CEO advisory

Leadership and strategy in the news

Craig Henry

Agile evolves into management

Insights from speakers at the ICAgile's Inaugural Business Agility 2017 conference

Agile – spelled with a capital A – refers to a core philosophy and set of principles for developing better software. At ICAgile's inaugural Business Agility 2017 conference in New York, however, it was clear that Agile had jumped the technology shark, expanding outside the software world. Enterprises are now increasingly adopting Agile practices across their organizations in order to successfully navigate the disruptive waters that threaten to drown them. . ..

But now that Agile is maturing and digital transformation is driving change across enterprises large and small, companies are realizing that their best bet for achieving business agility is to take the best of Agile and apply it across the entire organization.

The first step in this "Agile transformation": moving away from traditional hierarchical organizational models to small, self-organizing teams. "You can't put Agile teams in a bureaucracy," according to Steve Denning, author, consultant, and fellow columnist for Forbes. "A mix of Agile and bureaucracy is unstable. One or the other will take over."

Charlie Rudd, SolutionsIQ: "No amount of organizational change can make up for a lack of transformational leadership."

Instead of measuring traditional key performance indicators (KPIs) like profitability or transactions per hour executives must shift their focus to how well the enterprise is able to deal with changing customer preferences and a shifting competitive landscape. As Phil Abernathy, Agile Alchemist at IBM puts it, "measure what matters."

Customer delight is one of these new KPIs, but employees are also critical to the success of Agile transformation. "Better, faster, cheaper – and happier, for both customers and employees," Abernathy explains.

It's not cheap. "Agility costs money," Timothy Lister, Principal at The Atlantic Systems Guild says. "It's not fairy dust."

It won't be neat. "It was messy and it still is," according to Paul Cobban, Managing Director and Chief Operating Officer, Technology and Operations at DBS Bank. And chances are, you'll fail along the way – but in the transformed Agile world, even failure gets a rethink. "Failure is how we generate new knowledge," posits Pat Reed, Agile Consultant at iHoriz and Adjunct Professor at University of California, Berkeley.

Jason Bloomberg, "Digital Transformation Requires Enterprisewide Agile

Craig Henry, *Strategy & Leadership's* intrepid media explorer, collected these examples of novel strategic management concepts and practices and impending environmental discontinuity from various news media. A marketing and strategy consultant based in Carlisle, Pennsylvania, he welcomes your contributions and suggestions (craig_henry@centurylink.net).

Transformation," *Forbes* 26 February 2017.

Agile leadership

What does it mean to be an effective leader in an environment characterized by increasing digital disruption?

To address this question, the DBT Center undertook a major study along with specialist HR Consultancy metaBeratung. Data was collected from two sources: a survey of 1,042 executives, and in-depth interviews with nineteen digital leaders, all conducted between October 2016 and January 2017. . ..

We were able to identify a number of key competencies and business behaviors of Agile Leaders who thrive in this type of environment. Agile leaders are:

Humble: They are able to accept feedback and acknowledge that others know more than they do.

Adaptable: They accept that change is constant and that changing their minds based on new information is a strength rather than a weakness.

Visionary: They have a clear sense of long-term direction, even in the face of short-term uncertainty.

Engaged: They have a willingness to listen, interact, and communicate with internal and external stakeholders combined with a strong sense of interest and curiosity in emerging trends.

Agile Leadership Competencies

Agile Leaders exhibited three key behaviors:

Hyperawareness: They are constantly scanning internal and external environments for opportunities and threats.

Making Informed Decisions: They make use of data and information to make evidence-based decisions.

Executing at Speed: They are able to move quickly, often valuing speed over perfection.

"Redefining Leadership for a Digital Age," IMD Center White Paper, March 2017 www.imd.org/dbt/whitepapers/redefining-leadership/

Management theories and the new reformation

Until we understand the depth and breadth of the problems we are facing, we will never be able to resolve the issues.

We also need to understand inter-connectedness of the problems.

We can't solve the problem of innovation, or speed of action, or performance reviews, if we leave bureaucracy intact.

We can't solve the problem of bureaucracy if we leave the goal of shareholder value intact, because staff won't accept shareholder value as a worthwhile goal, and hence managers need top-down bureaucracy to force adherence to the goal.

We can't solve the problem of the problem of governance or executive pay or off-shoring, unless we address the issue of shareholder value.

Thus, we can't solve the problems of business management by focusing on each issue individually. Instead we need a global approach to run firms in a post-bureaucratic manner focused on delivering value to customers.

We can't solve the problems of management within firms without public sector actions in support:

- Fresh impetus to anti-trust reinforcement.

- The end to free money for big business from the central banks.

- A formal end to massive share buybacks.

- Scaling back the financial sector.

- Reinstatement of the ban on quarterly guidance by firms.

- Protections for those affected by globalization.

- Provisions to ensure that externalities are passed on to those responsible.

What's holding things back? It's not lack of knowledge as to what needs to be done. Many factors, such as vested interests, entrenched habits and attitudes, all take time to change.

Yet the task will never be completed unless we begin.

Steve Denning, "Understanding The Failing Religion Of Business,*" Forbes* 16 December 2016.

Of strategists and strategies

SAP stakes its future on the cloud

Looking digitally stodgy and a bit long in the tooth only a few years ago, SAP has steadily emerged from the traditional enterprise ranks by articulating, and then attempting to deliver on a much more up-to-date IT vision.

It's a vision that is unapologetically cloud-first, app-centric, mobile-friendly, increasingly open, and even democratized, while not giving any ground away from what is perhaps SAP's ultimate differentiator and core institutional strength: The organization's vast accumulation of on-the-ground industry knowledge of what makes the processes and operations of global enterprises run like clockwork. . ..

While SAP will likely never capture the raw compute workload market share that more generic public clouds like Amazon or Azure have, the company is also playing a

different and entirely more strategic game.

Instead, the SAP Cloud Platform play is positioned way up-market from commoditized public clouds. Instead of being everyman's set of services, the platform is squarely aimed at global organizations with highly complex and diverse – even esoteric – needs that intend to modernize their IT by moving to public cloud for much or most of their technology development and operations.

As I talk to CIOs and IT leaders over the last year, I see more and more interest in finding future strategic partners, with matching platforms, that are capable, ambitious, and future proof. SAP's cloud platform belongs on a very short list of players in public cloud that can meet the needs of virtually any size or type of organization, especially as a target platform for digital transformation. . ..

In short, the cloud is also the doorway to SAP's future.

Dion Hinchcliffe, "SAP's platform strategy doubles down on cloud, IoT, AI, and user experience," *Enterprise Web 2.0, 28* February 2017. www.zdnet.com/article/saps-platform-strategy-doubles-down-on-cloud-iot-ai-and-user-experience/

Crisis management in the internet age

The mismanagement of bet-the-company business crises has become pandemic. Consider just the most recent examples. In December 2016, Yahoo disclosed that three years earlier hackers had stolen confidential information from more than one billion accounts, including users' names, birthdates, phone numbers, encrypted passwords and backup security data.

There are many other examples, such as the crises arising from major bank violations of anti-money laundering regulations and related laws and from automotive industry failures with ignitions, brakes, airbags and emission controls.

In our internet age with its 24/7 news cycle, a company does not have three days to react; it may not have even three hours. Advance planning is critical.

But how does one plan ahead? Crises arise in many forms: a cyber-attack, a plant explosion (gas leak or terrorism?); the sudden death or incapacity of the CEO, a whistle-blower alleging fraud, bribery or regulatory evasion; the list is endless. But most board members and senior managers are generalists, and none has the special expertise to respond to every crisis.

Dwight Eisenhower, who made his reputation as a war planner, said, "plans are useless – but planning is indispensable." He knew that developing his arsenal of weapons would give him the resilience to respond to the unexpected in battle.

Mark P. Zimmett, "Lessons from Mismanaged Crises at Yahoo, Cuisinart and Wells Fargo," *Knowledge @ Wharton* 9 March 2017. http://knowledge.wharton.upenn.edu/article/lessons-from-mismanaged-crises-at-yahoo-cuisinart-and-wells-fargo/

Foursquare's evolving business models

Dennis Crowley, who co-founded Foursquare after his earlier location app, Dodgeball, was purchased by Google and quickly foundered, had a hunch that transplanting the reward system of videogames into the real world would give his new venture more stickiness. He was right. . ... Foursquare did survive, albeit as a relatively small

enterprise; its C.E.O., Jeff Glueck, recently declared that the company would generate a hundred million dollars annually within two years. Its unlikely survival can be attributed not to what Foursquare delivers to users – the revenue from its three consumer apps, Swarm, City Guide, and Marsbot, remains modest – but to what users have been delivering to Foursquare. Shortly after he joined the company, in 2012, Foursquare's president, Steven Rosenblatt, stumbled upon an insight many consumer-technology companies were having around the same time: that the user data it had been scooping up for years, carefully sifted and repackaged, was exceedingly valuable to marketers. "The more I started to get under the hood, the more I was like, 'I don't know if you guys have realized it but you're actually sitting on a tremendous amount of gold,'" Rosenblatt said.

The company currently derives ninety per cent of its revenue from allowing a variety of businesses to use not just its A.P.I. but its data, too. In February, 2016, Foursquare unveiled a product designed to help companies measure how effectively a given ad campaign is driving foot traffic.* Another feature allows brands to enlist Foursquare's assistance in targeting audiences based on their location histories. Meanwhile, Crowley. . .has turned his attention to developing a feature called Pilgrim, which he describes as a "context engine." Operating in the background, it regularly beams a user's coordinates to Foursquare's servers, allowing its apps to "tap you on the shoulder" – or, maybe someday, to whisper in your AirPods – with recommendations based on your individual wanderings.

Aaron Gell, "The Not-so-surprising Survival of Foursquare," *New Yorker* 1 March 2017.

GM abandons Europe (for now)

The Peugeot 3008, a striking SUV, was voted European car of the year on March 6th, the eve of the opening of the Geneva motor show. PSA Group, the maker of Peugeots and Citroëns, would doubtless view it as the second prize it scooped that day. News also came that the French carmaker was buying Opel (branded as Vauxhall in Britain), the European operation of America's General Motors (GM). Few of the car-industry experts at the show, however, would call Opel a trophy. . .. The consensus was that GM was right to rid itself of a business that had lost money for 16 years straight. . ..

Shorn of Opel, the American firm can redirect investment to China and America, where its profit margins are healthy, and to technologies such as autonomous cars and ride-sharing schemes. That bucks the conventional car-industry wisdom of gaining market share whenever you can. One insider questions whether GM is as committed to car making as it is to the technologies that will underpin mobility in future. . ..

One popular theory is that getting rid of Opel would eliminate GM's overlap with Fiat Chrysler Automobile in Europe (FCA's chairman, John Elkann, sits on the board of The Economist's parent company). That in turn could open the way for a mega-merger. Sergio Marchionne, FCA's boss, has long hoped to combine with GM to tackle what he sees as the industry's needless duplication of investment – even if nowadays Mr. Marchionne is talking more about merging with VW, which is still struggling to move on from its emissions-cheating scandal. It remains to be seen whether other car bosses share Mr Tavares's appetite for an adventurous transaction.

"A Deal Sparks talk of Car-industry Mega-merges," *The Economist* 11 March 2017.

Technology and disruption

Transformation in the real world

Any transformation worth the name starts with ambitious goals. Setting them is hard enough, especially for organizations long used to the risk-averse pattern of underpromising and overdelivering. But the real work starts once the organization sets out to turn the leaders' targets into initiatives that everyone else designs and implements from the bottom up. . ..

Recent research reconfirms earlier findings that only 30 percent of transformations deliver their intended benefits and meet the targets committed to during the program-planning stage. . .

We therefore reviewed 18 transformations at 13 organizations that were in the most critical circumstances. While some were facing significant financial and operational challenges, including rapidly deteriorating performance or liquidity concerns, others were simply seeking a substantial step up in their performance. . ..

Our analysis was enabled by McKinsey's proprietary program-management platform, Wave, which generates detailed reports tracking the financial and operational impact of individual initiatives. . ..

Three main insights can serve as potential guiding principles when structuring a large-scale transformation program:

Be relentless. Most of the companies in our sample fell short of their initial goals and needed an additional round of back-to-the-well idea generation. And, they had to be careful about allocating management time, so that smaller initiatives got their due – they accounted for about half of the program's value, but they could get lost in a focus on only the biggest projects.

Focus your resources. Organizations must resist the temptation to spread their most effective leaders too thin. Three initiatives were the typical burden a leader could shoulder at once. Engaging more of the organization as potential initiative owners allows each initiative to get the support it needs without overburdening a few high performers. Reporting must be prioritized as well. Too many milestones in initiative plans can create unnecessary burdens. . .

Plan and adapt. Most initiatives were at least somewhat delayed in implementation. But organizations could reduce delays with judicious planning of milestones, supplemented by weekly actions that initiative owners would report on between milestones.

By Michael Bucy, Tony Fagan, Benoît Maraite, and Cornelia Piaia, "Keeping transformations on target," *McKinsey Quarterly* March 2017.

American innovation in historical context

In our research we focused on the golden age of invention: the late 19th and early 20th centuries, when America became the world's preeminent industrial nation.

The golden age is associated with some of America's leading technology pioneers, such as Thomas Edison and Nikola Tesla in electrical illumination and Alexander Graham Bell and Elisha Gray in telephony. Our analysis goes beyond these well-known individuals. We built a systematic data set that contains millions of patented inventions and millions of individuals in Federal Censuses from 1,880 to 1940. We also linked

patent data to state- and country-level information. By analyzing this data, we were able to shed light on why the U.S. was so innovative.

The context for technological development was very different a century ago. For instance, in 1,880 most inventive activity was the result of inventors operating outside the boundaries of firms. . .From the middle of the 20th century, however, the modern corporation started to dominate patenting. By 2000 almost 80 percent of patents were assigned to inventors associated with firms. . ..

Regions that today are declining, such as the Rust Belt, used to be innovation hotspots during the golden age. Our research finds that innovation flourished in densely populated areas where people could interact with one another, where capital markets to finance innovation were strong, and where inventors had access to well-connected markets. . ... Places that were economically and socially open to disruptive new ideas tended to be more innovative, and they subsequently grew faster.

Inventors in U.S. history have tended to be highly educated, in contrast to the common portrait of the uneducated amateur.

Ufuk Akcigit, John Grigsby, Tom Nicholas, "When America Was Most Innovative, and Why," *Harvard Business Review*, March 2017.

A wider perspective

What's next for the Gig economy

The gig economy has been a rapidly growing part of the US labor force. A recent study by two prominent economists concludes that about 94 percent of the net job growth in the US from 2005 to 2015 was in temporary work that would

broadly be considered within the gig economy.

What are the key types of gig work today?

If you look around at what passes for gig work today, it tends to fall into one of two categories: routine tasks and creative problem solving. I haven't seen any reliable studies on this, but my impression is that the vast portion of gig work today falls into that first category – routine tasks.

Routine tasks. Perhaps the poster children of the gig economy today are the drivers who work on a freelance basis for various mobility fleet operators in large cities. But earlier participants in the gig economy were people working on a growing number of online platforms to do everything from routine software coding and translation services to bookkeeping services and clerical services.

One of the key drivers of the growth of this portion of the gig economy has been an increasing tendency for larger companies to shed major portions of their workforce in their quest to shift from fixed labor costs to variable labor costs, especially if there's significant fluctuation in the demand for certain kinds of tasks. This trend has been accelerated by the emergence of a growing array of platforms that help companies to more easily connect to a broader array of independent contractors to get these jobs done when needed and where needed. . ..

We're just in the earliest stages of an emerging and evolving gig economy. Very broadly, the gig economy is likely to evolve from a focus on routine tasks to a focus on creative work. As this evolution plays out, we're likely to see the focus of work shift from individuals

to small, sustained workgroups that are driven by a desire to learn faster together. This in turn will lead to a shift from work that is defined by short-term transactions to work that is pursued in the context of rich, trust-based and sustained relationships. In short, the gig economy will become a fertile seedbed to help all of us achieve more of our potential and deliver expanding value to the marketplace.

John Hagel, "The Future of the Gig Economy," *Edge Perspectives*, 1 March 2017, http://edgeperspectives.typepad.com/edge_perspectives/2017/03/the-future-of-the-gig-economy.html

Culture, creativity, and office design

Research reveals that while people feel more pressure to produce creative work, the conditions for creativity are suboptimal in most workplaces:

83 percent – People who say they are asked to be creative at work either weekly or daily.

72 percent – Workers who say their future success depends on their ability to be creative.

40 percent – Less than half of workers say they have a culture that encourages creativity.

44 percent – People who feel they could be more creative at work if they had a place to work without distractions.

25 percent – People who think they can be creative in places available for group work.

Work used to be very linear – a process focused on efficiency with repetitive tasks where people could specialize. . ..

But, the problems we face today are so much more complex. They

require creative thinking and a very different work process in which people and ideas diverge, converge and iterate.

To support this creative process, we need a new set of creative places and technologies. Until now, space and technology in the workplace have often been planned separately by different teams with different objectives. That's why Steelcase and Microsoft are working together to develop Creative Spaces, an immersive ecosystem that brings together space and technology to help people generate new ideas and move them forward.

This new set of Creative Spaces includes a range places and technologies to enable a creative rhythm. A balanced ecosystem includes technology that is both mobile and integrated into the physical environment as well as spaces designed for individual "me" work and "we" group work.

Rebecca Charbauski, "Place + Technology Drive Creative Performance," 3 March 2017, www. steelcase.com/blog/place-technology-drive-creative-performance/

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