

CASE 7

Automotive Industries

Huge companies work like huge machines. Up to seven organizational layers, scattered tasks, the main focus on efficiency based on ISO processes, long-term business plans and sophisticated systems for performance management and financial steering have been put in place. Great cars and reasonable profits for shareholders were the earnings for a very long time. Times have changed, and the automotive industry has to adapt to a new speed.

by Manfred Höfler, Stefan Posch and Markus Spiegel

In today's VUCA world, operational excellence is still needed. But to compete with the new drivers in the mobility business or new car producers like Tesla, NIO, Geely and Byton, a race setup is required. Big players in the automotive industry face several challenges at the same time. Their engineering processes need to speed up while handling an even larger number of powertrain concepts (combustion, hybrid, electric, hydrogen, ...) and having to deal with the challenges of digitalization (especially autonomous driving) in parallel. Additionally, employer expectations drive them towards more agility. Top talents are rare and not attracted to traditional ways of working. They expect meaningful tasks in an environment with a flat hierarchy and sufficient room for self-fulfillment. The cool, innovative corporate culture found at start-ups or Google-style tech companies has become very relevant in the »war for talents.« Existing organizational operating systems, which mainly focus on stability and predictability, are no longer good enough to ensure long-term success. European car manufacturers and second-tier suppliers must become more agile. A second operating system opens the fast lane for many of these companies.

Both hands on the steering wheel

Companies like Mercedes, VW or BMW will not instantly transform into an agile company like Google, Netflix or Spotify. And it does not make sense to disrupt a functioning organizational operating system, which will remain an important success factor. The answer to many of the previously-described challenges is the »ambidextrous organization.« This concept is able to align operational excellence with fresh thinking; it balances efficiency and innovation. The solution combines traditional management with focused agile developments; we call this model a »second operating system.« The mindset for running organizational ambidexterity is not »either-or«; it is »as well as.« Tested in practice, it works quite well.

Specific interventions have proven to be very effective in helping create first steps towards a more agile organization and cultivating the soil for the »second operating system.« If you want to turbocharge your organization and find out what an ambidextrous organization can look like in practice, you will find plenty of recommendations in this magazine. ►

Bringing concept cars to series production

To cope with current business requirements, future-fit companies have to speed up processes, adapt faster to market conditions, boost innovation and integrate fragmented work processes. There are many ways to implement the right tools for the right task; these working concepts can be started pretty quickly.

Rapid Innovation Teams

Small, powerful, multi-disciplinary teams that are formed on a temporary basis to advance and concretize an innovation task with a very strong focus.

Agile Project Teams

Cross-functional teams where people leave their home base for a limited time to work on a specific challenge. These teams have a clear sponsor (e. g. product owner) who is responsible for connecting the team to the traditional organization and practicing people from outside influences.

Agile Islands

Teams, units, divisions or departments organize themselves along agile structures, run agile processes and

use agile systems. These Islands have a clear purpose, an agreed setup and sometimes their own performance management system which is different from the rest of the organization.

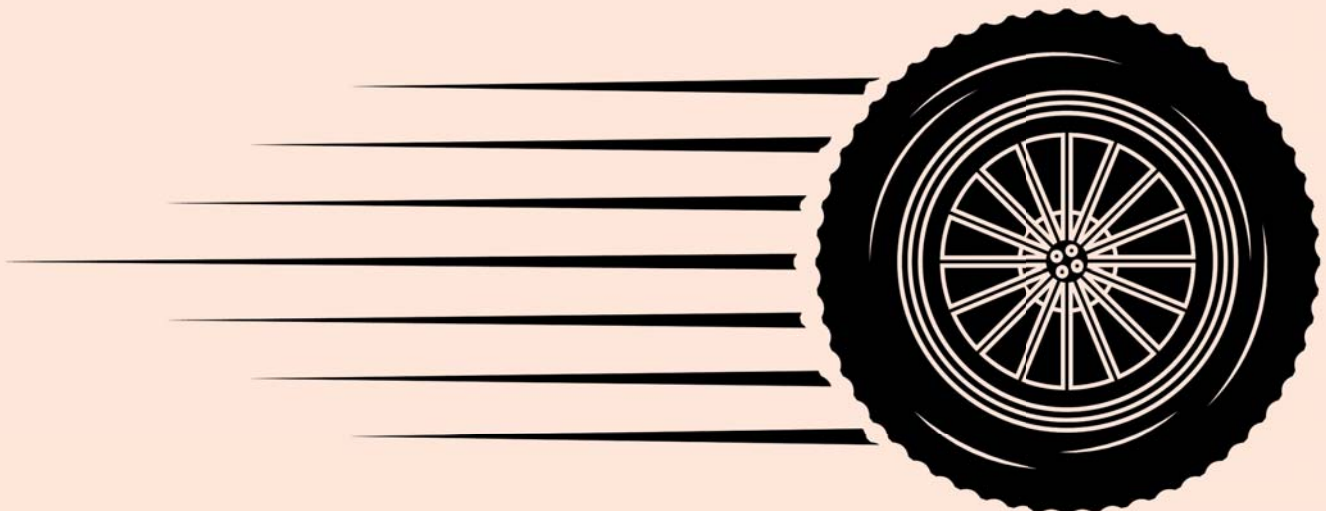
Working with an agile mindset

An agile mindset and methods can be used for the work of teams or departments without changing the organizational structure. Applying creativity or Design Thinking methodology in innovation workshops, using Kanban to steer internal projects or working with agile communication formats (like »stand-ups« or »retrospectives«) improves organizational learning.

All of these interventions can be helpful for a head start. To achieve real and sustainable ambidexterity, a lot more is needed.

Creating a clear framework

Fostering a mindset that allows both systems to co-exist, work in parallel and most importantly interact in a productive way is no easy task. To successfully run the dual operating system, some elements are crucial. First of all, this process must be carried by senior man-



agement ownership. The person committed to this kind of change must be strong enough to safeguard the second operating system against negative influences and keep up sustained attention. It will take some time to learn and figure out where and how it can be implemented. If attention and ambition fade, initial embryonic successes will quickly dry out.

A second very important task concerns resources and prioritization. It is essential to staff-teams and task forces for the second operating system. It needs to be clear how to prioritize topics from both of the operating systems and how much capacity should be dedicated to them. Another important challenge is a new process for decision-making. The second operating system often requires faster decisions and needs to work outside the »traditional« pathways and committees. Equipping people with the right to make decisions will speed things up a lot.

Develop agile skills

Beyond the new framework, a change of mind is necessary for success. Every agile structure needs support to develop skills, tools and roles with coaches and training. Organizations have to build up the resources

to shape teams to work in agile ways and keep key principles in focus. Tools and training should be made available to everyone who likes to learn and experiment with new ways of working. Differentiating between situations and using the best mindset is much harder than it sounds at the beginning, but pays off later. Another valuable investment is placed right on physical space and communication enhancement tools. Flexible spaces equipped with agile furniture to practice agile and innovative working methods can make a real difference. Last but not least, recognition and awareness throughout the organization have to be created. Working in the second operating system calls for the same appreciation and attention by top management as working in the efficient operating system. Fostering awareness of the new topics in communication and events helps a lot. Ultimately, achievements of agile working should also be reflected in the reward systems of the organization.

To sum it up, making the first steps towards a more agile organization can be done very quickly with a few specific interventions. However, transitioning into a hybrid organization or running two operating systems sustainably is a lot of work. We know from experience that it can also be a lot of fun. ●

»Big automotive companies have been built to last, but in comparison to their products, their steering is pretty slow. To deal with the VUCA challenges, a new operating system is essential.«