
Six dimensions of the agile enterprise: What leading companies are doing

A new survey pinpoints the characteristics of enterprise-level agility, shows the top benefits and obstacles, and identifies how to make progress more quickly.

When you think about how organizations adapt quickly to customer or market-driven change, you likely think of integrated IT systems, how people team, or even a product mindset. You know the goal: an agile enterprise. Yet precise definitions of what enterprise agility looks like in practice are surprisingly hard to find.

To generate that missing precision, Strategy&, PwC's strategy consulting business, surveyed 850 senior executives at 646 enterprises in North America, Europe, Africa, the Middle East, and Asia-Pacific. We structured this survey on PwC's definition of what makes an enterprise agile, which breaks the term down into six dimensions:

- **Organization:** Roles enable collaboration across business units.
- **Talent:** Individuals are adaptive to change, risk, and have skills needed for end-to-end ownership of value delivery.
- **Technology enablers:** Teams rapidly develop and release new software.
- **Planning and performance management:** Funding allocation is based on rapid and iterative prioritization rather than long-term planning alone.
- **Ways of working:** Team members enable one another's work and efficiently deliver shared, iterative outcomes.
- **Risk and compliance:** Governance, controls, and risk-based decision making are redefined to operate with frequent iterations.

We asked survey respondents to assess their organization's overall agility, and to describe what agility meant for them in each of these six dimensions. We also asked what they saw as the top benefits and the main obstacles and discovered which business sectors and geographies most commonly achieve agility.

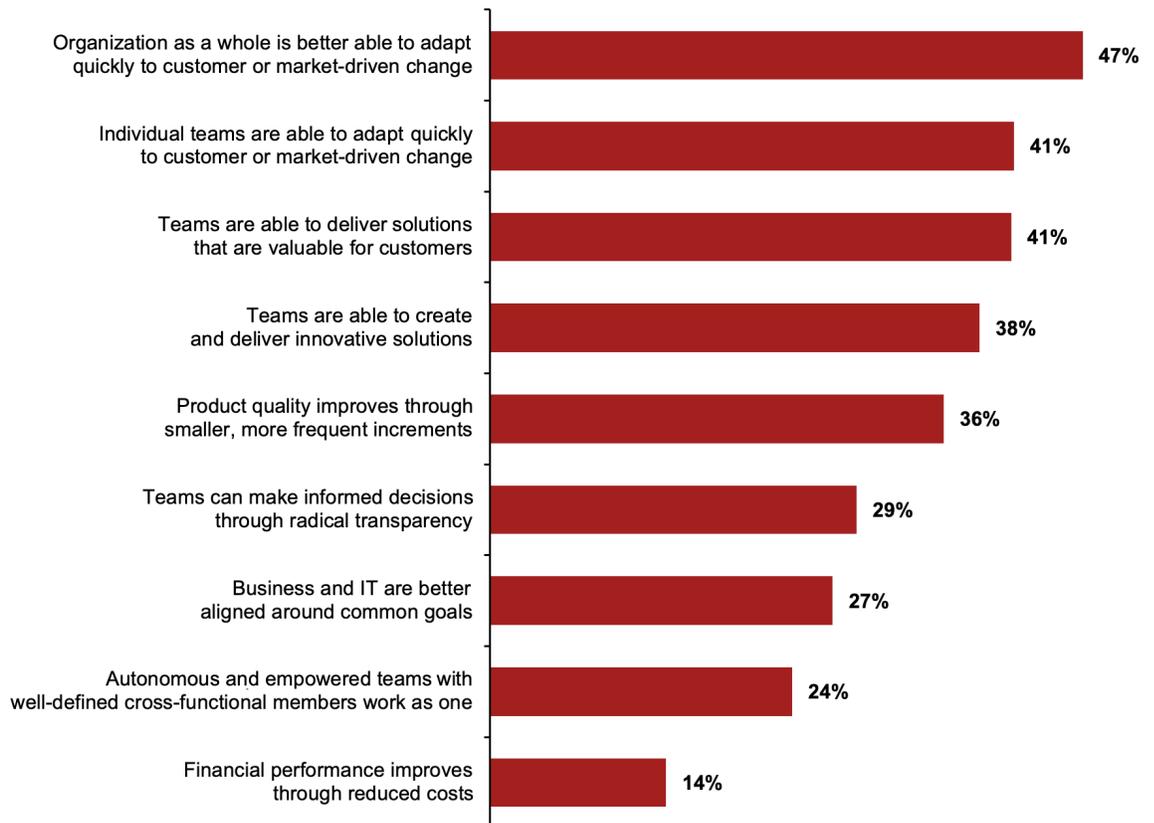
The results surprised us. The biggest benefits come from agile planning and performance management and an agile talent model — not from agile technology practices.

Enterprise agility in practice

Being agile is so sought after because the rewards are so great. As Exhibit 1 shows, business leaders identified the top rewards as an increased ability to adapt to customer or market-driven change, and teams that are better able to create and deliver valuable, innovative solutions for customers. Improved product quality and better-informed decisions are also common benefits.

EXHIBIT 1

Top benefits of agile



Note: Percentage of respondents who listed benefit in the top three.

Source: PwC Strategy& analysis

Only one-third of our survey respondents reported success in becoming agile throughout the enterprise. Those who did said this was what agility looked like in practice, in each of the six dimensions:

- **Organization:** Delivery structures organized around products or end-to-end journeys (with business and technology teams working together to develop products or platforms) were a reality at 82 percent of these highly agile companies. Nearly 80 percent said that they had permanent cross-functional, autonomous agile teams. Only 15 percent described their structure as “hierarchical.”
- **Talent:** Eighty-five percent of top agile performers reported success in attracting, training, and retaining the right talent to maintain agile ways. Seventy-eight percent said that their individual employees were accountable for the team’s performance, not just their own.
- **Technology:** Among highly agile companies, 83 percent reported having IT infrastructure (including tools such as cloud services and virtual architecture) that enabled rapid provisioning and scaling. Eighty-two percent said they had IT developers who worked “highly collaboratively” with product owners to plan and execute agile sprints.
- **Planning and performance management:** Eighty-three percent of top agile performers reported having systems that enabled them to flexibly reallocate resources more frequently than annually. In addition, 78 percent said they had a portfolio management function responsible for prioritizing or reallocating resources to meet business priorities.
- **Ways of working:** Among highly agile companies, 83 percent reported having teams that evolved continually to meet consumer needs. Seventy-seven percent said that their senior leaders were “strong advocates” of agile ways.
- **Risk and compliance:** Seventy-six percent of agile top performers reported having updated risk management controls and methodologies to support agile delivery. Seventy-four percent said that frequent collaboration, testing, and releases had reduced risk levels.

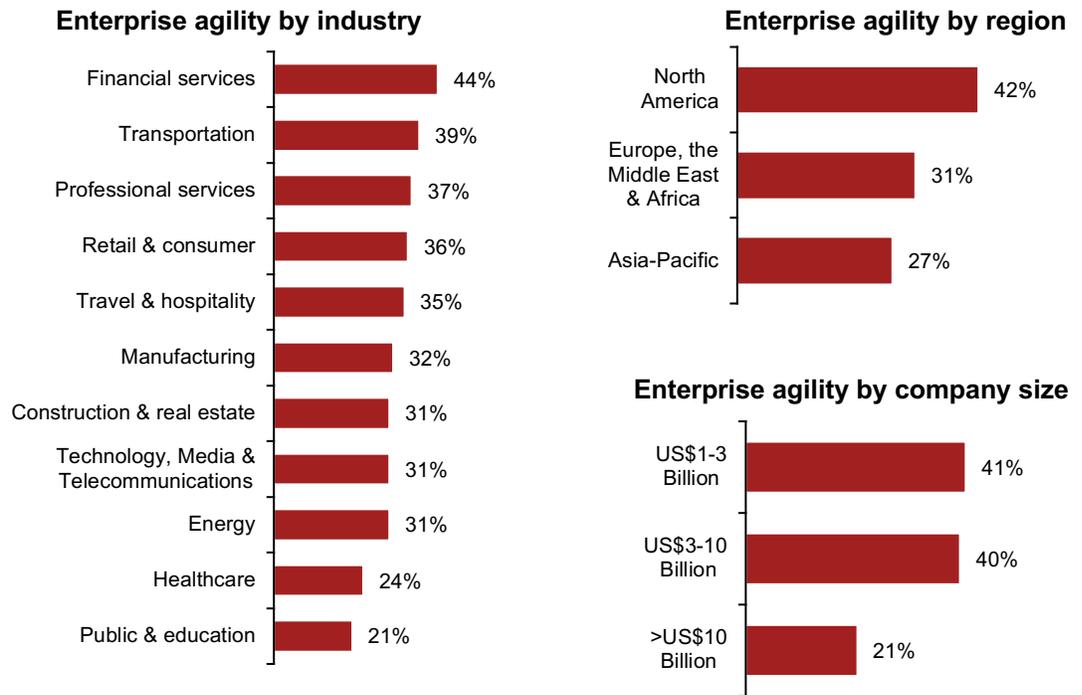


Every industry has highly agile companies

When we looked at which types of companies reported agility across the enterprise, we found some results that may seem unexpected (see Exhibit 2). In every industry we studied, at least 20 percent of responding organizations described themselves as highly agile. Financial services led, with 44 percent of organizations reporting agile maturity. Executives at larger companies reported greater agility than those at smaller organizations. Healthcare was barely more agile than the public sector. Geographically, North America led and the Asia-Pacific region came in last.

EXHIBIT 2

Agility by industry, region, and company size



Source: PwC Strategy& analysis

Yet upon a closer look, these findings make intuitive sense. Many companies famed for agility in one dimension (such as technology) fall short in others (such as compliance). Healthcare faces especially strict regulation and understandable concerns about moving quickly when lives might be at stake.

Many large companies, conscious of the slow speed of legacy processes, have made agility a priority, whereas many smaller ones have simply assumed that agility comes naturally. When we examine the geographic areas, we see North American respondents reporting 11 percentage points higher agility than European, Middle East & African respondents who are four percentage points higher than the Asia-Pacific region.

Yet overall, companies face similar obstacles as they seek to advance in the agile journey, and the majority are making common mistakes.

Barriers to agility

Employees fearful about taking risks; leaders failing to align with agile priorities; and employees, leaders, processes, and data all trapped in silos: Those were the top three obstacles on the agile journey, each cited by approximately one-third of survey respondents.

1. Failures not tolerated and smart risk-taking not rewarded. Agility requires a culture that empowers those with innovative ideas to test them quickly, generate a fast judgment regarding their success or failure, and then rapidly move on to the next idea. Managers and senior leaders need to understand that occasional failure is an inherent part of being agile, and often the biggest source of learning.

2. Misaligned leadership. Many senior leaders have risen to the top through established, traditional, slow ways of working, and they are set in their ways. They must learn not only to work differently themselves, but also to actively encourage others to work differently — including by incentivizing smart risk taking.

3. Organizational silos. If an enterprise is to be agile, different functions and business lines must collaborate to identify and solve customer needs, rather than trying to protect their own territory. Organizations must also make data standards and technology systems compatible across the enterprise.

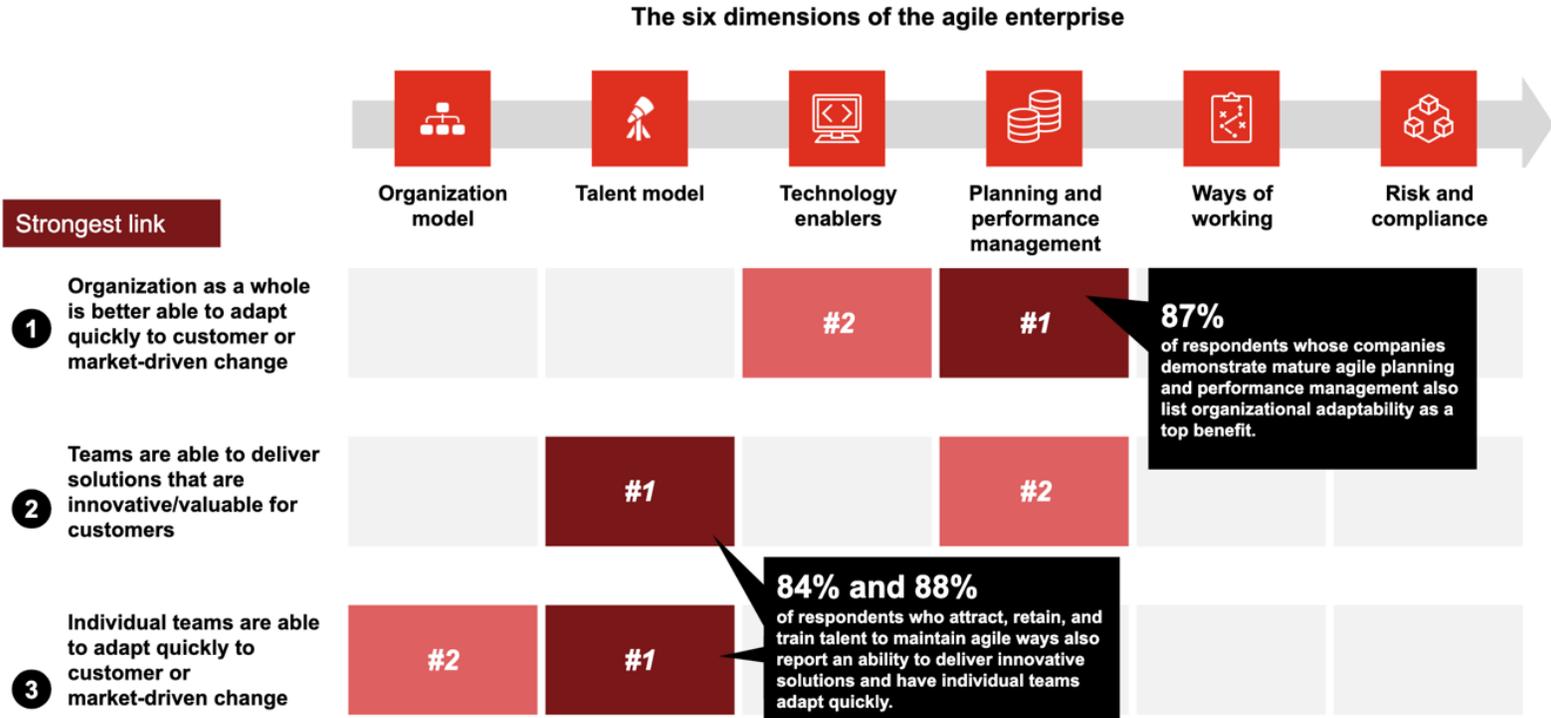
Beyond these common obstacles, the survey revealed a critical mistake that companies are making on the agile journey: an excessive focus on IT. A full 57 percent of respondents rated IT as the most valuable agile function. That may sound intuitive, because the agile approach started with software developers. But agile technology enablement was actually not the source of greatest value among our respondents.

Instead — according to the correlations seen with the top benefits — the greatest value came from agile planning and performance. That correlated strongly with the top two agile benefits: an increased ability to adapt quickly to customer-driven or market-driven change, and teams that become better able to deliver solutions of value to customers. The talent model is a good candidate for the second-most important dimension, because it also correlated with two of the top benefits (see Exhibit 3).

Agile technology enablers, such as a scrum-based software development methodology are certainly important, but an exclusive focus on technology, at the expense of the other dimensions of enterprise agility, is likely causing many companies to miss out on significant value.

EXHIBIT 3

Two of the six dimensions of the agile enterprise drive top benefits



Source: PwC Strategy& analysis

Agility requires addressing a broad set of organizational factors

Because planning and performance and the talent model are the most valuable dimensions of enterprise agility, and because the top three obstacles on the agile journey are all related to culture and organization, it should be clear that enterprise agility requires more than reorganizing your software teams. It requires a deep transformation. If such a transformation is not undertaken, teams in every part of the organization, afraid to take risks, trapped in silos, and lacking the support of leadership, may get trapped in the old, slow ways of doing business.

Here's the best way to get to enterprise agility, maintain it, and advance farther and faster:

- 1. Assess.** Start by evaluating organizational agile maturity in all six dimensions (not just technology), looking at both key initiatives and recurring constraints.
- 2. Build a vision.** Ideate and align on overarching agile aspirations for the enterprise, defining strategic priorities and a vision of success. Identify specific changes to implement across the six agile maturity dimensions.
- 3. Pilot.** Identify teams to pilot agility, learn from experiences, and build momentum for broader enterprise agility. Be sure to identify culture and management challenges and how to address them.
- 4. Implement.** Activate additional teams, fine-tune the road map as new challenges arise, and learn from these challenges to prepare the next phases of agile advancement. Provide coaching and training along the way.

Becoming an agile enterprise is a journey, but if an organization clearly understands what works, what doesn't, and what is most important, then agility will be more than a buzzword. It will be a well-defined and achievable set of goals.



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