

Organization Practice

Why an agile transformation office is your ticket to lasting impact

This structure defines goals, ensures that agility's principles stick, and keeps the focus on value. Three design decisions are the key.

by Amit Anand, Khushpreet Kaur, Noor Narula, and Belkis Vasquez-McCall



For years now, companies across industries, bent on moving from traditional, slow-moving hierarchies to flexible and fast decision-making models, have focused on agile transformations. The COVID-19 pandemic lent urgency to these efforts, creating an immediate need for adaptability, speed, and efficiency. Decision rights shifted and expanded throughout organizations, and learning took place rapidly, in real time.

Now, as companies emerge from the pandemic, some will be looking to intensify the agile journey, while others will be taking their first steps to secure its benefits. In either case, establishing an agile transformation office (ATO) can improve the odds of success. Whether your transformation aims at only part of the enterprise or across the whole of it, a successful journey should have a structured approach that can deliver value.

An ATO shapes and manages the transformation, brings the full organization along, and—perhaps most important—helps it achieve lasting cultural change. The ATO is not meant to be an oversight board or another layer of bureaucracy. Instead, it is embedded within the existing structure, pulling in the right business expertise to realize tangible outcomes.

Becoming a truly agile organization is a long-term proposition that takes place in phases. A centralized ATO can not only propel the transformation but also ensure the “stickiness” of cultural change across an organization. It helps identify and resolve issues that can slow the pace of the transformation and keeps the focus on creating value. In this article, we’ll define the mandate, structure, and reporting lines of ATOs, as well as the responsibilities and capabilities of the roles within them.

How an ATO structure delivers value

In essence, agility at an enterprise level means moving strategy, structure, processes, people, and technology toward a new operating model. It achieves all this by rebuilding an organization

around hundreds of self-steering, high-performing teams (supported by a stable backbone) and by changing the organizational culture.

An agile transformation is both comprehensive and iterative. It is comprehensive because it clearly defines what the organization is trying to achieve and creates the processes and structures needed to reach these goals. It is iterative because it requires the organization to test, learn, and correct course as each part of the new operating model is implemented (Exhibit 1).

To stand up an ATO, organizations should make design decisions in three areas: its mandate, its structure, and its key roles and responsibilities.

Design decision one: Agree on the ATO’s purpose and mandate

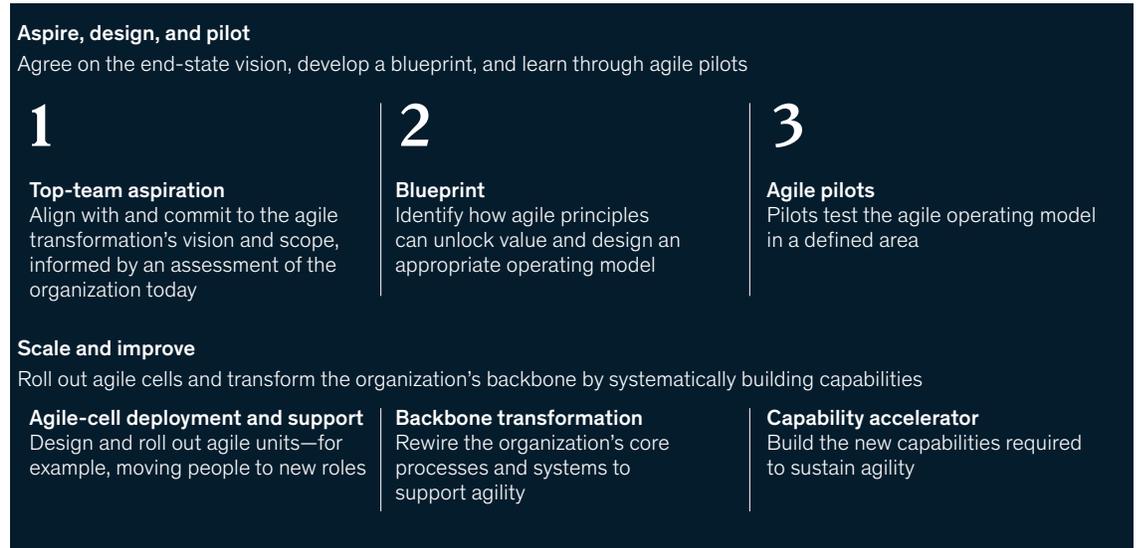
Just as it is crucial to get alignment on the transformation’s overall objective, it is important to give the ATO a clear purpose that is agreed upon by leaders across the organization, with input all the way from the C-suite to the people who will play critical roles in the ATO. This step establishes the ATO’s value proposition and links it explicitly to the “why” of the transformation.

A telecommunications company, for example, set up an ATO to drive cultural shifts during its agile transformation. The ATO led the journey with a clear purpose and sponsorship, rallying the whole organization behind its goals: delivering value to customers, employees, and the business. The ATO became the central point, engaging leaders, functions, and business leads to experiment with and implement new ways of working.

An ATO’s mandate differentiates it from a traditional PMO in six critical ways:

1. *Driving the transformation road map to scale agility across the organization.* This responsibility includes defining when and how changes will be rolled out, along with

An ATO creates the structure for organizations to test, learn, and correct course.



- determining how the ATO supports each phase of the transformation. Key stakeholders should agree on a defined timeline and pace.
- 2. Building capabilities, including hiring and upskilling talent.** To transform itself successfully, the organization should build new skill sets for key roles, such as product owners, tribe¹ leaders, and agile coaches (more about these roles below). The ATO helps shape the creation of the talent pipeline for these roles, both internally and externally, in collaboration with other parts of the organization, such as HR.
 - 3. Serving as culture and change champions.** To set an example for the rest of the organization, ATO members should embody the principles, behavior, and mindsets the transformation requires. They should also promote the transformation's benefits, values, and aspirations through road shows and other forms of engagement with the broader organization.
 - 4. Coaching senior leaders.** The ATO coaches senior leaders so they can champion the transformation and lead by example. Agility is both a top-down and bottom-up transformation. Senior leaders should role model the new behavior, define the mindsets that matter, and lead by example. To serve their people, they frequently show up at agile events.
 - 5. Managing interdependencies.** Because the ATO is highly visible, it is responsible for identifying dependencies and potential synergies, serving as the final clearing point for critical decisions.
 - 6. Creating and refining best practices.** As the transformation rolls out, the ATO continues to evolve its thinking on best practices and on behavior that the entire organization should adopt.
- The decision about whether the ATO should take on all six mandates or only a few of them

¹ A tribe, comprising about 50–150 people, is a group of related squads (cross-functional teams of 5 to 10 members) formed around a given business goal. It is responsible for the outcomes of a segment, product, or functional area.

depends on the transformation's overall objective and the organization's progress along its agile journey. In most cases, the ATO drives the design and execution of the agile road map and builds agile capabilities—an ATO's top two distinguishing features.

While this is a good starting point, organizations may realize the full benefit of an ATO only when it has clear sponsorship and a mandate across all six categories. Usually, the ATO's mandate shifts over time as the support required by the organization evolves and the transformation's level of maturity increases. To ensure alignment and accountability, the ATO should have clear objectives or success criteria so that it can assess whether it is making progress.

A banking organization defined its ATO's purpose as delivering value across the business, in part by the "adoption of agile mindsets and ways of working across the bank." The ATO's test-and-learn approach involved locating a number of squads in a "garage," so that they could work in their own way, without (at first) affecting the rest of the organization. The new way of working was then extended outward in a phased manner.

The garage, intended as a controlled experiment space that could simulate the larger transformation model, was empowered to make and refine decisions within the new operating model. The bank's chief human-resources officer (CHRO) helped to prioritize and integrate the lessons from the garage and to build capabilities at scale. As part of the rollout, the ATO became the central point for pushing agile ways of working and the associated cultural change throughout the organization.

In another example, a telecommunications company aimed to scale its agile transformation to a large part of the core business. The organization declared that the purpose of its ATO was to "ignite and sustain the agile culture, partnering to change our underlying DNA for higher performance."

The chief digital officer was the effort's executive sponsor. With his support, the organization launched seven agile tribes within ten months. As many as 800 people were exposed to the new ways of thinking and operating. The ATO was the backbone of the telco's transformation, leading communications and the design of the new organizational model across both the agile and nonagile parts of the business. In this capacity, the ATO not only defined the new roles and responsibilities and how they interacted with the nonagile part of the business but also coached people through the transition.

Design decision two: Define the ATO's reporting structure and its place within the organization

The right reporting lines for an ATO depend on the organization's context and culture. We find that in successful efforts, the agile transformation's leader usually reports directly to the CEO or one of the CEO's direct reports—a structure that ensures tight alignment and support from the top leadership.

For instance, at a telco based in Asia, the ATO reported to the CHRO, who served as the overall transformation's sponsor. At a North American financial institution, the ATO's leader reported directly to the CEO to promote accountability and successful outcomes during the transformation. At another financial institution, the ATO reported to the COO, who led the transformation for the whole organization.

No matter which reporting line an organization chooses, it is critical to make the transformation an integrated business priority rather than just another change initiative run in parallel with the business. To emphasize this distinction and maximize the transformation's benefits, many organizations maintain either solid or "dotted" reporting lines between functional or business leaders and the execution leaders in the ATO.

Capabilities and roles developed to support the scaling of the transformation (for instance, agile coaches, DevOps, or technical experts) often report to the ATO for a period. This approach allows the organization to build these skills and to standardize them more rapidly than it could if they were dispersed across the organization (Exhibit 2).

Design decision three: Determine the ATO’s roles and responsibilities

Depending on the purpose and mandate of the ATO, leaders should determine the capabilities and skills it requires. Although the ATO will scale up or down over time, a successful transition requires leaders with a number of core capabilities.

Execution leaders “own” the transformation road map, assessing whether it is sustainable and continues to deliver value. They will be needed across the full transformation and in each phase or area being transformed. To inform the ATO’s overall

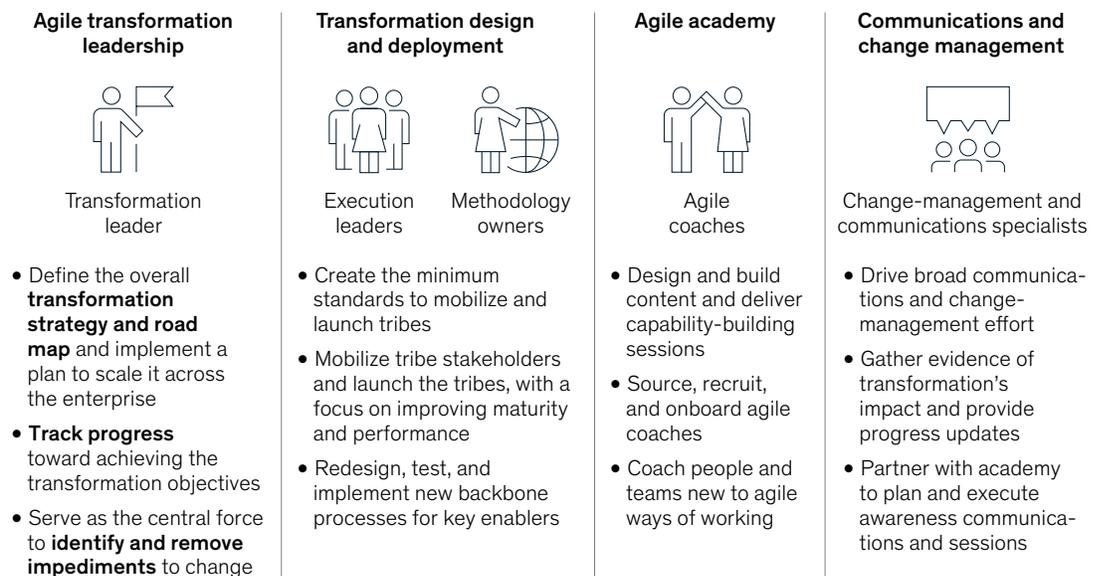
design, this group of leaders needs a combination of business experience and a knowledge of support functions, including HR (and HR business partners), finance, and IT. Their numbers and the proportion of their time they devote to this work vary during the transformation.

A tight partnership between the ATO and HR is crucial to ensure that the organization attracts and retains the talent needed for the transformation, develops the appropriate capabilities, and engages and excites people across the organization. During another financial institution’s transformation, for example, HR was involved from the start to create job descriptions for needed roles and to source and help interview candidates. The HR team brought meaningful insights into what worked for the company’s culture, creating positive momentum early on.

Methodology owners gather lessons from the transformation and refine and evolve agile practices,

Exhibit 2

The ATO’s structure and key roles within it drive the transformation throughout the organization.



operating models, behavior, the overall playbook, and the minimum standards that teams across the organization must set. This not only gives agility a consistent meaning across the organization but also helps it to test changes and to learn from them as more parts of the company are transformed.

Agile coaches, who can guide teams through their transformation, help them and their leaders to adopt agile mindsets and behavior and to develop targeted plans that help them on their journey to agile maturity.

Change-management and communications experts help maintain open lines of communication through a period of change. This team helps target the messaging to all audiences involved in the transformation, including leaders, managers, teams being transformed, and those that will be transformed in the future.

To support all these teams, the ATO should have a strong transformation leader. It's critical to have the right person in this role so that the organization achieves the outcomes it desires. Generally, we have seen companies select a transformation leader who is an executive at the company (or a member of its senior leadership team) and has a deep understanding of the business and the internal and external forces affecting the organization.

The key attributes of the transformation leader include:

- a track record of successfully directing large programs to achieve the necessary impact
- a demonstrated ability to influence the whole organization and to negotiate priorities across multiple groups and stakeholders

- strong communication skills and the ability to coach and inspire leaders and team members to bring about change
- the ability to prioritize effectively on a regular basis

The other design choice is deciding which of these roles will be full or part time. Although the transformation leader and agile coaches are usually fully posted to the ATO, other roles may not be. Because specific needs evolve over time, the ATO must itself be agile so that it can adjust its size and capabilities to maintain momentum.

An insurance organization, for example, set up an ATO to drive a transformation from the grass roots. At the outset, the ATO worked with HR, tech, finance, coaching, operating-model design, and other support functions. Then it slowly reduced its input as it met its objectives.

These three design decisions—the purpose and mandate of the ATO, its reporting structure and place in the organization, and its capabilities and roles—help companies create effective agile transformation offices. An ATO brings leaders along through coaching while it tests and evolves practices to match the organization's needs.

In our experience, an empowered ATO applies rigor and expertise as it shapes the mindsets, behavior, and culture that a successful agile transformation requires. No matter which design choices organizations make when they set up ATOs, the need for one appears more critical than ever as agile principles become the norm across industries.

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