

Editor's letter

The three articles starting off this issue explore the dynamic digital interface between an enterprise and its customers. As companies implement the competitive imperative of continuous innovation in this digital interface they are learning the power of rigorously monitored experimentation. It's a data-intensive process of innovating, learning, testing and delivering what customers need and want – instant, intimate, frictionless, incremental value at scale. This innovation process requires top management involvement to assess innovation opportunities that will enhance digital connectivity with customers and all parts of the value chain. The goal is to creatively develop offerings that will be valued by informed, digitally connected customers with dynamic jobs to be done and global access to alternative offerings. To achieve this end, leading firms are connecting to customers and partners through digital ecosystems that serve as a conduit for insights into evolving customer needs and expectations.

- In his interview, **“The power of experimentation in the digital era,”** Harvard professor Stefan Thomke recounts a surprising insight about the importance of incrementalism in the innovation process. He tells *S&L*'s interviewer Brian Leavy that “Progress is achieved by implementing hundreds or thousands of minor improvements that can have a big cumulative impact, especially when amplified and accelerated by the kind of high-velocity incrementalism that massive online experimentation can uniquely deliver.”
- Agile guru Stephen Denning's article **“Why a culture of experimentation requires management transformation”** warns that success involves more than adding a fix on top of an organizational structure with a vertical reporting dynamic. “The whole organization needs to become an organic living network of high-performance teams. In such firms, managers recognize that competence resides throughout the organization and that innovation can and must come from anywhere.” In an Agile organization, “continuous experimentation is the normal way of life,” Denning notes.
- In their article **“Ecosystems boost revenues from innovation initiatives,”** IBM researchers Anthony Marshall, Anthony Lipp, Kazuaki Ikeda and Raj Rohit Singh report that “Leading organizations recognize that embracing innovation in ecosystems drives both value creation and competitiveness.” They found that “High engagement in ecosystems is positively related with more revenue attributable to innovation and at lower cost.”
- In light of the Covid-19 epidemic, Joseph Calandro's article **“Risk as strategy: defending against catastrophic turns of fortune”** deserves special attention. He explains that, “Though no one can reliably anticipate pandemics and related stock market turbulence, executives do not have to predict the future to economically protect their balance sheets from Black Swan events.” His approach offers executives a three-step strategic process “for proactively mitigating the risk of catastrophic unwanted surprises that can severely, and often abruptly, impair a balance sheet.” Part of the process involves identifying derivatives for hedging concentrated balance sheet exposures when market volatility is low or contracting.
- Researcher John J. Oliver's article **“Corporate turnaround failure: is the proper diagnosis transgenerational response?”** proposes an intriguing theory to explain why multiple CEOs and assorted strategic initiatives were not able to restart some damaged companies.

- For their article “**How CEOs can engage boards to become strategic assets**,” Deloitte researchers Benjamin Finzi, Vincent Firth, Maureen Bujno and Kathy Lu conducted more than 50 conversations with *Fortune* 1,000 CEOs, board chairs, directors, academics and external board advisors. They found that “The challenge for both CEOs and boards is to fight the natural tendency to evade confrontations or smooth things over, rather than harness conflict to achieve higher-value decisions.”

And don't miss Harvey A. Hornstein's review of *Step Up, Step Back: How to really deliver strategic change in your organization* by Elsbeth Johnson.

Good reading,

Robert M. Randall

Editor

Strategy & Leadership