Scaling Agile

or is it agile at scale?

Dr Steve Morlidge

Unilever 1978 – 2006 roles include:

- Controller Unilever Foods UK ($1 billion turnover)
- 2002 – 2006 Leader Dynamic Performance Management Change Project (part of Unilever's Finance Academy)

Outside Unilever

- Chairman of BBRT 2001 – 2006
- BBRT Associate/ Non Executive Board Member 2007 -
- 2006 - Founder Director Satori Partners Ltd
- 2005 – PhD Hull University (Management Cybernetics)
- 2007 – Visiting Fellow Cranfield University
- 2009 - Publish 'Future Ready: How to Master Business Forecasting'
- 2010 Editorial Board of Foresight Magazine
- 2011 Founder CatchBull (Forecasting Performance Management Software)
- 2017 Publish 'The Little Book of Beyond Budgeting'
- 2018 Publish 'The Little Book of Operational Forecasting'
- 2019 Publish 'Present Sense: the Art and Science of Performance Reporting'
- 2021 Publish 'Zen and The Art of Organising Work: The Hidden Anatomy of Effective Organisations '
- 202x The Little Book of Cost Management
- 202x The Viable Management Model Workbook

The Brief

The questions

1. **What does ‘Agile’ or ‘agile’ mean** at the level of an entire organisation?

2. And **what does ‘scaling' involve**?

In answering I will refer to:

1. **Systems theory** illustrated by:

2. **Financial regulation** (Beyond Budgeting)

3. **How ‘agile’ projects are financed**

Agile or agile?

Agile

A set of methods and practices originating but not confined to software development and underpinned by a philosophy, that can be directly traced back to the Agile Manifesto.

1. Our highest priority is **to satisfy the customer** through early and continuous delivery of valuable software.
2. **Welcome changing requirements**, even late in development. Agile processes harness change for the customer's competitive advantage.
3. **Deliver working software frequently**, from a couple of weeks to a couple of months, with a preference to the **shorter timescale**.
4. **Business people and developers must work together** daily throughout the project.
5. Build projects around **motivated individuals**. Give them the environment and support they need, and **trust them** to get the job done.
6. The most efficient and effective method of conveying information to and within a development team is **face-to-face conversation**.
7. **Working software** is the primary measure of progress.
8. Agile processes promote sustainable development. The sponsors, developers, and users should be able to maintain a **constant pace** indefinitely.
9. Continuous attention to **technical excellence and good design** enhances agility.
10. **Simplicity**--the art of maximizing the amount of work not done--is essential.
11. The best architectures, requirements, and designs emerge from **self-organizing teams**.
12. **At regular intervals, the team reflects** on how to become more effective, then tunes and adjusts its behavior accordingly.

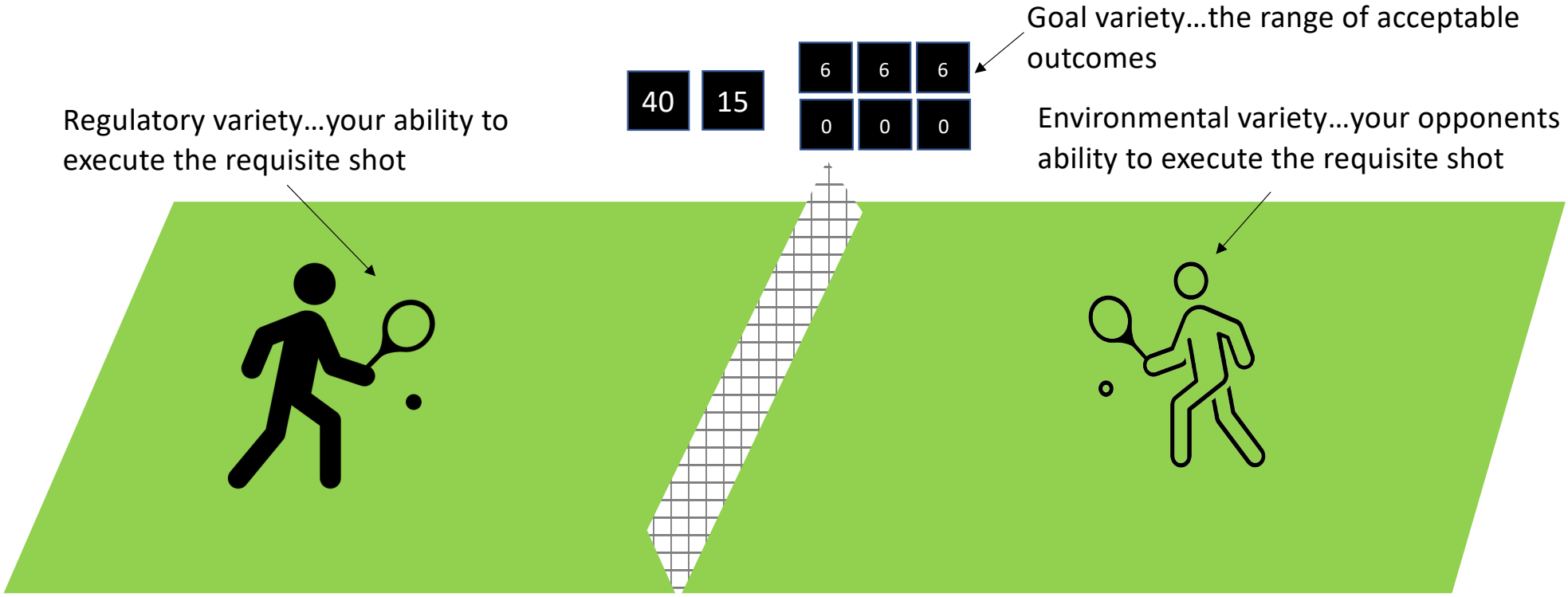
agile

agile
The capability of an entity to be able to move quickly and easily.

But to what end?

Ashby's Law of Requisite Variety

Variety of the regulator ≥ Variety of the environment/ Variety of the goal



Ashby's Law sounds trivial….but it is not

Time to act – agility – is important but ONLY relative to the variety of your environment (opponent)

Agility – is not an end in itself – you need the agility to do the right thing (the right actions in the context of your goals)

Doing the right thing requires a model of yourself that maps your body's actions to tennis ball outcomes and making choices (to do x and not y)

Focus on critical variables – in tennis it is defined by the rules but in the real world it isn't

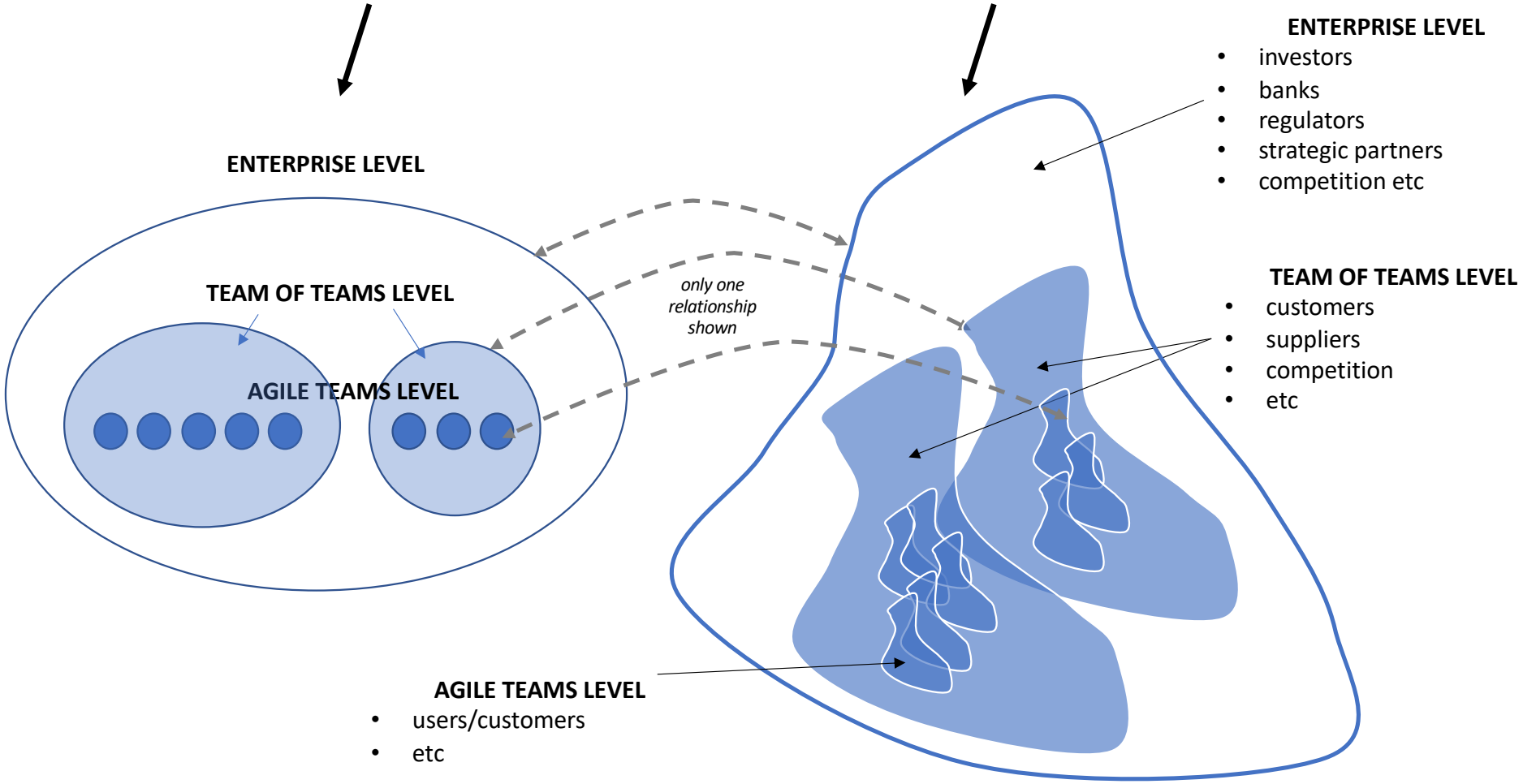
The ability to maintain essential variables within physiological limits at all times'

Feedback is essential but feedforward (anticipation) is helpful, and this requires a model of your environment

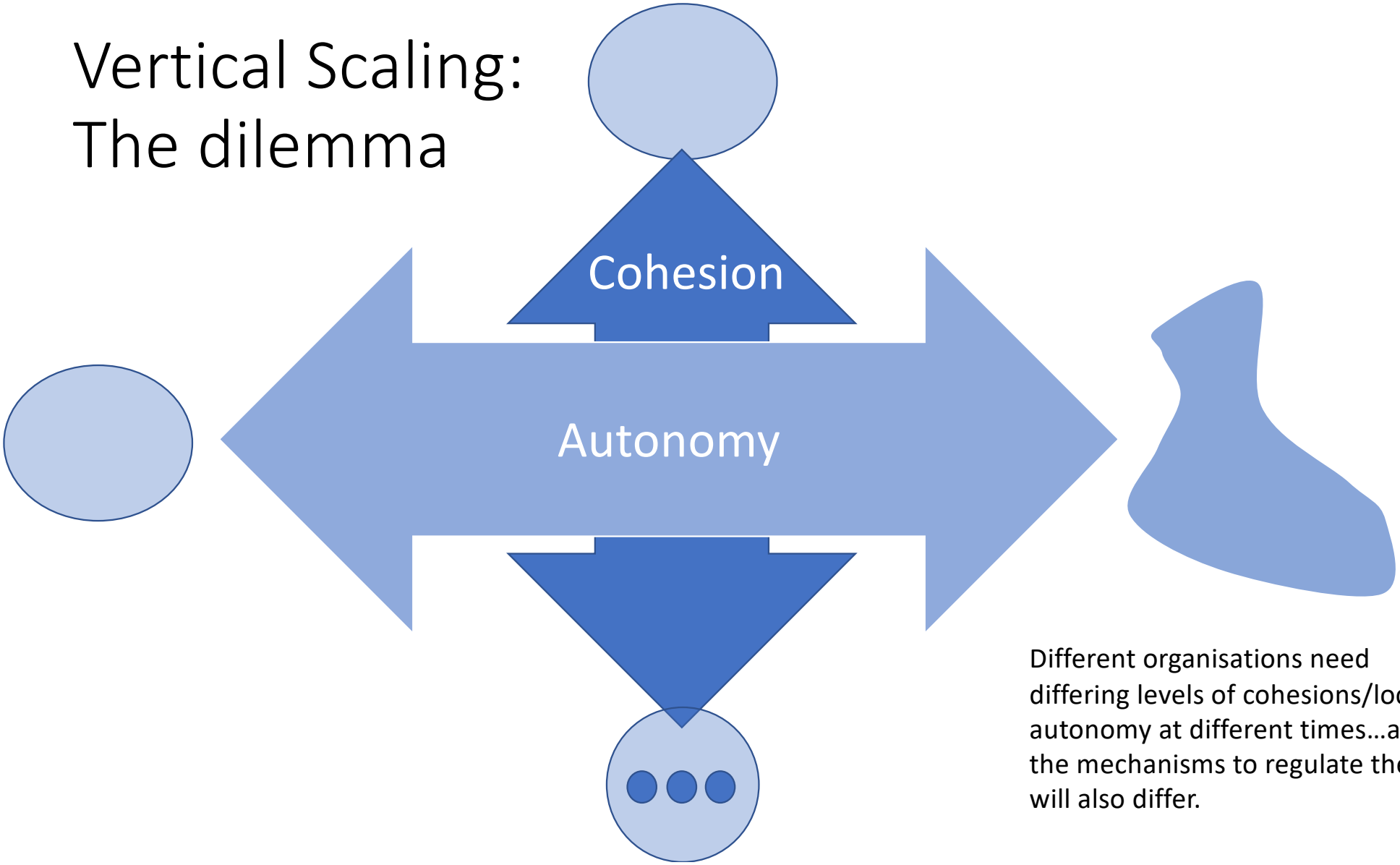
In tennis the variety of your environment (opponent) is constrained – but in real life it is less so, and it changes all the time.

What about ‘scaling’?

Nested Viable Systems and their Environments



Vertical Scaling: The dilemma



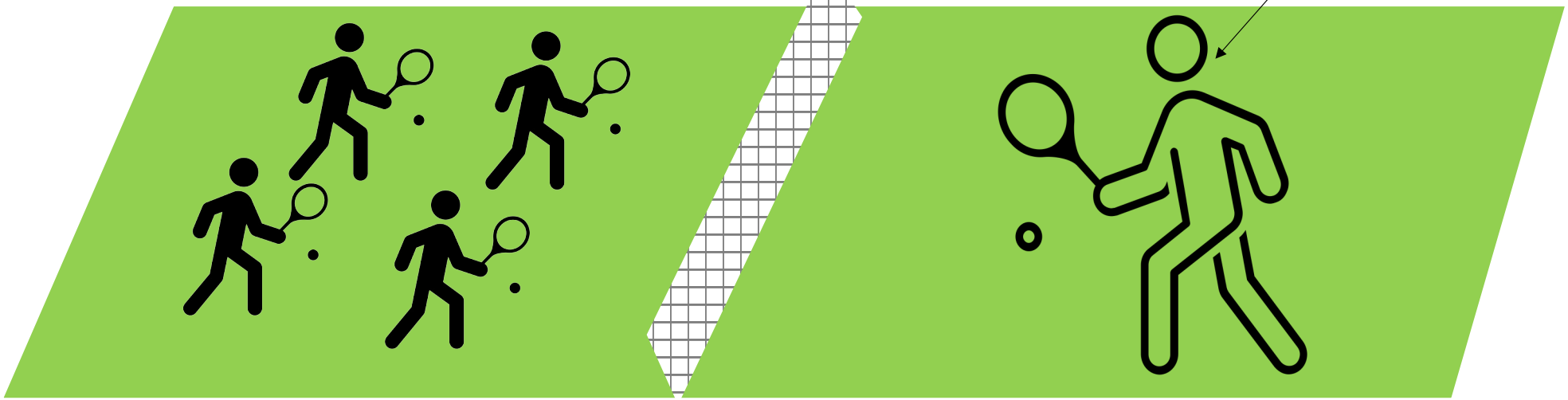
Different organisations need differing levels of cohesions/local autonomy at different times…and the mechanisms to regulate these will also differ.

Horizontal Scaling

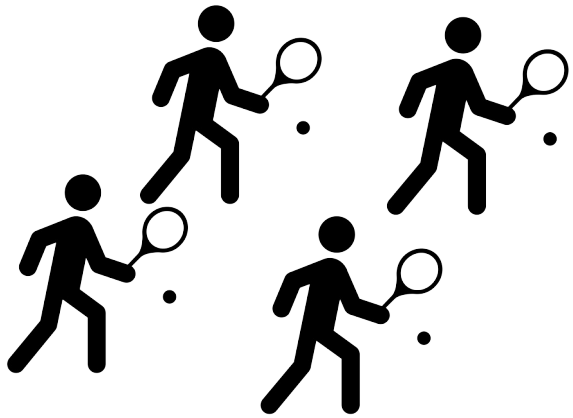
AMPLIFY ones own regulatory variety by creating an ORGANISATION

40	15	6	6	6
		0	0	0

Environmental variety…your opponents ability to execute the requisite shot



Organisational Challenges

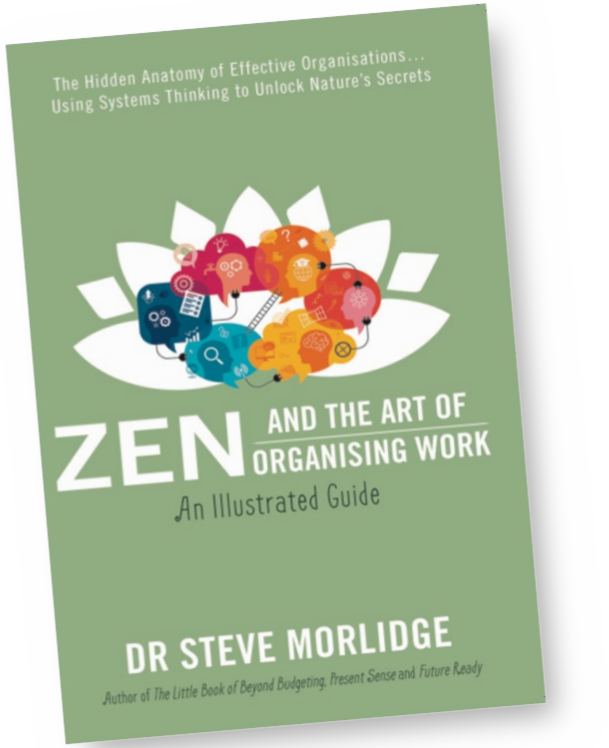


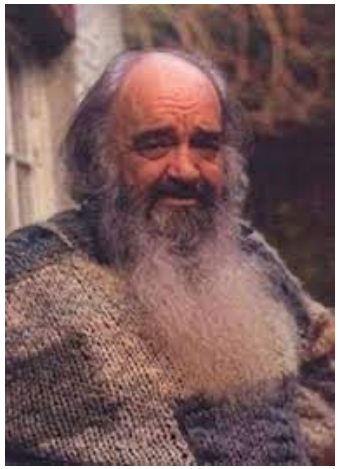
In addition to hitting the ball – primary value exchange activity - we now have to explicitly manage a set of secondary activities:

- COORDINATE the activity of your own team (organisational variety)
- Identify an exploit SYNERGIES
- ADAPT to changes in your opponents strategy
- Build a GOVERNANCE mechanism to make decisions

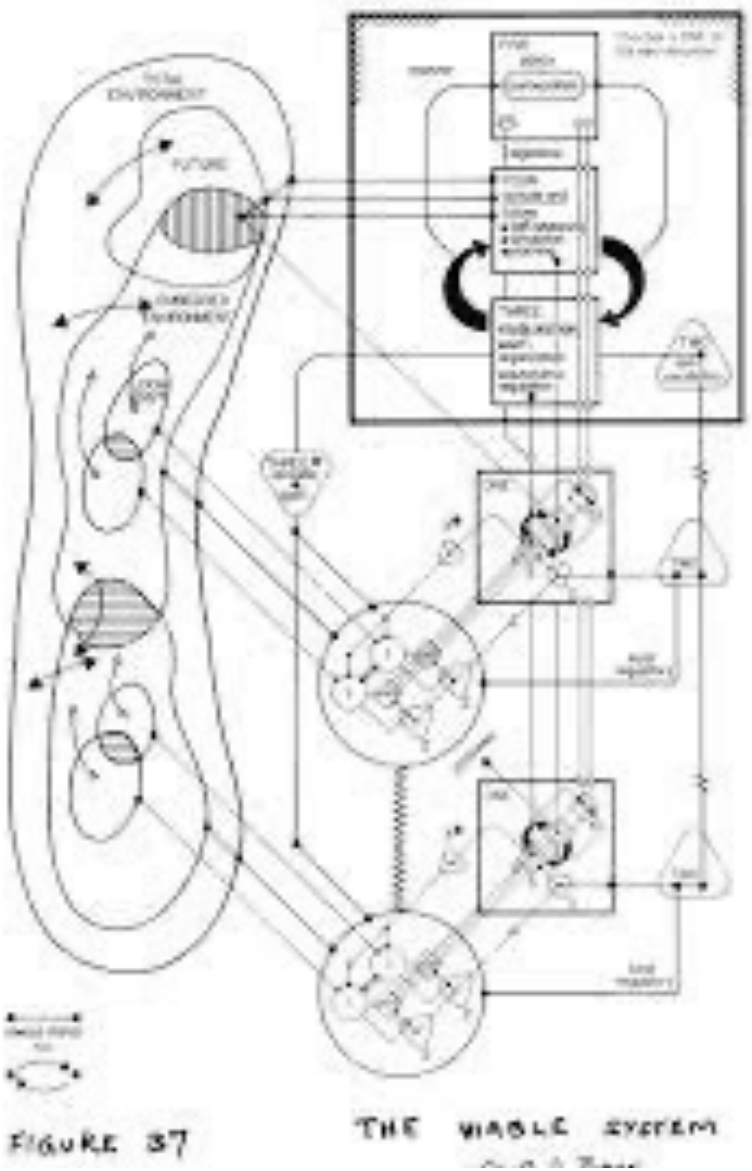
…and (unlike tennis) **all these roles** have to be performed at **all levels**…. **simultaneously**

Learn more



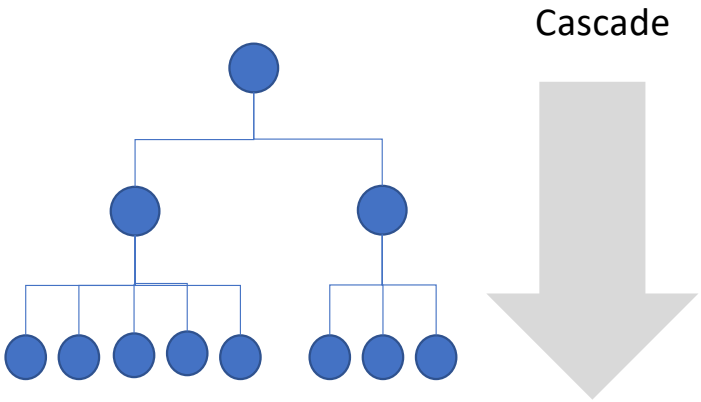


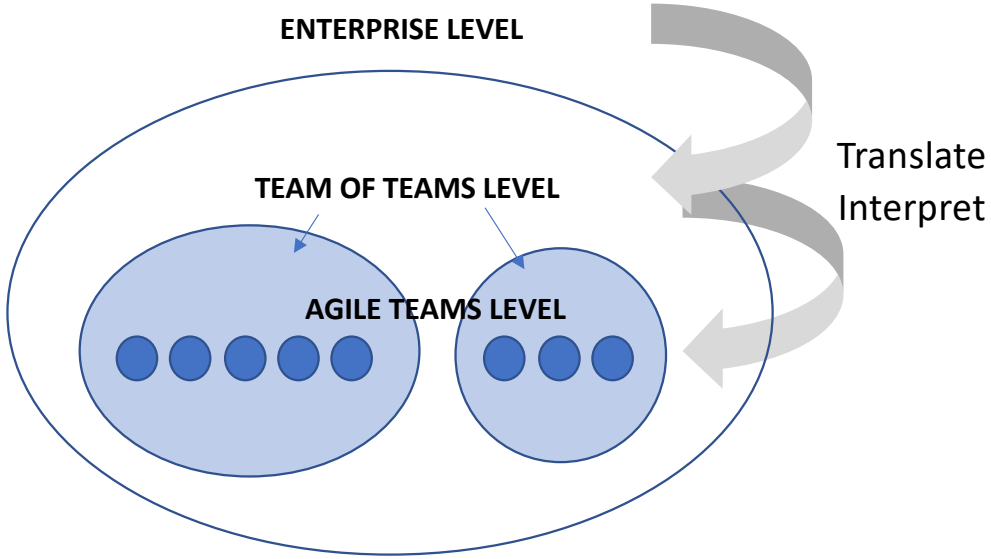
Stafford Beer
1926-2002



The Viable
System Model

Getting practical: scaling and hierarchies





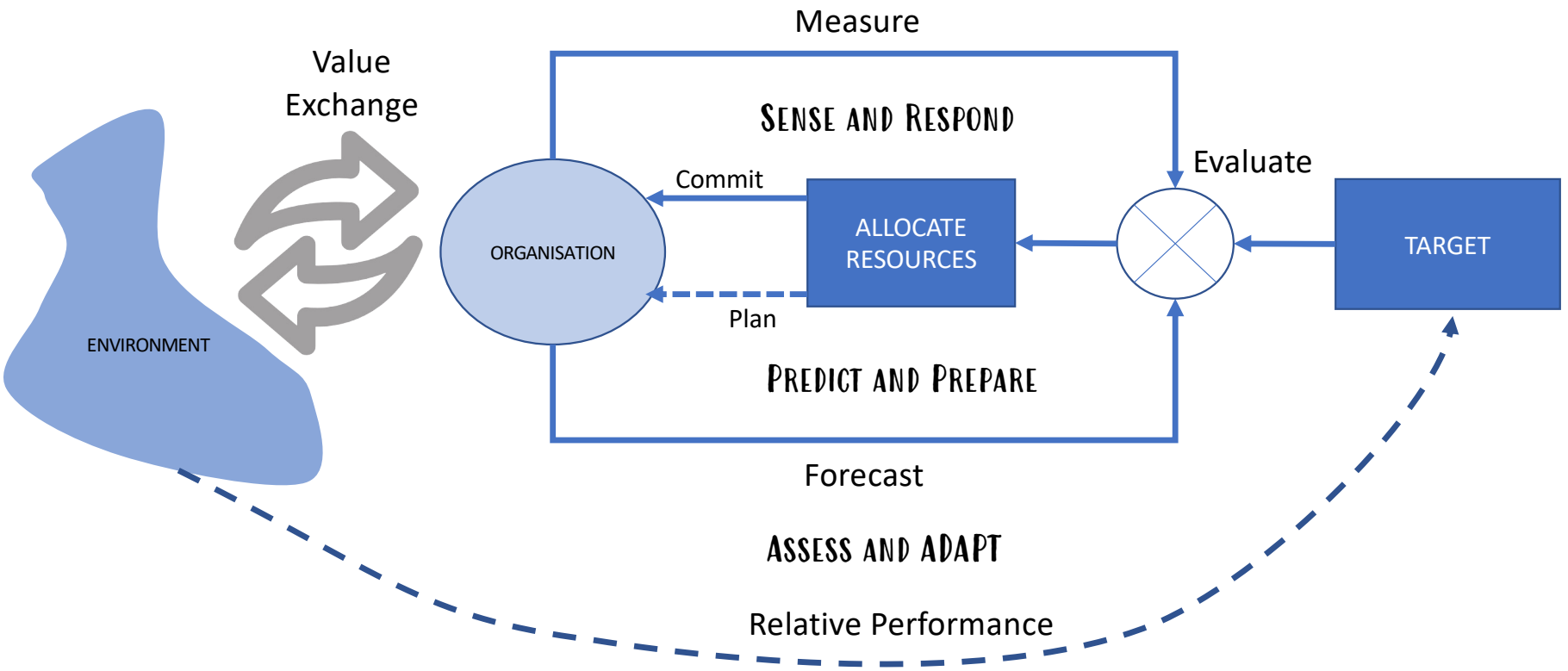
Assumes:

- Privileged knowledge and decision making rights
- Same organisational parameters (horizon/frequency/detail/stakeholders)

Assumes:

- Distributed knowledge and decision making rights
- Differing organisational parameters (horizon/frequency/detail/stakeholders)

Regulating Financial Variables



Ashby's Law, Variety and Financial Regulation

		Traditional Annual Budgeting	Beyond Budgeting
R	= Cost Budgets	Low	High enough
≥			
E	= Market	?	High (VUCA)
÷			
G	= Profit/revenue targets	Low	High as practical

Targeting at scale

	Traditional Budgeting (Cascade)
Enterprise	60
Value Delivery Units	
A (growing)	15
B (start up)	10
C (mature)	35
Sum	60

Translate
Interpret

Beyond Budgeting (Translate)

could be 'evergreen' targets using rates of change

min	mean	max	
50	60	70	*higher variety*

…and because performance is never perfectly correlated they can be manged as a…

PORTFOLIO

5	15	30	
0	10	20	*even higher variety*
30	35	40	
35	60	90	

Resource Allocation at Scale (in a BB world)

Process Costs

increases variety

Enterprise

min *mean* *max*

9% 10% 11%

per revenue

Discretionary 'Project' Costs

Committed *(low variety)*

Planned *(high variety)*

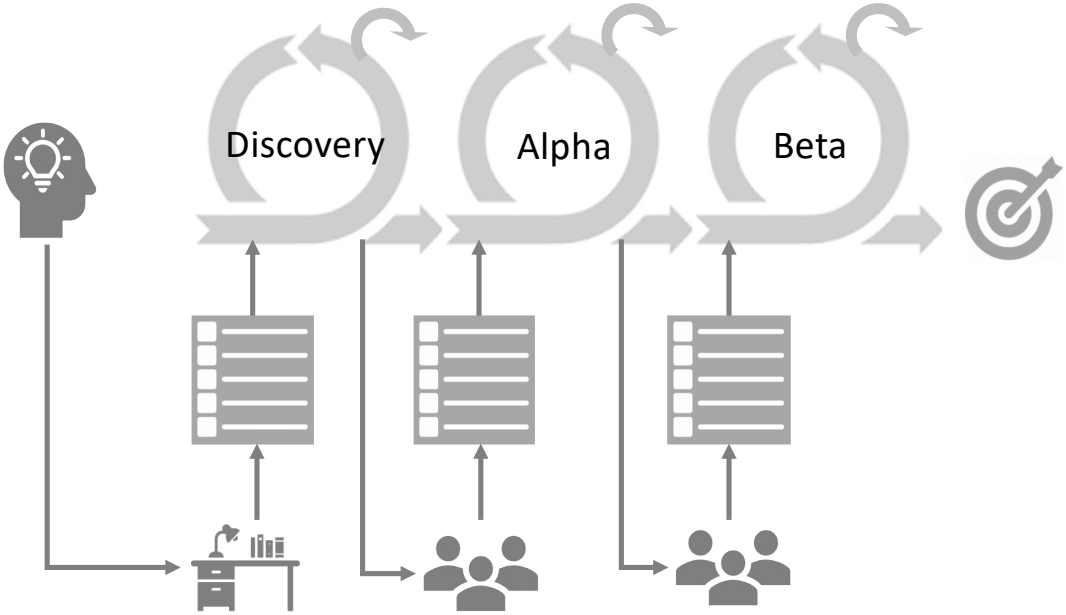
increases variety

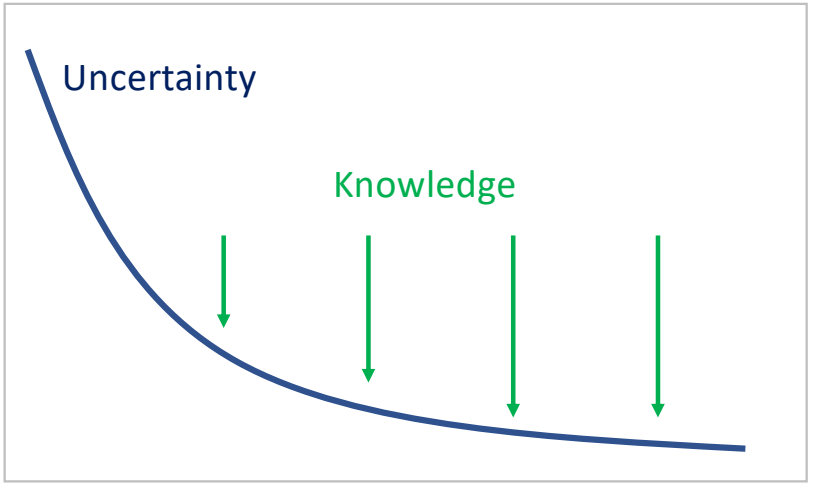
depends on availability of funds

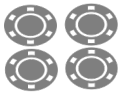
Value Delivery Units

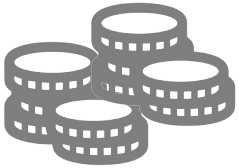
A (growing)	< 10% of revenue	15	15
B (start up)	< $xm p.a.	5	20
C (mature)	reduce by 0.2% revenue pa	35	5
		55	40

Agile Investment









Big budget bet

The Beyond Budgeting Model is based on 12 interdependent principles

Six relate to how the work of people is **organised** and how they are **led**...

Beyond Budgeting

- enabling business agility

Leadership principles	Management processes
1. **Purpose** - Engage and inspire people around bold and noble causes; ***not*** *around short-term financial targets*	7. **Rhythm** - Organise management processes dynamically around business rhythms and events; ***not*** *around the calendar year only*
2. **Values** - Govern through shared values and sound judgement; ***not*** *through detailed rules and regulations*	8. **Targets** - Set directional, ambitious and relative goals; ***avoid*** *fixed and cascaded targets*
3. **Transparency** - Make information open for self-regulation, innovation, learning and control; ***don't*** *restrict it*	9. **Plans and forecasts** - Make planning and forecasting lean and unbiased processes; ***not*** *rigid and political exercises*
4. **Organisation** – Cultivate a strong sense of belonging and organise around accountable teams; ***avoid*** *hierarchical control and bureaucracy*	10. **Resource allocation** - Foster a cost conscious mind-set and make resources available as needed; ***not*** *through detailed annual budget allocations*
5. **Autonomy** - Trust people with freedom to act; ***don't*** *punish everyone if someone should abuse it*	11. **Performance evaluation** - Evaluate performance holistically and with peer feedback for learning and development; ***not*** *based on measurement only and* ***not*** *for rewards only*
6. **Customers** - Connect everyone's work with customer needs; ***avoid*** *conflicts of interest*	12. **Rewards** - Reward shared success against competition; ***not*** *against fixed performance contracts*

...and six to how key **steering processes** are designed and run.

Together they describe an organisation's **MANAGEMENT MODEL.**

Note that eliminating budgets is **not an end in itself** – it is the most important means to the end to creating organisations that more agile, less bureaucratic and less prone to dysfunctional patterns of behaviour

Questions?

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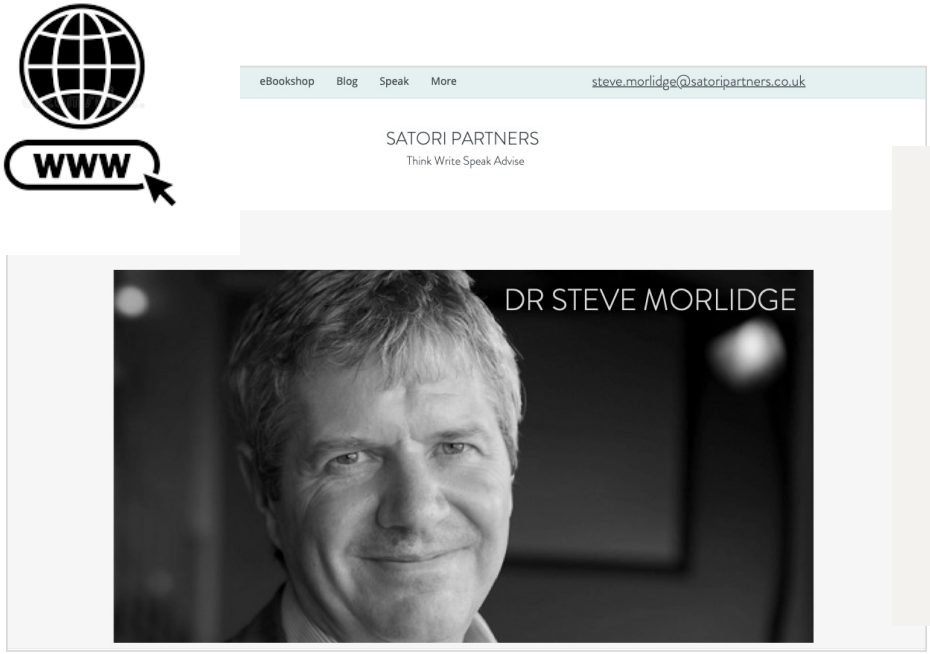

Bi-monthly newsletter