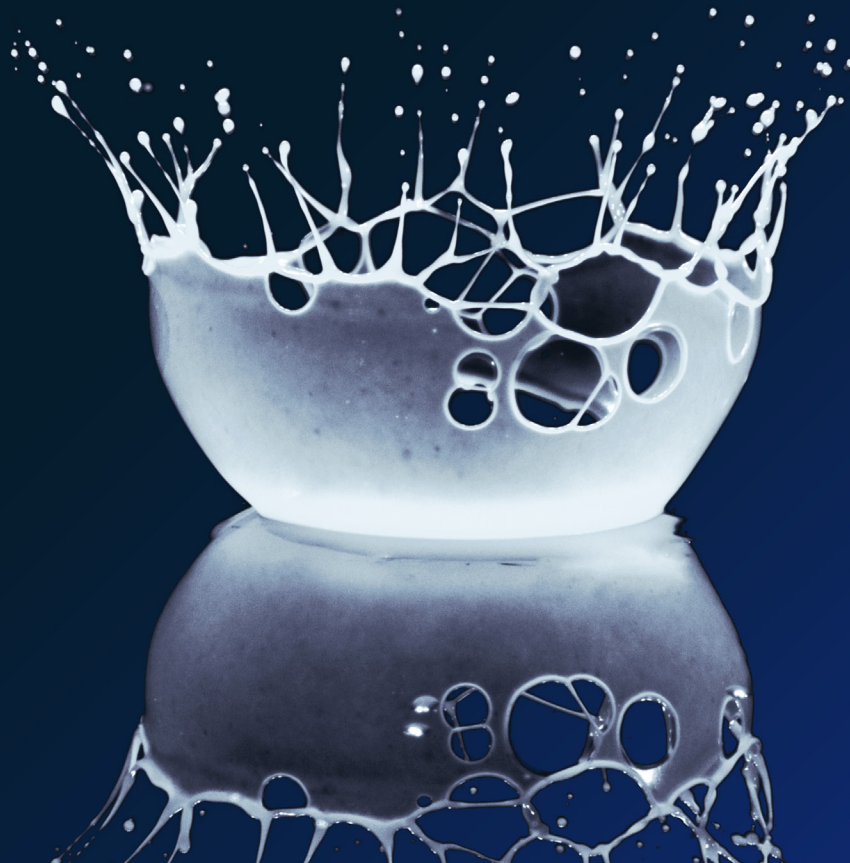# McKinsey & Company

Organization Practice

Enterprise agility: Buzz or business impact?

Many organizations are racing to become agile. New research suggests that agile transformation can have a powerful impact on the bottom line—in addition to other widely recognized benefits.

by Wouter Aghina, Christopher Handscomb, Jesper Ludolph, Daniel Rona, and Dave West

Preface

March 2020

In 2018, Scrum.org and McKinsey & Company started closely collaborating around a shared purpose in helping companies innovate the way their organizations, teams, and individuals work.

We are excited to share the results of our research collaboration in the following article, *Enterprise agility: Buzz or business impact?*

This study explores how to measure the impact of organizations' enterprise-wide agile transformation and offers a framework for understanding the potential. The findings are based on outcome data from more than 20 companies across six sectors, as well as additional research from our organizations.

Enjoy,

Enterprise agility was desirable and is now becoming essential. Agility across a whole enterprise combines speed and stability; helps role clarity, innovation, and operational discipline[1]; and can produce positive outcomes for organizational health and performance. Although the beneficial outcomes of agility are widely recognized by executives,[2] those considering an enterprise-wide agile transformation are questioning both the potential of such an undertaking and the outcomes they should seek.

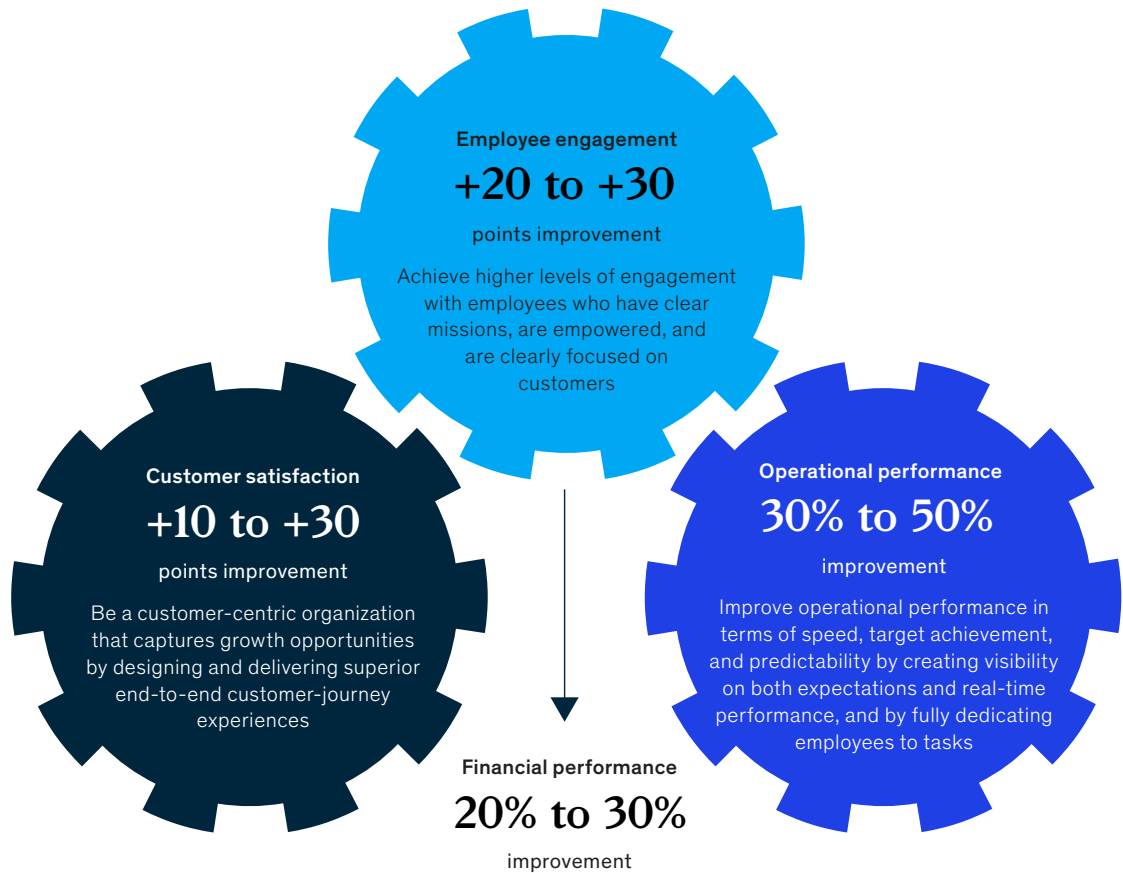What should executives focus on, and what might they expect to change? Some data are emerging to help with answers. We analyzed the impact of enterprise-wide agile transformations as part of our worldwide agile-research effort. We analyzed 22 organizations in six sectors, and our preliminary results identified three main outcomes of agile transformations: improved customer satisfaction, employee engagement, and operational performance. These make up what we call the "agile impact engine." The benefits are mutually reinforcing and produce a fourth outcome: improved financial performance (Exhibit 1).[3]

The agile impact engine forms a framework for assessing potential gains by examining in more

Exhibit 1

The 'agile impact engine' highlights the main outcomes of successful agile transformation.

Employee engagement
+20 to +30
points improvement
Achieve higher levels of engagement with employees who have clear missions, are empowered, and are clearly focused on customers

Customer satisfaction
+10 to +30
points improvement
Be a customer-centric organization that captures growth opportunities by designing and delivering superior end-to-end customer-journey experiences

Operational performance
30% to 50%
improvement
Improve operational performance in terms of speed, target achievement, and predictability by creating visibility on both expectations and real-time performance, and by fully dedicating employees to tasks

Financial performance
20% to 30%
improvement

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[1] Michael Bazigos, Aaron De Smet, and Chris Gagnon, "Why agility pays," *McKinsey Quarterly*, December 2015, McKinsey.com.
[2] "How to create an agile organization," October 2017, McKinsey.com.
[3] Exhibit 1 shows the range in improvements resulting from agile transformations: the customer satisfaction score rose by ten to 30 points for customer satisfaction and by 20 to 30 points for employee engagement, operational performance (speed, target achievement, and other industry-specific metrics) improved by 30 to 50 percent; and financial performance (cost savings) improved by 20 to 30 percent.

depth those organizations that have successfully completed agile transformations (see sidebar "A word on our research methodology").

Although these results seem highly desirable, there are three caveats. First, the extent of the gains depends on the starting level of enterprise agility, since, naturally, those starting with lower baselines experience more change. Second, significant gains are found only where agility is implemented successfully, holistically, and with high ambitions for performance improvement. Finally, the 20 to 30 percent improvement in financial performance may not register as profit and loss, as organizations make strategic decisions about removing cost and reinvesting in growth and capabilities.

The basics of agility

Before we look closer at the potential impact of agile transformation, it's important to build a shared understanding of how we define and understand the topic.

What is enterprise agility?

Agile organizations can quickly redirect their people and priorities toward value-creating opportunities. A common misconception is that stability and scale must be sacrificed for speed and flexibility. Truly agile organizations combine both: a strong backbone or center provides the stability for developing and scaling dynamic capabilities.[4]

A word on our research methodology

To create the 'agile impact engine,' we collected outcome data on 22 companies across six sectors that completed agile transformations at the business-unit or enterprise level (excluding organizations that implemented agility solely at the team or squad level or within just one function).

We measured the level of agile maturity (the extent to which a company operates in an agile manner) before and after the transformation. This allowed us to check if the transformation had successfully increased the level of agility and to weight the improvements observed in the outcome metrics.

To measure agile maturity, participants rated a set of statements capturing agile behaviors across five dimensions—strategy, structure, processes, people, and technology—on a scale from one to five. We compared the change in agility maturity as a result of the transformation with the change in outcome metrics to understand how agile maturity might drive company outcomes.

When conducting our research, we encountered three main challenges that influenced our sample size and the outcome metrics considered:

— the limited number of enterprise-wide cases that are currently sufficiently mature, given the pioneering nature of such full-scale transformations

— the lack of a single measure of impact—impact depends on industry, and measurements need to be taken across a combination of metrics, given the complexity of impact

— the difficulty in tracing the impact of marginal output (for example, additional product features resulting from more agile development) on financial results

[4] See Wouter Aghina, Aaron De Smet, and Kirsten Weerda, "Agility: It rhymes with stability," *McKinsey Quarterly*, December 2015, McKinsey.com; 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.

This backbone binds structural stability (standard operating procedures) to cultural stability (shared purpose, direction, and values); it also supports dynamic capabilities (for instance, fluid changes to strategy and team setup) in order to respond quickly to fast-changing conditions.

How do you create an agile organization?

To balance flexibility and stability, organizations can implement choices in five dimensions[5] of the agile operating model (Exhibit 2). The extent to which an organization has implemented these agile elements represents their level of agile maturity (see sidebar "How agile are you?"). To reap the fullest benefits of agility, companies should implement any operating-model changes across all five dimensions.

Few organizations have completed a full transformation across all dimensions of the operating model at the enterprise or business-unit level; most still work at team-level agility.[6] However, we see a growing interest in scaling agility from pilot projects at the team level to implementation across larger parts of the organization. With this in mind, our research included only those agile transformations at the enterprise or business-unit level.[7]

How agile are you?

Understanding your company's agile maturity today is an essential step in shaping your journey to enterprise agility. Curious to find out your company's agile maturity? Take our 20-question survey in the paper's appendix.
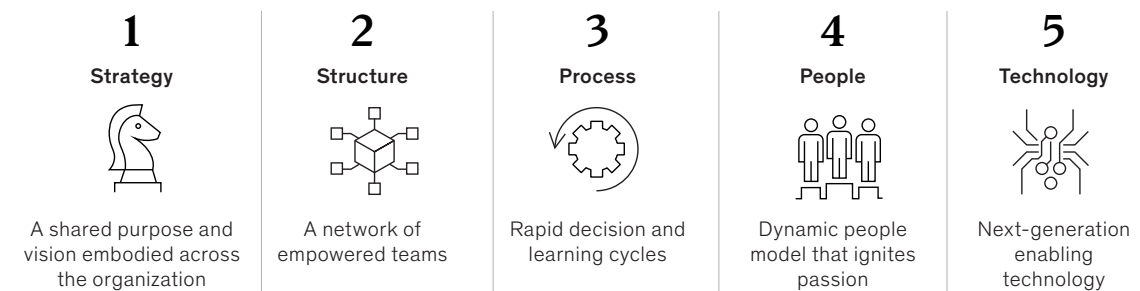
What do you measure when you measure agility?

Although the five dimensions seen in Exhibit 2 provide a clear path to implementation and how to assess the *level* of enterprise agility, they offer no guidance on how to measure the *impact* of enterprise agility. The danger here is using the table to measure the ruler rather than the other way around.

We tracked a broad set of outcome metrics during agile transformations and saw that organizations use a unique set of metrics depending on their sector, customer type (for example, B2B or B2C), and transformation objectives (Exhibit 3). However,

Exhibit 2

To increase the level of enterprise agility, companies face implementation choices across five operating-model dimensions.

1	**2**	**3**	**4**	**5**
Strategy	Structure	Process	People	Technology
A shared purpose and vision embodied across the organization	A network of empowered teams	Rapid decision and learning cycles	Dynamic people model that ignites passion	Next-generation enabling technology

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[5] Or "trademarks." See Michael Bazigos, Aaron De Smet, and Chris Gagnon, "Why agility pays," *McKinsey Quarterly*, December 2015, McKinsey.com.

[6] In the 2017 McKinsey Agility Survey, only 4 percent of companies surveyed had completed an enterprise-wide agile transformation, although 37 percent said enterprise-wide agile transformations were in progress. See "How to create an agile organization," October 2017, McKinsey.com.

[7] For example, the redesign of an entire R&D department with 9,000 employees, the complete redesign of an international bank's operations in one country, and the overhaul of a national telco.

we can broadly synthesize the key outcome metrics into the four categories that compose the structure of the agile impact engine shown earlier:

— customer satisfaction

— employee engagement

— operational performance

— financial performance

Clearly, different organizations undergoing agile transformations will tend to emphasize apposite outcome categories. For example, those in our sample who needed to recruit talent focused more on employee engagement, whereas those in financial distress concentrated on financial gains and those facing competitive pressure valued customer satisfaction.

How much do your customers love you? Agility has the potential to improve the customer experience by up to 30 percent

Using enterprise agility to meet rapidly changing customer needs can result, unsurprisingly, in a better customer journey. In the cases we examined, agile transformations resulted in an uplift in customer satisfaction and engagement of between ten and 30 points.

An obvious driver of this impact on customer experience is the shift toward an obsession with the customer; this is key for all agility. During an agile transformation, customers move to the heart of the organization, and the "North Star" (a shared purpose and vision across the organization) invariably centers around customer needs.

Exhibit 3

A wide set of outcome metrics were tracked.

Outcome metrics by industry	Customer satisfaction	Employee engagement	Operational performance	Financial performance
Financial institutions	● Customer-satisfaction score ● Number of companies ● Customer survey	● External ranking as preferred employer	● Time to market deployment/ lead time	● Full-time employee (FTE) cost reduction
Telecom	● Customer-satisfaction score ● Number of companies ● Customer survey	● Employee-engagement score	● Time to market	● FTE cost reduction
Mining, oil, and gas	● Asset-manager surveys	● Organizational-health surveys	● Employee productivity	● Operational (non-FTE) cost reduction
Advanced industries	● Not applicable	● Organizational-health surveys	● Employee productivity	● FTE cost reduction
Healthcare and pharmaceuticals	● Customer-satisfaction score ● Number of customer touchpoints	● Employee-engagement score ● Sickness/absence	● Time to market	● FTE cost reduction
Public sector	● Not applicable	● Employee-satisfaction survey	● Not applicable	● FTE cost reduction

In fact, the North Star is essential to an agile transformation, since it informs all decisions and missions and provides a language shared across the organization. For example, Amazon's North Star is, "We seek to be Earth's most customer-centric company." Amazon's four guiding principles, of which one is "customer obsession rather than competitor focus," further emphasize this purpose.[8]

Another element that enhances customer satisfaction is a flexible network of teams (one of the five trademarks of an agile company). In a successful agile transformation, the teams need to operate with high standards of alignment, accountability, expertise, transparency, and collaboration, all in service of the customer.

The impact of these standards on customer satisfaction becomes clear when we consider the complicated pathway that new product ideas took at

an Asia–Pacific telco in its preagile state. As Exhibit 4 shows, new ideas to meet customer needs went through countless handovers between departments with different customer value propositions and incentives. This resulted in frequent delays and, consequently, low customer satisfaction. During the company's agile transformation, it moved to a cross-functional setup of its digital-consumer business, with 18 squads taking end-to-end accountability for different outcomes within the new digital hub. As a result, customer satisfaction increased by 35 points.
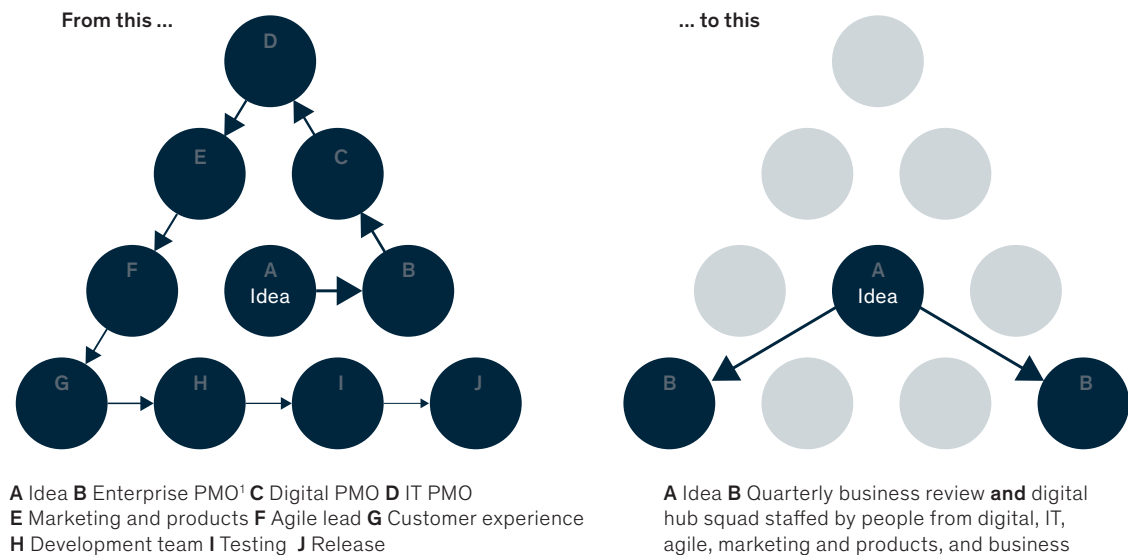
Do your employees really care? Agility leads to a potential 20 to 30 percent improvement in employee engagement

A second area in which the impact of agility is clearly visible is in employee engagement. The organizations in our sample experience a 20- to

Exhibit 4

Agile transformation considerably streamlined the idea journey at an Asia–Pacific telco, resulting in increased customer satisfaction.

Agile transformation streamlining

From this …

… to this

A Idea B Enterprise PMO[1] C Digital PMO D IT PMO
E Marketing and products F Agile lead G Customer experience
H Development team I Testing J Release

A Idea B Quarterly business review **and** digital hub squad staffed by people from digital, IT, agile, marketing and products, and business

[1] Project management office.

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[8] *2018 Amazon annual report*, Amazon, 2018, ir.aboutamazon.com.

30-point improvement in engagement in an agile environment, compared with a nonagile environment.[9] This change was seen whether engagement was measured by employee willingness to recommend their workplaces or by internal employee-satisfaction surveys.

Several factors could explain the impact of agility on employee engagement. Most fundamentally, in the nonhierarchical organization of cross-functional teams, employees have the opportunity to develop a strong sense of autonomy, mastery, and purpose.[10] These have a positive influence on employee satisfaction and engagement, as evidenced in previous McKinsey publications and extensive research, including that compiled in Daniel H. Pink's *Drive: The Surprising Truth About What Motivates Us* (Riverhead Books, 2009).

An agile transformation encourages these three motivating factors, as illustrated by a telecom operator from Asia–Pacific. The company launched an enterprise-wide agile transformation, with improved employee engagement as a leading goal, alongside increased customer centricity and faster time to market. Throughout the transformation, the company's operating model went through an overhaul. They transformed its hierarchical and multilayered organization structure into a simple, three-layered approach consisting of a leadership squad, 18 tribes, and approximately 200 autonomous squads.

Autonomy was embedded by creating small, cross-functional teams with full end-to-end accountability for specific missions and products. *Mastery* grew from its need for people who could apply knowledge across a broad range of situations while having deep knowledge in one area. The new setup recognized individuals for their technical skills and allowed growth in expertise, not just a move into management with a multidimensional contribution model.

Finally, *purpose* was created through an inspiring North Star translated in clear goals and missions

for each squad in the organization. Concrete tools such as objectives and key results (OKRs) allowed the North Star to act as a common language between distributed and autonomous teams (see sidebar "What is the difference between a key performance indicator and an objectives-and-key-results metric?").

As a result, employee engagement scores in most of the agile tribes now significantly exceed levels seen even in many of the iconic digital natives, allowing the organization to attract top talent in the market and strongly outperforms its peers in this area.

(For more on the impact of purpose, see sidebar "Mini case study: Purpose in the public sector.")

What is the difference between a key performance indicator and an objectives-and-key-results metric?

A key performance indicator (KPI) is a metric used to measure the performance and track the health of a business, and it usually refers to an ongoing activity. A mature organization will track many KPIs but conceptualizes them as levels to maintain, not necessarily targets for change during the period of measurement. Setting objectives and key results (OKR), however, allows companies to focus on aligning its objectives for change and monitoring progress toward those objectives during the period of measurement. The objectives, based on the overall company road map and strategy, get revisited regularly as the team or organization evolves. There may be an overlap between a KPI and the OKR framework if a KPI aligns with an objective that a change in the KPI could accurately measure, but this is not necessarily the case.

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[9] As measured either before and after an agile transformation or in agile and nonagile units within a company.

[10] In the context of employee engagement, "autonomy" refers to the human desire to be self-directed, "mastery" refers to the human urge to improve skills, and "purpose" refers to the desire to do something that has meaning and importance over and above driving profit.

Mini case study: Purpose in the public sector

An example of the impact of a purpose orientation comes from a European public-sector defense organization. One senior leader commented, "In order to overcome organizational inertia, we focused on crafting a 'North Star' vision and redesigned our previous hierarchical structure into purpose-based teams. We really wanted our staff to feel part of this transformation, so [we] focused from the start on cocreation and listening." This enabled the organization to set priorities for each team, make "health checks" to identify pain points and strengths, and facilitate early employee buy-in. Overall, the organization became more responsive to change, and its employee engagement increased by 20 points.

It makes sense to want happy, motivated, and engaged employees. There is a strong connection between employee engagement and efficiency metrics (such as speed of issue resolution), as well as between employee engagement and customer satisfaction.[11] And the contribution of such employees is widespread. Moreover, it should come as no surprise that high employee engagement scores attract better applicants and support organizations in the war for talent.

When measuring the impact on employee engagement of agile transformations, it is important to track changes over time. Any transformation can initially provoke excitement across both agile and nonagile parts of the organization. Equally, parts of an organization may experience a subsequent decline in engagement when they encounter obstacles in nontransformed parts of the organization.

The HR director of such a fully agile organization expands on the powerful impact purpose and autonomy had on the large improvements in employee engagement:[12]

> [Without purpose and autonomy], you're in a world where people come in to work, they do their little bit, they go home, but they may have no idea where that fits into the big scheme of things. Agile puts direct ownership and real-time accountability with the squad so that they have absolute clarity about where it all fits now. That's where the engagement comes from—employee engagement goes off the chart because people have richer jobs, they've got a broader perspective, and they're focused on solving problems. They don't feel like hamsters—they feel like they're part of a squad that's on a mission.

What can agility do for you? Unlock a performance improvement of up to 30 to 50 percent

Operational-performance metrics vary by sector. Common examples in our sample include time to market, planning time, issue-resolution speed, predictability, and raw product output, among others. These can fit broadly into three categories: speed, target-achievement rates (TARs), and other industry-specific metrics. Our research shows that implementing an agile transformation can unlock an improvement of 30 to 50 percent in these metrics.

Two specific factors—enhanced visibility and understanding of objectives and improved team dedication—are dominant here:

1. Agile units have more *visible expectations* of their tasks (by having strategy expressed in OKRs, team-level milestones, and deliverables). They are also clear about their current performance (by using real-time key-performance-indicator dashboards). Adjustments can occur quickly.[13]

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[11] See Sylvie Bardaune, Sébastien Lacroix, and Nicolas Maechler, "When the customer experience starts at home," May 2017, McKinsey.com; *McKinsey Organization Blog*, "Linking employee engagement to customer satisfaction at Starwood," blog entry by Alex Camp, Hortense de la Boutetière, and Gila Vadnai-Tolub, April 15, 2019, McKinsey.com.

[12] Tom Fleming, Jason Inacio, and David Pralong, "All in: from recovery to agility at Spark New Zealand," June 2019, McKinsey.com.

[13] The Toyota Production System is a classic example of this. Individuals have the power to escalate irregularities in production quickly to team leaders, who, in turn, have the power to stop the production line to rectify the issue.

There is a strong connection between employee engagement and efficiency metrics (such as speed of issue resolution), as well as between employee engagement and customer satisfaction.

2. Tasking *dedicated teams* with particular outcomes reduces the need for handovers (for example, sending a customer from department to department or handing off an unfinished product to another team) and the waiting time, thereby increasing efficiency.[14]

Next, we outline some of the potential performance improvements associated with agility.

Increasing speed

Using agility, organizations can increase the speed of decisions and product development, as well as shorten the time between the conception and release of a product (known as time to market). They dream of a setup that allows them to stop trailing their competitors and to move to the forefront of product development.

This happened to a telecom player in our sample. As a result of the company's new, agile setup, it could respond to its competitors' new-product releases within one week, as opposed to several months: it cut time to market by as much as 70 percent. Overall, our research indicates that agile transformation can reduce time to market by at least 40 percent.

This is also relevant for B2B companies, or parts of B2B companies, in which speed can have a large impact on capital expenditure. An oil and gas company, for example, wanted to reduce the time it took to plan and design a new oil well. The health and safety implications of drilling rely on a variety of technical skills and require large capital and time expenditure. By creating one co-located team of engineers from the completion, drilling, geoscience, and petroleum teams, as well as supply-chain and commercial specialists, the company halved the time required to plan and design its wells and increased quality by reducing handovers.

Finally, in service operations, speed can drive significant gains in productivity and customer satisfaction, as we have seen in many instances of agile transformations of customer-service and back-office activities.

Improving target-achievement rate

Another operational metric that shows significant improvement after agile transformations is the TAR. Capture 70,000 customers of a goal 100,000 new customers, and the TAR is 70 percent.[15] Whereas most traditional companies struggle to meet their

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[14]For example, a European semiconductor manufacturer (which completed an agile transformation of its entire R&D department) was able to increase the number of full-time engineers working on one project by 20 percentage points, to 80 percent, which reduced lead time by 40 percent and helped improve issue resolution by 20 percent.

[15] Some potential complications exist around this measure, since setting organizational targets too low could result in inflated positive results.

targets (falling below the 100 percent rate), all agile companies in our sample, bar one, surpassed their targets: rates ranged from 90 percent[16] to 140 percent. The 140 percent TAR was at a European bank that outperformed its objectives despite deteriorating market conditions. That said, outperforming targets is not always desirable. Predictability of performance is crucial in accurate forecasting for strategy and resources. Agility allows organizations to adjust their forecasts and targets up and down in a timely manner.

Raising sector-specific metrics

There are many industry-specific operational metrics that illustrate the benefit of agility. For one Australian liquefied natural gas producer, increasing the amount of gas produced per employee was a key operational metric. By applying agile methodologies, such as shifting technical middle managers to "doers" and creating semiautonomous operating assets, the producer was able to raise overall gas production by 5 to 10 percent. However, with a significant reduction in full-time-equivalent hours by means of these methodologies (and by reducing its organizational layers to four), the overall increase in the volume of gas production per employee went up by 70 to 80 percent.

Understanding challenges on the journey to impact

Although successful agile transformations lead to impressive operational improvements in the long run, a dip in operational performance is common during the initial phases of the transformation. This is the result of employees and the organization adjusting to new ways of working. For example, at an Asian telco, senior leaders mentioned that performance—measured by time to market and achievement of performance targets—initially dipped after implementing new initiatives (sprint-based operating rhythms and newly cross-functional squads). But after three months, performance surpassed the company's preagile level.

An agile bottom line? Agility improved financial performance by 20 to 30 percent

Can improvements in customer satisfaction, employee engagement, and operational metrics (such as speed) as a result of agile transformation translate into financial uplifts? Whereas almost all the organizations in our sample tracked productivity gains and cost savings, few systematically looked at revenue or margin uplift, citing difficulties in baselining the pretransformation state. This led to the data overemphasizing cost savings; nonetheless, we have qualitative evidence of revenue-based improvement as a result of agile transformation.

Although cost savings is seldom the primary objective of an agile transformation, it is a natural consequence of the improved operational performance and ability to provide the same outcomes with fewer people. The internal and external costs savings identified in our sample ranged from 20 to 30 percent. Importantly, in several cases, companies reinvested part of the savings to capture new business opportunities—meaning these savings did not register as part of profit and loss.

For example, a Latin American bank decided to go agile in one of its discrete business units. By applying a "no middle managers" rule; reducing the number of layers to three, from seven; dedicating squad members 100 percent to the transformation; and removing the silos between the business and IT functions, it saved 30 percent of its internal full-time-equivalent employees. The bank identified all these employees as new capacity and redeployed them to new roles within the agile company.

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[16] The achievement rate at this company increased to 90 percent, from 30 percent.

Our research so far shows that the prize for agility at the enterprise level is a significant boost in multiple organizational outcomes; we have summarized the maximum potential in our agile impact engine. The findings hold true for successful agile-transformation implementations across sectors and geographies. As the pressures mount to find innovative ways to remain competitive in today's rapidly changing environments, agility is no longer just desirable but becoming essential.

To continue building our fact base, in coming months, we will extend our research on agile maturity and key performance indicators (including financial results) across industries and over time.

Wouter Aghina is a partner in McKinsey's Amsterdam office; **Christopher Handscomb** is a partner in the London office, where **Jesper Ludolph** is an associate partner; **Daniel Rona** is a partner in the Budapest office; and **Dave West** is the CEO and product owner of Scrum.org.

Agility maturity assessment

Question 1		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Strategy	Shared vision	Has a shared vision and common purpose ("North Star") meaningful to all parts of the organization

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
There is no shared vision or common purpose ("North Star") among employees in the unit. Employees are not involved in strategic direction setting.		There is a strong shared vision or common purpose ("North Star") among employees in the unit, who are motivated to achieve these shared goals. Employees are involved in strategic direction setting.

Question 2		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Strategy	Actionable strategic guidance	Has a clear strategy with clear expected outcomes (eg, milestones, deliverables, and/or business impact) that allows employees to work autonomously

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
The unit strategy is unclear and output, not outcome, focused. There are limited clear expectations of milestones, deliverables, or business impact.		The unit strategy is clear and outcome focused (not output focused). There are clear expectations of certain milestones, deliverables, or business impact, enabling employees to work autonomously toward the outcomes.

Question 3		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Strategy	Sensing and seizing opportunities	Continuously monitors changes in its environment (through both formal and informal channels such as online forums) to identify new opportunities and launch new initiatives

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Units (both managers and employees) do not actively monitor changes in their environment and are not encouraged to identify new opportunities or initiatives.		Units (both managers and employees) proactively monitor changes in their environment (in both formal and informal channels) and are encouraged to identify new opportunities or initiatives.

Question 4		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Structure	Reporting structure	Has a delayered organizational structure with truly cross-functional, end-to-end teams formed around a current purpose

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
The unit has strong hierarchical structure, with teams formed around static, single functions, and a purpose that is not regularly updated. Units do not include all capabilities required for end-to-end delivery and need to hand over tasks to other units.		Unit has a delayered organizational structure with truly cross-functional, end-to-end teams formed around a current purpose (that may change). Units therefore have all capabilities reqruied for end-to-end delivery and handover is minimized.

Question 5		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Structure	Governance	Consists of self-governed teams of fully dedicated employees making decisions autonomously

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Teams within a unit require leadership approval for decisions and have limited direct accountability for the team outcomes.		Unit consists of self-governed teams (eg, can take decisions autonomously without leadership approval and every individual is accountable for team outcomes) of fully dedicated employees.

Question 6		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Structure	Roles and responsibilities	Includes new roles and responsibilities (eg, product owners, agile coaches)

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Units only include traditional roles and responsibilities.		Units include new roles and responsibilities (eg, product owners, agile coaches)

Question 7

Agile engine quadrant	Agile engine levers	"Overall, the unit…."
Structure	Workforce size and location model	Co-locates teams to enable face-to-face interactions

Answer scale and examples

1 Strongly disagree	3 Neither agree nor disagree	5 Strongly agree
Different functions or roles within a unit are not co-located and rarely have face-to-face interactions.		Teams within units that are working in different functions or in different roles within a unit are co-located and often have face-to-face interactions.

Question 8

Agile engine quadrant	Agile engine levers	"Overall, the unit…."
Processes	Team processes	Embraces a sprint-based (or similar) operating rhythm that delivers fast and iteratively with regular lightweight ceremonies

Answer scale and examples

1 Strongly disagree	3 Neither agree nor disagree	5 Strongly agree
Deliverables are not frequently iterated and face only significant milestone checks, resulting in a slow pace of change.		Uses a sprint-based operating rhythm to deliver fast and iteratively with regular lightweight ceremonies, meaning the process of making changes to deliverables is fast.

Question 9

Agile engine quadrant	Agile engine levers	"Overall, the unit…."
Processes	Linkage mechanisms	Interacts efficiently and seamlessly with other units and functions (eg, finance, HR, procurement)

Answer scale and examples

1 Strongly disagree	3 Neither agree nor disagree	5 Strongly agree
Interaction with other units and functions is uncommon, slow, and/or difficult.		Interacts efficiently and seamlessly with other units and functions.

Question 10		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Processes	Planning and decision processes	Uses an efficient and simple supply-based budgeting process

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Budgets are static and difficult to change throughout the year, and they are determined by, eg, legacy budget structures, historical spend, and spending trends. Budgets are allocated on a project basis, and teams cannot reallocate between themselves.		Budgets are determined by an efficient and simple supply-based process, using strategy goals, maximum ROI and functional efficiency, and no item is automatically included in next year's budget. Budgets are allocated on an outcome basis, and teams working toward the same outcome can reallocate between themselves.

Question 11		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Processes	Planning and decision processes	Is aligned to company goals, as indicated by quarterly business reviews

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Unit management and employee goals and actions are not directly aligned to company goals.		Unit management and employee goals and actions are directly aligned to company goals.

Question 12		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Processes	Performance management	Uses a performance-management system with continuous feedback conversations, measuring against team goals and cross-functional business targets

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
A traditional performance-management system is used, where feedback is provided at predetermined points throughout the year (eg, every 6 months) and on an individual basis (eg, not against team goals and cross-functional business targets).		A performance-management system is used that includes continuous feedback conversations (at flexible points throughout the year, whenever required), measuring against team goals and cross-functional busines targets.

Question 13		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
People	Culture	Has a culture with strong elements of customer obsession, team empowerment, owner mind-sets, and engineering culture

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**

The culture is internally focused and individualistic. Employees have limited ownership over products or outcomes and blame others. There is a planning-based culture, with no limited room for experimentation or improvement against plans.

The culture is customer centric (not company centric) and team oriented (not individualistic). Employees take ownership over products or mistakes and do not adopt a victim mind-set or blame others. Experimentation is encouraged as part of the engineering culture, and products are first designed as minimum viable products (MVPs) and then iterated upon.

Question 14		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
People	Talent management	Uses a tailored approach for talent recruitment, training, and employee retention

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**

There is a standard approach to recruitment, training, and employee retention, with little customization/individualization based on the employee's profile and needs.

Uses a tailored approach for talent recruitment, training and employee retention, based on employee profile and needs.

Question 15		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
People	Leadership	Has leadership that is focused on enabling delivery and empowering teams

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**

Leadership is focused on using hierarchical power relationships to achieve objectives and view themselves as the chief decision makers, not empowering teams.

Leadership is focused on enabling delivery and empowering teams to deliver autonomously, and they do not view themselves as the chief decision makers.

Question 16

Agile engine quadrant	Agile engine levers	"Overall, the unit…."
People	Informal networks and communication	Uses frequent and open communication around objectives and results to foster change across the board

Answer scale and examples

1	3	5
Strongly disagree	**Neither agree nor disagree**	**Strongly agree**
Unit objectives and results are rarely reviewed or communicated within the unit.		Uses frequent and open communication around objectives and results to foster change across the board.

Question 17

Agile engine quadrant	Agile engine levers	"Overall, the unit…."
Technology	Combination of IT infrastructure and operations and delivery pipeline	Uses automated testing and deployment (continuous delivery and DevOps)

Answer scale and examples

1	3	5
Strongly disagree	**Neither agree nor disagree**	**Strongly agree**
There is no automated testing and deployment: code development, testing, and release is done in sequence and in big batches on long time frames (eg, 6 months). Budgets are project based, over the same time frames. Health of the systems and infrastructure is checked at predetermined moments or when it breaks.		Uses automated testing and deployment/continuous integration and continuous deployment: small batches of code are released frequently (eg, thousands per day) and parts of the process are done in parallel. Budgets are based on projected development capacity required. The health of the systems and infrastructure is continuously monitored and results automatically feed into relevant teams.

Question 18

Agile engine quadrant	Agile engine levers	"Overall, the unit…."
Technology	Architecture evolution	Leverages micro-service based architecture built on APIs

Answer scale and examples

1	3	5
Strongly disagree	**Neither agree nor disagree**	**Strongly agree**
Very basic tools and infrastructure are used, eg, only pilots on the cloud, and only older versions of infrastructure tools (eg, physical tools) and manual intervention. Overall computing power is low, with a lot of room for scaling up. Only local cloud options are used.		Advanced supporting tools and infrastructure are used, eg, company is fully run from the cloud and infrastructure is truly virtual, built out of code/scripts. Only the best/newest infrastructure and security tools are used. Overall computing power is high, with little room for scaling up. Only global cloud options are used.

Question 19		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Technology	Supporting systems and tools	Works with supporting tools and infrastructure (eg, open-source tooling, cloud infrastructure)

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Very basic tools and infrastructure are used, eg, only pilots on the cloud, and only older versions of intrastructure tools (eg, physical tools) and manual intervention. Overall computing power is low, with a lot of room for scaling up. Only local cloud options are used.		Advanced supporting tools and infrastructure are used, eg, company is fully run from the cloud and infrastructure is truly virtual, built out of code/scripts. Only the best/newest infrastructure and security tools are used. Overall computing power is high, with little room for scaling up. Only global cloud options are used.

Question 20		
Agile engine quadrant	**Agile engine levers**	**"Overall, the unit…."**
Technology	Team build	Has integrated run and build teams

Answer scale and examples		
1 **Strongly disagree**	**3** **Neither agree nor disagree**	**5** **Strongly agree**
Run and build teams are completely separate/siloed.		Run and build teams are integrated and working together toward common outcomes.