



It's all in the blend

Why “Agile” isn't always good and “Hierarchy” isn't always bad

by Felix B. Waldeier

“Agile” or an agile transformation can lead to great success but also to failure and chaos, as various practical examples in the previous article (“Agile: When the Squad is in charge”) by Christian Bühring-Uhle show. It will therefore come as little surprise that “Agile” is not a panacea. At the same time, we are convinced that no one can afford to ignore the new ideas and approaches. Why is that so?

We believe there is no way around agile management methods for certain tasks. It all depends on the significance and adequate handling of mistakes. There are tasks where creativity and innovation are key, especially in discovering new solutions. Here, mistakes are an important source of knowledge and one simply cannot make progress if one does not try anything new, risks mistakes and learns systematically from faults and setbacks. In these situations, the iterative “trial and error” approach of agile techniques is not only helpful, but indispensable.

However, there are also contexts where the primary goal must be to avoid errors, e.g. flight control systems, nuclear reactor safety, technical surveillance authorities. And in every organisation, there are functional areas where errors are harmful, period. In functions such as accounting, occupational safety, product safety or compliance, management must strive to eliminate or at least minimise errors. This distinction is relevant even for IT because innovative software development has to follow other laws than the operation of an IT infrastructure where service levels are measured and have to be complied with. The latter type of task, which is about avoiding / minimising errors, requires a high degree of monitoring and “linear” management structures – and is therefore simply not suitable for “trial and error” (which does not mean that one should not learn from errors once they occur).



We therefore believe that in the vast majority of organisations, agile and traditional management processes and structures will have to coexist. Agile, however, is becoming increasingly important given the ever-increasing pace of change faced by virtually all companies. This means that practically no company can afford not to learn agile techniques. Those who do not drive change themselves will be overtaken by it.

The challenge therefore is to reconcile two management methods – and cultures. Few companies are “agile natives” like Spotify – or as manageable and shaped by the spirit of unconventional founders such as Freitag (see also our previous article). In most cases, this means establishing a new *modus operandi*. Since the majority of companies are still organised in hierarchies, a change to Agile will not work by simply imposing new ways of working on an existing organisation. Rather, there are three points to consider:

1. Agile must be “lived”. It can only work if top management takes up the cause of Agile and visibly promotes this change.
2. Employees must be involved. Only if they are convinced of the advantages to be derived from flexibility and customer orientation, and only if they are left to choose their own agile working methods, will they fully support the new ways and “live” Agile.
3. It takes time... also because Agile transforms the corporate culture – in many cases radically. To avoid frustration, it is important to highlight the benefits of agile work and to take into account how it affects cooperation, values, principles and moods.

Top management must therefore consider: In which context is it adequate and necessary to be and work in an agile way? And where do you deliberately not want to be agile? This distinction and the ability to act both in a conventional and in an agile fashion must be exemplified by top management. The leadership has to show the way and expand its repertoire with agile techniques. This is undoubtedly a challenge for two reasons: First, rarely will it be agile working methods that propelled these people into top management positions. And second, after 20 years of “hierarchy”, many senior executives and Board members won’t have the courage to switch to a model in which they have less control, in which power and influence dwindle, in which they have to give their colleagues and employees more responsibility and freedom – and where, in return, they themselves are under increased scrutiny from below. But if Agile is to work, business leaders must be prepared to leave the beaten track, “unlearn” established habits, be open to feedback, develop a higher degree of trust and accept that not everything is predictable/plannable. Similarly, collaboration with colleagues and employees must be strengthened, decision-making powers must be delegated, and personal concerns (or those of a department) must become secondary to the wellbeing and objectives of the organisation as a whole. Agile will only prevail if the entire organisation can clearly see that top management is leading the way, with concrete actions. As a result, disciplined, self-reliant work becomes more important – and has to be continuously learned and strengthened at all levels of the organisation. In addition, there is a need for increased clarity in structures and processes, as well as for improved coordination.



There are pitfalls on the path to agile transformation – and discipline can become a particular stumbling block. If monitoring is reduced and you have to organise yourself, give yourself feedback, etc., you need more discipline. It also requires a higher level of motivation and initiative. There are, of course, people who are good at taking orders and working step-by-step, always in need of someone who sets the pace, assigns tasks and controls. Where this kind of attitude prevails, agile work becomes difficult, if not impossible. Agile transformation initiatives therefore have to pay attention to the concrete context, not only with regard to different sub-cultures associated with corporate functions, but also to geography: agile, self-determined working methods will be easier to adopt in a society that highly values individuality and personal freedom than in traditionally collective and hierarchically structured societies.

So, what about top management? When employees organise themselves in teams and work more independently and autonomously do you even need a “C-level”? We believe, yes – not just because of the cases where the abolition of senior management has led to major complications. But as shown above, even in a “digital future” practically every company will continue to need some hierarchical functions that are characterised by top-down control. And there is also the issue of overall responsibility: the “buck” has to stop somewhere. Someone (an individual or a small team of individuals) has to answer to the owners and other stakeholders (including employees, business partners, society as a whole) of a company. This ultimate responsibility cannot be dissolved – or transferred to a collective of team leaders. Also, taking an overall perspective and exercising overall responsibility is typically a “full-time job” – at least in organisations that aren’t very small-scale. And even a top management team, the C-level of a company, needs to be managed and led in some way: every executive team member may have his or her own area of responsibility but even when there is a commitment to modern leadership techniques, teamwork and “servant leadership” (see following interview with Pascal Houdayer), we believe that in the end someone has to take responsibility for the team and the organisation as a whole.



THE TRUSTED ADVISOR are our firm's regularly published articles, featuring not only insights derived from our project work but also guest posts and interviews with leading business figures. They offer food-for-thought and practical advice on a variety of key topics in the leadership, ownership advisory, governance and strategy domains.

Should you wish to receive **THE TRUSTED ADVISOR** automatically and on a regular basis, please send an e-mail to: tta@avs-advisors.com

You are welcome to recommend and share our articles. All previously published articles can also be found on our website: www.avs-advisors.com/trustedadvisor

Office Frankfurt

Untermainkai 31
60329 Frankfurt
Germany

frankfurt@avs-advisors.com



Office Geneva

Rue du Mont-Blanc 19
1201 Genf
Switzerland

geneva@avs-advisors.com

Office Zurich

Tödistrasse 36
8002 Zürich
Switzerland

zurich@avs-advisors.com

Office Hamburg

Neuer Wall 80
20354 Hamburg
Germany

hamburg@avs-advisors.com

Office Paris

7, rue Georges Ville
75116 Paris
France

paris@avs-advisors.com

Office London

9 New Square
Lincoln's Inn
London WC2A 3QN
United Kingdom

london@avs-advisors.com

Office Bogotá

Edificio Bogotá Trade Center
Cra. 10 No. 97A-13, Torre A,
Oficina 701
Bogotá, Colombia

bogota@avs-advisors.com