

CREATING AGILE ORGANIZATIONS

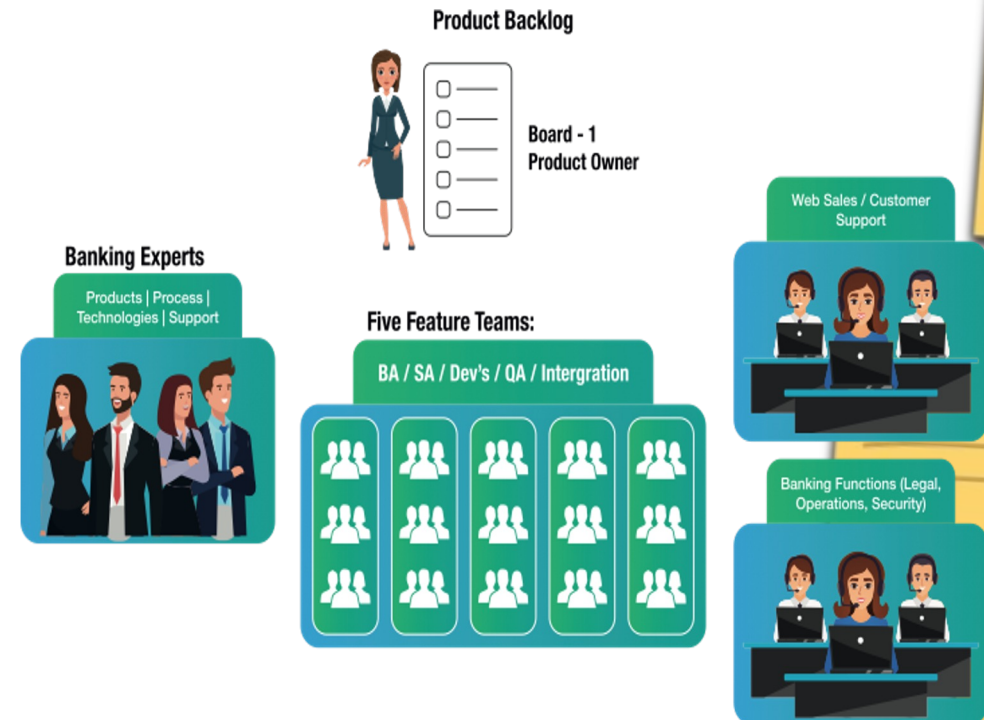
A stylized illustration of a person with dark hair, wearing a white long-sleeved shirt and red gloves, sitting at a desk and working on a laptop. The person has their eyes closed and a smile. Surrounding the person are various icons: a lightbulb, a gear, a star, a paint palette with a brush, a clipboard with a checklist, and a potted plant. Dotted lines connect some of these icons, suggesting a workflow or creative process.

Organization Design Guidelines Cards

Guideline 1: Organize in Product Groups

A product group is the key structural unit; it is defined by:

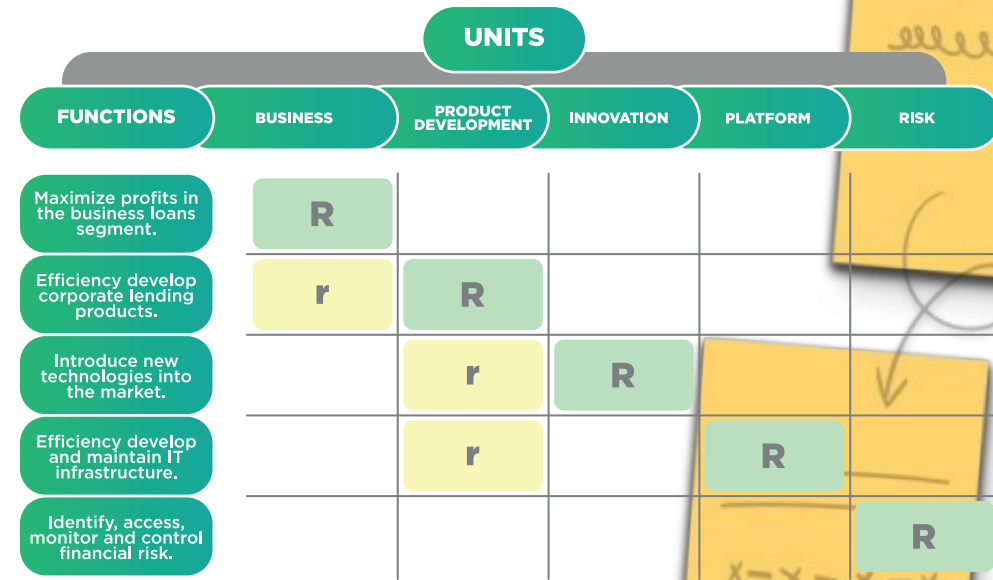
- Its purpose or function within the organization
- The organizational elements required to achieve its purpose or function, such as cross-functional teams.
- The senior manager who leads the product group—a person with a deep understanding of the product and process, who is accountable for product success.
- A market focus and/or profit and loss responsibility



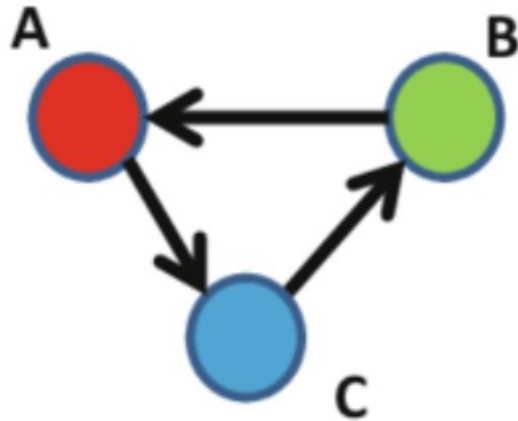
Guideline 2: Decouple Unit Functions

When unit functions are coupled, this leads to unnecessary coordination, goal conflicts and poor agility.

Therefore, decouple unit functions so that each unit can fulfil its function by making decisions and performing its tasks to reach its goals, without negatively affecting the ability of other units to fulfill their own functions and attain their own particular goals.



Guideline 3: Merge Units with Essential Interdependencies



A way to reduce the coupling between unit functions is to merge them and assign them to a larger unit. But which unit functions should be merged?

A systems view considers merging those unit functions that are essential parts of the broader product.

Step 1 Start with any unit and then identify the containing product group.

Step 2 Identify the purpose or defining function of this containing product group.

Step 3 Identify the role or function each unit has in the product group with respect to the function or purpose.

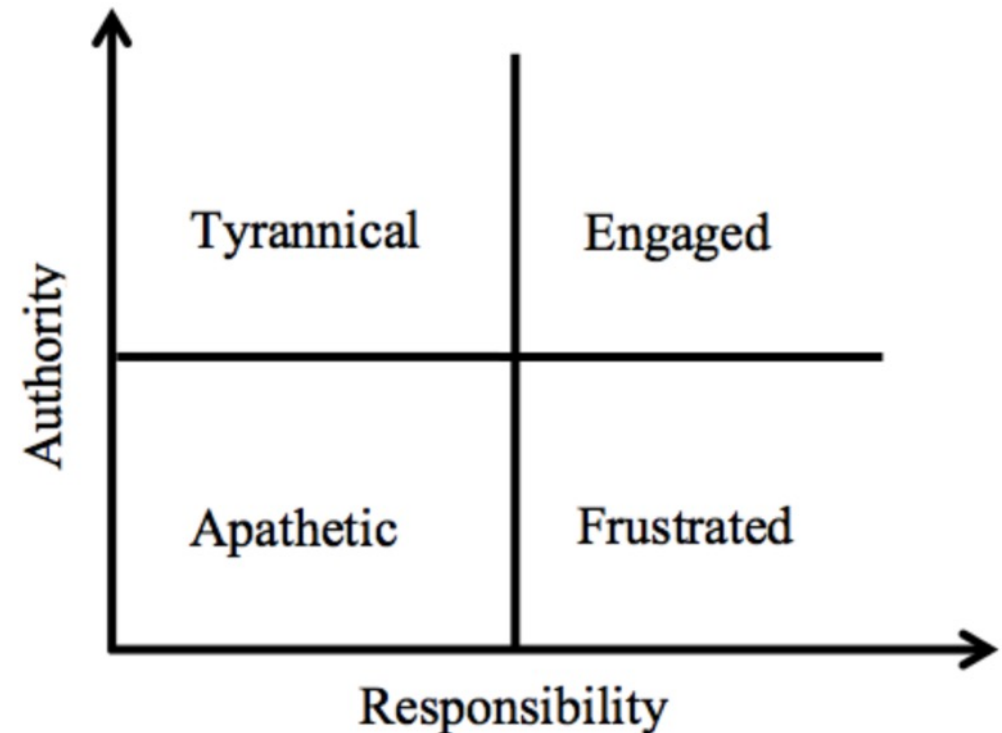
Step 4 Analyze whether the identified roles or functions manifest as essential interdependencies. A unit provides an essential capability if that capability is required for the product group to carry out its purpose.



Guideline 4: Combine Authority with Responsibility

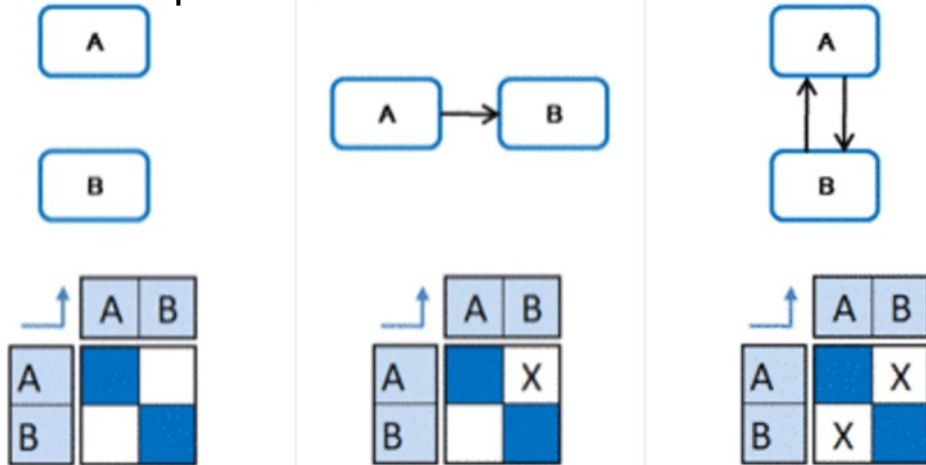
A classic approach is to divide responsibility for software development between IT and business units—a horizontal division of work. The IT department is responsible for the timely delivery of software, while the business is responsible for financial success.

The fundamental problem in this setup is the separation between authority and responsibility for product success. **Therefore**, it's recommended to combine the authority to make development decisions with the responsibility to achieve the value outcomes. In Scrum, this combination is expressed in the Product Owner role.



Guideline 5: Contain Reciprocal Task Interdependencies

We should design work based on the intensity of interdependence and then introduce specific coordination techniques for each.



In the case of pooled interdependence, one could use rules as the coordination mechanism.

Sequential interdependence can be organized by proper planning, for instance.

For reciprocal interdependence, it is recommended to manage the dependencies through constant information sharing and mutual adjustments. An excellent way to do so is with an organizational design that contains the reciprocal interdependencies within the same formal unit

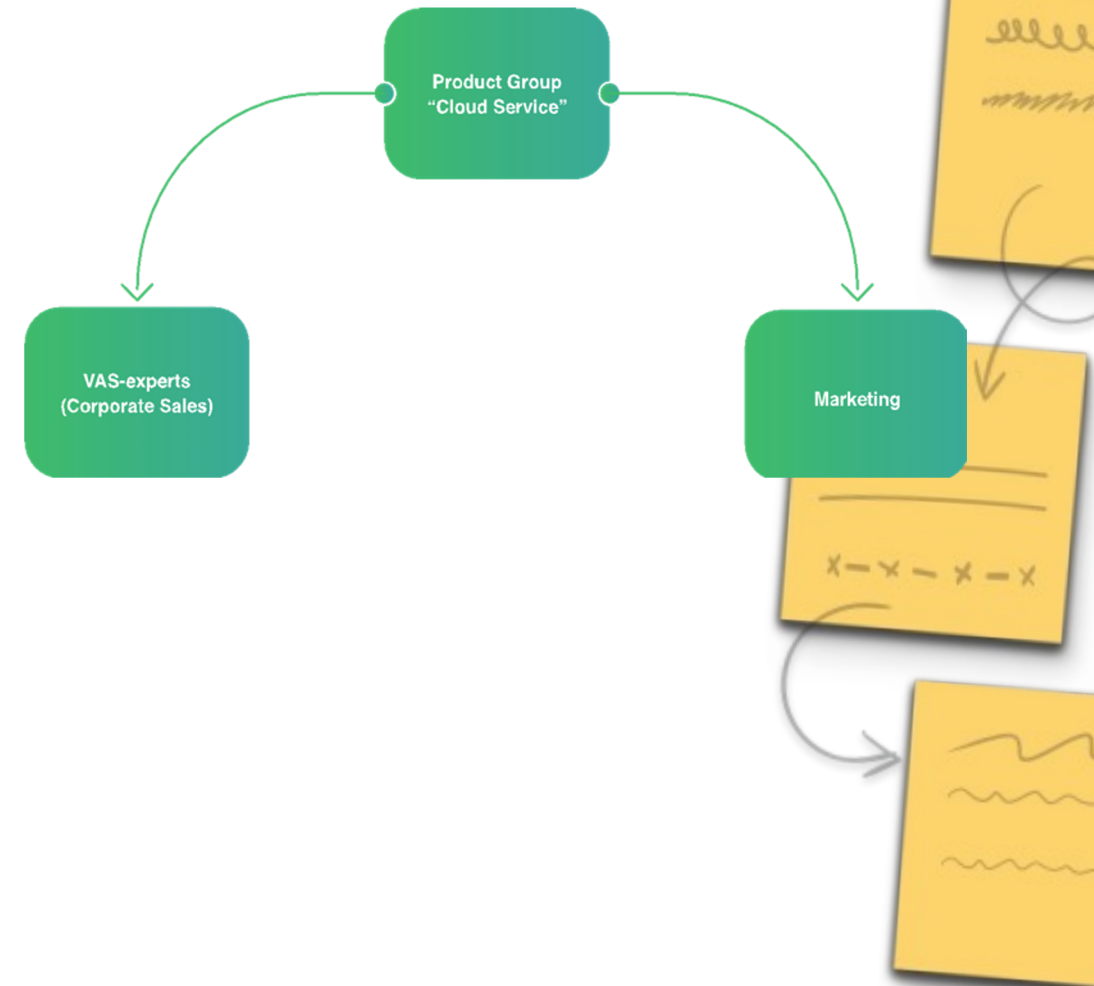


Guideline 6: Group by Common Customer

It is not enough for the front-end units to identify customer needs and then hand them over to the back-end units.

The Agile organization considers two options to globally optimize for adaptability

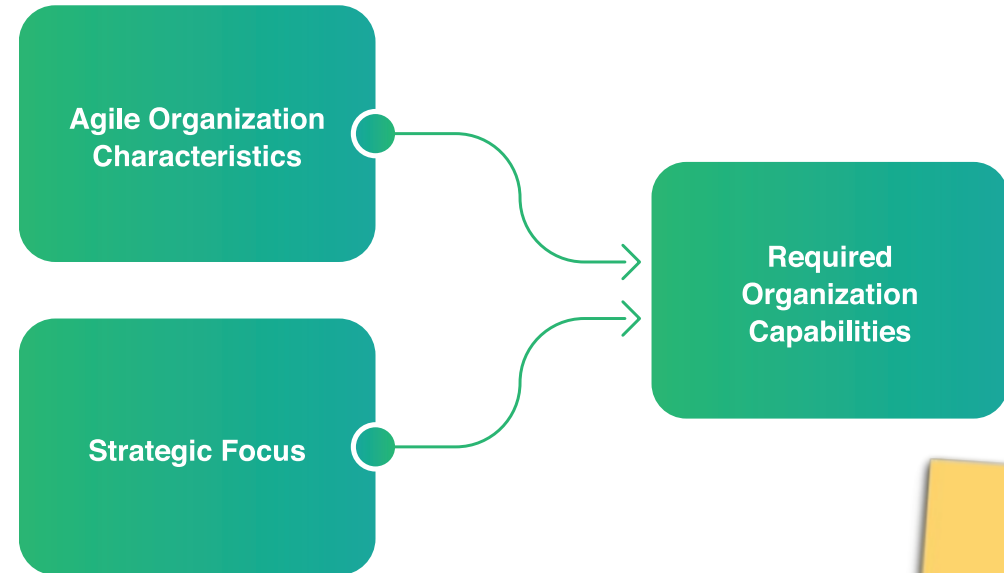
- Creating shared customers and shared performance indicators for the different units' managers..
- Merging (part of) market units with product units into a larger unit, the product group, that builds the complex product, brings it to the market, and leverages feedback.



Guideline 7: Derive Required Capabilities from the Strategic Focus

The strategic focus of your organization helps determine the appropriate trade-offs.

Combine the characteristics of the Agile organization with the organization's strategic focus to identify the required capabilities



A product-centric organization typically focuses on the capabilities of innovation, new-product development, or time-to-market.

An operations-centric organization mainly focuses on the capabilities of low cost, reliability, automation, and quality.

A customer-centric organization has the capabilities of delivering high customer satisfaction and nurturing long-term relationships with their customers.

Guideline 8: Create Conditions for Emergent Coordination

Because the people who do the work understand best what needs to be coordinated and how to perform coordination work.

Therefore, create the conditions so that people know about what, with whom, and when they need to coordinate?”



Communities

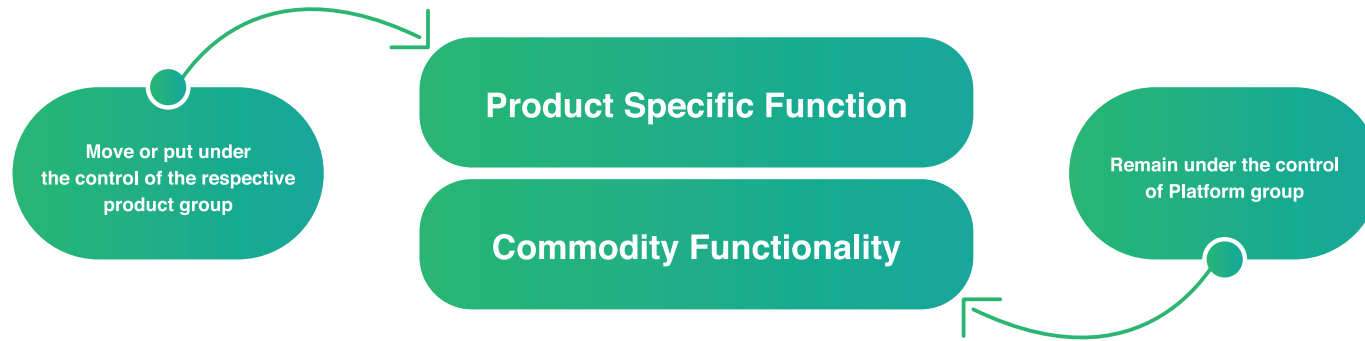
- To attend to cross-unit concerns, including alignment on functional and other skills, standards, shared tools, and processes.

Facilitation Processes

- Multi-team meetings to discover opportunities for coordination



Guideline 9: Commodity Platform



When a product group's teams can consume the shared platform functionality on a self-service basis, that supports autonomy and improves product delivery flow. In contrast, when a shared platform contains product-specific functionality that can only be updated regularly by the platform group, it can quickly become a bottle-neck in development. A common reason for these problems is the many reciprocal dependencies between the product groups and the platform group.

Therefore, eliminate the interdependencies between platform and product groups, by redesign product-specific functionality out of the platform group and into the product group.

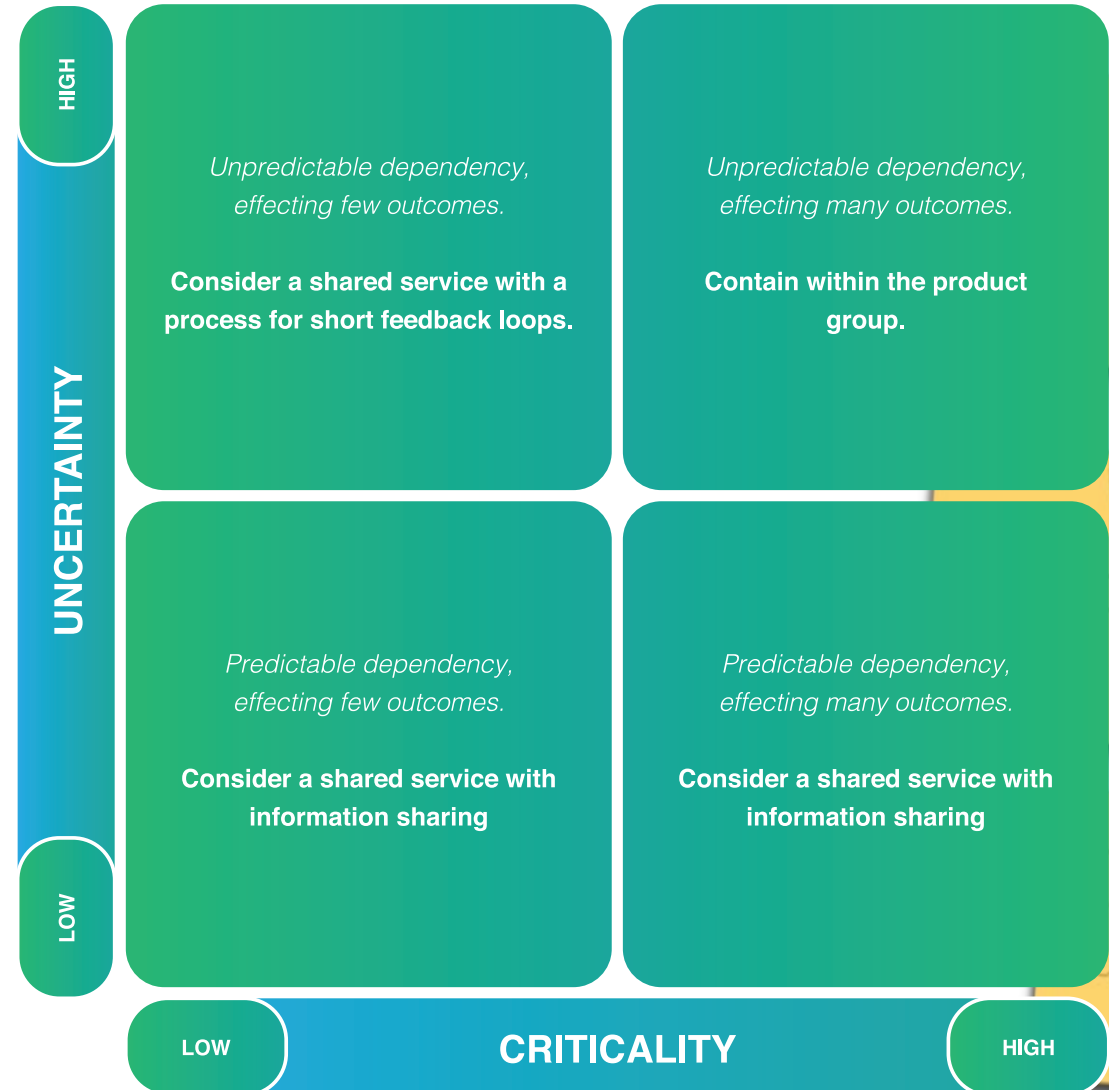
Guideline 10: Design Shared Services for Support

The product group structure creates semi-independent units with separate leadership, finances, resources, and people.

On the other hand, independent product groups duplicate roles and functions; organization can lose the benefits of centralized units such as economies of scale.

Therefore, consider

- The cost of development delay when the unit is a shared service
- The criticality and uncertainty of the dependency between the product group and the unit

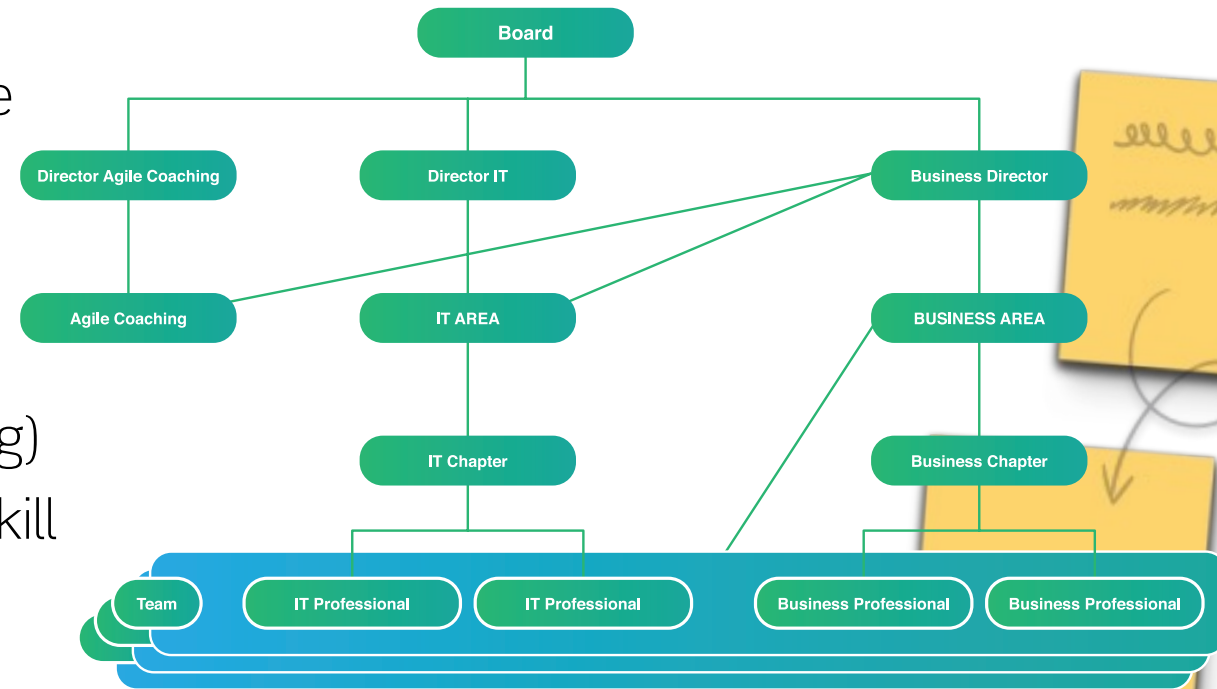


Guideline 11: Separate Product Management from Line Management

Dual reporting lines and hierarchical competence managers leads to:

- Less team focus on the product group's priorities
- Encourages people prioritize the goals of the hierarchical manager over the PO (side steering)
- Encourages people to grow in narrow, single-skill career paths, optimizing the performance of individuals, not team performance.

Therefore, design the product group so that line management decisions are separated from product management decisions and the teams only receive work and priorities from a single source.



AVOID MATRIX DUAL REPORTING

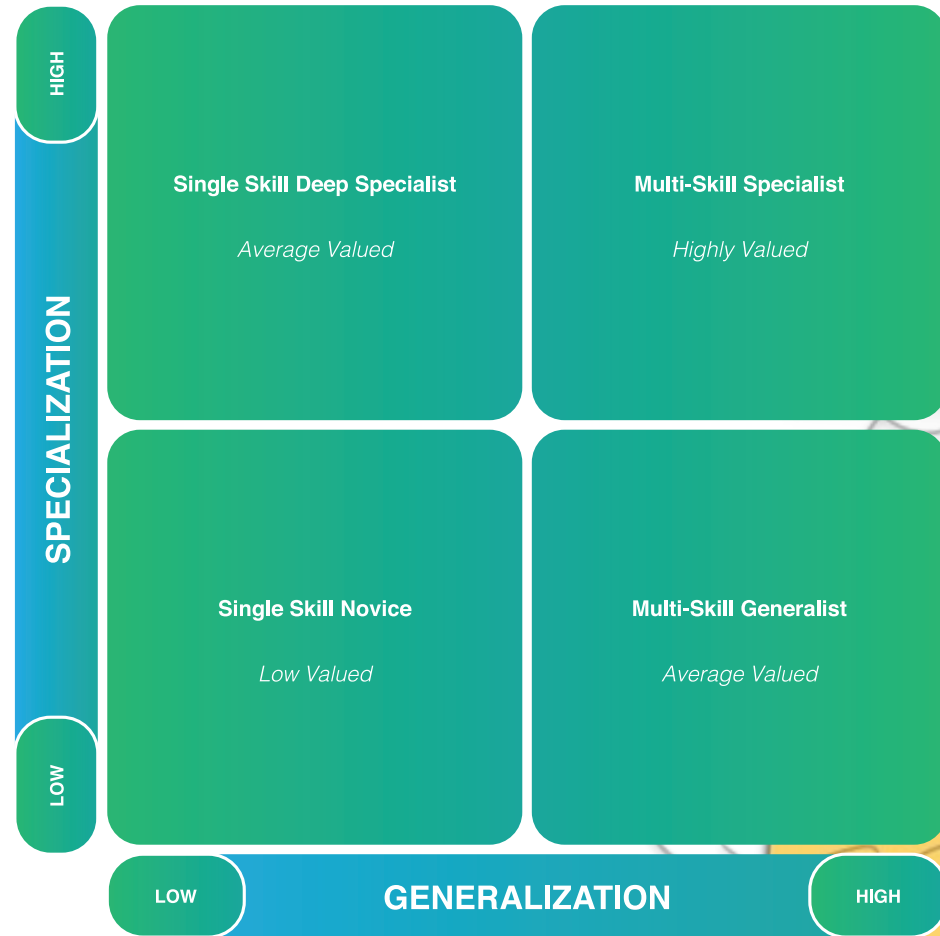
Guideline 12: Multi-skill Development

The team skills required are always changing. For example, a top technology today will likely not be so highly regarded in a couple of years. Teams frequently need to master new of expertise.

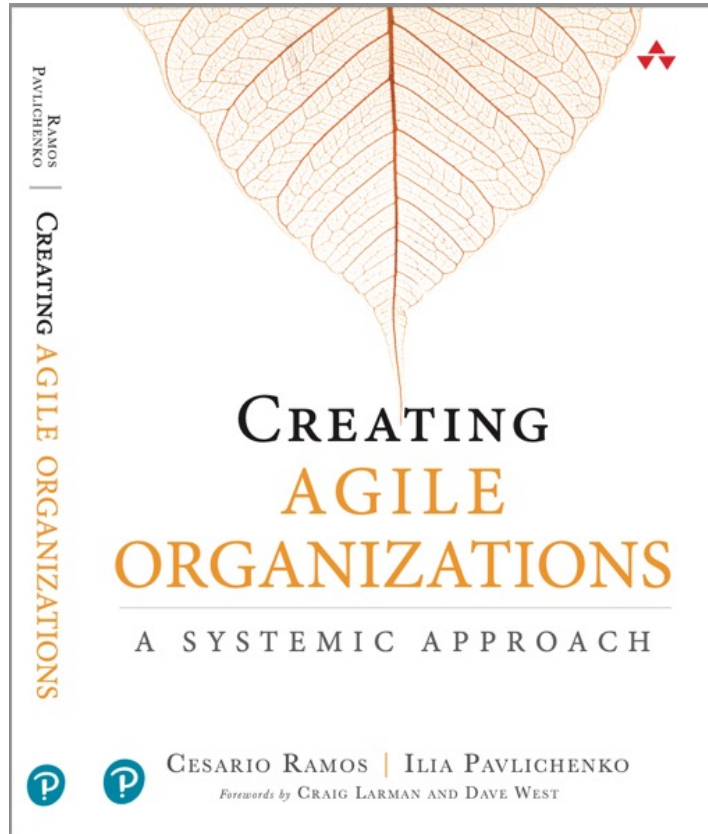
The question then becomes how to find the right balance of experts, generalists, and the skills they need to develop .

Therefore, create a system of human operations that:

1. Values employees by a combination of personal and team accomplishments.
2. Values people who become multi-skilled specialists.
3. Maintains a balance between deep specialists and generalists in the teams.



Want to Learn More?



There is the Creating Agile Organizations book and two courses.

2 day Designing Agile Organizations Course



3 day Creating Agile Organizations Workshop



creatingagileorganizations.com