



The Entrepreneurial Organization at Scale

Report of the SD Learning Consortium

Summary of 2016 Findings

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THE ENTREPRENEURIAL ORGANIZATION AT SCALE

Can large organizations—even big old firms—act entrepreneurially and innovate systematically at scale?

In 2011, **Ericsson** (a 140-year old Swedish firm with around 100,000 employees) embraced Agile for its business in managing networks for the world's telecommunications companies. Competition in the sector is fierce: of seven global firms, only three, including Ericsson, remain. Before 2011, Ericsson would build its systems on a five-year cycle, with a unit housing several thousand employees. When the system was finally built, it would be shipped to the telecoms and there would be an extended period of adjustment as the system was adapted to fit their needs. Now with Agile, Ericsson has over hundred small teams working with its customers' needs in three-week cycles and involving customers in testing different aspects of the system. The result is faster development that is more relevant to the specific needs of the customers. Moreover, the interaction has enabled Ericsson to focus on the customers' very highest priorities. The client gets to see the next iteration of the system every three weeks, instead of waiting five years for one "big bang" delivery. In one case, Ericsson's client had said, "For us to deploy this in our entire network, we would need 120 improvements." It turned out the client decided to go ahead with only 60 of the improvements. "If we had been working as we were in the past," the client said, "we would never have done that at this stage. But because of the cooperation that we have, now we are ready to go ahead." The result? The client gets value sooner. Ericsson has less work in progress. And Ericsson is deploying one to two years earlier than it otherwise would, so that its revenue comes in one to two years earlier. The client is much happier and there is a financial benefit for Ericsson.

In 2015, a small team at **Spotify** (a rapidly growing, 8-year old Swedish music streaming company with more than 2,500 staff and more than 100 million active users globally) had an idea to solve a long-standing problem: how could users find the music they would really love in a library of millions of songs? What if, they asked, we could completely remove the friction for users by algorithmically matching users' tastes with the several billion playlists created by other users and deliver a fresh playlist to each user weekly? Within a couple of weeks, the tiny cross-functional team had pulled together a quick prototype and tested it on Spotify's own staff—all active Spotify users—who loved it. The team did another quick experiment on one percent of the active Spotify users—close to a million people. Again, the response was strongly positive. Scaling up the Discover Weekly algorithms from 1 million users to 75 million users in 21 languages in multiple time zones took just a couple of months. When Discover Weekly was deployed to all Spotify users in July 2015, it was a wild success—becoming not just a new feature but a global brand resulting in an influx of millions of new users. The Discover Weekly team is just one of more than 100 small teams at Spotify, which has deployed Agile approaches to its work since its inception in 2008. Spotify realizes that it will need to continue to innovate if it has any chance of succeeding against wealthy competitors like Apple and Amazon.

Barclays is a 326-year-old transatlantic bank with around 130,000 employees). In 2015, Barclays announced that embracing Agile was a key strategic initiative and encouraged hundreds of teams to become champions of an Agile transformation. There are now more than 800 teams that are part of an organization-wide Agile transformation that is aimed at enabling Barclays to deliver instant, frictionless, intimate value at scale.

In 2014, **Microsoft's** Windows group (some 20,000 staff within the 41-year old firm, which employs around 130,000) set out to radically accelerate its innovation processes. It realized that its two- to three-year cycles of Windows software releases weren't meeting the demands of its customers—now more than 400 million world-wide on Windows 10, and a global Windows user base between 1.5 billion and 2

billion users. The technical challenge was massive, since the Windows program is huge—some tens of million lines of code in multiple languages—and the potential combinations of users’ hardware and software exceed the numbers of atoms in the universe. The Windows group set about systematically “grinding down” its review processes so that the full creative talents of its developers could be unleashed. With drastically leaner review processes and continuous integration, the Windows group is now able to provide releases at least weekly—and sometimes faster—to a volunteer user group of more than 7 million participants who provide direct feedback on proposed improvements. Windows also releases weekly updates for security and bug fixes for all users. Now, individual engineers can see the fruits of their labors for users within days, rather than years—a huge boost for morale and a key element in Microsoft’s actions to attract talent. The Windows group at Microsoft is now just one of several large units, including the Developer Division and Skype, that are embracing Agile and Lean.

The four examples just cited were identified in the 2016 site visits of the SD Learning Consortium (SDLC)—a group of eight firms in the US and Europe that are sharing their experiences in operating entrepreneurially at scale. The examples are not isolated experiments in those firms. In each case, they are part of large-scale implementations of an entrepreneurial approach to running the organization with continuous innovation.

The SDLC members range in age from 8 years to 326 years. The firms operate globally and have been on their various Agile journeys for periods ranging from 15 months to 15 years. Some of the firms were “born Agile” while others are engaged in transformation from top-down bureaucracy. The 2016 visits of SDLC in 2016 included Barclays (London), Cerner (Kansas City), CH Robinson (Chicago), Ericsson (Stockholm), Microsoft (Seattle), Riot Games (Los Angeles) and Spotify (New York).

Each of the site visits included more than ten people learning what each company has done and then exploring in greater depth the issues that were uncovered. After the visits, the member firms got together for several days to review what had been learned and identify common themes. Each firm is sharing what is learned within its own organization in order to spur enhanced implementation of entrepreneurial goals, principles and practices on a continuous journey of discovery

This kind of entrepreneurial management—sometimes known as Agile—took off in software development in 2001 with the Manifesto for Agile Software Development , and is now being embraced by all parts, and all kinds, of organizations, including for complex operations in large organizations, as noted in the *Harvard Business Review* article in April 2016, “Embracing Agile:”

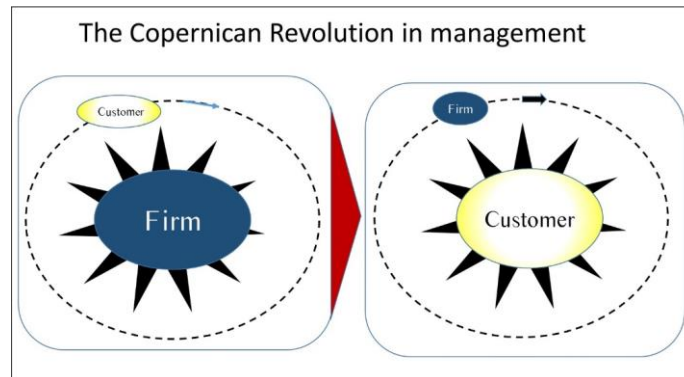
“Now agile methodologies—which involve new values, principles, practices, and benefits and are a radical alternative to command-and-control-style management—are spreading across a broad range of industries and functions and even into the C-suite.”

There are now hundreds of thousands of Agile practitioners around the world and tens of thousands of organizations implementing Agile. The movement is driven both by the passion of those who love working this way and by managers who recognize that survival in an unpredictable and rapidly shifting marketplace requires a capacity to adapt equally rapidly.

THE FOUR MAIN THEMES OF AGILE

Although the SDLC site visits revealed many variations in managerial practices and different labels being applied to what was being done (including Agile, Scrum, Lean and Kanban), the site visits revealed a striking convergence around four themes.

- **Delighting customers:** An obsession with continuously adding value for customers and users, as well as a recognition of the current need to generate instant, intimate, frictionless value at scale, anywhere, anytime, on any device. As a result of globalization, deregulation, knowledge work and new technology, power in the marketplace has shifted from seller to buyer: the customer has now become the boss. This is more than an increased attention to customers: it is a fundamental shift in the goal of the organization—a veritable Copernican revolution in management.



- **Descaling work:** A presumption that in a volatile, complex, uncertain and ambiguous world, big difficult problems need to be disaggregated into small batches and performed by small cross-functional autonomous teams, working iteratively in short cycles in a state of flow, with fast feedback from customers and end-users.
- **Enterprise-wide Agility:** A recognition that, to be fully entrepreneurial, the whole organization needs to embrace the entrepreneurial mindset: the entire firm functions as an interactive network, not a top-down bureaucracy with a few teams implementing Agile tools and processes. In effect, Agile is not just for IT: it is a change in the way that the whole organization thinks, is led and managed.
- **Nurturing culture:** A never-ending commitment to actively nurture, and systematically strengthen, entrepreneurial mindsets and behavior throughout the organization. This includes everything from leadership, strategy and values to onboarding, training, communications and personnel management.

A universal feature of all the site visits was a recognition that achieving continuous innovation is dependent on an entrepreneurial mindset pervading the organization. Where the management tools and processes of Agile, Lean or Kanban are implemented without the requisite mindset, few, if any, benefits were observed.

Pursuit of all four themes is key to sustaining the embrace of Agile. Individually, none of the observed management practices are new. What is new and different is the way that the management goals, practices and values constitute a coherent and integrated approach to continuous innovation, driven by and lubricated with a pervasive entrepreneurial mindset.

The report was produced by the members of the SDLC including Steve Denning (principal author), Vanessa Adams, Matt Anderson, Lindsay Bennett, Paul Madden, Justin Marks, Mårten Perhson, Jonathan Smart, Joakim Sunden, Magnus Thornberg and Shahzad Zafar,

The SD Learning Consortium is a non-profit corporation registered in Virginia, USA. Its members include Barclays, Cerner, CH Robinson, Ericsson, hhpberlin, Microsoft and Riot Games. For more information about the consortium, including how to join, go to www.sdlearningconsortium.org or contact Steve Denning at steve@stevedenning.com.