

Increasing Business Agility through Organizational Restructuring and Transformation

Strategies to Transform Organizations

Badri N. Srinivasan and Chandan Lal Patary

ABSTRACT

In today's VUCA (volatility, uncertainty, complexity and ambiguity) world, every organization has to reorient itself on account of the changing business landscape. Due to the changing market context, new threats may be introduced and the old operating model will not enable the organization to act rapidly. Organization must explore opportunities to minimize waste, reduce handovers, improve transparency, reduce bureaucracy, and empower people. In order for the organization to still maintain its relevance in the market, it has to optimize its operating models and restructure itself by introducing new frameworks, tools, processes and roles and responsibilities. Team members have to redefine themselves in all the departments ranging from software development, project management, HR, Finance across the entire value stream till the CXO office.

This paper has been developed based on live experience and real time implementation which is proven at the workplace, specifically for large enterprises in the Information Technology domain.

This paper will highlights the following aspects -

- a) WHY Change? How to construct a Bigger Purpose
- b) How can we make the organization nimble to enhance business agility?
- c) How to identify silos in the organization and remove barriers
- d) How the cultural and mind-set change will happen
- e) How the various roles will enable organizations to deliver faster and improve business agility
- f) Proposed framework to address these issues
- g) Benefits of using the framework for organizational restructuring and transformation like organizational alignment, team agility and business synergies

By adopting a suitable framework, the organization will be able to reinvent itself to meet the changing market requirements and enhance customer delight.

INTRODUCTION

“In today’s globalised, free-market economy, the ability to satisfy changing customer expectations is considered as the core ability that will ultimately improve the bottom line for the organization. If you’re not agile, you can’t do it, because customer expectations are never static.”

On account of the growing complexity and the persistent pace of change in the global economy, it is clear that all organizations, including service firms, government agencies, and non-profits – and the teams within them – need to develop higher levels of agility in order to manage the rapid changes in the market place.

Software has conquered the world and most of the businesses today are more or less software driven or are dependent on software. Software agility is thus an integral part of business agility.



Figure A: Porter's Five Forces model- Five competitive forces that shape every industry, and helps determine an industry's weaknesses and strengths.

Figure A helps to understand our current position as an organization. At the strategic level, we need to analyse and do a course correction, as and when needed.



Figure B: PESTLE Analysis: Macro environmental framework used to understand the impact of the external factors on the organization and is used as strategic analytical technique.

Figure B demonstrates the strategic tool which helps leaders undertake a deep dive into the various factors affecting the organization.

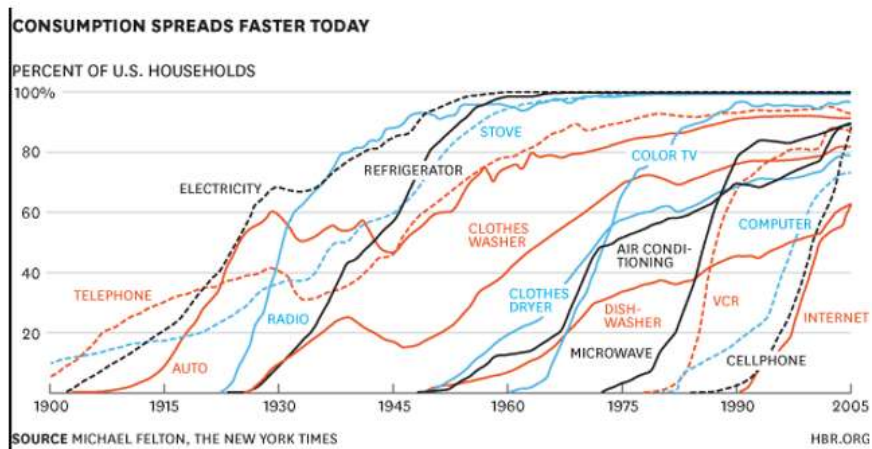


Figure C: Demanding customers and Quick solution provider will capture the market share in today's economy.

Figure C demonstrates how the customer has become more demanding and is asking for rapid solutions for their problems.

Let us look at the various threats that an organization faces today. Porter's 5 forces model is the background context for our focus on the current market place. This leads us to ask the following questions –

How can the organization maximize value generation quickly for the end users?

How can the organization create innovation solution quickly?

How can the organization retain the existing customer base and add new customer?

How can the organization retain its best talent?

How can the organization maximize shareholders value?

How can the organization structure enable us to achieve all these?

There is a constant change required in today's world whether it is on account of process, structure, culture or the mind-set of the people in order to manage the customer expectations and meet the market demand.

This paper highlights how we can address all these questions with a structural approach which is especially suited for large enterprises.

DETAILS OF THE PAPER

1. Organizational Challenges:



Figure D: Balancing Various Challenges

An agile organization embraces change by moving rapidly and effectively to anticipate, initiate and take advantage of change, yet it remains robust enough to absorb any setbacks. But agility is not just about being fast: it also implies the capacity to remain in touch with the customer needs so that they are met appropriately. Figure D talks about balancing the various challenges.

Large enterprise organizations have a big problem. How can they act like a start-up and service their customers with agility. In this context, we need to address the following issues -

(1) How to monitor the market constantly and manage the threat from the competitors and other factors and how to manage the market place changes effectively and remain agile.

(2) How to partition a large work solution into smaller work solutions for the subunits and how to coordinate these smaller subunit work solutions so that they fit together to effectively realize the bigger work solution or organizational goals.

(3) The heavy weight processes that the organization has amassed over a period of time is itself slowing down under its own weight and reducing the agility of the organization

4) Other factors like Fear from failure, Command and control, organizational politics and Hero culture are also spoiling the whole eco system and this has led to the exodus of the best talent from the organization.

5) Due to organizational politics, the best and most competent people in the organization are not willing to work under the current situation. Politicking has completely spoilt the ecosystem.

6) Additionally, poor innovation and bad HR policies have also caused significant damage to the product and the end users

How do we then increase business agility? Let us explore what is business agility as given below -

Business Agility: It is the distinct quality that allows organizations to respond rapidly to changes in the internal and external environment without losing momentum or vision.

Adaptability, flexibility and balance are the three key and essential attributes for long term business agility.

Organizational Restructuring: Organizations are human systems and their system structure includes the worldview, belief and mental models of their leaders and members. Changing organizational behaviour requires changing the belief system of its personnel. This process of changing belief is called learning.

Steps for organization restructuring require preparation and planning that addresses programmatic needs, support services require to advance organizational goals and effective workforce planning and communication. When a company restructures internally, the operations, process, departments or ownership may change, enabling the business to become more integrated and profitable. Restructuring should result in a smoother and economically sound business operation.

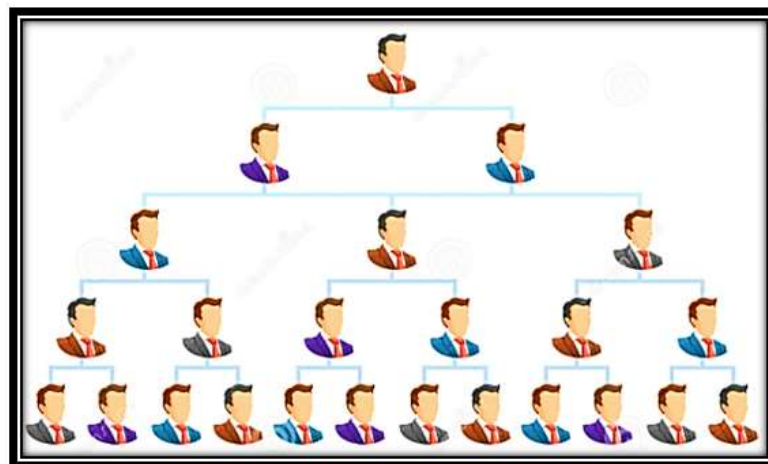


Figure E: Organizational pyramid structure, where information, communication, and strategic direction flow in only one direction, from the top down.

Most of the large enterprises built hierarchical layers of people to support its business functions which later became a bottleneck for agility. In today's VUCA world, it is tough to bring agility with this type of a structure. Figure E demonstrates one of the challenges which most of the enterprises faces today. Conway's law given below explains this issue more appropriately.



Figure F: Systems force certain structure on the team who maintain the systems and even on the wider organization.

Figure F demonstrates how an organizational structure reflects its solutions. We design an organizational structure for lean and agile requirements and the solution will also be lean, agile and simple.

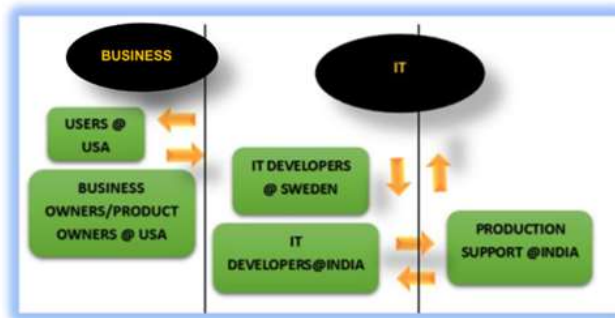


Figure G: Walls within the organization which will slow down the end to end business value flow. Organizational silos which needs to be broken down with the new structure which will be flat and lean.

Hence, we should start by assessing the relative importance of the two fundamental goals to the organization - efficiency and effectiveness. Efficiency is focused on inputs, use of resources, and costs. Effectiveness is focused more on outputs, products or services and revenues. These are competing priorities. Some organizations place a higher priority on efficiency and focusing on minimizing the costs of producing goods or services. Figure G indicates the walls within the organization which slows down the flow of business value.

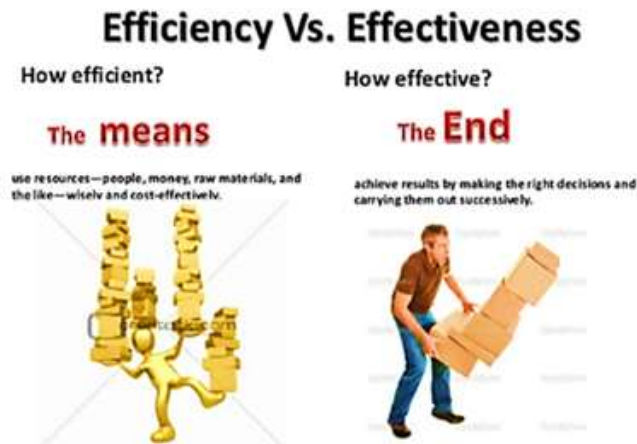


Figure H: Take a balanced approach to improve both the means and the end

Figure H demonstrates that when thinking about transformation, both efficiency and effectiveness aspects have to be taken care and they should be in balance.

2. Proposed Solution

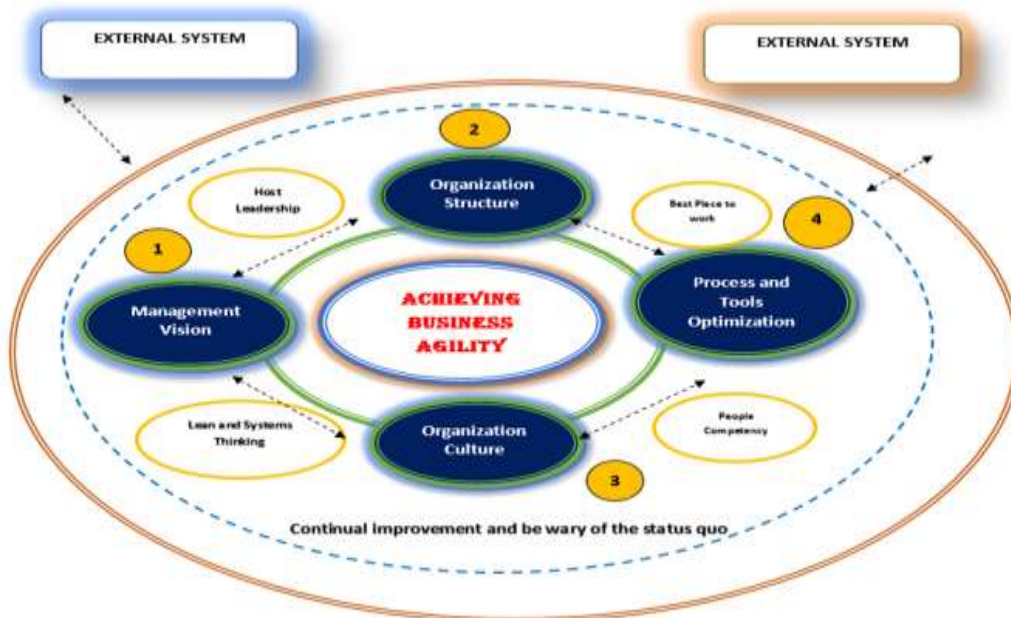


Figure I: Business Agility Framework, 4 Pillars of Achieving Business Agility and other factors to be considered to increase efficiency and effectiveness

Figure I - The above proposed framework explains how Business Agility is achieved through organizational restructuring. This framework has four main pillars for achieving business agility. The business agility pillars are as given below -

1. **Management Vision:** The senior management conviction to drive the changes is one of the most important aspects of the restructuring program. Sense of urgency is one of the crucial factors which top management can inject into the ecosystem. As they are having a visionary view, they can inspire the people for the restructuring activity that will happen in the future.
2. **Organizational Structure:** A hard look needs to be taken at the existing organization setup and structure. Enterprise organizations over a period of time may have built many layers to build stability into the system and which may not be efficient over a period of time. Organizational silos and layers have to be minimized by relooking at the current setup.
3. **Organizational Culture:** This has to be revamped as the new structure will bring new culture. New culture will enable people collaboration. The need is to create different restructuring programs that run in a certain cadence so that consistent communication goes to the people regarding the restructuring process.
4. **Process and Tools Optimization:** This is the fourth pillar which is crucial to the success of the organizational restructuring program. By using appropriate tools and processes that are automated, the restructuring program can be made less painful and smoother for the members. This requires an appropriate study of the existing process and how newer processes and optimized tools can facilitate the restructuring process. Software factory (optimized tools) has to be established and the continuous delivery process and the continuous release pipeline have to be established for optimizing the work flow.

The monitoring process which is one of the most crucial is **continual process improvement**. This focuses on improving and monitoring the existing processes so that they are always optimized and it seeks to improve the existing processes further.

All these 4 pillars need constant feedback from the internal and external environment. Inspect and Adapt has to be applied to measure these change initiatives. All these 4 pillars have to be designed and executed through a portfolio, program and project level structure. The organization needs to identify a focus group that is responsible for the design and execution of this framework.

Focus should be on host leadership. Create a work environment where people would love to work and build an innovation solution. Develop people competency through a collaborative and policy based approach focused on the growth of the people. Apply lean and systems thinking in all the initiatives and decision making processes.



Figure J: Four key accelerators to support the business agility pillars. Accelerators need a different approach in order to deploy the activities at the ground level.

Figure J - The accelerators support the business agility pillars and boost organizational agility. These accelerators facilitate and support the Pillars given in the framework. The description of the accelerators are given below -

- **First accelerator** is to help us to manage at the portfolio level by identifying the changes needed. Porter’s five forces and PESTLIED: Political, Economic, Socio-Cultural, Technological, Legal, International, Environmental, Demographic analysis. Both of these will help us to convince that there is a change required in the current way of operation. After the top executives are convinced, they can start engaging at the program management level for the structural initiatives.
- **Second accelerator** is to help the organization to roll out a new structure to perform better by identifying various roles and responsibilities and forming the new operating model.
- **Third accelerator** is to assess the current cultural setup and how we can influence the culture based on the Schneider model.
- **Fourth accelerator** is to take care of the automation aspects by focusing on the software factory and by building a continuous delivery pipeline and stabilizing it subsequently.

All these four accelerators need to be executed at the tactical level for the project teams in order to facilitate and support the business agility pillars.

This framework covers all the dimensional issues an organization faces in the market place. This framework will build flexibility, adaptability and balance for the organization in order to compete successfully to deliver innovative solutions quickly. The organization needs to implement all these changes appropriately.

3. How this Solution will be deployed at the Ground Level?

3.1 CREATE A TRANSFORMATION PROGRAM BACKLOG



Figure K: Transformation Program: Plan for different Levels of engagement for Business Transformation

In order to implement the organizational restructuring exercise in order to achieve business agility, we need to create a transformation program to execute this restructuring and end to end business transformation.

With the intention of facilitating the organizational transformational program, a primer needs to be created which will highlight the intent behind the program and all the steps require for the execution of the program.

Figure K - Transformation Program talks about how the organizational transformation will be planned and executed. These activities will be driven as per the PMI Project Management approach. The organization needs the best of the best project managers to drive this change initiative. At the highest level, there will be a portfolio manager who will drive the portfolio level planning and execution.

Program governance committee will frequently measure the change initiative KPIs and do a course correction to align all the stakeholders along the same direction.

Hence, in order to achieve business agility by restructuring the organization, it is imperative that the organization understands all its constraints and takes steps to meet its goal. The following sections give details of how the organizational restructuring can be implemented and the other steps taken in order to achieve business agility.

3.2 IDENTIFY BUSINESS VALUE AND FIND BUSINESS SLICES

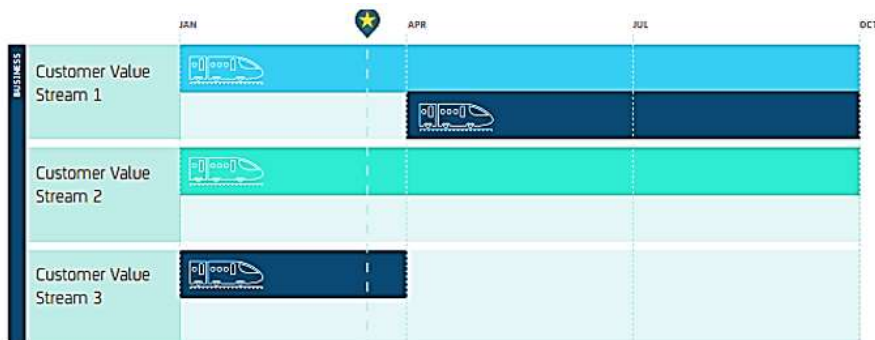


Figure L: Business Value: Identify customer centric business value chain

Figure L - Business value demonstrates the value obtained by the customer based on the value stream mapping technique. Initially, the business value stream is worked out to identify the areas that need to be changed and which will bring maximum value to the organization. Squads (small teams of 7-9 members who have cross functional and cross component expertise) will deliver business value and are aligned to the tribes through a release train using a cadence approach. There will also be an Inspect and Adapt approach with a strong feedback mechanism with the end users. The team needs to build transparency along the entire setup. This ensures that the whole organization is covered as part of the change process.

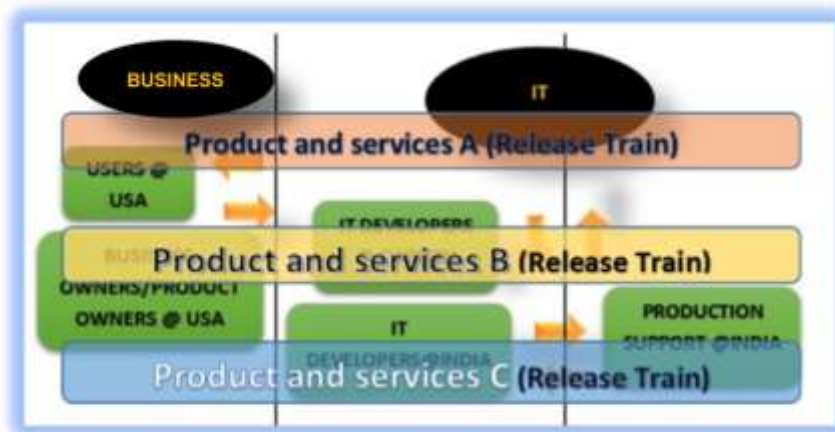


Figure M: Release Train: Demonstration of Business slices and delivery of the Business value to a customer

Figure M demonstrates how an organization can deploy release trains cutting across many layers and silos. These activities will be based on the business value stream. There will not be any local optimization in this process. This process ensures that the team owns the end to end business activities and focuses on fast and flexible flow. From Business to Information technology, all the layers have to provide a solution.

3.3 RESTRUCTURE THE ORGANIZATION AROUND BUSINESS VALUE WITH THE SPOTIFY MODEL

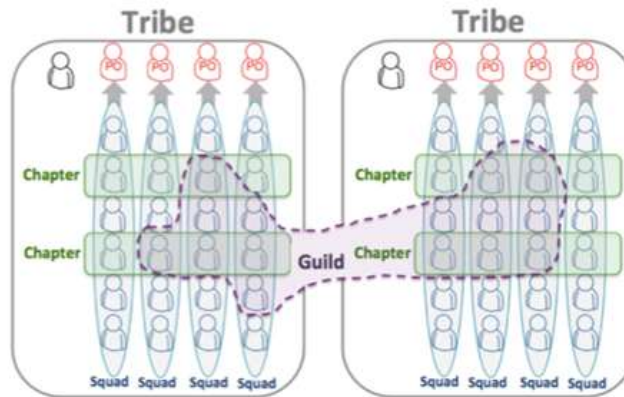


Figure N: Spotify Scaling Model: Lean and Flat Organization Structure, Spotify Engineering Culture

Figure N - Spotify Engineering Culture demonstrates the new organizational structure, which brings flexibility and removes hierarchies. This model has been used for the reorganization. It helps to channelize business value to the end users in the shortest possible time. This model is proven in the industry and which has been used by Spotify itself, apart from other organizations like ING Bank.

3.4 START DEVELOPING THE NEW MIND-SET



Figure O: Mindset: Roles and People behavior have to be more aligned with the growth mindset

Figure O - The Mindset model by Carol Dweck demonstrates that during the course of bringing agility to the organization, it is important to communicate what type of mindset we are expecting from all the members in the organization. Hence, we need to communicate the same messages during various workshops, meetings and town halls.

3.5 IDENTIFY VARIOUS ROLES TO DRIVE THE TRANSFORMATION



Figure P: Change Agents: Organization needs to identify many change agents to run the agile transformation journey

Figure P identifies various team members through many communities of practices or focus groups who will help the organization to become a learning organization and slowly the cultural transformation will also happen. The organization needs to hire dedicated agile coaches for the transformation initiatives. The organization needs to identify new roles like Tribe Lead to influence the Tribe, Squad Lead, Chapter Lead, and Guild Lead, Release train Engineers, Chief Product Owner and Scrum Masters to ensure that the transformation program is executed effectively. The existing roles are mapped to the new roles appropriately.

3.6 APPLY SCHNEIDER CULTURAL MODEL FOR CULTURAL TRANSFORMATION

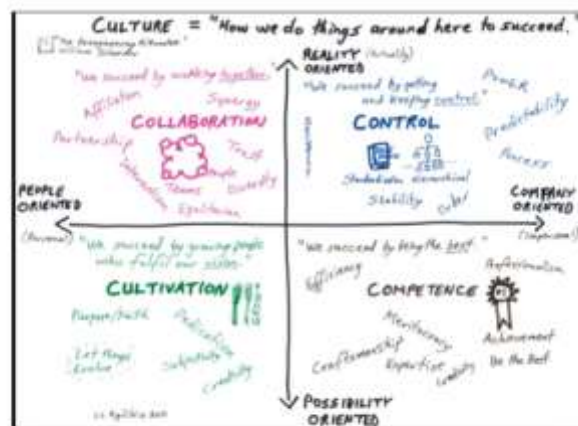


Figure Q: Schneider Cultural Model, This model helps us to design our organizational culture.

Figure Q - Schneider cultural model demonstrates how the new organization needs to be more collaborative and develop its people. The organization is dominated by a people oriented policy. In the workshops, the team needs to start with this diagram and ask where we stand and where we want to go. This helps to redesign the new culture in the organization.

Additionally, other concepts such as **swarming** and **intrapreneurship** are also indicated in the next section and which were found to be useful during the organizational restructuring process for resolving a majority of the issues which arose during this process

3.7 APPLY SWARMING AT THE ORGANIZATION LEVEL



Figure R: Swarming: Emergent behavior arising from simple rules that are followed by individuals and does not involve any central coordination

The quick coordinated behaviour from large groups of individuals in these networks is called swarming. In swarming behaviour, the individuals are not just members of a hierarchical level waiting around to be told what to do. Instead, they act fast on their own initiative and their opponents must either cope up or else be overwhelmed. Figure R demonstrates the characteristics of swarming which an organization should focus in order to execute the transformation initiatives more effectively. Swarming is undertaken to resolve issues and bottlenecks at the organization level which could not be solved by the individual / team members. Swarming can also be applied at the team level.

3.8 BUILD MORE AND MORE INTRAPRENEURS

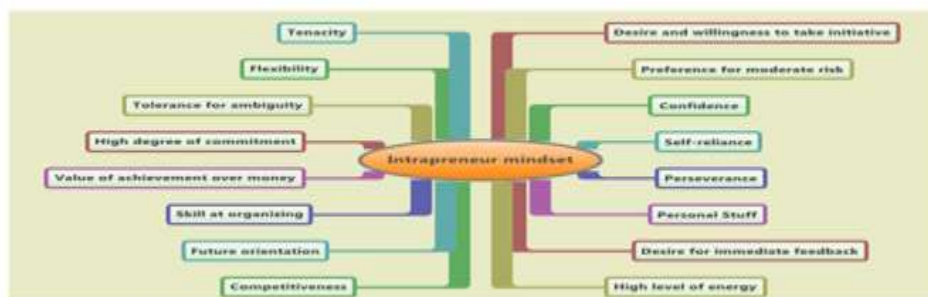


Figure S: Intrapreneur Characteristics of an entrepreneur inside the organization

Intrapreneurship is vital because all companies need people who will take initiative and use their entrepreneurial spirit to drive innovation and sharpen the company's competitive edge. As a result, intrapreneurs are some of the most valuable employees in an organization strengthening the job security and earnings potential. Intrapreneurs are those typical individuals who focus on innovation and help to build a competitive advantage over a period of time. Most of the time agile coaches need to think how to build such team members. For that to happen, constant coaching and mentoring is the key. Figure S gives details of the intrapreneur mindset. Intrapreneurship helps to build organizational agility and cope with the changes in the market place.

3.9 WORK REQUIRED TO BUILD A TEAL ORGANIZATION

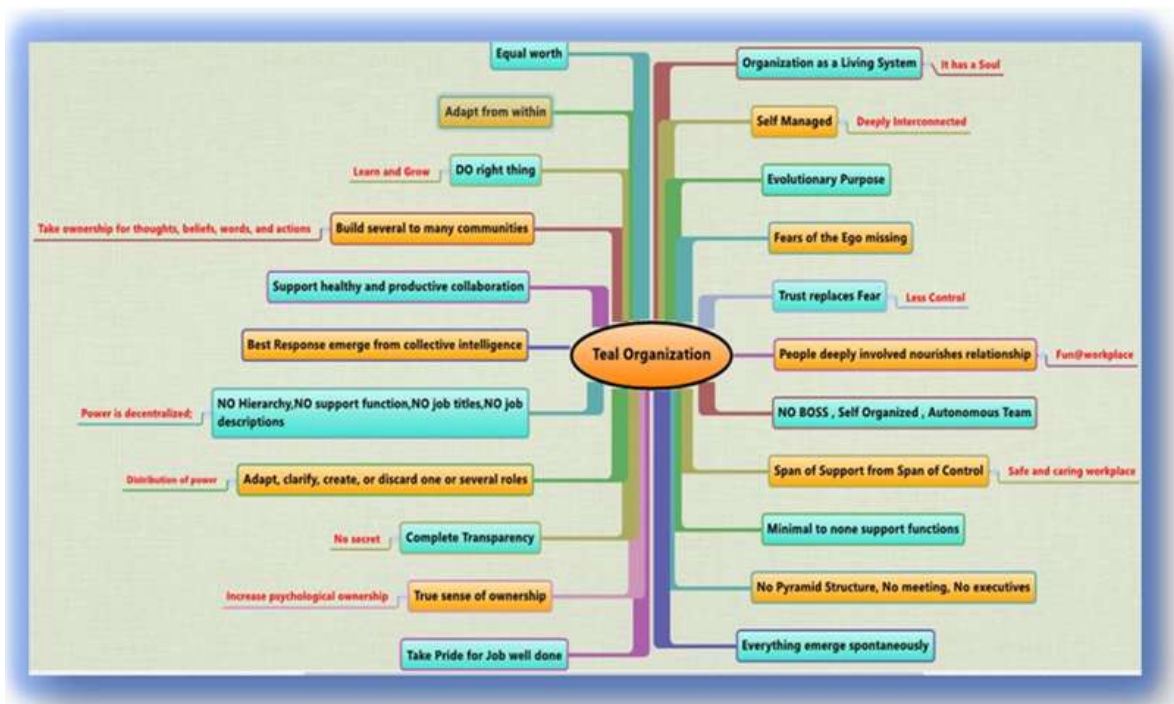


Figure T: Typical characteristics of a Teal Organization

Figure T talks about the type of organizational characteristics that the organization should aspire to build over a period of time.

The organizational model was initially mapped to the model proposed by Frederic Laloux to build and attain the Teal type of organizational characteristics in Tribes inside the organization over a period of time. The Teal organization is considered to be at the highest level of evolution in the life cycle of the culture of the organization among the other different organization types as proposed by Frederic Laloux. The team has to deploy these characteristics in all the Tribes in the organization. All the team members need to be covered as part of this journey.

The various challenges that the team may face during the organizational restructuring process is as given below -

- a) People are usually pessimistic about this new change
- b) Building a teal organization for the future and which has lesser levels of hierarchy can cause fear in the minds of the people
- c) Building transparency is challenging as people are not accustomed to new changes
- d) Losing the existing span of control may be a huge shock for the Manager and the team may also be apprehensive about the changes
- e) The concept of No Boss being available to manage the team may make the team think as to how they could survive in the organization

4. Journey Map to be Followed

All these activities should have weekly implementation steps to measure the progress. Create a visual dashboard to show the progress for the implementation of the Business Agility Pillars and the Accelerators which support the pillars.

Journey Map for the Transformation (4 - 6 months)	
Step 1	Do Porter Five Force Analysis
	Do PESTLIED analysis
	Build strong "WHY Change" purpose
	Build portfolio level strategic plan
	Develop the Management Vision
	Use information radiator for Visual Management
	Set up several town hall meetings and workshops to communicate the new change
	Create newsletter, collaboration workspaces and documents to influence and collaborate with all the team members
Step 2	Look at the current structure, identify silos. Identify high level business activities
	Identify the business value streams and focus on the creation of Tribes and Squads with end to end ownership(Minimize Dependency)
	Adapt Spotify and SAFe model to deploy structural changes
	Define various roles and governance structure. Identify focus group with change agents
	Communicate, Communicate and Communicate
	Use information radiator for Visual Management
	Set up several town hall meetings and workshops to communicate the new change
	Create newsletter, collaboration workspaces and documents to influence and collaborate with all the team members
	Create additional communities exhibiting swarming characteristics
Step 3	
	Understand current cultural bottleneck

	Share Schneider cultural model and start preparing for more collaborative culture
	Build TEAL type organizational characteristics within a one year time line. Design governance model, workshop and training and meet up to achieve this objective.
	Build several Communities for various purposes - e.g. Scrum Master community, Product Owner, Product support community, etc.
	Build the Teal type organization with proper planning
Step 4	
	Standardization of tools and processes
	Ensure robust CD and CI pipeline, support and tools
	Changing people mindset (Fixed to Growth), dedicated training and workshop for this agenda
	Implement Visual management techniques across all the team places, cubes, walls(Information Radiator)
	Create separate dedicated team to support the platform, tools related changes, issues etc.
	Deploy end to end Governance structure and report progress periodically to the stakeholders
	On the completion of the program, focus on sustenance and next step based on the current Vision of the stakeholders.

5. What are the Outcomes?

All these steps have been tested in various large scale organizations, e.g. retail, healthcare, airlines and logistics management and in the banking industries, especially for end to end IT business solutions. Outcomes observed are –

What Outcome has been observed with this change initiative?
20-30 % Improved Cost Efficiency
20-30% Improved Predictability
20-30% Better Productivity
20-30% Better Quality
Improved end user satisfaction
Improved ROI
Rapid Innovation

CONCLUSION

Agility has a double role: it is both the end result of change and it is the driving force of change. It is a dynamic activity.

All the above mentioned steps are practically applied and proven. All these steps have to be deployed in parallel in each unit of the organization having a staff strength of about 200-300

members over a time period of about 4 to 6 months in order to realize the benefit. This entire repeatable process needs to be implemented in multiple waves for an enterprise organization over a time period of 1-5 years depending on the size of the organization. Sense of urgency has to be created in order to successfully implement the transformation. Any enterprise which is under a survival threat has to immediately adopt these steps to stay relevant in the changing environment. These steps have been identified, designed and executed like a business flow process. Initiative needs to be taken to launch all these steps as a Minimal Viable Solution, learn from the experience and refine the execution steps based on the context till the goal is achieved.

There are many concepts that need to be understood in order to change an enterprise or transform an organization. It needs persistent communication and follow-up, planning and execution through program management, trainings, workshops, town halls and coaching the members of the organization as part of the transformation program. By adopting the above approach, the organization can hope to achieve business agility through a sound organizational restructuring program and stave off competition and continue to remain a significant player in the competitive market place.

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About the Authors



Badri N. Srinivasan

Bangalore, India



Mr. Badri N. Srinivasan is currently working as AVP and Enterprise Agile Coach at Societe Generale Global Solutions Center (SG GSC), Bangalore and Karnataka, India. He is leading the Agile Center and is responsible for the implementation of continuous delivery and agile practices in the organization. He has 20+ years' experience and has extensive experience in process implementation and organizational change management processes and process improvement initiatives in the travel, retail, manufacturing, real estate, mortgage and banking, healthcare and financial services domains. He is a Certified Scrum Master (CSM), Certified Scrum Product Owner (CSPO), Project Management Professional (PMP) ® from the Project Management Institute (PMI), USA and a certified Six Sigma Green Belt (SSGB). His extensive experience includes coaching, managing, mentoring and training ScrumMasters, product owners, and project/program managers and implementation of enterprise agile practices in the organization. He has published numerous articles in various magazines/online forums - Scrum Alliance, InfoQ, PMI - Knowledge Shelf, DZone, Agile Record, Agile Journal, Sticky Minds, techwell.com and Methods and Tools. He can be reached by email at thirumangaiazhwar@gmail.com, and through his LinkedIn Profile - <https://in.linkedin.com/in/badrisrinivasan>.



Chandan Lal Patary

Bangalore, India



Mr. Chandan Lal Patary currently working as Enterprise Agile coach at Societe Generale. He has deep experience in developing Software applications across various domains and has successfully executed many Projects. Chandan has worked on domain like Banking, Healthcare, Aerospace, Building automation, Power automation, Industrial Automaton under real time mission critical product development to large scale application development. Chandan has 18+ years of industry experience. He is certified PMP from 2008, Green Belt certified holder from 2005. Chandan is an agile practioner and Certified Scrum Master from 2011. Chandan holds a Bachelor's from National Institute of Technology (NIT-Agartala) in Electrical Engineering. He has completed one year Executive General Management program from IIM-Bangalore in 2007. He has published 17+ technical papers (including PMPC2012, 2013, 2014), posted 193 Linked-in blogs. He was speaker at various forums (India Agile week- 2013 and 2015, Software Test Conference-STC2014, Regional Scrum Gathering 2015, and PMPC2013). He can be reachable through email/LinkedIn: patarychandan@gmail.com