

3 critical ways your
business transformation
will fail

and what to do about it



Introduction

Over \$2T will be spent on business transformations in 2022 [1] in the hope agility will transform the enterprise and bring it significant results: decreased costs, decreased risk, and improved productivity. These transformations are designed to create an environment that enables executives to adapt to rapidly to changing customer needs and stakeholder demands in a strategic rather than reactive way.

Unfortunately, 84% of these initiatives will fail [2].

1. IDC Worldwide Digital Transformation Spending Guide.
2. Forbes (2022). 12 reasons your digital transformation will fail.

Why do business

transformations fail?



1. **Lack of alignment to business outcomes:**

Most strategies set project management goals, such as on-time, on-budget, and activity based delivery milestones. Upon completion, business then seeks gain benefits and outcomes. They struggle to establish and iteratively reap true impact and outcomes in financial language, such as cost savings and cost of delay.



2. Lack of awareness: People fear what they don't understand. The majority of staff reject a transformation's new roles, responsibilities and processes, even if they will improve their lives, unless they are slowly, consistently educated.



3. Micromanagement: Traditional management culture requires task-management and direction. Agile teams require self-organisation through establishing consistent guardrails for decision-making. The clash of the two creates friction that undermines progress of transformation goals.



4. Lack of consistency: Language is a key influencer of culture. When people don't receive industry-aligned training, or their knowledge and skills are out-of-date, misunderstanding of new practices increases, including why they are being adopted. Not using experienced practitioners to coach and train people is a key factor in failure.

Source: Digital.ai (2022) 15th annual State of Agile Report

Avoiding failure

To avoid failure of your business transformation, executives must be aware of three key issues and actively work to mitigate them:



Mechanical Agile

Incomplete change initiative that has brought a new methodology to the organisation but hasn't progressed any further. No real benefits or outcomes have been gained as behavioural and cultural change is blocked or has stalled.



Unsupported Transformation

Transformation has been undermined by a lack of understanding, lack of management participation, strategy by PowerPoint, and/or ineffective coaching. Leaders claim they are agile but there is no evidence the transformation has produced a real ability to rapidly adapt to change.



Faux Composability

Transformation is only skin deep. Command-and-control delivery still dominates. The needed composability that creates flexibility to adapt rapidly to change has been undermined by the status quo. Only the "symbols" of agile remain, including outdated terms and inconsistent practices.

Agile has been adopted as a process methodology for IT-teams without embracing the required business change to a product-focussed. Teams are largely project focussed and lack cross-functionality and the ability to be self-organising. The continuous improvement culture vital to adapt to the reality of constant change goes unrealised for the comfort of traditional command-and-control project management methodologies, predictive planning, and reporting on task-based milestones and budget.

 **Common terms:** Zombie Scrum, Agile Light, Agile Project Management.

Symptoms

- Business is not yet a partner in product management.
- Agile practices are overlaid onto existing project management process.
- Legacy project roles and governance increase delivery time and reduce adaptability and flexibility.
- Leaders hold onto old command-and-control behaviours believing this reduces risk.
- Process improvement and methodology change is centralised by management and requires explicit endorsement before wider adoption.
- None of the values and principles required to fundamentally change the way leaders think about adapting to change have been embraced.

Cure

- Agile as an enterprise operating model based on product management, not an IT delivery methodology or process.
- Executive participation – every team should be an agile team.
- Continuously measure agile capability maturity.
- Ensure leadership is responsible for improving the state of delivery capability not task-management.
- Focus on composability – discovery

Unsupported Transformation

A superficial transformation has occurred without the required mindset change for long-term, sustainable, transformation. The core values of agile have been debased by misunderstanding or deliberate alteration, with new ways of working intentionally ignored or misinterpreted to forward (or continue) a command-and-control agenda.

 **Common terms:** Water-Scrum-Fall, Wagile, Partial Agile, Hybrid, Phase Gate Agile.

Symptoms

- Business is the “customer”, not an equal partner in delivery of value.
- Long lead times from idea through to value in the hands of customers.
- Project committees centralised decision-making results in longer lead times for formal sign-off and adapting to change.
- Each process step is a manual approval gate with signed-off inputs and outputs.
- Handoffs between silos are common with work transferred between teams and sub-teams that represent business analysis, UI/UX design, development, testing, quality assurance and business readiness.
- Each Sprint doesn't result in a potentially releasable increment of value.
- The Scrum Master role is conflated with delivery or iteration manager
- The Product Owner role is conflated with requirements elicitation and documentation.
- Low culture of psychological safety: no ability to call out issues without fear of reprisal knowing they will likely be ignored and not addressed.

Cure

- Empower Product Owners to take up strategic roles that turn strategic goals into action.
- Shift traditional managers to improving functional capability over work management.
- Self-management – a critical part of composability.

Faux Composability

Composability is the ultimate goal of a business transformation. Its purpose is to increase agility and accelerate delivery of value by ensuring networks of teams can: self-organise to reuse existing assets and rapidly reassemble them in unique ways to meet emerging customer needs. This results in an increase in adaptability and resilience to change. When companies claim to be agile by using agile terms, post-it notes, and label their teams as “squads”, but make little change beyond the symbols of agile, the investment outcomes expected from enterprise agility are never realised.

 **Common terms:** Cargo Cult, Faux Agile, Agile in Name Only, Lipstick Agile.

Symptoms

- Value is interpreted as delivering requirements.
- Project planning becomes Sprint Zero.
- When delivery pressures are applied to managers and teams, agile practices are discarded in favour of command-and-control, highlighting a lack of organisational resilience.
- Most work is performed by legacy project or platform teams that you are heavily dependent on.
- Agile consultants and design bureaus promote an positive image whilst hiding the mass of legacy teams who follow outdated practices.
- Your agile trainers, coaches and transformation consultants spend most of their time avoiding creating change and instead focus on making teams “happy” or developing motherhood statements about “ways of working” without visible action on cultural and behavioural change.





Cure

- Value stream mapping forms the basis of product management structures *over* functional silos.
- Evolve away from IT vs business silos toward fusion teams consisting of full-time teams of both parties.
- Focus on industry-aligned capability development to create consistency.
- Shift the focus from “efficiency” to composability – a culture, mindset and capability of adaptability and resilience to change.

Why is composability critical to business transformation?

Composability is designed to strengthen enterprise adaptability and resilience to change. Resilient cultures are less prone to the anti-patterns that underpin the past failures of business transformations.

As an enterprise capability, composability delivers:

-  Greater flexibility through **modularity** in a network of multi-use, cross-functional teams over manager-led functional teams in rigid silos.
-  Improved awareness of value and customer need through continuous **discovery** over upfront, milestones based once-off discovery phases.
-  Better adaptability through an **agile** product management operating model *over* running several independent and un-aligned projects.
-  Increased productivity through team-based work and **self-management** founded on an established and consistent set of guardrails – a minimum set of timeboxes, roles and artefacts defined by the agile operating model.

Key differences between composable and traditional approaches

Business transformations that focus on composability create cycles of adaptive planning and delivery resulting from continuous inspection of the business environment. When supported end-to-end throughout the organisation, it creates a resilience to change over the fatigue created with reactive command-and-control management.

Traditional Organisation		Composable Organisation	
Efficiency	Goal	Agility	
Cost leadership at scale	Value	Highly attuned to customer needs based on continuous discovery using impact & outcome metrics	
Technology automation drives efficiency and scale	Approach	Composable technologies enable multiple outcomes simultaneously	
Plan-driven, approval based, risk averse	Governance	Distributed, emergent, empirical, continuous, calculated risk	
Conventional enterprise services	Sourcing	Composable	
Generalists and specialists	Talent	Flexible “versatilists”	
Values low-risk, command-and-control execution	Culture	Values rapid responsiveness to environmental change	
Long – (months to years)	Lead Time	Days	

ZXM's approach to business transformation

for composability outcomes

1

End-to-end strategy to shift the operating model to product management and transition from over reliance on project management to deliver value rapidly and with adaptability. This creates traceability from enterprise goals through to product-goals governed by a product manager empowered to make rapid decisions based on value metrics and agile OKRs.

2

Composability fitness maturity comparison data and metrics that describe the health of your business transformation and provide recommendations and insights into what others have done to create success: improved resilience to change, improved adaptability, and up to \$10M in cost savings.

3

Train and coach people from executives to teams to create consistency and support the change in behaviours and mindset needed to create resilience and adaptability to change. Importantly, pass on our experience from over a decade of successful transformations to create the outcomes expected from business transformation.

1

Shift to agile product management with self-managing agile teams

Product management operating models explicitly link the organisation's strategy directly to delivery.

- Improves time needed to pivot to change.
- Improves transparency and speed of decision-making.
- Focuses product delivery on customer impact and outcomes.
- Improves traceability of activities through to business strategy.

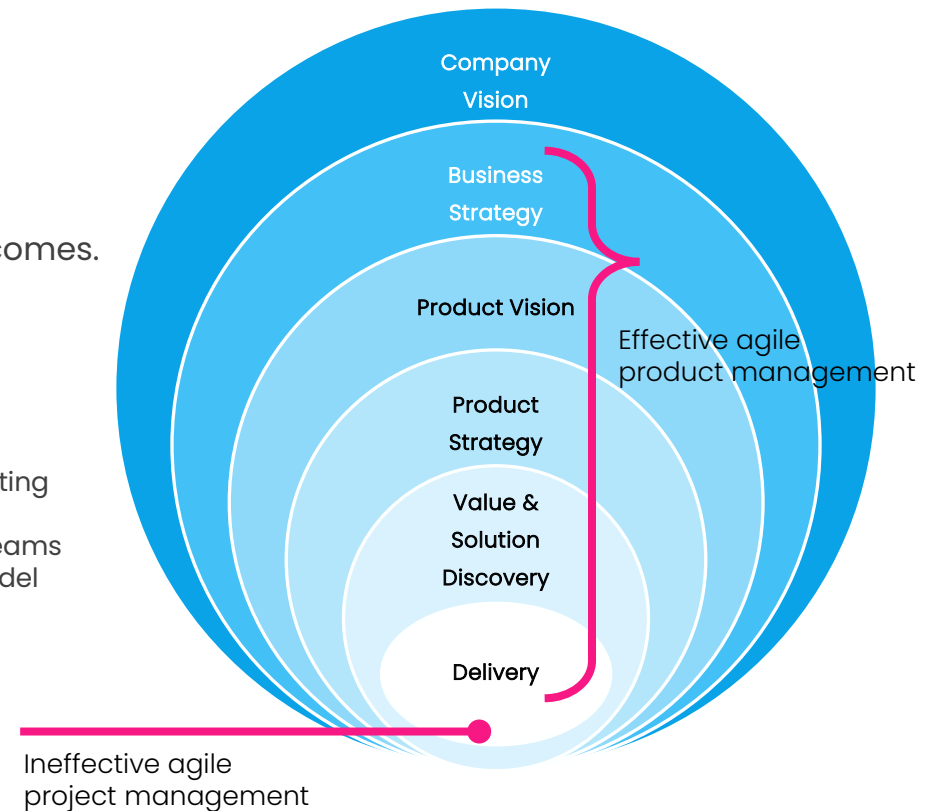


Key Actions:

- Product manager/product owner is accountable for translating company vision into strategy and delivery action.
- Product manager implements outcomes directly through teams using a scaled agile framework as the formal operating model over treating it as "ways of working".
- Managers accountable for capability improvement for composability outcomes not managing work.
- Product management reports directly to executive on product and value-based outcomes.
- Shift to investment model from yearly project budget approvals.



Key frameworks: SAFe® and Scrum



2

Use end-to-end capability maturity data

to measure and track the health of composability

Tracking activities and budgets provides a false sense of security that may become apparent only when a product starts being used. Shifting to impact and outcome metrics on composability and customer value rather than on milestones reached during product creation.

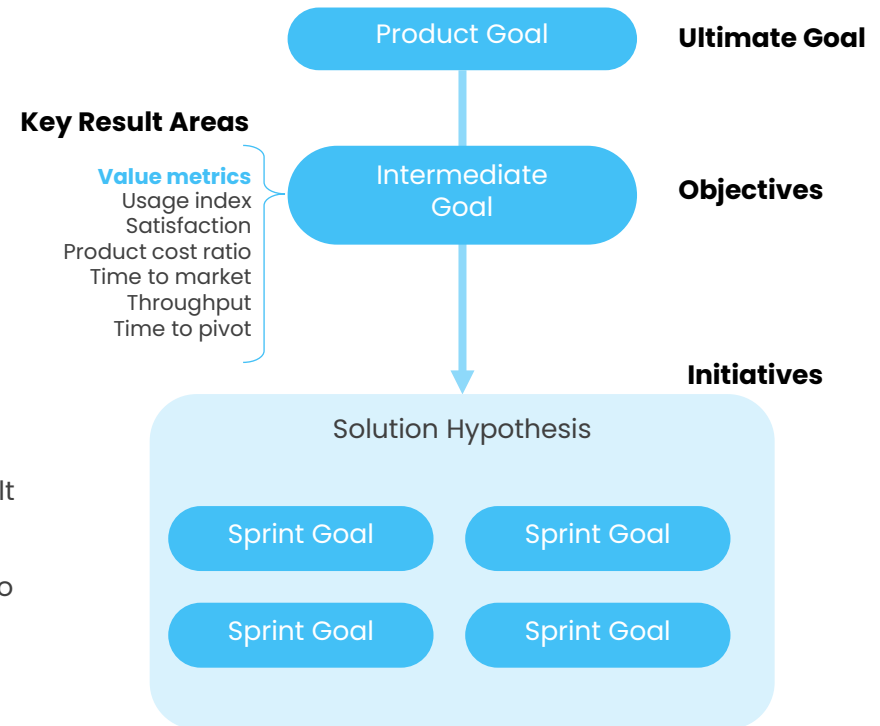


Key Actions:

- Base executive funding on the investment appetite to show the intended impact or outcome for the product.
- Use value metrics, e.g. usage index, customer satisfaction, product cost ratio, to assess whether the investment has created the desired outcome.
- Composability initiatives must influence value metrics and result in improvements to, e.g. resilience, improved time to pivot.
- Use Sprint Review events and quarterly horizon planning, to assess market change, how to adapt to those needs, and how to measure the success of that pivot.
- Use Retrospectives to assess performance against industry benchmarks and what improvements will increase composability outcomes.



Key frameworks: Agile OKRs with Evidence Based Management (EBM), Agile IQ® comparison benchmark metrics.



Above: Hierarchy of Agile OKRs with EBM

3

Coach and train people to establish consistency

followed with capability building for composability

Improved health Training isn't just a "once off" to help people transition people to new processes. Invest in training to establish new behaviours, skills and capabilities. Then, coach people to strengthen and grow those capabilities.



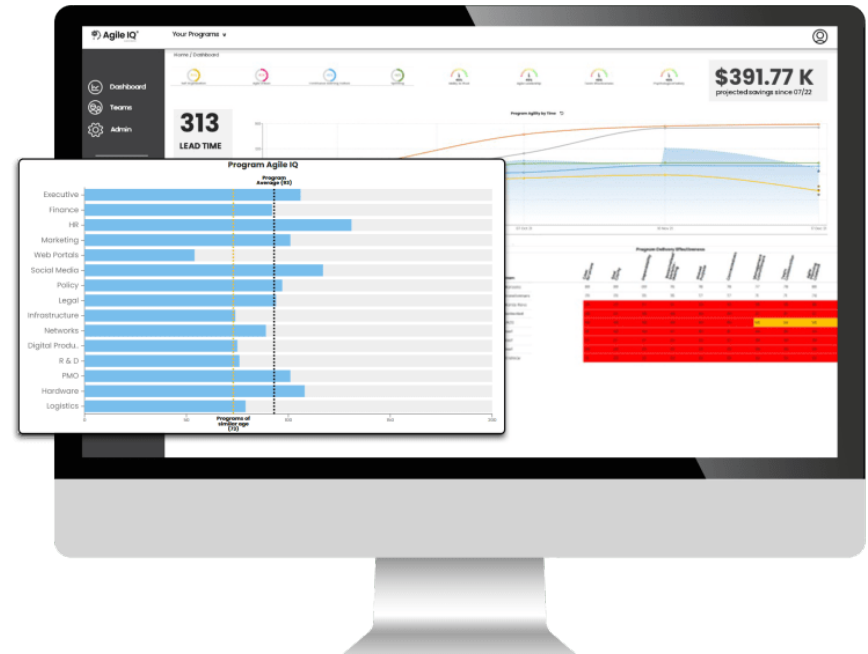
Key Actions:

- Link investment to improved composability and product outcomes, e.g. improved time to pivot to change, improved throughput, reduced rework/defects.
- Functional managers are accountable for the composability fitness of the capabilities they manage.
- Scrum Masters are accountable for the effectiveness of your agile operating model and its capability, reporting to a Chief Scrum Master/ Release Train Engineer.
- Track and report on capability development improvement with investment input quarterly.
- Link composability investment and capability gaps with workforce planning.



Key frameworks:

- Agile OKRs with Evidence Based Management (EBM).
- Agile IQ® for tracking flow, impact and strength of capability.



Above: Agile IQ® metrics tracking capability improvement

Poor transformation results are often caused by a lack of understanding of the true purpose of the change. It results in poor decisions for implementation: shift and lift behaviours, hiring inexperienced practitioners, and ineffective training and coaching. While a 3-day bootcamp will create an awareness of what agile is, it won't create the culture necessary to accept that change is inevitable or create a capability that is resilient to change. Ultimately, treating a transformation as a process change that just needs training deflects attention from the real issue: addressing behavioural change is vital create a culture that accepts change as the reality of complex work and is resilient to its impacts. An agile mindset and consistency of agile practices are critical components.

In 2022, successful business transformations ultimately depend on connecting strategy through to customer impacts and building composability fitness through contemporary agile product management. This has proven successful for companies that have shifted away from project management to a more holistic picture of end-to-end value in partnership with the rest of the business. This necessary shift requires executives to:

- **Measure the impact the business transformation is having on the enterprise**, specifically on cost savings, throughput, time to delivery, and the state of maturity of agile capability that underpins it. This needs a different type of governance, one that ensures managers are responsible for capability measurement, development and improvement *over* micro managing tasks to attempt in the false hope that this will reduce delivery risk.
- **Continuously discover what is of value to customers**, generate insights, and then deliver. Discovery isn't a once off stage, it should be continuous to enable executives to see change on the horizon and adapt responsively to it instead of reactively. Continuous attention to investment priorities and quarterly re-prioritisation is critical to success.
- **Use value-based metrics to continuously assess how that value is used** in order to prioritise and re-prioritise what should be delivered next. Value-based metrics include usage index, product cost ratio, customer satisfaction and market share.

Critical actions

What can executives do right now?

Assess your composability level

Use ZXM's Agile IQ® capability assessment model to determine your current level of composability: agility, resilience, and adaptability to change.

Determine your composability goals

Establish impact and outcome goals:

- Flow: Throughput and Time to Value
- Capability level: 1-5
- Business impact: cost savings goals

Define your composability plan

Include:

- Map and define the value stream
- Creation of cross-functional teams and governance
- Agile product management operating model
- Partnership with business

Appendix: Checklist

Steps	Things you should have in place	Y	N	Partial
1 Define the transformation strategy	Is a strategy in place that takes account of both the changes in process and the changes in product strategy to people's behaviour?			
	Is it clear how the composability goals align to the company's goals and objectives?			
	Is it clear which operating model is needed to achieve the composability goals?			
	Which executive will actively champion the composability goals?			
	Is funding approved for yearly capability development and sustaining for composability?			
2. Prepare Business	Do staff understand what to expect from the transformation?			
	Do managers understand they will have to adjust the way they work with their teams?			
	Is it clear how new roles will change the way strategy and delivery is managed and governed through Product Owners?			
	Is it clear how new roles will change the effectiveness of the operating model will managed and governed through Scrum Masters?			

Appendix: Checklist

Steps	Things you should have in place	Y	N	Partial
3. Implement Transformation	Is a transformation strategy in place?			
	Has a transformation partner been selected to coach the executives through adoption?			
	Has it been determined which executive will lead the transformation?			
	Has it been determined who will lead and manage the new Value Streams and their product structures?			
	Has it been determined who will lead and manage the new agile enterprise capability?			
	Have functional capability owners been identified and trained?			
	Have cross-functional self-organising agile teams been created and aligned to Value Streams?			
	Have people been trained, including executive and management?			
	Has the Value Stream(s) been mapped?			
	Is the cycle of company inspection of impact/outcome metrics and adaptation of plans and reprioritisation of initiatives been established?			
	Has it been determined who will lead the enterprise's lean portfolio of products, including strategic prioritisation and funding?			
	Has it been determined what digital product will support management of strategy through to delivery?			

Appendix: Checklist

Steps	Things you should have in place	Y	N	Partial
4. Sustain and Grow	Are Agile OKRs – impact, outcome, and flow metrics to measure composability – in use instead of activity metrics?			
	Are capability metrics in place to establish the level of composability of the company?			
	Are capability metrics in place to establish the level of agile maturity of the company?			
	Are capability metrics in place to establish the level of maturity of the functional capabilities within the company?			
	Is a quarterly inspect and adapt workshop established to generate insights on metrics and improve composability next quarter?			
	Is it clear that those accountable for functional capability are responsible for its improvement in alignment with composability goals?			
	Is a quarterly inspect and adapt workshop established to generate insights on metrics and improve delivery of value next quarter?			
	Is a quarterly inspect and adapt workshop established to generate insights on the use of value by customers?			
	Is a quarterly inspect and adapt workshop established to generate insights on what value/delivery must be re-prioritised next quarter?			



WHO IS ZEN EX MACHINA?

Zen Ex Machina ("ZXM") is the agile management consulting firm that the world's business leaders come to when they want high quality results.

ABOUT ZEN EX MACHINA

Zen Ex Machina provides independent and objective business transformation consulting, founded in organisational psychology, culture and change management, to help executives succeed. Ranging in scope from a short strategy session to full business operating models, and end-to-end business transformation, ZXM services connect you directly with world-leading, experienced, certified practitioners who apply expert insight to your specific strategic and operational challenges.

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