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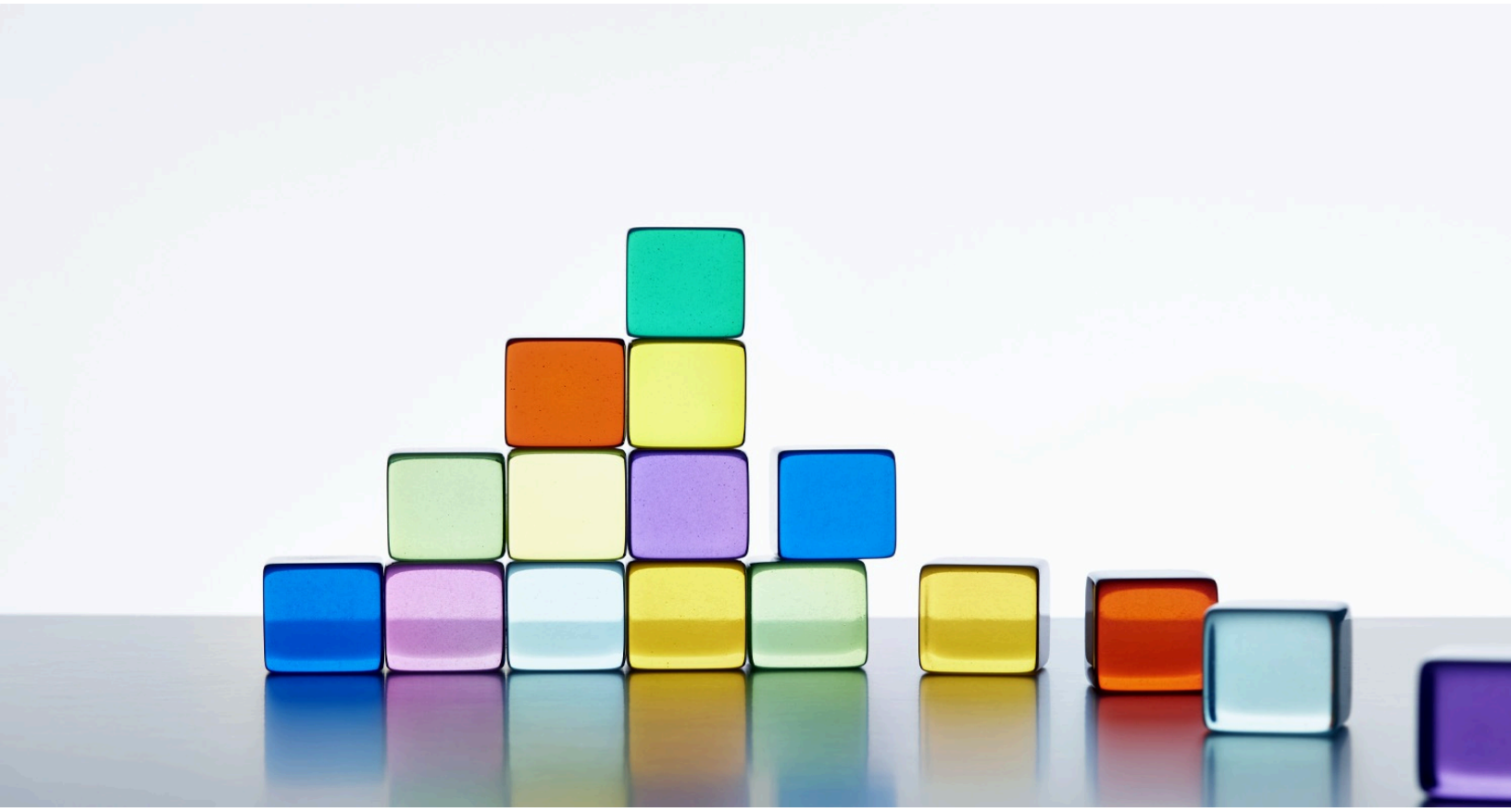
What makes product teams effective?

We analyzed data from more than 1,700 teams to identify the capabilities that lead to the most effective outcomes. Here are key actions leaders can take to empower their teams to go the extra mile.

This article is a collaborative effort by Santiago Comella-Dorda and Vik Sohoni, with Arun Sunderraj, Dan Gardner, and Lauren McCoy, representing views from McKinsey Technology.



December 2024

Every leader wants their teams to be highly effective. When coworkers are in sync and collaborating effortlessly, they build better products faster—which, in turn, results in happier customers, more revenue, and outsize growth. But what does "team effectiveness" really mean, and how can companies foster and measure this important driver of success?

For the past five years, McKinsey has researched how agile ways of working impact business outcomes. We analyzed data from more than 1,700 teams in 75 organizations to measure how five capabilities (strategy, structure, people, process, and technology) impact four main outcomes (effectiveness, speed, productivity, and quality). Perhaps unsurprisingly, our research shows that when organizations deploy advanced agile capabilities, they obtain better overall outcomes. But that only tells part of the story. Drilling down into the data, we see that outcomes comprise several suboutcomes, each driven by unique capability levers.

In a series of deep-dive articles, we will unpack which actions companies can take to improve their performance on suboutcomes under each of the four main outcomes. We hope these guides will prove useful for company leaders just embarking on digital transformations, as well as those who have already made significant headway. This first article covers *effectiveness*.

As teams become more effective at working together, their daily workflows and outputs improve significantly. Think of a champion soccer team where players are in tune with one another, with each play seamlessly flowing into the next. Effectiveness is typically the first performance outcome where organizations see improvement after embarking on the stairway to digital excellence. Our definition of effectiveness includes three measurable suboutcomes:

1. *Delivery predictability*. On average, what share of committed work did the team deliver within a sprint or a release cycle?

2. *Value realization*. What share of business value committed—such as a percentage rise in web traffic or revenue—was delivered?

3. *Team engagement*. On a scale of one to ten, how likely is it that you would recommend this company as a place to work?

To determine the drivers of each of these suboutcomes, we identified the capabilities that drove the largest differences between top-quartile and bottom-quartile performance, shedding light on the levers that can make teams more effective. For each suboutcome, we will share the top ten capabilities that have the most meaningful impacts and then provide three best practices leaders can deploy in the near term.

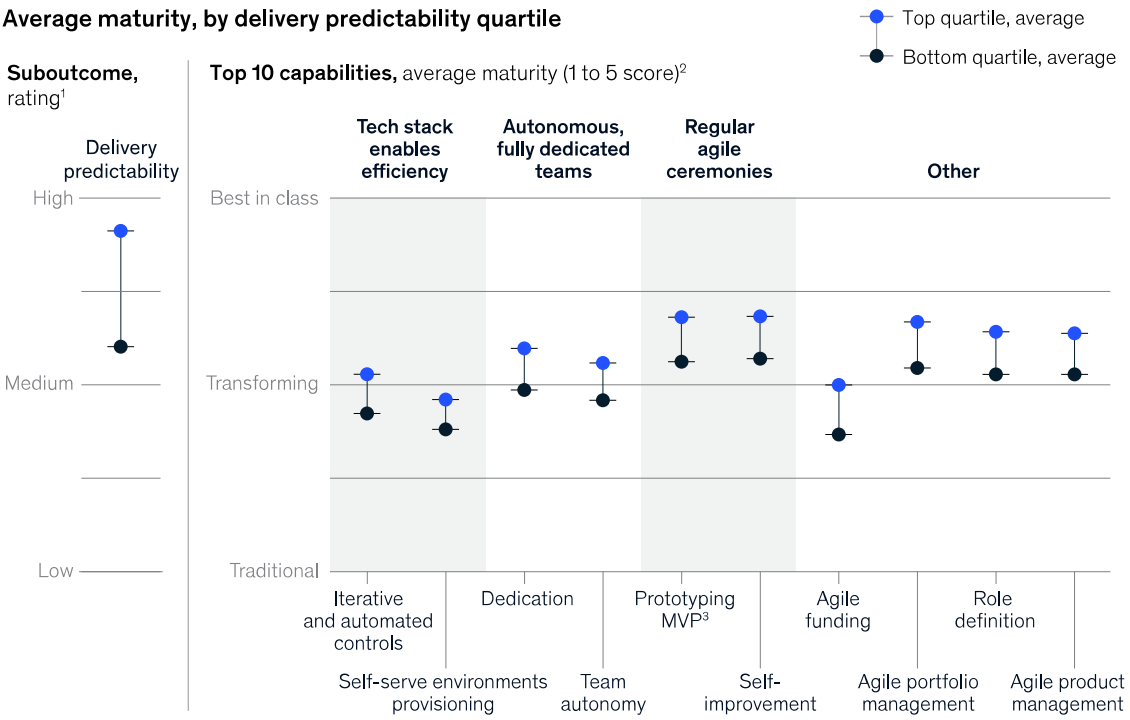
Interestingly, three capabilities are in the top ten for all three suboutcomes of effectiveness: agile funding, product management, and iterative and automated controls such as secure-by-design protocols. We will go into the subtleties of each suboutcome, but it is worth emphasizing the overall positive benefits these three capabilities have on effectiveness.

1. Delivery predictability

Delivery predictability, defined as the share of committed work a team delivers, is a key metric that teams monitor to determine if they are delivering on their promises, making accurate estimates, and continuously improving performance. Our research shows ten capabilities that are essential for driving delivery predictability, with organizational process factors having a particularly meaningful impact (Exhibit 1).

Exhibit 1

These ten capabilities are the top drivers contributing to delivery predictability.



[1]High = >100%, low = <20%.
[2]Best in class = 5, traditional = 1.
[3]Minimum viable products.

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Streamlined tech stack

— *Iterative and automated controls*

— *Self-serve environments provisioning*

Case study: Improving delivery predictability

A global fintech set up multidisciplinary teams comprising dedicated talent from sales, product, technology, and operations. It also automated its continuous integration and continuous deployment (CI/CD) pipeline. These changes resulted in delivery predictability that improved from 60 to 95 percent within three months.

When risk, compliance, and audit controls are automated and when team members can self-provision environments, the likelihood of these activities delaying delivery is significantly reduced and delivery predictability improves. An efficient tech stack means an engineering team does not have to rely on a separate operations team to manually provision servers. Meanwhile, embedding policy controls into code eliminates the need for multiple support functions.

Consistent and persistent teams

— *Dedication*

— *Team autonomy*

Having dedicated team members who do not rely on other teams or functions to get their work done allows for capacity to be prioritized completely within a single team. Thus teams can focus on delivering the work they committed to without managing dependencies or encountering resource bottlenecks. Furthermore, when teams stay persistent over three to six months and have 100 percent dedicated team members who do not "context switch" between projects, they build consistency in their work estimates and their velocity and throughput improve.

Regular agile ceremonies

— *Prototyping minimum viable products (MVPs)*
— *Self-improvement*

Regular sprint demos and a self-improvement mindset among team members foster timely feedback and faster iteration. But sprint demos and retros have other intangible benefits: they create a healthy sense of accountability. Knowing that leadership and/or customers will see the deliverables and progress of each sprint encourages teams to follow through on their commitments.

2. Value realization

In product development, driving business value should be the primary metric on which decisions are based. Our research shows that technology factors play a meaningful role in improving value realization, defined as the share of business value committed that is delivered (Exhibit 2).

Product versus project funding

— *Agile funding*

As organizations begin allocating budgets to products instead of projects, they see the narrowing gap between commitment and delivery. Agile funding shifts the traditional focus from optimizing for budget, time, and scope to instead prioritizing fixed-capacity teams and measurable business outcomes. This approach enables business leaders to reallocate funding across product teams in response to shifting customer and market demands, allowing for delivery predictability based on fixed-capacity estimates.

Product-level planning

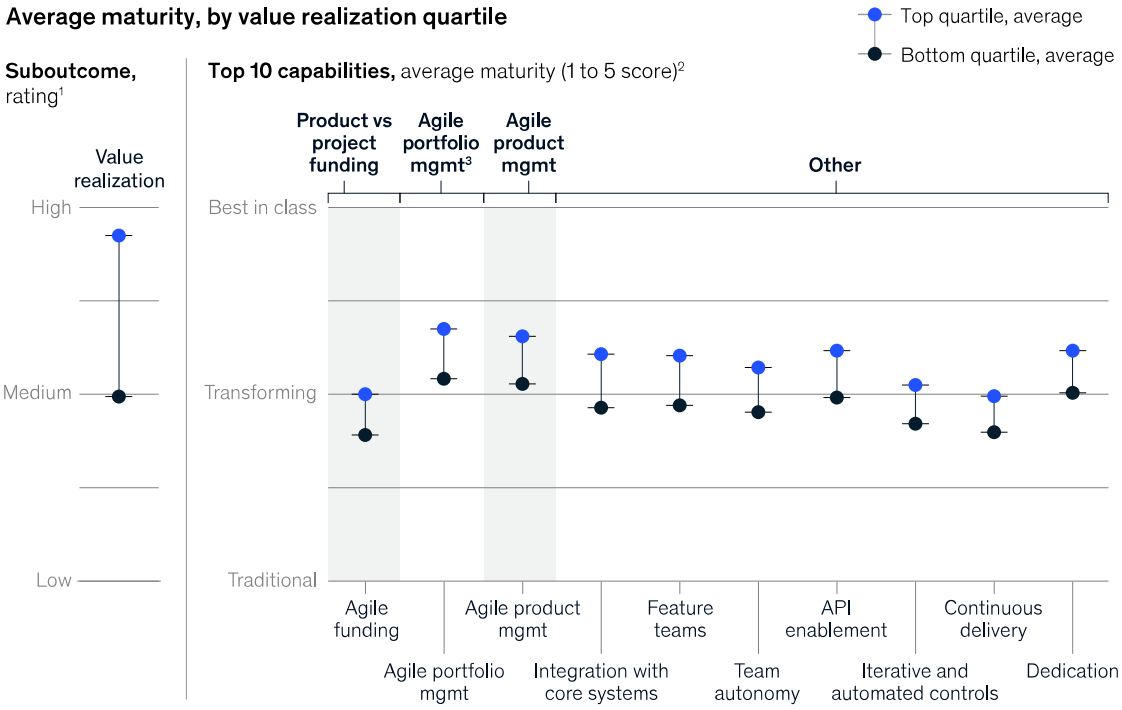
— *Agile portfolio management*

Case study: Deprioritizing low-value work

An Asia–Pacific-based bank cascaded its enterprise strategy into shared goals across business units and set up quarterly portfolio prioritization and resource reallocation sessions. This approach allowed the company to pause or stop 15 to 20 percent of its capacity by deprioritizing work based on shifting customer needs and market conditions, as well as predicted ROI impacts.

Exhibit 2

These ten capabilities are the top drivers of value realization.



[1]High = >100%, low = <20%.
[2]Best in class = 5, traditional = 1.
[3]Management.

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When decisions on work planning and budgeting are made at the product level, teams can better meet their commitments, nimbly adjusting their efforts to deliver maximum value for the business as market or other conditions evolve.

Effective product managers

— *Agile product management*

More enterprises are adopting a cross-functional team model, yet many still tend to underinvest in product management. While they make sure to fill the product owner role—a person

accountable for translating business needs into technology requirements—they do not always choose the right individual for the product manager role. Effective product managers are business leaders with the mindset and technical skills to guide multiple product teams simultaneously. They shape product strategy, define requirements, and uphold the bar on delivery quality, usually partnering with an engineering or technology lead in a two-in-a-box model.

3. Team engagement

Finally, let's look at the drivers of team engagement, usually measured by an employee satisfaction score (ESS). Larger organizations commonly monitor employee satisfaction and engagement levels. Maximizing ESS has historically been linked to many organizational benefits, including improved retention, better team alignment with business outcomes, and an increased commitment to delivering value. Therefore, it is important for leaders to succeed at the capabilities that drive this variable (Exhibit 3).

Clear roles and individual paths

- *Career path*
- *Role definition*

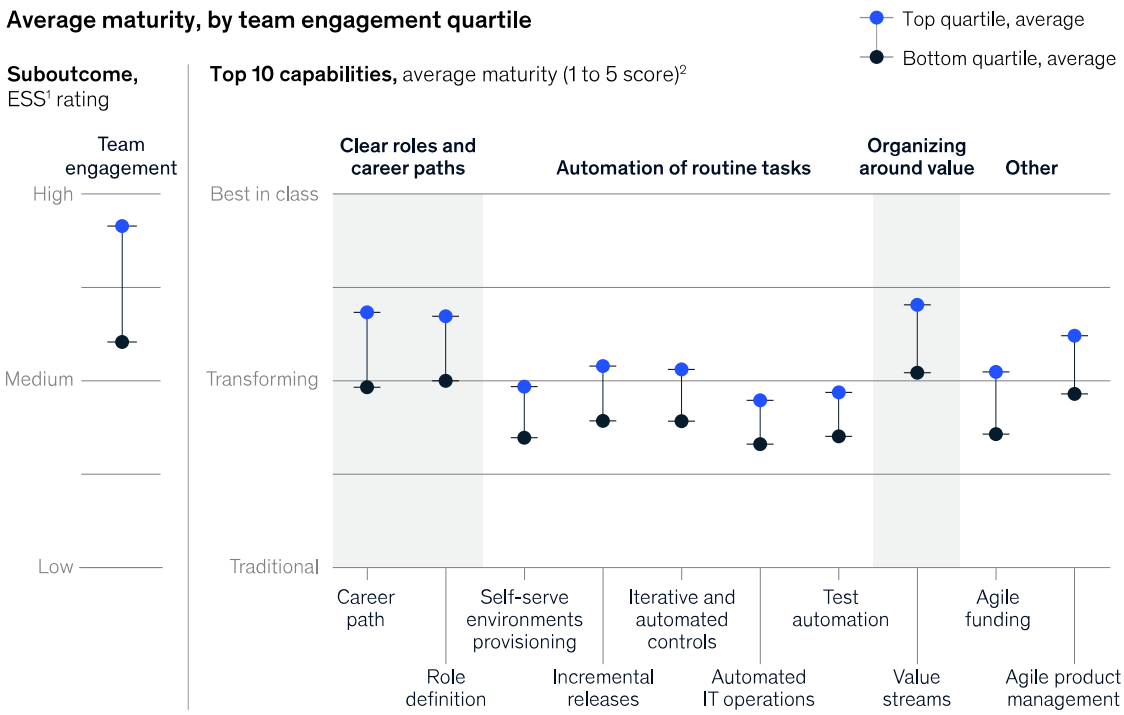
Case study: Reducing handoffs drives savings

A global consumer-packaged-goods company shifted to a product operating model. As part of this shift, the organization reduced the number of "orchestrator" roles, such as business analyst, project manager, and quality assurance manager, that were creating multiple handoffs that impeded individual empowerment and limited the team's ability to make quick decisions. The change resulted in $15 million to $20 million in run-rate savings.

Unsurprisingly, when organizations recognize individual expertise, provide options for career progression, and base promotions on capabilities, employees are more engaged and satisfied with their teams. Similarly, by standardizing and reducing the overall number of roles,

Exhibit 3

These ten capabilities are the top drivers of team engagement.



[1]Employee Satisfaction Score (high = 10, low = 1).
[2]Best in class = 5, traditional = 1.

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organizations naturally shift to a balanced ratio of orchestrators (minority) to doers (majority), which increases team capacity without hiring more employees. This shift helps ensure teams can meet their delivery commitments and creates a transparent environment where individuals feel empowered and informed.

Automation of routine tasks

- *Self-serve environment provisioning*
- *Incremental releases*
- *Iterative and automated controls*
- *Automated IT operations*
- *Test automation*

In addition to the speed and quality benefits associated with automation, we see that automating environment provisioning, compliance, operations, and testing activities also improves employee satisfaction. Freed from these administrative tasks, team members can spend time building new functionalities and features, which tends to be more fulfilling professionally and personally. Furthermore, advanced automation enables incremental releases, including the ability to do A/B testing of new features. The end result is that teams deliver functionality to users more quickly and don't experience the stress associated with large, infrequent deployments.

Organizing around value

— *Value streams*

Organizing product delivery around specific value metrics—such as user journeys or customer segments—can help teams achieve measurable business outcomes. When teams work toward a collective goal, they can see a product's ultimate impact—and that improves overall employee satisfaction.

We would naturally expect to see a positive relationship between automation and each of the subdimensions of team effectiveness. What was less obvious was that agile funding and product management would also meaningfully impact each of the subdimensions of effectiveness. Combined with automation, these are powerful forces to bring clarity, accountability, and shared purpose to product teams. When teams are trusted to make autonomous decisions, they can better estimate their deliverables and create more value for the business. Such a product-based journey requires real commitment from leadership to invest in individuals, helping each team member build their own capabilities. Empowered teams are effective teams.

Santiago Comella-Dorda is a partner in McKinsey's Boston office, where **Dan Gardner** is a senior knowledge analyst; **Vik Sohoni** is a senior partner in the Chicago office; **Arun Sunderraj** is an associate partner in the New York office; and **Lauren McCoy** is a senior knowledge expert in the Seattle office.

This article was edited by Kristi Essick, an executive editor in the Bay Area office.