

The Business Agility Report

RESPONDING TO DISRUPTION | 3RD EDITION, 2020



SPECIAL EDITION

The Business Agility Report

SPECIAL EDITION BY

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INTRODUCTION: HOWARD SUBLETT

We are pleased to bring you this special edition of the Global Business Agility Report. This year's release offers many insights into the growth of business agility around the world, especially amidst COVID-19.

It's clear to me that everyone is seeking a better way to do business, especially in light of the pandemic. This year's report surveyed 359 organizations spanning 28 industries in 53 countries. Every single respondent—100%—said their organization is "striving to improve their agility." The second highest benefit of business agility? "Better ways of working."

Some companies might not explicitly label these "better ways of working" as agile, but I suspect they would agree that they would like "improved collaboration, communication, and transparency," "better products," "increased speed to market," and "higher customer satisfaction," all reported benefits of business agility. Steve Denning notes on Page 5 that he too has seen "many other firms that are implementing the principles, processes, and practices of business agility without necessarily using the language."

No matter what you call this better way of working, here's what sustainable business agility means to us at Scrum Alliance: Joyful cross-functional teams working in collaboration, using plans that can adapt to change, so that businesses can deliver successful products that delight customers. **It's that simple and that difficult.**

Our Chief ScrumMaster Melissa and I have joined a few of our Certified Enterprise Coaches and Board members to comment on key sections—you can find those beginning on page 8. We hope you find this perspective helpful and insightful.

Pour a cup of coffee or tea and enjoy.

At your service,

Howard Sublett
Chief Product Owner, Scrum Alliance



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PREFACE BY STEVE DENNING

In a year of shattering change, the effects of the global pandemic are evident everywhere. While some businesses, like airlines, hotels, and restaurants have been devastated no matter how they were run, other sectors, particularly those delivering services digitally like Amazon, Apple, Facebook, Google, Microsoft, Netflix, and Salesforce, found themselves perfectly placed to profit from the situation and achieve unprecedented levels of market capitalization.

The latter firms also benefited from the fact that they were for the most part practicing principles of business agility—an obsession with delivering value for customers, drawing on the talents of their staff, and working as networks of competence, even as they used home-grown labels for their management practices, such as “Project Aristotle” at Google, and “two-pizza teams” at Amazon. The financial success of these firms has been a powerful lesson to the world about the advantages of business agility in a world of increasing disruption and abrupt change.

Moreover, as the pandemic forced many businesses to embrace working virtually rather than in offices, the benefits of agility were also striking. Firms that were already working in self-organizing teams found the transition relatively uneventful and even positive, while organizations still locked in the slow-moving, top-down, bureaucratic practices and processes of 20th century bureaucracy found the shift problematic both in terms of personal stress and business efficacy. As many of the former firms declared their intent to continue virtual work practices at least into 2021, it has become apparent that the pandemic has been a great accelerator of changes already underway.

Yet, a shift in management towards greater agility at the enterprise level continues to pose major challenges for leadership. Entrenched business processes, practices, values, and attitudes don’t change easily or quickly. Firms are finding that Agile transformation journeys typically take place in terms of years, not weeks or months, with many setbacks as well as forward progress.

The “Business Agility Report 2020” is a contribution to our understanding of organizational transformation, particularly how it looks and feels to those who identify with the label of business agility. The self-reported findings of some 433 respondents in 359 organizations from around the world convey a picture of both the opportunities and the challenges.

The report shows the respondents’ strong belief that the focus on business agility is leading to enhanced customer and employee satisfaction, speed to market, market success, collaboration and communication, accountability, and improved ways of working. And even beyond the scope of this report, many other firms are implementing the principles, processes, and practices of business agility without necessarily using the language.

Make no mistake, the business agility revolution is well underway and this report offers valuable information for those on the journey.

Steve Denning
Author of *The Age of Agile*

KEY FINDINGS

Last year, we opened with the words “*the world is changing faster than ever.*” In 2020, these words do not seem enough. The world has changed beyond recognition; in profound and subtle ways, both positive and negative. And yet, it is still the same world. Customer expectations continue to evolve; they seek new products, services, and experiences, and also expect greater social responsibility from companies. And despite record unemployment, employees continue to demand clarity, purpose, and meaning in their work.

Recently, 433 respondents from 359 organizations around the world took part in the 2020 Business Agility Report. Respondents rated their progress and maturity while sharing insights on the challenges and successes along their journey.

Compared to last year, we have seen **more organizations commencing** their business agility journey and those on the journey **report greater progress**. Year-on-year, **overall maturity has increased by 8%**.

COVID-19 has acted as a forcing function on organizations around the world that, with the exception of North America (which decreased in average maturity by 10%), reported an **average maturity increase of 15% post-COVID-19**. Factors such as the transformation of Human Resources, a focus on customer-centricity, and the length of time spent on their business agility journey play a significant role in this. While more data is required, early evidence from respondents shows that improving business agility across the entire organization played a significant role in the effectiveness of their response to COVID-19.

Respondents continue to report additional focus is required with **leadership vision** and **sponsorship**, and with broader **structural issues** such as organizational silos, alignment, and funding. Of no surprise, COVID-19 is also seen as a challenge by some respondents.

Analyses of the responses identified several **key benefits**. Of special note, in the last two months of data collection, many respondents indicated that their organizations were better positioned to **adapt to COVID-19** due to their adoption of business agility.



Organizational Benefits

(Collaboration & communication, and better ways of working)



Commercial Benefits

(Speed to market and customer satisfaction)



Workforce Related Benefits

(Motivation and employee satisfaction)



Faster adaptation to COVID-19

For some, the global pandemic caused by COVID-19 was a pivot-or-fold moment; many businesses had no choice but to adapt and become radically more agile. The survey results back that up: Post COVID-19, the report found that the **world has generally seen an increase in average maturity**. The report says that average maturity:

- Increased by 15% in the rest of the world; but
- **Decreased by 10% in North America.**

Although the global pandemic forced businesses to face many truths that they had conveniently been avoiding for some time, it also presented an opportunity to try things that were previously believed to be impossible. Under extraordinary and immovable constraints, businesses around the world engaged their teams' creativity and innovated their way through situations they had never before encountered.

Scrum Alliance made a pivot of its own. Since 2001, in-person has been the only option for entry-level certifications. But in the face of a pandemic, face-to-face courses were no longer an option. In one, two-week sprint, teams changed systems, guidelines, and minds to accommodate live, online courses. As a result, the organization has experienced far less dropoff than originally forecast. Live, online courses have also had the unexpected benefit of reaching new audiences that had been underserved in the past.

The world is not at the end of this crisis and does not yet know what the emerging new normal will be. One thing is certain: the future will forever be shaped by this event, in how organizations function, how products are built, and even where people work and live.



Coaching Corner: Agile Teams Adapt

Companies that have adopted agile values have had a far easier time adapting to COVID-19 and the resulting marketplace shifts.

- Trust had already been established, so adapting to remote work was much easier and less stressful for them.
- Work was already viewed through the lens of an agile team, as opposed to individual contributors, so the team could flex and adjust to individual challenges. This enabled them to deal with health concerns, childcare challenges, and other issues while still accomplishing the team's outcomes and objectives.

These are just a few examples of how making your organization more agile makes it less fragile in the face of change.

KEY PREDICTIVE INDICATORS

In the 2019 Business Agility Report, we discovered three significant predictors of business agility based on a multi-year analysis of data. Organizations that report higher ratings in these three maturity measures also report higher overall business agility and associated benefits.

Importantly, the 2020 Business Agility Report analysis reinforced that relentless improvement, funding models, and value streams remain the top-3 key predictors of business agility.



RELENTLESS IMPROVEMENT

By encouraging a culture of learning and experimentation to thrive, organizations will continuously improve both what they do and more importantly how they do it; reducing costs, improving efficiency, and delivering greater value to customers.



FUNDING MODELS

By funding business outcomes, rather than specific work outputs or projects, organizations can quickly and easily invest in new products or services as soon as market opportunities arise and, with the right governance, just as quickly stop or change work that is not delivering the expected business value.



VALUE STREAMS

By designing flexible work processes that are both efficient and customer-centric, organizations can structure teams at all levels in a way that maximizes value creation for the customer.

UNDERSTANDING BUSINESS AGILITY

Business agility is a complex and multi-faceted concept spanning all aspects and interactions of an organizational system. With the single intention of finding ways to create an organization best able to fulfill its purpose (serving its customer), **no matter what the future brings**. Business Agility is a continuum, where the question is not whether you have it, but rather how much you have and is it enough.

Achieving business agility is not simple. There is no silver bullet or single framework, method, or system that can implement business agility—and, by definition, because an organization is a complex adaptive system, there can never be one. Yet, while no two organizations follow the same journey, common patterns emerge.

Therefore, in 2017, the Business Agility Institute began work to clarify what it means to be an agile organization, regardless of industry, size, or context. Out of this research came the **Domains of Business Agility**, a model consisting of 13 domains grouped into 4 key areas; Relationships (incorporating Customer at the heart of the model), Leadership, Operations, and Individuals. Each domain is a fundamental characteristic of an agile organization and is equally important, necessary, and interrelated to each other. External to the model is how these characteristics are expressed; as that is unique to each organization and draws upon innumerable frameworks, practices, behaviors, and systems.

To more accurately analyze the progress made by each respondent, for the Business Agility Report two maturity measures were defined for each domain (26 in total).



To learn more about the Domains of Business Agility, visit:
<https://businessagility.institute/learn/domains-of-business-agility>

METHODOLOGY

This study investigated organizational business agility maturity against the Domains of Business Agility, as well as examining overall benefits and challenges. The study was conducted through a voluntary and anonymized online survey where respondents were asked a series of demographic questions about their organization and invited to share the top challenges and benefits they have seen to date. Respondents self-assessed their business agility maturity against 26 measures covering four key areas: Relationships, Leadership, Operations, and Individuals.

Respondents were asked to provide a rating from 1-10 for each characteristic; with **1-6 classified as low-moderate maturity** and **7-10 as high maturity**. In the context of each characteristic, the ratings were classified as either;

-  **Pre-Crawl (1-2)** - the organization mostly follows traditional processes.
-  **Crawl (3-4)** - the organization is just getting started with business agility.
-  **Walk (5-6)** - the business agility basics are in place and more advanced methods are being explored.
-  **Run (7-8)** - the organization has made significant strides towards business agility.
-  **Fly (9-10)** - the organization is a global business agility leader.

The percentage of Run or Fly (7+) levels can be considered a “favorable score” for each measure. Specific examples were given to help respondents select a consistent rating.

The key hypotheses outlined in this report were verified by performing statistical analyses on the 2020 data and trends with the previous years' findings (2018-2019).

To learn more about the statistical methodology underpinning the results, visit TeamForm: <https://teamform.co/research/>

To see the questions, or to take the survey yourself, visit: <https://agilityhealthradar.com/business-agility-survey/>

COVID-19 LOCKDOWN DATE

The impact that COVID-19 has had on organizations around the world is undeniable. Because we are able to compare survey data collected prior to and after the onset of COVID-19, the Business Agility Report gives us a unique view into the quantitative and qualitative impact of a global disruption while it is happening.

COVID-19 lockdown dates were analyzed based on region, with most regions entering lockdown within 8 days of one another. Due to this tight grouping, the mode date of 23 March 2020 was used to approximate the average lockdown date, with results obtained prior to this date defined as Pre-COVID-19 (192 responses), and those obtained on or after this date defined as Post-COVID-19 (241 responses).

SURVEY DEMOGRAPHICS

Business agility continues to be a global trend. We surveyed a diverse range of 359 organizations; from 4-400,000 employees, spanning 28 industries, across 53 countries from Afghanistan to Zimbabwe. All are striving to improve their agility.

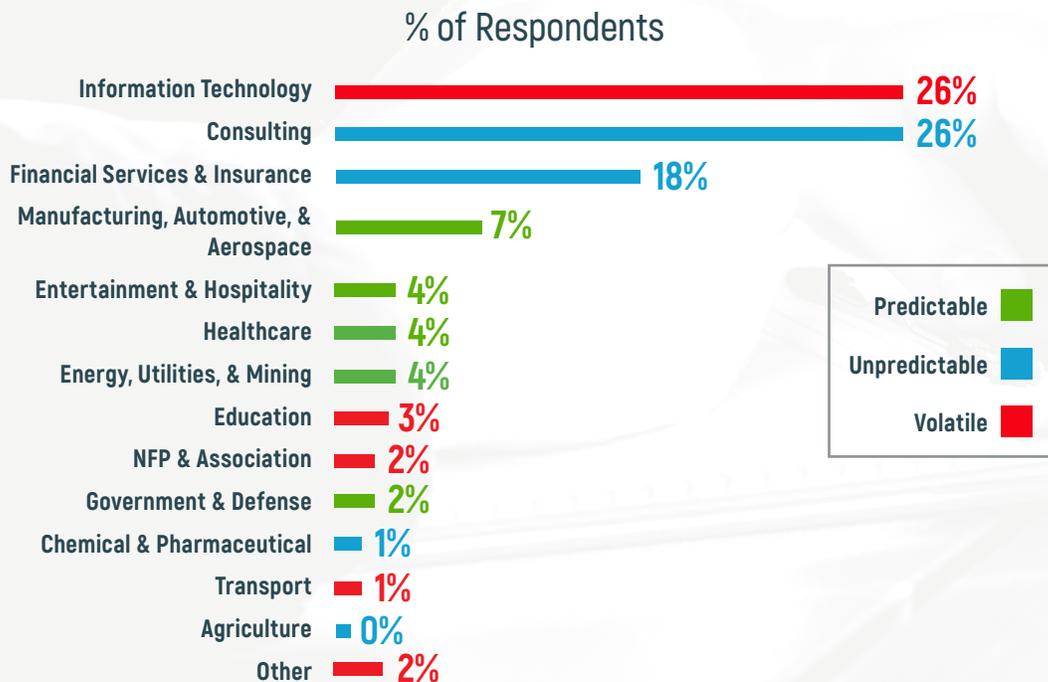
COMPANY SIZE

Respondents represent organizations of all sizes.



INDUSTRIES REPRESENTED AND CHANGING MARKET CONDITIONS

Confidence in an organization's ability to respond to changing market conditions continues to be relatively low. 34% of respondents state that their industry is volatile with another 45% reporting unpredictable market conditions. Only 21% of respondents report relatively stable operating conditions.



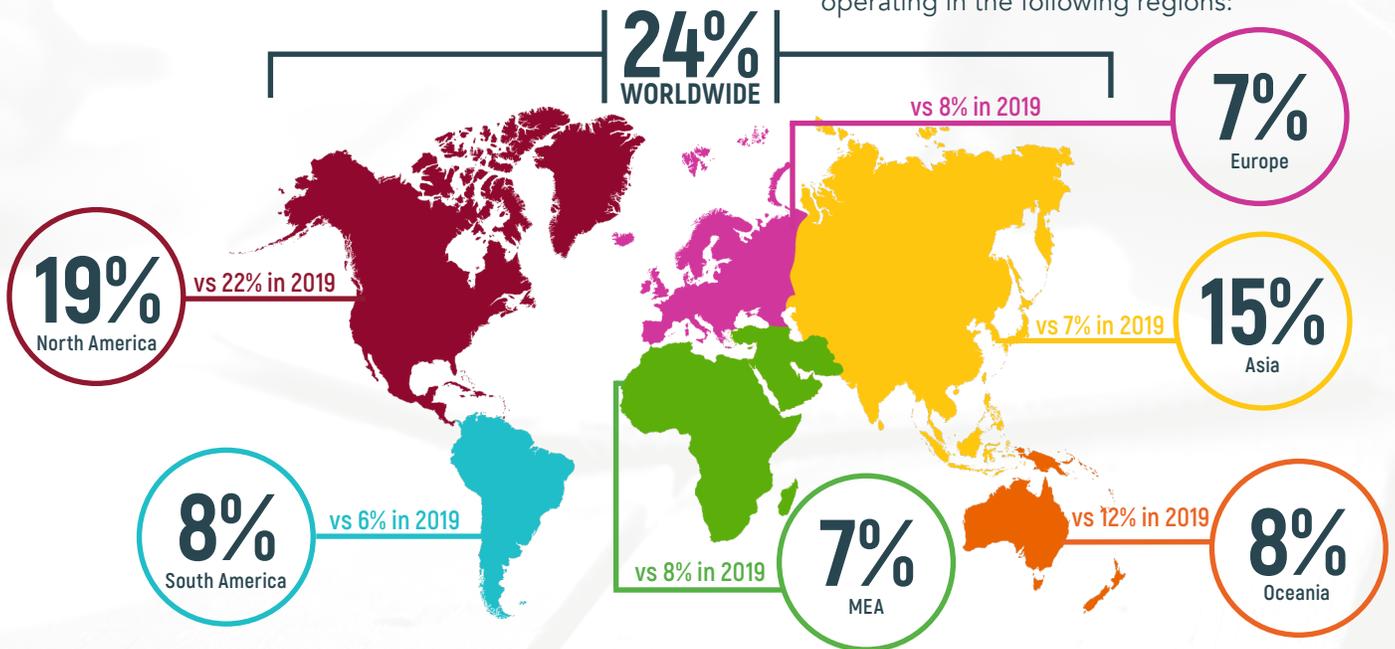
WHO'S RESPONDING

Respondents provided a representative view of all decision-making levels inside the organization. External Partners were the exception to this, as they responded on behalf of the surveyed organization but were not directly employed by it (for example, suppliers, partners, and consultants).



OPERATING REGIONS

Business agility continues to be a global trend, with respondent organizations operating in the following regions:



2020 VS. 2019

The 2020 survey had more respondents than in previous years, yet their demographics were similar to both the 2019 and 2018 reports. The breakdowns by company size, industries represented, and respondent roles were very similar (within a couple of percentage points). Continuing the trend from last year, the most significant shift was an increase in respondents from outside North America – specifically Africa, Asia, and South America. This shows that business agility continues to be a global trend.

BUSINESS AGILITY MATURITY

We designed the survey questions to gauge the business agility maturity of respondent organizations. The intent is to understand what organizations are doing, how they are performing, and overall global trends. In 2020 we saw a 9% increase in average business agility maturity, to 4.8 from last year's 4.4, with 25% of organizations rating 7 or more, again up from last year's 21%.

Of particular note, there are three key predictors of business agility arising from organizations that report Run or Fly ratings (7+) in the 2018, 2019, and 2020 studies. These organizations regularly report high ratings in Relentless Improvement, Funding Model, and Value Streams.



Average business agility maturity (Walking)



of organizations have high business agility maturity (7 or more)

Most measures of business agility saw an increase in maturity, with several (Employee Engagement, Board, Partner Ecosystem, Management Stance, Unity of Purpose, and Accountability) increasing by more than 10%. In the data, 4 other measures showed a slight decrease in maturity; these changes are considered neutral as they are within the margin of error.

In relation to the Domains of Business Agility, the top three domains in terms of maturity are Customer (staying at #1 from 2019), Strategic Agility (moving up from #4), and Board (moving up from #5) at 5.1, 4.9, and 4.8 points respectively. The domains with the largest relative movement, compared to the 2019 report, are Process Agility moving down 8 places, Partners moving up 7 places, and Growth Mindset moving down 5 places.

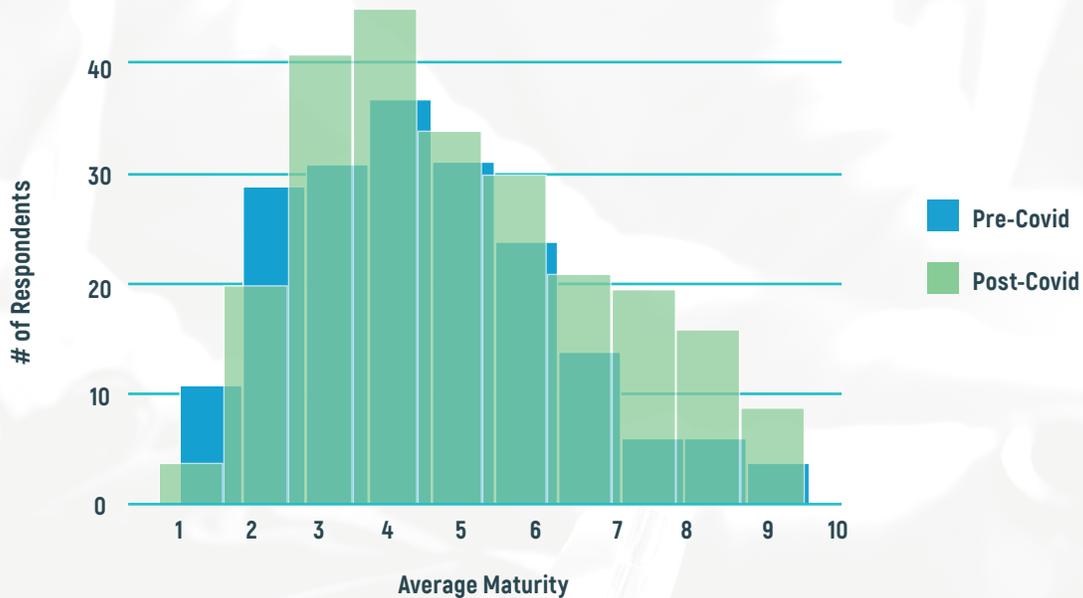
No matter how we slice the data - by region, industry, company size, or respondent - the average business agility maturity is well below the "favorable" Run or Fly ratings of 7 or more. Across all measures, the average maturity rating is between 4.4 (Funding Models) and 5.4 (Humble & Happy) - all within the Walk range.

COVID-19

COVID-19's global impact on organizations is undeniable. We compared survey data prior to and during the onset of the COVID-19 lockdown to gain unique insights into the disruption caused and adaptations applied.

The key finding is a significant increase in average maturity post-COVID-19. Increases are thematically concentrated in the areas of customer focus as well as the operation of an organization's support functions such as Human Resources and Finance.

Average Maturity Pre/Post COVID-19



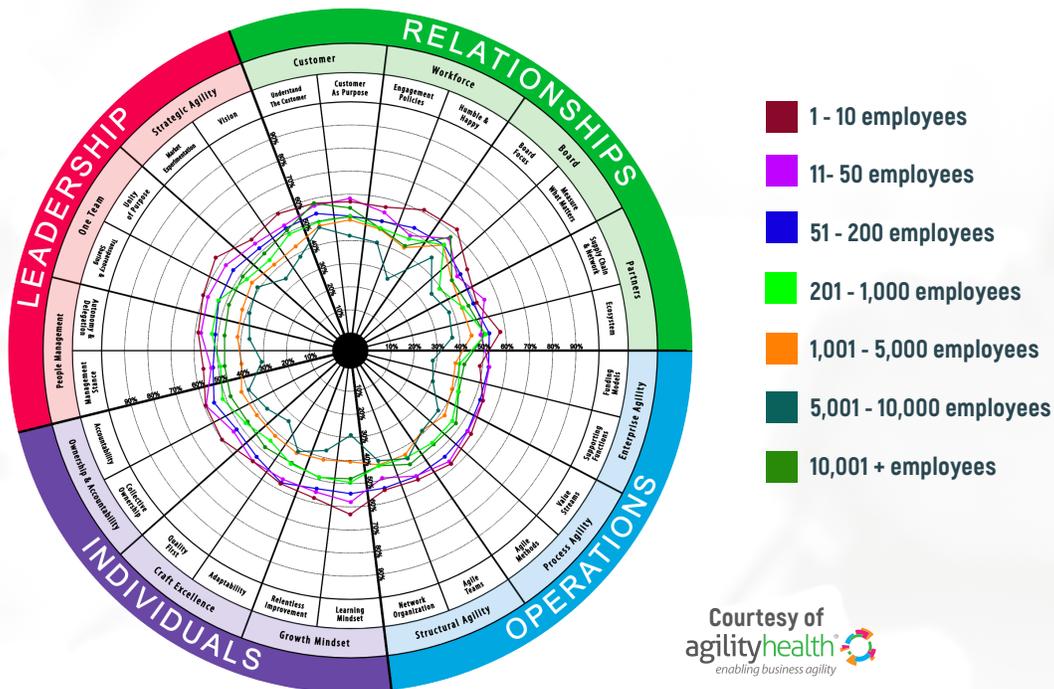
Increases in average maturity were found post-COVID-19 for 9 out of the 26 maturity measures, ordered by significance:

- Supporting Functions
- Understand the Customer
- Engagement Policies
- Collective Ownership
- Funding Models
- Supply Chain and Network
- Quality First
- Adaptability
- Value Streams

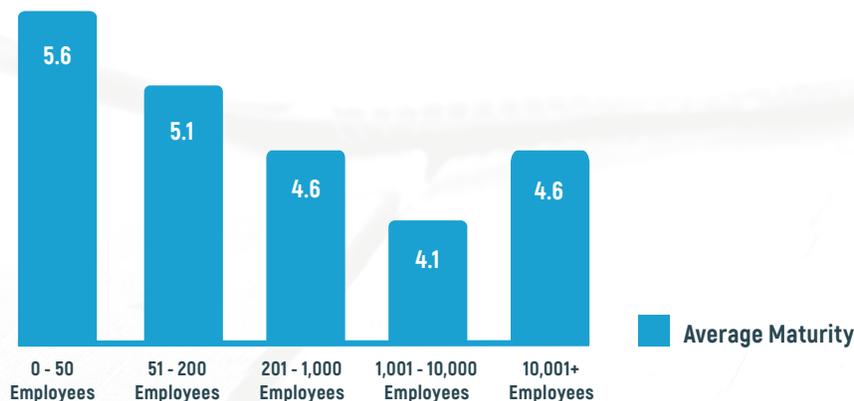
COMPANY SIZE CORRELATES TO BUSINESS AGILITY

It should come as no surprise that small organizations have more agility than large ones. This effect plateaus at around 200 employees, with the maturity of larger organizations between 11% to 19% lower. Smaller organizations significantly outperform larger organizations in both Growth Mindset and People Management (an average of 20% improvement). Inversely, there is less than 4% variation (statistically insignificant) between large and small organizations for both Workforce and Board agility.

Of special interest, this is the first year that respondents from large organizations (10,000 or more employees) rated their maturity as 7 or above.



Courtesy of
agilityhealth
 enabling business agility



2020 VS. 2019

Organizations with more than 10,000 employees reported a 9% improvement in average business agility this year, a positive trend in what has historically been the least agile size segment. While COVID-19 is a factor, it is not the sole contributor, as large organizations were reporting increased business agility even before COVID-19.

KEYS TO AGILITY AT SCALE

This year, respondents once again reported less agility in large companies (11 - 19 percent lower) than in smaller companies. This is not surprising. Large companies have more people, and more layers between leadership and individual contributors, which means these companies inherently have more complex communications paths. As a result, Certified Enterprise Coaches tend to spend a lot of time at large companies helping leadership understand how the structure (its layers and incentives) is impeding agility.

In addition, many large organizations incentivize standardization more than creation. As a result, an agile transformation that begins with a single software team or department quickly runs into immovable stumbling blocks as the teams encounter more traditional departments, such as Finance, Legal, and HR. Shifting this mindset requires an understanding of the difference between effective and efficient, between output and outcomes, and of the importance of optimizing for the whole rather than locally.

But there is good news. Large organizations find more success with agility when they follow these three guidelines: 1) Build cross-departmental teams, with fewer dependencies. 2) Educate and get buy-in from the C-suite. 3) Encourage a learning culture inside the organization so that change will stick.

For example, at the CEO's urging, GE rolled out Lean Startup across a 330,000 person global organization. Every employee was required to go through training and to begin creating "FastWorks" projects. All FastWorks projects required teams to start with minimally viable products and communicate frequently with end customers. Several products were released under the FastWorks banner and were successful. What GE neglected to do, however, was make the full transition to a learning culture necessary for the change to stick. Once the CEO began to focus on other initiatives, the company reverted back to its traditional ways. To keep things moving in the right direction long-term, make agility part of the culture of every team.



Coaching Corner: Scaling Frameworks

When leadership at large companies asks me what I think about a particular scaling framework, I am always curious as to what's behind the decision to become more agile in the first place. So I ask,

- What business impacts are you hoping to achieve by adopting any agile framework?
- What do you want to see more of and what do you see less of?
- How will you know if you are succeeding?"

I remind them that agility is the **means** to improving business metrics, not the **goal**.

TOP 3 INDUSTRIES



Consulting



Information Technology



Manufacturing, Automotive & Aerospace

When examining the range of responses, Consulting companies have the highest average scores followed by Information Technology and Manufacturing, Automotive & Aerospace*.

* We excluded industries with less than 10 responses, such as Agriculture (7.0)

* There is no meaningful variation when small (<50 employee) organizations are excluded from the analysis

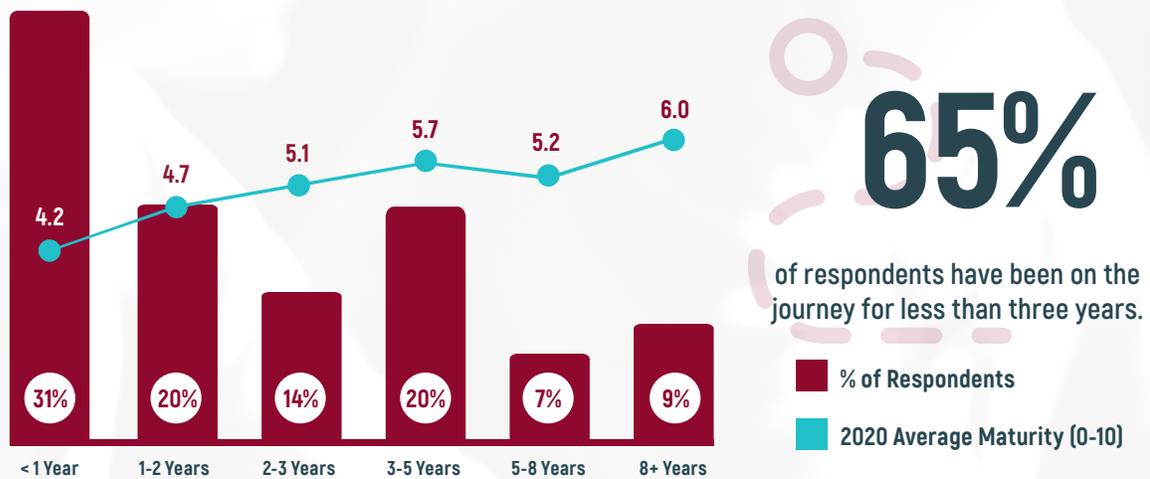
2020 VS. 2019

Consulting and Information Technology remain in the top 3 from both 2018 and 2019. However "Retail, Entertainment, & Hospitality" has dropped to 4th (yet still increased average maturity from 4.6 to 4.8) and been replaced by Manufacturing, Automotive, & Aerospace (up from 5th at 4.0). This year, with the exception of "Government & Defense" and "Energy, Utilities, & Mining", there is at least one highly rated organization in the Run and Fly range (7.0+) in every industry.

COVID-19

Overall there was an increase in maturity but there was not a significant impact by industry, save a nominal impact observed with Information Technology. It should be noted that there were fewer than 5 unique respondents in the Aerospace and Hospitality industries which, anecdotally, might have shown a significant link.

BUSINESS AGILITY JOURNEY



After controlling for other variables, organizations that were 8+ years into their agility journey scored 43% higher on average than those in their first year. Furthermore, organizations who were 3-5 years into their journey scored 34% higher than those in their first year.

Some domains have a stronger impact on business agility than others. Also, while some domains have an impact early on in the journey, for others the impact builds up over time. For example, People Management and Workforce have a small variation in business agility maturity regardless of how long the organization has been on the journey. Whereas others, like Partners, Craft Excellence, and Growth Mindset improve dramatically (over 20%).

COVID-19

When comparing survey respondents both pre and post-COVID-19, a significant increase to average maturity was observed for both organizations getting started (<1 year on the journey) and those who have been on the journey for a long time (8+ years).

2020 VS. 2019

The overall trend is statistically similar from both 2018 and 2019. The dip in maturity at the 5-8 year mark is more emphasized in 2020 than in 2019 but follows the same pattern. Further research is required to understand why this dip occurs.

The Customer domain continues to have the biggest impact on business agility for organizations getting started (<1 year on the journey) as well as those who have been on the journey for a long time (8+ years).

AGILITY TAKES TIME

This year, 65 percent of companies surveyed were less than three years into their agility journey. Organizations who were eight or more years into agility scored 43 percent higher on average than those in their first year. Furthermore, organizations who were three to five years into their journey scored 34 percent higher than those in their first year.

Leaders and organizations often have unrealistic expectations of the ease of agile transformation. A common misconception is that agility is a plug and play package, a commodity. Nothing could be further from the truth.

In its purest form, a true agile transformation is rooted in systemic cultural change. The current organizational system was likely not built in 60 days; it was often laid brick by metaphorical brick over years or sometimes decades. Thus, it makes sense that true transformational change will also take significant time. Agility requires sustained commitment to reshape the behaviors and structures of the organization. It takes most companies about three years to reach higher levels of agile maturity.

Agility takes time and perseverance. It takes a commitment to the business and cultural goals that brought you to transformation in the first place. There is no “plug-and-play” solution, as every organization is different and has varying levels of commitment. It’s not surprising that organizations who sustain that commitment, learning lessons along the way, are most successful in the long run.



Coaching Corner: 3 Methods to Aid Transformation

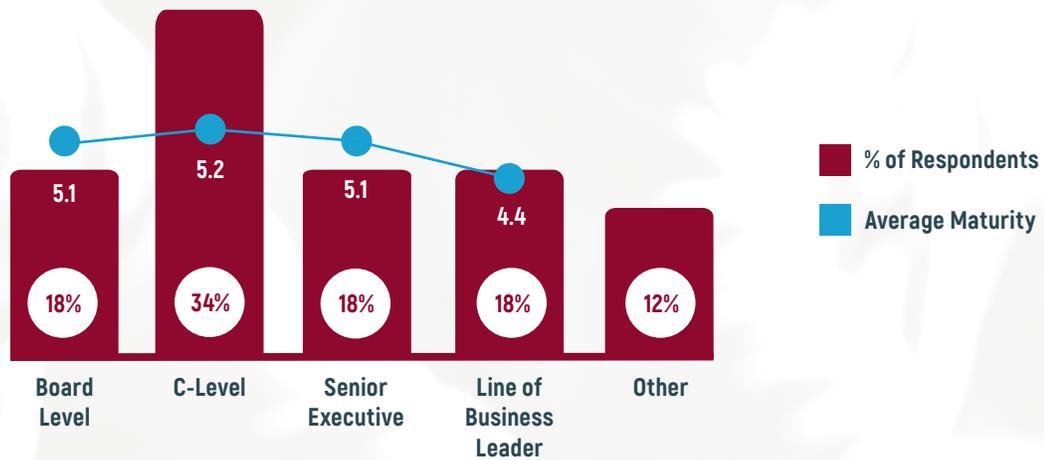
Coaches have a few ways they help drive home the point that transformation takes time. Some common methods include:

- 1) Change readiness assessment
- 2) Change mapping
- 3) Culture assessment

Aim these at drawing a vivid picture of the organization's current state, its goals, mission and strategy, and the culture changes required to reach those goals.

WHO IS LEADING THE TRANSFORMATION

Respondents rate business agility maturity significantly higher when the C-suite or Board of Directors lead the journey, compared to those led by a Line of Business leader (11% higher).



2020 VS. 2019

This follows an almost identical trend from 2019:

- C-Level led journeys continue to be the most common (34% in 2020 compared to 36% in 2019)
- Both C-Level and Board led transformations continue to have the greatest success (5.2 / 5.1 points in 2020 compared to 4.9 / 4.8 points in 2019).

COVID-19

Post-COVID-19, transformations led by the Board, C-Level, or Senior Executives increased in maturity by 17-19%.

BOTTOM UP VS. TOP DOWN

In the 2020 report, respondents rate business agility maturity significantly higher when it is led by the Board of Directors or C-Suite, compared to those led by a Line of Business (LoB) Leader.

In some ways that is not surprising. Many Scrum Alliance coaches would agree that top-down transformations tend to be more successful. David Marquet, Stanley McChrystal, Ricardo Semler and Satya Nadella are all famous for leading their organizations to agility. The reason many coaches give for the success of a top-down approach is that changing culture, organizational structures, leadership styles, governance, and HR policies takes a level of authority no middle manager has. Only the C-Suite can remove the structural barriers, which is why strong leadership education is vital. But no matter how good the leader is, there must be support for the change from the bottom too.

Perhaps that's why many of our coaches advocate for bottom-up approaches. These coaches believe the most long-lasting and sustainable change starts with small self-organized teams. As teams experiment with an agile way of working, and learn from it, they gain experience and success. Their success and agile mindset spreads to other teams. It's like a snowball effect.



Coaching Corner: Sustainable Business Agility

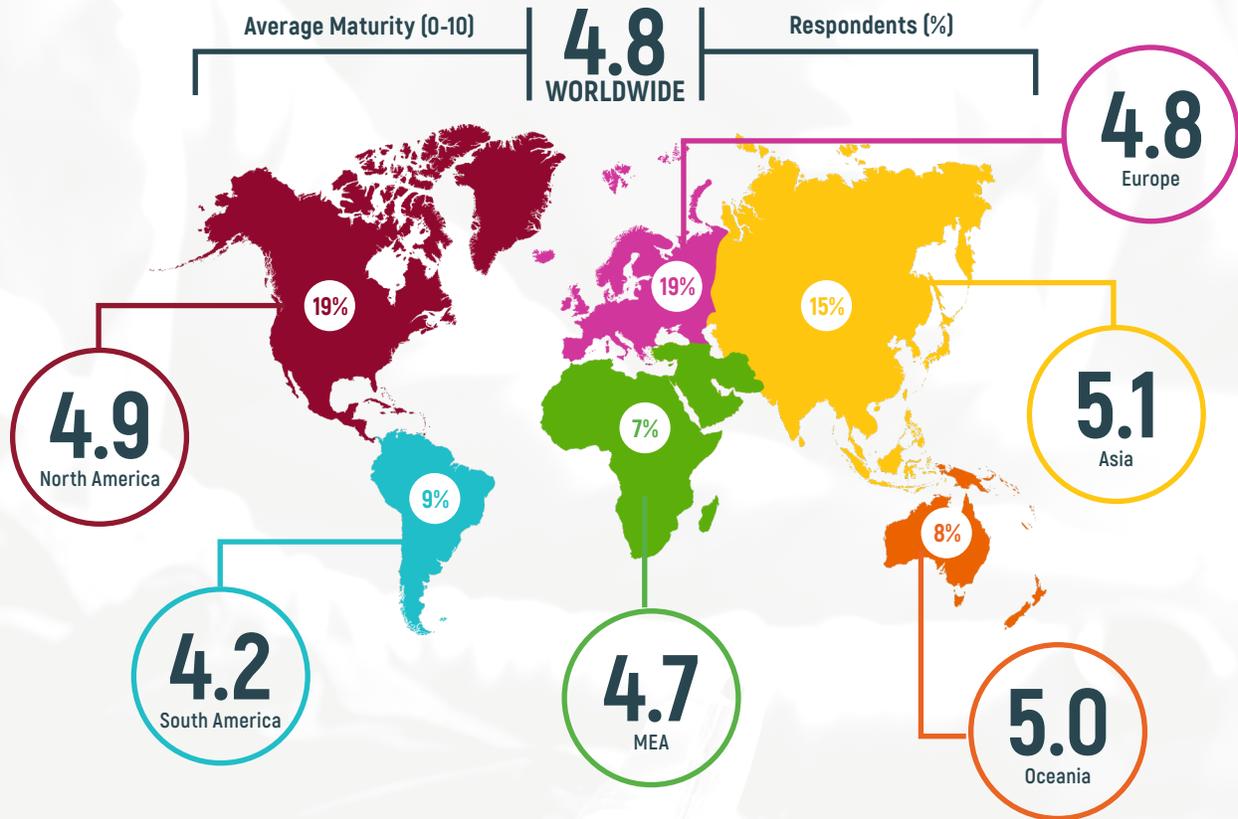
No matter which direction change comes from, agility is eventually going to conflict with decades of reinforced behaviors, territory-building, hierarchies, HR policies, and financial incentives that specifically reward the opposite, or at least, slow down or negate the potential of organization-level agility.

Truly agile businesses have leaders who

- Set a compelling vision that emphasizes agility
- Orient the entire organization and its culture around the core agile values
- Construct an organizational design that reflects those values but is "discovered" and unique to each business (as opposed to adopting a templated structure or framework)
- Question and reinvent structures, policies, and incentives in order to achieve agility, over time
- Provide clear overall direction and trust the teams to figure out how to move in that direction

BUSINESS AGILITY AROUND THE WORLD

When correcting for company size, reporting role, and length of business agility journey, only South America (including Central America and the Caribbean) recorded a statistically significant lower maturity.



2020 VS. 2019

Compared to 2019, both North America and Worldwide have remained fairly stable, with Asia up 13% & Oceania up 25%. In this year's report, Europe has been separated from the Middle East & Africa (MEA) and, from 2019 data, shows a 27% increase in maturity. South America is the only region to see a decrease in maturity (9%) and can be partially attributed to an increase in responses from the region.

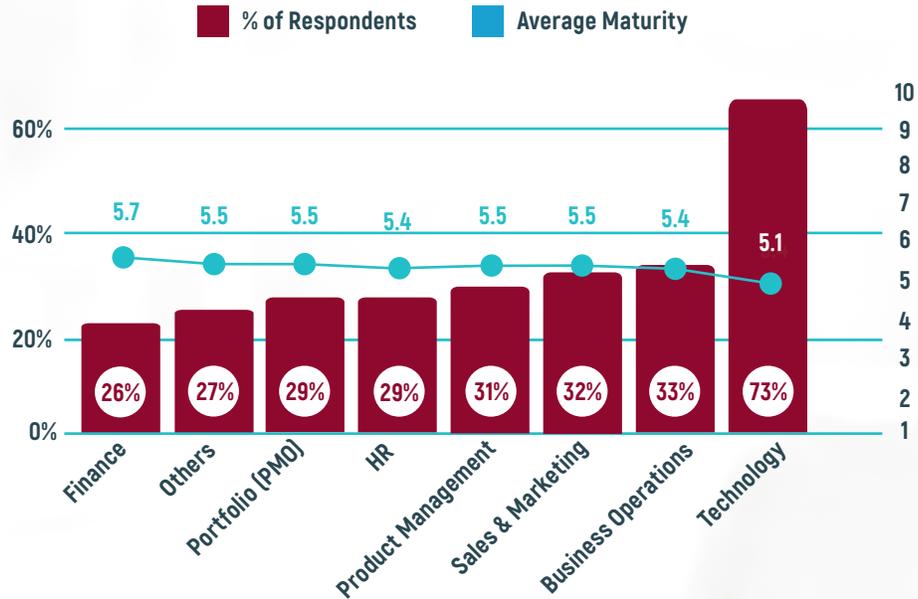
COVID-19

Assessing the impact of COVID-19 and geographical region, whilst the world has generally seen an increase in maturity, the standout observations are that average maturity increased by 25% in Asia, and decreased by 10% in North America.

More research is required to understand why COVID-19 caused North America's business agility maturity to reduce, while the rest of the world increased.

BUSINESS FUNCTIONS IN SCOPE

When examining specific divisions, those that are limiting their transformation to Technology have a significantly lower maturity than those who are transforming multiple business divisions. Of note, 22% of all respondents report that they are transforming their entire organization.



Important note: These percentages will add up to more than 100% as respondents could choose more than one option.

COVID-19

Within the overall observed increase in average maturity post-COVID-19, organizations that included Human Resources in their transformational journey saw a further increase in their maturity by 12%. There is no other meaningful variation in maturity post-COVID-19 that can be attributed to other divisions and business functions.

2020 VS. 2019

Those organizations that have included Finance in their business agility journey continue to show a slightly greater overall increase in maturity. This is in line with the earlier finding that Funding Models is one of the key predictive indicators for business agility.

BUSINESS AGILITY MIGHT START IN TECHNOLOGY BUT CAN'T END THERE

The report found that organizations “that are limiting their transformation to Technology have a significantly lower maturity than those who are transforming multiple business divisions.”

Most industries recognize that they need agility, from school teachers and restaurants to government organizations and Fortune 500 companies. Most of those companies also learn quickly that agility cannot succeed if it is “just a tech thing.”

For example, a marketing team that is accustomed to huge marketing pushes for big releases once a year is going to be disrupted when smaller pieces of software are released every two to four weeks. That might explain why Marketing and Product Management tend to be among the first departments to look for more agile ways to work.

That does not mean every department has to adopt an agile framework, such as Scrum, in order to be agile. It may instead mean that certain departments refactor themselves to support agility in the rest of the organization. For example, Finance does not have to start working in agile teams in order to reshape how budgets are done to support more agile ways of working.

Truly agile organizations engage everyone in the journey toward a better way of working. They know that sustainable transformation is only possible when the ecosystem is as agile as its teams.



Coaching Corner: Building Agile Cultures

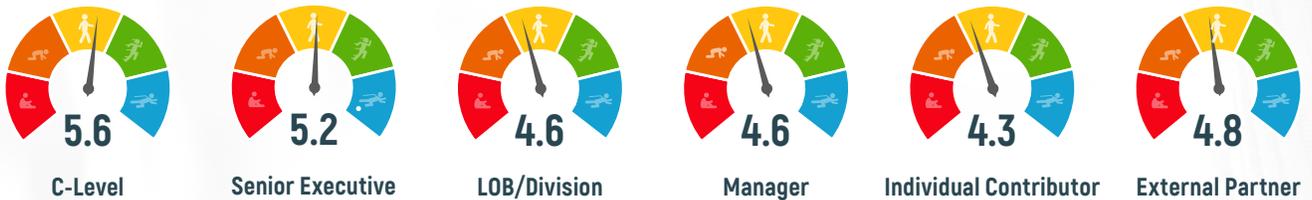
Leaders cannot delegate agile transformation; agility requires deep and fundamental changes to the organizational operating system and the culture. Successful agile leaders:

- Model the desired culture
- Give people time to engage in the change
- Prioritize desired changes. Map the current system to identify the key levers that will yield the maximum impact. Do not waste time on low-leverage elements.

Leaders have an opportunity to embrace a new path to their goals while reducing risk if they do the hard work of enabling a whole-organization embrace of agile values and principles.

PERCEPTION OF BUSINESS AGILITY

Respondents within the same organization give a wide variation in ratings depending on their position; within 1.3 points on average, with the largest variation between Individual Contributors and C-level respondents. External parties (Suppliers, Partners, External Coaches, etc.) generally gave less extreme ratings (both high and low) than employees.



2020 VS. 2019

This follows a similar trend from 2019 data. C-Level respondents continue to perceive their business agility maturity higher than the rest of the organization and Individual Contributors continue to rate it the lowest.

COVID-19

The perception of business agility changed post-COVID-19 with C-Level respondents reporting an average of 6% increase in business agility maturity, while managers reported an average 9% decrease. Responses from Individual Contributors, on the other hand, did not meaningfully vary.

C-SUITE VS. INDIVIDUAL CONTRIBUTORS

C-Level respondents perceive their business agility maturity higher while individual contributors continue to rate it the lowest. Perspective is key to understanding the disparity.

Many C-level respondents count success by things like the number of agile teams or high velocity. Many individual contributors focus on whether the work they do is valuable and whether their individual goals align with organizational structure.

Developing shared goals, shared learning experiences, and clearly articulated progress measurements can bridge this gap. Whatever metrics are chosen, it's essential that C-suite execs can gauge business impact from the trends and that individual contributors can see how team decisions are impacting those trends. Internal agile enablement groups with representatives from all levels of a company, guided by well qualified external coaches, can create that shared understanding and alignment across the organization.

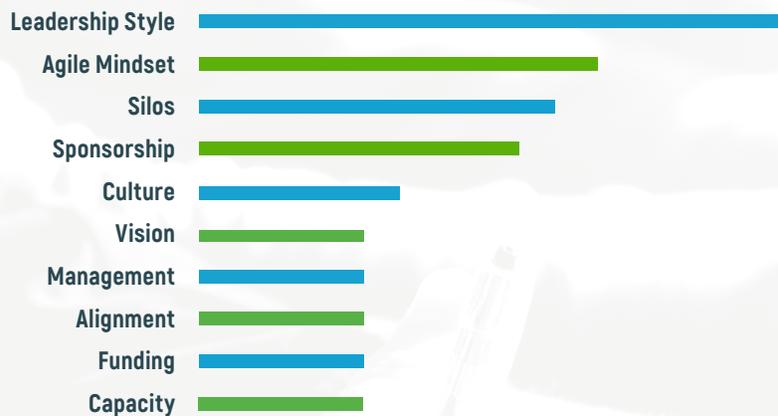
CHALLENGES ALONG THE JOURNEY

We asked respondents to describe the top challenges they are facing in their business agility journey and how they are addressing them.

Several common themes emerged across all organizations; the most common of which have a high degree of similarity to the top challenges identified in last year's Business Agility Report. The commonality of these challenges over multiple years highlights potential systemic weaknesses, as well as opportunities for shared learning, across many business agility journeys.

This year, the top themes identified through analysis of the respondents' statements were leadership, mindset, and silos.

Top 10 Themes for Addressing Challenges Along the Journey



LEADERSHIP STYLE

Continuing from last year, the data highlights that leadership style remains the biggest challenge to business agility adoption faced by most organizations. Related to leadership style, the analysis revealed the challenges of a lack of vision as well as insufficient sponsorship for business agility by management.

Experience, as well as earlier studies, suggest that with the right mindset and associated organizational support, a leader sets the tone for the entire organization. In some respondent organizations, leaders continue to use leadership styles and behaviors that are consistent with the legacy culture, and not the new culture that the organization is trying to instill. This sends a mixed message to the rest of the organization.

Leaders should strive to be mindful of their leadership style to ensure that it is consistent with the goals that the business agility journey is trying to achieve. The inverse is also true: in the absence of a motivating leader, the organization will stagnate.



Recommendation

Leaders who focus on the utilization of the individual often fail to build relationships and vision for a committed workforce. Enable and support your teams to make sure they are equipped to achieve their goals, but also trust in their execution.

“Our transformation is being led bottom up. Although our leadership wants to achieve the benefits of agility; they have not yet taken the step to make the leadership shifts required.”

“Managers are self-serving and use process and bureaucracy to maintain control [with] political maneuvering between the Business Stakeholders and Technology.”

- BAI SURVEY RESPONDENTS



Recommendation

Be mindful of your leadership style. From day one of your business agility journey, strive to model the new leadership styles and behaviors that are consistent with your organization's goals for transformation. How you show up as a leader will be noticed and will often be emulated by your workforce.

“Directors of the company subscribe to out-dated mentalities and manage with an archaic mindset.”

- BAI SURVEY RESPONDENT



Recommendation

Conceive and communicate what business agility means for your organization. Allow this definition to evolve year on year as the organization learns from its journey.

MINDSET

Mindset has moved up, from 4th in 2019 and 6th in 2018, to be the second-highest top of mind challenge to business agility.

Respondents report that many traditional business models, designed around control, predictability, a skill-based exchangeable workforce, and formalized activities, are still prevalent in their organizations. In addition, these industrial age practices form the basis of their work culture. Whereas, for organizations with high business agility maturity, an agile mindset is the cornerstone of their culture. Agile mindset is usually associated with a growth mindset, market experimentation, psychological safety, and continuous delivery of value.

Experience suggests that organizational culture emerges over a long period. If the organization does not take conscious and deliberate steps to try to drive culture change, organizational change will fail to stick. The result is that, in most situations, the organization will soon revert to their old ways because not enough has been done to change the core belief systems that formed the current-state culture. When this happens, business outcomes are unlikely to be any different from before.

"The mindset is the most difficult of all because changing people's mentality takes a long time and requires a lot of effort."

- BAI SURVEY RESPONDENT



Recommendation

Provide coaching and mentoring on the agile mindset to all levels of the organization, including leaders, workers, and every role in between. Because we are talking about a mindset shift, and not just learning a new process or tool, your people will need more than just classroom training. Invest in professional coaches who strive for mastery in business agility and build internal competencies so that you can provide ongoing coaching as part of your organization's pursuit of continuous improvement.

SILOS

Organizational silos are now the 3rd highest top of mind impediment to business agility, which is up from 8th in 2019.

Respondents indicate that their organizational structure and systems are hampering business agility. This is especially prevalent if organized around skills and functional silos, rather than end-to-end outcome-focused groups such as a product, service, business outcomes, or customer experience. Functional silos reinforce organizational barriers and detract from the collective accountability of business outcomes.

Conway's law states that "Organizations that design systems...are constrained to produce designs which are copies of the communication structures of these organizations." That is, if we organize our teams based on the systems they develop and maintain, the overall outcome will be misaligned from the end-consumer's needs.

Traditional management layers maintain and protect functional silos as this is by definition their remit. This is frequently mentioned as a systemic challenge by respondents.

"Funding is project-based and siloed... All Scrum Masters are competing with Project Managers and lots of conflicts arise as a result. We do not have true Product Ownership; everything is driven by executive mandates and escalations."

- BAI SURVEY RESPONDENT



Recommendation

Align the organization's structure towards business outcomes; customer experience and journeys; or platforms, products, and services to help reduce internal handoffs and increase team ownership of business outcomes. This will also help you create a better customer experience.

3 BARRIERS TO BUSINESS AGILITY

Respondents identified 3 barriers to business agility:

- 1) Leadership style, including lack of vision and insufficient sponsorship
- 2) Industrial age mindset
- 3) Organizational structure, especially functional and skill silos

Leaders are essential to business agility. Some leaders still believe they can plan their way to control, imagining if the plan is good enough it can survive any level of change. The reality is that no one can predict the future—all plans are just guesses based on experience. In an age of rapid change, uncertainty is the norm, not the exception. The sooner leaders embrace the reality of uncertainty, the sooner they can create an organization that reliably and predictably reacts and responds to whatever happens in the market.

Agile frameworks and practices in and of themselves are not difficult to understand and adopt. But it's nearly impossible to realize the benefits of those practices in a vacuum. Every agile team eventually encounters the rest of the organization, and that's where the trouble begins. Whether it's the governance policies that insist on up-front business cases and change control, the HR rules based on industrial revolution thinking, or the functional silos that prevent teamwork and collaboration, leaders must have the vision, mindset, and will to alter existing structures so that agility can flourish.

Consider, for example, the policies to fund projects in organizations. Many traditional organizations expect deep analysis, a clear business plan, and detailed requirements before a project receives funding. Organizations that embrace uncertainty aim for fast feedback loops, fast learning about the major project risks (market, technology, and finance). In an agile organization, the bigger the uncertainty, the smaller the budget allocated to experiments designed to reduce uncertainty step by step.



Coaching Corner

Personally, I do not care whether leaders implement Scrum or any other framework in their organization. What I advise them to do is to look at their existing structures, policies, and metrics and question whether these enable or block fast feedback loops and innovation.

The vast majority of current organizational structures, policies, and metrics were not created with the intention to drive innovation at speed. Their main aim was control, predictability, and compliance... not creativity! This means that in order to have a change in culture, we need to change the existing structures, policies, and metrics.

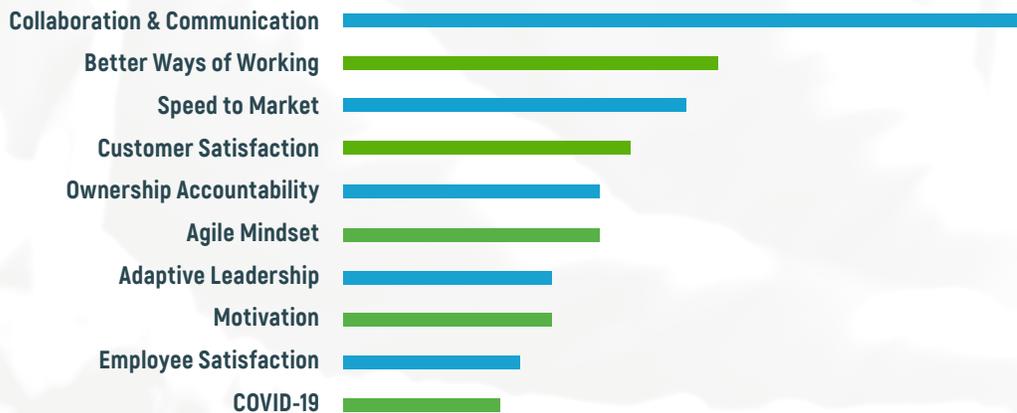
Will we see change overnight? Probably not... but there will be change over time.

BUSINESS AGILITY SUCCESSES

Respondents were asked to describe the single biggest benefit that business agility has brought to their organization. Similar to earlier years, the analysis highlighted the top 10 themes.

Of special note, many respondents identified the ability to respond to COVID-19 as a key benefit. This aligns with the quantitative findings observed earlier in this report.

Most Significant Organizational Benefit of Business Agility



COLLABORATION & COMMUNICATION

For 2020, respondents identified collaboration & communication as the highest benefit arising from their business agility journey, up from 4th in 2019. Respondents identified significant delivery time and cost improvements through improved collaboration, communication, and transparency.

Experience and previous studies have also observed that organizational complexity is a major impediment to business agility adoption. Each external team inside the customer value stream exponentially increases the time and cost to create value.

Alignment, cross-functional collaboration, and interpersonal communication are reported as the three areas with the most significant impact on business outcomes. Organizations are also reporting that different parts of the organization – such as business, information technology, operations, and even external partners – are now aligned to a shared purpose and working together as partners in the overall shared success.

"Significant increase in strategic understanding and capability across all teams [with a corresponding] significant increase in decision-making capability and speed. Significant decrease in bottlenecks and barriers to getting things done and converting ideas into value for our clients."

"Huge improvements in breaking down silo mentality, communication, and collaboration across functions. People find that transparency is improved and actively helpful to them."

– BAI SURVEY RESPONDENTS

BETTER WAYS OF WORKING

For 2020, respondents identified better ways of working as the second-highest benefit arising from their business agility journey, up from 7th in 2019.

Organizations with better ways of working noted more team and value stream focus, a reduction in handoffs, and exponentially decreasing delivery time and cost. These practices are resulting in better products along with increased engagement, transparency, and collaboration. While some respondents continue to focus on their success with agile ways of working in traditional technology teams, this year a growing number are reporting success with agile ways of working across business teams. While still a positive outcome, this does highlight the continuing trend of conflating business agility with agile outside IT.

Within the reported better ways of working, the importance of strategic practices such as portfolio planning, adaptive funding models, OKRs, and customer feedback loops stands out.

"Business users beyond IT have embraced the new way of working."

"Acknowledging that business & strategy goals cannot be achieved if we continue our siloed ways of working."

- BAI SURVEY RESPONDENTS

SPEED TO MARKET

For 2020, respondents identified speed to market as the third-highest benefit arising from their business agility journey.

Related to speed to market, the analysis revealed improvements in product development and delivery, faster turnaround times, higher-quality offerings, and the ability to produce more tailored solutions.

Previous studies observed that accelerating speed to market is one of the most profound ways for organizations to create a competitive advantage and distinguish themselves from their competition. By emphasizing relevant metrics, such as lead time, organizations are identifying efficiencies in the customer value-stream as a way to accelerate new product design and delivery. Examples shared by respondents include technology automation, reduction in hand-offs, team empowerment, and decentralized decision-making.

"Agile teams have delivered faster and more customer focused products. Team collaboration and accountability is enhanced. Their successes encouraged other teams within the organization to follow suit."

- BAI SURVEY RESPONDENT

"Ability to pivot multiple times in a quarter responding to COVID-19 crisis with little waste."

- BAI SURVEY RESPONDENT

CUSTOMER SATISFACTION

For 2020, respondents identified customer satisfaction as the 4th highest benefit arising from their business agility journey, down from 1st in 2019.

As the customer is placed at the center of the Domains of Business Agility, it remains encouraging that respondents continue to report that organizations that achieve higher levels of maturity with business agility also report corresponding and measurable success in customer satisfaction.

Further, related reported benefits include improved relationships with customers, greater brand recognition, and excellent customer testimonials.

Most tangibly, organizations report that business agility has helped them to **improve market performance**, either through new customer growth or repeat customers during turbulent markets. This supports previous studies that show that customer satisfaction can be considered a leading indicator of improvements to the bottom line. For many organizations, changing their customer's perceptions is a primary goal of their business agility transformation.

"[We have] customer growth and retention during extremely turbulent markets [and are] able to grow our product offerings while having the organization stay at the same size. EBITDA improves at a greater margin than revenue."

- BAI SURVEY RESPONDENT

"We've seen absolutely delighted customers. ...Our teams really get the challenge they're facing - so we can make smart whole-of-product decisions that improve all customers' experience."

- BAI SURVEY RESPONDENT

"[We have] increased employee and customer satisfaction [and] improved market performance... The organization has enthusiasm and hope for the future."

- BAI SURVEY RESPONDENT

TOP 4 BENEFITS OF BUSINESS AGILITY

This year's respondents identified the top 4 benefits to business agility as follows:

- 1) Improved collaboration and communication
- 2) Better ways of working
- 3) Increased speed to market
- 4) Higher customer satisfaction

Although these are all benefits of business agility, they seem to be more the means than the ends. Better collaboration, for example, is more of a tool than a goal. Business outcomes are the goal. Better Net Promoter Scores, delighted customers, increased revenue, more impact in the world—these are the true benefits that business agility unlocks.

Another benefit missing from this list is direct interaction with the customer. In truly agile organizations, customer input is visible to most or all of the teams, from executive-level to sales, marketing to product development. This customer perspective is not only visible, it's raw and unfiltered, which gives teams access to perspectives and insights that would otherwise never be exposed. This level of access to customer feedback enables organizations to build better products more quickly. In contrast, companies that lack this visibility essentially wind up with each team or department trying to build products to please another department or leader, disconnected from the end customer, which leads to mediocre products and disappointed customers.

The list also overlooks the most common reasons why organizations shift to agile: innovation, creativity, and adaptability. In other words, the ability to better respond to volatility, uncertainty, and change. If you look back at former giants that have closed their doors, most lost their market position because they failed to innovate. The other very real benefit that business agility brings is a human one: increased employee engagement. That looks like more people being fulfilled by their work, unlocking their creativity and passion for what they do is a great outcome for society.

OUTRO: MELISSA BOGGS

As you see throughout the report, 2020 has brought, in equal measure, extreme challenge and immense opportunity. Leaders who have previously been hesitant to change have been compelled to reexamine their organizations through a new lens. When they can see the opportunity in the crisis and adjust their position accordingly, they pave the way to overall agility.

Historically, there has been an implicit emphasis on staking and protecting territory in business. The department's territory, the team's territory, the individual's territory. In software development, this presented itself as the clear delineation between business analysis, development, and QA. There was a deliberate barrier placed between each discipline, stated as an exercise in objectivity but ultimately resulting in communication and commitment loss.

To achieve agility as a team or organization, those barriers must be challenged. True agility requires a shared commitment, sense of ownership, and constant communication. This commitment reveals itself through courageous conversations, working together, and pursuing a common goal: delivering value to customers.

Melissa Boggs
Chief ScrumMaster, Scrum Alliance



SPECIAL THANKS TO

Contributors and analysts: Micah Cearns [data science], Phil Dempster [analysis], Martin Foster [analysis], Hugh Gockowiak [data science], Evan Leybourn [analysis], Christoph J. Stettina [analysis], James Taylor [analysis]



AgilityHealth provided the measurement platform used to gather the data used in the report as well as the final report design.

AgilityHealth is the world's leading measurement and growth platform designed to accelerate business agility by measuring maturity, performance and outcomes at every level of the organization. The platform offers radars for measuring team, product and portfolio maturity in addition to accelerating talent development.

Learn more at:

<https://agilityhealthradar.com/>



Accenture | SolutionsIQ contributed to the thematic analysis of the report data and the associated recommendations.

Accenture | SolutionsIQ is the leading business agility transformation consultancy. We guide our clients to become adaptive, fast-learning businesses – capable of rapidly delivering customer value and innovation for competitive advantage.

<http://solutionsiq.com/>



TeamForm, working with The Neurotech Institute, performed the statistical analyses for this report.

TeamForm creates the conditions that enable teams to do their best work, solving the common challenges when scaling agility. It aligns work ('demand') to people ('supply') through an internal capability marketplace. Organizations benefit from real-time multi-dimensional visualizations of their entire workforce, cross-functional teams and organizational structure, mapped to business outcomes and cost.

TeamForm - <https://teamform.co/>

The Neurotech Institute - <https://www.theneurotechinstitute.com/>

ADDITIONAL THANKS TO OUR MEMBERS



NOTES

