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LOOKING BEYOND THE SURFACE

ADDRESSING THE HIDDEN ASPECTS OF
ORGANIZATIONAL CULTURE IN AGILE TRANSFORMATIONS

INTRODUCTION

Encompassing a set of behaviours, values and practices that guide delivery, Agile has in recent years been embraced by more and more organizations as they pursue new ways of working that offer benefits around flexibility and responsiveness to change. However, these efforts can be hindered by a failure to recognize and effectively manage 'hidden' elements of their internal organizational culture.

The concept of 'organizational culture' has been frequently debated, with management style and the level of autonomous decision-making among employees identified as one core aspect. In his influential 1999 book *The Corporate Culture Survival Guide*, Edgar H. Schein argues that culture is not a one-dimensional, monolithic concept, but rather a mosaic, a set of championed principles, beliefs and practices present in the company.

Schein sees culture as having three distinct levels:

Level 1 - Visible Artifacts – The first and most obvious level is 'visible artifacts': aspects that relate to the working environment, routines, habits, dress code or how people talk. In the context of agile transformation, this layer would translate into dividing working periods into sprints and holding agile ceremonies (daily stand-ups, sprint planning, sprint review, retros and backlog refinement), changing role titles to include scrum masters and product owners, or forming cross-functional teams to discuss and review agile implementation.

Level 2 - Adopted Values – The second level refers to the 'adopted values' of the organization: the set of values that employees consciously hold, as well as the strategies and philosophies that explicitly guide their patterns of behaviour. These may not be as

obvious as the visual structures and processes of level 1, but members of the organization are aware of and have knowingly adopted these values. Examples include how stakeholders might be comfortable with minimum viable products which will be later enhanced to meet future requirements, rather than waiting for a fully-fledged product version; or with identifying, communicating and fixing defects while treating them as a natural part of the process.

Level 3 - Underlying Assumptions – The third level is the underlying basic assumptions: the mental models and values shared by employees which are held subconsciously and encapsulate the company's identity. These patterns have become ingrained in the way people think over time and are therefore harder to recognize or acknowledge. In an agile context, this level would represent assumptions that have delivered results in the past, as well as emotions or social characteristics. For example, certain individuals, especially at senior management level, might naturally exhibit a negative reaction when presented with a way of working that essentially replaces top-down management in favour of an approach where the leadership team simply set the direction and desired outcomes and the agile organization has autonomy in achieving those outcomes (within agreed guardrails).

SUCCESSFUL AGILE TRANSFORMATION ACROSS CULTURE LEVELS

Transforming the visible artifacts outlined above represents the simplest part of the agile journey, since most practices are prescribed in agile manifestos and have been widely explained in detail in the relevant literature. However, adopting these visible artifacts is not enough to effect real change in the culture. For a company that aspires to be agile, simply adopting daily rituals or roles defined by the agile methodology will not be enough to ensure these practices gain real traction.

Multiple case studies¹ of real-world companies have shown that agile transformation is most frequently successful when core values have been addressed. Our own experience has proven that organisations that treat training and coaching as an essential part of their agile transformation journey have a high level of success with adopted values. The way people collaborate and their awareness of what their colleagues are working on, the specific focus on learning rather than just executing a plan, the elimination of blame culture, and the freedom to make decisions or offer ideas for change, are all values that can be explicitly adopted to beneficial effect.

Encouraging employees to be creative and to ideate, even if this initially delivers worse than expected results, is key to driving the right adoptive

values: start working on a task and obtain early feedback, and then determine early in the process whether to continue working on that task or instead take a different approach. Failing fast, however, can only be successful when employees feel supported by management to attempt new and potentially risky endeavours. Agility here is the bedrock of innovation and creativity, driven by 'safe uncertainty'.

Successful agile transformation requires buy-in from the entire organisation, from delivery teams all the way up to the executive level. The main challenge is how to move away from practices that have worked in the past towards better future solutions. It is critical that leaders understand that this change in ways of working can help achieve the real benefits enabled via agility through a focus on outcomes and a clear alignment of delivery that realises customer and business value.

Trust in new processes by stakeholders is a change that takes place in the underlying assumptions level and is predicated on honest and constructive feedback between teams and management. This third level is the most difficult to penetrate – but if successful, real change can be made sustainable.

1. Agile methods and organizational culture: Reflections about cultural levels, October 2011, [Journal of Software Maintenance and Evolution Research and Practice](#)

ADDRESSING CULTURE HOLISTICALLY

While distinct, these three culture levels are interconnected, and they collectively shape an employee's understanding of their work. It is therefore important to address organizational culture holistically in order to tap into individuals' intrinsic motivators and hidden character. Even if agile adoption may appear successful in the beginning, when evidenced by formal structures and language, we need to be conscious of individuals' real beliefs and understanding of the new environment in order to drive agile transformation success.

Tools and practices must be supported by the values espoused by the agile philosophy, and those values must be supported by core assumptions. In other words, daily meetings, a horizontal hierarchy and/or iterative design methods all require commitment, participation, responsibility and open lines of feedback, which in turn must be underpinned by an openness to creativity and innovation, as well as trust in the competence and expertise of employees.

In this way, each level of organizational culture forms a building block, a foundation on which other aspects of culture can be developed, weaving the mosaic that Schein describes. Practices should be underpinned by values if they are to be effective; values or mission statements can be explicitly manifest but should also translate into good practices or actions; and both practices and values need an environment of trust and communication in order to be meaningful in the long term.



ENSURING A SUCCESSFUL TRANSFORMATION

The truth is that paving the way for agile transformation requires organizations to dig deep and take a hard look at ‘the way we do things around here’, marrying that up with fundamental changes to how they work to instil a new essence in their culture.

Key to any successful agile journey is targeting and encouraging new adopted values and underlying assumptions in the workplace, bringing about a gradual adoption of an holistic organisational mentality This is the real transformation, and while not easy to do, there are tools we can use to ‘manage’ this change:

- Buy-in from the entire organisation, from delivery teams to executive leadership – Organisations cannot succeed in becoming agile unless all parties involved are willing to support the transformation and reward its outcomes – a chain is only as strong as its weakest link. Leaders should be coached in the new way of operating so they understand what is required, how to exhibit model behaviours, and how to ensure successful adoption within their teams. For delivery teams, in addition to training, we need to connect their personal objectives and contributions to the overall strategy using effective objectives and key results.
- Foster an environment that encourages learning and allows for occasional failure – Successful agile companies need to experiment and learn, and people should feel safe to occasionally fail along the way in order to innovate successfully in the end.

This also encompasses an openness to trying out new ways of working, until the most suitable approach is found. Holding regular agile retrospectives – to reflect on lessons learned at all levels of the organisation and not just in delivery teams – helps to foster this environment of continuous learning. Uncertainty in agile is the home of innovation and creativity, both primary drivers for growth and long-term success.

- Trust in people and their expertise – People need to feel trusted to make good decisions and bring ideas to the table. Setting up the right organisational structures is key to empowering a federated leadership that encourages teams to make their own decisions based upon their valued expertise. Over-control will result in constrained employees, practices and progress.
- Develop a culture of collaboration and shared responsibility – Communication and feedback are perhaps the most fundamental principles of agility, and therefore a critical aspect of an agile organisation. Leaders need to be inclusive and supportive of their people, involving them in decision-making, sharing design ideas, and shouldering responsibility for business success. Introducing transparent planning cycles, backlog formation sessions, and the regular use of collaboration tools and positive language (to name but a few) all encourage collaboration – both horizontally and vertically – within an organisation as well as instilling a shared sense of responsibility to deliver on the overall strategy.

By taking on board these lessons and understanding how best to approach the ‘hidden side’ of culture, firms can deliver a more sustainable, inclusive and rewarding agile transformation.

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy specializing in driving digital transformation in the financial services industry. With a growing client portfolio comprising of over 100 global organizations, Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to deliver end-to-end data-driven solutions and fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its Innovation Labs and award-winning Be Yourself At Work culture and diverse talent.

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