The agile manager

Who manages in an agile organization? And what exactly
do they do?

Aaron De Smet

The agile workplace is becoming increasingly common. In a McKinsey
survey of more than 2,500 people across company sizes, functional
specialties, industries, regions, and tenures, 37 percent of respondents said
their organizations are carrying out company-wide agile transformations,
and another 4 percent said their companies have fully implemented such
transformations. The shift is driven by proof that small, multidisciplinary
teams of agile organizations can respond swiftly and promptly to rapidly
changing market opportunities and customer demands. Indeed, more than
80 percent of respondents in agile units report that overall performance
increased moderately or significantly since their transformations began.

These small teams, often called "squads," have a great deal of autonomy.
Typically composed of eight to ten individuals, they have end-to-end
accountability for specific outcomes and make their own decisions about
how to achieve their goals. This raises an obvious and seemingly mystifying
question for people who have worked in more traditional, hierarchical
companies: Who manages in an agile organization? And what exactly does an
agile manager do?

LAY OF THE LAND
The answers become clear once you understand that the typical agile
company employs a dynamic matrix structure with two types of reporting
lines: a capability line and a value-creation line. Nearly all employees have

both a functional reporting line, which is their long-term home in the company, and a value-creation reporting line, which sets the objectives and business needs they take on in squads.

In agile parlance, the capability reporting lines are often called "chapters" and are similar in some ways to functions in traditional organizations (you might have a "web developers" chapter, say, or a "research" chapter). Each chapter is responsible for building a capability: hiring, firing, and developing talent; shepherding people along their career paths; evaluating and promoting people; and building standard tools, methods, and ways of working. The chapters also must deploy their talented people to the appropriate squads, based on their expertise and demonstrated competence. In essence, chapters are responsible for the "how" of a company's work. However, once talent is deployed to an agile team, the chapters do not tell people what to work on, nor do they set priorities, assign work or tasks, or supervise the day-to-day.

The value-creation reporting lines are often called "tribes." They focus on making money and delivering value to customers (you might have a "mortgage services" tribe or a "mobile products" tribe). Tribes are similar to business units or product lines in traditional organizations. Tribes essentially "rent" most of their resources from the chapters. If chapters are responsible for the "how," tribes are responsible for the "what." They set priorities and objectives and provide marching orders to the functional resources deployed to them.

MANAGEMENT ROLES

In this world, the work of a traditional midlevel manager is reallocated to three different roles: the chapter leader, the tribe leader, and the squad leader. Let's examine the responsibilities of each and the challenges they pose for traditional managers looking to become agile managers.

The chapter leader

Every functional reporting line has a leader. This chapter leader must build up the right capabilities and people, equip them with the skills, tools, and standard approaches to deliver functional excellence, and ensure that they are deployed to value-creation opportunities—sometimes in long-term roles supporting the business, but more often to the small, independent squads. The chapter leader must evaluate, promote, coach, and develop his or her people, but without traditional direct oversight. Chapter leaders are not involved in the day-to-day work of squads; they don't check on or approve the work of their chapter members, and they certainly don't micromanage

or provide daily oversight. Instead, regular feedback from tribe leaders, team members, and other colleagues inform their evaluations and the kind of coaching they provide. Since they're not providing direct oversight, their span of control can expand greatly, a fact that can eliminate several layers of management. In fact, chapter leaders often free up enough time to tackle "real work" on business opportunities as well.

The most difficult challenges facing new chapter leaders are letting go of the day-to-day focus, and shifting attention to building the right capabilities and helping match talent to the right roles and value-creation opportunities. Traditional managers are accustomed to closer oversight of their people. But if they can let go, they will find themselves in jobs that call on more of their leadership and creative talents. Not only can they join squads occasionally, but they can optimize their chapter-leader role in interesting ways. For example, if a company reconfigures squads frequently, reallocating talent to different roles or teams, the chapter leader might create and manage a backlog of "nice to have" functional work that his talent can help with in between their deployments.

The tribe leader

Since these value-creation leaders borrow or rent most of their resources from the chapters, they no longer bear the burden of building up their own functional capabilities. Instead, tribe leaders act as true general managers, mini-CEOs focused on value creation, growth, and serving customers. They must develop the right strategies and tactics to deliver desired business outcomes and to determine what work needs to get done, how much to invest in which efforts, and how to prioritize opportunities. They work with chapter leaders to match the right people to the right squads.

Like chapter leaders, tribe leaders manage less and lead more. Since they have profit-and-loss accountability, they must develop a strategic perspective on their business and their customers, a cross-functional view of the core capabilities of the broader organization (so they can efficiently secure the resources they need from chapters), and an integrated perspective of the company as a whole and how their part of the business fits in with the larger enterprise. Those who succeed will develop more of a general-manager skill set and an enterprise mind-set that can break down silos, enable collaboration across organizational boundaries, and empower product owners to provide day-to-day guidance on objectives, priorities, and tasks.

The most difficult challenges for traditional managers tackling the tribe-leader role are letting go of the need to fully "own" all the people working for them, as well as shifting attention from micromanaging the day-to-day work to developing the right business strategies, setting the right objectives and priorities, and making the right business decisions. Tribe leaders must also wrestle with their reliance on getting their talent from chapters. They must resist the urge to build their own set of resources and create shadow functions so they never lack what they need when they need it. That end-around scuttles the agile matrix, which relies on healthy tensions and constructive conflict to get the right capabilities to the right opportunities at the right time.

The squad leader

Team leaders, or "squad" leaders, serve a crucial purpose in the agile matrix. They aren't the "boss" of the people on their team. They help plan and orchestrate execution of the work, and they strive to build a cohesive team. They also provide inspiration, coaching, and feedback to team members, report back on progress to tribe leaders, and give input on people development and performance to relevant chapter leaders. Think of squad leaders as individual contributors who have developed leadership skills or at least developed an interest in learning these skills. The squad-leader role can be more or less formal and can even change over time depending on what the team is working on. Once again, the challenge for someone from a more traditional company is to lead without exerting onerous control. But the rewards can be great. Some squad leaders will grow into tribe leaders, while others will continue as individual contributors with the additional skill of agile leadership.

SOMETHING OLD, SOMETHING NEW

The idea of autonomous teams is not new; it's been around for decades. For instance, in the quality movement that took hold in manufacturing and continuous improvement 50 years ago, quality circles and high-performance work systems often relied on an autonomous self-managed team with an informal team leader who was not technically a boss. More recently, companies such as WL Gore (in materials science) and Haier (the Chinese appliance manufacturer) have emphasized the empowerment of small teams, even if they don't use the language we associate with agility—or focus those teams on software development, where agile has made some of its most prominent marks.

Today's agile organizations are building on these ideas (for more on the shift underway, see "The agile revolution" below). The squad leader is now a part of an agile matrix, where the value-creation, or tribe, leaders provide constant direction and prioritization around where the value is, and the capability, or chapter, leaders focus on ensuring deep functional expertise, common tools and competencies, and economies of scale and skill. If these leaders can become effective, nonintrusive managers, the agile company will enjoy the best of both worlds: the benefits of size and scale typically realized in large organizations, as well as the benefits of speed and nimbleness often associated with small entrepreneurial start-ups. ⓠ

THE AGILE REVOLUTION

Conceiving of the organization as an organism rather than a machine lies at the heart of the gathering trend toward more agile companies. But what does this look like? In a collaborative effort comprising a series of agile "sprints," 50 McKinsey experts from the firm's digital, operations, marketing, and organization practices recently spelled out the nature of these changes—both the overall paradigm shift, as well as five critical shifts that "traditional" organizations must encourage in the mind-sets of their people. A thumbnail sketch appears below, and the full report, "The five trademarks of agile organizations," is available on McKinsey.com.

The agile organization is dawning as the new dominant organizational paradigm.

Rather than organization as machine,
the agile organization is a **living organism**

From organizations as "machines" ...

Top-down hierarchy

Bureaucracy

Detailed instruction

Silos
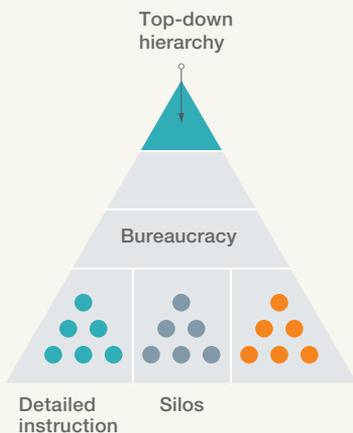
... to organizations as "organisms"

"Boxes and lines" less important, focus on action

Quick changes, flexible resources

Leadership shows direction and enables action

Teams built around end-to-end accountability
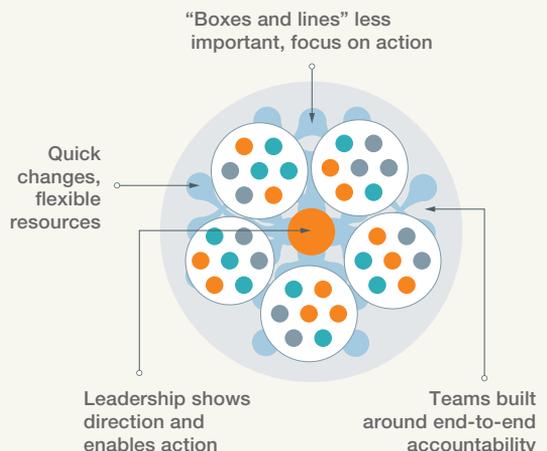
Mind-set shift 1: A strategic North Star embodied across the organization

From	To
In an environment of scarcity, we succeed by capturing value from competitors, customers, and suppliers for our shareholders.	Recognizing the abundance of opportunities and resources available to us, we succeed by cocreating value with and for all of our stakeholders.

Mind-set shift 2: A network of empowered teams

From	To
People need to be directed and managed, otherwise they won't know what to do—and they'll just look out for themselves. There will be chaos.	When given clear responsibility and authority, people will be highly engaged, will take care of each other, will figure out ingenious solutions, and will deliver exceptional results.

Mind-set shift 3: Rapid decision and learning cycles

From	To
To deliver the right outcome, the most senior and experienced individuals must define where we're going, the detailed plans needed to get there, and how to minimize risk along the way.	We live in a constantly evolving environment and cannot know exactly what the future holds. The best way to minimize risk and succeed is to embrace uncertainty and be the quickest and most productive in trying new things.

Mind-set shift 4: A dynamic people model that ignites passion

From	To
To achieve desired outcomes, leaders need to control and direct work by constantly specifying tasks and steering the work of employees.	Effective leaders empower employees to take full ownership, confident they will drive the organization toward fulfilling its purpose and vision.

Mind-set shift 5: Technology as enabler

From	To
Technology is a supporting capability that delivers specific services, platforms, or tools to the rest of the organization as defined by priorities, resourcing, and budget.	Technology is seamlessly integrated and core to every aspect of the organization as a means to unlock value and enable quick reactions to business and stakeholder needs.

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