



The Agile Enterprise

Building and Running
Agile Organizations

Mario E. Moreira

Apress®

THE AGILE ENTERPRISE

BUILDING AND RUNNING AGILE
ORGANIZATIONS

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To those Agilists in Emergn and Vistaprint—thank you for being part of my Agile family, both inspiring me in my Agile work and supporting my ideas.

To all my readers who are both Agile champions and enthusiasts—thank you for making a commitment to learn what it means to establish an Agile enterprise and embrace the many concepts, mindset, and methods that are needed to achieve an Agile transformation that is customer-value-driven.

Getting Started

An Agile enterprise has Agile occurring end-to-end and top-to-bottom.

—Mario Moreira

Imagine an enterprise where everyone focuses on the highest customer value, an enterprise that methodically yet quickly adapts toward high value and cuts the tail of lower-value work.

Imagine a company where employees are trusted to use 100% of their brain power to self-organize around the work and think of better ways to work, a company where employee satisfaction comes from within the employees themselves for a job well done.

Imagine an organization where ideas—from strategies to tasks—are transparent so everyone knows if their work is aligned with strategy and high-priority ideas, an organization where budgeting is given to the highest-value ideas.

Imagine an enterprise where a discovery mindset wins over certainty thinking, an enterprise where experimentation with increments and feedback helps define the way toward customer value.

Imagine a company where managers are coaches, mentors, and leaders who encourage people with inspiration, vision, and trust; a company where there is a singular focus on putting the enterprise first instead of individual egos.

Imagine an enterprise where customers embrace the ideas being built because they are engaged in the building of the work all along the way, an enterprise where customers become your partners providing continuous feedback.

If you can imagine this type of enterprise, then this book can help you realize it. This book provides insightful and pragmatic knowledge and activities to help you visualize what an effectively running Agile enterprise looks like. You will learn more about the importance of engaging customers and gaining their feedback. Fully embrace the importance of engaging employees, ensuring they have ownership and can self-organize around the work. Embrace the idea of leading your Agile transformation with education and focusing on the behavioral changes prior to the mechanical changes.

Have you realized that there is much more to Agile than following a process? Are you yearning to explore an effective culture where the discovery mindset brings you closer to customer value? Have you come to the conclusion that Agile is about building a holistic enterprise culture that is optimized for being agile and delivering customer value?

This book will share many cutting-edge concepts, mindsets, and practices to answer these questions. It will help you adapt to the culture, roles, and practices that you will need to be a customer-value-driven enterprise. If you are committed to customer success and realize that it does take a whole enterprise to achieve it, then this is the book for you.

Agile should not be done for the sake of Agile. Instead, Agile helps you deliver more value to customers and achieve better business outcomes. This is why, every step of the way, every activity should be viewed as how it is optimizing for customer success. This book will lead you down this path.

Innovations of This Book

As this book helps you apply Agile values and principles in the form of concepts, mindsets, practices, and techniques across an enterprise to be the most effective and successful that you can be, it introduces you to three innovations in the way Agile is approached.

The first innovation this book provides you is a holistic top-to-bottom and end-to-end view of an Agile enterprise where everyone is engaged. Get introduced to the Agile Galaxy in your customer universe shown in Figure 1-1. It is designed to help you better understand your Agile landscape of today and what you want your future to look like.

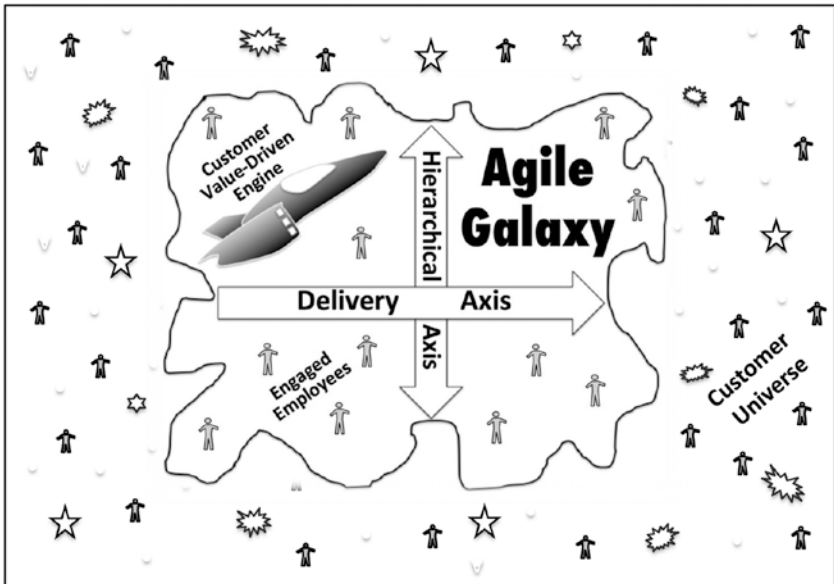


Figure 1-1. Your Agile Galaxy in your customer universe

The second innovation this book provides you is the customer-value-driven (CVD) enterprise, the CVD framework, and its corresponding engine of customer value that emphasizes the importance of customer feedback. An Agile CVD framework is a business and delivery system that is driven by customer value, where you capture and prioritize ideas based on customer value, continuously validate customer value throughout with customer feedback, and deliver customer value in a timely manner, all for the purpose of optimizing the delivery of what the customer finds as value. This includes engaging employees in the pursuit of customer value.

The third innovation of this book is a packaging of many cutting-edge Agile concepts, mindsets, practices, and techniques that it will reveal regarding the adoption of Agile throughout an enterprise, from idea to delivery and from the team level to the executive level. In a sense, this is the iPod of Agile books (in other words, your iAgile) as shown in Figure 1-2. The iPod wasn't innovative because it was yet another mp3 player. Instead it was innovative by how it brought together many cutting-edge concepts, technologies, and processes that enabled the highest value to the customer. (See Figure 1-2.)

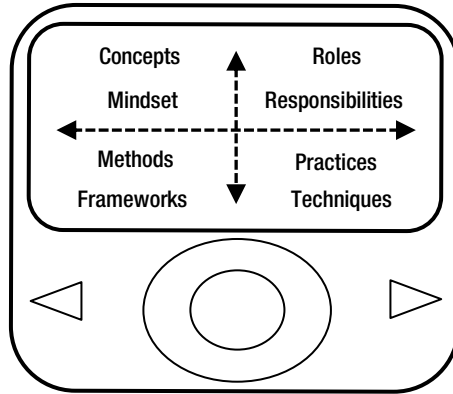


Figure 1-2. This book is your iAgile, packed with cutting-edge Agile elements in one place

While there are many Agile processes, frameworks, and practices out on the market, not all of them may fit perfectly into your environment and cover all of your needs. The goal of this book is to provide you with insight into the many Agile elements that can be applied in and across the end-to-end and top-to-bottom enterprise landscape so that you may more intelligently and adaptively determine what works better for your context.

This book is your guide to adapting to an Agile and CVD culture that starts the moment an idea gets recognized to the moment it gets delivered and only ends when you receive market feedback of what was learned (in other words, how successful the idea is).

On the one hand, this book will provide you a vision of where you can go. On the other hand, this book is a pragmatic guide to help you through your journey. This book is neither exhaustive nor prescriptive, but it will hopefully inspire you to think out-of-the-box and beyond the more traditional and common Agile elements and processes. The guidelines in this book can be applied equally to whether you are just starting your Agile journey or continuing to improve your Agile universe.

What You Will Learn

This book provides a landscape of options designed to help you consider, understand, deploy, and adapt an Agile culture, mindset, methods, and practices throughout an enterprise, from executives to Agile teams, and everyone in between. More importantly, it will help you narrow the gap between what the customer really wants and what you deliver. It is not surprising, given the mediocre success of many products and services, that those who claim to be customer-focused are optimizing less for the customer and more for the organization's bureaucracy, sub-optimizing for a division or personal goals.

What you will learn is that it does take an enterprise from as early as ideation through reflection after delivery (left to right) and executives to team (top to bottom) to make an Agile value-driven enterprise work.

What you will also learn is many of the latest modern concepts, mindsets, practices, and techniques that can help you on your journey so that you can run your enterprise in a customer value-driven manner.

This book maps the bottom-to-top and idea-to-delivery ways to operate in an enterprise Agile manner and gain the benefits that you desire from an Agile transformation. The topics that this book focuses on include the following:

- Becoming a **customer-value-driven** enterprise that optimizes its culture and processes for **customer value**
- Approaching Agile from an **outcome** perspective to gain better business results
- Establishing a **top-to-bottom view** of the **roles** in an Agile enterprise including the **executive role** for sponsoring your **Agile galaxy**
- Evolving into an Agile culture where the mindset embraces **Agile values and principles** and the **pluralistic-green** and **evolutionary-teal** paradigms
- Constructing an **end-to-end** view that visualizes an **idea pipeline** of the work following the **six R model** from recording the idea to reflecting on the results
- Building **high-performing teams** (for example, **lightning-bolt shaped teams**, collaboration, **teamocide avoidance**)
- Evolving management, HR, finance, portfolio, PMO, and other **roles** to work effectively in an Agile enterprise
- Building an enterprise where **customers matter; personas** are used to help with **user stories**, testing, and **demos**; right customer for right **feedback**; and **customer feedback vision**
- Building an enterprise where **employees matter, self-organizing** teams are applied, **Agile roles** are established, **motivations** are understood, and **bounded authority** is defined
- Building an Agile **discovery mindset** focused on **hypothesis thinking, feedback loops, innovation, divergent thinking, and incremental thinking**

- Seeing **uncertainty** as a smart starting point and removing **pretend and arrogant certainty**
- Establishing a **prioritization** framework to identify high-value work at the idea level via **cost of delay** and other prioritization methods
- Building a culture of **challenging assumptions** to increase confidence in decisions and reduce risks of releasing something the customer doesn't want
- Establishing **work-based Agile education** on a learn-apply-share model focused on **Agile values and principles** led with **value, flow, and quality**
- Powering your employees through **self-organizing** teams, an **Agile education vision**, and **gamification** while supporting an **Agile community**
- Understanding the importance of **Agile budgeting** and its benefit to **supply and demand**
- Constructing **Agile success measures and dashboard** focused on the value of the work, lead times, delivery pace, and quality
- Applying a **lagging to leading metric path** where leading indicators help you get to the (lagging) outcomes you are looking for
- Establishing a **requirements tree** to understand the hierarchy of how **strategy, ideas, increments, epics, user stories**, and **tasks** work together
- Connecting **idea pipeline** to team backlogs while managing **dependencies** and utilizing **velocity, WIP**, and **pull systems** to manage the flow of work
- Learning **ideation** with **Lean Canvas**, for capturing ideas and their assumptions, value, target audience, and to better understand the idea
- Applying an **incremental mindset** by introducing **decomposition** techniques such as **story mapping** to thin-slice ideas into increments and epics
- Writing effective **user stories** and the importance of **collaboration, acceptance criteria**, and how they relate to progress

- Reinventing HR as promoters of Agile, supporting Agile roles, focusing on employee motivation, adapting reward systems, obtaining **continuous employee feedback**, meeting **team-based goals**, and **exploring self-management**
- Adventuring through an **Agile enterprise story** that shows you how an enterprise may **transform** to Agile in an incremental manner using the materials in this book

Who This Book Is For

The primary readers for this book are

- executives and senior management
- sponsors of Agile transformations
- Agile coaches, consultants, and champions
- portfolio management teams
- project management offices (PMOs)
- product owners, product managers, and business analysts
- business and finance departments
- human resources (HR) departments
- marketing and sales departments
- investors and entrepreneurs
- ScrumMasters and Agile project managers
- cross-functional engineering/Scrum teams including developers, quality assurance (QA) analysts and testers, technical writers, user experience (UX) engineers, configuration management (CM) engineers, and more

How to Navigate This Book

You can read this book in various ways depending on your purpose and prior knowledge. You are welcome to read the book from beginning to end. Since chapters are relatively short, it is feasible to read a chapter in one sitting. You can also customize your path through the book to suit your knowledge level, specific challenge, or theme of interest.

The first four chapters set the conceptual groundwork for an effective customer-value-driven enterprise. The remaining chapters provide you with concepts, mindsets, practices, and techniques to help you make a value-driven Agile enterprise real. There are specific ways to navigate this book via theme, topic, or challenge. The following list shows chapter clusters that pertain to certain themes to help you focus on particular topics per your current need.

- Agile as it relates to the customer: Chapter 2 (Envisioning a Customer-Value-Driven Enterprise), Chapter 3 (Achieving Better Business Outcomes), Chapter 6 (Embracing Customers), Chapter 13 (Capturing Ideas with Lean Canvas), Chapter 14 (Incorporating Customer Feedback), and Chapter 18 (Collaborating on User Stories)
- Agile as it relates to the employee: Chapter 3 (Achieving Better Business Outcomes), Chapter 4 (Building Your Agile Galaxy), Chapter 7 (Embracing Employees), Chapter 8 (Evolving Roles in an Agile Enterprise), Chapter 9 (Building a Learning Enterprise), Chapter 10 (Applying a Discovery Mindset), and Chapter 21 (Reinventing HR for Agile)
- Building a customer-value-driven Agile enterprise: Chapter 2 (Envisioning a Customer-Value-Driven Enterprise), Chapter 6 (Embracing Customers), Chapter 10 (Applying a Discovery Mindset), Chapter 11 (Visualizing the Enterprise Idea Pipeline), Chapter 12 (Prioritizing with Cost of Delay), Chapter 13 (Capturing Ideas with Lean Canvas), Chapter 14 (Incorporating Customer Feedback), Chapter 15 (Establishing Your Requirements Tree), Chapter 18 (Collaborating on User Stories), Chapter 19 (Promoting Agile Budgeting), and Chapter 20 (Applying Agile Success Measures)
- Agile culture and mindset: Chapter 4 (Building Your Agile Galaxy), Chapter 5 (Activating an Agile Culture), Chapter 6 (Embracing Customers), Chapter 7 (Embracing Employees), Chapter 9 (Building a Learning Enterprise), Chapter 10 (Applying a Discovery Mindset), and Chapter 21 (Reinventing HR for Agile)

- Running an Agile enterprise: Chapter 5 (Activating an Agile Culture), Chapter 8 (Evolving Roles in Your Agile Enterprise), Chapter 9 (Building a Learning Enterprise), Chapter 10 (Applying a Discovery Mindset), Chapter 11 (Visualizing the Enterprise Idea Pipeline), Chapter 12 (Prioritizing with Cost of Delay), Chapter 13 (Capturing Ideas with Lean Canvas), Chapter 15 (Establishing Your Requirements Tree), Chapter 17 (Connecting the Idea Pipeline to Backlogs), Chapter 19 (Promoting Agile Budgeting), Chapter 20 (Applying Agile Success Measures), Chapter 21 (Reinventing HR for Agile), and Chapter 22 (Sharing an Agile Enterprise Story)
- Establishing your requirements relationships and decomposing requirements from idea to task: Chapter 11 (Visualizing the Enterprise Idea Pipeline), Chapter 13 (Capturing Ideas with Lean Canvas), Chapter 15 (Establishing Your Requirements Tree), Chapter 16 (Decomposing Ideas with Story Mapping), Chapter 17 (Connecting the Idea Pipeline to Backlogs), and Chapter 18 (Collaborating on User Stories)

Pit Stops, Exercises, and References

Sprinkled throughout the book are what I call “Agile pit stops.” These pit stops are meant to provide you with insights in a chapter if you are browsing. They also act as anchors to let you know what topic that part of the book is currently covering. Figure 1-3 is an example of an Agile pit stop.

■ **Agile Pit Stop** Pay particular attention to the Agile pit stops throughout the book. They illuminate ideas or highlight important points.

Figure 1-3. Example of an Agile pit stop

This book also provides you with exercises that you may try or mentally ponder to get you to more deeply experience a topic. Sprinkled throughout each chapter, you will find these exercises.

Finally, at the end of some of the chapters, a reference section is included to provide you with more material about some of the topics discussed in that chapter. I hope you have a great Agile journey and hope you gain beneficial information from this book leading to a more effective Agile transformation and greater business success!

Envisioning a Customer-Value- Driven Enterprise

The hyperfocus of a customer-value-driven enterprise is incrementally learning what the customer wants and delivering it.

—Mario Moreira

What is a customer-value-driven enterprise? It is a company that optimizes for what the customer considers valuable and more specifically what the customer is willing to buy and use. It is also a company that optimizes its internal organizational processes toward a focus on customer value. This type of company attempts to remove any organizational processes or activities that do not directly link to customer value. As a simple example, a status report requested by manager that has little or no direct benefit to what the customer finds as valuable should be eliminated since this task takes time from focusing on customer value.

The core of a customer-value-driven enterprise is a mindset that understands the importance of discovery and incremental thinking that is continuously injected with customer feedback. The mechanics that support a customer value-driven enterprise is a CVD framework. This framework serves to develop products and services around the engagement of customers in each aspect of the customer journey from identification and recording the idea, revealing it for priority, refining it, realizing it, releasing it, and reflecting on its value for the customer. This is why it is important to be truly engaged with customers and continuously get their feedback along the journey.

The CVD framework also relies on applying a discovery mindset to learn what is valuable to the customer. It leverages current Agile processes, practices, and techniques by emphasizing the importance to delivering incrementally and frequently so that you are minimizing the risk of delivering something that the customer doesn't want. A CVD framework also applies the adaptive Agile budgeting framework, which ensures budget goes to both the highest customer-value idea and the team(s) that can build the idea into a working product, enabling you to stay in touch with the customer and marketplace in a timelier manner.

■ **Agile Pit Stop** The Customer-value-driven (CVD) framework focuses on applying customer feedback along the way to ensure what is delivered is considered valuable to the customer.

Not only should you identify processes that are not directly assisting with identifying or creating customer value, you should also shed those processes that are constraining change. While some processes are unrelated or distantly related to customer value, there are others that actively restrict, delay, or ignore the signals that help us understand what is valuable to the customer.

At the heart of the CVD framework is establishing an engine for customer value. This engine emphasizes the importance of getting closer to the actual customer and of having a discovery mindset with experimental thinking. It highlights the detriment of having too much certainty within an organization, while regaling the benefits of challenging assumptions to better understand initial perceived value and shedding those enterprise processes that are weighing down the organization.

I will not specifically call out the CVD framework from this point on as the intent is to place more focus on the culture and mindset of engaging customers and collecting their feedback. The goal is to build an organization that runs on a customer engine that optimizes for what customers consider valuable and optimizes its internal organizational processes toward a focus of delivering customer value.

The Engine of Customer Value

The goal of a company is to have the willingness to truly engage the customer in every step, from idea to delivery and into reflection. The thrusters within this engine include activities focused on learning about the current customers or potential customers via personas, capturing ideas from customers, getting continuous feedback from customers as the product is built, delivering to customers, receiving actual customer outcome data (in other words, sales or usage), and reflecting on the status of the customer value once it is in the marketplace to better understand the next steps of value. This is what I refer to as the CVD engine that runs your business (See Figure 2-1).

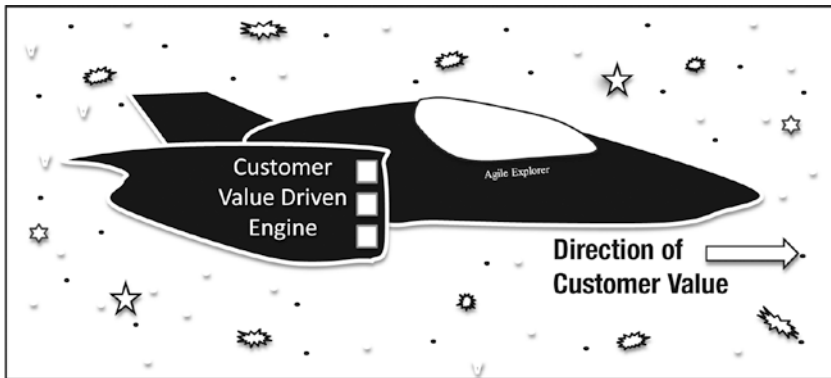


Figure 2-1. Customer-value-driven engine

To keep this engine running well, you need two important contributors—the engaged customer and the engaged employee. Engaged customers ensure you move in the direction of customer value. Engaged employees maintain the engine so the value is delivered with high velocity and quality. If all thrusters are firing well, the engine purrs, which increases the chances for a successful delivery of customer value. If one of the thrusters is sputtering or missing, it reduces the success of the engine and, hence, reduces the potential value being delivered to customers.

What you are also trying to avoid is having an engine whose horsepower is diverted to many weighty systems that have little to do with the delivery of customer value. Effectively, what you are looking for is building an engine where every unit of horsepower is focused primarily on delivering customer value.

Moving Away from Certainty

In many organizations, there is a need to act as if you are certain. In fact, the higher up you go in an organization, the compulsion of acting with certainty becomes greater and greater. Statements like “That’s why we pay you the big bucks” are used to imply that the higher you are in an organization, the more you are expected to know all the answers. Certainty is an anti-pattern in getting to customer value and the polar opposite of what is needed to fuel a CVD engine.

Some people think they must act with “pretend certainty” for the benefit of their careers. Others have convinced themselves of “arrogant certainty”; they believe they know the answer or solution but don’t provide any solid basis for this certainty. Unfortunately, this arrogance can be interpreted as confidence that can be dangerous to the success of a company. Nassim Nicolas Taleb¹ refers to this as “epistemic arrogance,” which highlights the difference between what someone actually knows and how much he thinks he knows. The excess implies arrogance.

■ **Agile Pit Stop** People with “pretend certainty” and “arrogant certainty” exhibit false confidence, which can be dangerous to the success of a company.

What has allowed certainty within companies to thrive is that there is a distance between the upfront certainty and the time it takes to get to the final outcome. There lacks an accountability trail between certainty at the beginning and the actual results at the end. Often the difference is explained away by the incompetence of others who didn’t build or implement the solution correctly.

The truth is somewhere in between. Unfortunately, the concept of certainty is dangerous to an enterprise since it removes the opportunity of acknowledging the truth and allowing the enterprise to apply a “discovery” mindset toward customer value via customer feedback loops and more.

You also want to avoid the inverse, which is remaining in uncertainty due to analysis-paralysis. A way to avoid this is to apply work in an incremental manner with customer feedback loops to enable more effective and timely decision making. Customer feedback will provide you with the evidence for making better decisions. Applying an incremental mindset will enable you to make smaller bets that are easier to take and allow you to adapt sooner.

¹*The Black Swan*, Second Edition, by Nassim Nicolas Taleb, Random House, May 11, 2010

Adapting toward Value

A healthier and more realistic approach is to have leaders who understand that uncertainty is actually a smart starting position and then apply an approach that supports the gaining of certainty. The reality is that the earlier you are in the lifecycle of the work product, the less customer information and certainty you have. It is, therefore, incumbent upon you to have an approach that admits to limited information and certainty and then apply a discovery and fact-building approach toward customer value. This is why you must learn more about the customers and their needs for the new idea or feature you are building for them.

■ **Agile Pit Stop** As a leader, hire people who have a discovery mindset, who understand that customer, technical, and marketplace certainty is only derived by hypothesizing, testing, and adapting toward value.

MENTAL CERTAINTY IDENTIFICATION EXERCISE

Identify who among your staff leans more toward the “pretend certainty” or “arrogant certainty” mindset and who leans toward the discovery and incremental mindset. What you are looking for is building a culture where certainty is something to strive for and not a starting position.

Challenging Assumptions

When ideas that are valuable to customers are identified, there are often some expressed and many unexpressed assumptions. It is important to tie assumptions to the idea that is perceived to be customer value and rigorously explore the assumptions. It is often faulty assumptions that lead you to believe something is perceived to be more valuable of an idea than it really is. This can lead to work that is actually of low value to the customer, closing off options for change too early or ignoring valuable customer feedback along the way.

Challenging the assumptions of perceived customer value helps you rationally discuss the progression of how you got to the conclusion of value. It separates what you think you know from what you actually know. By discussing the assumptions, major uncertainties at the time are uncovered. By highlighting these uncertainties, it provides you with information that helps you think about how to validate the assumptions. By having a conversation around assumptions, it helps those involved with an idea have a better understanding of possible customer value and the work ahead.

■ **Agile Pit Stop** Challenging assumptions helps you discuss the progression of how you got to the conclusion of value. It separates what you think you know from what you actually know.

Earlier I discussed pretend and arrogant certainty. A good way to uncover where the certainty is coming from is to challenge the assumptions that lead to certainty thinking. It can be quite dangerous for an enterprise to ignore the signals of too much expressed certainty. This can lead a company to select lower-value work.

ASSUMPTIONS AWARENESS EXERCISE

Observe those involved in discussing the value of a piece of work. Listen for any discussion on the assumptions and any engagement in challenging the assumptions of value. If there is little discussion of assumptions, it can mean several things. The first is that it can mean that people are not engaged. This can be the result of people either just going through the motions of their work, people being fearful to speak up, people not wanting to “rock-the-boat,” or people not being aware that they should be actively discussing the assumptions. It is recommended to understand the root cause of this lack of assumptions discussion. I will discuss how the process of challenging assumptions helps you and ways to assertively yet amicably challenge assumptions in Chapter 12.

Shedding Enterprise Weight

As part of being a value-driven enterprise, it is important to remove any organizational processes or activities that do not directly link to customer value. The goal is building a customer-value engine that focuses on delivering customer value—not the weight of non-value added activities. This can be particularly challenging when those within the organization sub-optimize for internal processes or, more dangerously, for themselves.

It is important to gauge what your organization is optimizing for. As you look across your organization, do you see processes that are too heavy? I have seen groups whose functions are no longer central to the delivery of customer value yet continue to enforce their processes on others. I have seen multiple levels of management approval where only one (or none) should be necessary.

■ **Agile Pit Stop** Is it important to gauge what your organization is optimizing for? Is it the customer or internal processes and status quo?

How many of you have witnessed situations where the customer feedback clearly told you that you were moving in the wrong direction of customer value, yet because of in-house governance and processes, feedback was inhibited or ignored and the original plan was followed anyway. Even when you spoke up, those “in-charge” choose to optimize for the process and not customer value. This is why the value “responding to change over following a plan” found in the Agile Manifesto is so important.

Do you see people who are focused primarily in building their own kingdom? Are you (or those within the organization) internally sub-optimizing for the preservation of the status quo, for ensuring bonuses, or for maintaining power positions rather than for satisfying the customer? Some people are so entrenched in their internally sub-optimized culture that they do not allow themselves to see the need to change until it is too late. However, they presumably have been allowed and even rewarded to continue this behavior, so changes are critical to this mindset.

When adapting Agile, there is often a lack of awareness of the amount of non-value-added work occurring. Value-added work is requested and validated by customers to produce working product. Non-value-added work is work not directly adding value as perceived by the customer. Some non-value-added work is even less valuable than others. While not all non-value-added work can be removed, attempts should be made to make it as lean as possible. As illustrated in Figure 2-2, when shedding weighty organizational process and non-value-added work, you can turn your cumbersome organization into a faster and leaner enterprise.

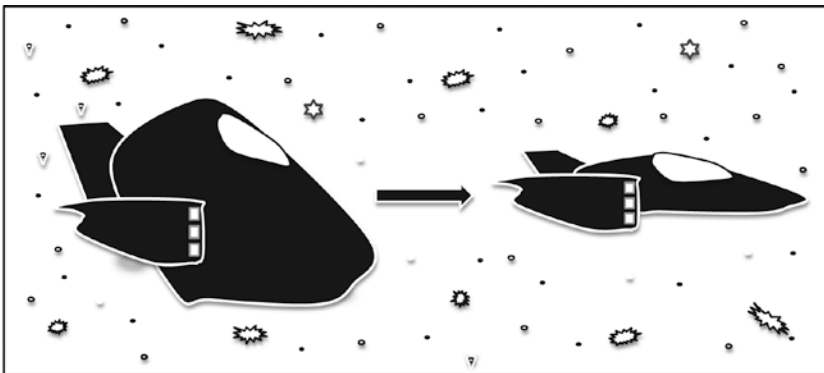


Figure 2-2. Shedding processes and non-value-added activities to be a faster and leaner enterprise

WEIGHING THE VALUE EXERCISE

Observe the behavior of management and employees, and their contribution to non-value-added work. Do you see any parts of a process or activity they are involved in that seems to have little benefit in the delivery of customer value or are sub-optimized to the needs of internal people? Each step of each organizational process should be weighed against the customer value delivered. What do you observe?

Management Closer to Customer Value

Every senior and C-level manager should be as close to customer value as the product owner, salespeople, marketing department, and development teams building products. I've been in some organizations where management and other significant company members have never seen the products their teams are building or met the customers those products are meant for. If a company has dozens of products, I'm not suggesting that leadership must be close to all of the products, but they should be very close to the top 5 or 10 products, including those where there is an investment toward innovation.

The key is narrowing the gap between the employees and customers. The two-degrees-of-separation rule can be an effective means to determine how far away an employee is from a customer. Two degrees of customer separation would be "you (as an employee) connected to an employee connected to the customer," as illustrated in Figure 2-3.

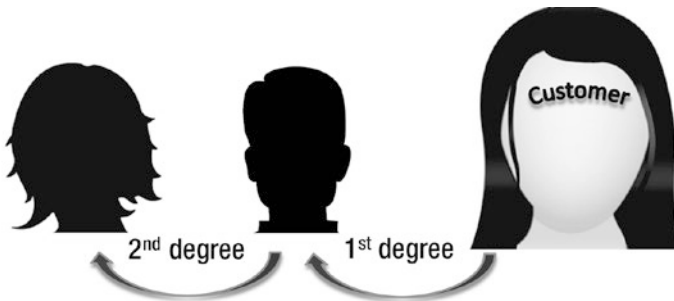


Figure 2-3. Two degrees of customer separation

The further away an employee is from the customer, the less likely that employee understands what the customer considers valuable. Worse yet is the less employees understand customer value, the less likely they will consider customer value in their work and decision making. This can further lead to sub-optimizing toward their own work.

The goal is for all senior managers and C-level professionals to have witnessed the company products their teams are building or to have met the customers those products are meant for. This can be in the form of (and not limited to) attending product demonstrations as part of a sprint review, attending a customer advisory board, and visiting customers who are using products from the company.

CLOSE TO THE CUSTOMER EXERCISE

Consider conducting research by asking these two questions. Even if you only do this as a mental exercise, what might you uncover?

- How many of our leaders have attended a demonstration of all of our top products (or some percentage of them)? This can be a telling tale. I suggest that your leadership should be equally comfortable in providing a demonstration of at least some of the company's top products.
- Ask each employee (at all levels and functions), "How connected is your work to the delivery of customer value?" The goal is to make employees aware of the degrees of separation from the customer and themselves and at what level their work is related to customer value.

Are You Optimized for a Culture of Customer Value?

Moving to a culture where customer value is paramount is an important step in achieving an enterprise that is truly Agile and the business benefits it can bring. Applying a CVD framework and its customer-value engine allows you to focus your company's horsepower primarily on delivering customer value.

Focus on the meaning of having an engine for customer value, the benefits of the discovery mindset, the risks of certainty too early, the strategies to methodically gain certainty, the task of challenging assumptions to better understand the initial perceived value, the necessity of shedding those enterprise processes and non-value added activities that are weighing down the organization. And, last but not least, focus on getting management closer to the actual customer.

It takes a smart leader to recognize the need to change and a strong leader to make the changes needed for an enterprise to optimize for the customer. This will often mean creating an enterprise where everyone is now one or two degrees closer to the customer. It will require a hard look at the current talent of managers and individual contributors.

Are people sub-optimizing for themselves? Are they bringing pretend or arrogant certainty to their work? Are they engaged with activities that focus on customer value? Are they promoting or passively allowing non-value added activities to occur at the expense of focusing on customer value? Have they actually seen or operated the top products of the company?

The answers to these questions can help you understand the enterprise you have. Once you understand this, you can adapt toward the customer-value-driven enterprise you need.

For additional material, I suggest the following:

- *The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses* by Eric Ries, Crown Business, September 12, 2011
- *The Black Swan: The Impact of the Highly Improbable*, Second Edition, by Nassim Nicolas Taleb, Random House, May 11, 2010