

SHARED LEADERSHIP AS A KEY ELEMENT TO MAKE AGILE METHODS WORK

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Key Facts

- › Agile methods are widely used across a broad range of industries – growing market dynamism means they are becoming more important in the finance sector
- › Hierarchical organization and team structures make it harder to adopt agile methods
- › Shared leadership is an important element to encourage innovation in complex environments through greater creativity and quicker implementation

Report

More and more firms are turning to agile methods in order to increase their rapidity of innovation in complex, dynamic environments, and to manage processes of change. In practice, however, the adoption of these methods often comes into conflict with hierarchical structures within teams. Introducing new roles (such as Scrum Master) is not in itself enough to sufficiently change these structures. The new management concept of “shared leadership” has recently come into consideration as a way of successfully introducing agile project management.

Agile project management is ever more relevant

In many industries, digitalization has led to a significant increase in dynamism. The tremendous speed of innovation, combined with the simultaneous arrival of many new customer requirements, places considerable demands on many firms. They are faced with the need to apply new methods and approaches, especially when it comes to being able to implement these requirements within the relevant projects.

Agile project management methods such as Scrum or XP allow a sharp increase in the number of development cycles and team productivity. A large majority of firms

have therefore moved over to the use of agile methods alongside digitalization on the product side (see fig. 1). In a 2016 survey, 68% of project managers said they used agile methods often or occasionally. Because agile methods originally come from software development, it is hardly surprising that agile approaches are used more often the more closely they are linked to IT areas. In product development, process optimization and the introduction of ERP and standard software systems, in particular, agile methods are increasingly playing a part. In contrast to the sequential model of classic plan-oriented project management, agile techniques encourage the dynamic and flexible shaping of projects and processes.

The financial services sector is also making more use of agile project management, based on a preference for shorter development cycles. 43% of executives in the financial sector believe that their IT divisions should play a leading role in supporting the agility of their company. (Customer) requirements are often not clearly defined at the beginning of a project, especially when it comes to online and mobile projects, but also for projects driven by regulation. Solutions therefore need to be developed for vaguely defined solution spaces. By definition, agile methods are

Nuanced and context-specific use of agile project management methods

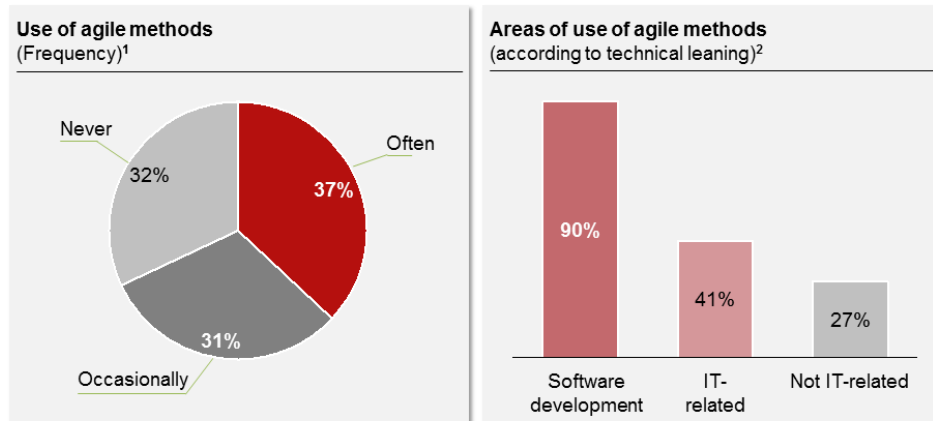


Figure 1: Use of agile project management methods

more suitable in this case than “V” and waterfall models.

Problems of command and control structures

The growth in use of agile project management methods brings challenges for team cooperation in its train. In practice, this often becomes apparent when agile approaches come to grief in the face of the command and control structures that are entrenched in company management, as well as in the teams themselves. The central principle of Scrum is often cited as an example: as much order and structure as necessary, as much creative chaos as possible. The members of agile project teams should be granted considerable freedom in their work so they can develop and test prototypes in short development cycles and assess what progress has been made. For this reason, the mainspring of agile project management is transparency. Hierarchical bureaucracy and opaque

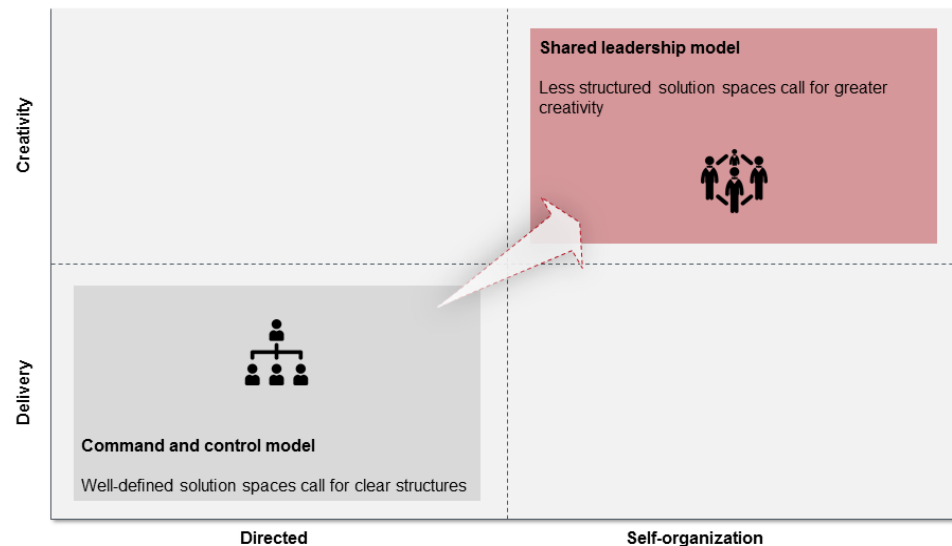
methods work against this trend and make implementation more difficult.

Agile project management favors self-organizing teams, with an emphasis on participation and autonomy. This means that the authoritarian and hierarchical leadership models that often tend to be found in larger, well-established structures are inadequate. But the requirement to have as low a level of supervision as possible doesn't mean that the team should do without management altogether.

Shared leadership as a team structure

Agile project teams need a different kind of leadership from traditional management – one that places the emphasis on trust and confidence rather than the need to keep tabs on everything. This type of collaboration does not equate to the total abolition of hierarchy and structures. Instead, it means team members will

Command and control compared to shared leadership model



Source: COREInstitute 2017

Figure 2: Command and Control vs. Shared Leadership

cooperate proactively on the basis of trust, pooling their skills in the interest of the organization. This new way of organizing management is termed “shared leadership.”

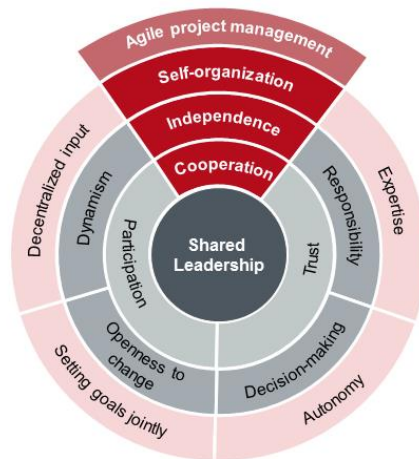
As several empirical studies have shown, shared leadership can have a positive impact on the productivity and effectiveness of teams, particularly by virtue of increased information exchange and cooperation as well as through trust and the cohesion that shared leadership brings. There are, as yet, very few studies that explicitly investigate the connection between shared leadership and agile project management, but the topic is gaining prominence in the latest research projects.

It is one of the central tenets of agile project management that teams should organize themselves, working as far as possible

without autocratic management (figure 2). By contrast, command and control structures are well suited for implementing projects for clearly defined solution spaces. However, the shift to more dynamic ecosystems means that such situations are becoming the exception rather than the rule. Agile project management teams that do without a centralized management figure manage to achieve a higher level of self-organization and creativity. The result is that they come up with superior, more innovative solutions in the context of solution spaces that are inherently less structured.

The shared leadership model sees management as a decentralized function within the team. At different times, it can be exercised by different team members. A dynamic leadership process of this kind encourages the team to self-organize, thereby maximizing independence and opportunities for cooperation (figure 3). T

Synergies between shared leadership and agile project management



Source: COREInstitute 2017

Figure 3: Synergies between shared leadership and agile project management

This high degree of autonomy and participation, coupled with individual motivation, has a positive impact on innovation, productivity and the team's overall achievement. Agile project teams should therefore reflect a shared leadership model along these lines. When it comes to complex change projects, in particular, where there is a high degree of interdependence between team members and it is essential to pool their knowledge extensively, the shared leadership management model comes into its own. Agile project management can benefit from the three basic principles of self-organization, independence and cooperation, and these combine to form the basis for innovative, agile teamwork.

These synergies mean shared leadership can give projects more dynamic, responsive and effective management.

Creativity, flexibility and speed are key in any technology-driven industry. In order to successfully shape the changes in their industry, financial institutions are also turning to agile methods. To implement these, they must give up hierarchical team structures and make them more democratic. Shared leadership is essential to make the most of what agile approaches and agile management have to offer in the context of dynamic ecosystems.

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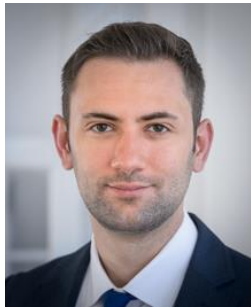
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