EDGE

VALUE-DRIVEN DIGITAL TRANSFORMATION

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Praise for
EDGE: Value-Driven Digital Transformation

"This impressive book offers a holistic set of principles and practices that will help enterprises to upgrade their innovative capabilities. With a laser focus on outcomes and value, and relying on a product mindset, lightweight governance, and adaptive leadership, the authors explain how a company can survive and thrive with an agile product portfolio in an increasingly complex environment. This book should be cherished and devoured."

—*Jurgen Appelo, author of* Management 3.0 *and* Managing for Happiness

"As an entrepreneur who since 2008 has been growing a bootstrapped SaaS company that transforms industrial manufacturers into digital commerce powerhouses, I am living on the edge.

"But thanks to *EDGE: Value-Driven Digital Transformation*, I now have a framework and vocabulary that I can use to reflect on my journey and visualize my organizational future. More importantly, knowing that the authors' decades of experience and wisdom, encapsulated in EDGE, resonates with mine, I can confidently make this required reading by everyone at Corevist and recommend it to all of our clients who are struggling with their own digital transformations."

—*Sam Bayer, CEO, Corevist*

"It's refreshing to read a book that goes beyond the 'base camp' of agility. So often we get to Scrum or some framework and then stop. True digital transformation is much more, and this book by Highsmith, Luu, and Robinson captures what every manager needs to know if we want to scale these challenging heights. Highly recommended!"

—*Martyn Jones, Managing Director, SoftEd Group, New Zealand*

"*EDGE: Value-Driven Digital Transformation* is a valuable book and an indispensable guide to successfully navigating a digital transformation. It's packed with powerfully simple and practical guidance, asking us the questions we need to address. I've found

EDGE Principles

A digital transformation demands two key ingredients—articulated principles and trust in leaders.

From the beginning, the agile and lean movements have been more about principles than practices, processes, or tools. It's not that these latter three are unimportant. Rather, by focusing on the principles, you're better able to make agile and lean work for you. By focusing on principles, you can better build a responsive enterprise. In his book *Good to Great: Why Some Companies Make the Leap and Others Don't*, Jim Collins points out the need to preserve and the need to change. You need to preserve core values and purpose, and that foundation creates the stability required to change culture, practices, and goals. Without core values or principles, there isn't an anchor from which to make critical decisions about change.

The Agile Manifesto has been the inspiration for agile development for nearly 20 years. It lays out the agile principles, and you can then successfully adapt the right practices or tools for your organization. A common misconception about building enterprise responsiveness is that there is a recipe—a clear set of steps that can be followed, so that at the end the organization is "agile." There isn't one recipe to follow. Each organization is different, as is its environment. The principles of EDGE enable all the parts of the organization to adopt practices and tools, not just software delivery teams.

Trust in leaders is essential because in the midst of change, when everyone in your organization is nervous and uncertain about the future—their future, people need to feel safe. Some pundits in the agile community openly advise that in an agile transition as many as one-third of your staff and management won't make the grade. How "safe" do you suppose staff will feel if they think one-third of them will be terminated or relegated to the worst

jobs? How excited will anyone be about the transition? Trust in management means that people feel their jobs will stay intact even though their roles will change. It means that leaders and managers engage the staff so they are more comfortable in their discomfort. People who don't feel safe, for whatever reason, will be resistant to change. Chapter 10, Adaptive Leadership, addresses adaptive leadership behaviors that lead to a safer tech environment. Of course, a few people won't make the grade—that is inevitable. But this realization is far different than starting the transformation process by stating a large number of people won't be retained. When thinking about the technology talent and capabilities needed for your transformation, try a capability building mindset rather than emphasizing termination.

Safety Is a Key Cultural Trait

"Within the last year, I've found a new passion, direction, and metaphor.

I call it *tech safety*.

Tech safety leads us to reduce or remove injuries in our high-tech lives.

Such injuries aren't cuts, burns, or fatalities.

High-tech injuries are cognitive, emotional, financial, and secondarily physical.

Whether you make, use, or consume high-tech products and services, tech safety improves your life by discovering hazards and removing or reducing your injuries."

—Joshua Kerievsky,[1] *Industrial Logic, Tech Safety Blog,*
posted June 13, 2013

Your ability to adapt EDGE practices, based on an understanding of the principles, will be critical to success. The six guiding principles outlined in this chapter (Figure 3-1) are key to understanding and applying EDGE. These principles help us answer questions about investing for change, working together, and adapting quickly.

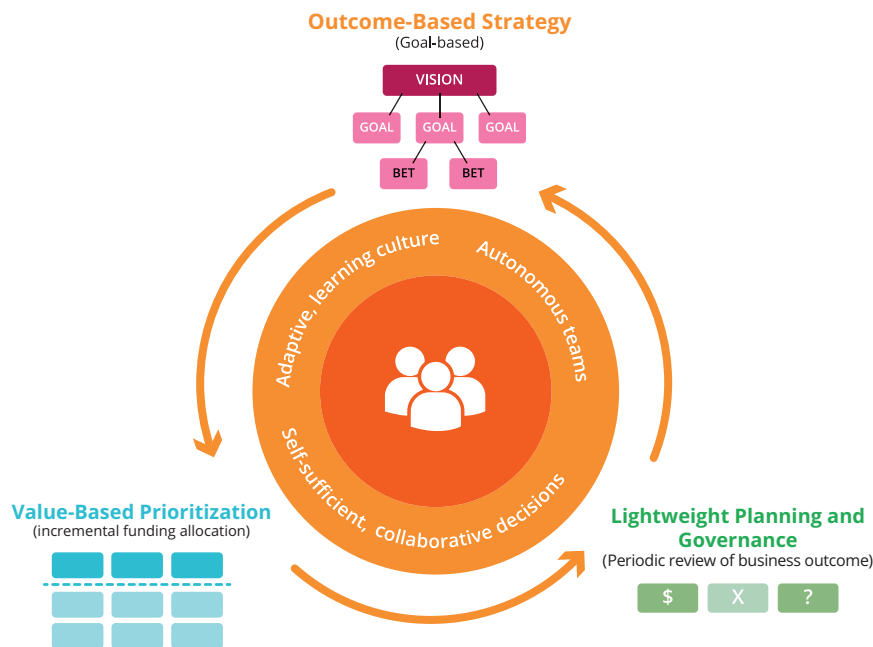1. Josh has been a leader in the agile movement and in fostering the ideas around tech safety.

Figure 3-1
Principles of EDGE.

The three principles on the outside loop—outcome-based strategy, value-based prioritization, and lightweight planning and governance—focus on answering the "how should we invest" question. The inner loop principles—autonomous teams; adaptive, learning culture; and self-sufficient, collaborative decisions—speak to working together and adapting fast enough. But in reality, the relationships between the key questions and principles are multifaceted. Lightweight governance, for example, also helps define how teams work together.

When scaling agile and lean methods, there's often a disconnect as the scaled versions attempt to create a prescriptive structure or process rather than an adaptive one. We believe that your decision-making framework is more important than detailed processes.

Outcome-Based Strategy

Enterprises undertake transformations to respond to changes in their environment. One of the more difficult things for managers and executives to embrace in these transformations is learning to measure success differently.

As your organization learns from its environment, you'll want to invest more in the ideas that yield the most promise in furthering your vision. Traditionally, teams have been rewarded for performing against metrics that don't necessarily relate to business outcomes. For example, many organizations gauge their progress toward a goal by whether a design or schedule gate has been met. While these things may (or may not) help guide teams, they are not themselves valuable to a customer.

> *"This outcome orientation will drive you to a different way of thinking and different ways of delivering value."*
> —John Buhl, Principal, Lean Enterprise Transformation, Vanguard (Money 20/20 Conference, 2016)

EDGE advocates investing based on customer outcomes (customer value) first, and business benefits (i.e., profit, market share) second. Once these value-based outcomes and their measures of success and targets have been established and shared, it's far more effective to align groups to them. You can then use performance against these targets to decide to invest more, stop investing altogether, or pivot to a new, perhaps related, opportunity.

Value-Based Prioritization

Prioritization decisions should be based on value, and value should be defined in a way that makes sense for your enterprise. EDGE uses the term "value" to represent customer value: what a customer is willing to pay for. Healthcare organization customers may value patient outcomes and safety; public services customers may value responsiveness; commercial entity customers may value customer satisfaction. However your organization defines customer value, it's important to measure based on that value and to make investment decisions accordingly.

Measures of Success (MoS, covered in Chapter 5, Measuring and Prioritizing Value) should represent value at every level, from organizational goals to detailed implementation stories, so people don't end up working at cross purposes. Those measurements are important for demonstrating incremental progress of value creation and to drive prioritization to ensure you are

working on the most valuable things first. Work can be quickly reprioritized based on value as new information becomes available. This value-based approach to prioritization maintains alignment throughout the organization. If a new idea is created as you learn about the customer's needs, you can quickly compare it to the existing work in progress and adjust priorities.

Lightweight Planning and Governance

The Digital Age requires a better business–technology partnership to translate ideas into value and to reduce the wasted efforts that often accompany excessive process and documentation. In EDGE, governance is built on agile and lean principles, from vision to delivery. Governance provides a framework to ensure that:

- Customer value goals are being met within established constraints (time, cost, and internal and external regulatory requirements).
- Decision-making rights required for accountability are effectively allocated and managed.

Decision-making rights are particularly important in EDGE because autonomous teams take on greater decision making and accountability. The governance bodies must carefully balance the goal of giving autonomous teams greater decision authority while maintaining their fiduciary responsibilities. This could also be considered a balance of guidance and oversight.

Many governance systems, notably traditional phase-gate ones, focus on exhaustive documentation artifacts and heavyweight processes that introduce intolerable delays. Their emphasis is on process, rather than on speedy decision making. Governance teams need to navigate a paradox—ensuring adequate compliance to fiduciary, regulatory, and risk management needs while also moderating the burdensome overhead of traditional governance processes.

When teams are asked to be flexible, adaptive, and agile, governance processes need to mirror those goals. This means changing the measurement systems to be more outcome oriented. It doesn't require abandoning traditional cost and schedule measures, but it does mean subordinating them to measures of customer value.

Adaptive, Learning Culture

Can your organization adapt fast enough? This is a fundamental question today, for every organization, every enterprise. But it's not enough to have agile delivery teams or continuous delivery: To be "fast enough," your enterprise must have a responsive technology platform, an experimental and learning culture, and an executive team dedicated to finding the right balance between adapting and planning (most executives are still far too enamored with planning).

One of the misconceptions of traditional planning is the idea that risk can be reduced if an enterprise thinks thoroughly about a target end state and plans risk-mitigation steps for every conceivable event along the way. In the old, slower world, these "Plan–Do" approaches, in which everything was planned up front, worked, sort of. But today, you need an "Envision–Explore" approach that encourages innovation and exploration, adjusting and pivoting, as reality overtakes plans. Traditional approaches tried to "plan" away uncertainty. *EDGE's approach is to experiment away uncertainty.*

EDGE advocates building quick, incremental feedback from the real world into the process. The feedback loops should have a cadence of weeks or months—after all, your enterprise can't wait years to determine whether plans deliver. These explorations are also a great way to reduce risk. Short-duration, low-cost experiments provide valuable feedback, where learning is embraced as an outcome. As much can be learned from an idea that fails as can be learned from one that succeeds. For example, for start-up companies, finding the right product–market fit may take a couple of years of experimenting. Thinking that you can determine product–market fit internally and then build such a product usually sets your organization on a long, expensive path to failure.

Adaptive leaders need to create an environment in which people feel confident enough to engage in experimentation and adjustment. They need to lead the change process to relieve anxiety and motivate people to try new solutions, to be bold in their vision of what can be accomplished, to be persistent in achieving that vision, and to inspire others to make the journey with them.