



Let's Talk Digital Series #13

Agile Organizations in a Digital Age

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Differences between traditional programming techniques and machine learning. The digital transformation is pervasive in its impact on an organization. More than about the use of technology, for an organization to effectively digitally transformed, it may have to challenge its preconceived ideas about organization structures and decision hierarchies.

If I were to choose one acronym to describe the current business environment, it would be VUCA (Volatility, Uncertainty, Complexity and Ambiguity).

The rate and difficulty in predicting change have created several conditions that require an organization's attention: -

- The demands of Customers, Vendors, and Regulators are changing to keep up with the evolving environment. The right go to market strategy one day may fall on the wayside as technology enables new access channels. New capabilities in digital IDs may require regulators to issue new guidelines to FIs. To cope, organizations must have the agility or nimbleness to change course when required.
- Access to Information (and misinformation) has never been easier. With the digitization of information, the volume, veracity, variety and velocity mean that organizations must rapidly and frequently communicate with customers, partners and colleagues.
- The definition of a "good" employee is evolving. Creative knowledge and the ability to learn have become more important. To attract and retain these "learning workers", organizations are required to offer a distinctive value proposition.
- Technology is disrupting traditional, well established business models. For example, ride share services disrupt Taxi services, Airbnb has disrupted the hotel industry and more recently, virtual banks and traditional banks. To remain relevant, organizations need to at least be aware of these threats and develop capabilities to deal with them.

In order to be responsive to the changes in the environment, McKinsey suggests that our view of organizations as rigid machines which served us well during the industrial and information age should be superseded with a view of organizations as a dynamic organism as described in figure 1¹

1. <https://www.mckinsey.com/business-functions/organization/our-insights/the-five-trademarks-of-agile-organizations>

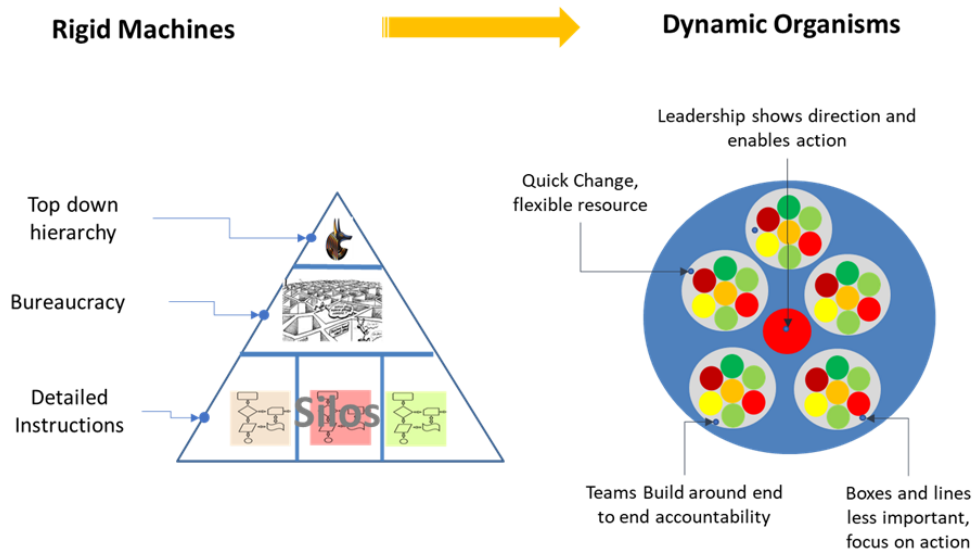


Figure 1 Organizations as Dynamic Organisms

Another way to look at this is that the traditional “Command and Control model” as we normally observed in traditional organizational hierarchies assume that Change is predictable and that an organization’s goal is to become an efficient enterprise. This view is changing to one of “Sense and response”, acknowledging that the nature of change itself is unpredictable and thus the goal of an enterprise is to be able to adapt to the changes i.e. an “adaptive enterprise” [Adaptive Enterprise: Stephen H. Haeckel 1999]

Five key characteristics of organizations which have achieved this agility as described by McKinsey are²: -

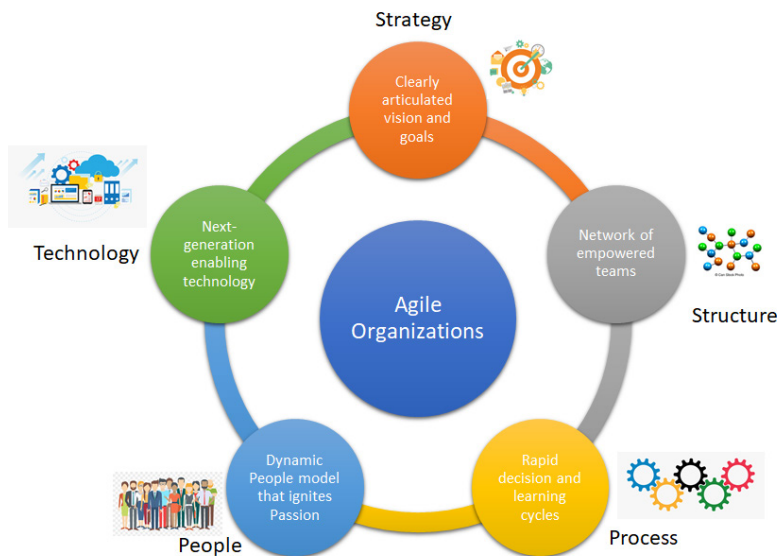


Figure 2: Characteristics of agile organizations.

2. <https://www.mckinsey.com/business-functions/organization/our-insights/how-to-create-an-agile-organization>

Strategy

- Agile organizations have clearly articulated visions and goals which are agreed upon and shared across the organization.
- Proactively seek customer feedback and utilize the information to create new offerings or business models.
- Clear metrics set up for resource allocation and are subject to regular review (i.e. know when to stop an initiative)

Structure

- Clear definition on the accountability of each roles
- Decisions are made as close to the relevant teams as possible (minimize escalation)
- Promote the development of external networks so the organization can have access to the best talents and ideas

Process

- Shared common language, processes and ways of work.
- Shared goals measured by business impact, rather than activity.
- Frequent and open discussions of performance against target

People

- Visionaries, architects, and coaches, rather than Planners, Directors and Controllers.
- Promote positive peer behavior through a high trust environment rather than rules, processes, or hierarchies
- Ability for employees to move horizontally or vertically between roles based on personal development goals.

Technology

- Incorporate technological innovations such as micro services, containers and serverless architectures.
- Employ Cross functional teams throughout the entire product lifecycle
- Extensive use of automated testing and deployment

A Case study of an Agile organization



An often-cited example of an agile organization is Spotify. Spotify is an international media services provider based in Sweden. It allows for users to browse for music or search for music by artist, album, genre, playlist or record label.

Users can create, edit and share playlists, share tracks on social media and make playlists for other users.

Spotify provides access to over 50 million songs, 450,000 podcasts and 2 billion playlists.

Multiple articles have been written on how their teams were structured (Two are referenced below). Instead of Divisions, Departments and Teams, Spotify speaks of Squads, Tribes, Chapters and Guilds.

<https://medium.com/scaled-agile-framework/exploring-key-elements-of-spotifys-agile-scaling-model-471d2a23d7ea>

<https://www.youtube.com/watch?v=jyZEikKWhAU&feature=youtu.be>

Spotify essentially developed their organization structure based on the following principles.

- Autonomy and trust
- Ownership and Accountability
- Failure is an opportunity to learn, innovate and change

Based on their own reports, these were the observed benefits.

- Enhanced velocity
- Processes are reduced to a minimum
- Minimized dependencies
- Lack of a firm structure makes problem solving easier
- Promotes clarity and transparency



This article is part of the Digital Banking Learning Series, 'Let's Talk Digital', an initiative by the ABS Center for Digital Banking. It is written by industry practitioners and are aimed at educating the general public on the intricacies of digital applications in banking and other related industries, including the latest insights and trends of Digital Banking.

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