can give you a 4x lift on your idea.

So it's getting these ideas out of these small entrepreneurial pockets or agile teams that can lift them up and actually engage other people in the co-creation process. I think there is something between development and delivery called diffusion. And that is, how do I get these ideas from minimum viable product lifted up and supported - because they got to get financed, they got to get marketing support, they've got to get budgeting support, they got to get leadership, they got to hit all the formal parts of the business. And what we have found is that if you can build the right bridges, what you're able to do is close the network in on these other groups. You'll get as much as a 5x lift through this diffusion or scaling component of agile. And I couldn't agree anymore, Darrell, that is a part that people haven't talked nearly enough about.

And, you know - we know how to bring ideas into the world. We know how to do the minimum viable product. But how do we get the support from the formal structure so that we can get them funded and then ultimately delivered tends to be the piece that hinders most organizations that I at least have been part of and/or have researched. Sorry, I can get a little bit passionate about this topic—

I'll give you one last anecdote. I spent about 10 years doing some research for Adaptive Space. And we were going out, we were looking at all kinds of different large companies. There was one company in particular, that was a medical devices facility. I won't name the company by its name, but you know, this

gets very close to the skunkworks that you were talking about. There was a small team of about 35 engineers, R&D, PhDs, research scientists and design thinkers. They were doing everything by the book, like any one of us would have walked in and said, Wow, that is a phenomenal, fascinating lab with big bold concepts. And they had a commercial hit rate of zero across three years.

So, like any management firm, right - if you're not producing, you're not going to stick around for very long. So, management made a decision to disperse this team. Good news was they had great human capital, so other people wanted them. They dispersed them across the business. Within the next year, they were in, like, phase three of design, with three big commercial products. One was already released, and the other two have progressed significantly. Same ideas they were working on, by the way, in the core. The only thing that had changed was the influencing point of these 35 people, who were now out with all the other groups, or they had bridge connections, to be able to scale these ideas. And they literally... - this team, the funny story is, they would meet at Starbucks in the evening, and they would continue to iterate on their ideas. And then they would go do their day job by day, and they were influencing at different points. And all of a sudden, these ideas started to pop all over the place.

Roland Deiser 45:57

I mean, I know also that Michael you do some work with Rob Cross, right? We talk about network analytics, these bridge kind of things, these weak connections. It's multiple team membership so to say, multiple membership in tribes, that enables these kind of connections, right? So, one of the issues is that, usually, in groups you look more inward than across, and unfortunately, you know, you become a traitor, almost, to your group if you work with other groups. That's a structural conflict. Somebody said once an organization is an organized system of traitors. And eventually, if you look at larger organization, if you work with a customer, you're the biggest traitor, right? Because the customer has really a different interest than my organization - or that could be at least a perspective.

So I wonder, you know, these bridges. Do they come serendipitous, because great people act as bridges, or as nodes? Or can you design them? And if you design them, how do you design them? And the question remains for me: how we design them in the ecosystem. Because one thing is your core, let's say within your own organization, which you might still able to command and control in some way. You have a kind of design authority as a senior team. Maybe in a limited way, but you have that design authority. You do not have that easily that design authority if you work in an ecosystem, where you don't have formal control or command. So I just wonder how you design bridges in a place where you don't have the authority to design.

Michael Arena 47:50

Well, I think, again, it's like a tale of two cities. If you grew up biologically as an organization, and you just instill this principle in people that they can navigate anywhere across the organization, and ideas can come from anywhere - you know, that's one model. And I would say that's the more contemporary tech model of how this happens. Bridges happen. At Amazon naturally people go and they seek out ideas,

and anyone, no matter where you sit inside the organization, can be the next, you know, sort of originator of the next big idea. In a more traditional organization, this is where talent management actually plays a big role.

I'll give you a little bit of research and then one anecdote and I promise to be short on this. You know, Ron Burke, who has done a lot of research in the network science space along with Rob Cross, suggests that these brokers - which are the bridge people - these brokers are worth about three x that of the average person. They tend to get more visibility, they tend to get promoted sooner, they tend to get paid more, all those sorts of things. And they also create more ideas, more insights. But if you oscillate back and forth between what we call central connectors, which is a person right in the center of that two pizza team that has great cohesion and trust with a small group of people, to a bridge person, which means you can share across many ideas or many teams, and then back to this two pizza team. If you oscillate back and forth across your career-- in other words, you go from central connector to bridge person-- your value to the organization is really radically improved almost two to three fold, depending on which study you look at.

So you can move people back and forth, and in fact, it's both a great thing from a career standpoint for people, because they go broad and deep-- but it's more important for the organization. Because what you're doing is you're building the social fabric. Much like in that organizational study I shared a few moments ago with the medical devices company, you're building that fabric to where ideas spread more readily across pockets. And if you work in a group, you still have trust. It may be that you've lost some trust because you become them versus you're no longer us, but you still have more trust than the rest of them do. So your ability to continue to communicate and coordinate to them from groups is still on hand. So what we'll find then in the social literature is that oscillation back and forth between central connector and bridge person is really critical to this scaling component of the Innovation Model.

Darrell Rigby 50:53

I'd be interested in Peters experience with this as well. But one of the things that I have noticed is ... The book I just released is called Doing Agile Right. And we called it Doing Agile Right because so many people are doing agile wrong. By that I mean Agile is just a tool. Agile is just a way of helping the strategy to work. And too often we see agile language, but being used incorrectly, by a bureaucrat who by agile means doing what I say faster than before. And that's not agile. You have to create a system in order to overcome that, because systems will beat individuals every day of the week.

And so one of the things that I love about Agile is that it increases the transparency of work across the organization, that anybody should be able to see what an agile team is working on at any time when they're going to deliver what they're going to deliver. Opposed to Agile, which sort of has this image that you just send people offsite, and nobody knows what's going on. Agile is just the opposite of that. No, we want everybody to look at what we're doing, and to contribute ideas to it, and to be able to improve it. To know when it's going to come out, how we're going to introduce it.

So I think building a system, much like Michael was talking about, that is a part of: How do we do planning? How do we do budgeting? How do we do reviewing? How do we do it in fast feedback loops? A lot of people and bureaucrats will use these sprints-- these short intervals-- to try to get people to work harder, to work faster, to just burn out. It sounds like a sprint as opposed to a marathon. That is just the opposite of what they should be. Because the only reason for shortening the intervals is to do things in smaller batches so we can review them with our customers more regularly. It forces us to do prototypes. That's the purpose of a sprint, and to help the team to be able to see regular frequent wins every couple of days or weeks, the ability to show progress, win after win after win, customer, customer, customer loving it. That's what it's about and what you have to build. If you don't build a system to do it, the existing bureaucracy will kill any team, any team.

Peter Cavanaugh 53:41

Darrell, you're exactly correct. I mean, this mindset of driving things outside of the culture that you're in and saying: oh, it's gonna work because Agile is really good, and the culture is going to support it because it supports the customer. It really has to be thoughtful. Thoughtfully implemented at a team basis, but then also see how those teammates interact. That's really, I think, the connection.

If the culture isn't going to support it, you have to create a culture or enable a culture that that will support it. A culture that actually recognizes the value of the individual and their own experience in developing that. And it isn't about burnout. It isn't about needing resilience, needing it every day. No, you should need resilience at some point in your career, but not every day. And I think that's the piece where we would say, we are really focused on how that happens broadly, but then also at a very individual focus, for those individuals.

Roland Deiser 54:45

Okay, guys, I mean, we've been talking for almost an hour, and it probably could go on forever just among us. Somebody, you know, said it's just four men, when they saw the picture for our Round Table (laughs). They criticized us. So, I think we should bring in somebody from the audience, right? To an empty chair. We usually do this in these roundtables for the last 20 minutes or so.

I just saw that, that Janin is in the audience. Would you be willing to join us, just to see what you think about it? Should I just call on you? I think so. So, I'll promote you to panelist. And what else do I do with you? Ah, here she is. I can give you video. Here you go.

Let me introduce Janin. Janin runs for Thyssen-Krupp-- a company that also is in interesting waters these days-- the corporate university, i.e. the Thyssen-Krupp Academy. Janin, introduce yourself real quick and maybe - what's your opinion on the whole thing? And what do you take away from these conversations?

Janin Schwartau 56:17

Yeah, hi, I'm Janin Schwartau. Like Roland said, I've been running the Thyssen-Krupp Academy for the past... I guess I started it with the team 12 years ago, and I've been leading it for the last eight years or so. I've actually been fascinated by what these four men have been saying. I've been taking a lot of notes.

I actually wish I could add something of value, but really, you've been describing what we've been seeing a lot in my company, where there are pockets of agile organizations and places that are working very good in an agile way. There are places that are working in a very good lean way. We're also thinking a lot about how to scale that. So scaling is actually the big topic for us. So, yeah, I've been listening to what you've been saying, and I think there have been great ideas. Quite fascinating. I wish I could add something that goes beyond that, right?

Roland Deiser 57:27

Haven't you designed some stuff as well, that was at least based on the idea that you want to be agile? I don't know if everybody knows Thyssen-Krupp - maybe you quickly say a few words about the company - how big they are, what they do.

Janin Schwartau 57:41

Yeah, we're a conglomerate, an industrial conglomerate. 160,000 people, five business areas, much more businesses than that. So it's diverse, like GE, I would say, it's immense. And I think we have the same challenges. I can relate a lot to what Peter has been saying about being a huge company and trying to get these things done. Agile is a big issue for us at the moment. But still, like I say, it's working very good in some pockets of the organization, and there's a lot of areas that are still, you know, quite conservative.

I think it's so fundamental. It's not just starting to work differently, but it's also looking at the whole setup of the organization and the whole mindset of the organization. And that's - I don't know... it's a huge change. And even Lean for us has not been implemented in that broad way as it could have been. I don't know, we haven't had a push.

Like, for example, Peter, you've been saying your CEO is really driving the issue. It's something that in terms of our challenges-- we have huge challenges at the moment, financial challenges, business challenges, the challenges that everybody has on top-- It feels like people don't have the time to think about organizational capabilities in that sense at the moment. It's all around fast cost savings. And that's not making it easier to fundamentally change mindsets and ways of working inside a company like this. But that's our very... I think we're in an extreme situation right now as company.

Roland Deiser 60:15

Yeah. Darrell, go ahead. And we might bring in maybe even one more... I see a few. Maybe Matthew! Matthew from Novartis, he used to be in Shell. Matthew, if you're willing to say something, write into the chat a yes or something. Okay, Darrell, you wanted to...?

Darrell Rigby 60:32

Well, just one thing as I listened to Janin-- and I love her thoughts-- I think we're at an interesting time in the history of the world, and hopefully business as well. Historically, the expectation of a leader, and how a leader adds the most value to the organization, is a notion that what leaders are supposed to do is to be prophetic. That my job as a leader is to predict and to command and to control. The way that I create value for my organization is that I see the future more clearly than anybody else in the organization, because I am, after all a genius. And my job is to see that future, predict it, command the organization to adhere to this vision of the future, and then create layer upon layer upon layer to supervise people and make sure that I control them, so that they will follow my commands and they will achieve my vision.

That's wrong. That's bad. And I hope one of the things that we're getting ready to learn is, there's a reason that some organizations get 40% more productivity out of their people than those predict and command and control organizations do. And that's not a made-up number-- 40%! By testing, unleashing coaching, bringing the potential out of people!

We all have a tendency, sadly, to hire and to mentor and reward people who think and act like we do. That's terrible. (laughs) Because what we need in an organization is people who think differently than we do. That's the only way! Otherwise, we only need one of us. (laughs). The only reason that we're going to get value out of people is - what are the differences? And how do I, as a leader, unleash this potential? And I hope that we're on the verge of understanding that people in an organization have far more potential than we have ever realized. Far more potential than we've ever realized. And that a true leader is not going to suppress that... not going to turn them into robots who do what a leader wants them to do, but to tap that untapped potential, unleash it. If you can get 40% greater productivity out of 1000 people, out of 10,000 people, out of 100,000 people? Think what you can do to the adaptability; to the future of the success of a business. I think the role of a leader should be changing fundamentally.

Roland Deiser 63:29

That was a very, very, really good point to make here Darrell! -- I thought I'd bring you in, Mathew. I don't know if you guys know Matthew Jacob. You just moved from Shell to Novartis, right?

Mathew Jacob 63:45

I'm sitting at my desk in Basel - a bit of a move from Houston and Shell! (laughs)

Roland Deiser 63:55

We know each other because Mathew was very kindly involved first in the Digital Transformation project we did and now, most recently, in the Business Ecosystem project as a member of our advisory board. And so maybe, Mathew, a little bit about how does this relate to you?

Mathew Jacob 64:13

So first of all, I cannot talk for Novartis since I've been here just a couple of weeks. But the company's in an exciting time, and I can just say that the CEO - Vas - is trying to drive a culture in the company around three values: Unbossed, Curious and Inspired. And it's unbelievable what it's doing to the company. What if you wanted to define a culture to drive agile? I think it's those three: unbossed, curious, and inspired.

Just a quick story: one of the pieces of work I did when I was at Shell was to help to set up the digitalization initiative in Shell. And we were doing some absolutely incredible work. Just on something like predictive analytics for maintenance, we were able to demonstrate something like a 6 billion - that's a B! - dollars of savings. And yet, when it came into execution, we had exactly the problem that you're talking about, which is that the system was not part of designing this. The IT platform, we use just slack and a lot of, you know, duct-tape-based software, was not going to work on the IT system. And despite the size of the prize, the level of resistance from the system was just unbelievable. And that was one fascinating sort of learning from it.

The second learning I can share perhaps from that process, is how when the bureaucracy adopted agile, you had language, but not the substance. So everything became a sprint, are we just gonna learn our way into it. It almost became an excuse for sort of sloppy thinking and sloppy work versus the discipline that, as you know, is required, right? It's incredibly disciplined.

And the sort of last thing I'd say is one of the things I did, one of the sort of legacies I left at the company, was to look at our change methodology, which was a classic consultant methodology with, you know, five phases and four work streams, and I said - what if we actually took agile and design thinking and built a change methodology that focused on the human experience, and did this in an agile way. It was completely based on experimentation. And it's caught on like wildfire, even in the bureaucracy. So there's something about even touching core systems with these ideas in ways that are palatable that just releases extraordinary support and energy. Three quick thoughts, Roland.

Roland Deiser 66:55

Thank you. Yeah. Michael, you're laughing or smiling. When he said...

Michael Arena 67:03

There's so much rattling around in my mind about where I would like to go. I just think this whole concept of change-- traditional change methodologies. I mean, it's so obsolete. And so I love that you're reinventing change methodologies and trying to think about how that isn't just one massive change protocol, like cure in five phases, but you're thinking about, you know, when do you use design thinking, when do you use agile? And I think this is the essence of leadership. I couldn't agree more with what Darrell was saying about leadership needs to be reinvented. Management needs to be reinvented, and I think the role of a leader is not to be the sage on the stage standing out in front of an organization sort of imparting this wisdom. I mean, that's an impossibility.

I study leadership as much as anything, and I think the role of leadership is to... I think a metaphor is the leader stands on the brim of a container called the organization. And they're always watching what's happening, or we as leaders, so it's not one but many. And we're trying to figure out what the organization needs next. So I think it's combined with this, you know, this notion of change, traditional change is wrong, it's not linear. At times an organization needs to go outside and discover. And other times they know they need to move faster. And I think the role of a leader is almost intuit what the organization needs next, and mostly hold open different containers. Different containers to enact different activities, like at times discover, at times, bringing new product into the world at times scale those products. I think the role of the leader is much less about being the visionary, and much more about just facilitating different types of connections and different types of activities within an organization based on what the customer needs in any moment, what the world needs.

I mean, we've learned a lot about this, right? And we've learned a lot about agility through this whole experience, where there are many companies that pivoted and stepped right into this time and are continuing to prosper. There are others that haven't been able to do some of this - sometimes just the nature of the business, but some of that is the nature of how leaders have led during this time. So I think we're at this like, really fascinating period of time in thinking about how leaders enable agility - and almost die for it - and there's a lot of that as well.

Roland Deiser 69:57

Somebody wrote into the chat here-- I think it was addressed to Matthew, but it relates to what you just said Michael, right? Does a low oil price over a longer period of time forces you to become more innovative and agile? That's related to your Shell experience, Matthew... I want to come back to that.

Organizations do not operate in the vacuum. They are part of a system of stakeholders, customers, suppliers, regulators, competitors, and innovation ecosystems that they're working with. The architecture you need to engage with those, and to leverage these boundaries - which is nothing else than leverage the bridges that you mentioned before, just on the more elevated systems level - is this something also that you can design for? There are co-creation initiatives with customers. There's all kinds of stuff going on in that way.

I feel sometimes not enough thought, you know, in social science, organizational science has been given to that broader type of enabling agility for a larger system. Any thoughts on that? - I know we have to wrap up soon, but I just wanted to get that in as well.

Mathew Jacob 71:23

Yeah, I'll just jump in and say something. I mean, first of all, you know, there was a very old school of design, which sort of fell out of fashion after a point but did some game-changing work, work on socio-technical systems design. I think, given what's going on today, there's an incredible opportunity to re-look at that space, and I've been thinking a lot about it and looking at some work. There's wonderful work being done by Sue Morman and others at USC on this, of how do you take sort of socio-technical systems design - what you see in lean, what you see in agile is basically the same concept - and the sort of centrality of technology in the midst of all of that. How do you use that to sort of unleash human potential?

I mean, that's what social-technical systems strive to do. The early experiments with autonomous teams and so on in the 50s, and 60s came out there. And that was a pretty rigorous organization design methodology; somehow with time, you know, with the 60s and 70s, all of it got pretty fluffy, with whatever other people were smoking. But I think there's a time to sort of return back to some of these core essentials of what it takes to build great socio-technical systems. And Amazon does that perfectly. There are these 14 rules on one hand or its principles, which defines how the social system works, and there be two-pizza teams and the technology is coming together in wonderful ways.

Roland Deiser 72:56

Well, we got a wrap up soon. How do you like the conversation? Peter? Janin? Michael, Darrell? What are you taking out of it? Janin, you've been there from the very beginning...

Janin Schwartau 73:14

Yeah, I think it's been very inspiring. I took a lot of ideas out of it. I think in the end, every part of the business has to find its own way of what Agile means to them, and how to combine the potential methods that there are, you know, to make it to the best use of your own business. Because after all, we're not all software developers, and we're not all automobile producers. There's a lot that can be taken from it. And I think it's up to every pocket of the business and the people in it to find out what works best for them. And I think it's our job as learning organizations to inspire that thinking and to get this process going. It's a fascinating issue, and I think there's a lot to learn still, for me as well.

Peter Cavanaugh 74:15

I think the big power - and to springboard off what you just said - is when you can enable people inside the organization to solve their own challenges - as a leader, as an organization, inside the ecosystem -

then I think you've actually started to move the needle. And I think Agile does that... I think there are other ways to do that too, depending on the organizational structure, but this idea of how to unleash the people inside the organization is a key element of what I'm taking away from this conversation.

Michael Arena 74:55

This is how people want to work. I think the genie has left the bottle; it's going to be hard to put it back in. This is how people want to work. And I think we could talk about the way an organization organizes and orchestrates this. But I think over time, over the next few years, people are going to demand this. This is what people expect out of a company. We tend to say at Amazon, we hire owner builders, you know, we want people to come join us because they want to build something, and they want to own what they build. I think that's the way people want to operate in the world. And I think that more and more organizations offer that possibility to them.

Those that are laggards on that scale, are going back to find it incredibly difficult to get the folks that really want to work in this new way, which I think is the predominant one. Once people get a taste of this is the way to work, there's no going back. If your company snaps back to the way it was before, they're going to go someplace else where they can do what they want to do. And think that's what's beginning to evolve. So I'm super long on these principles. And I just think this is going to be the new way that we work with more and more nuances being discovered along the way.

Roland Deiser 76:20

Darell, I mean, you've been on the road a lot. Also with your new book and stuff. How does this conversation compare?

Darrell Rigby 76:30

This is a more enlightened conversation than I've had with many people. You've assembled a wonderful group, Roland. I especially loved the people you added into the discussion and I just couldn't agree more with them. I love what Janin was saying about organizations. That they are complex systems, and complex systems are different for every organization.

I find it ironic how many companies are trying to build an agile system in bureaucratic ways. What sense does that make to say we really want an agile organization, so let's use bureaucratic processes to create it. It doesn't make any sense. They are complex systems - use agile principles and practices to create an agile system! It's the only way you're going to get there. And I do believe that will unleash extraordinary potential. But we have to recognize that organizations are very complex systems. You can't just copycat what you saw somebody else do and say, Oh, well, so Spotify has these organization structures and we want to be like Spotify. So let's do that. It doesn't work. It's like organ transplants. You can't take pieces out of it and just put it into another person's system. You have to use agile principles and practices to create an agile system.

Roland Deiser 78:00

Well, maybe we use this as a closing statement, because I think we could go on forever, right? I mean, it's a fascinating topic. And it links, of course, to many, many other things, because it's very fundamental to the overall workings and just the life of an organization.

So I want to thank everybody, of course, for taking the time and being here. We have actually recorded this, and we're going to distribute also the recording to everybody who has registered, we have still 80 people almost in the call. After an hour and 15, that's pretty impressive, I think. At some point, we had about 120 of the registrants here, who I also want to thank for their patience and for listening to us. Yeah, guys - agility! We're going to summarize a little bit the highlights of this, get you a documentation of this, and I just want to thank everybody for being here.

Darrell Rigby 79:00

What an honor. Thank you for having us.

Roland Deiser 79:13

Great guys! So, you have a good day, wherever you are. Thank you.