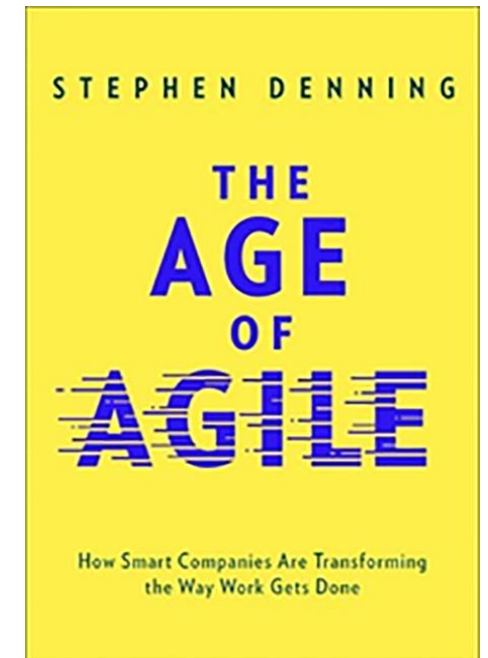
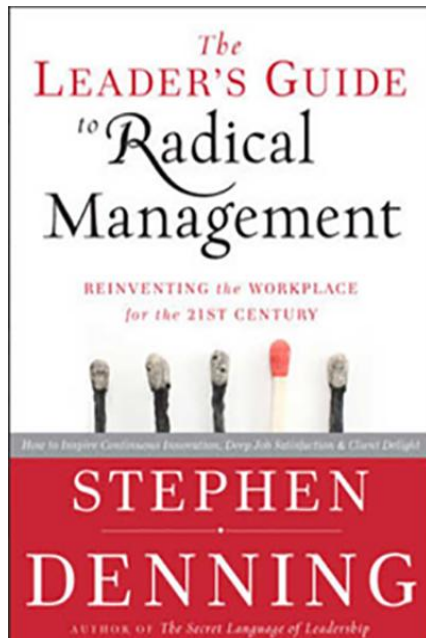


From Operational Agility To Strategic Agility

March 2018

Steve Denning

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What is Operational Agility?

What is “Agile”?

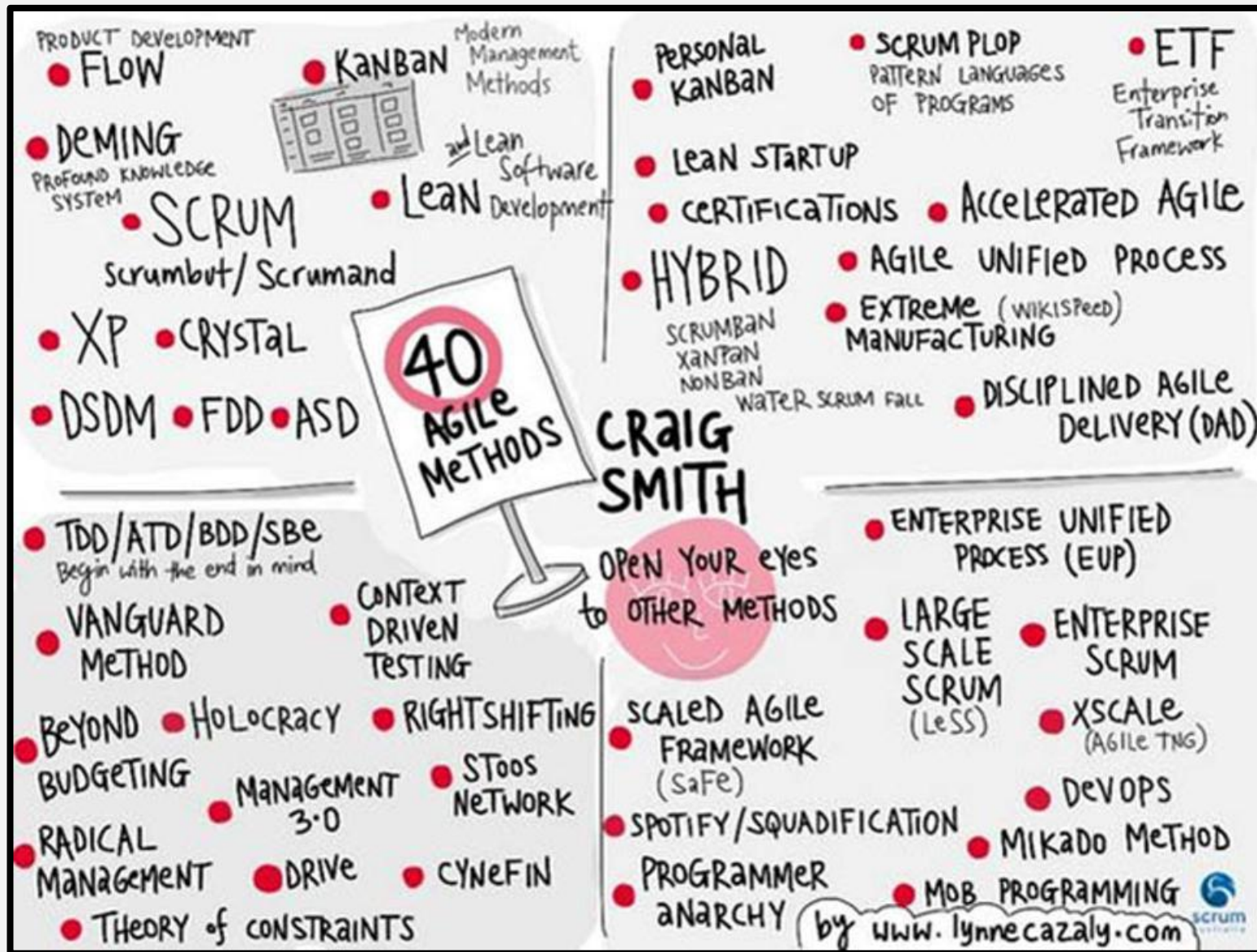
Manifesto for Agile Software Development

We are uncovering better ways of developing software by doing it and helping others do it. through

.... four values...

.... twelve principles...

Just about software? Only about teams? What about the organization?



“Fake Agile”

“Agile in name only”

A chaotic jumble of labels and approaches emerged

Operational Agility has a coherent core

The core of Agile: a **mindset** applying **three elements**

- **Law of the Customer:** the purpose of a firm is to create a customer
- **Law of the Small Team:** to the extent possible, all work should be done by small, cross-functional teams working in short cycles
- **Law of the Network:** the firm functions as a fluid interactive network, not a top-down hierarchy

<https://www.forbes.com/sites/stevedenning/2016/09/08/explaining-agile/>

Operational Agility makes products/services better

- Faster
- Higher quality
- Cheaper
- More personalized
- More convenient

Questions?

What is Strategic Agility?

Nokia, 2004

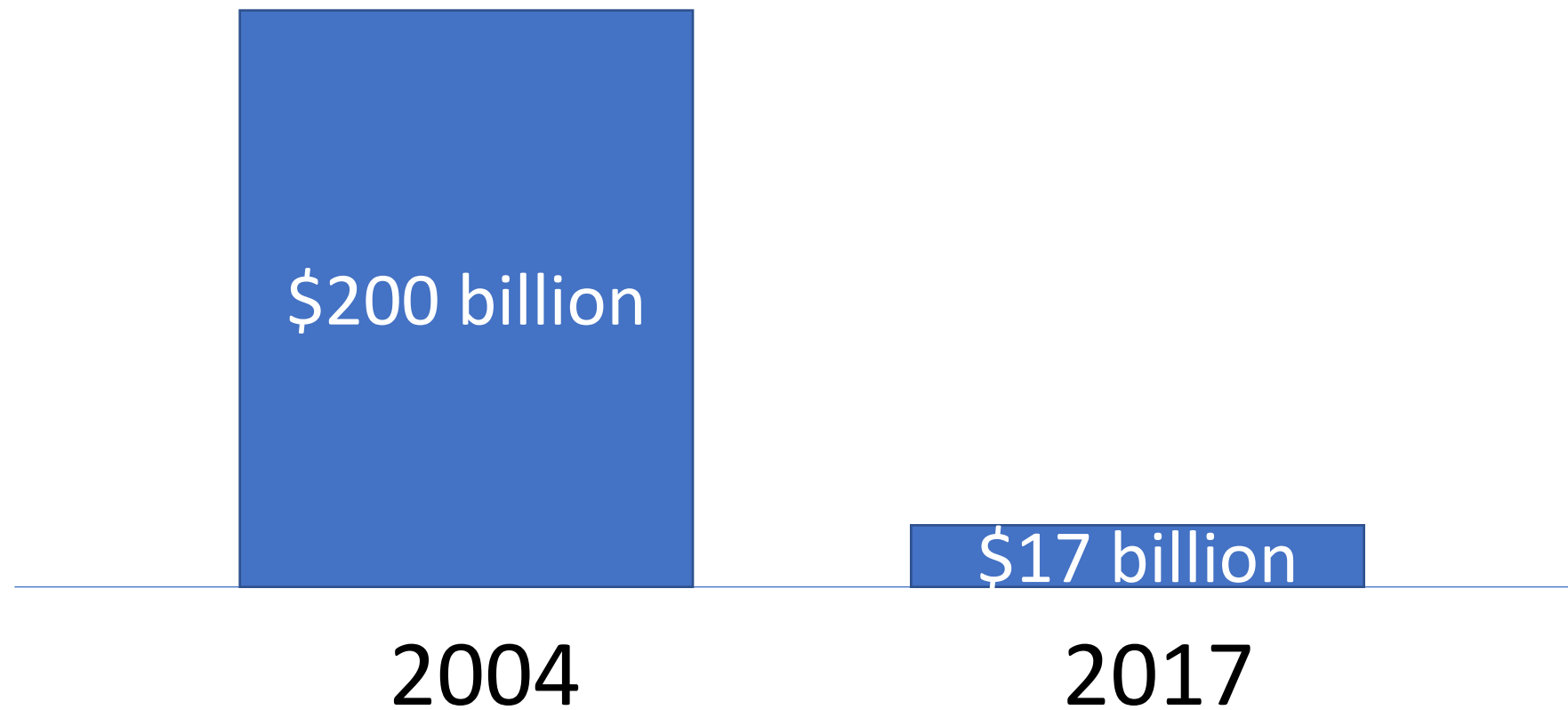


Helsinki, Finland

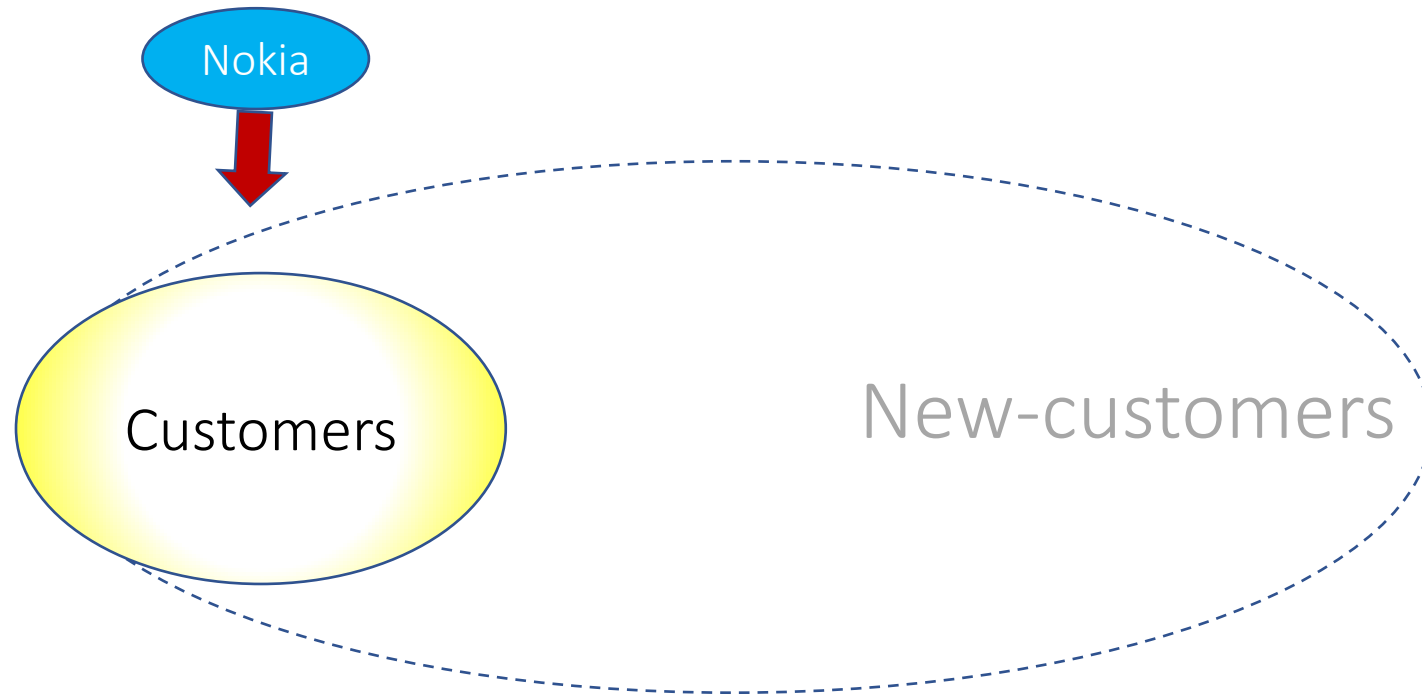
2007



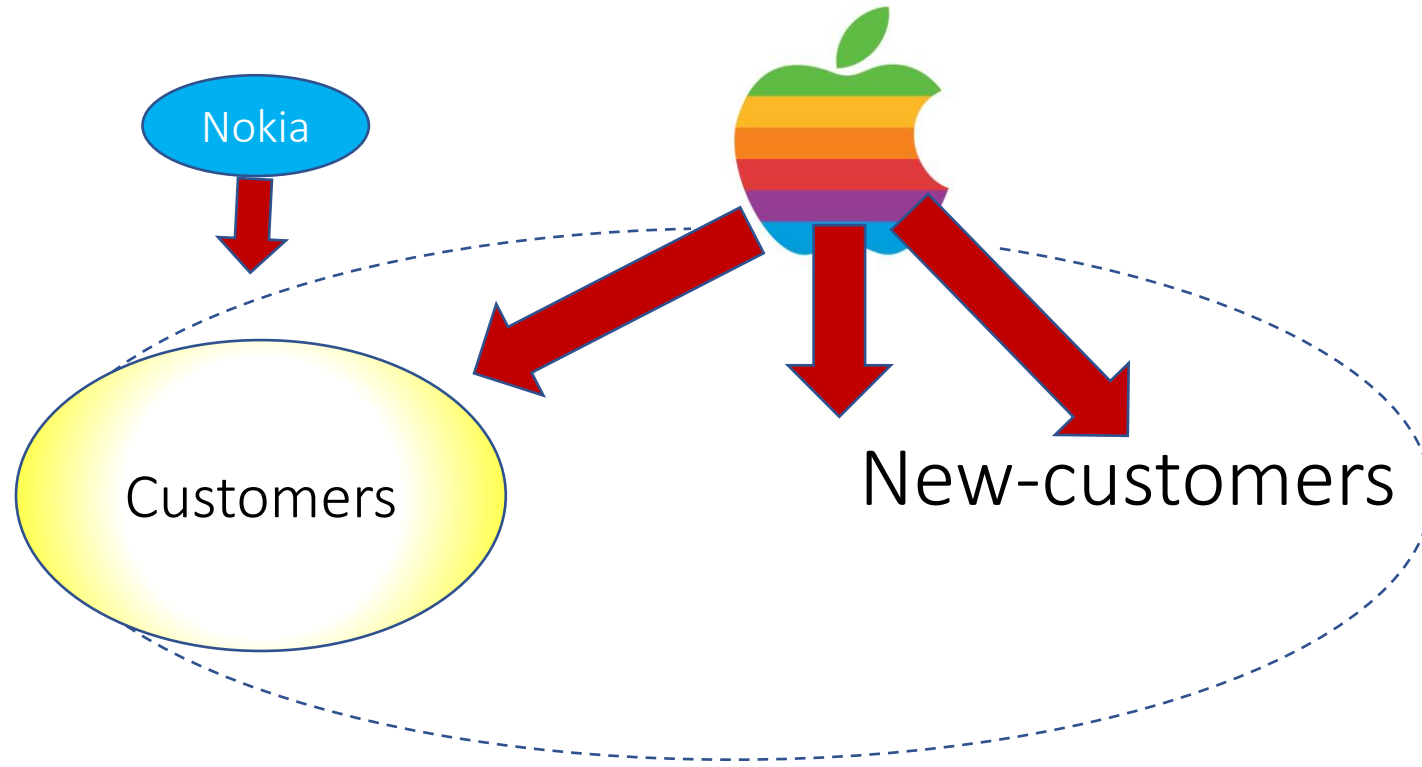
Nokia's market capitalization:



Operational Agility



Strategic Agility



Operational Agility is about making things better, faster, cheaper for existing customers.

Strategic Agility is about market-creating innovation, that brings in new customers.

Some examples...

Mobile phones

Operational Agility



Making a better mobile phone

Strategic Agility



Making a multi-function device

Thomas Edison, 1879

Operational Agility



Making a better candle

Strategic Agility



Making a different kind of generating light

Henry Ford, 1908

Operational Agility



A faster horse

Strategic Agility



A different kind of transportation

Amazon

Operational Agility



Better, faster, cheaper retail

Strategic Agility

amazon echo

Always ready, connected, and fast. Just ask.



Multiple new businesses

Netflix

Operational Agility



Renting more convenient DVDs

Strategic Agility



Making a different way of delivering movies
Now producing movies

“Google is ad company with a bunch of hobbies”

Operational Agility

Search/Ad-words

Plus some acquisitions:

- Youtube
- Android

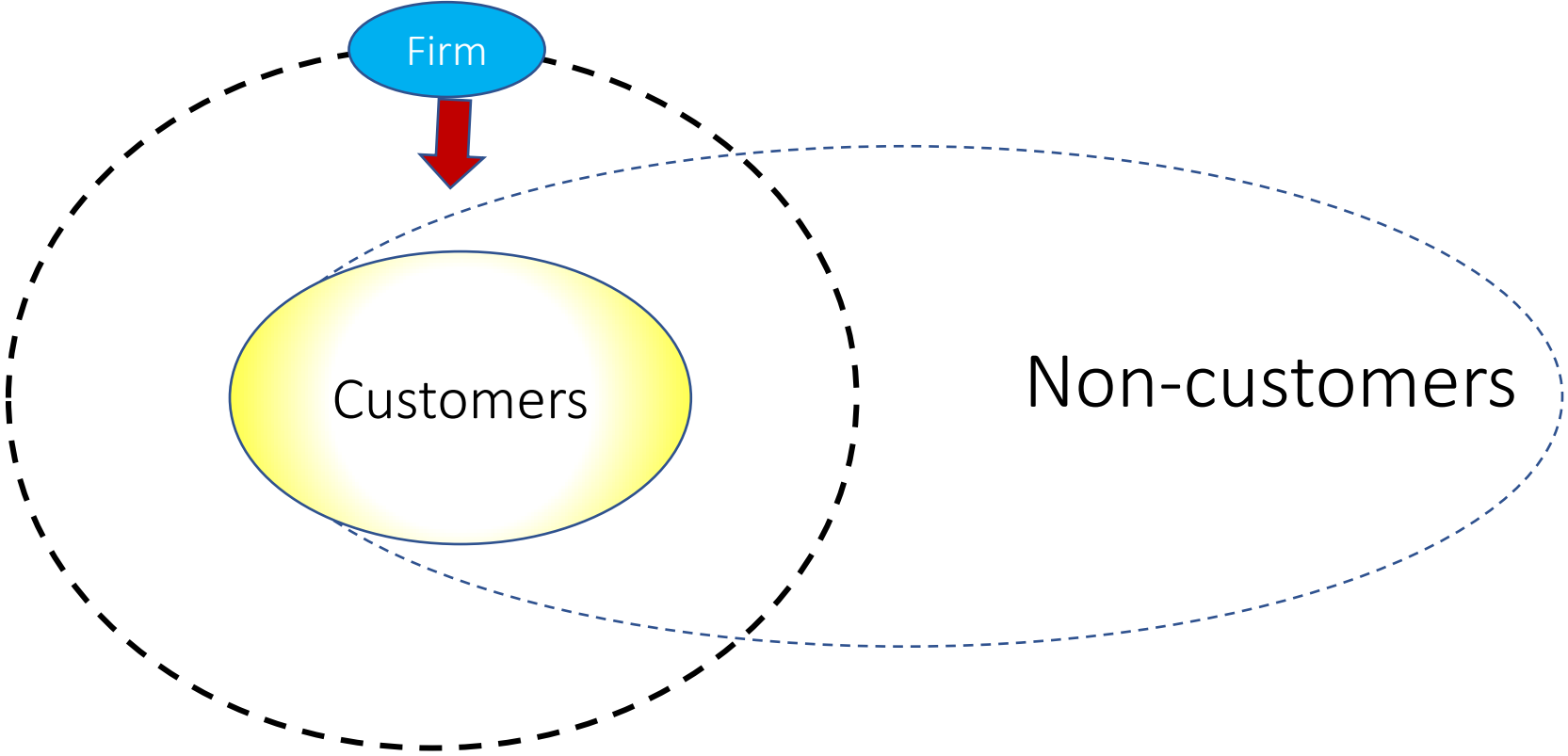
Making better ads

Strategic Agility

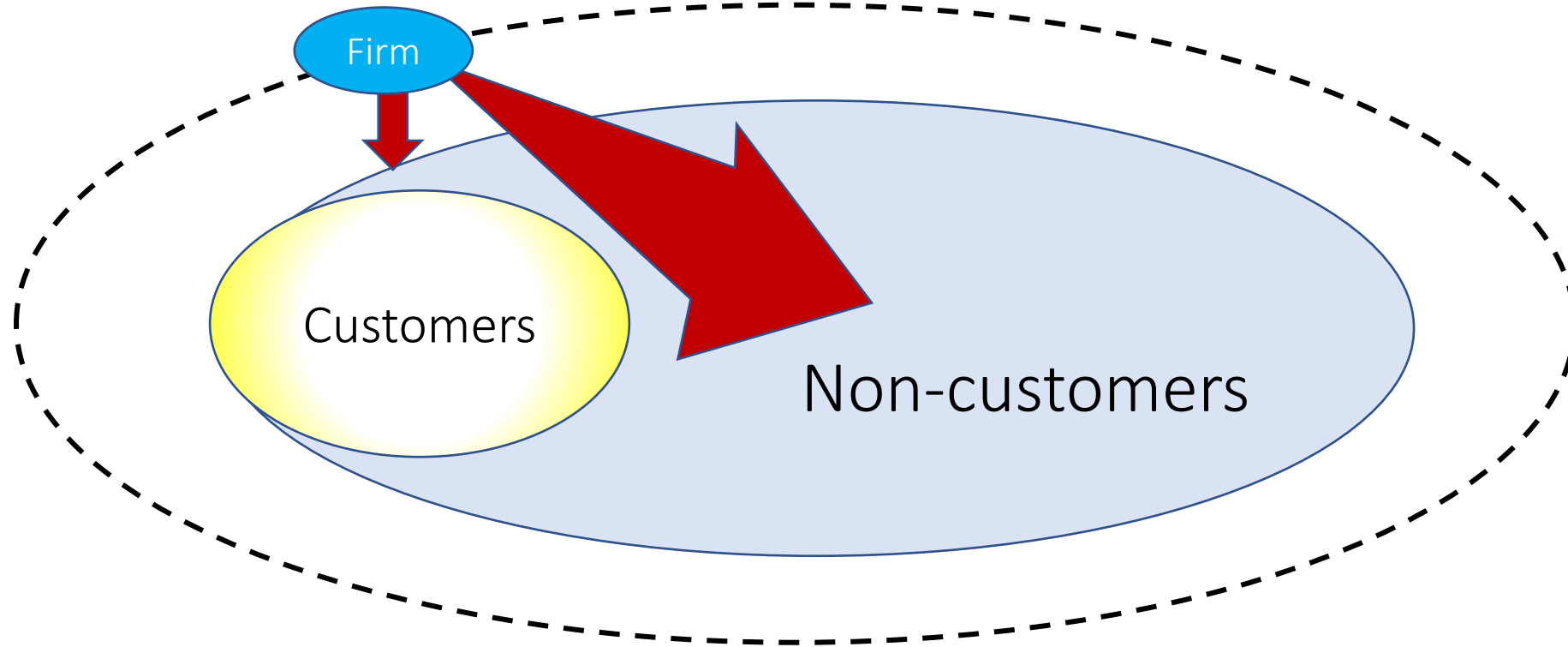
?

Making targeted ads

Operational Agility



From Operational to Strategic Agility



Strategic Agility is **not** about

.....explore vs exploit

Both Operational Agility and Strategic Agility
are about explore

Strategic Agility is **not** about ...

.... efficiency vs effectiveness

Operational Agility is about both
efficiency & effectiveness

Questions?

Why is Strategic Agility important?

1. Operational Agility is vulnerable to disruption

E.g. Nokia

2. The dark secret of the Agile movement

Operational Agile may not make much money!

The assumption in the Agile world that making existing software better for existing customers will make a lot of money is often **false**

2. The dark secret of the Agile movement

Operational Agility may not make much money!

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

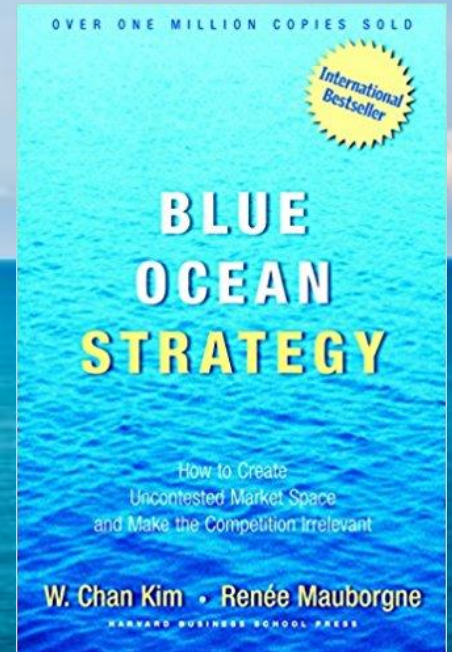
Bloody “Red Oceans” of fierce competition



From Operational Agility To Strategic Agility

The major financial gains come from market-creating innovations

Blue Oceans of market–creating innovations



2007

Mobile phones

2007-- no one was making much money



Nokia



Blackberry



Motorola

Bloody “Red Oceans” of fierce competition



Apple said: think different!

Removed

- Keyboard
- Buttons



So Apple said: think different!



Removed

- Keyboard
- Buttons

Added

- + Large screen
- + Internet
- + Apps
- + “Cool”

Bingo!



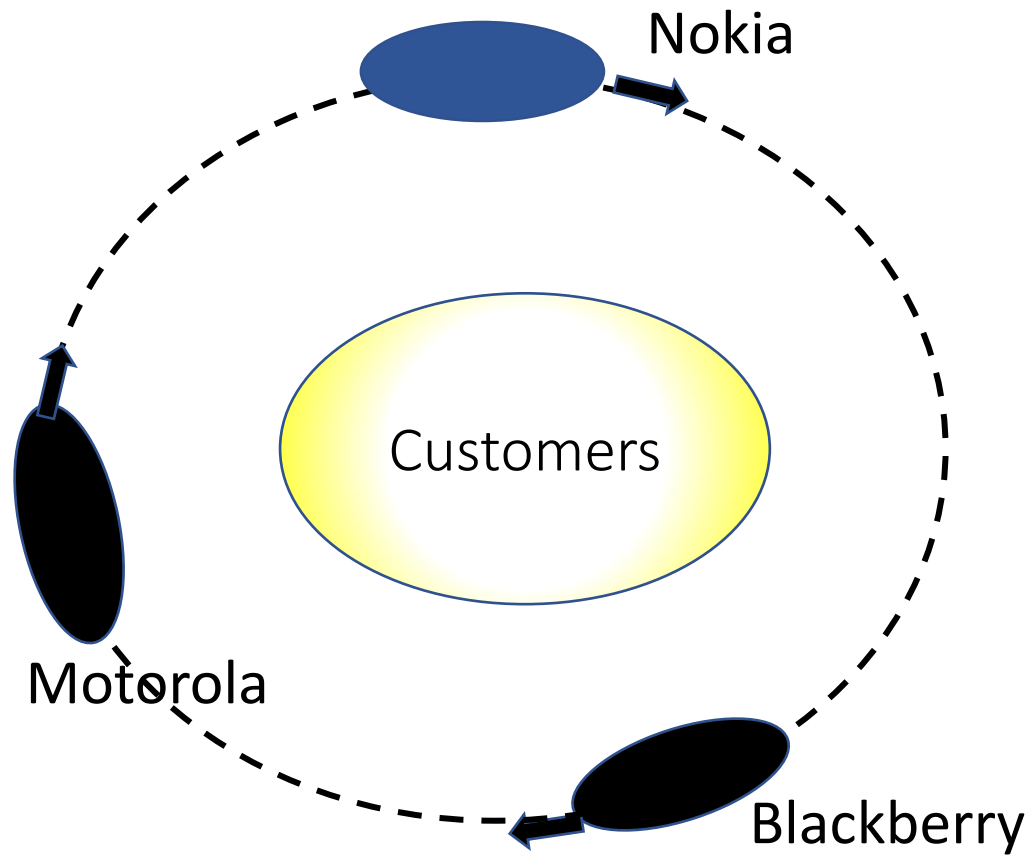
You had to have it!



Apple is the now most valuable firm on the planet

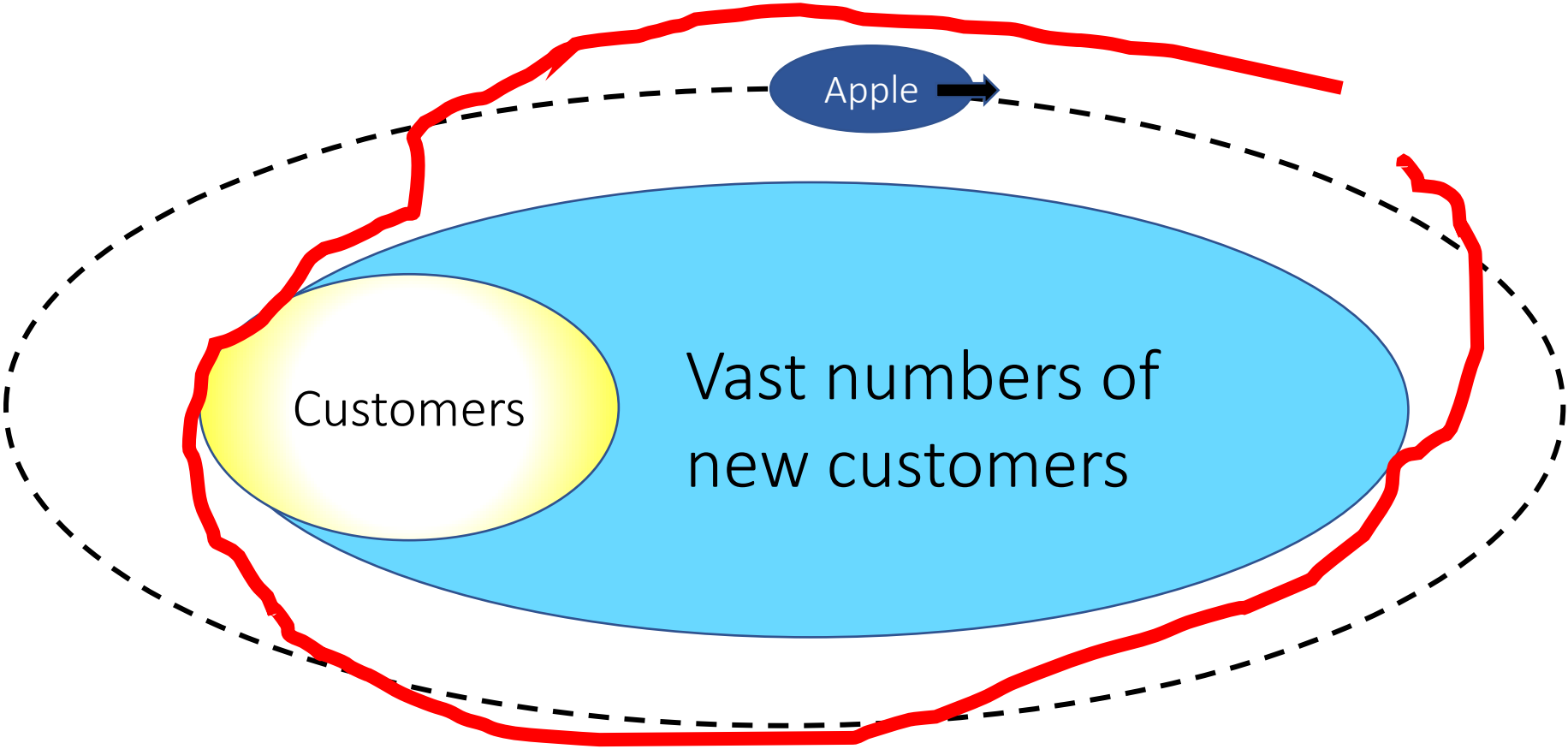


Operational Agility



Contested market-space

From Operational to Strategic Agility



Contested market-space..... →Uncontested market space

Questions?

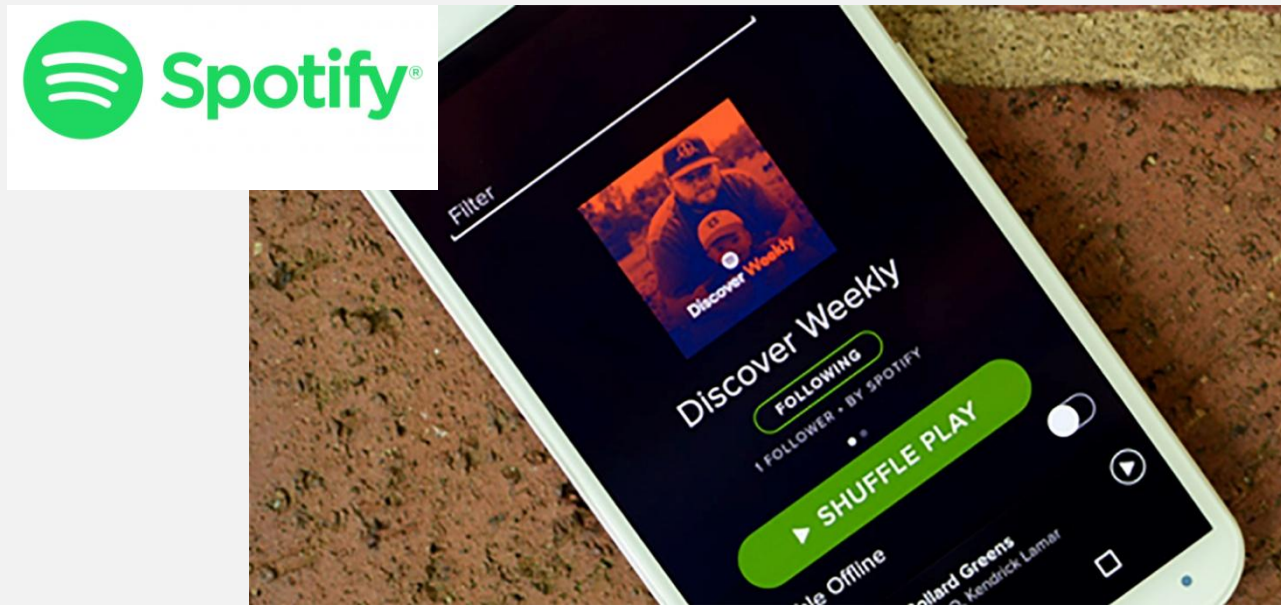
Why does Strategic Agility need
special attention?

Operational Agile rarely leads to market-creating innovations

1. Teams tend to focus on existing customers
2. Teams hesitate to eliminate features
3. Cannibalizing profitable products is hard: eg. iPhone vs iPod
4. C-suite incentives cause big bets to morph into small bets
5. Big bets require substantial investment and entail risk

Operation Agility rarely leads to market-creating innovations

There are exceptions: Discovery Weekly at Spotify



Agile management

- Team of 4
- Customer focus
- Firm support

2015: 60 million users → 2017: 150 million users

From Operational Agility To Strategic Agility

Systematic generation of market-creating innovations requires an **innovation playbook**

The Innovation Playbook – “NABC”

N

- Need

A

- Approach to the ecology

B

- Benefits

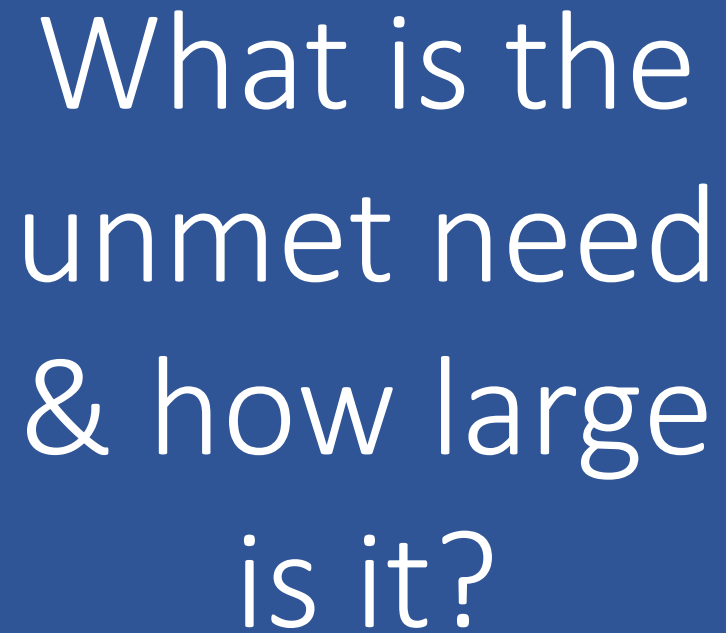
C

- Competition

Curt Carlson: Innovation: The Five Disciplines for Creating What Customers Want (2006)

The Innovation Playbook – “NABC”

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

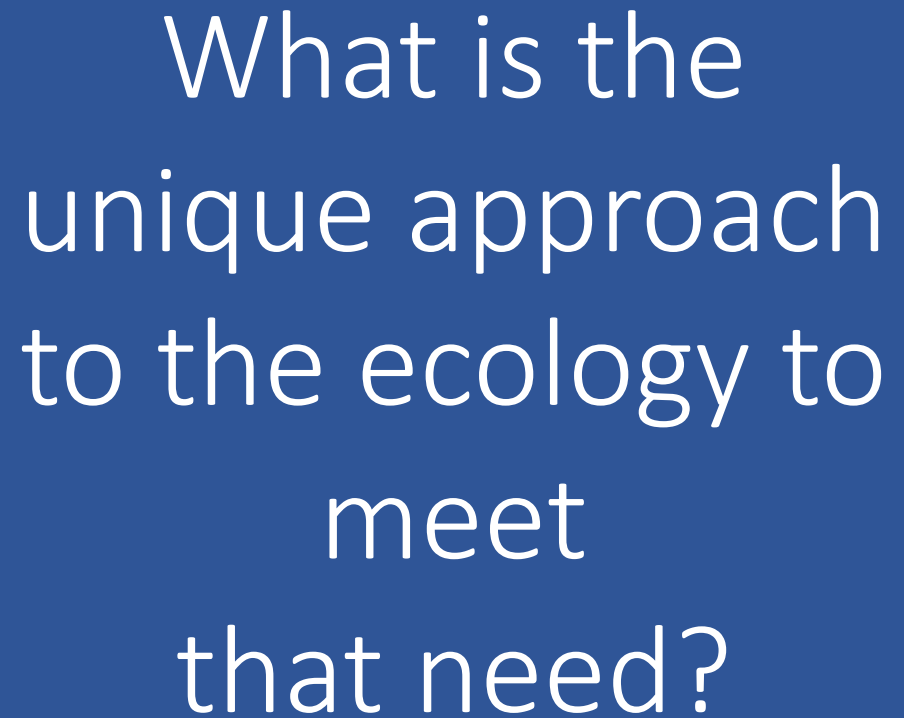


What is the
unmet need
& how large
is it?

Curt Carlson: *Innovation: The Five Disciplines for Creating What Customers Want* (2006)

The Innovation Playbook – “NABC”

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




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

Curt Carlson: *Innovation: The Five Disciplines for Creating What Customers Want* (2006)

The Innovation Playbook – “NABC”

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

What are the benefits (to both customer and producer)?



Curt Carlson: *Innovation: The Five Disciplines for Creating What Customers Want* (2006)

The Innovation Playbook – “NABC”

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

How
do
competitors
meet
the same need?

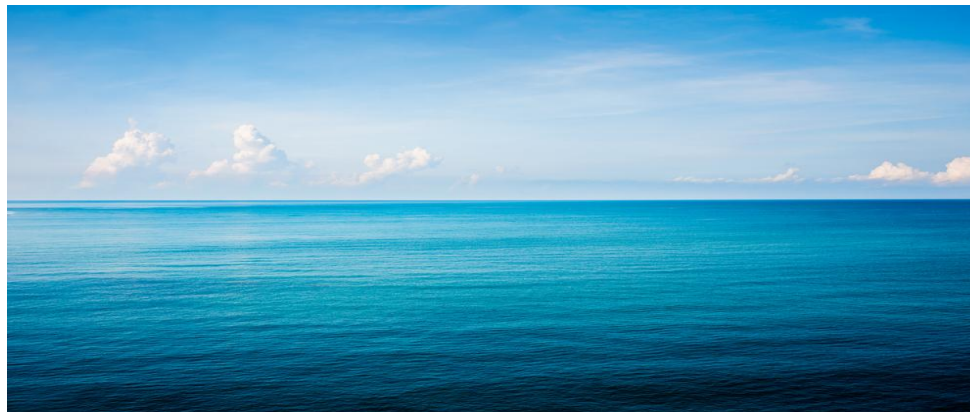


Curt Carlson: *Innovation: The Five Disciplines for Creating What Customers Want* (2006)

Operational Agility → Surviving



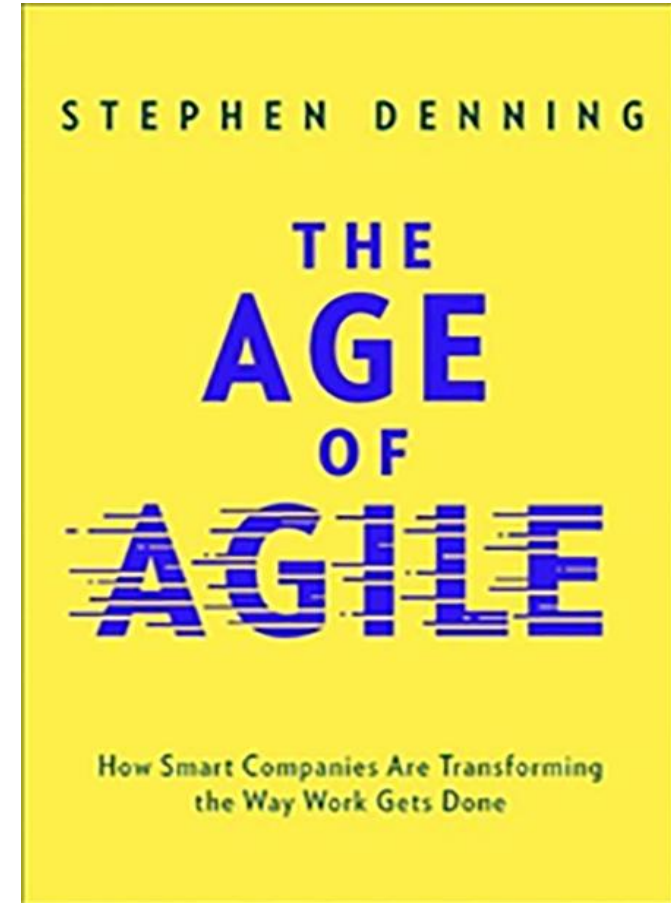
Strategic Agility → Thriving



"A great book"

--Scott Anthony,
Innosight

- The three laws of Agile
- Creating an Agile culture
- Strategic agility
- Headwinds facing Agile



Business Agility Conference
New York
March 14-15, 2018



<http://businessagilityconf.com/2018/us/>

SD Learning Consortium

A group of firms dedicated to learning about Agile



Questions?

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