

Agile Business: The Final Frontier

by Rob Thomsett, Senior Consultant,
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The agile movement has reached a tipping point. It can either remain a powerful approach to software and business product development, or it can evolve and expand into an even more powerful business and cultural paradigm. In this *Executive Report*, we will present an integrated model for business agility and, using an ongoing engagement with a major bank implementing agile business as a case study, explore the positive and negative aspects of agile as an organizational model.

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BACK TO THE FUTURE I: BUSINESS AS USUAL

In previous Cutter *Executive Reports*,^{1,2} I outlined how agile principles, the Agile Manifesto, and the various artifacts of agile such as stand-ups, Scrum, and visual management can be integrated with agile project management (APM) and agile governance and how the agile approach is fundamentally a cultural revolution. In this *Executive Report*, we bring together the various elements of these previous reports and expand on models discussed in those reports.

It isn't about hunkering down. We must emerge from this crisis as a new company.

— Jeff Immelt, CEO, GE³

As a management consultant for over 30 years, I have observed first-hand the reactions of organizations to previous recessions in the late 1980s and in the early 2000s. In the majority of cases, they all adopted a similar approach. This involved downsizing, limiting innovation, cost reduction, cutting training, and the adoption of conservative risk management strategies. In effect, they just slowed down and waited for the underlying growth to reemerge. In many cases, this response also involved increasing the level of bureaucracy and external interference in the guise of improved governance.⁴ However, as soon as the economic climate improved, these organizations rejoined the same familiar path that they had been on before the downturn.⁵

Indeed, as the US and EU countries began to emerge from the global financial crisis, we are now observing that the majority of organizations have adopted this approach, and the recent legislation regarding banking controls in the US and EU have added further to the bureaucratic layers within the finance sectors. Rather than simplifying the complex governance processes and reducing the number of financial regulation bodies, these recent changes have increased complexity.

So for most organizations, it will be back to business as usual. However, some organizations such as GE and my consulting group's bank client are looking to disruptive change as a solution to competitive

advantage and as a protection against future economic disruptions.

It is my long-held belief that the unprecedented growth for the past 25 years fueled by technology, globalization, consumer expectations, and the rise of India and China has enabled organizations to — in the words of GE CEO Jeff Immelt — “hunker down” to survive challenges and as a result avoid facing and solving a fundamental problem: traditional leadership and management models developed over the 20th century are not viable for the increasingly chaotic 21st century. For many years, we have been arguing that traditional models of management, sponsorship, and project management have not coped with the increasing rate of change. In two separate *Harvard Business Review* articles, Donald Sull argues for a values-based agile model of business,⁶ and Gary Hamel presents 25 grand challenges designed to redesign all aspects of management theory and practice to address the fact that “modern models of management” have reached their limits.⁷ These challenges were developed by 35 management gurus, which include Henry Mintzberg, C.K. Prahalad, and *Wired* magazine’s Kevin Kelly.

In an MSNBC interview, Immelt went on to say that there is a need for organizations and government to challenge and abandon the prevailing leadership, management, and operating assumptions and models.⁸ In effect, rather than “tinker” with the prevailing models, it is time for a disruptive change, creating a new model completely. To understand how agile business is a disruptive model, we must first analyze the nature of change.

THREE POWERFUL CHANGE MODELS

During my consulting and teaching contracts with organizations around the world, I have had numerous conversations about change and how to understand change in a holistic manner. I’ve found the following three models (change type, Fubini’s Law, and attitude to change) to be extremely useful in helping myself and my consulting group’s clients understand the type of change and the impact of that change on the organization’s culture, people, and processes.

Change Type

In his landmark books *The Innovator’s Dilemma*⁹ and *The Innovator’s Solution*,¹⁰ Clayton Christensen outlined how change can be viewed from two different perspectives. Sustaining change builds on and enhances existing models with minimum change to the prevailing

organization culture and processes, whereas disruptive change creates a new organization culture and related processes:

1. Sustaining:

- *Revolutionary or discontinuous*. An innovation that creates a new market by allowing customers to solve a problem in a radically new way (e.g., the iPhone).
- *Evolutionary*. An innovation that improves a product in an existing market in ways that customers are expecting (e.g., Windows 7).

2. Disruptive:

- *New*. An innovation that creates a new (and unexpected) market by applying a different set of values (e.g., Facebook).

In *The Innovator’s Dilemma*, Christensen states:

Generally, disruptive innovations were technologically straightforward, consisting of off-the-shelf components put together in a product architecture that was often simpler than prior approaches.¹¹

We believe that, by combining agile development, APM, and agile sponsorship with changes in finance and other supporting corporate functions, agile business becomes a disruptive change model.

Fubini’s Law

I came across Fubini’s Law at the *Conference on the Social Impact of Computing* in the mid-1970s. The reference is to Guido Fubini, an Italian mathematician, and states that all technology has four stages of impact as the technology is adopted:

- **Stage 1.** The new technology is used to do what is currently done but better or faster.
- **Stage 2.** The new technology is used to do what was previously not possible.
- **Stage 3.** The new processes or capability create new jobs, new relationships, and new patterns of behavior.
- **Stage 4.** A new culture emerges.

A quick analysis of the impact of automobiles, computers, and television provides proof of the power of Fubini’s Law. Cars, computers, and television have created a totally new culture. As stated in a previous *Executive Report*, I have always argued that agile is a cultural revolution first and foremost.¹² I believe that as formal project management and development models were adopted from construction and engineering

disciplines, business and IT also covertly adopted their closed and technically focused cultures.

Attitude to Change

The model in Figure 1 was introduced to me by my colleague Kate Wisdom in the early 1980s. I've found it to be extremely insightful in helping to understand how different types of people react to changes such as introducing agile models. These types include:

- **Innovators.** These people are completely open to any form of change and enthusiastically embrace it.
- **Early adopters.** These people welcome change but wait until innovators have established proof-of-concept before adopting the change.
- **Majority.** These people are neutral to change but will adopt the change as it is proven to be value-add.
- **Passive resisters.** These people adopt the language of the change model when in public but privately resist the change.
- **Active resisters.** These people speak openly against the change and actively work to cause the change to fail.

I'll return to these three models later in the report when we discuss our bank case study.

A BRIEF HISTORY OF AGILE

Agile models are not another fad that has emerged to "fix" a crisis. Rather, the current agile approaches such as Scrum, daily stand-ups, RAPid Planning (RAP) sessions, visual management via burndown charts, and colocated teams are the end result of many earlier attempts to address the perceived shortcomings of development and project management models adopted from construction and engineering in the 1970s.

In the 1970s, Gerald Weinberg, Cutter Fellow Tom DeMarco, and myself argued that the heavy text-based requirements techniques, ego-driven and individualistic coding practices, and lack of understanding of the

dynamics of project teams were inappropriate for the creative and collaborative nature of software and business product development.¹³⁻¹⁵

In the area of software development, approaches such as rapid application development (RAD), joint requirements planning (JRP), and time-boxing were used throughout the 1980s as an attempt to engage business experts in the systems development process as well as shortening the time for developing software by partitioning the software into "time-boxed" releases of six months. Microsoft and other leading software companies had taken the time-boxing approach to the extreme of daily builds by the 1990s.¹⁶

The emergence of XP and the creation of the Agile Alliance and Agile Manifesto can be seen as a natural evolution from these pioneering approaches to increase collaboration and business engagement in the product and software development processes.

In project management, elements of the approaches and tools that evolved into APM were in place by the late 1980s. I documented some of these in *Third Wave Project Management*.¹⁷ Since then, many clients have worked with my consulting group to refine and expand APM and sponsorship tools and techniques. In *Radical Project Management*, I document RAP and other techniques now integrated into our approach to APM.¹⁸

Finally, in the broader areas of business innovation, the increasing adoption of manufacturing to lean approaches (often called the "Toyota Way") can be traced from the 1970s. Innovations such as "kaizen," which emerged in the US as quality circles in the 1980s, had its origins in the W. Edwards Deming quality initiatives of the 1950s and 1960s. Kanban, which invented visual management and pull concepts, can be traced back to at least the 1970s. In his book *Toyota Production System: Beyond Large-Scale Production*, Taiichi Ohno describes the evolution of these and other lean techniques over three decades in Toyota starting in the 1950s.¹⁹ In his excellent 1993 book *Fast Cycle Development*, Chris Meyers describes how Honda managed to reduce the time for a new car concept to

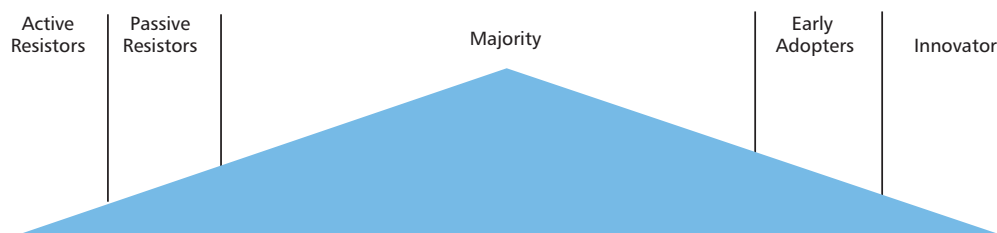


Figure 1 — Attitude to change profile.

become a full production model to 18 months, while in the US and Europe the typical timeframe was eight years!²⁰

This quick review of the history of agile reveals a critical and often overlooked fact. *Agile is not new. It is the result of over 30 years of research, experimentation, refinement, and application.*

AGILE AND ORGANIZATIONAL CULTURE

In agile conferences, general business conferences, and in our own client base, my consulting group has been proposing that agile methods, whether they are agile development or APM, are not about new processes but ultimately about a cultural revolution. We believe that by simply focusing on the technical areas of agile such as Scrum and sprints, many agile experts either avoid or are ignorant of the broader cultural and organizational impacts of agile development and other agile models (see sidebar “Why Hasn’t Agile Been Adopted?”).

Organizational Culture: An Overview

There are hundreds of books and thousands of articles on the nature of corporate or organizational culture.²¹

WHY HASN'T AGILE BEEN ADOPTED?

There are many reasons why most organizations have not adopted agile. Some of these reasons were explored during the wide-ranging analysis of the causes of the global financial crisis. However, while we accept reasons such as hubris (a belief of being too big to fail), I feel there is also a very simple reason why organizations have failed to explore the advantages of agile and lean. Simply put, most organizations continued to make profit as the impact of globalization started in the early 1980s drove increasing and new consumption from the emerging economies of China and India. In effect, it wasn't broke, so why fix it? Almost all of the lean/agile models were documented in 1990 in the landmark book *The Machine That Changed the World*,¹ which was the result of a five-year study of Japanese manufacturing approaches in response to the threat from Japanese car makers, in particular. Authors Jim Womack, Daniel Jones, and Daniel Roos argued that unless the US adopted these practices, it would face a major crisis (this was 20 years ago!).

¹Womack, Jim, Daniel Jones, and Daniel Roos. *The Machine That Changed the World: The Story of Lean Production*. Harper Perennial, 1991.

However, there is a general agreement that corporate culture is about “how things happen in this organization” and the underlying shared views about what are acceptable ways of behaving, feeling, thinking, and communicating.

What most observers of organizational culture agree on is that organizational culture is a combination of the interaction between three key elements. These elements are:

- 1. Organizational culture.** The complex whole that includes knowledge, morals, customs, and capabilities (the way of life in the organization).
- 2. Values/beliefs.** The enduring beliefs around specific modes of conduct and preferred end states; to most people, beliefs and values are interchangeable.
- 3. Behaviors.** The end states that are evidence of the values in action; these can be viewed from both a positive and negative perspective.

Some models of culture also include three additional elements that add to the complex nature of organizational culture. These elements are:

- 1. Attitudes.** These are the end result of the impact of values and behaviors. They can be positive and/or negative.
- 2. Norms.** These are the specific rules of conduct that reflect the values and behaviors.
- 3. Symbols/rituals.** These are public displays (e.g., the Apple Pirate Flag, which reflected the early Apple culture²²) and agreed ceremonies that reflect the values and behaviors.

However, I believe that the keys to understanding organizational culture are its values and behaviors.

As I'll discuss later in the report, project management models reflect a specific culture and value system, and the resultant behaviors have a significant impact on how agile is perceived and deployed within organizations. More important, the specific project management and systems development culture can have a major impact on the effectiveness of agile deployment.

As I discussed in more detail in a [previous Executive Report](#), traditional approaches to sponsorship, project management, and product/systems development adopted not only the artifacts (e.g., Gantt charts, waterfall development) and processes of engineering and construction projects, but also the underlying cultural attitudes of those professions. The differences in values and behaviors between the traditional engineering and agile cultures are shown in Tables 1 and 2.

Again, it is important for us to emphasize that these values are not deliberately adopted but were covertly introduced by the focus of traditional sponsorship, project management, and development on delivery rather than taking the whole-of-life perspective and by opening up the project to stakeholders (more on this later).

In assisting our clients on the journey of implementing agile business, my consulting group always begins with a series of conversations about the cultural disruption that agile can cause. *Agile is not about technology and techniques. It is always about a cultural journey.*

THE AGILE BUSINESS PROPOSITION

Fundamentally, agile business is about a dedicated and unremitting focus on two principles:

- 1. Simplicity.** Following the proven concepts of kaizen, Kanban, and similar models, reduce bureaucracy, eliminate non-value-add processes, avoid delays in decision making, shorten reporting lines, and empower people by eliminating blocks.
- 2. Transparency.** Open up the project development process to sponsors and stakeholders including external clients or customers, avoid hiding important information, and expand conversations rather than expand reports.

The need for this total focus is easily understood from the perspective of key players in the project process: sponsors, project managers, product owners, teams, and stakeholders. For example, the current situation for the majority of executives undertaking the sponsor role is one of frustration and crisis.

Table 1 — Traditional Project Values and Behaviors

Traditional/ Engineering Values	Key Behaviors
Closed	Project management and development is undertaken by experts who don't need input from "users." The PM owns the project — the team, the budget, the scope, and so on.
Distrust	Project team members and stakeholders need to be motivated, monitored, and questioned at all times. If you don't monitor closely, people will slack off. All estimates are padded and need to be "haggled."
Dishonesty	The true status of the project must be "positively presented." Not asking for help and telling management what it wants to hear. Projects are reported as "green" or "amber"; and "red" status is reported at the last possible moment. Additional examples include inflating benefits and understating costs to ensure project gets approved.
Lack of courage	Not standing ground as a professional; selling out the team and /or stakeholders by agreeing to unrealistic expectations (time, budget, scope, etc.); asking for help and assistance is a sign of weakness.
"Technical fun"	The project is justified on the belief that great technology will automatically generate benefits. The more impressive the technology, the most impressive the curriculum vitae. In addition, benefits belong to the "users" not the PM.

Table 2 — APM Values and Behaviors

Agile/Partnering Values	Key Behaviors
Open	Project management and development involves full participation and ownership by relevant stakeholders (including sponsors) not the PM. The PM owns the process, not the project and its outputs and outcomes.
Trust	Project team members, sponsors, and stakeholders are professionals. They can be trusted to work hard and be committed to the project and the organization. If trusted, they will personally commit to work as hard as required without betraying the trust given to them.
Honesty	All people impacted by or involved in the project have a right to be told the truth; inflating benefits and underestimating costs is not acceptable. The right to say “I don’t know the true estimates. Can I have some time” is seen as acceptable.
Courage	Undertaking projects requires courage in many areas — telling the truth; asking for assistance is a sign of strength; acting as a professional is standing up for the team.
Money	Projects consume shareholder, citizen, and corporate money, which requires a fiscal and ethical responsibility (i.e., a duty of care to be shared by all team members and stakeholders). Benefits realization is the responsibility of stakeholders, but PMs must engage stakeholders and sponsors in ensuring that benefit realization is planned and funded.

Over the past four years, in detailed conversations with hundreds of executives with experience in sponsorship of projects (both IT and business), we found clear evidence of the failure of the prevailing model for project sponsorship, project management, and project development. Over 95% of the executives we interviewed believed the following:

- The business cases presented to them were poorly developed at best and false at worst (this was particularly around benefits, costs, and risks).
- They would be “ambushed” (in effect, told at the last possible moment) at some stage of the project with requests for changes to budget, time, and so on.
- That many project costs were typically hidden.
- Steering committees or project review groups were essentially a waste of time.

- Most reports that they receive were “manipulated” to hide bad news and emphasize the positive.
- Project management and development processes were too bureaucratic and slow.
- The level of transparency of their projects was inadequate.

Paradoxically, one common issue shared by virtually all of the 20,000-plus people who have participated in our APM workshops is their relationship with the executives who are sponsoring their projects and the behavior of those executives.

In effect, we have a nonvirtuous cycle of behavior. The project managers feel that their executive sponsors expect good news, will react badly to the project “going red,” are too busy, and drive project success through deadlines and budget. The executive sponsors expect

that their projects will go “red”; that benefits, costs, and risks are manipulated so they can only focus on time and budget; and that they are not being told the real situation. We now believe that this negative cycle of behavior has been unchallenged in most organizations for over 30 years. In effect, the behaviors have formed a dysfunctional project culture.

By beginning the agile business transformation with a series of “fierce” conversations around culture, values, and behaviors, we can ensure that the people who will be involved in implementing the various agile models are fully aware of the potential cultural impacts of the agile models. However, the cultural impact of agile business needs to be placed within the context of the additional advantages of agile business.

Strategic Agility

Leading organizations are using the current global crisis as a catalyst for implementing fundamental changes to the prevailing and often failed business models. The need for executives to have their strategic objectives delivered faster and more effectively is even more important in the current global economic environment. *An organization’s ability to execute the right change right is becoming a critical differentiator.*

As strategy becomes more open to the changes in environment and, as a result, becomes more flexible, the need for executives to be sure that all projects are aligned and remain aligned to their strategic intent is critical for survival. In a time of rapid change, more projects are required, not less. Projects are the vehicle of strategic change. Agile business models based on collaboration, openness, transparency, simplicity, and speed are the levers of change.

Business Agility

The rate of change has resulted in a “window of stability” for most organizations of three months or less. Changes from external regulation, global competition, social demands for accountability, and technology innovation coupled with internal changes such as downsizing, acquisitions, disposal of business units, and turnover in key people mean that the old saying “change is normal” has become too real for many organizations and their people.

As Immelt puts it, organizations faced with catastrophic change have two choices. The first is to “hunker down” — to cut costs, to stop innovation and investment for the future, and to hope “it will all go away,” and things will get back to normal. The second is to undertake the necessary cost while at the same time continue to

drive innovation and change focused on the emerging global environment.

This investment in the future must not be “weighed down” by traditional governance and project management models that were developed 40 years ago in a world of slower change. These models have evolved into bureaucratic, complex, slow, and rigid processes that do not and will never suit the rate of change today. Remember that agile models have been under development and deployment for over 30 years. Mirroring the developments in lean manufacturing, the agile models enable organizations to drive the right change with simpler, more transparent, and more flexible control.

Value Agility

There are a number of hard, financial benefits in adopting agile models. Organizations already using various elements of the agile methods have reported significant financial benefits. Some of these include:

- **The use of agile sponsorship enables faster decision making, improved risk management, and agile adjustment to change.** (Case study: a major Australian bank used agile models to integrate with another bank, resulting in a time saving for successful integration of a minimum one year with estimated savings of **US \$10 million.**)
- **The faster delivery of projects enables earlier realization of benefits.** (Case study: a UK energy company delivered an organizational restructure using agile methods six months earlier than a previously estimated time frame using traditional models. This resulted in an additional **\$5 million** in benefits.)
- **Quicker planning and approval of projects.** (Case study: a New Zealand bank using APM reduced the time for the development and approval of business cases from three months to three weeks with estimated savings per project of **\$200,000.**)
- **Agile development results in projects being developed faster and with higher quality.** (Case study: a major US software company reported that its projects were developed 50% faster with 50% higher quality with estimated savings of \$1 million to 5 million.²³)

Cultural Agility

Agile methods are based on a value system of openness, honesty, courage, and trust. For many organizations, these values are in complete contrast to the previous project management and sponsor values of closed, dishonest, lack of courage, and distrust. These prevailing values are evidenced in the belief of many executives

that the projects they are sponsoring will not meet expectations, are poorly estimated and costed, and that, as a sponsor, the lack of transparency and openness around their projects results in “being ambushed” into reactive decision making. Agile business methods are collaborative and insist on complete stakeholder engagement and shared ownership of projects and their outputs and outcomes.

Client Agility

Contemporary management books and articles are exploring how Web 2.0 and other technologies are the catalyst for closer and more open engagement of customers and clients. In addition, our approach to agile methods and APM, in particular, is used in some of our client organizations to include “real” customers in the planning of their own products.

Instead of assuming that market research has identified the requirements of customers and clients, my consulting group has found that having representatives of these client groups “inside the tent” and actively being involved in planning and monitoring projects that impact them greatly includes engagement and client relationships. Agile business is about a large organization acting with the agility of a small organization.

AGILE BUSINESS MODEL

Agile business methods are a set of integrated tools and techniques focused on simpler, faster delivery and improved ongoing support of the delivered change. Further, agile business methods are concentrated not just on faster delivery, but improved benefits analysis and full benefits realization. As shown in Figure 2, agile business involves the integration of agile sponsorship, APM, agile development, agile program office, agile support, agile finance, and other agile service groups.

Agile Sponsorship

The role of sponsors is critical to the success of projects (see sidebar “From Picard to Kirk”). As discussed in detail in a previous *Executive Report*, traditional project sponsorship placed executives in a reactive, static, and “hands off” position. Agile sponsorship requires executives to get closer to their projects, their project managers, and their project teams. The increasing rate of change in the world economy requires executives to become focused on anticipating and managing rather than avoiding or ignoring change. The impact of change means that business cases and other management information becomes dynamic, fluid, and a series of “best guesses” rather than a fixed and linear projection. Sponsors must be flexible in making time available for face-to-face meetings and using simplified reporting lines. The *speed of adjusting to change* becomes a key determinant of project success.

To achieve this — apart from the cultural issues discussed earlier in the report — a number of radical actions must be taken by the executives performing agile sponsorship roles. These include:

- **Changing the sponsor role from “passive” approval and review to “active” participation.** This includes attending planning (RAP) sessions, attending daily stand-ups when required, involvement in sprint retrospectives, and working closely with the product owner in prioritizing backlogs.
- **Moving from a time-driven reporting cycle (e.g., monthly steering committee meetings) to project risk-based, face-to-face meetings with the agile project manager.** In effect, the higher the risk of the project, the more frequent the meetings need to be.
- **Putting serious time aside for the sponsor role.** As we have discussed, most sponsors have two jobs. The first is to be an executive or manager in the

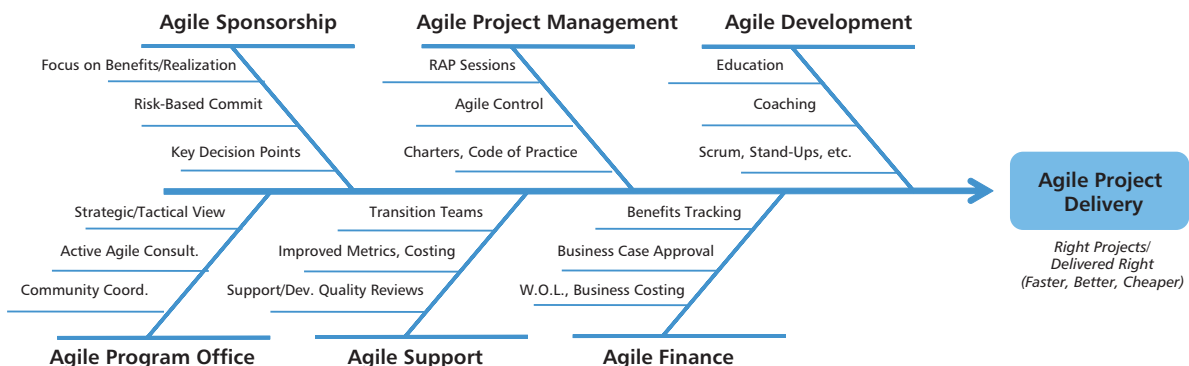


Figure 2 — Agile business components.

business-as-usual space. The second is to be a sponsor in the project space. We have observed in every client that, through the behavioral cycle discussed earlier as well as lack of education and support, most executives spend too much time on business-as-usual activities and too little time on project activities. As a rule of thumb, we expect agile sponsors to dedicate at least 20% of their time per week for effectively undertaking the agile sponsor role.

- **Executives as agile sponsors must be able to “get dirty.”** What we mean by this is that most executives have years of substantial business and specialist experience (in one of our clients, the leadership team has over 400 years of combined and relevant business experience). However, through the embedding of “hands off” sponsor models from traditional project management, many executives we work with are not able to provide the often detailed business direction that contemporary projects require. As we will discuss later, the implementation of our X-team model enables executives to act as advisors and, if required, mentors to the project manager, product owners, and team members.

FROM PICARD TO KIRK

Simplistically, we have observed two schools of leadership exhibited by sponsors. The first is the “Captain James Tiberius Kirk School of Leadership.” Kirk was definitely a hands-on leader. In fact, in most situations, it was Kirk and the Enterprise leadership team that “beamed” onto the planet facing the crisis, and Kirk led from the front. Should a Klingon require smacking around, it would be Kirk performing the necessary discipline. At the same time, Kirk also consistently sought input, counsel, and advice from his leadership team. With “Star Trek: The Next Generation” and Jean-Luc Picard, a very different style of leadership emerged. Picard tended to be aloof and, if you will, more strategically oriented. He was more comfortable with the politics of the Federation than Kirk was and, in the majority of crises, Picard depended on a delegated “away team” to deal face-to-face with the situation. Agile sponsors belong to the Kirk schools.

APM

APM is based on an open and stakeholder-driven approach to project planning (i.e., success, scope/objectives, benefits, quality, risk, and estimation). Using techniques such as RAP sessions, critical stakeholders, including the agile sponsor, are fully involved in the planning and execution of the project. Coupled with agile development methodologies (ADM), the delivery of projects is more transparent, easier to track, and more open to the constant change that projects are now subjected to. APM uses face-to-face reporting wherever possible and minimizes static reporting models. The risk of the project is a key determinant of the level and degree of governance.

APM (also known as radical or eXtreme) is based on three critical concepts. More information on these concepts, details on RAP sessions, and our agile tools can be found in my books *Radical Project Management* and *Agile Sponsorship*.

Context vs. Content

As shown in Figure 3, the governance and management of a project has a different focus than the technical management of deliverables (outputs or components) and is driven by a different set of information. This information is not technical in the pure sense but rather represents the business and managerial context of the project.

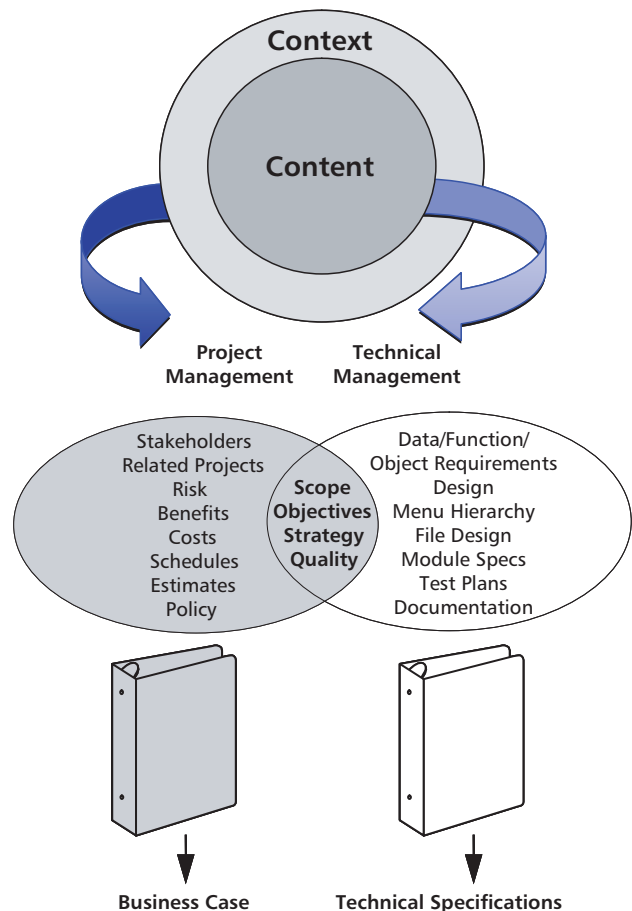


Figure 3 — Context vs. content.

The technical²⁴ and managerial aspects of a project are integrated through the scope, objectives, strategy, and quality requirements of the client. Most project managers and sponsors recognize the managerial set of information as a business case.

In effect, the effective agile sponsorship (or governance) and management of a project requires a balance between and integration of the content (technical deliverables, tasks, internal dynamic) and the context (managerial, business, political, social environment) of the project.

The traditional project manager could often “seduce” the executives into reviewing the detailed project technical deliverables (i.e., the content). This resulted in the executives ignoring the business aspects of the project. The sponsor and other executives are diverted into meetings discussing how the vendors Aardarver Version 2.1²⁵ did not have the right levels of backup and security rather than examining whether the benefit assumptions are still valid. This has been a very common behavior in our clients.

A key difference between traditional and agile project sponsorship is that traditional project sponsorship focused downward and inward toward the team and the technical context of the project. This was often manifest by executives reading detailed project plans, technical specifications, and Gantt charts.²⁶ Agile project governance and project management focuses outward and upward toward the stakeholders, strategy, business drivers, and the complex relationships between the project and the stakeholders. As we covered earlier,

THE THREE Vs

Professor Albert Mehrabian undertook a series of studies focused on the effectiveness of communication in developing a sense of trust and liking.¹ Often called the 7%-38%-55% rule, he proposed that there were three elements involved in effective communication. Verbal (the words that were said), vocal (how they were said including voice inflections, pauses, and so on), and visual (the body language involved). He concluded that verbal accounted for 7%, vocal 38%, and visual 55% regarding the effectiveness of communication. We have consistently argued that e-mailing is not communicating — it is information transfer. Face-to-face meetings and conversations are communicating.

¹Mehrabian, Albert. *Silent Messages*. Wadsworth Publishing Company, 1971.

the focus of APM must be establishing continuing conversations with stakeholders preferably face-to-face (see sidebar “The Three Vs”). Agile development with its focus on self-organizing and self-managing teams makes it even easier for the agile project managers to focus outward and upward.

In agile project governance, the executive and project manager’s focus must be the context not content. We have consistently advised our clients that projects fail because of the context, not the content.

Whole-of-Life Focus

As shown in Figure 4, there are three components of a project lifecycle:

- 1. Development.** The complex processes of analyzing, designing, building, and testing the new services, systems, products, business processes, and change management.
- 2. Support.** The ongoing support and maintenance of the new services, systems, products, and business processes. This involves defect removal, tuning, and consultancy.
- 3. Benefits realization.** The ongoing process of measuring and realizing the benefit stream resulting from the new services, systems, products, and business processes.

Traditional project sponsors/steering committees and project management processes seemed to be focused on the development stage of the product/systems development process. As a result, organizations have well-developed governance systems for development but poor or nonexistent governance systems for the benefits realization and support stage.

This has led to many projects underestimating and underbudgeting the costs of support. This situation can be exacerbated through the constant delivery of

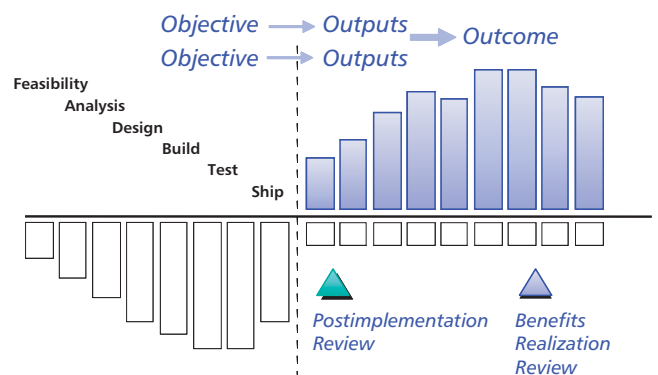


Figure 4 — The agile focus.

new system features via enhancements (new projects) that is central to the agile development model.

The traditional focus only on development and the use of the restricted control levers of budget and time mentioned earlier have enabled too many projects to be delivered on time only to have the blowout in support costs coupled with inadequate processes (and responsibility) for benefits realization result in complete failure of the business impact of the product or service.

In *Radical Project Management*, I present an agile tool called the “success sliders.” This tool redefined project success from standard criteria such as on time, in budget, and to requirements into a more comprehensive set of seven criteria using sliding scales for defining success. These seven criteria are:

1. Satisfied and engaged stakeholders
2. Objectives
3. Budget
4. Time
5. Added value/benefits
6. Quality
7. Team satisfaction

Through a process of conversations and negotiation, the agile sponsor and stakeholders determine the position of each slider as a measure of success. Over 200 companies use this tool.

Agile sponsorship and APM involves planning for not only how the project will be delivered, but also the requisite processes, people, and structures required to support the product/system and who has to do what by when to realize the benefits. A key point here is that while the agile project manager has a duty of care to ensure that the support and benefits realization processes are planned (and funded), it is the agile sponsor who is ultimately responsible for the benefits realization.

APM believes that what happens after a project is over is more important than what happens during the project.

Objective, Output, Outcome

The objective, output, outcome (O3) critical concept alters the relationship between all project people and provides an approach to benefits based on the simple concept that an organization’s objectives lead to specific outputs and these outputs lead to outcomes that the organization desires.

In effect, as shown in Figure 4, there is a series of cause-and-effect relationships that begin once the project has delivered its outputs. At the end of the development stage, there must be a provable relationship between the outputs and the end result or outcome of your project. Simply put, an *objective* is designed to produce an *output*, which then leads to an *outcome*.

To begin, the agile sponsor and agile project manager must ask and answer two questions:

1. What changes does the sponsor want to see in his or her organization the day the project ships (outputs)?
2. What changes does the sponsor want to see in his or her organization one year after the project ships (outcome)?

The changes delivered the day the project ships are the outputs. They will be evident as soon as the project is over and can be reviewed in a postimplementation review. The changes that are expected to be in place one year after the project is over are the outcomes. They can be reviewed in a benefits realization review, which is scheduled depending upon the nature of the benefits stream.

There is also a relationship between objectives, outputs, and outcomes and what we call primary benefits (those associated with the outputs) and secondary benefits (those associated with the outcomes).

In addition to these concepts, APM is based around RAP sessions, which are participative and structured, and open planning sessions that involve agile sponsor and key stakeholders. In partnership with our clients, my consulting group has developed a version of RAP sessions that include sprint zero and product backlog planning processes involved in agile development.

All projects are about outputs that are aligned to desired outcomes.

Agile Development

The use of ADM techniques such as Dynamic Systems Development Model (DSDM) and Scrum have been shown to reduce the time and increase the delivered quality of both system and business projects. Based on an emphasis on short time-boxed delivery schedules, sprints, collaboration with the critical business experts, and integrated testing approaches, ADM provides a flexible, fast, and transparent alternative to the closed, slow, and bureaucratic waterfall models most commonly deployed.

The Agile Alliance has enabled agile development to rapidly emerge as a powerful alternative to

traditional waterfall development models. Certification of ScrumMasters and a global network of agile enthusiasts have addressed the ill-informed view still held by many people that agile development is simply an excuse for breaking rules (see sidebar “No Project Managers?”). Given the amount of information available from Cutter Consortium, the Agile Alliance, and other sources, this report will not explore agile development detail further.

Agile Program Office

The agile program office has two related but different roles:

- 1. Strategic.** This role involves broad governance (assistance to sponsors in selection of projects; review of projects and their alignment to organization’s strategic imperative), involvement in the management and review of the total project spend (in partnership with agile project managers; finance and strategy groups), and the oversight of the status of and relationship between projects within major programs. This role requires strong partnership with the organization’s APM community, finance group, HR, and other key internal groups.
- 2. Agile.** This role is more tactical. It involves proactive mentoring and coaching of project managers. It also involves support of the deployed agile methods and the continuing modification of the various tools and techniques or reflect the organization’s culture and processes. In our client base, the agile program office is critical in the establishment and ongoing support of the various collaborative communities of

NO PROJECT MANAGERS?

We have observed in agile development workshops and conferences that there is a tendency in some of the more extreme proponents of agile development to declare that ScrumMasters and product owners are sufficient to replace project managers (and, in some cases, sponsors). Given the failure of traditional models for project sponsorship and management, we can understand that view. However, the agile sponsor and agile project management models developed by our group and others have been proven to not only support agile development but, more important, to address some of the “context” causes of failures in deploying pure agile development.

practice (CoP), which are key to developing, socializing, and supporting best practice. The role of CoP is vital in the agile business model. Given the shift of ownership to agile sponsors and the direct relationship between the agile sponsor and his or her agile project manager, the potential for projects to become “silos” is very high. My consulting group has found that by implementing strong CoP with clear responsibilities, charters, and missions, the need for a program office to drive standards and reporting is negated. Finally, effective CoP are essential to ensuring dependencies between the various projects that are managed.

As we’ll discuss later in the report, agile business changes the typical reporting and responsibility model deployed in program offices in many organizations. Kaizan and Kanban argued that by having a “group” responsible for quality, this often enabled individuals to abrogate their individual responsibility for the quality of their work by assuming that the formal quality group would handle quality issues. Similarly, having a centralized program office group responsible for standards, reporting, and review often resulted in complex and distorted information as each project manager (and sponsor) could delegate those activities to the office.

In agile, the team (and product owner) is responsible for the scheduling, tracking, and reporting of the project backlog. The visual nature of these processes makes it difficult to create a centralized single source of truth. With our clients, my group uses various project portfolio tools to create consolidated and consistent finance details supported by the agile program office, but the responsibility of all planning, tracking, and reporting lies with the agile sponsor and the agile project manager.

Agile Support

Using the RAP concept, the formal engagement of applications support and infrastructure support experts in the planning of projects together with the concept of transition teams (apps support people joining the project before implementation and development people remaining with apps support for an agreed period after implementation) enable a more agile transition from development into ongoing support. The use of development quality assurance techniques such as walk-throughs and agile concepts such as daily stand-ups and sprint retrospectives involving apps support experts further raise product quality. More detailed measurement and reporting of support costs are also part of understanding the true cost of projects.

The ongoing management of system and business products support has been one of the least understood of all project management issues. *Simply put, the attitude toward maintenance and support is the clearest indicator of the professionalism of a project organization.*

In a series of surveys conducted by my group with a number of businesspeople who have many years experience with IT, one important issue emerged: the support and management of production information systems is the clearest indicator of the professionalism of an IT group.

The advent of the IT Infrastructure Library (ITIL) and IT Service Management (ITSM) has raised the profile of production support. However, as these two models evolve, we believe they are starting to exhibit the emphasis on process rather than people that traditional project management and systems development methodologies struggled with.

The hidden issue is that in many organizations, the support of production systems is seen as “second class” work and is often undertaken by new graduates or by developers on a part-time basis. Worse, many clients have reduced support to Category 1 or critical defects being corrected part time by developers working on projects.

At best, many organizations only track the level of production crashes and phone calls (through the contact center or help desk). At worst, organizations have a category of work called “support” (it may as well be called “stuff”), which is used to capture time and effort following systems development. This loose categorization of work, which is not perceived as project work, enables people to include enhancements, lost time, and all sorts of meetings as support. As a result, few organizations understand the real costs of production support that compromises the ROI analysis of projects.

Agile support requires the creation of full-time support expert groups aligned along system portfolios. Given the steady “production drops” involved in agile development, these support expert groups are also heavily involved in the development process.

This information provides management with a snapshot of their investment in each system and technology and provides the basis for management tracking and decision making.

Agile Finance

In agile business, the role of finance is increasingly critical in issues such as the following:

- The development of business cases and how they can be further simplified and rationalized
- The process of business case approval and how this can be streamlined
- The consultancy role of finance in embedding financial modeling
- The consequences for sponsors around benefits analysis, tracking, and realization
- The honest tracking of all project costs (including non-full-time business experts)
- The agile concept of evolving business cases

This results in a more proactive and consultancy-based finance group that can balance financial governance with the agility required to deliver lasting project benefits aligned with honest project costing.

Other Agile Service Groups

In agile business, there are also challenges for support groups such as HR, risk management, and procurement or contracts. In our client base, we have found that HR experts need to review job measurement and performance indicators that were not designed for collaborative teams. Risk management experts need to be fully engaged and socialized with the open, trust-based, and collaborative nature of agile sponsorship, APM, and agile development (see sidebar “Into the Light”). Finally, procurement or contract groups need to explore partnering approaches to relationships with vendors and external suppliers as, again, the open, trust-based, and collaborative nature changes significantly the type

INTO THE LIGHT

From the stakeholder perspective, traditional approaches to project management and development were a combination of “light and dark.” The initial phases of project development such as analysis were relatively open and “in the light” as was the last process of testing. However, for the majority of the development lifecycle (design, detailed design, coding, or building), the project and the team “went dark.” These dark periods often created a lack of trust. In an example of Fubini’s Law, APM and development models are open throughout all phases of development. In effect, agile brings project development into the light, increasing transparency and trust.

of relationship required with external suppliers. These open relationships and partnership-based models have been applied successfully in other industries (a particularly well-known example is the Heathrow Terminal 5 model²⁷). Perhaps the most challenging aspect of agile business is the reemergence of full-time and colocated project teams.

BACK TO THE FUTURE II: THE POWER OF TEAMS

Driven by the cost-reduction focus of the global recession of the late 1980s, many organizations looked to outsourcing and offshoring as one form of cost reduction. As a result, a new form of team became the norm for most of the business and IT project teams that we now work with: the ad hoc team.

The ad hoc team is a group of people who work together but have complex reporting lines and allegiances outside the basic team group and who are often members of multiple teams and groups. Most members of the ad hoc team are “borrowed” from other managers or competency leads or are on contract from external suppliers. In many of our clients, these ad hoc teams had only one permanent member: the project manager.

Surprisingly, there has been little attention paid to this new form of team by the gurus of organization and management theory. While the great work of researchers such as John Katzenbach, Douglas Smith, and Annemarie Caracciolo continues to develop the body of knowledge for teams and team work, the focus of these popular books is still on what we will term “traditional” teams.^{28, 29}

In addition, the rise of virtual teams (which generally are teams that are geographically separated driven by cost reduction and offshoring) has further complicated the development of a theoretical and practical framework for understanding and working in ad hoc teams. While there are a substantial number of books, papers, and Web sites devoted to virtual teams, most of these focus on technology or business as usual rather than people or team structure issues.

Agile development is based around colocated and permanent teams. While these teams were the norm in IT from the 1960s through the late 1980s, many organizations have little corporate memory about the nature of these teams and, more important, how to manage them in an ongoing manner.

The Team of the Future: The X-Team

This model of team structure should be considered as an inevitable outcome of the pressures mentioned earlier as well as the need for organizations to maximize the productivity of their specialists and the need for collocation of team members preferred by agile development. It is a “hybrid” model that includes the best elements of traditional project teams and ad hoc teams.

The X-team structure also recognizes the pressures for downsizing or “rightsizing,” cost recovery, and flexibility demanded by organizations in the 2000s. It also takes into account the need to create project teams that can build and sustain a long-term strategic change. It also recognizes that some organizations are prepared to invest in their people for the long term rather than seeing them as Charles Handy stated, “largely interchangeable ... parts.”³⁰

The X-team model is derived from a concept of organizations outlined by Handy in his book *The Age of Unreason*. Citing major organization, financial, and social discontinuities as a result of the 1980s, Handy argues that organizations should be structured as three nonhierarchical elements. Handy terms this structure the “shamrock organization” after the Irish plant with three leaves on each stem. The central element is a small core of full-time organization professionals (i.e., the people who are the organization). The second element is a group of contract professionals who are used on-demand by the central core, and the third element is the part-time or flexible workers who provide the administrative and clerical support to the central core on a nonpermanent basis.

As shown in Figure 5, like Handy’s shamrock model, the X-team involves three major elements: contact arm, consultancy services arm, and the core team. Each element has its specific role in project development and, depending on that role, can be further partitioned into five subelements. It supports the core team concept required for agile development but enhances that model with perhaps a more realistic organizational context. The model is based on a number of key assumptions that reflect the issues discussed in the earlier parts of this report.

The most important assumption is that the agile project manager³¹ is considered as a “contract” manager who is contracted to manage the project by the organization and who has the authority, funding, and organizational

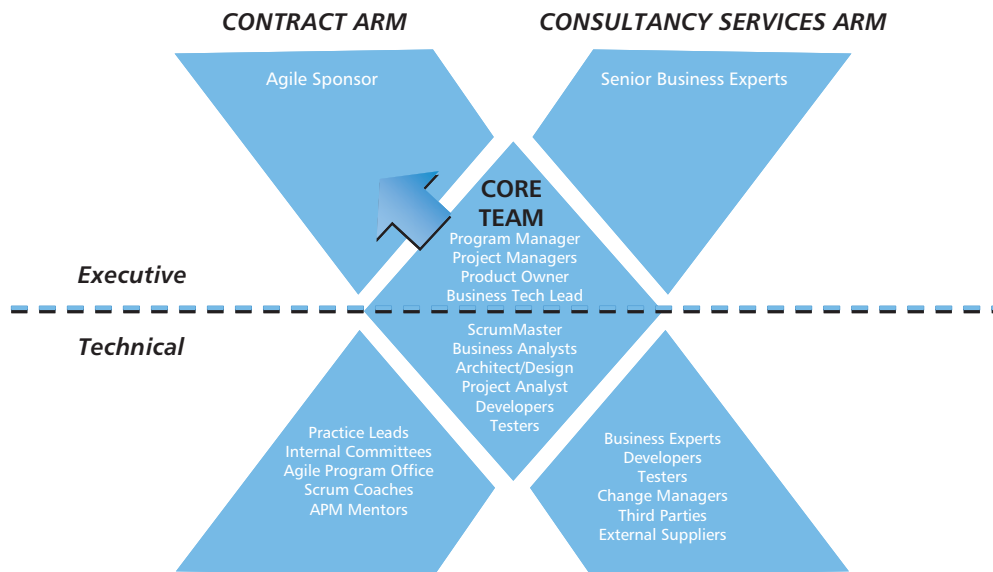


Figure 5 — The X-team structure.

position to structure and staff the project. The second assumption is that the project manager is not necessarily a computing expert. Again, this assumption is already widely implemented in leading organizations. The third assumption in the X-team structure is fundamentally different from prevailing team structures in that only the central core is permanent to the project and remains together for the entire project/program development cycle.

A key element of the X-team structure is the use of contracts and/or consultancy to secure additional people for the project that are not required on a full-time basis. Traditional computing project management was based on informal, often word-of-mouth, agreements between the project manager and the numerous stakeholders (providers of service to the project manager) required to develop his or her project. As I have documented, APM involves the negotiation of formal contracts between the project manager and the stakeholders. These agreements may be nonlegal in the sense that they are service agreements between internal groups or, alternatively, they are legal contracts between external stakeholders (e.g., vendors, contracting companies, systems integrators) and the project manager’s organization.

X-Team Elements

Let’s examine the three major elements in the X-team:

1. Core team. This is a permanent, colocated team consisting of the agile project manager, product owner, ScrumMaster, business experts, systems architect, and the technical resources required to undertake the majority of the project work. The project core is

supplemented by two elements that are engaged on-demand to meet with specific expert requirements or “peaks and troughs” in workload.

- 2. Contract arm.** This is a group of specialists such as programmers, technical writers, change managers, finance, testing experts, and so on, contracted by the project core usually on short-term contracts to undertake the development effort. These contract people can be either drawn from internal groups or external companies depending on their skills and experience. In either case, formal contracts for service are negotiated, which include specific time frames, performance criteria, and termination conditions. It is important to note that the requisite senior management roles such as steering committees, sponsorship, and so on, are treated as contracts as well.
- 3. Consultancy services arm.** This is a group of people required as a part-time consulting service in generally highly specific areas of expertise. Areas such as database administration, auditing, finance, quality assurance, Scrum coaches, agile project management mentors, and network and operations support would be typical of these services. In the senior management area, involved business area management, other project managers, and finance/accounting management would be typical of this element. As a general rule, experts required for less than one day per week are in this arm.

As for any contract, violation of the terms of the agreement would be subject to change-control procedures as well as renegotiation of the project’s terms of reference and associated contracts.

Core Team

As shown in Figure 5, the core team consists of permanent team members. The project manager is the contracted manager of the project for the entire development cycle. The agile project manager is delegated either absolutely or organizationally enough of the agreed budget for the project to be free to negotiate requisite resources, equipment, and so on, required for the project. While in most organizations the formal and absolute delegation of budget is not likely, it is essential that, at least, the agile project manager has the authority to negotiate and select resources within his or her discretion.

Other roles undertaken by the X-team agile project manager include planning of the project (with product owner and ScrumMaster), stakeholder relationship/engagement, negotiation of resource contracts, quality planning, management of stakeholders, project control and planning, and financial management of the project. The agile project manager would also be responsible for the management of project resources on a day-to-day basis, career development, and relevant training (i.e., they are the line manager as well as the project manager).

The product owner/business technical lead represents the project sponsor's area and is the person responsible for the overall product/systems requirements, implementation, and organization issues such as job impact, procedures, and policy impact. The business manager would typically assist the agile project manager in stakeholder management and, in many cases, would also directly manage the day-to-day financial and administrative arrangements for the project. However, the key role for the business manager is the management of the system's requirements and/or product backlog and the quality assurance of the requirements throughout the development cycle. In larger projects, the business technical lead/product owner would manage a project communications component involving newsletters, presentations, and general project public relations. As mentioned earlier, in smaller projects, the agile project manager would also undertake the business manager role assisted by the project analyst/administrative people.

The business and systems architects are the key technical support to the agile project manager. This role is not to be confused with the systems manager found in traditional project teams. Whereas a systems manager is the senior computing person and is functionally and organizationally the manager of the systems people, the systems architect does not "own" the computing experts in the X-team — that is the role of the agile

project manager assisted as required by the systems architect. The primary roles of the business and systems architects are to work with the product owner and ScrumMasters in ensuring that the business requirements are met technically and to ensure that the design of the system is consistent with the organization's strategic, data, functional, and technical architectures. Clearly, these roles require experts who are familiar with the complex issues of integrated business and systems architectures rather than the simple administrative role undertaken by most traditional systems managers. The business and systems architect, in conjunction with the product owner and ScrumMaster, would also be responsible for detailed technical quality planning, control, and assurance.

Developers, testers, and other technical people are allocated full time to the project and are involved in all aspects of RAPs (project planning) and delivery. They are supplemented with additional people from the contract arm as required.

The project analyst/administrative support³² people provide the detailed day-to-day support required by the agile project manager, business manager, and systems architect. While most organizations have mistakenly eliminated the clerical support roles in traditional project teams in an effort to reduce costs and staffing, there is increasing evidence, even in traditional project teams, that a large percentage of project work is fundamentally clerical in nature and does not require tertiary-level professional education. In the X-team, the role of administrative support is vital, as there is considerable paper work and administrative effort required in the management of the numerous contracts, costing, and physical work environment issues involved in the structure. In addition, administrative support people would maintain project schedules, undertake preparation of project reports, organize the project meetings, and other project activities.

The role of CoP in the X-team is more significant than the typical CoP. In the X-team, the various CoP (agile program manager, product owner, ScrumMaster, change management, and so on) provide a horizontal link across the various X-teams facilitating cross-project dependency management and development of best practices as well as providing a forum for raising common issues and solutions.

Contract Arm

The contract group are the "legs and arms" of the project. They are the numerous essential stakeholder groups required by the agile project manager to successfully

develop the project within the terms of his or her contract.

There are two subelements in this group. The project or technical subelement includes the experts required to undertake the analysis, design, building, and implementation of the project. Typical experts contracted by the agile project manager would be business analysts, systems designers, internal communications, HR experts, data analysts, data designers (experts in physical database design), human-interface experts, technical writers or documentation experts, programmers, testing experts, and so on. These people work with the project only for the period required by the nature of the project.

Depending on the organization, these people would be from internal groups or “pools” or external contracting organizations. The key issue here is that the agile project manager has the choice to negotiate requisite skills from wherever he or she can obtain them. As mentioned earlier, all contract people would be involved under formal contracts.

The second subelement of the contract group is the senior management and executives who are essential to the success of the project. In most organizations, this subelement would include the project sponsor, the various members of the project steering committee (if required), and agile project managers from inter-related projects.

While the involvement of these people will not be as “full time” as the technical members of the contract group, they are vital to the project’s success and, as such, should be involved in formal two-way contracts with the agile project manager in terms of their roles, responsibilities, and availability.

Consultancy Services Arm

The consultancy services provide a part-time service to the agile project manager. In most organizations, these groups have already been formed and are providing this service to traditional project teams. The key distinction between these people and the contract group people is the nature of their services and the duration.

Consultancy services are generally provided on a short-term and ongoing basis as distinct from the longer-term and one-off services provided by contract group people. Contracts negotiated with contract people would specify a specific time period and cost for a specific phase of the development lifecycle whereas contracts with consultancy services would be on a time-and-material basis specifying a specific series of part-time consults over the development lifecycle.

Again, there are two subelements. The project or technical subelement would typically consist of information resource experts, technical architects, network and operations consultants, internal audit, quality assurance, project estimators, agile or Scrum coaches, APM mentors, and relevant experts from business areas such as policy, finance, internal communications, marketing, and so on. The senior management subelement would include management from related or impacted business areas (as distinct from the sponsor business area), finance and accounting management, HR management, peer group agile project managers, and management of the broader program area.

The nature of the X-team and, in particular, the use of contracts and highly disciplined project management would avoid the problems of confusion and split loyalties associated with the earlier attempts of functional/specialist management associated with the matrix organization model.

Program and project management will emerge as one of the central skills in contemporary organizations, and the X-team will require executives to become closer to projects and more involved in the detail of project management.

The X-team is the best of both worlds for agile business.

IMPLEMENTING AGILE BUSINESS: A CASE STUDY

Since late 2009, my consulting group has been working intensively with a major New Zealand bank on a journey to implement agile business. Faced with the global financial crisis and a relatively static financial market, the executive and the board of directors of this bank decided to implement a radical and disruptive change to the prevailing operating model.

Driven by the CEO and the COO, key people in the bank developed a five-year strategic plan with a vision to become the most preferred bank in the country. Based on previous consulting, our group has undertaken implementing elements of agile business; the COO engaged us with a clear mission: to use agile business to implement the five-year strategic plan and to disrupt and change all aspects of the bank’s operating model. While undertaking this, the bank had to continue to operate and service its current operating model. The bank had already developed and implemented a powerful culture based on the following three behaviors:

1. Listen, engage, and deliver.
2. Own it, do it.
3. Make it easier.

Clearly, these behaviors were completely aligned with our agile principles of simplicity, transparency, and the five agile values discussed earlier. In fact, it was our group’s focus on these principles and values that encouraged the bank’s executives to partner with us.

The strategic plan included 10 major programs involving hundreds of millions of dollars investment ranging from fundamentally redesigning bank branches into “retail stores” to rebranding the bank. We developed a model for the journey of implementing and sustaining the agile business model (see Figure 6). Each stage of the agile business journey had specific targets and measures, and each stage required different intervention and engagement strategies ranging from workshops to coaching (see Table 3).

Successes to Date

As of July 2010, we have successfully reached a transition between Stage 2 and Stage 3. Half the programs are using APM integrated with agile development, and the majority of agile sponsors are becoming increasingly engaged with their programs and projects. Over 60 RAP sessions have been conducted and some of the programs are already delivering better and faster outputs and outcomes. Benefits are being carefully analyzed and measured, and the CEO is holding all agile sponsors responsible for benefits realization (measured carefully). Some vendors have agreed to open partnership relationships, and we have embedded finance experts in all teams. Fifteen colocated X-teams have been created with the agile program managers having full responsibility and management of the core teams. Core teams range in size from over 100 people to five people.

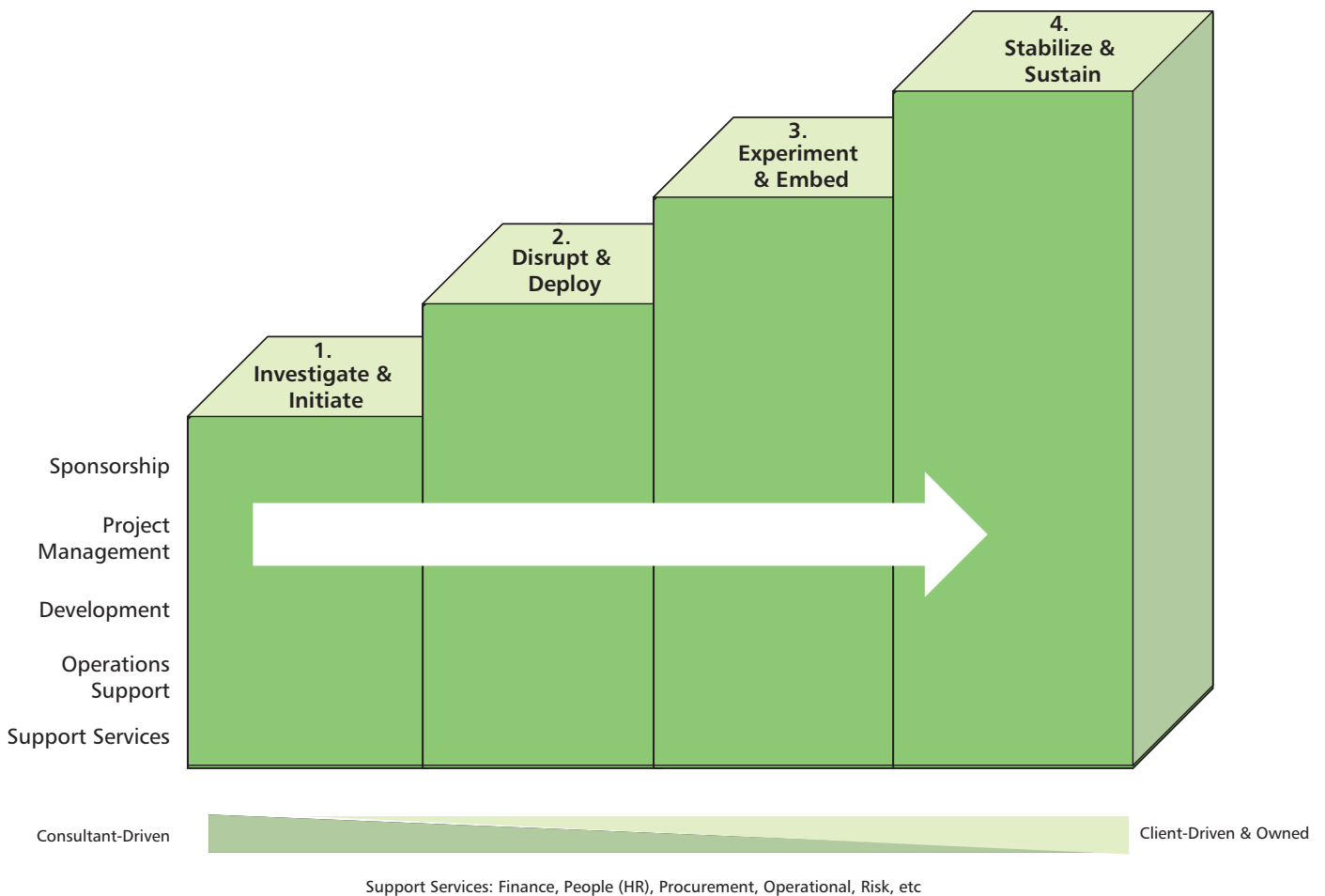


Figure 6 — The agile business journey.

Table 3 — Agile Business Journey Stages

	1. Investigate & Initiate	2. Disrupt & Deploy	3. Experiment & Embed	4. Stabilize & Sustain
Sponsorship	Executives engaged inconsistently and passively; monthly project control boards reactive; large complex reports; delegated ownership; inconsistent focus on benefits realization; confused reporting lines for PM and team.	Executives engaged; education commences; clear ownership is acknowledged; simpler face-to-face reports; PCBs abolished; some delegation of ownership; focus on benefits realization; more flexible review meetings; inconsistent time allocated for role.	Executives completely engaged and proactive; coaching commences; clear ownership is demanded; simpler face-to-face reports; consequences are discussed; little delegation of ownership; actions on benefits realization; 10% time allocated weekly to sponsor role.	Executives engaged; hands-on and proactive; consistent behaviors; clear ownership is normal face-to-face reports; consequences acted upon; no delegation of ownership; measured on benefits realization; 20% time allocated weekly to sponsor role.
Project Management	Minimal compliance to bureaucratic “heavy” process; business cases “copied” and static; poor benefits, risk, and cost analysis; little stakeholder engagement; complex and confusing reporting.	Education commences; clear code of practice acknowledged; community of practice created; partial compliance to agile models; agile business cases created but maintenance is inconsistent; some RAP 1 is conducted; increase stakeholder engagement; one-on-one relationships with sponsors commence.	Coaching and mentoring commence; community of practice is effective; complete compliance to agile models; agile business cases created and maintained with some measurement; RAP 1 and RAP 2 are further embedded in stakeholder engagement; stakeholder engagement is focused; one-on-one relationships with sponsors are open and honest.	Coaching and mentoring is owned by organization experts; community of practice creates new models; compliance to agile models is way of life; agile business cases are created, maintained, and measured; full RAPs ensure stakeholder engagement; external and internal stakeholder is focused; one-on-one relationships with sponsors are open, honest, and supportive.
Development	Predominance of waterfall; late engagement of testing; IT infrastructure and operations support; stakeholder engagement front and back of lifecycle only; focus on development; few standards.	Agile education/coaching commences; improved engagement of testing; IT infrastructure and operations support; stakeholder focus increased through stand-ups, retrospectives; agile business and ScrumMasters are created; business leads join teams; agile development community created; some BAs, testers are embedded in teams; traditional development models supported.	Agile coaching is consistent; engagement of testing; IT infrastructure and operations support; stakeholder focus normal through stand-ups, retrospectives; agile business and ScrumMasters are consistent in behavior; agile development community effective; BAs, testers, community of practice create standards; traditional development models supported; agile environments tested and implemented.	Agile coaching is owned by organization experts; continuous engagement of testing; IT infrastructure and operations support; stakeholders fully engaged through stand-ups, retrospectives; agile development; BAs, testers, communities of practice develop innovative standards; traditional development models supported; agile environments fully operational.
Operations Support	Poor or inconsistent costing of complete support costs; little engagement of support experts; focus on reactive break/fix only; support done part time by developers; projects as work requests.	More comprehensive costing of complete support costs; improved engagement of support experts; focus on total support; initial creation of expert support teams.	Complete costing of support costs; engagement of support experts by developer and PMs is consistent; total support, including preventative, maintenance, and refactoring; expert support teams manage portfolio of assets; executive reporting of support.	Full transparency of support costs; engagement of support experts by developer and APMs is normal; total support including preventative maintenance and refactoring; expert support teams manage portfolio of assets; executive governance of support; full whole-of-life costing.
Support Services	Little and/or late engagement support experts; focus on minimal compliance only; support processes seen as bureaucratic.	Improved engagement support experts; focus on consultancy; simplification of support processes commence.	Consistent engagement support experts; focus on consultancy; support processes are simplified; embedding of support experts in teams.	Fully effective engagement support experts; ownership by PMs as well as support experts; support processes are best-of-breed; continuous embedding of support experts in teams.

Outstanding Challenges

To successfully assist our client in owning and sustaining the agile business initiative, we have some challenges to meet. Key challenges include:

- **Sponsor attention.** Despite education and coaching, some sponsors still struggle to put sufficient time aside to pay attention, get engaged, and make decisions quickly.
- **Agile coaching.** We have found it difficult to find enough agile development coaches as implementing agile development requires at least one agile coach for each team for at least 12 weeks.
- **Too much change.** The impact of the global financial crisis coupled with the rate of change both in the size of the strategic plan and the agile journey impact has pushed people's ability to cope with change to the limit.
- **Business-as-usual demands.** Agile business requires open and consistent engagement and involvement of key business experts who must also balance this with their day-to-day business demands.
- **Interface to operations and infrastructure.** It has been difficult to integrate agile development with the ongoing operations and infrastructure processes and technology of the bank.
- **CoP.** There is a number of CoPs required and the formation and coordination of these require CoP leads who are difficult to find.

Clearly we have also encountered people within the bank who are simply resistant to any form of change. Recall Figure 1; our strategy has always been to focus almost exclusively on the innovators and early adopters. Active and passive resisters have either self-selected out of the bank or have found alternative positions within the continuing operations. However, as agile business increases its footprint in the bank, the majority of people now see agile as the "way we do business here."

As we introduced earlier, Fubini's Law suggests that any new paradigm will inevitably result in a culture change. In the words of our sponsor in the bank, "Agile has shown our organization naked." Previous negative behaviors were quickly highlighted and as the new patterns for sponsors, agile project managers, and agile developers were adopted by innovators, we found that the people, their behaviors, and processes were constantly challenged. It was not the agile methods that were the challenge; it was the prevailing culture.

THE TIPPING POINT REVISITED

At the beginning of this *Executive Report*, we stated that the agile revolution was at a tipping point. While most agile proponents still perceive agile as just agile development, we are exploring and implementing agile business as a cultural and organizational paradigm shift.

In his powerful manifesto *The Future of Management*, Hamel argues that a disruptive change is required for many organizations to survive in the new "Flat World."³³ We know that agile business is the key to successfully executing this change.

While most organizations will probably emerge from the global financial crisis and return to business as usual with reduced people, resources, and increasing dependency upon outsourced and offshored project resources, we know that the few visionary organizations that are prepared to take the risks will use agile business to create a sustainable and competitive advantage in implementing the right projects the right way.

ENDNOTES

¹Thomsett, Rob. "Agile Project Governance." Cutter Consortium Enterprise Risk Management & Governance *Executive Report*, Vol. 3, No. 3, 2006.

²Thomsett, Rob. "Project Management Cultures: The Hidden Challenge." Cutter Consortium Agile Product & Project Management *Executive Report*, Vol. 8, No. 7, 2007.

³Immelt, Jeff. "Morning Joe." MSNBC, 21 January 2009.

⁴A classic example of this is the Sarbanes-Oxley legislation, which, among many other externally imposed "governance" processes from organizations such as the Financial Accounting Standards Board (FASB) and the US Securities and Exchange Commission (SEC), failed to stop the meltdown of global financial markets in 2008-2009 while imposing massive costs on organizations; see Malone, Michael S. "Washington Is Killing Silicon Valley." *Wall Street Journal*, 21 December 2008.

⁵Here is a simple, compelling example of this behavior. A major bank I worked with was forced to contact people it had fired during a recession to ask them to rejoin the bank, as it faced severe skills constraints in its attempt to expand after the recession had ended.

⁶Sull, Donald. "How to Thrive in Turbulent Times." *Harvard Business Review*, February 2009.

⁷Hamel, Gary. "Moon Shots for Management." *Harvard Business Review*, February 2009.

⁸Immelt. See 3.

⁹Christensen, Clayton M. *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail*. Harvard Business Press, 1997.

¹⁰Christensen, Clayton M. *The Innovator's Solution: Creating and Sustaining Successful Growth*. Harvard Business Press, 2003.

¹¹Christensen. See 9.

¹²Thomsett. See 2.

¹³Weinberg, Gerald. *The Psychology of Computer Programming: Silver Anniversary Edition*. Dorset House, 1998.

¹⁴DeMarco, Tom. *Structured Analysis and System Specification*. Prentice Hall, 1979.

¹⁵Thomsett, Rob. *People and Project Management*. Prentice Hall, 1981.

¹⁶Cusumano, Michael A., and Richard R. Selby. *Microsoft Secrets: How the World's Most Powerful Software Company Creates Technology, Shapes Markets, and Manages People*. Free Press, 1995.

¹⁷Thomsett, Rob. *Third Wave Project Management: A Handbook for Managing the Complex Information System for the 1990's*. Prentice Hall, 1992.

¹⁸Thomsett, Rob. *Radical Project Management*. Prentice Hall, 2002.

¹⁹Ohno, Taiichi. *Toyota Production System: Beyond Large-Scale Production*. Productivity Press, 1988.

²⁰Meyers, Christopher. *Fast Cycle Development: How to Align Purpose, Strategy, and Structure for Speed*. The Free Press, 1993.

²¹Google lists over 90,000,000 references to the term "corporate culture."

²²"Origins of Apple's Pirate Flag circa 1983" (http://digg.com/apple/Origins_of_Apple_s_Pirate_Flag_circa_1983).

²³Reported by Chuck Maples, senior VP of R&D of Borland Software Corporation at the *Agile Business Conference* in Amsterdam, April 2009.

²⁴In most projects, there are two sets of technical information: the business technical and the IT technical.

²⁵This is not a real product.

²⁶Tony Rogers, CIO of a very large local council organization, referred to being inundated with complex technical documents as being "smothered in flannel." This wonderful phrase really highlights how many executives we have worked with feel about being given the wrong set of information.

²⁷"On Customer-Supplier Relationships and the T5 Agreement." *Agilier*, 11 January 2008 (www.agilier.com/business-change-resources/thought-piece-writings//t5-terminal.html).

²⁸Katzenbach, Jon R., and Douglas K. Smith. *The Wisdom of Teams: Creating the High-Performance Organization*. HarperBusiness, 1994.

²⁹Caracciolo, Annemarie. *Smart Things to Know About Teams*. Capstone, 2001.

³⁰Handy, Charles B. *The Age of Unreason*. Harvard Business Press, 1991.

³¹Also called the agile project manager, agile program manager, or agile project director.

³²Also called the project controllers or project administrative support.

³³Hamel, Gary. *The Future of Management*. Harvard Business School Press, 2007.

ABOUT THE AUTHOR

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