Finding the Missing Half of the Modern Company

Using “The Startup Way” to build continuous innovation for portfolio initiatives in SAFe

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Get up!

Find someone you don’t know. Make eye contact!

Share two things you know about “The Startup Way”

Share two things you know about the Portfolio Kanban in The Scaled Agile Framework (SAFe)
Setting the context
SAFe and The Lean Startup
The Scaled Agile Framework

The world’s leading framework for enterprise agility.

SAFe® is a freely available knowledge base of proven, integrated principles and practices for Lean, Agile, and DevOps.

Scaled Agile Framework (http://www.scaledagileframework.com/)
The Scaled Agile Framework® (SAFe®)

Synchronizes alignment, collaboration, and delivery for large numbers of teams.

Core Values

1. Built-In Quality
2. Program execution
3. Alignment
4. Transparency
The Lean Startup & The Startup Way
The Lean Startup

Encouraged entrepreneurs to use small batches, fast feedback, scientific method, and bring new products and services to market.

Key concepts:
- Leap of faith assumptions
- Dedicated cross-functional teams
- Build, measure, learn
- Minimum viable product (MVP)
- Innovation accounting
- Metered funding
- Validated learning
- Pivot or persevere
- Think big, start small, scale fast
The Startup Way

Applies the concepts introduced in The Lean Startup to large enterprises.

Key concepts:
- Entrepreneurship as the missing function in the established legacy enterprise
- Continuous innovation culture and process
- Internal “startups” led by internal “founders”
- Oversight by a growth board
- Transition best products to development organization to scale
- Continuous transformation - rewrite the company’s DNA
Why explore the synergies between SAFe and The Startup Way?
This is the missing half of the Toyota Production System.

We have a system that is outstanding at producing what we specify, with high quality, but we don’t have a corresponding system for discovering what to product in the first place.

– Shigeki Tomoyama
Toyota
Our hypothesis

“$1 Billion over 5 years”

Think Big
What can be built?

- Competition
- Disruption
- Opportunity

Acme, Inc.

Start Small
Should it be built?

- Explore
- Learn
- Validate

Scale Fast
How will it be built?

- Develop at scale
- Deploy & Release
- Maintain

We tend to skip this!
Creating flow in product exploration using a portfolio Kanban
An Epic is a large product initiative in SAFe

- Has a hypothesis
- Defines an experiment to test our assumptions. We call this a Minimum Viable Product (MVP)
Portfolio intake process in The Startup Way

Think big. Start small. Scale Fast!

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Aligning Lean Startup and SAFe intake patterns

Think big. Start small. Scale Fast!
Exercise: Compare and Contrast

- Compare your current portfolio initiative intake process with the SAFe and Lean Startup models
- What would be new in your process?
Incorporating growth board activities into Lean Portfolio Management
Lean Portfolio Management empowers the portfolio

**Strategy & Investment Funding**
- Connect the portfolio to enterprise strategy
- Fund Value Streams
- Establish portfolio flow

**Lean Governance**
- Forecast and budget dynamically
- Measure Lean portfolio performance
- Coordinate continuous compliance

**Agile Portfolio Operations**
- Support Agile PMO, LACE, RTE and SM CoP
- Coordinate Value Streams
- Sustain and improve
A Growth Board is an internal version of a startup board: a group of people who meet on a regular basis to hear from teams about their progress and to make funding decisions.

- Single point of accountability for internal startup teams
- Validate Leap of Faith Assumptions (LOFA) and monitor metrics
  - What do we need to learn, how do we know?
- Act as the single clearinghouse of information about the startup to the company
- Provide metered funding to startup teams
- Guide scaling to full production
- Develop future internal founders
Incorporate growth board into your LPM

SAFe Lean Portfolio Management

- Connect the portfolio to enterprise strategy
- Fund value streams
- Establish portfolio flow

Growth Board Activities

- Single point of accountability
- Monitor LOFAs and metrics
- Metered funding
- Scale to production
- Grow new founders
Exercise: Leading innovation in your organization

- In groups of 2-3 discuss how a growth board might look in your organization
  - Is there a similar group already?
  - What would it take to add LPM and growth board responsibilities?
Incorporating innovation accounting metrics
Innovation accounting in The Startup Way

**Innovation Accounting (IA)** is a way of evaluating progress when all the metrics typically used in an established company (revenue, customers, ROI, market share) are effectively zero. IA metrics are **leading indicators** (vs. traditional metrics which are lagging indicators).

- Enables apples-to-apples comparison of two or more initiatives
- Translates the language of learning into the language of hard dollars

### Innovation Accounting Dashboards

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer focused metrics</strong></td>
<td><strong>Leap-of-faith assumption</strong></td>
<td><strong>Net Present Value (NPV)</strong></td>
</tr>
<tr>
<td>• Customer discussions</td>
<td>• Repeat purchase rates</td>
<td>• Number of buyers and sellers</td>
</tr>
<tr>
<td>• Customer feedback</td>
<td>• Retention rates</td>
<td>• Number of product listings</td>
</tr>
<tr>
<td>• Conversion rates</td>
<td>• Willingness to pay a premium price</td>
<td>• Number of transactions</td>
</tr>
<tr>
<td>• Per customer revenue</td>
<td>• Referral rates</td>
<td>• Revenue per transaction</td>
</tr>
</tbody>
</table>

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Until now SAFe has used innovation accounting metrics for pivot or persevere decisions on the features of an Epic beyond its MVP.

Innovation accounting can also be used in "Startup Way" exploration of candidate Epics to make GO / NO GO decisions.
Exercise: Brainstorm – Leading Indicators

In groups of 2-3, brainstorm some leading indicators that could be used to evaluate new initiatives in your organization
Using Epic Owners as internal founders
Epic Owners in SAFe

- Coordinates Epics through the Portfolio Kanban
- Proposes Epics to LPM and provides ongoing updates
- Additional duty - not a full time role
Corporate entrepreneurs in The Startup Way

- Corporate entrepreneurs are internal “founders”
- Oversee high-growth initiatives
- Exemplifies an entrepreneurial, experimental, iterative mindset
- Blends R&D, sales & marketing, engineering, and business operations
- Operate autonomously with accountability to growth board
- Takes appropriate risks, drives through roadblocks
Epic owners as corporate entrepreneurs

- Combines the responsibilities of Epic Owner and corporate entrepreneur for high growth initiatives
- Leads the cross-domain “two pizza team” during the analysis and exploration stage
- Serves in this role as a full time responsibility
Exercise: Changes to current leader development

- In groups of 2-3, discuss what steps your organization would need to take in order to develop and cultivate “Epic entrepreneurs”
Forming cross-domain exploration teams
In SAFe the Portfolio Kanban describes what needs to be done in analyzing Epics, but does not describe the “who”.

**Funnel**

- All big ideas are welcome here!
- New business opportunities
- Cost savings
- Marketplace changes
- Mergers and acquisitions
- Problems with existing solutions

**Review**

- Epic Hypothesis Statement
- Refine understanding
- Calculate WSJF
- WIP limited

**Analyzing**

- Solution alternatives
- Refine WSJF
- Cost estimate
- Identify MVP
- Lean business case
- WIP limited
- Go/ no-go decision
Organizing continuous exploration in The Startup Way

Passionate believers dedicated to one project at a time

- “Two-Pizza” Teams (Amazon-like) - fully cross-domain (engineering, marketing, operations, finance, etc.)
- Self-organizing, independent, often freed from normal process and policy
- Emphasizes productive failures that lead to smart changes in direction and provide useful information

Think big. Start small. Scale Fast!

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Organizing for value stream innovation

1. New products
2. Existing products in new markets
3. Products that act as insurance against future disruption
4. New IT systems
5. New policies and initiatives from gatekeeper functions (HR, finance, legal)
6. Investing in and acquiring new companies, IP licensing, joint ventures
7. Incubating potential new divisions
8. Promoting corporate transformation along the lines of the Startup Way
Exercise: Who’s on the team?

- In groups of 2-3, discuss who would be on the “two-pizza team” in your organization
Leadership take-a-way. Remember to ask:

“*What did we learn, and how do we know?*”
Questions