Quick takes

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These brief summaries highlight the key points and action steps in the feature articles in this issue of *Strategy & Leadership*.

Understanding the three laws of Agile

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By enabling organizations to cope with continuous change, the management technology Agile fosters innovation that can meet the needs of customers in a world that is increasingly volatile, uncertain, complex and ambiguous. But what does it mean for an organization to embrace Agile? To put the question in perspective there are about 40 different specific implementations of Agile and more than 70 different Agile practices. How are traditional managers going to make sense of such a bewildering assortment of "radical" ideas?

A close examination shows that organizations that have embraced Agile have three core characteristics:

- The Law of the Small Team
- The Law of the Customer
- The Law of the Network

Together they generate the basics of the Agile organization.

The law of the small team

The first universal characteristic of Agile organizations is that practitioners share a mindset that work should be done in small autonomous cross-functional teams working in short cycles on relatively small tasks and getting continuous feedback from the ultimate customer or end user. Ten core practices are offered.

The law of the customer

The second characteristic of Agile organizations is that practitioners are obsessed with delivering value to customers. The primacy of the customer is at once the most obvious and the most difficult aspect of Agile to grasp. Everyone in the organization has a clear line of sight to the ultimate customer and can see how their work is adding value to that customer – or not. If their work isn't adding value to any customer or user, then an immediate question arises as to why the work is being done at all. The firm adjusts everything – goals, values, principles, processes, systems, practices, data structures and incentives – to generate continuous new value for customers and ruthlessly eliminates anything that doesn't contribute.

The law of the network

The third characteristic of an Agile organization is that practitioners view the organization as a fluid and transparent network of players that are collaborating towards a common goal of delighting customers. This Law is a tough challenge because Agile represents a radically different concept of an organization.

Summary

Of the three Laws, the first Law is the best known in the Agile world because that's what received most of the attention of the early Agile software developers.

But it is the second Law that is the most important, because it is the principle that makes sense of the other two principles and that permits the greatest insight into why an Agile organization operates the way it does.

Yet the future of Agile is really about implementing the third Law–the whole organization operating as an interactive network. In the rapidly evolving "Connected Economy" the power of the network is increasing geometrically. The impact of high-performance teams and the customer focus will be sub-optimal unless organizations create and learn from dynamic networks. And when that happens and the three elements combine together and focus on a common external goal, then businesses will benefit from the explosive increment in value that comes from truly embracing the Agile mindset.

Interview: Sydney Finkelstein: what makes a "superboss" super?

Brian Leavy

Superbosses are leaders who help find and attract unusual talent and help them get to a level of success and accomplishment that many never even thought about or never thought possible. They are in every walk of life, and they offer an answer to a critical question CEOs have been asking themselves for decades: "How do I create an organization of leaders who can do anything?"

While many books have been written about leadership talent, applying everything from common sense to psychology to Big Data, nobody, says Dartmouth professor and author Sydney Finkelstein, "has studied those few individuals" in any given industry who "grow human capital better than anyone else." He sets out to address this in his recent book, *Superbosses: How Exceptional Leaders Master the Flow of Talent.*

Strategy & Leadership: Your book on the "secrets" of exceptional leadership looks at how "superbosses" made the people who worked for them more effective. What did your research find out that we didn't know?

Finkelstein: "Superboss" is the word I invented to describe leaders who are exceptionally good at creating other leaders. I looked at 18 different industries, identified the most successful people in each industry today and went back to see who they had worked for earlier in their careers. In each industry, a disproportionate number actually worked for the same person. An amazing pattern. Superbosses–Ralph Lauren, Bill Walsh and all the others–had the same track record of overwhelming influence in the development of talent in their industries.

The *superboss* approach is not the same as "team-building" or "mentoring," but something that transforms protégés from talented apprentices to stars and superstars in their own right. It is different. Superbosses put a high premium on people who are special, who "get it." In practice, these are people who are willing to jump into an opportunity the superboss creates, work incredibly hard to make it happen and then come back asking for more. That's not for everyone, but for high-aspiration people who want to have a big impact on their organizations, who want to make a difference. This is exactly what they've been looking for. That's why millennials are so attracted to the superboss idea.

S&L: Your central finding was that the "great secret" of superbosses "ultimately wasn't who they were" but "what they did," so that many of the most powerful elements of their talent-spawning “playbook” can be more widely learned and emulated, for example, their “unorthodox” approach to the spotting and hiring of talent. What advice do you have for companies to help them identify the potential superbosses already in their midst and accelerate their development?

Finkelstein: I’ve developed a validated assessment based on the research program to help answer precisely this question. The assessment can be administered in any organization. The results will provide insight to where each manager stands with respect to the superboss playbook. Based on these insights, a customized learning program can be developed for each manager. This data and program can also be leveraged by having leaders/bosses who are already strong on many of the superboss practices to teach and coach others internally.

Interview: Beset by the digital revolution successful retailers embrace technology that enhances customer value

Amy Blitz

Given the tsunami of e-commerce, it’s easy to forget that the vast majority of retail sales remain off-line, with retailers increasingly blending elements of the old and the new – combining physical and online strategies. Even Amazon plans to open physical retail outlets. The question then is not whether physical or online will prevail, but rather what the best combinations of these will be.

Specifically, what strategies are successful retail companies using to navigate their ever-evolving retail landscape? And what, more broadly, can we learn from the retail sector about strategies and best practices for thriving amid major economic transformations such as the current one?

Findings

Research of several major retail companies found that the successful retailers focused first on customers, and used technology to build value for them. In contrast, the less effective retailers focused first on investments that they expected would produce shareholder value quickly, emphasizing short-term profits rather than long-term strategy. Several examples are offered to illustrate this point. To leverage the full power of technology, retailers must make strategic investments in technology that enable them to:

- Understand who their customers are.
- Determine what their customers most need.
- Offer products and services that address these needs seamlessly in stores and online.

Furthermore, analysis showed that not all investments are created equal. The divergent results of different investment strategies of leading retail companies–in terms of their impact on customer connections and overall company performance–proves again that it’s not just the technology but how it’s used to serve customers that matters.

Creating competitive advantage

So what can retailers learn from this review of their rivals successes and failures? And, taking a broader view, what can other sectors learn from the retail strategies for navigating major economic transformations?

Lesson 1: Overall, creating competitive advantage is not static; it requires continual adaptation to macro trends.

Lesson 2: The most successful retailers make strategic investments in technology that allow them to best (1) understand who their customers are; (2) determine what their customers most need; and (3) meet customers' needs in terms of products and services.

Lesson 3: Successful retailers focus on using technology not to optimize profits on a transaction-by-transaction basis but rather to build significant and enduring value for customers.

Lesson 4: Shareholder value results when companies focus their investments on increasing customer value.

Case: How strategy execution maps guided Cisco Systems' Sales Incentive Compensation plan

Sayan Chatterjee, Venkat Narayanan and William Malek

Converting business strategy into effective operations is offered with lessons learned from the Cisco Systems' case study about the redesign of its sales incentive compensation (SIC) business processes and IT systems. The methodology used shows a framework for thinking systematically about the practice of "executability."

A five-step process defines the resources needed and the execution imperatives that must be accomplished to produce the desired customer outcomes. The process is designed to clarify the logic of strategic alignment for both customers and stakeholders. The project steps were:

1. Clarify the distinction between customers and stakeholders.
2. Clarify desired outcomes of customer and stakeholders.
3. Clarify competitive objectives.
4. Clarify core objectives.
5. Clarity and choices for required capabilities.

Using a COAR map to develop execution imperatives

A COAR-map framework clarifies the execution imperatives. A COAR map is built around a set of internal objectives that are the keys for delivering customer values profitably. They identify:

1. **C**ustomers' and stakeholders' outcomes.
2. **O**bjectives (core and competitive).
3. **A**ctivities.
4. **R**esources that collectively form the execution capabilities.

Managers can use COAR maps to graphically link the activities and resources that support these objectives. [Refer to the many excellent illustrative exhibits.]

Key learnings

Using a COAR-based strategy execution map effectively is not a straightforward process. In the field, strategy execution turns out to be a somewhat chaotic experience. Cisco chose to upgrade its business processes and IT systems as the first step in improving its SIC effectiveness. This approach provided many critical system capabilities that were foundational to implementing strategies in relating to influencing sales behavior. This forced an improvement of many business processes simply because the new IT systems performed differently. The organization discovered a number of areas that needed to be addressed in order to sustain improvement efforts. This formed the basis for a roadmap for continuous improvement. This approach may be necessary when an organization has a strong dependence on IT systems to execute its strategy.

By following a structured and systematic process, organizations can implement a process for strategy execution that is effective and repeatable. It's important to note that flexibility is the key for success. In executing strategy, stay focused on how to translate the decisions taken while defining business strategy into operations. As business strategy changes, elements of the strategy execution must change as well.

Case: Four steps to re-ignite Japan's innovation leadership

Kazuaki Ikeda, Anthony Marshall and Shuma Okamura

Japan is at a crossroads. After years of economic stasis and periodic contraction, Japanese business today struggles to capture the inspired creativity that characterizes its most successful global competitors. Facing organizational and cultural constraints, many Japanese executives are unsure how to exploit the technological and economic forces that are redefining business models worldwide. Japan's situation offers a useful case study for any company to see its own barriers to innovation and to identify possible business ecosystem strategies to re-ignite its own competitiveness in the global marketplace.

Here are key questions that can be used to boost your company's innovativeness. **The essential point**: are your *actual* innovation goals more reflective of business-as-usual incrementalism rather than fundamental business redefinition?

- How is your organization building a culture of openness and agility to create more value?
- How is your organization exploiting new and emerging technologies to build deeper, richer and more engaging customer experiences?
- How do you plan to connect with ecosystem partners to explore new markets, delivery channels and other opportunities?
- In what ways does your organization promote innovation as a core business activity and sustain innovation momentum?

A key barrier: misreading global changes

Japanese executives underestimate the likely impact that new disruptive technologies will have on their industries and organizations. And–while recognizing the long-term importance of innovation, experimentation and disruption for the success of their organizations and the economy in general– many Japanese business leaders find themselves stuck in a present-day mindset. The focus remains largely on traditional products or services that serve conventional customer segments, rather than on meeting rapidly changing customer aspirations and the increasing importance of consumer experiences.

Furthermore, Japanese business leaders largely ignore new forms of competition emanating from startups or emergent cross-industry players.

And Japanese businesses remain less focused on the need for speed in their development cycles, while customers are demanding continuous experimentation in which they themselves become central participants.

The four transformational steps

Japanese organizations need to embrace entirely new customer-value propositions, to build new partnering arrangements to more effectively harness the power of innovation, and to foster new management mindsets.

There are four key sets of actions to implement the transformation, each with numerous sub components.

1. Re-imagine the customer experience.
2. Redefine business ecosystems.
3. Promote ecosystem connectivity.
4. Revitalize innovation governance.

Bottomline

Those that can adjust and transform will find themselves not only playing a part in the new ecosystem economy, but serving as leaders.