The Age of Agile

From Operational to Strategic Agility

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I was writing a book on high performance teams.
1990s

- Noble mission
- Brightest people
- Unlimited resources
  but
- Difficult to get things done
Agile teams in software development

They had solved a fundamental management problem:

how to combine continuous innovation with disciplined execution.

This will be huge!
Why did Agile take root in software?

Software development was the first to encounter:

- The shift in power in the marketplace from seller to buyer
- Unimaginable complexity
- The accelerating pace of change

They *had* to find a solution

Billions were being wasted!
2010

- Examples mainly in software
- Mainly software businesses

This will change the world!
2010

Software development

The Leader's Guide to Radical Management

Reinventing the Workplace for the 21st Century

Stephen Denning
You want us to learn about management from *software developers*?
The world’s leading management experts scoffed

- “Agile is only for software”
- “Agile doesn’t scale”
- “Agile can’t handle complexity”
- “Agile isn’t reliable”
- “Agile doesn’t last”
“A firm with a name like a piece of fruit isn’t serious”

Sam Palmisano,
Former CEO of IBM, in HBR 2014)
Members since 2015 have included

- Microsoft
- Barclays
- American Express
- Cerner
- Ericsson
- Fidelity Investments
- C.H. Robinson Worldwide, Inc.
- Vistaprint
- Riot Games

http://www.sdlearningconsortium.org/
Where does Agile stand in 2018?
“Where does Agile stand in 2018?

“It is the best of the times and the worst of times…”

... the age of wisdom ... the age of foolishness,
... the epoch of belief ... the epoch of incredulity,
... the season of Light ... the season of Darkness,
... the spring of hope ... the winter of despair,
... everything before us ... nothing before us,
... all going to Heaven, ... all going direct the other way...

Charles Dickens, A Tale of Two Cities (1859)
This is the best of times!

Agile is eating the world!
It is the worst of times....

**Agile as ceremonies**: Firms implementing the processes of Agile with no benefits

**Consultants** selling “get Agile quick” schemes

**Scaling frameworks** that are often just another name for bureaucracy

Some firms are using Agile to create **sweatshops**
Some firms are using Agile as a way to **downsize**

A huge amount of **fake Agile** going on

Agile **conflicts with the goal of most big corporations**: maximizing shareholder value

In this sea of BS, **genuine Agile is getting hard to identify**

**Firms aren’t making much money from Agile**
Some try to sidestep these issues by hiding from the word ‘Agile’: 

- ‘Agile’ is not a noun
- We do ‘small “a” agile’
- We do ‘Business Agility’
- ‘We do ‘Sense & Respond’
- We are ‘SAFe’

This doesn’t fool anyone!
It is the worst of times…

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**What am I missing?**
Agile is a big deal

It’s a new age!
How has the human race dealt with ‘big deals’?
Parable #1

The Protestant Reformation

Martin Luther posted 95 theses in 1517, lamenting:

- the empty ceremonies of the Church
- sale of indulgences
- the corruption of the Church

People could only be saved by having the right mindset

Eventually the Roman Catholic Church reformed itself but it took over 100 years
Parable #2

The Copernican Revolution

Initially welcomed by the Pope in 1539
Then banned when the threat to the status quo was recognized
Galileo was imprisoned for life
Not until 1822 that the Church finally accepted it.
Society itself changed: “divine right of kings?”
Kings started having their heads chopped off.
Parable #3

Business process reengineering (BPR)

BPR was the business management strategy of the 1990s.
BPR redesigned workflows, working backwards from the customer.
It was the management fashion of the day.
But most companies used it to reduce head count.
BPR became synonymous with downsizing and layoffs.
The underlying good idea died within a few years.

Tom Davenport: “once out of the bottle, the reengineering genie quickly turned ugly.”
Lessons from these ‘big deals’

• Deep change in mindsets can take a very long time
• Mindsets can have huge societal and political changes
• Great ideas can turn into things the founders never intended
• “If we change the way we look at things, the things we look at change.”
  —Dr. Wayne Dyer
It is the worst of times: bad stuff is happening

**Agile as a patch**: Underlying management doesn’t change

**Agile as ceremonies**: Firms implementing the empty ceremonies of Agile, no benefits

Consultants selling “get Agile quick” schemes

Scaling frameworks are often just another name for bureaucracy

Many firms are using Agile to create sweatshops

Many firms are using Agile as a way to downsize

Many firms are declaring premature victory

A huge amount of fake Agile going on

Agile is being dumbed down

Agile is being declared a fad: “this too will pass”

Agile conflicts with the goal of public corporations: maximizing shareholder value

In the sea of BS, genuine Agile is getting hard to identify

Firms aren’t making much money from Agile

**In a sea of BS, how do you identify real Agile?**

**How can firms make a lot of money from Agile?**
In 2015, we set out to discover:

What does genuine Agile look like?
What we saw in 2015:

Agile is mindset
What we saw in 2015:

With an Agile mindset, benefits flowed, no matter what the processes.

Without an Agile mindset, no benefits flowed.
What do we mean by "Agile mindset"?
Agile is mindset

“...a different way of understanding, seeing and acting in the world”

How different?
What do we mean by “Agile mindset”? 

1. Carol Dweck’s “growth mindset” 

Growth mindset
People who believe their abilities and intelligence can be developed with effort, learning, and persistence.

Vs. Fixed mindset
People who believe that their basic abilities, intelligence, and talents are fixed traits. ... 

Is it really a binary choice?
What do we mean by “Agile mindset”? 

2. The values & principles of the Agile Manifesto

Image by Ahmed Sidky & ICAgile

Issue: Executives don’t relate to the Agile Manifesto
What do we mean by “Agile mindset”? 

3. Each individual’s values, beliefs and principles

**Values**: What you consider most important in the current situation

**Beliefs**: What you hold to be true in that type of situation

**Principles**: Which standards guide your choices, decisions, and actions

**Issue**: What do they have in common?
What do we mean by “Agile mindset”?

4. “You know it when you see it”

United States Supreme Court Justice Potter Stewart to describe his threshold test for obscenity.

Issue: What do they have in common?
A documentary film about Agile

Araceli De Leon , Co-producer of the film

We’d like your help!
A documentary film about Agile

Araceli De Leon, Co-producer of the film

Meet Araceli after the session for mini-interviews on camera!
What is the Agile mindset?

The Agile mindset reflects three central ideas:

- The Law of the Customer
- The Law of the Small Team
- The Law of the Network
1. The Law of the Customer
The three laws of Agile

1. The Law of the Customer

There is only one valid purpose of a firm: to create a customer

Peter Drucker

21st Century: Power in the marketplace shifted to the customer
The three laws of Agile

1. The Law of the Customer

The Copernican Revolution in management

Firm

Customer

Firm

Customer

This is a different way of understanding how the world works
Degree of commitment to customer value

20th Century management

“We must delight our customers!”

We will delight our customers, to the extent possible within our existing systems and processes.”
Consistency of organizational goals is key

To customers

Our top priority is to add value to our customers!
Consistency of organizational goals is key

To customers:
Our top priority is to add value to our customers!

To employees/Wall Street:
Our top priority is to increase our profits for shareholders.
Consistency of organizational goals is key

To customers:
Our top priority is to add value to our customers!

To employees/Wall Street:
Our top priority is to increase our profits for shareholders!
"Yes, the planet got destroyed. But for a beautiful moment in time we created a lot of value for shareholders."
2. The Law of the Small Team
The three laws of Agile

2. The Law of the Small Team

This is about

• Descaling complex problems into small pieces
• Having work done by cross-functional self-organizing teams
• Working in small cycles, getting work completely done
• Getting direct feedback from customers
• Daily standups, and retrospectives
The three laws of Agile

2. The Law of the Small Team

Managers still exist, but their role changes

• From controlling to enabling
• Helping resolve priorities
• Removing impediments
• Ensuring teams resolve dependencies on other teams

The manager can’t tell the staff what to do!
The three laws of Agile

2. The Law of the Small Team

There is no single Agile model:

• The best organizations learn from others
• Grow their own organic version of Agile
• Their version keeps evolving

Not even Spotify implements “the Spotify model”!
3. The Law of the Network
3. The Law of the Network

- The organization functions like a fluid network
- Communications flow up, down, sideways
- Ideas can come from anywhere
3. The Law of the Network

- The organization functions like a fluid network

This is a huge culture shift that can take years
3. The Law of the Network

Getting collaboration across units

- Common physical space
- Daily briefing session
- Decisions taken at lowest level
- Exchange of staff between teams
- From commander to gardener

Gen. Stan McChrystal, *Team of Teams*
3. The Law of the Network

From fierce commander... ... to gardener
The evolution of Agile

Agile is a journey: you never arrive!

2001-2010: how to manage one or several Agile teams

2010-2015: how to manage large numbers of Agile teams

2016-today: rethinking Agile strategy, HR and budgeting
1. Operational Agility is a good thing.
2. Operational Agility helps create great workplaces
3. Operational Agility is necessary for survival.
Operational Agility

The Agile mindset \times \text{Three Laws of Agile} = \text{Operational Agility}

‘Operational Agility’ ....

1. doesn’t replace the Agile Manifesto.
2. helps make Agile intelligible to managers
3. makes Agile memorable.
Questions?
Operational Agility

1. Operational Agility is a good thing.
2. Operational Agility helps create great workplaces
3. Operational Agility is necessary for survival.

But...
4. Operational Agility doesn’t make much money
Most of us assumed: Agile Manifesto) assume: Agile is going to make us a lot of money!
The sad facts about making money from Agile ....

The hope

Agile software

Better software will delight customers & yield higher profits
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<td>Competitors are already exploiting it</td>
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There were exceptions: Discovery Weekly at Spotify

Agile management
- Team of 4
- Customer focus
- Firm support

2015: 60 million users → 2017: 150 million users

The exceptions were very rare
An unstoppable revolution is now under way in our society…

With greater competition, and with the shift in power from seller to buyer, customers can often insist on improvements at no cost, or even lower cost.

The dark secret of Agile today

Operational Agility may not make much money!

Why is Strategic Agility important?
Why is Strategic Agility important?

The dark secret of Agile today

Operational Agility: making better products may not make much money!

The main financial gains come from Strategic Agility: market-creating innovation that brings in new customers.
Operational Agility is about making existing products and services better, faster, cheaper for existing customers.

Strategic Agility is about market-creating innovation, that brings in new customers.
A note on terminology

This is the same concept with different labels:

- ‘Market-creating innovation’
  *Clayton Christensen*
- ‘Blue Ocean strategy’
  *Kim & Mauborgne*
- ‘Strategic Agility’
  *Steve Denning*
From Operational Agility to Strategic Agility

Thomas Edison, 1879

Operational Agility
Making a better candle

Strategic Agility
Making a different way of generating light
From Operational Agility to Strategic Agility

Henry Ford, 1908

Operational Agility

A faster horse

Strategic Agility

A different kind of transportation
From Operational Agility to Strategic Agility

Mobile phones

Operational Agility

Making a better mobile phone

Strategic Agility

Making a multi-function device
From Operational Agility to Strategic Agility

Mobile phones

Operational Agility

Remove:
- keyboard
- buttons

Add:
- Large screen
- ‘Cool’ Apps

Making a better mobile phone

Strategic Agility

Making a multi-function device
How to implement Strategic Agility

Strategic Agility usually requires specific decisions

Cirque du Soleil
How to implement Strategic Agility

Strategic Agility usually requires specific decisions
Making existing products and services better, faster, cheaper for existing customers.
The bad news

Making existing products and services better, faster, cheaper for existing customers.
Why does market-creating innovation (aka Strategic Agility) need special attention?
How to implement Strategic Agility?

Operational Agility rarely leads to market-creating innovations

1. Teams (and firms) tend to focus on existing customers
   • Product owners (almost by definition) focus on existing products and existing customers
2. Teams (and firms) hesitate to eliminate features
3. Teams (and firms) miss what the competition is doing
4. Cannibalizing profitable products is hard: e.g. iPhone vs iPod
5. Strategic Agility may require substantial investment
Operational Agility faces competition
Why Operational Agility has difficulty making money...

Bloody “Red Oceans” of fierce competition
Blue Oceans of market—creating innovations

There is less competition in the “blue oceans” of new businesses?
There are many more non-customers than customers
It’s not either-or: you need both!

From Operational to Strategic Agility

Firm

Customers

Non-customers
There is also less competition in the “blue oceans” of new businesses?

You don’t *find* blue oceans by ‘sense & respond’

You have to *create* your own blue oceans!
An unstoppable revolution is now under way in our society…

Systematic generation of market-creating value propositions requires an innovation playbook.
The Innovation Playbook – “NABC”

- Need
- Approach to the ecology
- Benefits
- Competition

The importance of Strategic Agility

What is the unmet need & how large is it?

The Innovation Playbook – “NABC”

- Need
- Approach
- Benefits
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The Innovation Playbook – “NABC”

- Need
- Approach
- Benefits
- Competition

What is the unique approach to the ecology to meet that need?

The importance of Strategic Agility

The Innovation Playbook – “NABC”

N - Need
A - Approach
B - Benefits
C - Competition

How do competitors meet the same need?


Twelve Kick-starters To Achieve Strategic Agility

1. Removing key features
2. Adding new features
3. Disrupting from below (Toyota, 1960s, Cirque du Soleil, iPhone)
4. Disrupting from above (Starbucks coffee)
5. Personalizing it (Google)
6. Making it faster, cheaper and more reliable (Amazon)
7. Making it frictionless (Amazon, Spotify’s Discovery Weekly)
8. Removing pain points (Uber)
9. Removing/simplifying physical product through software (Netflix, Tesla, iPhone)
10. Combining multiple functions in a single product (iPhone)
11. Create a platform (iTunes, iPhone)
12. Unlock under-utilized assets (Uber, Airbnb)
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These can be big decisions: Top management has to be involved!
The gold-standard of performance

Why they are the largest and fastest growing firms on the planet:

- Apple
- Amazon
- Facebook
- Google
- Netflix

- instant
- frictionless
- intimate
- incremental
- risk-free
- value at scale
Summary

Operational Agility

The Agile mindset × Three Laws of Agile = Operational Agility

Strategic Agility

The Agile mindset × Three Laws of Agile × Strategic Agility = $$$$$$
Questions?
The Age of Agile

From Operational to Strategic Agility

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