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These brief summaries highlight the key points and action steps in the feature articles in this issue of *Strategy & Leadership*. Larry Goodson, an S&L contributing editor, is a veteran strategy consultant based in St. Louis, Missouri. He is a Partner at LDGA Consulting, which offers Lean operations and strategy development services (ldgoodson@msn.com)

Succeeding in an increasingly Agile world

Stephen Denning

Senior executives recognize that their firms must be searching out opportunities, finding solutions through rapid experimentation and achieving value innovation through agility and decisiveness. It is now widely understood that “Agile management,” a set of management goals, principles, values and practices that took off in software development over the last 15 years has enabled rapid digital innovation. As Agile management thinking spreads to every part and every kind of organization, including their competitors, corporate leaders need to take steps to ensure they get and keep a good seat at the Agile table.

The age of Agile

In many leading firms, the Agile way of working is provoking a revolution in business that affects almost everyone. Agile organizations are connecting everyone and everything, everywhere, all the time. They are capable of delivering instant, intimate, frictionless value on a large scale. They are creating a world in which people, insights and money interact quickly, easily and cheaply. For some firms, the revolution is uplifting and exciting.

At the same time, what is lifting up some companies is killing others, as big, lumbering bureaucracies miss game-changing transformations in industry after industry. Simply put, value innovation produced by an

Agile is driving a cultural shift. As usual, with any massive social change, there’s good news and bad news.

As leaders learn to embrace Agile for the whole organization, here are some pointers to keep in mind when undertaking an Agile transformation.

1. Agile is a paradigm shift in management – Agile isn’t a process or methodology that is being implemented as part of the existing management practices. It is a different kind of management, a different way of thinking, acting and interacting with the world.
2. Encouraging Agile leadership throughout the organization – An Agile transformation is a large-scale undertaking that cannot be led from the top alone.
3. Maintaining a focus on the firm’s true purpose – Agile management embraces Peter Drucker’s famous dictum, “There is only one valid purpose of a firm, to create a customer.”
4. Focusing on the substance of Agile, not the language – While some successful implementations of Agile embrace the “Agile” label – other firms adopt home-grown labels. Managers should choose whatever language resonates in their particular organization.

5. Recognizing the scale of the challenge – The transformation of a large organization from a 20th Century bureaucracy to a nimble 21st Century firm will not happen overnight.
6. Deferring organizational change to later in the process – Moving the organizational boxes around or adjusting reporting relationships often becomes a substitute for real change.
7. Communicate, communicate, communicate – Corporate managers must lead the Agile transformation through their words and actions. They must reflect Agile values and goals in their own conduct and decisions. Leaders must induce people to embrace change; they must understand their listeners' stories and inspire them with new ones.

Value innovation and how to successfully incubate “blue ocean” initiatives
Brian Leavy

“The creators of blue oceans, surprisingly, didn’t use the competition as their benchmark. Instead, they followed a different strategic logic that we call *value innovation*. . . instead of focusing on beating the competition, you focus on making the competition irrelevant by creating a leap in value for buyers and your company, thereby opening up new and uncontested market space. . . In *Blue Ocean Shift*, people and our human spirit are put on an equal plane with a tested process and market-creating tools to move you, your team and your organization from red oceans in a way that people own and drive the process to succeed.”

Value innovation and its three main variants

The emergence of the “value innovation” perspective is arguably the most exciting development in the strategy field in the last two decades.

There have been at least three major variations on this theme to date: “blue ocean strategy” (Chan Kim and Renee Mauborgne), “disruptive innovation” (Clayton Christensen) and “value co-creation” (C.K. Prahalad and Venkat Ramaswamy).

The three share some common characteristics that distinguish the value innovation perspective from an approach that seeks to sustain an established position.

These are:

- Viewing the basic strategy challenge as how to create and capture new demand.
- Shifting the primary emphasis in strategy development back onto the customer rather than the competition.
- Recognizing major new demand potential in current “non-consumption” and ways to overcome it.
- Aiming for a “value breakthrough” (or leap in value), usually through business model innovation – changing the game.

Blue and red oceans and the strategic logic of value innovation

Red oceans are market spaces where competition is already well established and becoming increasingly “bloody” as competitors strategize for a greater share of existing demand. In contrast, blue oceans are markets yet to be created, where significant new, uncontested demand can be unlocked by companies willing and able to pursue breakout “strategic moves.”

A systematic process

In *Blue Ocean Shift*, Kim and Mauborgne weave these essential components into a systematic process to help organizations develop and execute successful new market-creation strategies. The article

describes the tools and models the authors offer to analyze each step.

Once the blue ocean strategic move has been selected and its market potential reconfirmed, the final tasks are to fill out more fully and formally the “big-picture business model” and

launch the offering. Lastly, the “wisest rollout strategy is to start small” to further test and refine the viability of the new blue ocean move, and then “go fast and wide.”

Becoming a leader – first, take charge of your own learning process

Robert Allio

The word “leadership” describes a wide range of roles and skills – from taking an organization where no one has gone before to inspiring an organization with a bleak future to achieve superior performance. While teaching leadership is a growth industry, programs have generally disappointed. The better alternative: each aspiring leader must develop his or her own unique approach to leading.

And it’s urgent that more people start preparing to be leaders. The painful lesson from the daily news is that society and business are facing an alarming collection of crises that no leader is stepping up to own.

Nonetheless, courses, seminars and degree programs to improve leadership effectiveness have proliferated. The global market for leadership education and training soared to over \$20 billion in 2017. But can leadership be taught or learned in a classroom? Can leadership gurus awaken leadership potential in individuals and organizations?

The dismal history of training

What do leadership training programs get wrong? Some offer a template that purports to fit every leadership challenge. But effective leadership is contextual – what works depends on many variables.

Three sources of leadership learning

We can deepen our understanding of leadership by mining three sources: the burgeoning archives of contemporary leadership theory and practice, case histories of leaders and

leadership and the classic writings of literature, history and philosophy.

- **Leadership theories.** Can we find a scheme that can be applied to any situation by any leader in any organization? A fool’s quest. Management scholars now agree that many factors influence leadership effectiveness.
- **Case histories.** Case histories provide a data base from which we can learn about leadership success and failure in a particular situation. So effective leadership won’t result from only imitating what successful leaders did, or emulating their style and qualities.
- **Classic literature and history.** We should not restrict ourselves to **contemporary** cases. Our third source of learning is the writings of classic authors, historians and philosophers.

Whatever approach a leader chooses, to be effective the optimal model should satisfy these three imperatives:

- **Personal and idiosyncratic.** Successful leaders develop a personal approach to the role.
- **Distributed, shared, collaborative.** Since leaders must produce results through others, a positive leader-follower relationship is critical.
- **Contextual and situational.** Good leaders adapt their behavior to the situation – market forces, competition and technology.

Instead of buying dubious advice, potential leaders can seize the opportunity to be creative, to discover a personal approach to leading that

fits the time and place and is compatible with their own persona, values and beliefs. It's imperative that they develop their own leadership philosophy and practice and serve as the architects of their own leadership model. Men and women can become leaders by performing acts of leadership. The core of the do-it-

yourself approach is to learn to lead by doing. Mastering the role of a leader is a challenge that, like mastering any craft, requires continual practice. But practice will produce satisfying returns on the investment.

Visionary customers: source of long-term competitive advantage
Robert Chapman Wood

Demanding, involved customers can drive a company to achieve and then maintain competitive advantage, but only if it listens to them critically and commits to providing the important solutions they seek – a process that can stretch over many years. As this case shows, an ongoing dialogue with visionary customers can provide a good sense of where technologies can lead the market in a dynamic future.

Varian Medical Systems created a business with \$11.6 billion in market cap by listening to dreams of its physician customers and their scientist colleagues seeking to find innovative ways to effectively aim powerful radiation beams so they would kill cancer cells with less risk to patients.

In the 1980s, Varian's Medical division built strong relationships with a handful of farsighted doctors and medical physicists. Their ideas, suggestions, and insistence on transformation of Varian's product helped the company to draw on many emerging technologies.

Development required coordinating with physicians, listening open-mindedly to some seemingly outlandish requests and careful coordination inside the firm to put the technology into a coherent, effective system. And cancer patients around the world benefited from dramatic improvements in the effectiveness of radiation therapy.

Steps to company-wide learning

Varian's history shows it is difficult but possible to build sustainable advantage by partnering with customers who want

continuous innovation. A review of Varian's partnering experiences from the 1980s on identified six key steps in this process:

1. Draw on your best sales and marketing people and others who know your customers to identify unmet needs and unresolved product/process problems. Then create cross-functional teams chartered to meet the needs and solve the problems.
2. Work with customers to examine whether you need to reconceive your product line.
3. Work with customers to uncover the profound product performance issues. Establish forums where perceptive, visionary customers meet with executives, marketers and key developers to identify what you should deliver in the immediate future and in years beyond. Aggressively pursue ways to achieve elements of your goal.
4. Design the steps so the marketplace sees regular, high-value improvements that further long-term goals.
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The overview

Varian's experience shows that if companies envision the future and

work with perceptive, far-sighted customers and others who will benefit from high-value innovation, together

they stand a real chance of achieving a desired future.

**Learning by revisiting assumptions:
an adaptive decision process**
Vince Barabba

Information technology advances have improved our ability to collect data and track discontinuity in a rapidly changing world. Consequently, we need decision processes that are designed to be reviewed and rethought so they continue to provide fresh insight into how to prepare for disruptions and opportunities. The solution: insert a learning and adaptation component into the decision-making process.

**The Learning and Adaptation
Decision Process**

As leaders, we interact with colleagues as part of an enterprise-wide decision making system. In a knowledge-based, systemic learning organization, the objective of the Learning and Adaptation Decision Process is not only to think about a single problem and make decisions, but also to learn from problems existing throughout the enterprise.

Actions taken using this approach can lead to decision making that encourages learning and is adaptive to rapidly changing conditions. Key process components include:

- Decision record – Enables reassessment of decision assumptions.
- The Memory Comparator – Once the decision is implemented, we use this function to track any divergence between expectations and outcome.
- Diagnosis and prescription – If managers find a significant discrepancy between expectations and outcome this activity can be used to identify the cause (diagnosis), then provide possible alternatives.

- Environmental scanning – Is a continuous process which adds timely knowledge to strategic decision making.

**Case: How Kodak could have made
better decisions**

As an illustration of the potential of this process, the article includes an in-depth examination and comparison of how a learning and adaptation approach might have helped Kodak take advantage of an opportunity to survive the disruption of its market and to avoid the eventual bankruptcy of the firm.

- Had a Learning and Adaptation Decision Process been in place to track the key assumptions accepted by management, the subsequent events could have alerted Kodak management that some of the underlying assumptions regarding digital photography were becoming more correct than the assumptions supporting silver halide photography.
- Unfortunately, lacking an approach for challenging conventional thinking, Kodak leaders used outdated assumptions to guide actions taken throughout the corporation.

Instead of investing in its early lead in digital cameras, acquiring companies with digital know how or recruiting executives who saw a digital future, over the decade Kodak chose to double down on its investments in film.

Having a corporate record of recently made decision assumptions about emerging technology — both those that support a critical decision and those that rebut it — offers a gold mine of insight for executives charged with monitoring and updating a complex system.

Three value-focused strategic questions for continuously updating your business model

*Vladyslav Biloshapka and
Oleksiy Osiyevskyy*

Despite all the turbulence in today's business environment, the traditional understanding of firm strategy remains unchanged: selecting the proper industry, market or niche and defining a clearly differentiated product or service offering, with the ultimate goal of achieving competitive advantage and above-average returns.

The two key measures of quality of business models are customer value (effectiveness) and business value (efficiency). The objective of every for-profit firm is to move to and stay in the "Winner state," characterized by simultaneous provision of outstanding customer and business value.

Our research suggests that most organizations that are failing to establish the winner state or failing to sustain it because of decaying customer or business value or are at risk of doing so, do not have a competent system of self-evaluation of value delivery.

The primary block of questions for self-evaluation corresponds to the value the firm's customers are obtaining from interactions with the firm. This can be assessed by candidly answering three strategic value-focused business model questions:

Question 1: How do you make sure you are offering the benefits your customers really appreciate most?

The purpose of this question is to get a frank assessment of the quality of the customer value provided by a business model.

Question 2: What group of customers is the primary focus of your efforts? A superior value proposition has to be matched with correct value targeting. Who is the primary customer being offered the best-in-class value?

Question 3: How do you help your customers fully appreciate the delivery of the benefits offered?

This question is intended to detect the issues arising from the ongoing benefit assessment process taking place in the customers' minds.

Implications: institutionalizing the process for effectively assessing and updating a business model's customer value delivery

High customer and business value are fundamentals for any company to get to the "Winner state." But sustainable growth in value capturing for shareholders requires learning how to master strategic navigation within the customer value space. How exactly do you collect, update, internally disseminate and act upon the information from an ongoing assessment of the value your business model brings to customers?

Companies with sustainable winning business models institutionalize the processes of systematic, ongoing collection of the information about customer value, integrating it into the strategic decision making processes.