



BLENDING OLD AND NEW WAYS OF WORKING TO DRIVE DIGITAL VALUE

By Lars Marquardt, Jan-Philipp Martini, Georg Kappen, and Carsten Schaezberger

BY ADOPTING AGILE WAYS of working, startups as well as established companies have successfully brought customer-centric digital initiatives to market. Because these initiatives didn't need to be deeply interwoven into a company's core processes, deployment was relatively easy and tangible results were possible in just a few months. But digital leaders are now being asked to repeat this success with more complex, business-centric, transformative initiatives.

The dilemma is this: Digital teams can use agile ways of working to build customer-centric solutions because they are vertically adjacent to the core processes. (See Exhibit 1.) Transformative initiatives, however, run horizontally across the value chain and must integrate with the core. Digital teams, therefore, are less free to use agile ways of working with such initiatives because they cannot ignore existing corporate processes and systems.

To meet senior leaders' high expectations and achieve horizontal digitalization, lead-

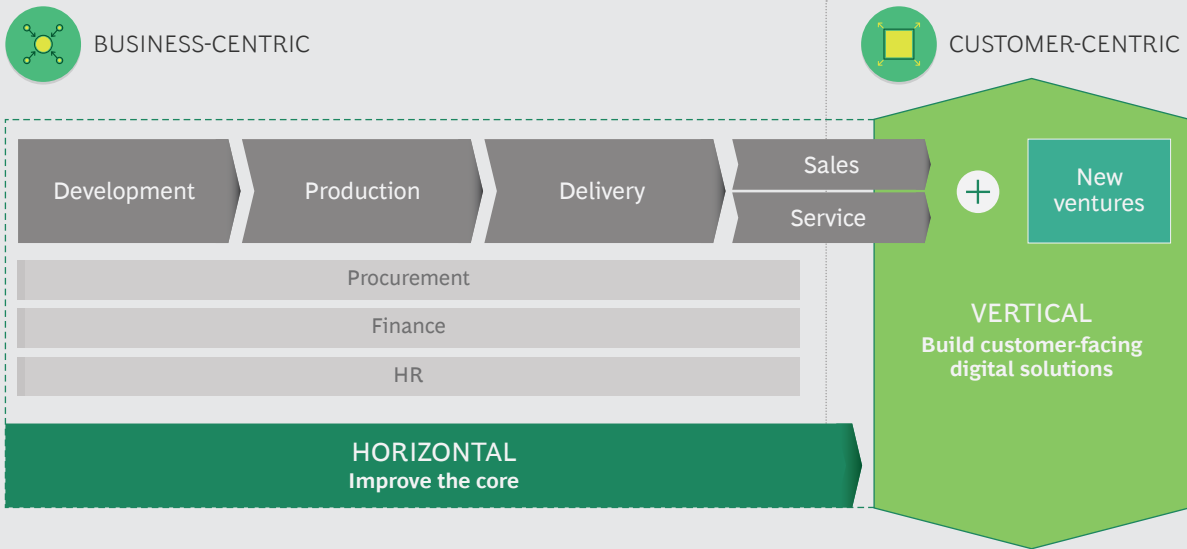
ers need to combine the agile ways of working used by startups with traditional, more rigid, corporate ways of working. While each company will need to fine-tune its own formula, organizations can use the guiding principles below to find a smart balance of agile and established efforts to drive digital value creation across the enterprise.

The Problems with Overusing Either Agile or Corporate Ways of Working

When tackling horizontal initiatives, digital teams must find the right balance between incorporating agile ways of working and supporting existing corporate processes and systems. Too strong a focus on agile may result in clashes with the corporate environment. But teams that cater too much to corporate ways of working risk causing projects to slow down or even stall.

Difficult to Align on Objectives. It's easy for members of a small team in a startup to align on a common vision, and the

EXHIBIT 1 | Horizontal and Vertical Digitalization



Source: BCG case experience.

cash-strapped nature of such ventures keeps everyone focused on rapid delivery. But larger companies need stronger governance to manage bigger budgets and more diverse stakeholder perspectives.

Coping with Corporate Legacy. Startup teams are accustomed to beginning from scratch, working with the latest cloud-based IT tools, handling clean data, and using uncomplicated processes that match their specific needs from day one. A team working on a horizontal initiative in a larger company, however, doesn't have that luxury because it needs to integrate into legacy IT systems. This requires careful planning and smart compromises, especially when the IT system includes those of suppliers and customers. We know of one case where a minimum viable product (MVP) team waited more than six weeks to get the basic IT infrastructure in place before it could start working. Many startups would have already tested a first prototype by that time.

Lack of Focus and Dedication. In the corporate environment, individuals often work on several projects simultaneously with their day-to-day business line responsibilities. But digital team members must fully focus on collaborating with just one

team in order to maintain momentum and deliver tangible value in short sprints. When those team members spend more than 20% of their time on other projects, they significantly delay alignment with the team and make reaching their goals more difficult.

Missing Courage. Corporate cultures frequently incentivize people to avoid risk and rarely reward them for sticking their necks out to make fast, bold decisions; indeed, they are often strongly discouraged from doing so. Because digital initiatives require such decisions, however, companies need to build a culture of courage for MVP team members. This includes establishing programs to promote taking risks and developing strong leaders who are unafraid to make fast, bold decisions—and who can act as role models for others.

Dogmatic Mentality. Far too often, the corporate mindset is more dogmatic than pragmatic: “this is just how it's done here.” This can hamstring a development effort. If the typical corporate procurement process takes two to three weeks, it's virtually impossible for a project team to complete its first agile sprint in that time. What's more, a dogmatic mentality can also manifest in how people use new tools and

methodologies. For instance, trying to apply agile methodologies such as scrum dogmatically—when an adjusted version of it would be more reasonable—can negate much of the benefit.

Bridging the Gap Between Agile and Corporate Ways of Working

In order to blend old and new ways of working to drive digital value, companies must put the right governance, training and recruitment, and infrastructure in place. They must also integrate agile ways of working into the enterprise by targeting clear business needs, staying focused, and delivering results rapidly.

SET UP A DIGITAL UNIT

The first step in bridging this gap is to set up an effective digital unit. The unit must focus on innovations and deliver results that not only resonate with the business side but also maintain executive support.

Set up digital governance. The company must establish a digital governance and operating model that links together the business, the digital unit, and IT. Under this structure, the business is continually identifying business needs and compelling use cases. Then, in partnership with the digital unit, it implements the MVP development process, which involves the project launch, defining the digital product, and executing the pilot. Ultimately, the busi-

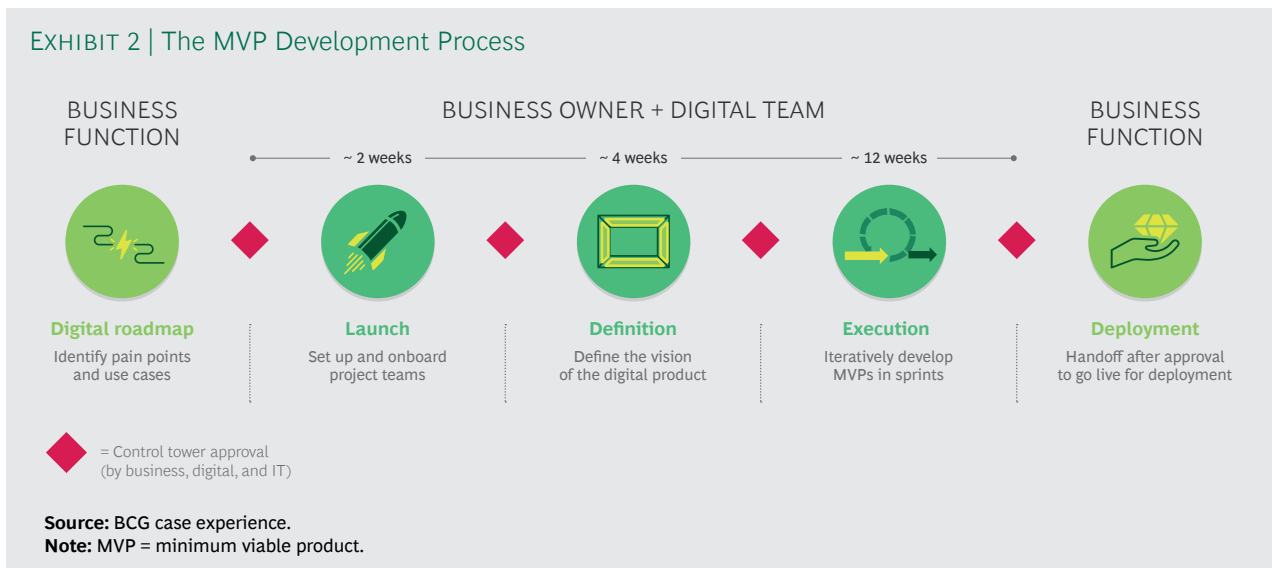
ness unit takes over deployment. (See Exhibit 2.)

Such a digital governance and operating model should be overseen by what's known as a control tower. This cross-functional decision body—composed of senior leaders from the business, digital, and IT groups—steers the development process for digital solutions according to a simple stage-gate process.

To keep these digital initiatives agile, members of the control tower should meet twice a month to quickly make the major decisions necessary to keep the digital initiative moving forward and properly funded. Without this control tower in place, major decision makers could be left out of the loop and become ambivalent to the project—slowing down the process and possibly even jeopardizing the initiative.

Create a digital team. The HR department probably has little experience with hiring data scientists, product managers, and other digital talent, so it must take a fresh approach to the recruiting channel. This means updating job profiles, exploring different search channels, adopting revised employee grading systems, and implementing new career development models. Companies with no digital experience in-house will need to start from scratch, while those with some digital experience should increase their current employees'

EXHIBIT 2 | The MVP Development Process



levels of digital proficiency and recruit talent who can provide additional expertise and experience.

Build a digital ecosystem. Traditional companies with digital aspirations must rethink established practices and legacy systems. For that, they need as much exposure as possible to new ideas from outside sources about digital ways of working—including how to simplify existing process and systems.

To this end, they should seek out multiple types of partners: universities, digital incubators, innovation platforms that accelerate connections with startups, and strategic partnerships with industry vendors in order to improve digital processes and access to talent.

Transform IT to digital. Because corporate digital units face unique challenges in their existing IT landscapes, installing the underlying IT structure for horizontal initiatives is much more complex than in the startup environment.

The IT architecture needs sufficient flexibility to function regardless of the scope of the MVP. The organization should begin by defining its ideal IT function. To start the journey, it can select and install the minimum set of IT enablers necessary to get the MVP team off the ground and working

quickly. (See Exhibit 3.) Once underway, the company should continue to build and refine these IT components so it can scale the MVP once it's ready.

INTEGRATE STARTUP CAPABILITIES




The second step in bridging the gap between old and new ways of working is to integrate startup capabilities into the corporate DNA.

Ensure business pull. Every digital initiative must have a senior leader on the business side who is looking to solve a significant pain point. Without a passionate “corporate entrepreneur” as the sponsor, digital teams risk developing MVPs that no one on the business side wants or knows how to use.

Think about the MVP and the big picture.

To bring a long-term project or vision to life, large companies typically develop a complete and detailed plan with pre-defined deliverables before they even start to work. Instead, they should begin by defining the vision as they have done in the past but avoid trying to anticipate and solve, at the outset, every potential bump in the project. They should also make sure to begin with an MVP that's already in development. This allows for a faster start and helps the team pivot more easily during the project—lessening the risk that it will go hopelessly off course.

EXHIBIT 3 | A Minimum Set of IT Enablers

 <p>DATA PIPELINING</p> <p>Build modern tools to manage old and new data</p> <ul style="list-style-type: none"> • Establish a vision for the data landscape • Define data governance roles and decision structures • Implement, run, and monitor data-related activities and tools • Make data available to MVP teams through reusable IT functionalities and APIs • Ensure data quality and security throughout the data pipeline 	 <p>DIGITAL PLATFORM</p> <p>Set up a modular architecture with state-of-the art technology</p> <ul style="list-style-type: none"> • Build a modular architecture that matches the business landscape • Create consistent user interfaces across channels • Provide MVP teams with required software and computing as a service • Process the data as closely as possible to the point of generation • Embed security systems during new developments 	 <p>AGILE DELIVERY</p> <p>Synchronize new architecture with necessary MVP speed</p> <ul style="list-style-type: none"> • Build the architecture in iterative sprints • Prioritize the rollout of components on the basis of MVP needs • Embed IT architects in MVP teams to ensure day-to-day cooperation • Offer retraining to learn to work in the new agile environment • Identify talent gaps and target recruiting activities
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Source: BCG case experience.

Note: MVP = minimum viable product; API = application programming interface.

Keeping the initial scope of the MVP narrow is a challenge in the corporate setting: an avalanche of product requests and competing interests can make it hard to get anything done. But adopting the discipline of a startup to radically prioritize a minimal set of features for the MVP can help, while keeping stakeholders enthusiastic and aligned on the big-picture vision as well.

For example, BCG worked with an OEM of heavy-duty on- and off-road equipment that decided to offer a predictive machine maintenance service able to interpret real-time operating data. A typical waterfall approach to this project would have required a huge, immediate commitment and a long-term investment. Instead, the OEM decided to start with a narrower focus by designing an MVP that would ensure data transfer in harsh environments, such as offshore or very remote construction sites. By keeping the initial scope manageable and the cost reasonable, the OEM quickly developed and installed prototype connectivity devices that could reliably process data on the monitoring and analytics platform.

Pursue rapid results. Corporate teams do not usually deliver tangible results in a matter of weeks. Digital teams, however, must challenge ideas, test outcomes quickly, and deliver results rapidly—which is why they typically work in sprints. Agile team members should come from across functional areas and meet at least two or three days per week. This setup simplifies cross-functional alignment and avoids wasting too much time on false assump-

tions and long feedback loops. That, in turn, helps generate buy-in from senior leaders, who are often surprised and thrilled to see such rapid and tangible results. Senior leaders should attend agile review meetings every week or two to maintain ownership, momentum, and accountability. While delivering results iteratively is the foundation of an agile approach, the complexity of integrating with existing products and IT legacy systems may require some adjustments, such as extending the typical sprint cycle to three or four weeks.

BUILDING A DIGITAL MVP in the startup world is hard. Doing so in a corporate setting is even harder. Success demands that companies let go of dogmatic approaches and create a balance between the startup world and the corporate world. This is not easy and will depend on the scope of the digital initiative and the realities of the existing IT architecture.

That said, vertical, customer-facing digital initiatives will do best by mostly using agile ways of working, while horizontal initiatives will succeed with a mix that includes existing corporate ways of working. Companies that are able to find the right balance will drive digital value creation across the enterprise.

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