

Larry Goodson

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).

The ten stages of the Agile transformation journey *Stephen Denning*

Agile processes and concepts are driving rapid-paced, customer-focused continuous innovation initiatives needed to survive in today's dynamic marketplaces. As a result, some leaders may face the necessity of undertaking a company-wide Agile transformation. For traditionally managed hierarchical organizations, the transformation will include radical shifts in power, attitudes, values, mindsets, ways of thinking and ways of interacting with stakeholders—customers, employee talent, shareholders and partners.

Agile management vs. the hierarchical corporation

The intended outcome of Agile management is clear: “the ability of an organization to renew itself, adapt, change quickly, and succeed in a rapidly changing, ambiguous, turbulent environment.

Yet implementing Agile methodology is not the goal. The goal is to enable the organization to generate instant, frictionless, intimate, incremental, risk-free value at scale, and to gain the financial rewards that flow from that capability.

Where does the transformation start?

Not waiting for top management, some successful Agile champions have begun their journey without central authority or committed budget resource. Not surprisingly, progress towards business agility correlates

positively with the level of leadership directing the Agile journey. Recent surveys shows that the more senior the leader, the greater the progress towards business agility.

A first step for Top management is to absorb some of the latest literature on the subject and consider the implications of the three laws of Agile.

- *The Law of the Customer:* practitioners are obsessed with delivering value to customers.
- *The Law of the Small Team:* a mindset that throughout the organization work should be done in small autonomous cross-functional teams working in short cycles on relatively small tasks that deliver value to customers and getting continuous feedback from the ultimate customers or end users.
- *The Law of the Network:* practitioners view the organization as a fluid, interactive and transparent network of players that are collaborating towards a common goal of delighting customers.

The end goal

The dark secret of the Agile management revolution: high speed incremental product and service innovation will be a survival skill, not a sustainable competitive advantage. The major financial gains from Agile

management will usually come from achieving Strategic Agility. For most organizations, even the most successful, Strategic Agility is the next frontier of the Agile journey. Operational Agility is important—indeed, increasingly necessary for a firm to survive.

Interview

Nathan Furr: Leading transformation, empowered by behavioral science models

Brian Leavy

In the mid-1990s, John Kotter developed his classic eight-step model for leading change, which became one of the most widely used templates over much of the last two decades. A new approach designed in response to this dynamic, non-linear competitive era is *Leading Transformation: How to Take Charge of Your Company's Future*, by behavioral scientists Nathan Furr, Kyle Nel and Thomas Zoëga Ramsøy. They offer a “narrative-driven” perspective on how to motivate and lead change.

One of the authors, Prof. Furr, was interviewed by Brian Leavy, a *Strategy & Leadership* Contributing Editor.

Strategy & Leadership: Given the extensive literature on the topic of transformation, why do so many major corporate efforts keep coming up short and how do you see your new book, *Leading Transformation*, adding significantly to the transformational leadership toolkit?

Nathan Furr: What makes transformation hard? People. Despite all the work on transformation, we haven't solved the people problem, or the human bottlenecks to change. For us, the challenge of leading transformation means seeing the possible futures for your organization and then successfully overcoming the barriers to creating that future, particularly the very human of fears of the unknown and uncertain.

S&L: You characterize many organizations as being on the “linear path to doom.”

Takeaways

Today, firms practicing Agile have already outraced the lumbering industrial giants of the 20th Century to become the wealthiest organizations on the planet. Agile is a remarkable success story. Time to get started.

Furr: Large organizations are built to respond to a world of linear, predictable change. But the environment we live in has become radically more uncertain, complex and dynamic, and change is now exponential.

S&L: One of your primary perspectives for addressing this transformation challenge is “applied neuroscience.”

Furr: We tried to apply insights from the last few decades of behavioral science to really understand the cognitive foundations of why people struggle with change. We then designed tools to address these human barriers, and we have applied these tools to help real companies change.

Leading transformation – a three-step process

S&L: Can you first give a brief overview of your three-step “narrative-driven” framework for *leading transformation*?

Furr: Although there are hundreds of biases that can misshape transformation, we simplify these into three primary limitations that hold back transformation: incremental thinking, routines and politics and fear of the unknown.

S&L: Turning to the first step in your transformation model, “envisioning the future,” you make a very strong argument for the use of story-telling and the development of a “strategic narrative,” in preference to more traditional “vision” statements. Why so?

Furr: Ask yourself, are you motivated by a vision? For example, randomly pick five large organizations, read their vision statements, and ask yourself, am I motivated by this? Does it stir my heart? In most cases, visions don't motivate. They are just vague statements of a future state.

By contrast, stories are one of our oldest human tools. Stories motivate, inspire, and drive action. Stories, by which we mean those with characters, conflict and resolution, motivate

people and lead them to take action like few other tools. Although the term “story” is often used in the business world, these so called “stories” are rarely motivating narrative arcs with characters, conflict and resolution. Our goal is to build real narratives, what we call strategic narratives, which have characters and narrative arc and thus inspire people in a way that visions cannot.

Strategic negotiations: three essentials for successful partnerships with startups *Rudolph Freytag*

Partnerships between innovative startups and large, established corporations have become increasingly common in recent years. This type of collaboration offers benefits for both sides, and the chances of success improve if both businesses undertake preparatory strategic analysis.

In practice, there are three main questions for startup teams approaching collaboration with a big player:

1. How can we properly assess the risks and opportunities?
2. How can we systematically and efficiently negotiate without getting exploited?
3. When our potential partner has a distinct size advantage, how can we negotiate favorable terms of collaboration given the limited resources and short time frame typically available to startups?

Benefits at a glance: a win-win situation

It's important that each partner have a clear concept of what the other partner hopes to gain from the partnership.

- Startups seek the access to customers, data, technologies and production capacities that established companies can offer.

- Businesses with a strong presence in a market also make promising investors for startups, since they can provide capital in both the startup phase and the subsequent growth phases.
- Startups also make attractive partners for established companies, because the startups offer an environment to test new business ideas outside of their own regular business organization.
- Startups also give established companies a “crystal ball” to look into the future so that they can identify interesting trends early on and respond accordingly.

Three “Essentials” for a breakthrough: It's the concept that matters

There are three essential elements in a successful negotiation strategy that allows startups to systematically and efficiently partner with established companies:

- *Essential 1:* Strategic balance.
- *Essential 2:* Stakeholder alignment.
- *Essential 3:* Understanding the negotiation space.

These three essentials are not just steps that you take one after another in the course of the negotiation process; they play an important role in every phase of negotiations.

Enjoying the benefits of a partnership: this strategy makes it possible

The strategy of the three “Essentials” should make preparations easier and the actual negotiations more systematic and efficient – key prerequisites for a long-term and, above all, successful partnership. It ensures that a startup is professional in how it negotiates with an established company and can recognize quickly if the two companies even have the requisite

strategic interests for a partnership to succeed.

The strategy introduced here for how a startup can negotiate successfully with an established company can also easily be applied to the perspective of an established company negotiating with a startup. A startup’s employees live and breathe their idea and must be convinced of the strategic value of the potential partnership.

The standards crisis *Barbara Kellerman*

In the 2018 election cycle, a record number of women, many of them veterans, ran for office in the U.S. House of Representatives, a heartening step toward greater gender equity. But, because of their heightened visibility, several of them were subjected to a toxic sludge of online trolling that was steeped in misogyny, racism and anti-Semitism. It is impossible for Americans to ignore the erosion of standards in civic life. Nor are standards of leadership being degraded only in the public sector. The private sector contributes mightily to the sense in the U.S. that ethical expectations and societal norms are suffering a decline.

The loss of trust

Many of the institutions that we once thought, or presumed, were enforcing generally high standards of personal and professional conduct, we now know were fostering an illusion. Leaders in many arenas – defined for the present discourse as those in positions of power and authority – have contributed mightily to this decline in standards or, at a minimum, to the perceived decline.

Power to the less powerful

The good news is that now more people without any obvious power, authority or influence freely and willingly testify about what was done to them. The extreme changes in our

culture have, of course, been aided and abetted by the extreme changes in our technologies. Social media has disrupted patterns of dominance and deference, and the dynamics between those who apparently are powerful and those who apparently are powerless.

Democracies in peril

The decline of political leaders in liberal democracies, especially in the last five years or so, has been especially painful to witness. The U.S. is just one example. Great Britain is struggling mightily with the question of how to manage Brexit.

The leadership industry’s role

The destructive, dramatic decline in leadership standards and in trust in leading individuals and in the institutions that they are supposed to lead wisely and well– has coincided with the rapid growth of the leadership industry. This brings us inevitably to a hard question: what has the leadership industry itself done to address the steep decline in trust in what we might broadly call the leadership class?

Professionalizing leadership

Unless leadership experts take on some of the best practices of professionals – such as continuing education programs for doctors and lawyers – we endanger our credibility. Currently persons in positions of power and authority are not asked to

**Strategies for competing in markets
enabled by digital platforms**
Kazuaki Ikeda and Anthony Marshall

meet any kind of requirement, or to provide any sort of certification of excellence – even of competence. Clearly leaders in government and business should be required to

Digital technologies have altered how customers, businesses and their partners interact. A world in which digital platforms enable buyers, sellers and suppliers to seamlessly interact with vast artificial intelligence (AI) networks through their mobile devices is advancing rapidly.

IBM's recent survey of almost 13,000 C-suite executives reveals that as many as 46 percent of business leaders globally are already looking to embrace platform strategies.

When worlds collide

Four separate but interrelated currents of transformational change are swirling through the digital and physical arena:

1. **Customer experience (X)** – The crusade for customer value in the digital marketplace is waged through experiences.
2. **Data (D)** – Strategic use of data, such as the predictive analytics that underpin individualized suggestions that steer customers to other offerings they would like in platforms,
3. **Service platform (P)** – A platform can be defined as digital transaction markets and information systems, some with physical facilities, where interactions between economic agents can occur
4. **Hardware (H)** – Digital success requires cutting-edge physical hardware – equipment that is sophisticated enough to be able to collate and process the vast quantities of data and interactions inevitable in advanced platform environments.

provide some evidence that they have been educated to lead, or trained to lead, or developed as leaders.

Winning formulas

Across the four dimensions of experience, data, platform and hardware, four winning integrated digital and physical strategies have emerged

Strategy 1: The Digital Industrialist-hardware-data-experience (H-D-X).

Strategy 2: The Digital Consumerist-experience-data-platform-hardware (X-D-P-H).

Strategy 3: The Data Acquirer - buy data (D).

Strategy 4: The Platform over Platform (PoP).

Taking the platform leap

The choice – whether to own or participate in a platform, or do both – is not something organizations should postpone. Businesses seeking to make the leap toward an effective platform strategy, or a platform-over-platform approach, should consider these guidelines

Step 1: Offer users seamless and all-encompassing experiences.

Step 2: Keep user interactions close to home.

Step 3: Extend the platform offerings beyond traditional consumption categories.

Step 4: Identify the universe of potential platforms and develop strategies and business models that can position your organization to take advantage of them.

Step 5: With the previous points clearly in mind, pursue new integrated experiences using exclusive interfaces such as apps or devices, and establish and enforce clear

platform governance, rules and partner responsibilities.

Takeaway

Platform businesses are increasingly dominating markets and industries. Dynamic new entrants can collaborate with their customers to

construct platform-over-platform strategies that promise to yield business success today and long into the future.

Retail digital platforms help suppliers become responsive customer service organizations

Mikko Hänninen and Anssi Smedlund

Digital platform-based businesses are transforming the existing logics of exchange in many different industrial and retail settings and contexts. Popular marketplaces include Amazon.com in the U.S., Alibaba Group's platforms Tmall and Taobao in China, and Rakuten Ichiba in Japan. The Ecommerce Foundation predicts that by 2020, digital marketplaces will have a market share of over 40 percent of all global e-commerce purchases. What makes digital marketplaces particularly interesting in terms of competitive strategy, however, is that they not only open a global market for customers, but also for suppliers.

A major finding is that digital marketplaces have an opportunity to gain competitive advantage by engaging in sophisticated partnering relationships with suppliers that enhance the value of the products for end-customers.

Defining engagement

In the platform economy, and the marketplaces researched, leading firms are purposefully designing innovative customer experiences that promote increased engagement. Engagement is, in essence, a state of mind engendered in customers reflecting the relationship beyond any single transaction.

Supplier engagement on retail digital marketplace

Working on a two-year project to study retail transformation and the platform economy, interviewing

retailers and retail professionals in the US, Japan and Europe, research found that the three leading platform marketplaces differ fundamentally in their business models. The platforms from Alibaba and Rakuten are comprised of independent sellers, whereas Amazon combines sales from independent suppliers with its own inventory. A key finding was that a new rule of retail is emerging, one centered on moving beyond the usual customer focus and towards ensuring supplier engagement and profitability as part of the marketplace business model.

The supplier engagement process

Using four archetypes provided a unique framework of supplier engagement:

- Operating – enables firms to generate revenues through the co-creation of perceived benefits during customer-to-firm and/or customer-to-customer interactions.
- Instrumental – enables suppliers to access the marketplace storefront, which is visible to end-customers.
- Enabling – allows suppliers to access the marketplace storefront, which is visible to end-customers.
- Supplying – today's digital marketplaces aim to create increasingly stronger relations with their suppliers using innovative digital technology.

Supplier engagement and the new rules of retail

As communication, customization and integration are increasingly important elements of the new rules of retail, the digital platforms operators expect

suppliers to develop capabilities that enable them to engage with the marketplace on their terms.

For now these three platform marketplaces currently target

different markets. But as the new rules of retail continue changing, the question of which platform to adopt may soon become essential.