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How Do Corporate-wide Agile Transformations Unfold Over Time: A Multiple Case Study of Incumbent Firms

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Developmental Paper

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Abstract

In this proposal, we aim to use ambidexterity as a theoretical lens to explore how corporate-wide agile transformations unfold over time. Strategy practitioners have an increasing involvement in using consultancy methods to support corporate-wide agile transformations. However, the strategic management literature is yet to discuss or examine what agile transformations are and how they are currently practiced in large incumbent firms. The aim is to develop a novel theoretical framework for understanding how agile transformations are practiced. We propose a multiple case study of incumbent firms that dominate Germany's finance, healthcare and manufacturing industries and have responded to recent pressures and trends to replicate or imitate the strategic agility that is found in the organizational designs of younger digital firms. By conducting this qualitative research, we intend to uncover the strategic activities and everyday practices of what helps and hinders corporate-wide agile transformations. This research contributes to the ongoing discussion about dynamic capabilities and strategic change in the strategic management literature.

1 Introduction

Incumbent firms are increasingly under pressure to keep up with technological and market developments. The constant arrival of new digital technologies and upcoming platforms intensify the pressure for established firms. Many firms get disrupted or struggle to keep up with the market (Chang & Sokol, 2022; Khanagha et al., 2022). In more industries, competitive advantages arise from strong ecosystems with other firms and not from the provision of individual products of the firm (Stonig et al., 2022). The digital age questions our perception of firms, their corporate strategies and theories of their existence (Menz et al., 2021). Incumbent firms nowadays need to adapt and transform their business models more frequently (Doz & Kosonen, 2010), as they are increasingly under pressure to replicate or imitate the agility that is rooted in born-digital organizational designs (Huang et al., 2017; Birkinshaw et al., 2016).

The predominant solution to facilitating organizational agility is the introduction of agile methods such as Scrum, SAFe, Less, or Spotify Model at the corporate level (Denning, 2019a; Fuchs & Hess, 2018; Rogers & Heitsch, 2018). Organizational agility is described as “a firm's ability to

accelerate decision making, sense marketing and environmental changes quickly and flexibly as well as to exploit emerging opportunities effectively and to open new avenues of competitive advantage” (Ciampi et al., 2022, p. 3). Relatedly, Teece et al. (2016) defined organizational agility as “the capacity of an organization to efficiently and effectively redeploy / redirect its resources to value creating and value protecting (and capturing) higher-yield activities as internal and external circumstances warrant” (p. 17). Incumbent firms have only lately begun to respond however, by taking on transformation endeavors at the corporate level (Denning, 2019c; Gerster et al., 2020). Such a transformation has a significant impact on the structure and culture of these incumbent firms, therefore driving the need to conduct it in a so-called corporate-wide agile transformation (Dikert et al., 2016; Fuchs & Hess, 2018; Paasivaara & Lassenius, 2016). Many new challenges have arisen that could have severe implications on these incumbent firms as a whole, as a result of these corporate-wide agile transformations (Denning, 2019b; Fuchs & Hess, 2018).

Research has already put a lot of theoretical perspectives forward to understand how firms adapt to these changes in the environment (Birkinshaw et al., 2016). One theoretical perspective is ambidexterity as it is defined as “the capacity of an organization to address mutually conflicting demands” (Birkinshaw et al., 2016, p. 37). Research has shown that ambidexterity influences organizational agility (Lee et al., 2015), but this is an area that still requires further research. In particular, we would propose that ambidexterity is a useful theoretical lens to study corporate-wide agile transformations rather than the experimentation or adoption of agile methods in functional areas.

Research on corporate-wide agile transformations is scarce (Denning, 2015, 2019a, 2019c) and largely published in consultancy reports and at information systems and software conferences (Dikert et al., 2016; Fuchs & Hess, 2018; Paasivaara et al., 2018; Paasivaara & Lassenius, 2016). Dikert et al. (2016) confirmed in a systematic literature review that strategy practitioner interest and experience in this area is long-standing, but only few research articles are available that examine these transformations in practice. In the management literature, most agile research has focused on innovation and new product development (Beaumont et al., 2017; Cooper & Sommer, 2016a; Sarangee et al., 2022) rather than transformation of the incumbent firm itself.

By reviewing the present literature on corporate-wide agile transformations, the following concrete research gaps were identified: a.) there is no commonly agreed definition for corporate-wide agile transformation; b.) research on the process of corporate-wide agile transformations remains in early stages; c.) there is no indication on what the strategic activities are for an agile transformation at a corporate level. This developmental paper proposes the following questions to address the research gaps in the literature:

- **RQ1:** *How can corporate-wide agile transformations be defined?*
- **RQ2:** *How do corporate-wide agile transformations unfold over time?*
- **RQ3:** *What strategic activities help or hinder corporate-wide agile transformations?*

2 Literature Review

2.1 The Origin of Agile Methods and the Need for Adoption at the Corporate Level

According to Fuchs & Hess (2018), agile methods originated in software development. These methods are characterized by iterative development approaches, fast time-to-market, high reactivity to change, and a constant focus on the customer. Its underlying values and principles are

captured in the so called Agile Manifesto (2001). In contrast to plan-based approaches consisting of a detailed upfront planning process, research showed the adoption of agile methods for smaller teams leads to increasing customer satisfaction and more involved employees (Dyba & Dingsoyr, 2009). Such methods are explicitly designed for smaller teams.

Speed and agility are of strategic importance for every incumbent firm in the digital era (Gerster et al., 2020). The benefits of agile methods for smaller teams have become increasingly attractive for the whole firm (Barroca et al., 2019; Paasivaara & Lassenius, 2016). For example, Overby et al. (2006) and Teece (2016) highlight agility as a response to the growing complexity and uncertainty of the current business environment (Bianchi et al., 2020). Inman et al. (2011) and Vickery et al. (2010) state that agility helps to respond to changing environments, to seize opportunities and to capture and to generate new competitive advantages. Research by Hatzijordanou et al. (2019) showed that agility helps to increase the financial performance of an enterprise. Adding to this, research has shown that agile incumbent firms create higher revenues and profits compared to non-agile incumbent firms (Wang et al., 2014). As “born digital” firms, like Amazon and Spotify, are agile by nature (Huang et al., 2017), traditional large-scale incumbent firms are struggling with the adoption of agile on an corporate level (Gerster et al., 2020). Though, large incumbent firms have only recently started to experiment or undertake corporate-wide agile transformations (Denning, 2019c).

When it comes to agile, the strategy and innovation management literature focuses primarily on product development, especially with non-IT products (Beaumont et al., 2017; Cooper & Sommer, 2016b, 2016a). They explore how agile can be integrated into current stage-gate approaches for physical products. The adoption is possible but with some modifications. However, the strategic management literature is yet to *discuss or examine what “agile transformations” are and how they are currently practiced in the management consultancy world.*

2.2 Research on the Process of a Corporate-wide Agile Transformation

There is little research on the process of corporate-wide agile transformations (Dikert et al., 2016; Fuchs & Hess, 2018; Paasivaara et al., 2018). A literature review on corporate-wide agile transformations by Dikert et al. (2016) showed that a very low proportion of articles was actually scientific in nature. Strategy practitioners of corporate-wide agile transformations have a strong interest in the topic because the majority of reports were about experiences of incumbent firms undergoing these transformations. Due to the lack of research, practitioners and consultants offer their own frameworks (Fuchs & Hess, 2018). According to the 13th Annual State of Agile Survey (2019) the Scaled Agile Framework and Large Scale Scrum are one of the prominent ones. Though, Fuchs & Hess (2018) argued, while these frameworks show how scaled agile approaches could be used, they do not explain how a corporate-wide agile transformation progresses.

The case study of Paasivaara et al. (2018) at Ericsson is the first of its kind, where a corporate-wide agile transformation process has been studied theoretically. They found out, advocating an ‘agile mindset’, which meant for Ericsson “it is good to try and ok to fail” (p. 2586), assisted them through the transformation endeavour. This mindset was the foundation of their experimental approach because, for Ericsson, it was unclear how to conduct their transformation, despite already having some experience with agile methods. The individual steps in their transformation were thus not planned in advance, but rather when they became necessary. This is related to the stepwise transformation approach Ericsson adopted due to the ongoing development effort in their

departments; However, Passivaara et al. (2018) could not identify any distinctive steps in their transformation and raised that this needed more research.

Denning (2019c) proposed that an agile transformation follows ten steps to achieve organizational agility. These ten steps are clustered into exploring, progressing, and mastering. He stated that the ten steps are helpful to foresee what such a transformation can incorporate. Also, he highlighted the level of leadership engagement in the process of an agile transformation has a positive impact on the success of the agile transformation.

Despite these studies, research agrees that this is only initial research and has limited transferability in other contexts, calling for further research into the process of corporate-wide agile transformations (Fuchs & Hess, 2018). Dikert et al. (2016) likewise suggested conducting more case studies on the process of corporate-wide agile transformations.

3 Research Methodology

Research design and context: Due to the lack of theory and evidence about our research questions, we aim to build theory from multiple case study research (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Multiple case study research creates more robust and generalizable theories than single case research (McDonald & Eisenhardt, 2020). As the term agile transformation is still elusive, we will start with interviewing senior executives of the global strategy consulting industry because they have fundamental experience and knowledge in designing and delivering agile transformations across different sectors (Warner & Wäger, 2019). We will then use multiple case studies to further explore the topic of agile transformations. The target population of six case studies will include incumbent firms in German healthcare, financial services and manufacturing sectors (see Table 1). The qualitative research will follow the various tactics by Pratt & Whittington (2020) for trustworthy qualitative research.

Data collection: We will collect data from industry reports, annual reports, and semi-structured interviews with strategy / management consultants as well as senior executives, agile coaches, and scrum masters of incumbent firms. In the interviews, participants will be asked to share their knowledge and experience with agile transformations. Based on the first data from the interviews with the senior executives of the global strategy industry, the data will be analysed for patterns. The data of the case studies will be added and compared to the previous data to obtain a good grasp about agile transformations in practice. Also, the first author is involved in agile transformations on a daily basis and draws on his observations. It will be captured through a diary method.

Data analysis: We will conduct a content analysis of the strategy consultancy reports in the topics of agile transformation, identifying similarities or inconsistencies on what agile transformation means. The first round of interviews with strategy consultants will help to explore the similarities or inconsistencies based on the patterns of secondary data. Based on this work we will define broader categories to conduct a cross-case analysis of large incumbent firms to find similarities or differences across the different cases.

4 Conclusion

To react to rapid changing market conditions incumbent firms try to become more agile (Verhoef et al., 2021). However, they have just started recently and are turning their focus towards research on how to succeed in such a corporate-wide agile transformation (Gerster et al., 2020). As this

paper has shown, this research is rare and requires a research design that studies the process of corporate-wide agile transformations by using a multiple case study research. It is anticipated that this research will have important implications for strategy researchers and practitioners, particularly in the area of opening strategies (Whittington et al., 2011). As there is yet little research on corporate-wide agile transformations (Dikert et al., 2016), a multiple case study research in an exploratory manner helps build a foundation for further research for the phenomenon of corporate-wide agile transformation. For practice, the study will help to better understand what a corporate-wide agile transformation comprises of and the processes included in such a transformation endeavour. In addition, it helps the practicing community address which strategic activities are required for corporate-wide agile transformation.

Table 1

	Various strategy consulting firms	Health Insurance Company	Health Insurance Company	Manufacturing Company	Manufacturing Company	Financial Service Company	Financial Service Company
HQs	Strategy / management consultants, working in the area of agile transformations	Germany	Germany	Germany	Germany	Germany	Germany
Sector		Health Sector	Health Sector	Manufacturing Sector	Manufacturing Sector	Financial Service Sector	Financial Service Sector
Employees		5000-10,000	5000-10,000	Ca. 650.000	Ca. 40,000	5000-10,000	5000-10,000
Interviewees		Senior Executives, Agile Coaches, Scrum Masters	Senior Executives, Agile Coaches, Scrum Masters	Senior Executives, Agile Coaches, Scrum Masters	Senior Executives, Agile Coaches, Scrum Masters	Senior Executives, Agile Coaches, Scrum Masters	Senior Executives, Agile Coaches, Scrum Masters

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