5 Steps to Disruptive Innovation

With Hyper-performing Teams

Presented by Sanjiv Augustine

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Introductions

Sanjiv Augustine

• Co-Founder LitheSpeed, LLC and The Agile Leadership Academy
• Experience: 27 years industry, 17 years of Agile, 14 years of Lean
• Specialties: Agile, Lean, Innovation
• Practitioner, entrepreneur, consultant, trainer, author, speaker and community organizer
What is Disruptive Innovation?

“A disruptive innovation is an innovation that creates a new market and value network and eventually disrupts an existing market and value network, displacing established market leading firms, products and alliances.”

- Clayton Christensen, The Innovator’s Dilemma
Remember...the Future?

Polaroid and Kodak both peaked in the 1990s and fell off steeply as the digital revolution took off.


We live in an age of creative destruction...

..that is clearly accelerating.

Average Lifespan on S&P in Years:

Per current trends, 75% of the S&P 500 will be replaced by 2027.

Disruptive Innovation – Key Concepts

- As companies mature, they tend to produce products or services that are too sophisticated, too expensive, and too complicated for many customers in their markets.

- These “sustaining innovations” is what succeeds: by charging the highest prices to their most demanding and sophisticated customers at the top of the market.

- However doing so unwittingly opens the door to “disruptive innovations” at the bottom of the market.

- An innovation that is disruptive allows a whole new population of consumers at the bottom of a market access to a product or service that was historically only accessible to consumers with a lot of money or a lot of skill.

From: https://www.christenseninstitute.org/
Through “deadly attacks from below,” disruptors can achieve astounding growth.

5 Steps to Disruptive Innovation

1. High-Performance Standing Teams
2. High-Performance Agile Engineering
3. Product Discovery & Lean Experimentation
4. Agile Budgeting & Incremental Funding
5. Innovation Pipeline Management
High Performance Standing Teams

Image from: http://clipartfest.com

Agile Teams, Waterfall Silos
**Standing Teams...**

- Multiple, standing teams each focused on a single release at a time
- Dedicated to platforms or lines of business
- Platform owner prioritizes next release

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**...Extended to Customer Experience Value Streams**

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- Set up value streams around customer experiences
- Each value stream has all/most of the functions necessary to deliver value to end users

Each value stream has:
- Product Management/Owners
- User Experience
- Discovery/Refinement/Delivery
- Run Support
- Prototyping R&D
- Digital Measurement support
Jidoka

• “automation with a human touch”

DevOps Key Principles

1. Develop and test close to production
2. Deploy frequently
3. Continuously validate operational quality
Automated Deployment Pipeline with Multiple Stages of Feedback

**Build Gate**
- Compile
- Unit Tests
- Sonar Tagging
- Merge to Staging Gate

**Staging Gate**
- Connect
- Unit Tests
- State/Feature Generation
- Deployment
- Smoke Tests
- Merge to Integration Gate

**Integration Gate**
- Connect
- Unit Tests
- Sonar Tagging
- Generation
- Merge to Master

**Release and Post-release**
- Production

**ENABLERS:**
- Frequent commits
- Automated Builds
- Automated Unit Tests
- Automated Deployment
- Automated functional tests
- Smoke Tests
- Code analysis
- Defined Roles with Role Authority

**TOOLS:** Chef, Puppet, Ansible, Docker, Etc

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Closing the Loop – From Customer to Business Success

Reduce time to obtain/respond to customer

Accelerate Value Delivery

Balance speed, risk, quality & cost

**Development Success**
- Development Lead Time
- Idle Time
- MTTD
- Defects
- Deployment Load Time
- MTTR
- % of Failed Deployments
- Deployment frequency, duration
- Release Frequency
- Time/Cost per Release
- Predictability

**Operations Success**
- MTTA
- Performance - Response Time
- Availability
- Security Pass Rate
- Reliability

**Customer Success**
- Customer Ticket Volume
- Net Promoter Score
- Net Value Score
- Customer Anxiety
- Reliability

**Business Success**
- Average Revenue per User
- Customer Lifetime Value
- Daily/Monthly Active Users
- Average Session Time
- % Change in Customer Volume
- Feature Metrics

**Development**
- QA
- Deploy
- Release

**Customer Success**
- Net Promoter Score
- Net Value Score
- Customer Experience
- Reliability
Engineering Agility at Amazon

Amazon Deployment Stats
(production & host environments only)

1,079 Max deploys In a single hour
10,000 Mean # hosts receiving Deploys simultaneously
30,000 Max # hosts receiving Deploys simultaneously

Every 11.6 seconds!

Product Discovery & Lean Experimentation
The Lean Startup Cycle: Build-Measure-Learn

- Know your customer
- Start small
- Fail fast
- Test relentlessly
- Seek customer validation at all levels

Discovery, Refinement, Delivery Model
Agility and Speed at Intuit

“By installing a rampant innovation culture, we performed 165 experiments in the peak three months of tax season.

Our business result? Conversion rate of the website is up 50%. Employee result? Everyone loves it, because their new ideas can make it to market.”

- Scott Cook, Intuit founder
Agile Budgeting & Incremental Funding

Beyond Budgeting – Plans and Forecasts
Agile Budgeting & Incremental Funding

Yearly budgeting is a time-consuming and arduous process that locks us into a wasteful rigid cycle that often leads to the wrong things being done, with an illusion of control. 3 Steps to breaking out of the cycle:

1. Start Dynamic Planning
   • Yearly Forecasts
   • Quarterly Updates
2. Pre Fund Standing Teams
3. Allocate Money Where It’s Needed, When It’s Needed

Budgeting and Funding Via a PAW

A Program Alignment Wall (PAW) serves to provide visibility and coordination. It can be extended to track funding and to assist with budgeting across the portfolio.
Innovation Pipeline Management

Demand Management: Matching to Capacity
Case Study: Capital One Labs*

The overall mix of innovation work should span early exploration to projects that have achieved product-market fit, a viable business case & executive sponsorship.

Exploration
(Sourced from across Capital One, incl. Labs)
- Innovation allocation: 25%
- Investment: $100-150K
- Duration: 1-3 months
- Risk: High

Formal Program Incubation
- 50%
- $1-3M
- 6-18 months
- Medium

Graduation
- 25%
- $3-5M (<50% Labs funded)
- 6-12 months
- Low

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5. Innovation Pipeline Management

*Source: Capital One Labs
Where Do I Start?

**CEO, CIO, CTO**
- Watch my video on [Lean Innovation on Agile Teams](#)
- Learn about Agile Digital Transformation
- Find a trusted transformation consultant, internal or external
- Join the Agile Leadership Academy – Executive Track

**Director, PMO Lead**
- Watch my video on [Lean Innovation on Agile Teams](#)
- Learn about Agile Digital Transformation
- Find a trusted transformation consultant, internal or external
- Join the Agile Leadership Academy – Executive Track

**ScrumMaster, Team Lead**
- Watch my video on [Lean Innovation on Agile Teams](#)
- Learn about Lean Startup and Journey Mapping
- Join the Agile Leadership Academy – Management Track
- Send your boss to the Agile Leadership Academy – Executive Track

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Case Study: Disruption @ Capital One Labs*

1. **We hire only the best digital talent** and then **massively empower them**
2. We have designed **new workplace environments** to spark innovation
3. We have **retooled** the way we do **consumer insights generation**
4. We don’t create business cases first – **We build and test prototypes** to create the business case
5. We build **conierge based solutions** before we build the technology
6. We measure **success as customer engagement** rather than unit production

*Gagan Kanjlia, Senior Vice President, Capital One Bank*
Disruption at Capital One Labs

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