

Organization Practice

CHRO perspectives on leading agile change

CHROs across industries and regions came together virtually to discuss the impact and the challenges of leading an agile transformation journey.

by Jason Inacio, David Kincsem, and Dániel Róna



Over the past year, McKinsey convened a series of conversations with chief human resource officers (CHROs) from Europe and Asia–Pacific to explore their organizations’ emerging agile working practices in the context of the COVID-19 pandemic. These leaders represent companies from a wide range of sectors (telecommunications, banking, retail, and insurance) and at various stages of their agile transformations. Nonetheless, they shared similar HR challenges during the stress test of the pandemic.

A consensus view emerged that agile approaches and techniques proved essential amid these new and difficult circumstances. However, at times, leading agile change can also be a fraught process. Here, we summarize the four key topics on which leaders focused: responding to the effects of the pandemic and the shift to remote work, developing new leadership capabilities and mindsets, embedding large-scale culture change across organizations, and continuously improving the agile transformation journey.

The pandemic’s impact and the shift to remote work

All participants agreed that the COVID-19 pandemic created tough challenges related to their way of working. Many also argued that the crisis created new opportunities because it highlighted what elements of their organization’s agile operating model required change or further development.¹

One trademark of an agile organization is a dynamic people model, underpinned by a cohesive community culture and strong informal networks. The group observed that the remote work setting initially seemed to hinder innovation and collaborative thinking: people missed direct, in-person relationships. Yet for one CHRO representing an Australian telco, the virtual environment actually enabled more connection than usual because virtual agile ceremonies helped to build closer relationships within and between teams.

Another core aspect of agility is the integration of next-generation enabling technology, which allows the organization to react quickly to business and stakeholder needs. One CHRO from an insurance company noted that the organization had long needed more advanced remote solutions for working with its extensive network of external offshore partners. Before the pandemic, these initiatives were not always implemented because of a lack of support and urgency. The shock of the pandemic and its aftermath were the push the company needed to make the initiatives a reality, allowing the business to unlock an additional level of speed and flexibility.

These observations align with recent McKinsey research findings that agile companies were faster to release new products and services during the pandemic than their nonagile competitors.² The findings also show that within companies, agile business units responded better to pandemic-related shocks as compared with their nonagile counterparts based on measures of customer satisfaction, employee engagement, and operational performance.

While there was some debate about the importance of physical workspaces and in-person interaction, all participants agreed on the importance of transparency and visible workplace connection. One CHRO said, “We will have to think about how to replace and fulfill this team spirit, the type of communications that build collaboration.” Many were eager to embrace remote and hybrid work during the next normal. The COVID-19 pandemic made them realize not only that they could achieve this at scale using agile but also that it was imperative to do so.³

Developing new leadership capabilities and mindsets

Perhaps unsurprisingly, the participants were eager to discuss the challenges of building the

¹ Wouter Aghina, Karin Ahlback, Aaron De Smet, Christopher Handscomb, Gerald Lackey, Michael Lurie, and Monica Murarka, *The five trademarks of agile organizations*, January 22, 2018, McKinsey.com.

² Christopher Handscomb, Deepak Mahadevan, Euvin Naidoo, Lars Schor, Marcus Sieberer, and Suraj Srinivasan, “An operating model for the next normal: Lessons from agile organizations in the crisis,” June 25, 2020, McKinsey.com.

³ Santiago Comella-Dorda, Lavkesh Garg, Suman Thareja, and Belkis Vasquez-McCall, “Revisiting agile teams after an abrupt shift to remote,” April 28, 2020, McKinsey.com.

leadership capabilities required for an agile transformation. Leading agile change calls for leaders to shift their mindsets from authority to collaboration, from scarcity to abundance, and from certainty to discovery.⁴ As the CHRO of an Australian retailer said, “It’s unwiring 30 years of how you have been a leader. You have to find what makes your values still valuable, and where you can add value in a different way.”

Leadership is the most important enabler of—and barrier to—a successful agile transformation. The group openly acknowledged the challenges they and their peers faced when moving from a hierarchical, command-and-control structure to an empowered network of agile teams. One common experience was the challenge of striking the right balance between providing direction and preserving autonomy across teams:

“At first, I think we were so cautious about not wanting to overstep the mark. We wanted to empower teams and let them make all the decisions. On the flip side, there were occasions where they felt they were just getting no direction at all. We went too far to the other end of the continuum.

We’ve had to go back and say, ‘Look, we got it wrong. We actually need to be giving you much clearer direction on the “what” so you can go about and decide how it’s going to be executed.’”

Some participants also noted the dual responsibilities they carried as executive leaders and as tribe leaders, describing the struggle of toggling between an enterprise-wide perspective and the more limited objectives of a single tribe. The CHRO of an Australia-based insurance company found it helpful to explicitly articulate which role he was playing at any given time: “You do have to think about the audience you’re talking to and which hat you’re wearing. I’ve gotten used to saying, ‘Today, I’m talking to you guys as a chapter area lead, or as a COE [center of excellence] lead.’ Otherwise, people get quite confused.”

Many described new ways of working as a leadership team and focused on the collective responsibilities they share in an agile organization—such as setting the vision, upholding the model, coaching their teams, and shaping the culture. For one CHRO, the shift from individual to collective performance evaluation helped the C-suite break

⁴ Aaron De Smet, Michael Lurie, and Andrew St. George, “Leading agile transformation: The new capabilities leaders need to build 21st-century organizations,” October 1, 2018, McKinsey.com.

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—one chief human resource officer

down silos and shift to big-picture thinking: “The people [development model] has really shifted the emphasis from individual performance to organizational performance. The leadership is at least 70 percent on the hook for collective outcomes. If we win, we all win. If we fail, we all fail. That has made a huge difference in how we focus our time, energy, and prioritization.”

Leaders do not undergo agile transformation on their own. Our participants described formal training programs, boot camps, and agile coaches who helped executives shift their mindsets and behavior (see sidebar, “The role of agile coaches”).

Embedding large-scale culture change

For agile transformations to succeed, the mindset shifts that drive new ways of working must extend far beyond the executive team. All of the CHROs spoke about the imperative and the challenges of transforming the culture—from the C-suite to the front line—to enable a true agile operating model.

Given the autonomy that employees and teams experience in an agile organization, culture arguably plays an even bigger role in shaping employee behaviors in agile organizations than in traditional ones.⁵ Many CHROs felt the initial challenge of persuading employees to adopt the ownership mindset that empowers self-managed teams to act quickly and decisively. As the CHRO of a European grocery retailer said, “Everybody now understands the mandate that teams have the autonomy to make decisions. But how do you really create the willingness in the organization to take accountability for it?”

Many of the HR leaders agreed that designing the right incentives within the agile framework could go a long way in shifting mindsets and behaviors. One participant emphasized the critical role of the quarterly business review (QBR) process, specifically the setting of objectives and key results (OKRs): “If you get that QBR process right, I think that it’s a real key to help drive accountability. People don’t want to let their teammates down and not deliver on their OKRs, even more than they don’t

⁵ Ibid.

The role of agile coaches

Agile coaches are crucial throughout and after any agile transformation. While their exact responsibilities vary, their roles must be tailored to the organization’s structure and the specific needs of teams.

As the chief human resource officer (CHRO) of one European retailer observed, the role of agile coaches is not easy to define, and as a result, integrating these coaches into existing HR structures can be difficult. Typically, HR business partners and learning and development (L&D) already include some aspects of leadership development, organizational culture, and

capability-building activities. The role of the agile coach is heavily determined by the unique needs of the company and the leaders themselves.

The CHRO of one European telco provided a glimpse into how agile coaches are embedded in their organization. The company employs 30 agile coaches to assist around 1,000 full-time employees within an agile structure. The agile coaches are organized within a center of excellence and are dedicated to separate divisions, including B2B, B2C, and finance. Even though the coaches are organized into

clear domains, there are variations in their experience levels and teams’ needs, so the process requires continuous refinement.

As the participant explained, “We are experimenting with the squads-to-AC [agile coach] ratio. There are some tribes with several ACs supporting them, and some with one who supports the squads only when there is a specific need. We regularly check agile maturity and the results of our health surveys to determine, along with the tribe leads, what effective support looks like for them. There is no one best way here.”

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want to let their boss down. That is one of the most powerful changes.” Along these lines, the group found that moving from individual to collective key performance indicators was a powerful shift to instill ownership and accountability among teams.

Another potential culture roadblock can be leaders who are reluctant to give up perceived control over their direct reports. But the group noted that a successful agile leader who exercises shared and servant leadership can actually have more influence over their results than in a traditional operating model. Agile ceremonies provide leaders with an increased level of transparency around each team’s priorities and progress against their OKRs. By catalyzing and developing their colleagues, leaders unlock the full potential of their people to deliver exceptional results.

Measuring progress and continuous improvement

Across the board, participants offered inspiring stories of the ways that agile has transformed both people and business outcomes. Typically, the first noticeable change was a rapid increase in employee engagement because delayering allowed talent to surface in the organization. Soon after, many began to observe stronger customer centrality (for

both external and internal customers) as the center of conversation quickly shifted from solving for internal processes to solving for the customer. Most participants acknowledged that the impact on time to market and operational efficiency followed in the sequence of their agile transformation.

This conversation led to a critical question: How do organizations measure the tangible impact of an agile transformation? The shared view was that tracking the progress of an agile transformation can be a tough challenge. An underlying factor is the difficulty of establishing a clear baseline, especially in areas without existing data collection tools in place. One retail CHRO pointed out the difficulty of gauging productivity in an objective and quantifiable way, especially for employees in a corporate office who are not reporting billable hours. And a CHRO from the banking industry acknowledged the challenge of quantifying improvements in the quality and design of a product before it reaches the customer.

At the same time, the group found that the QBR process served as a helpful mechanism to assess the business impact of the transformation. The QBR process revolves around each team setting goals and tracking progress against OKRs: objectives (clearly defined qualitative outcomes) and key results (specific quantitative performance

targets that must be met).⁶ OKRs should be aligned with strategic business priorities and be supported by effective performance management to assess both individual and team objectives.

Every participant described the agile transformation as an ongoing and regenerative process, both personally and for the organization. As one CHRO summarized, “It’s a continuous evolution, constantly thinking and trying new things. We talk about progress over perfection, and just as long as we’re moving forward, that’s the most important thing.”

The past year underscored the need for adaptability, speed, and rapid learning—qualities of an agile organization. As companies look to move forward in their agile transformation journeys, senior HR leaders are focused on building leadership capabilities, developing new mindsets and behaviors, and sustaining momentum for the long road ahead. These organizational elements are key to unlocking the promise and potential of an agile transformation.

⁶ Santiago Comella-Dorda, Khushpreet Kaur, and Ahmad Zaidi, “Planning in an agile organization,” February 19, 2019, McKinsey.com.

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