



AGILE VS. DEATH-BY-COMMITTEE

WHAT SPOTIFY AND HILTI ARE DOING RIGHT

By IMD Professor Carlos Cordon, with Isaak Tsalicoglou

IMD
Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.org
www.imd.org

The writing is on the wall: if you want to innovate in the digital world, you must be agile. Four of the top five companies by market cap (Microsoft, Apple, Alphabet and Amazon) use Agile methodologies. They are thus able to deliver a stream of tightly-integrated product systems.

Yet, Agile doesn't stop at Silicon Valley. Traditional companies are also realizing the downside of their linear processes' efficiency: The steering of new products by heavyweight committees can be very good at suffocating innovation. Over time, the result is a low-risk, low-return product portfolio. Agile is the opposite: a more adaptive, speedy and cost-effective approach to innovation for digital and non-digital products.

What Agile is all about

Agile is a set of principles, and the methods and organizational structures needed to put them into practice. Its most distinctive principles are:

- Work iteratively and incrementally. Focus relentlessly on adapting to changing consumer needs, regulations and competitors.
- Build conceptual and real prototypes early and regularly. Use these as experiments, to gather stakeholder insight and increase customer value.
- Empower self-organizing teams to make decisions without steering committees. Support them in delivering product increments at regular intervals.

Agile teams consist of five to eight people. As the interface to stakeholders and customers, the "product owner" regularly evolves a high-level "backlog" of prioritized requirements, feedback and feature requests. There is no "project manager" in the classical sense. Instead, an "agility coach" assists the team in putting the Agile principles into practice to execute on the vision.

Each team develops new product increments in "sprints" of two-to-four weeks. Each sprint begins with the team converting high-priority backlog items into crisply-defined, granular tasks. Team alignment is frequent, short and results-oriented. Daily, the team tracks task completion, shares sticking points and balances its workload. The agility coach also protects the team from arbitrary interruptions by the product owner or management.

The output of each sprint is a potentially-shippable product increment that users can test. The product owner, management and customers share their feedback in an informal setting. The team will use those insights to further improve the product/service. Finally, in a "retrospective", the team figures out how to make the next sprint more productive.

Changes are opportunities

Heavily-controlled phase-gate processes promote the sunk-cost fallacy. Companies therefore stick to plans, even as those plans become outdated and risky. Moreover, teams waste time, effort and trust on low-value activities, such as "bullet-proofed" gate documentation and negotiating with stakeholders as adversaries. The results are time and budget overruns for products that customers do not desire as much as initially envisioned.

In contrast, Agile teams focus on customer value, not process bureaucracy. They achieve increments of valuable output thanks to regular customer interaction and collaboration. Educated experiments with prototypes mitigate risks and lower overall development costs. Reliably regular releases also increase customer engagement.

Agile principles drive these benefits by making companies responsive to change. In the pursuit of innovation, changes to requirements and the feasibility of specifications or features, or in the product's context, are highly probable. Executives and teams can treat change as either an abnormal nuisance, or as an opportunity.

In the non-Agile world, changes are bemoaned as “moving targets” that spoil best-laid plans. Teams try to block them by “freezing” what customers *should* want years down the road. Premature decisions are made using stale information from market research conducted years ago. Or, by using hasty evaluations of technology maturity and supplier capability. As the project progresses, questioning its key assumptions becomes increasingly painful. Teams and steering boards inevitably find themselves at an impasse. With every passing gate, steering boards hesitate to make bold business-minded decisions, such as stopping the project. The escape maneuver is to forge ahead and begrudgingly undertake late, major, costly rework as a form of “damage control”.

In comparison, Agile teams welcome and regularly adapt to changes. They progressively discover and address customers' needs through experiments and feedback in small batches. This earlier and stronger involvement of customers in shaping the product can enhance its value perception. It also increases customers' anticipation, satisfaction and positive word-of-mouth. Consequently, the impact of Agile principles is not limited to the bottom-line. Spotify and Hilti, two dissimilar adopters of Agile concepts, are experiencing these positive effects.

Spotify is the most popular music-streaming service. The company relies on a company-specific Agile approach at a large scale to continuously innovate. Teams generate new ideas continuously, and tweak the service's features and the software's user interface accordingly, to create new product increments. These are deployed as experiments targeting different customer sub-groups. By diligently capturing, analyzing and adapting to usage metrics and user feedback, Spotify continuously enhances its differentiation and, at the same time, avoids alienating its entire user base with “big-bang” updates.

Agile also works beyond software. Hilti supplies the professional construction industry with largely tangible products, such as electric tools and fastening equipment, but its recent strategy called for new services. Its aims were to increase customer engagement, enhance product differentiation, and support profitable growth. Instead of resting on its decades-long phase-gate laurels, the company took inspiration from Agile, mixing it with past project experience and its culture. In less than a year, it had created new Agile-inspired processes to develop, launch and manage global service products. Agile teams have achieved impressive results, improving product quality and speed of service development.

Adapt to adopt

The implementation of Agile is fundamentally a change and improvement initiative. As Spotify and Hilti show, to achieve lasting adoption of Agile, it is key to experiment with its concepts, and progressively adapt tailor their application for each company.

Spotify is famous for scaling up Agile practices. It now focuses on using problem-solving teams that are loosely coupled and tightly aligned to each other. To manage complexity, members of autonomous teams share knowledge in various “communities of practice” that span the entire organization. Spotify still describes its widely-publicized approach as a pragmatic mix between the current state and the company's aspirations.

Hilti practiced Agile to develop, adapt and establish its processes and methods. Senior leaders empowered the process manager to act as a curating product owner. The target users became co-developers in a loosely-coupled network of motivated problem-solvers. In sprints of two-to-three weeks, the team piloted pre-release elements in actual projects, generated insights and collaborated on concrete improvements. Consequently, all elements were in full productive use within only six months.

What got us here won't get us there

Until recently, companies have grown successful with linear, phase-gate approaches. Tight planning, management and control of projects have more than served their purpose, with unintended consequences such as risk aversion and wishful thinking. With these approaches, companies tend to only fast-track endeavors with predictable, lukewarm outcomes, or those “too big to fail”. For many companies, the potentially lucrative and disruptively innovative “step-changers” remain on the drawing board, because they are uncertain in nature.

To deal with this uncertainty, companies need to create a feedback loop between market and technology, and drive it much faster. Agile techniques enable teams to frequently and reliably feed customer insights back into their development efforts, and vice versa. Only in this way can companies deliver breakthrough customer value with quality products at the right time, and with larger profit margins.

An Agile approach delivers exactly that, and more. It also promotes teams' task ownership and entrepreneurial spirit. Complex knowledge work thus becomes more experimental, flexible and rewarding. Beyond measurable improvements of project metrics, this approach immeasurably energizes the organization — quite unlike steering meetings.

[Carlos Cordon](#) is LEGO Professor of Strategy and Supply Chain Management at IMD. He teaches in IMD's [Digital Supply Chain Management](#) program.

[Isaak Tsalicoglou](#) is an External Research Associate with experience in future-proofing development operations. He is an alumnus of IMD's MBA program and the founder of [noito](#).