

Guardrails for Empowerment and Collaboration

Strategic Alignment, Not Chaos

APLN Summit, October 18, 2007

All I Want From Life Is . . .

- 🔥 The business to be in a position to react to changing market and technology conditions (at a minimum).
- 🔥 The business to drive changing market and technology conditions (even better).
- 🔥 For IT to not be in the way!

. . . And I Have Found A Way

A Business Agility Case Study

🔥 Blockbuster Video

- In 2002, stock at \$30. Today, 5 ½.
- In 2005, losses of \$600M (down from losses Of \$1.2B in 2004) on revenue of \$5.7B.
- In 2006, income of \$55M on revenue of \$5.5B (closed about 700 locations).
- Market cap of \$1B.

In the Meantime

🔥 Netflix

- Went public in 2002.
- In 2006, income of \$49M on revenue of \$1B.
- Market cap of \$1.4B.
- Stock price of \$20.

The Story Is Not Over

- 🔥 In 2007, Blockbuster gained market share from Netflix.
- 🔥 Blockbuster now exploits its physical locations in its own “Netflix” model.
- 🔥 Netflix dropped its subscription fee to retain customers.

What Is the Point?

- 🔥 It took Blockbuster a long (long) time to react to and then respond to the new business model.
- 🔥 Who is “obsoleting” my business model and products?
- 🔥 How do I stay ahead? Pick and fight the right battles (i.e. focus).

What Is Business and IT Agility?

- 🔥 Not just responding to change but leading change.
- 🔥 Taking advantage of competitive forces and the dynamics of technology.

Sounds Nice But How?

🔥 The Agile Enterprise!

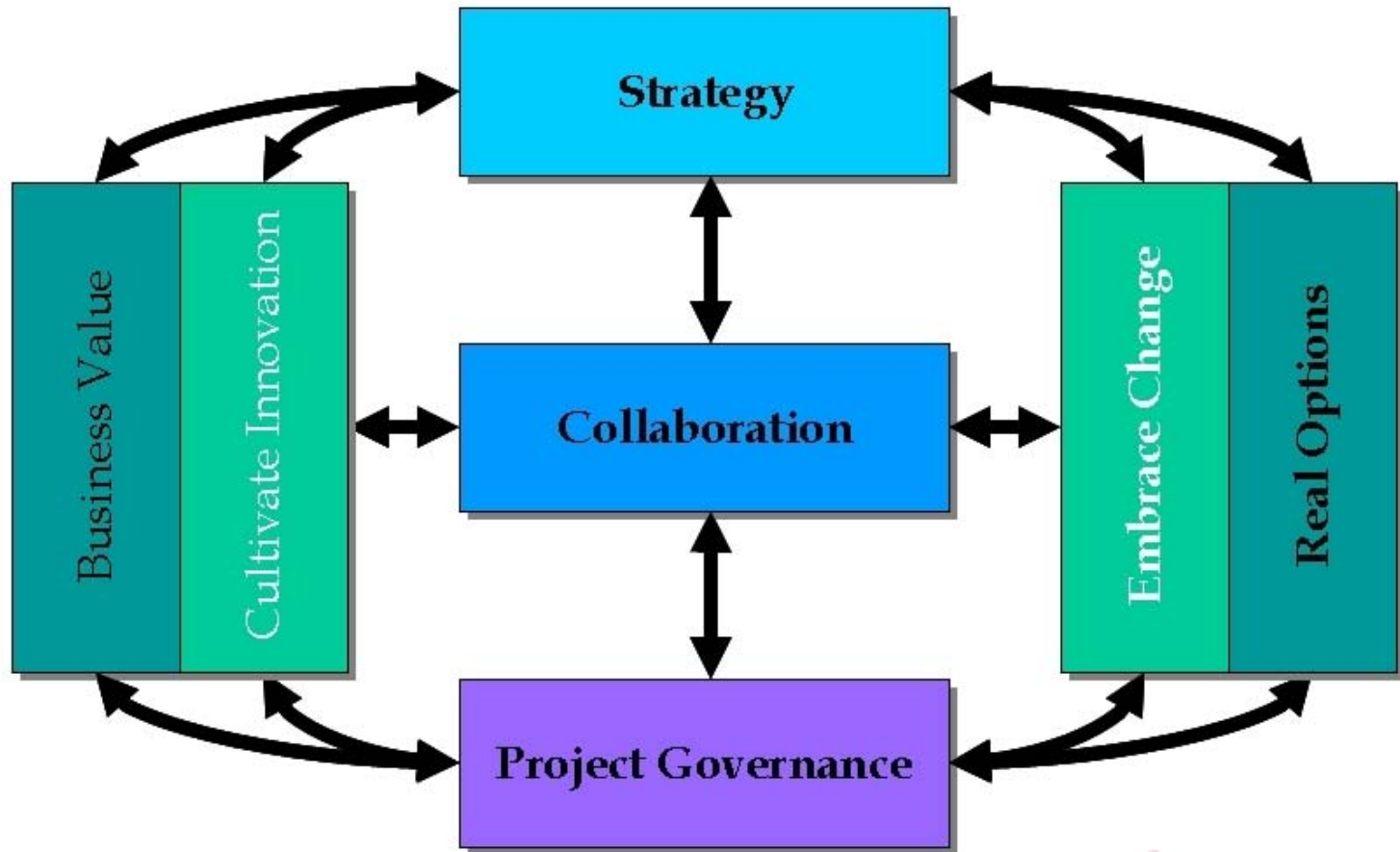
🔥 What must be true?

- Agility requires innovation.
- Innovation requires collaboration.
- Without focus, collaboration can devolve into chaos.
- How do we get focus?

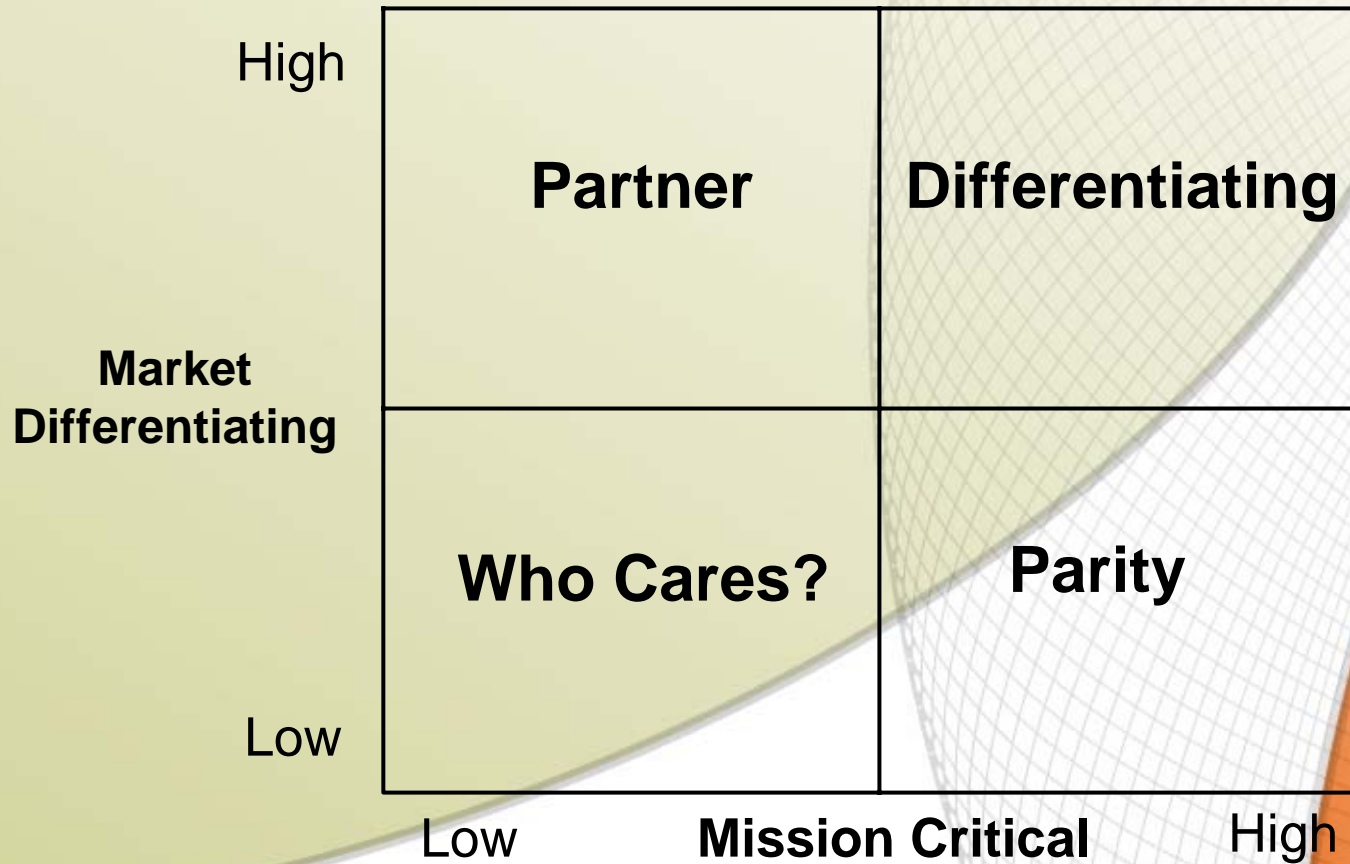
Proposed Guardrails

- 🔥 Strategic Intent (to help guide strategy).
- 🔥 Strategy (to help guide purpose).
- 🔥 Purpose (to help guide design and resource allocation decisions).
- 🔥 Communicated through the entire organization (for collaboration).
- 🔥 I start with Purpose.

Graphically



Process Purpose

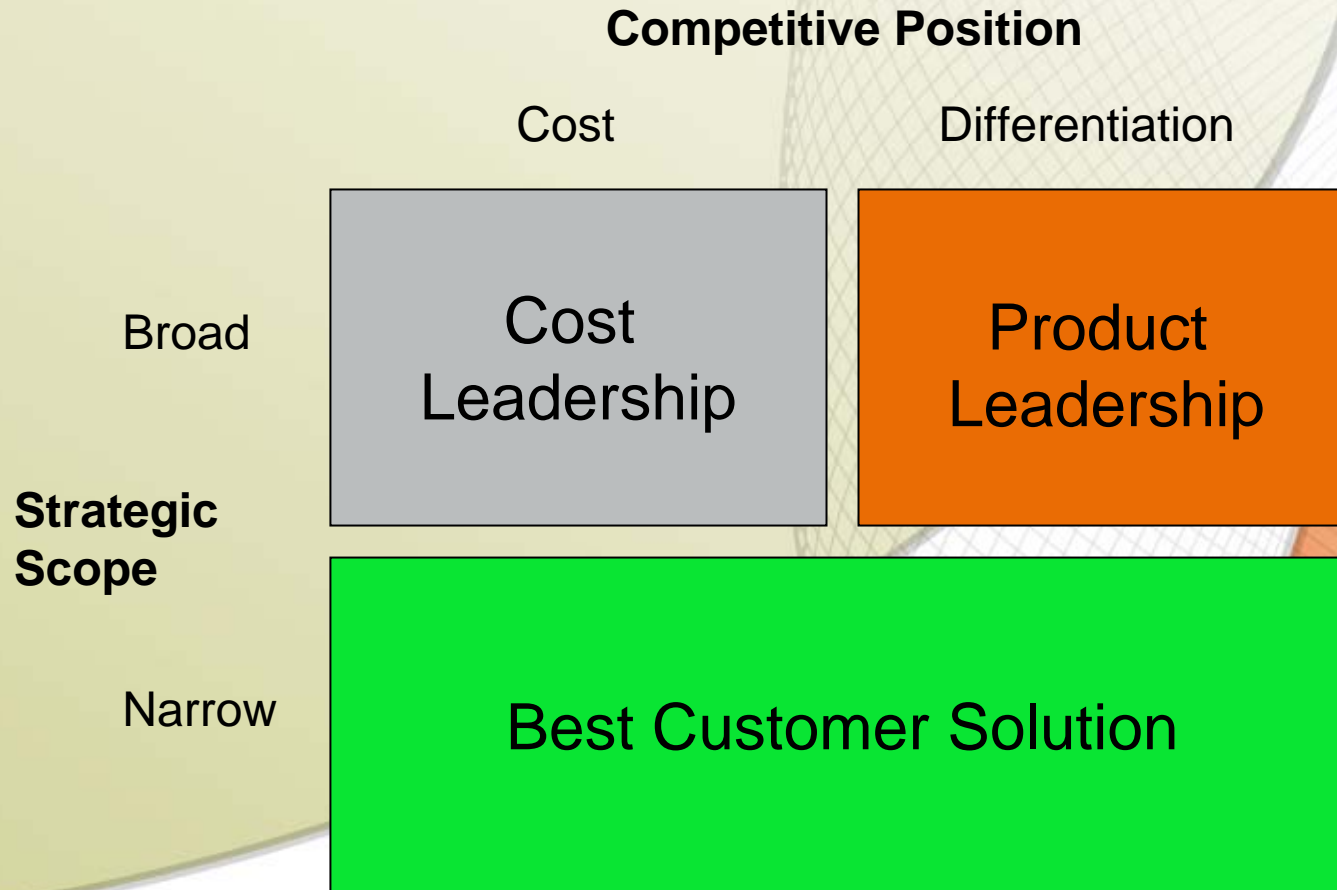


Strategy

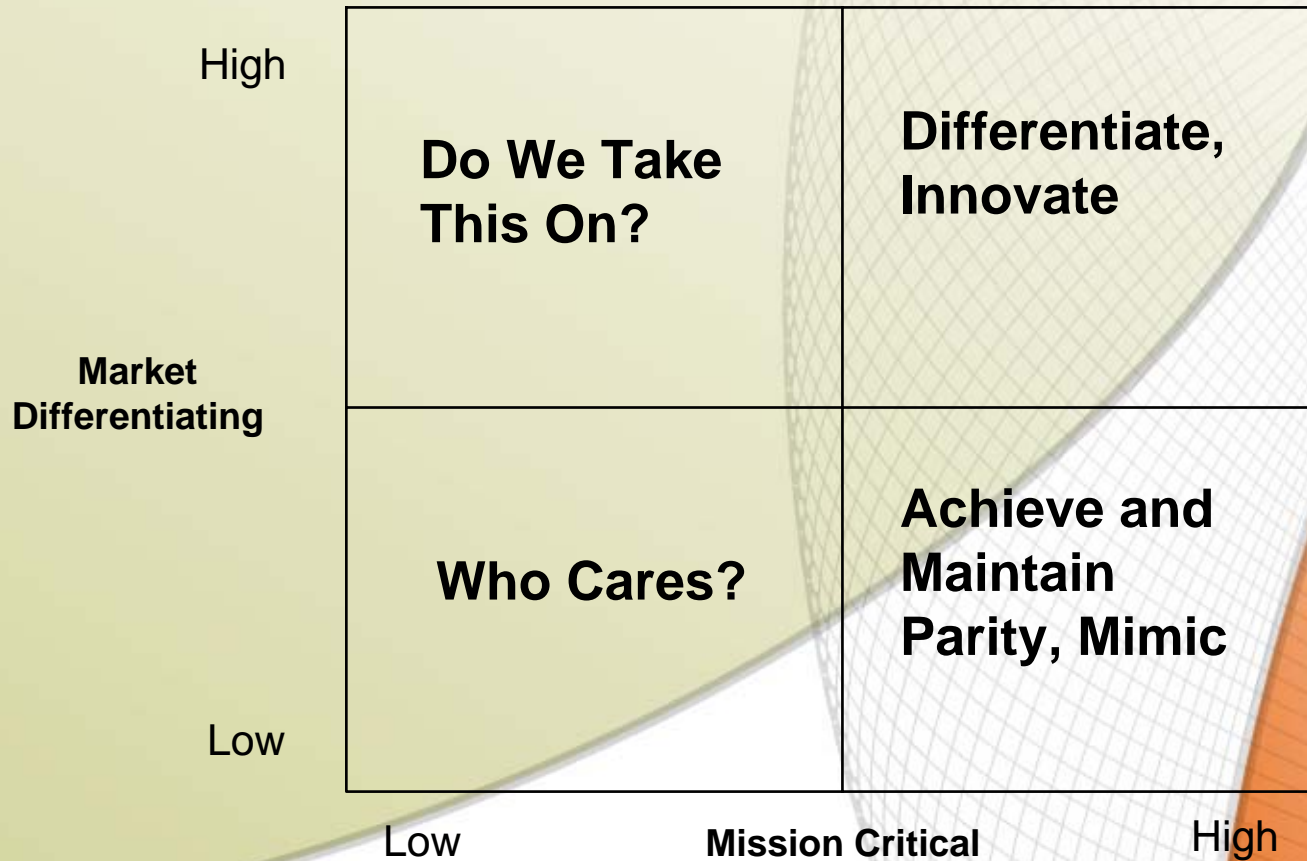
- 🔥 Strategy = sustainable competitive advantage (this is a big idea). We need this in order to define “Differentiating”.
- 🔥 Inside of our strategic intent, how do we create and sustain competitive advantage?
- 🔥 Use SWOT (strengths, weaknesses, opportunities, threats) or the Five Questions to connect intent and strategy.

Strategic Intent

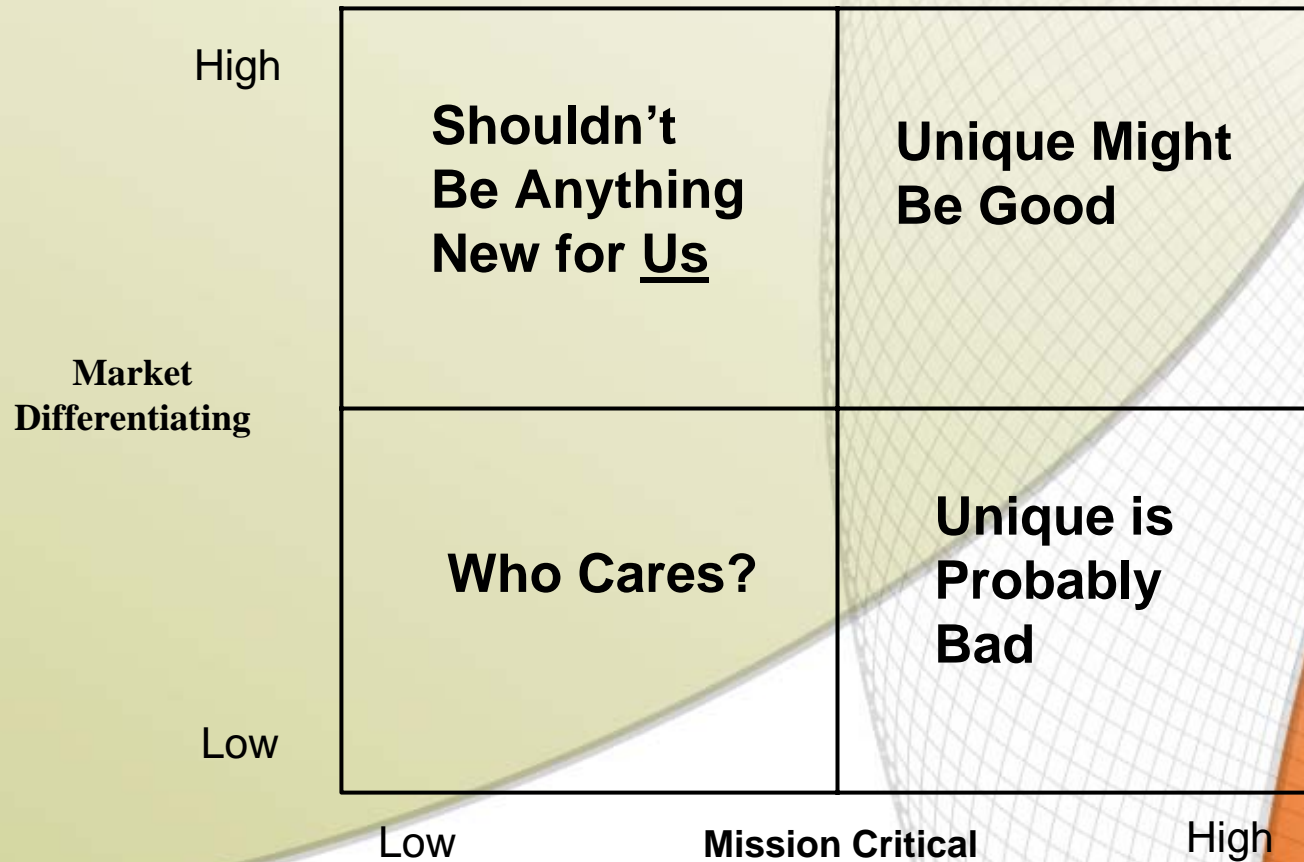
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Purpose – Nickolaisen Model



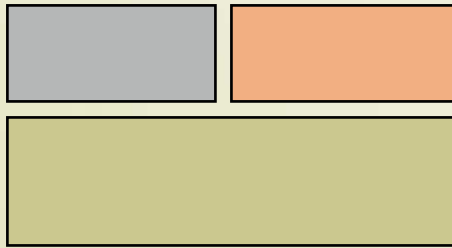
To Be Redundant



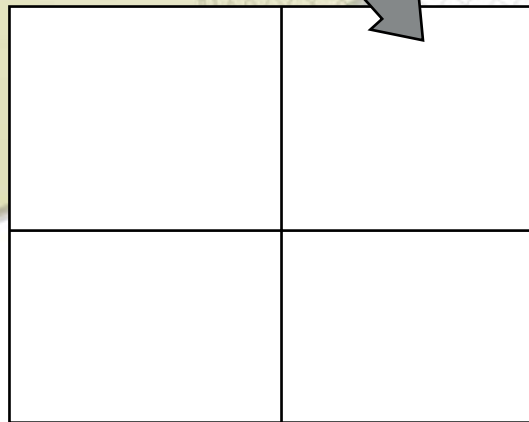
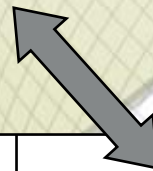
To Define Guardrails . . .

- 🔥 Establish high level decision filters based on:
 - Strategic intent (price leader, product leader, best customer solution leader).
 - SWOT (strengths, weaknesses, opportunities, threats) or 5Q to define strategy.
- 🔥 Use these filters to build our purpose-based alignment model.
- 🔥 Make decisions based on purpose.

Graphically



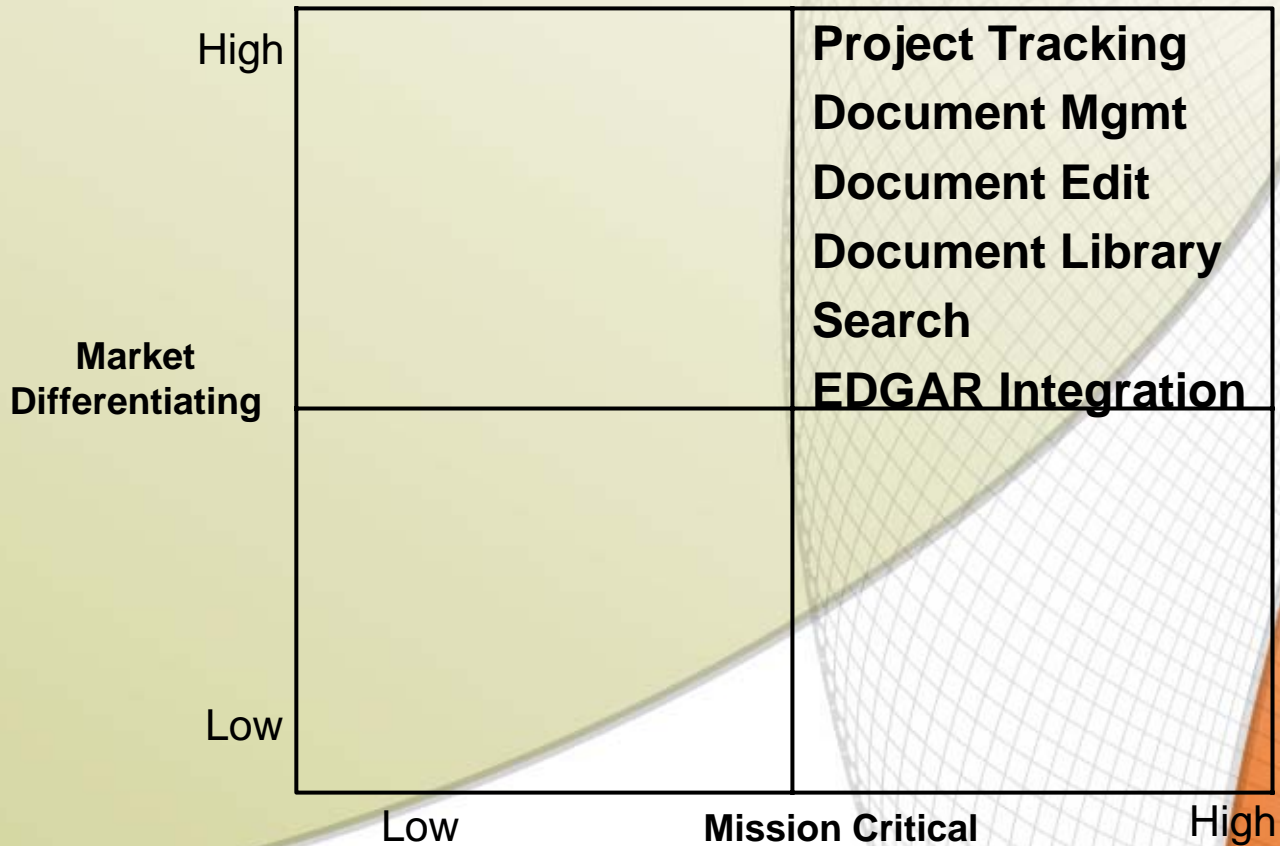
Strategy



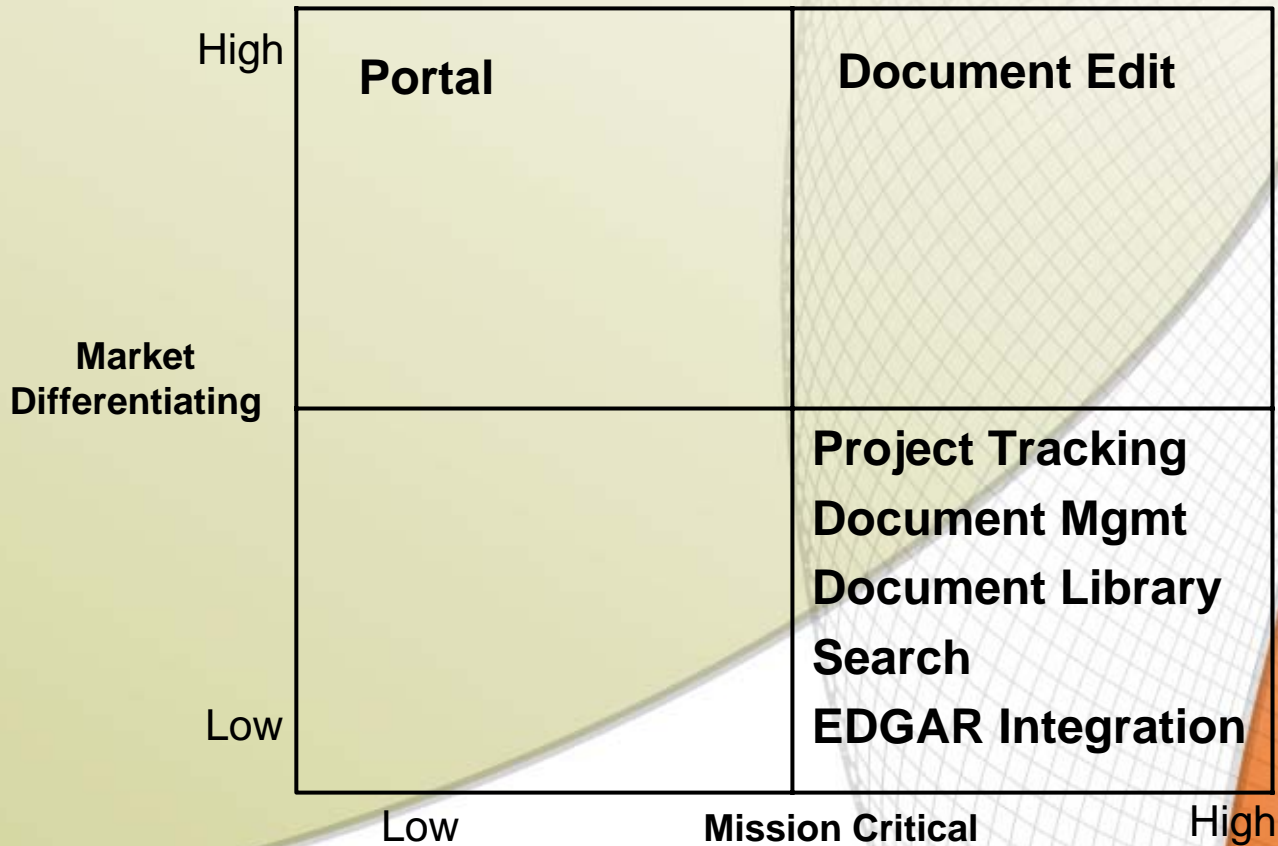
Software Development Example

- 🔥 Software for financial document management:
 - Initial project plan included development of over 3000 function points.
 - Filtering functionality through the model yielded about 350 “Differentiating” function points.
 - Company revised the plan to make these 350 even better and to simplify the rest.
- 🔥 **Result: Better product in half the time and 60% of the original cost.**

Software Example – Before



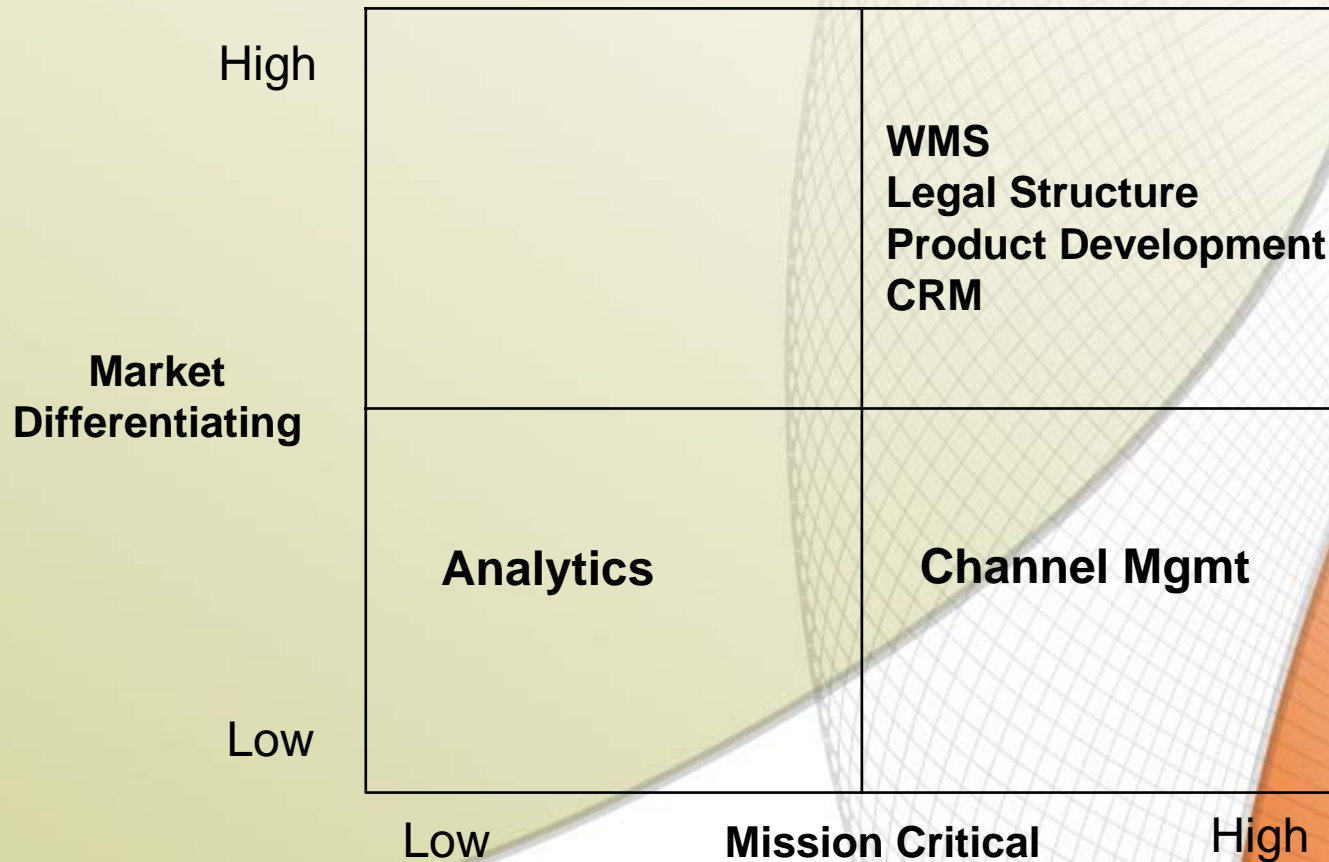
Software Development - After



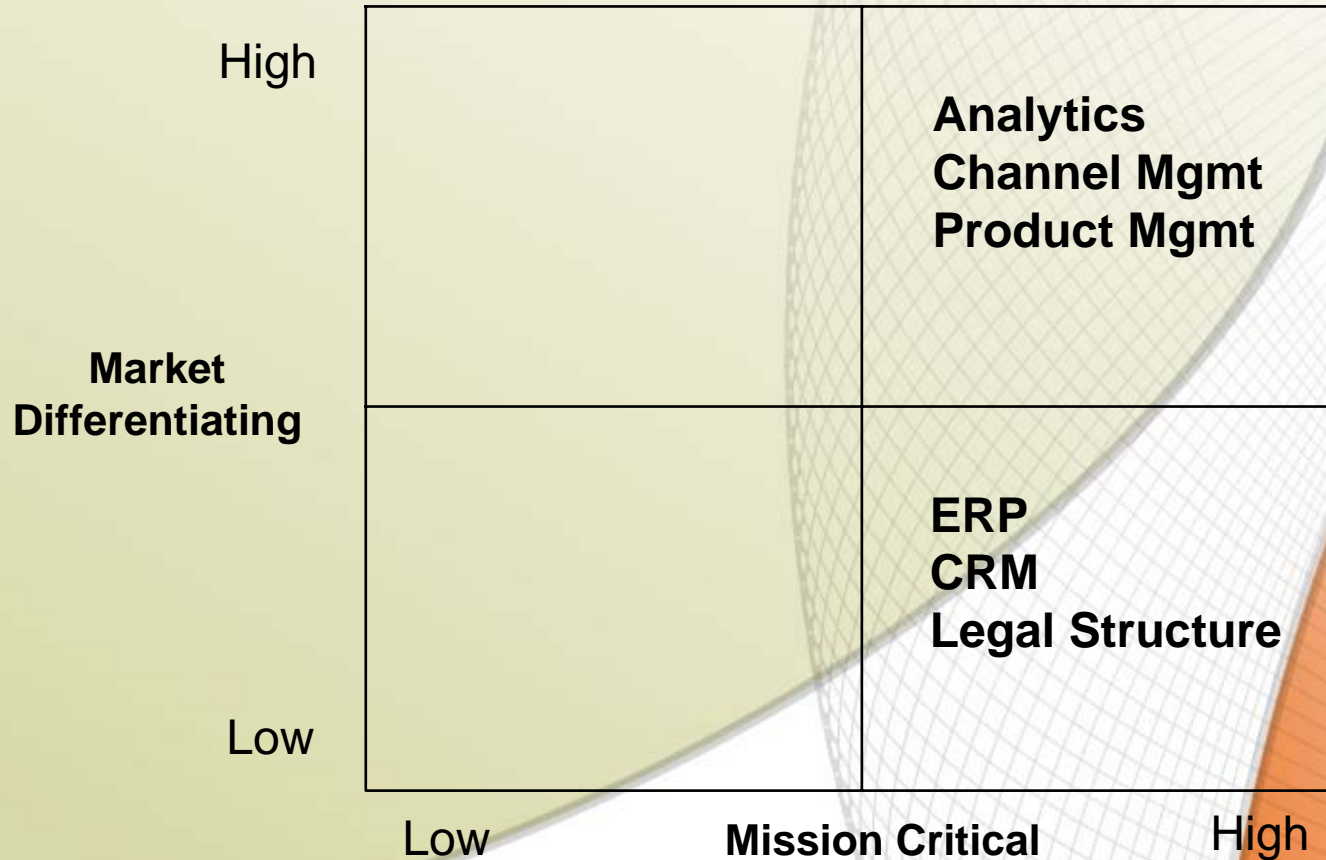
Case Study – ERP

- 🔥 Consumer Packaged Goods company.
- 🔥 \$300M in revenue in multiple channels (call center, internet, wholesale specialty, wholesale big box)
- 🔥 Replacing legacy system (poor transparency, multiple time data entry, low automation).

Case Study – Before



Case Study – After



Affect on System Selection and Design

- 🔥 No transactional link to differentiating activities.
- 🔥 Strong analytical link to differentiating activities.
- 🔥 Select new system based on TCO, skill set required, “local” use, ease of implementation, ease of integration, et cetera.

Affect on System Implementation

- 🔥 Use “best practices” baseline configuration.
- 🔥 Agreed-upon criteria (the Differentiating decision filters) to make any customizations.
- 🔥 This streamlines and simplifies the parity activities (which not only reduces costs but also improves the business).

What About Differentiating Activities?

- 🔥 Parallel project on analytics.
- 🔥 “What do you want to know?”
- 🔥 Back flush to transactional system (if necessary).

Affect on Business Value

- 🔥 Ensured high value benefits,
 - Improved decision support.
 - Streamlined, flexible operations.
- 🔥 At a lower investment.
 - Significantly lower customizations.
 - Reduced licensing costs (for example, no advanced pricing).

Next Affect on the Project

- 🔥 Reduced project timeline by 50%.
- 🔥 Reduced cost by 40%.
- 🔥 Provided additional benefits (streamlined, simplified business processes).
- 🔥 Delivered high impact results immediately.
- 🔥 “Why do it any other way?”
- 🔥 And, on-going decision filter for all business decisions!

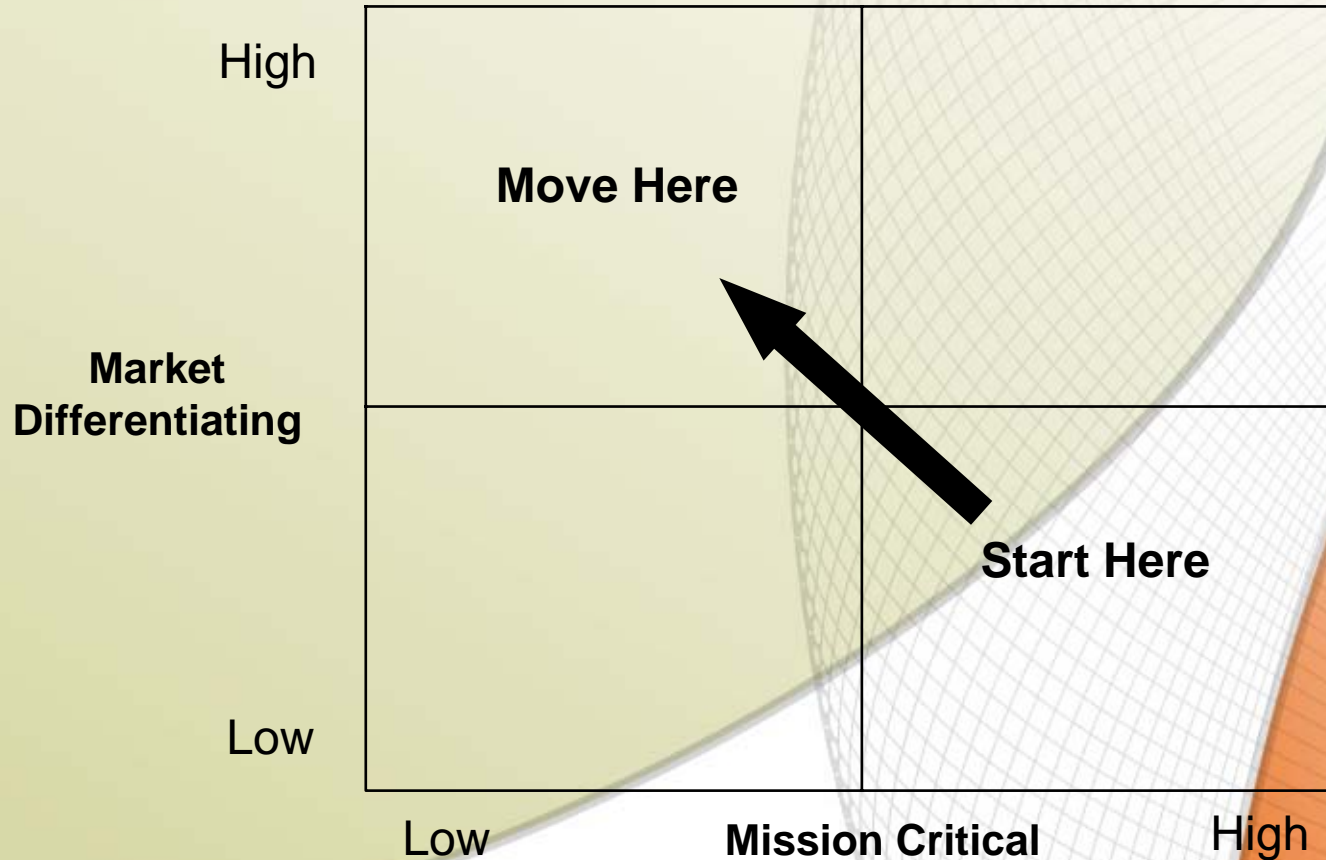
One Final Example

- 🔥 **Managed service provider.**
 - What is our value proposition?
 - Which are our target markets?
 - What is our roadmap of unique, differentiated products?

What Are We To Customers?

Market Differentiating	High	For Some, Partnership (increase sales through customer intimacy). Focus on analytics.
	Low	For Most, Parity (need to offer service to be competitive). Focus on speed and quality.
		Low Mission Critical High

How Does This Affect Roadmap?



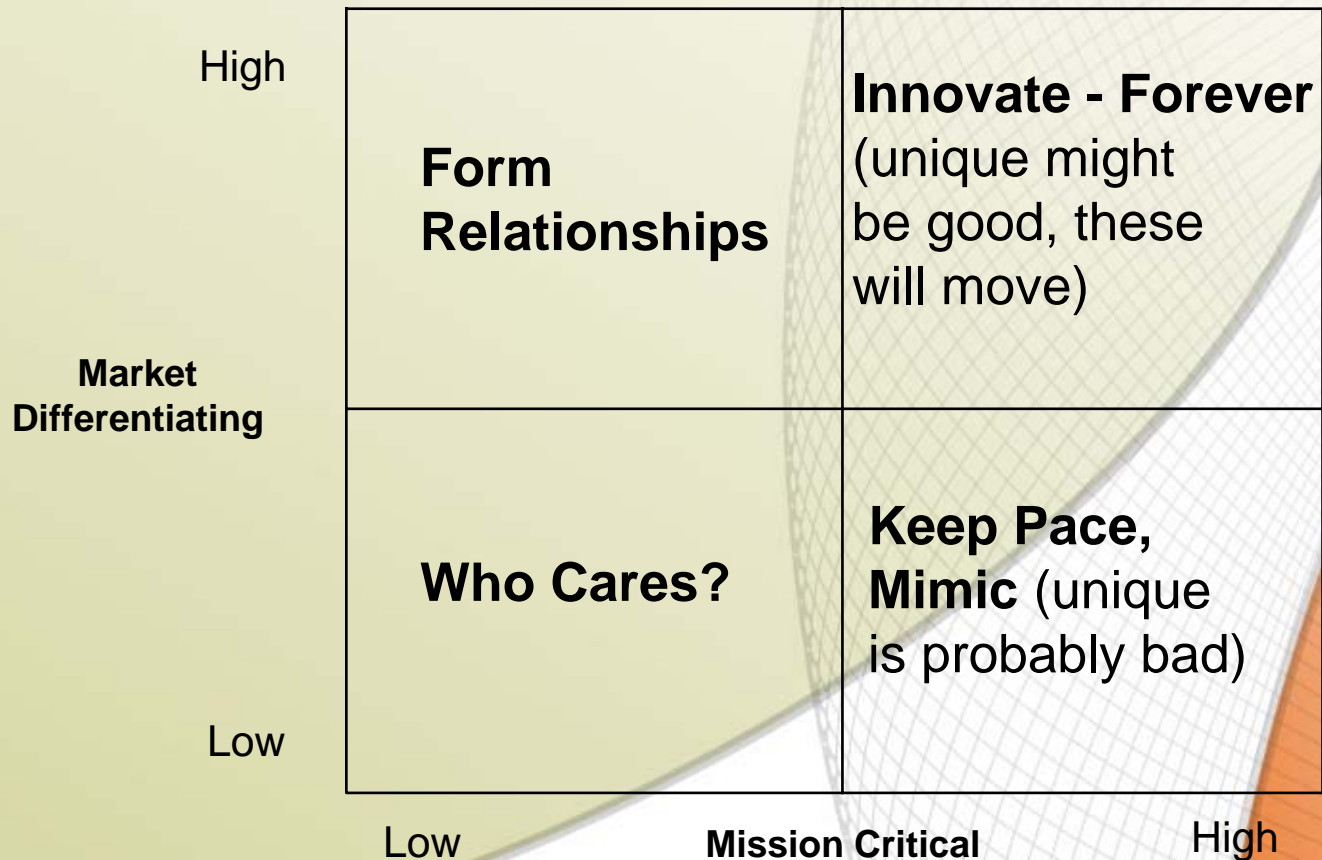
Caveats and Lessons Learned

- 🔥 Purpose is not priority (as in the last example).
- 🔥 Differentiating activities tend, over time, toward parity. On-going innovation is essential.
“Operationalize” innovation and collaboration.
- 🔥 There are no complexity initiatives!

Caveats and Lessons Learned

- 🔥 Taking this approach is likely different from how things are being done (but seems to be a common characteristic of successful organizations).
- 🔥 To reduce change management issues, emphasize the mission critical nature of parity activities.

Final Reminder



Questions? More Stuff?

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