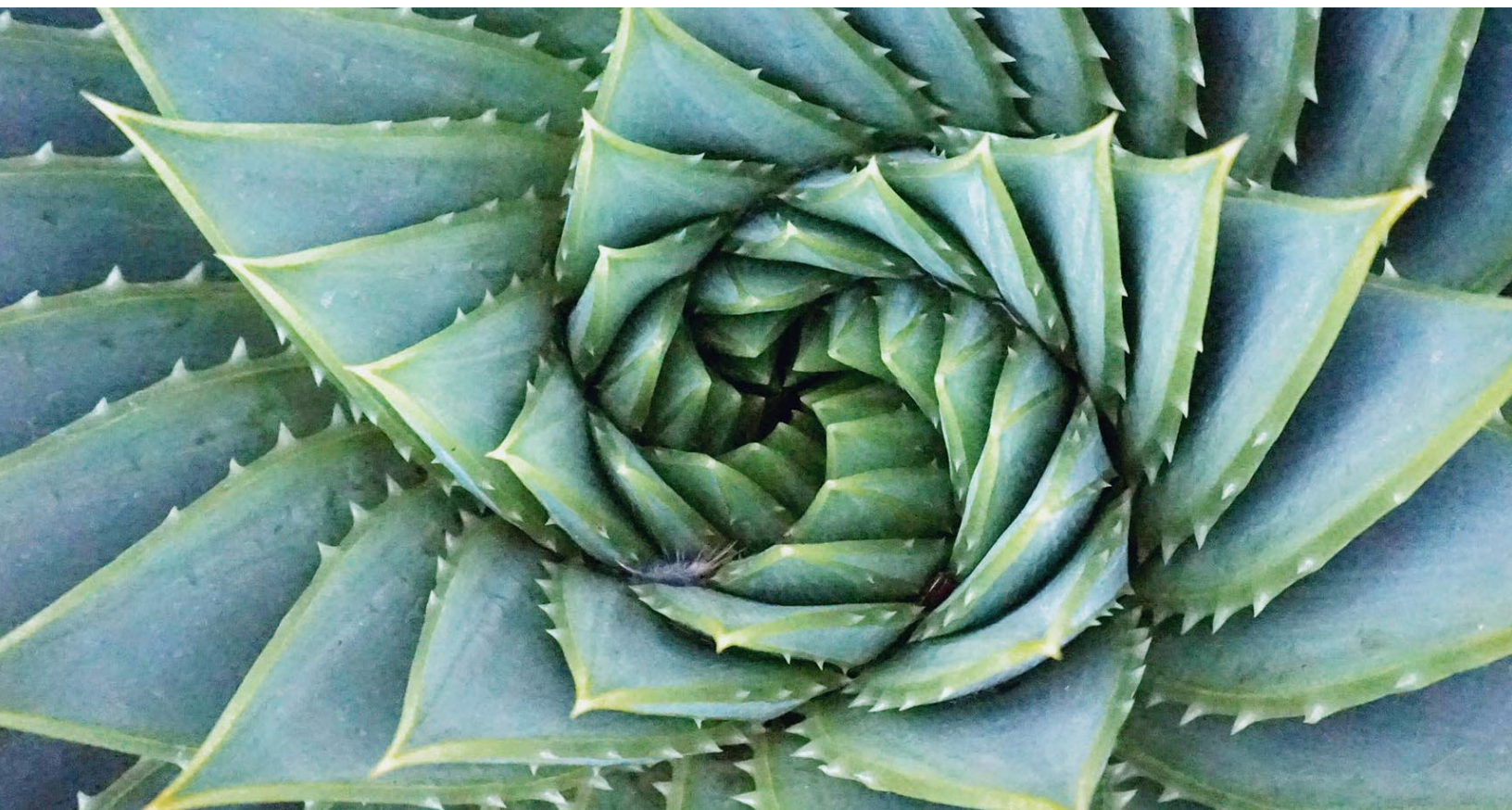McKinsey
& Company

Organization Practice

Building agile capabilities: The fuel to power your agile 'body'

To move your organization from targeted experimentation to driving agility at scale, it's crucial to focus on agile capability building.

by Deepak Mahadevan, Christopher Paquette, Naveed Rashid, and Evgeny Ustinov

The payoff is real. Organizations across sectors from banking to pharmaceuticals, from energy to the public sector, are realizing the immense value that agility can bring: faster, higher-quality decision making, better-quality products, faster delivery, and stronger employee engagement.[1]

Much has been written about agile operating models: the vision, organization structure, tools, methodologies, and rhythms that comprise the agile "body."[2] However, many organizations still struggle with developing the people who will power this body and deliver better results. They lack talent that is either equipped with the right set of capabilities
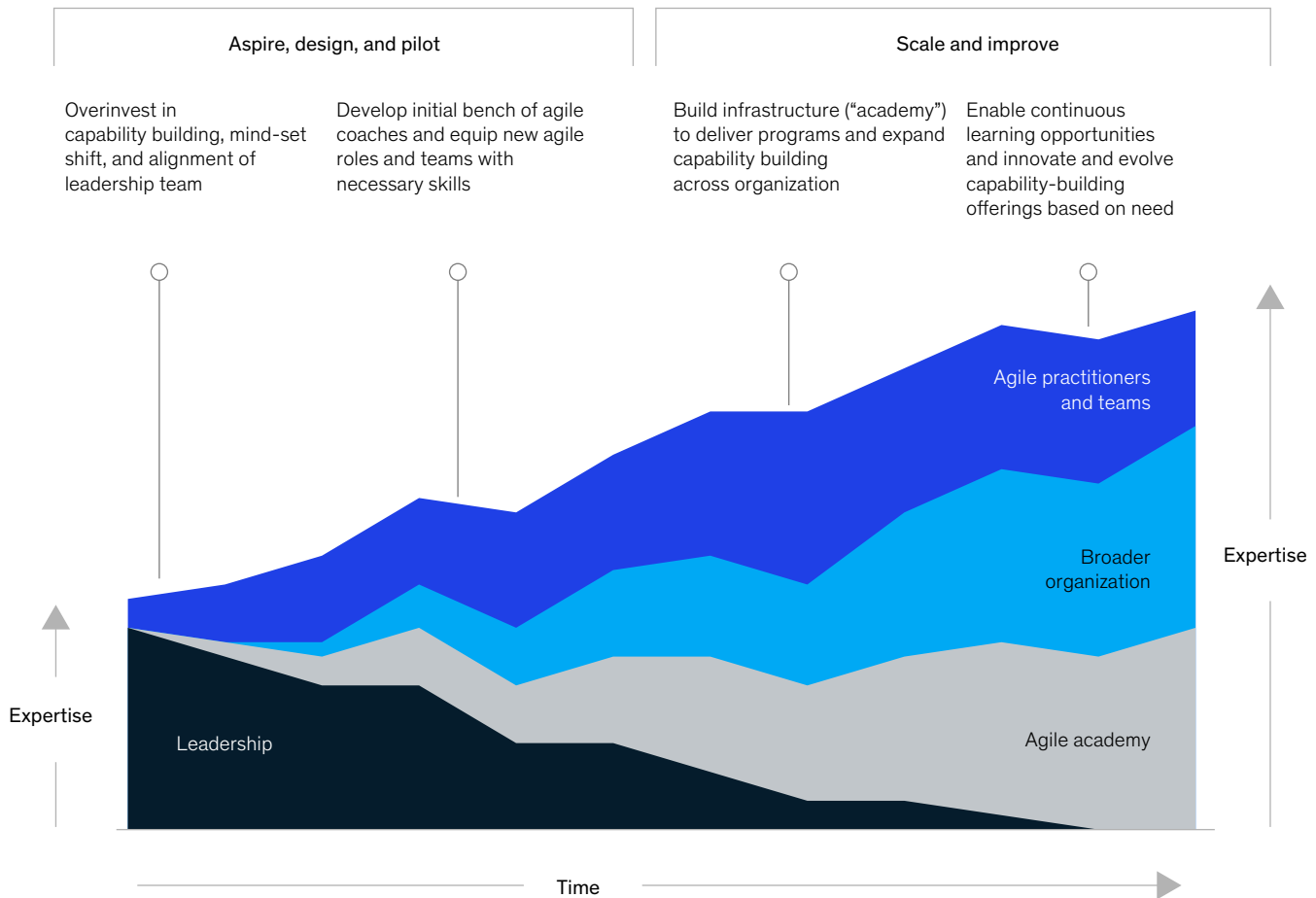
(mind-sets, behaviors, and skills) or empowered to make decisions rooted in customer centricity, cross-functional collaboration, experimentation, and speed. Without both capability building and empowerment, the body cannot function.

The people challenge affects everyone from the board room to the shop floor: senior leaders must show up differently to set a compelling vision and inspire change, core agile practitioners must lead teams to deliver innovative products and services meeting evolving customer tastes, and all employees must believe in the shift toward agility and feel vested in new ways of working (exhibit).

Exhibit

Capability building is a critical ingredient for successful transformations, starting from day one.

How agility can help build expertise and increase capabilities over time

Aspire, design, and pilot		Scale and improve	
Overinvest in capability building, mind-set shift, and alignment of leadership team	Develop initial bench of agile coaches and equip new agile roles and teams with necessary skills	Build infrastructure ("academy") to deliver programs and expand capability building across organization	Enable continuous learning opportunities and innovate and evolve capability-building offerings based on need

Expertise / *Time*

Leadership — Agile practitioners and teams — Broader organization — Agile academy

[1] Wouter Aghina, Aaron De Smet, Kirsten Weerda, "Agility: It rhymes with stability," *McKinsey Quarterly*, December 2015, McKinsey.com.
[2] See "Harnessing agile," October 2018, McKinsey.com.

There are always pockets of individuals and teams primed for agility in each organization. But how does an enterprise move from targeted experimentation to driving agility at scale? How can organizations develop and sustain the capability-building infrastructure to enable their people to drive transformation and achieve their personal growth aspirations?

These questions raise difficult challenges for organizations shifting toward greater agility. Failure to address them head-on (and early) can stymie progress of the broader agile transformation, limiting the speed of scale-up, causing friction, and dampening employee engagement—precisely what the transformation seeks to avoid in the first place. In addition, organizations must tackle these challenges in an environment where the war for talent is already fierce. The data are clear. In the next five years, we continue to expect demand for agile skills to outstrip supply, and nearly four out of five executives interviewed mentioned skill gaps as a hindrance to driving transformation.[3] Capability building to ensure that the right skills and mind-sets are embedded in the right people is not a topic to defer to another day; it is an essential element of any successful agile transformation.[4]

Based on our experience of numerous agile transformations, we have distilled five principles focused on scaling talent that guide the vision, approach, and infrastructure to deliver distinctive capability building across an organization.

1. Capability building must be clearly linked to an organization's overall strategic priorities

There is a logic that the best organizations use to guide the architecture for agile capability building [5]: strategy and the organization's "North Star" inform the agile operating model (structure, processes, and technology) within which the talent in the organi-

zation must be equipped to succeed. More simply: people have to know how to do the right things in the right way at the right time—things that will create value consistent with the institution's strategy.

For example, if the leading tenet of enterprise strategy (and the corresponding intent of the agile transformation) is to bring products and services to market more quickly, then capability building should emphasize rapid deployment of solutions. On the other hand, if the strategy is more anchored on innovative products, then capability building should emphasize customer empathy and design thinking.

2. Organizations must invest disproportionately in the roles, skills, and mind-sets that will make or break the transformation to deliver on its ambitious strategy

Following the first principle, organizations must ensure that their people—and associated capabilities—are 100 percent aligned with the transformation strategy. This may mean bringing in new talent and often means upskilling or reskilling existing employees. An agile transformation at any scale requires a symphony of eclectic roles and teams working together harmoniously.

However, to be effective, an organization must execute a differentiated approach with an acute focus on priority roles and skills that drive disproportionate value for the overall transformation. The best institutions prioritize deeper capability building for these key roles early while building broader awareness for others.

Among the key roles:

— **Senior leaders** who can develop both "hard" skills (for example, digital acumen) and "soft" skills (for example, leading with direction not destination). They must have the mind-set

[3] Didier Bonnet, Andrew McAfee, and George Westerman, "The digital capabilities your company needs," October 2012, sloanreview.mit.edu.
[4] Daniel Brosseau, Sherina Ebrahim, Christopher Handscomb, and Shail Thaker, "The journey to an agile organization," May 2019, McKinsey.com.
[5] See Wouter Aghina, Karin Ahlback, Aaron De Smet, Christopher Handscomb, Gerald Lackey, Michael Lurie, and Monica Murarka, *The five trademarks of agile organizations*, January 2018, McKinsey.com.

required to effectively drive transformation programs and lead amidst change and complexity.

— **Agility coaches**[6] who build, coach, and mentor teams, role-model behaviors, and empower leaders to drive organizational change. It is critical to have a cadre of trained coaches in place who will lead the charge to deliver capability building across agile teams and practitioners.

— **Product owners** who embody the mind-set and behaviors to create and deliver on a compelling user-centric product vision by engaging diverse customer, business, and technology stakeholders.

— **Chapter leads**[7] who build communities of practice, establish professional standards for specific functional areas, and address people development in a less hierarchical, more dynamic organization.

— **Other business-critical roles**, for example, technology leaders who will build technology talent and ensure the organization's technology and data systems can deliver on the bold vision of the transformation.

For the broader workforce, it is important for people to understand why the organization is undergoing transformation toward greater agility, what it means for them, and how they can contribute to the shift. Organizations often engage this population through a mix of distributed outreach activities and centralized learning andknowledge-sharing channels:

— inspiring town halls (to drive clarity of purpose)

— opportunities for continuous and self-guided learning (to scale knowledge broadly)

— local forums and boot camps (to build capabilities, share learning, and bolster community)

— learning communities (to share knowledge and best practices and drive continuity and institutionalization)

The key roles can serve as change agents to support these activities to educate and motivate the broader employee population to imbue agile ways of working across the enterprise over time.

Without thoughtful prioritization, progress breaks down quickly. One European institution believed it was building proper capabilities with a few generic and superficial boot camps as it launched its first series of agile pilots. A few sprints in, things went off the rails. Product owners failed to drive teams toward a value-driven backlog, leading to teams spending time on features that were not top priorities for customers. Engineers on the team lacked the technical skills to effectively implement changes (many had not written code in a long time). And so on. What went wrong? The capabilities weren't in place for these key roles to create value consistent with the direction of the transformation. To right the ship, the organization hit reset and refocused both people selection and deeper capability building for critical product and engineering roles before broader rollout.

3. Each role requires a tailored approach to capability building grounded in learning journeys that maximize behavior change

Changing behaviors is hard. Effective learning and application happen over time, through multiple touchpoints and as part of a rich web of interventions that reinforce and personalize the experience to meet individual needs. In the context of agility, this approach is even more important, as transformations are grounded in teams empowered to operate in rapid learning and decision-making cycles. As a result, individual learning and development must also allow for practice, experimentation, iteration, and reflection.

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[6] For a more detailed look at the importance of agility coaches, see Amit Anand, Sahil Merchant, Arun Sunderraj, and Belkis Vasquez-McCall, "Growing your own agility coaches to adopt new ways of working," August 2019, McKinsey.com.

[7] A "chapter" is a group of functional specialists (about five to ten people) responsible for building expertise and maintaining a common approach to similar tasks (for example front-end developers and marketing experts). Chapters are designed around knowledge and will function as primary axes to develop people, including fostering the right engineering culture, growing individuals, and hiring the right professionals.

Our research on adult learning and the science of behavior change corroborates this approach and makes a compelling case for learning that is as follows:

— **based on clear learning objectives** that define the critical "from–to" shifts in mind-sets, behaviors, and skills individuals and teams will need to achieve

— **multimodal,** with a mix of interventions (for example, assessment, workshops, and coaching) thoughtfully sequenced and reinforced over time (typically multiple months)

— **tailored to meet cohort and individual needs** by embedding common competencies as well as personalized interventions and resources that address individual needs

— **grounded in application and practice,** with learning embedded in day-to-day activities and business initiatives, supported by live coaching, observation, and feedback as well as opportunities for shadowing and experiential learning

— **bolstered by social learning,** using a community where peers coach each other and become faculty to train subsequent people

One Asia–Pacific telecommunications institution got all of this right while developing a cadre of 46 agile coaches (44 had never worked in agile before) through a rigorous 12- to 20-week capability-building program (length depending on maturity and learning speed of the candidates). The program assessed baseline competencies and tailored journeys based on cohort maturity; it also involved structured boot camps and courses to simulate new ways of working, created a rigorous shadowing and coaching phase to apply skills in the real world, and provided a certification based on an on-the-job evaluation. The institution is now successfully scaling the program and has over 170 teams working

in agile. And, its agile coaches are wildly successful with teams, happy, and growing personally and professionally.

4. As with the overall transformation, organizations must define and track measurable outcomes from capability-building efforts

Measuring impact for any capability-building program is difficult. Organizations that do this well are focusing on four levels of impact:

— **reaction metrics,** to gauge learner's self-reported assessment of their level of satisfaction, engagement, and value for time spent

— **proficiency metrics,** to capture improvements across knowledge domains (for example, scenario-based quizzes to test the ability to apply core concepts and frameworks)

— **behavior metrics,** to evaluate real "from–to" shifts in behaviors that learners demonstrate over time, ideally through 360-degree feedback from stakeholders

— **business metrics** that include both individual performance (for example, retention, promotion, and evaluation metrics) as well as team and organizational performance (for example, improved productivity, faster time to market, and stronger profitability)

The first three metrics are most typically embedded into the learning journey and measured multiple times. The final metric is trickier, as it is difficult to demonstrate clear causal relationships between the capability building and business outcomes, and requires a longitudinal time horizon to implement. However, organizations can use business- and team-level metrics to help establish links in performance over time, even comparing across teams led by practitioners that have gone through formal learning journeys against those who have yet to do so.[8]

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[8] Lucia Darino, Marcus Sieberer, Arthur Vos, and Owain Williams, "Performance management in agile organizations," April 2019, McKinsey.com.

5. For lasting impact, organizations need to build organizational muscle so journeys meet evolving needs, for example, through an 'agile academy'

Organizations must not only develop effective and engaging learning journeys but also the infrastructure to sustain, improve, and grow these programs over time. Many companies are seeking to set up an "agile academy" focused on developing the talent that will drive their transformation. Without this infrastructure, the curriculum becomes stale, progress and outcomes from capability building are not tracked, and critical on-the-job development is lost in the shuffle.

We have observed a few key ingredients for success across these situations:

— establishing clear top-down sponsorship and buy-in from senior executives

— ensuring strong collaboration among an agile center of excellence (where applicable), lines of business, and learning and development

— developing a learning-oriented culture grounded in building a growth mind-set and becoming more agile with learning (for example, A/B-testing content and programs to improve quickly)

— convening the right team, including faculty (for example, especially agile coaches who are central to delivering programs), instructional designers, and learning architects, as well as having program-management support

— investing in learning technology, including an engaging platform so that people can consume content flexibly (for example, bite-size modules), and including the ability to track engagement and impact metrics

— linking learning programs with core talent and HR processes (for example, performance management and staffing)

— establishing a rigorous certification process to recognize demonstrated capabilities on the job, versus completion of training

As a part of a multiyear agile transformation, one of the largest European banks worked to establish an in-house agile academy led jointly by agile coaches and the HR function to drive capability building for the transformation. Around 100 agile coaches were trained in an agile academy and later served as the capability-building muscle to bring development to other roles across the organization. The academy designed and incubated over ten tailored programs centered on five key roles: product owners, agile leaders, engineers, agile coaches, and other team members. Around 20,000 have completed the programs, and the academy is not only accelerating the pace of transformation but also convening a robust community of practitioners.

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Building capabilities takes time and requires significant investment, but it will be one of the biggest ways to unlock the journey toward organization-wide agility.

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