Why you need an agile mindset — and how to get one

Sustainable competitive advantage is being replaced by continuous innovation driven by new, agile ways of thinking

By Phil Le-Brun and Mark Schwartz, Enterprise Strategists at Amazon Web Services
Sustainable competitive advantage, once the lifeblood of business success, isn’t what it used to be. Blame the cloud, DevOps, and the new digital channels that let companies start small and then scale dramatically, often bypassing distributors and other go-betweens. Today, technology-powered creative destruction is the new normal.

Most any advantage a company achieves can be matched or even leapfrogged by the competition—and quickly. Instead, what most enterprises need now is continuous innovation. Companies don’t necessarily need to re-invent themselves; instead, they need to incrementally build on what they already have, continually finding new ways to attract, satisfy and retain customers.

Continuous innovation can come in many forms, including new product features, new forms of customer interaction, and new ways of understanding and working with customers.

Unfortunately, for most large organizations, this kind of agility doesn’t come naturally. They have developed and carefully honed methodical mindsets over many years, allowing them to produce high-quality new products and services with a regular, long-term cadence. While quality and steady innovation still matter, merely creating new products and services is no longer sufficient.

Advantages lie in continuously refreshing rather than in building a single sustainable advantage. That’s the new way to stay ahead of the competition while keeping pace with new customer demands. Some innovations may be small, while others are large. Either way, agility delivers the new competitive edge.

For this new agile era, business leaders need to adopt an equally agile mindset. As Albert Einstein famously pointed out, we can’t solve a problem using the same kind of thinking that created it in the first place. Here are three ways of thinking your way into greater organizational agility.
While many accounts of digital transformation focus on technology, a sense of psychological safety is a prerequisite for such agile behaviors as experimentation, speed, and autonomy. Sure, you can simply move to the cloud and enjoy the technology’s benefits. But the true advantage will come from also embracing a new, agile mindset.
Without a feeling of psychological safety, managers can’t build trust among their staff; and without trust, problems remain hidden, learnings are ignored, and new ideas remain buried.

So why don’t more organizations pay more attention to psychological safety? Mainly because they believe the following assumptions without questioning them:

“**I trust my people.**”

In fact, subordinates might not see it that way. Instead, they might suspect that if they make a mistake, they’ll be berated or corrected, rather than coached. Keep that up long enough, and people will become afraid to contribute bold new ideas. They may also look for work elsewhere. One survey found that three-quarters of workers who feel untrusted plan to seek a new job in the next six months.

“**My team wants to be autonomous.**”

That may not be true, especially if team members fear that making even common mistakes will land them in trouble. In these cases, the team will be more comfortable letting their leader make the big decisions and then live with the consequences.

“**My team trusts me.**”

Do they, or is it just a facade? Can they trust their leader’s technical and business judgments? Do they believe the leader understands and cares about them, and will have their back? In these and other matters, the gap between what leaders say and what they do can be enormous — and their staff can easily see it.
Guide, don't decide

To create greater self-sufficiency among your team members, fight the urge to give an answer, dictate a decision, or insist on moving in a particular direction. Instead, let the people close to the action—your staff—discover a good or even great answer. Your job is to ensure that the team understands the organization’s overall strategy and goals. You should also provide “guardrails,” guidance and barriers that protect against organizational chaos. Finally, when members of the team step up to demonstrate leadership, recognize and applaud their achievements.

Build team autonomy

To overcome bureaucratic thinking, ensure that your team has the opportunity to spend time together, even if that’s online. People need time to bond, to develop a process for getting work done, and for making midcourse corrections. Also, leaders must develop, if not an appetite, then at least a tolerance for what are often called failures but perhaps should be considered more beneficially as learnings. Finally, consider providing team members with coaching, even if this involves contracting a professional coach from outside the organization.

Walk your talk

Change is both a noun and a verb. To effect organizational change, you’ll need the efforts of others. That requires support and trust gained by communicating clearly and honestly, followed up by appropriate action. Don’t overlook the little things. Speeches, throwaway remarks, even body language all send out messages. Make sure these messages are optimistic and empathetic. Don’t be afraid to show vulnerability; that’s only human. Above all, treat your team members not just as cogs in a fast-moving machine, but as full participants in change.

What can leaders do to overcome these harmful assumptions, create a greater sense of psychological safety, and build a foundation for organizational agility? To start, they should adopt these three tactics...
The human brain is an expert at pattern recognition. Humans discover patterns by applying what psychologists call a worldview. Based on our upbringings, beliefs and experiences, we develop this worldview to ingest, filter and interpret data from the outside world quickly, but what happens when your worldview and the outside world get out of sync?

That’s what’s happening as many organizations embark on digital transformations to achieve greater agility. Their managers struggle with digital transformation because their worldviews are dated. The world has moved on, and their way of thinking needs to reflect that. Because today’s business environment is so unpredictable, this thinking needs to be agile. To be sure, some methodical practices need to remain, and the entire organization need not be agile. But neither can it be entirely bureaucratic.
What’s needed is a new digital maturity. The attributes of a digitally mature organization include:

- A sense of deeply shared purpose
- Decision-making by autonomous cross-functional teams operating close to the customer
- Standardized ways of working that support experimentation at all organizational levels
- A culture of learning
- Broad use of agile technology

The risk of not becoming a digitally mature organization is serious. In the 1960s, the average S&P 500 company could be expected to last some 60 years on the stock index. Today it’s less than 20 years.

Other potential risks include wasted budgets and unfulfilled expectations. Some industry experts estimate that up to 70 percent of spending on digital transformation initiatives is wasted, a loss totaling hundreds of billions of dollars. A recent survey found that one in five organizations fails to deliver even half the digital-transformation benefits initially targeted, with only 5 to 10 percent achieving or exceeding their original goals.
There are three steps to better attuning your worldview with reality.

1. **CEO/Chief Transformation Officer leads the effort**

2. **Change the organization’s approach to technology**

3. **Create a “dual operating system”**

The first is to charge the CEO or Chief Transformation Officer with leading the effort, creating both focus and a sense of urgency. In this way, employees are likely to connect both rationally and emotionally, increasing the organization’s chances for success.

The second step is to change the organization’s approach to technology. Too many organizations dedicate too many IT resources to keeping the lights on, when what they really need is innovation. By contrast, digitally mature organizations deploy new systems more frequently and have a far higher proportion of their workloads in the cloud.

For these organizations, the advantages are real. In one survey, simply moving workloads to the cloud resulted in organizations having nearly twice the success in keeping pace with business demand than others. Another survey found that agile organizations spend 40 percent more time on work of value to customers, an important element in keeping customers continuously satisfied.

A third step towards creating a more modern mindset is to create agility in those areas of your business where effectiveness is needed more than efficiency. For instance, in areas of volatility where rapid experimentation and learning is required to understand what a customer really wants.
Even after achieving a higher degree of psychological safety and adopting the right mindset, organizations can face another barrier to agility: a nagging sense that there’s too much to do, with too few people and too little time to get it done.

Make time for innovation
One root cause of this is what we call “10 Percent People”. Imagine you’re responsible for 10 projects. That means each project can get, on average, just 10 percent of your time and energy. Given this, how emotionally involved can you afford to become with any single project? Now imagine that up to half this time is also spent on jobs that other people could do better. Finally, add in all the time you spend waiting for others to complete their activities before you can proceed.

Unfortunately, this situation is common for many employees, and it can drain them of emotional engagement and excitement. To avoid motivation drain, employees need sufficient ownership of an outcome, not just a sliver. For example, if you’re writing requirements for a project but suspect the project will never see the light of day, you’re unlikely to feel much passion or excitement.

A change in priorities can distract staff members, too. While business change is both normal and necessary, it can create complexity. Unless this complexity is properly managed, team members may struggle to keep up.
Waste is yet another concern. It comes from activities that fail to add value. These can include:

- Wrong work: For example, developing a function no one needs.
- Obsolete routines: Doing something simply because "that's the way we've always done it."
- Slow approvals: Up to 80 percent of a developer's time can be spent waiting for an approval, a clarification, or just another team to complete the widget theirs depends on.
- Too many chiefs: Here, the issue is too much governance and too many overly prescriptive processes. In essence, there's too much watching and managing, and not enough doing.
So what’s the solution? Here are several powerful tools:

- **Supercharge what’s important:** When creating an agile team, select your best talent, not just those who are available. Remember to also invest in supporting roles. For example, you might need a “scrum master” to facilitate processes and bring some much-needed objectivity to the team’s approach.

- **Reduce waiting time:** Appoint a team sponsor who can eliminate barriers, pointless procedures and rules, and unnecessary reporting. Also, minimize the size of releases by accepting small, continual changes. A relentless focus on simplification and decomposition can bring you to the same destination as a massive lift-and-shift — and with far less stress.

- **Simplify decision-making:** Grant the power of approval only to those closely involved with the work. Establish clear expectations around the project’s ownership and outcomes. Equally, encourage the team to fend off opinions from outside the project.

- **Introduce “appropriate friction”:** Sometimes, it pays to push back. For example, don’t permit a vague point on a PowerPoint presentation to go unexplained. Instead, insist that the team write a summary of what’s needed, complete with supporting data, and have it peer-reviewed before your next meeting.

- **Automate reporting:** Agile teams rely on automation. They automate functionality reporting, they automate infrastructure and solution-stack builds, and they automate security checks. What’s more, they do all this deliberately and incrementally, saving both time and money.

A sustainable competitive advantage may be obsolete, but that doesn’t mean your organization is doomed to stagnation. By creating psychological safety, adopting a more accurate worldview, and making time for innovation, your organization can gain the agility it needs to deliver continuous innovation and delight customers. The time for agile thinking has arrived. Start now, even if it means starting small.
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