Digital transformation…

…from Agile Manifesto to Agile Enterprise

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Latvian Government Leadership Webinar, 26th March 2021

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Exponential technology drives digital paradigm shift

Satoshi Kambayashi

- Fundamental change to the way we work, live, play and learn

- Business environments have grown more complex, with increased risk and reduced foresight

- Need for rapid innovation and radical change under high uncertainty requires new and more collaborative ways of working (agility@scale)

- Traditional leadership, governance, culture and competence is challenged deeply

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Gap in enterprise sustainability

Many organizations experience a growing «opportunity gap» and a need to accelerate organizational learning, development and change to stay relevant and competitive
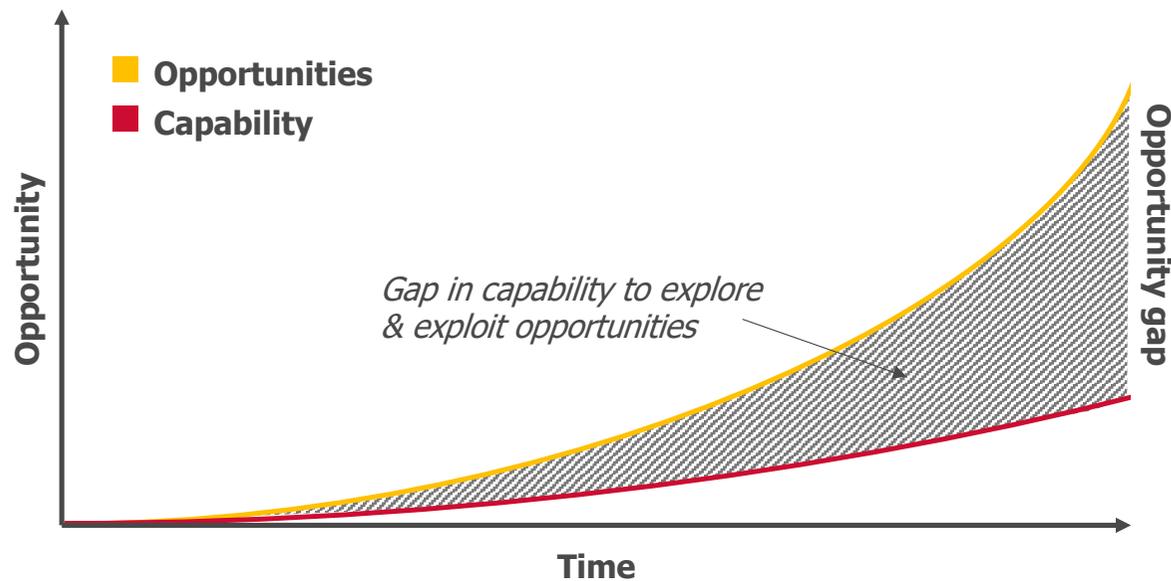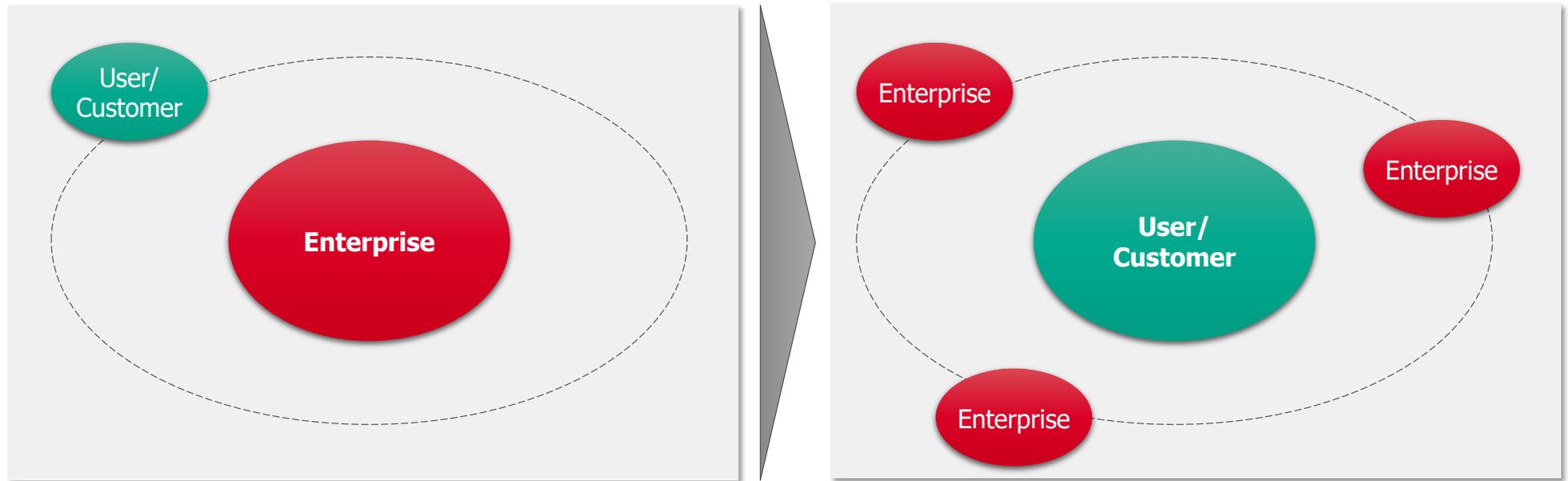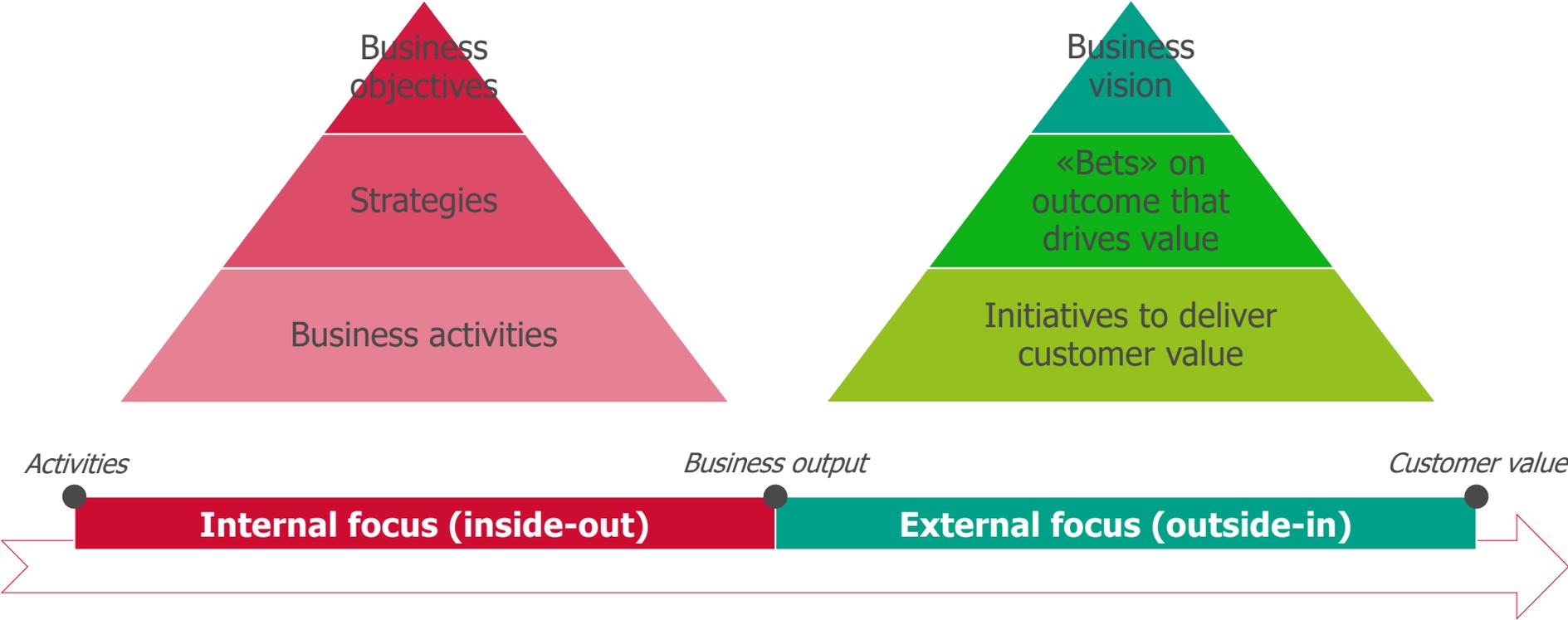

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Agenda

- **Strategic focus shift**

- New ways of working (agility@scale)

- Information technology stack transformed

- The data-driven enterprise

- Governance and cultural implications

- Sourcing strategies revised

- Agile enterprise – the transformation journey…

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Customer-centric and value-driven

Focus on business outcome, NOT output...

Business objectives

Strategies

Business activities

Business vision

«Bets» on outcome that drives value

Initiatives to deliver customer value

Activities

Business output

Customer value

Internal focus (inside-out)

External focus (outside-in)

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Life is a stream of events...!

How can The Norwegian Labor & Welfare Administration(NAV) leverage life events and data streams to deliver proactive and personalized income security and labor market services?

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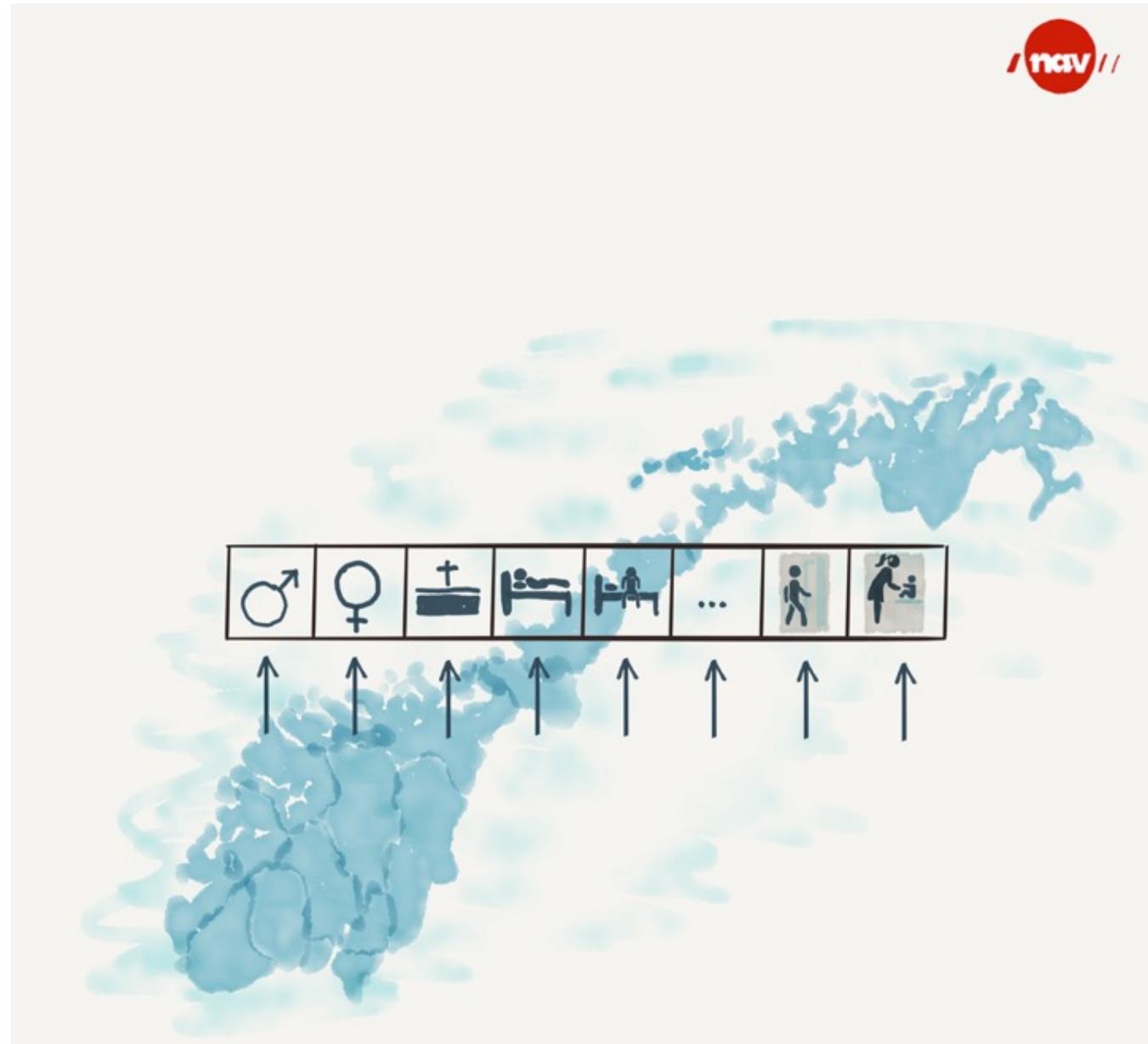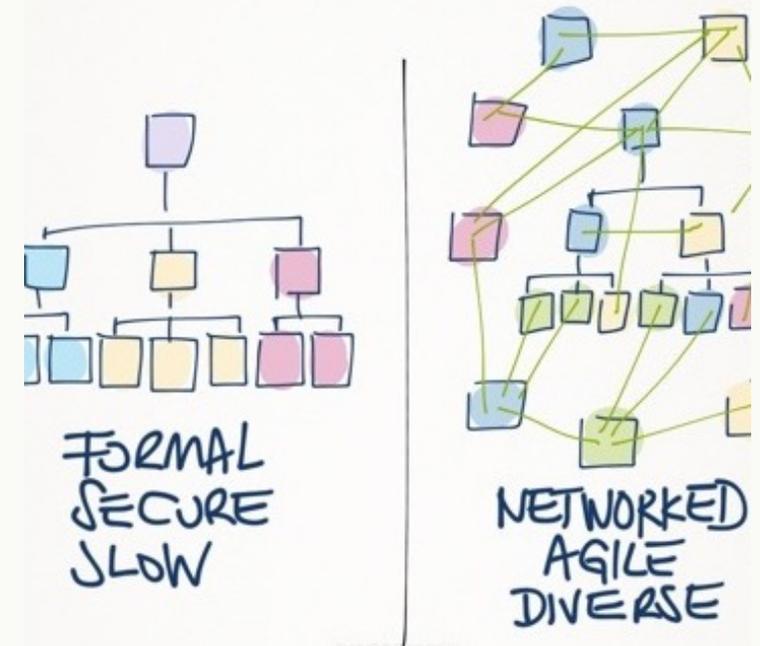
- Agile enterprise – the transformation journey…

FORMAL SECURE SLOW

NETWORKED AGILE DIVERSE

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Networked organizations and new ways of working
autonomous teams – agile development – continous delivery
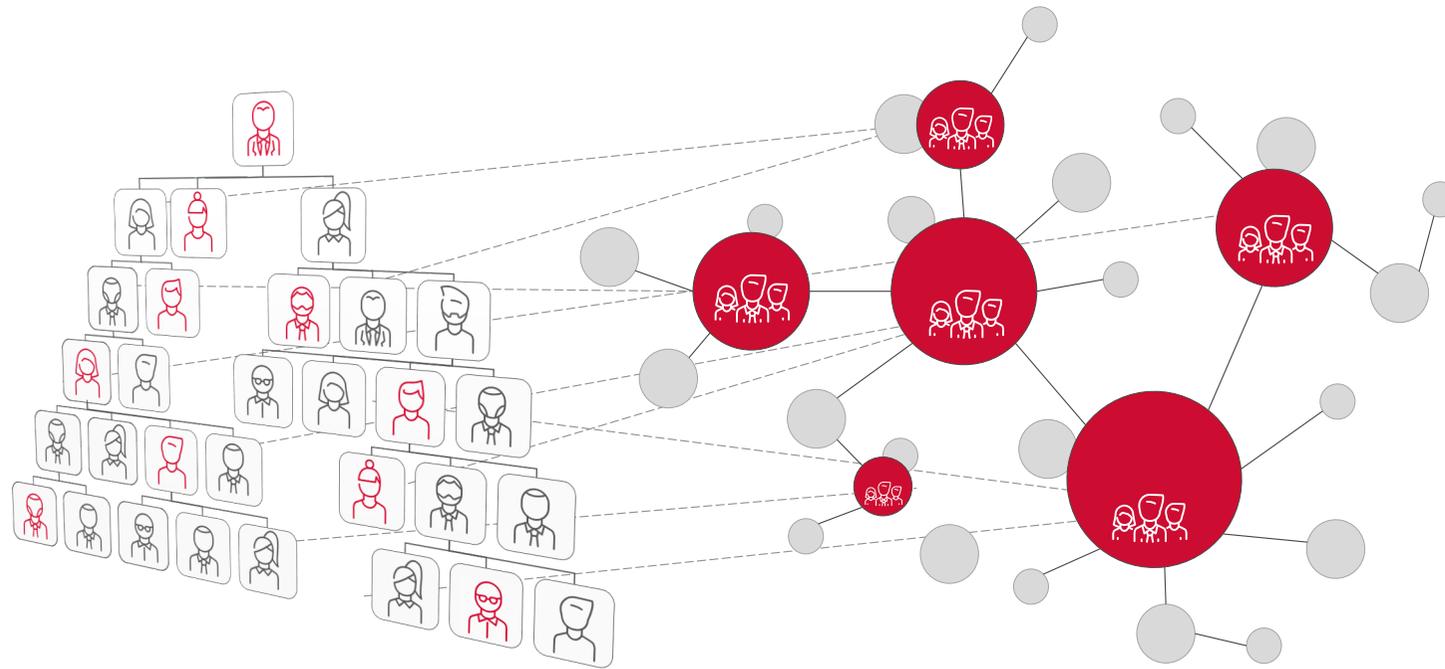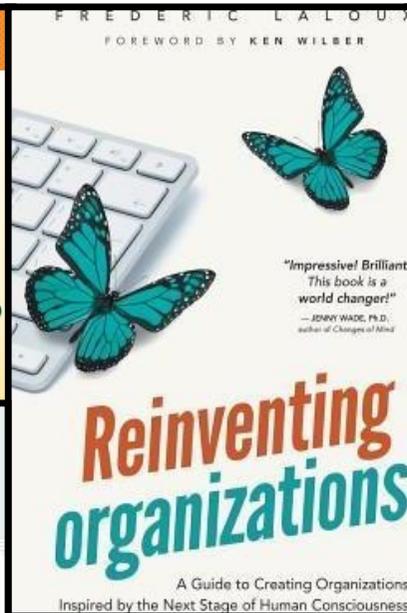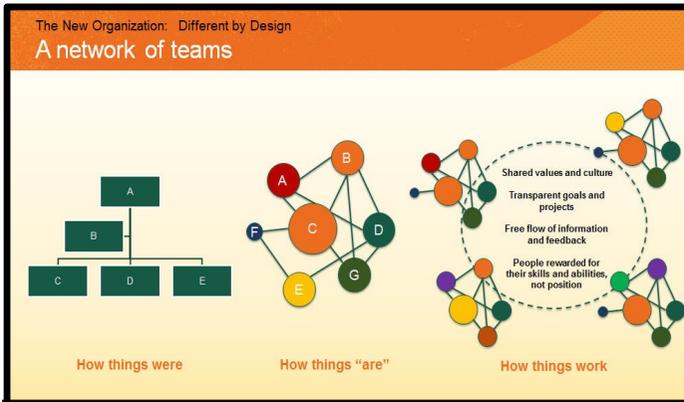
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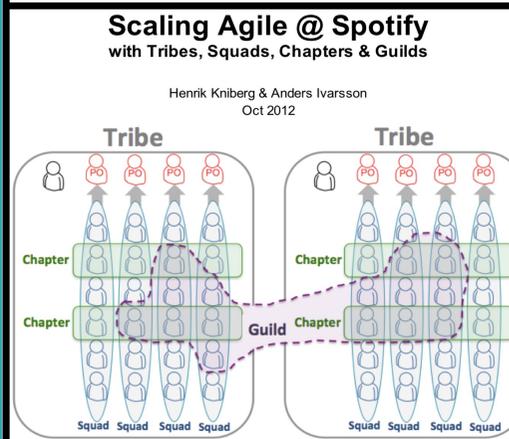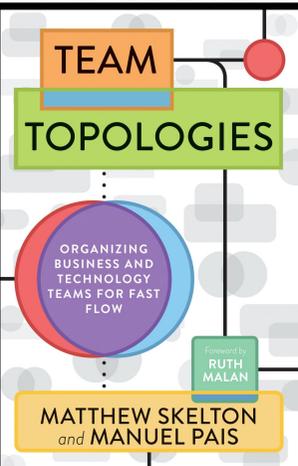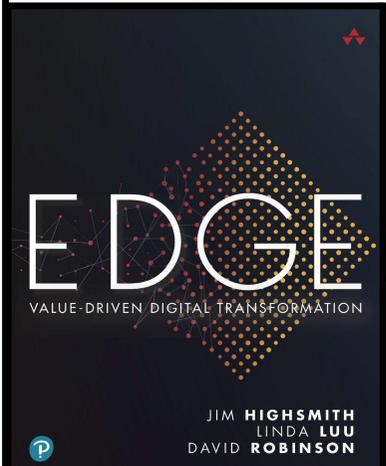
Cross-functional business domains and product teams @NAV

Competence in line functions – **Deliverables** in cross-functional teams/areas

Life is a stream of events...

Person	Employer	Labor	Health	Family	Disa-bilities	Pension	Social services	Virksom-het

Labor & Services

Communications

Benefits

Finance & Governance

IT

HR

R&D

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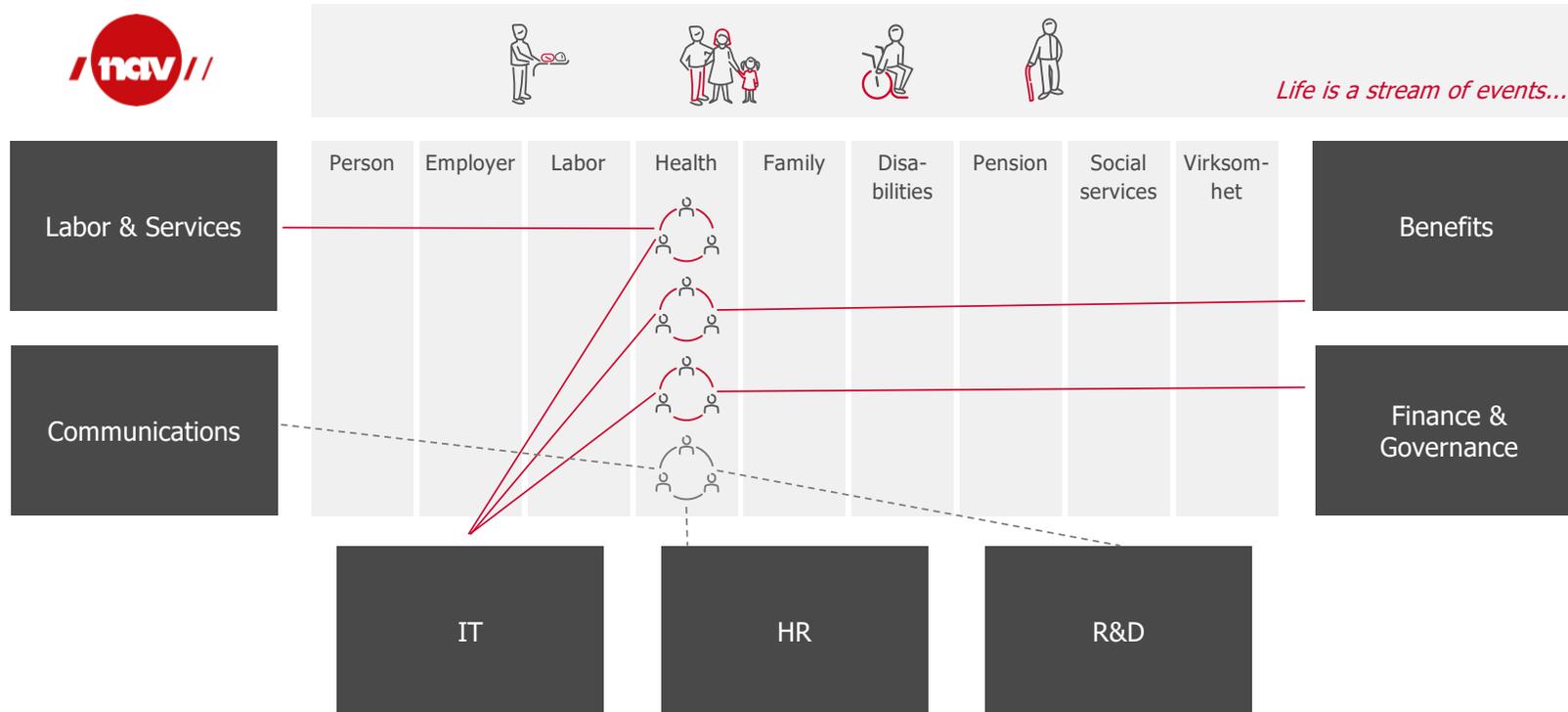
From project to product mindset

Project mindset

Product mindset

Fixed Requirements Cost Schedule

Plan Driven

Value Driven

Estimated Cost Schedule Features

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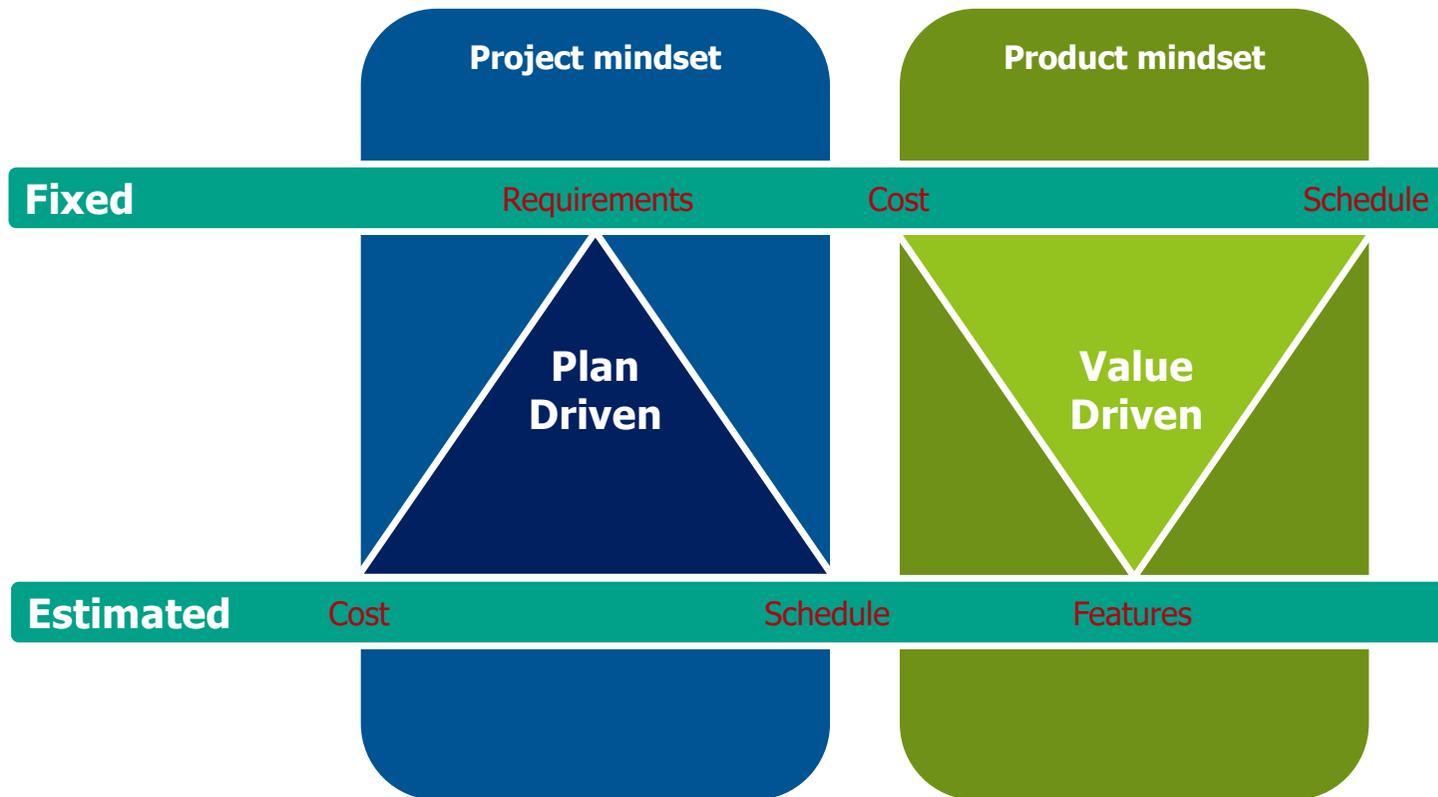
From Plan-Build-Run to agile development and continuous delivery

WATERFALL

Design
Requirements
Implementation
Verification
Maintenance

Waterfall

ITERATIVE

Product Backlog

Sprint Planning
Sprint Backlog

Daily Scrum

Sprint

Sprint Review & Retro

Burndown Chart

Task Board

Working Software

Sprint 0	Value Delivered					
Sprint 1		Value Delivered				
Sprint 2			Value Delivered			
Sprint 3				Value Delivered		
Sprint 4					Value Delivered	
Sprint N						Value Delivered

CONTINOUS

Continous Integration

Develop → Unit test (auto) → Integrate (auto)

Continous Delivery

Develop → Unit test (auto) → Integrate (auto) → Accept (auto)

Continous Deployment

Develop → Unit test (auto) → Integrate (auto) → Accept (auto) → Deploy to prod (auto)

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Architectural blueprint:
Domain oriented & data/event driven

A quantum leap in speed of innovation!

Tribe

PO PO PO PO

Chapter

Chapter

Guild

Squad Squad Squad Squad

Tribe

PO PO PO PO

Chapter

Chapter

Squad Squad Squad Squad

Cloud based microservices architecture

React Redux

Enduser applications

ANGULAR

Legacy — Anti-corruption layer

Micro service | Micro service | Micro service

Domain 1

...

Micro service | Micro service

Domain N

Anti-corruption layer

servicenow | salesforce | Microsoft Dynamics 365

SaaS

Istio	**Service mesh**	LINKERD
Kafka	**Data streams/events**	Event hubs
Google BigQuery	**Data lakes/ponds**	snowflake
Kubernetes	**Application platform**	Docker

amazon web services | Google Cloud Platform | Microsoft Azure

Team-based – agile – domain oriented – event driven – automated – scalable

46 TIMES MORE
frequent code deployments

2,555 TIMES FASTER
lead time from commit to deploy

7 TIMES LOWER
change failure rate
(changes are 1/7 as likely to fail)

2,604 TIMES FASTER
time to recover from incidents

Faster delivery cycle (i.e. Lean Product Management) drives financial performance measured by profitability, productivity and market share

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Technology, data and insight do matter – BUT…
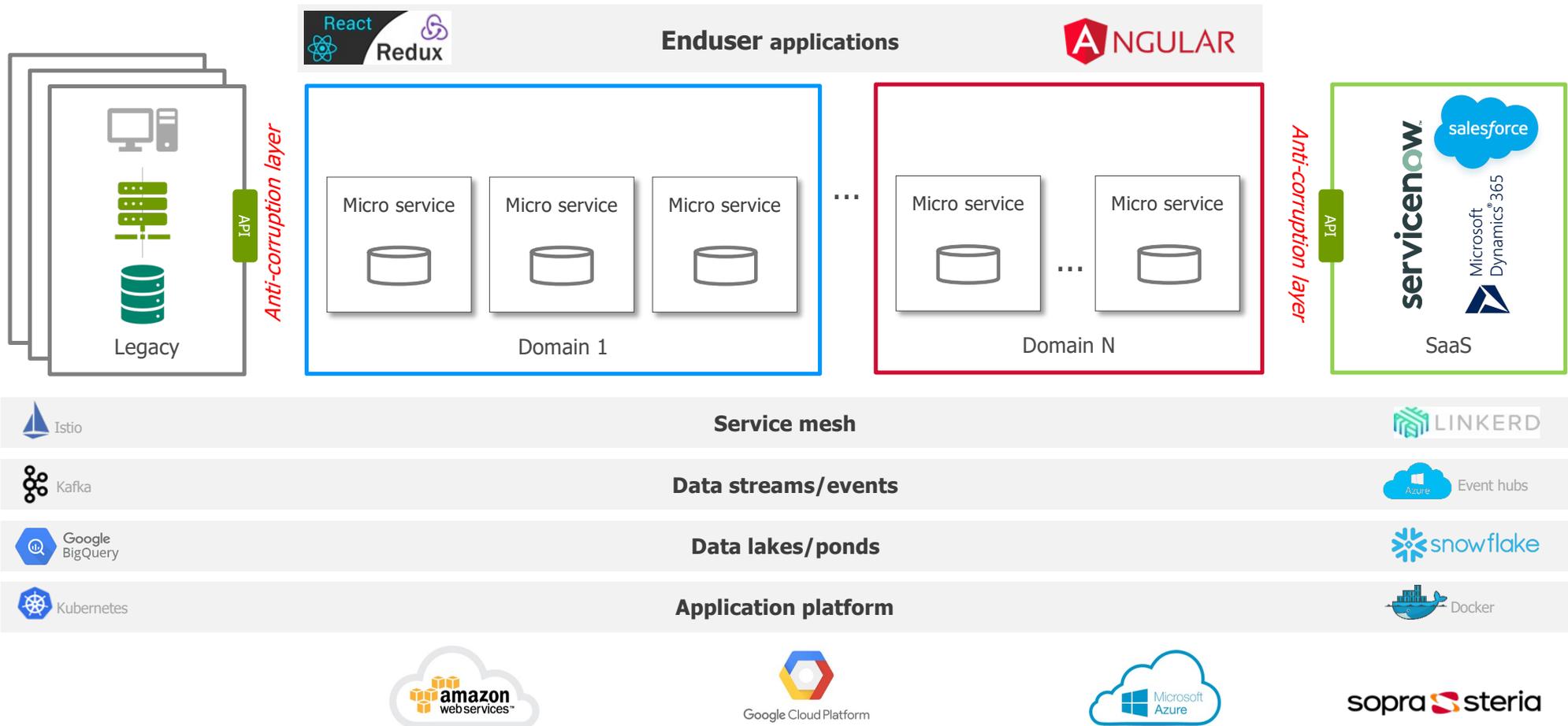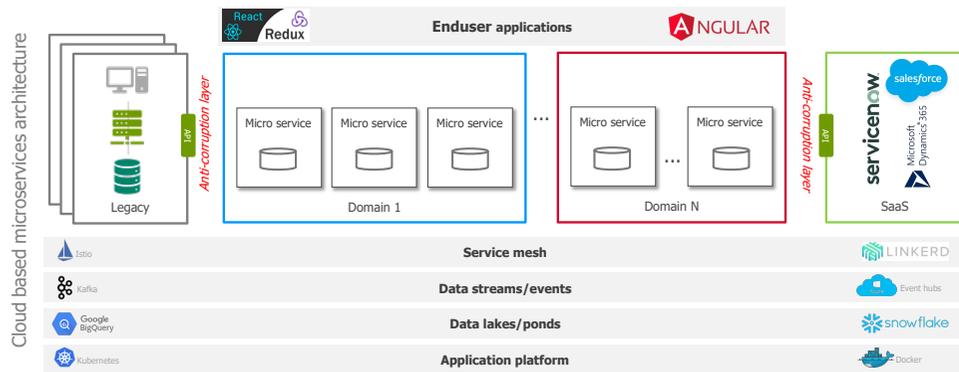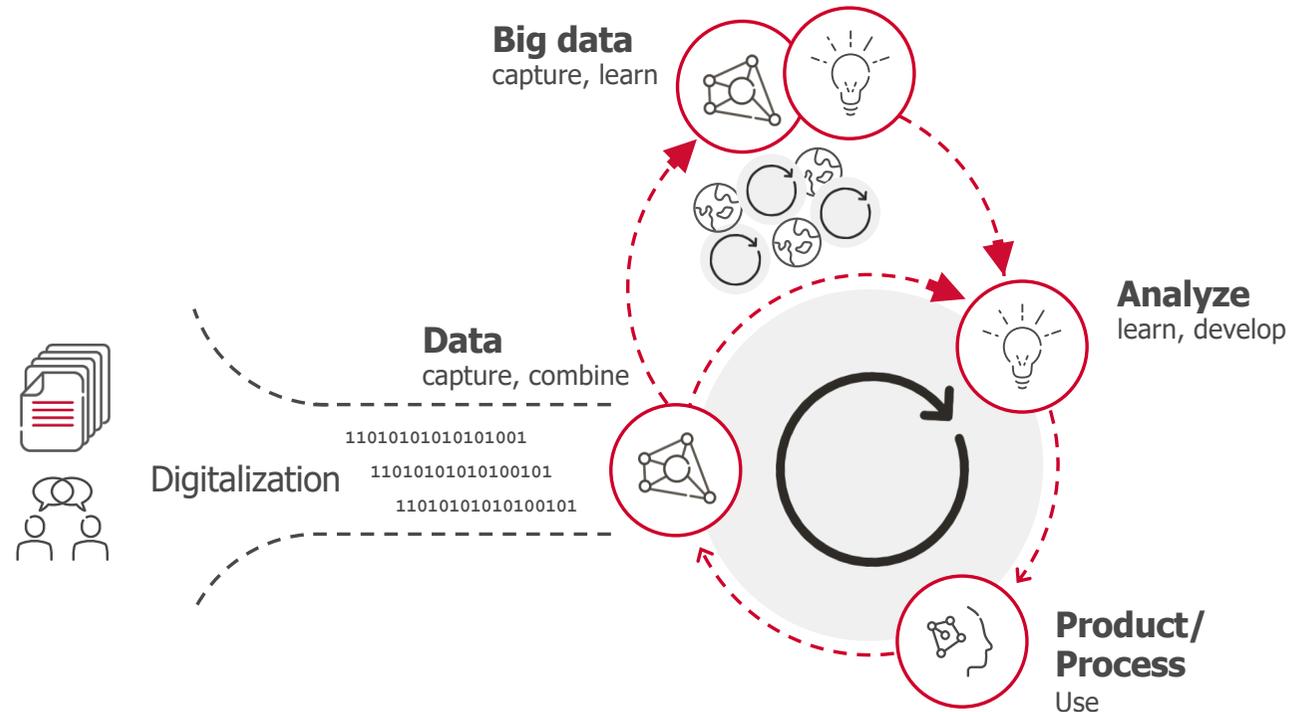

... ability to learn and adapt is more important!

The Economist

Crunch time in France
Ten years on: banking after the crisis
South Korea's unfinished revolution
Biology, but without the cells

MAY 6TH–12TH 2017

The world's most valuable resource

Data and the new rules of competition

Read

Big data
capture, learn

Analyze
learn, develop

Data
capture, combine

Digitalization

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Product/Process
Use

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How does data and insight drive value?

FEEDBACK-loop (metrics)

SMARTER ENTERPRISE, INCREASED VALUE

Data capture/mgmt

- Data quality/availability
- Privacy – legal and ethical

Analytical insight

- Monitor and analyse
- Discover patterns, understand anomalies
- Predict and optimize

Better processes, products and services

- Deep customer insight
- Increased automation
- Better decisions, higher impact
- Precision at scale, personification
- Smarter solutions, self-service intelligent response

- More relevant value propositions, products and services
- Increased customer satisfaction
- Increased profitability through price premium and cost efficiencies
- Attractive/Preferred alliance partner
- Potential platform play and network effects

(data exchange, collaboration, innovation)
ECOSYSTEM

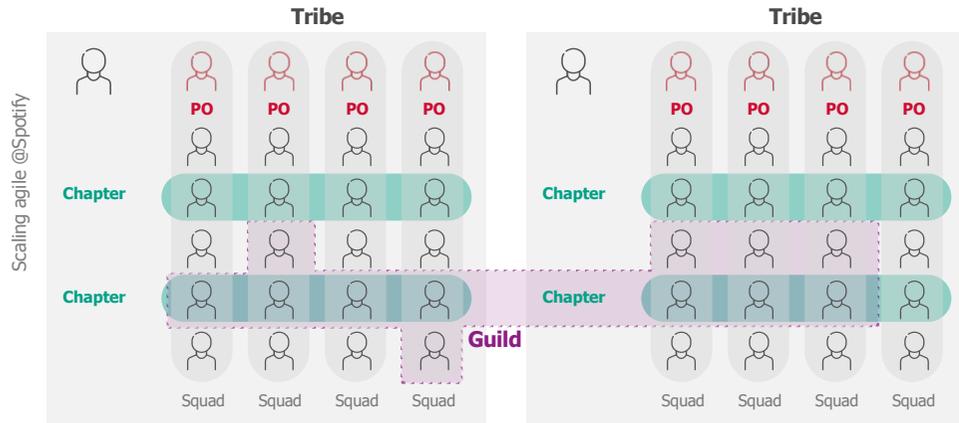**Priorities and planning**

Execution

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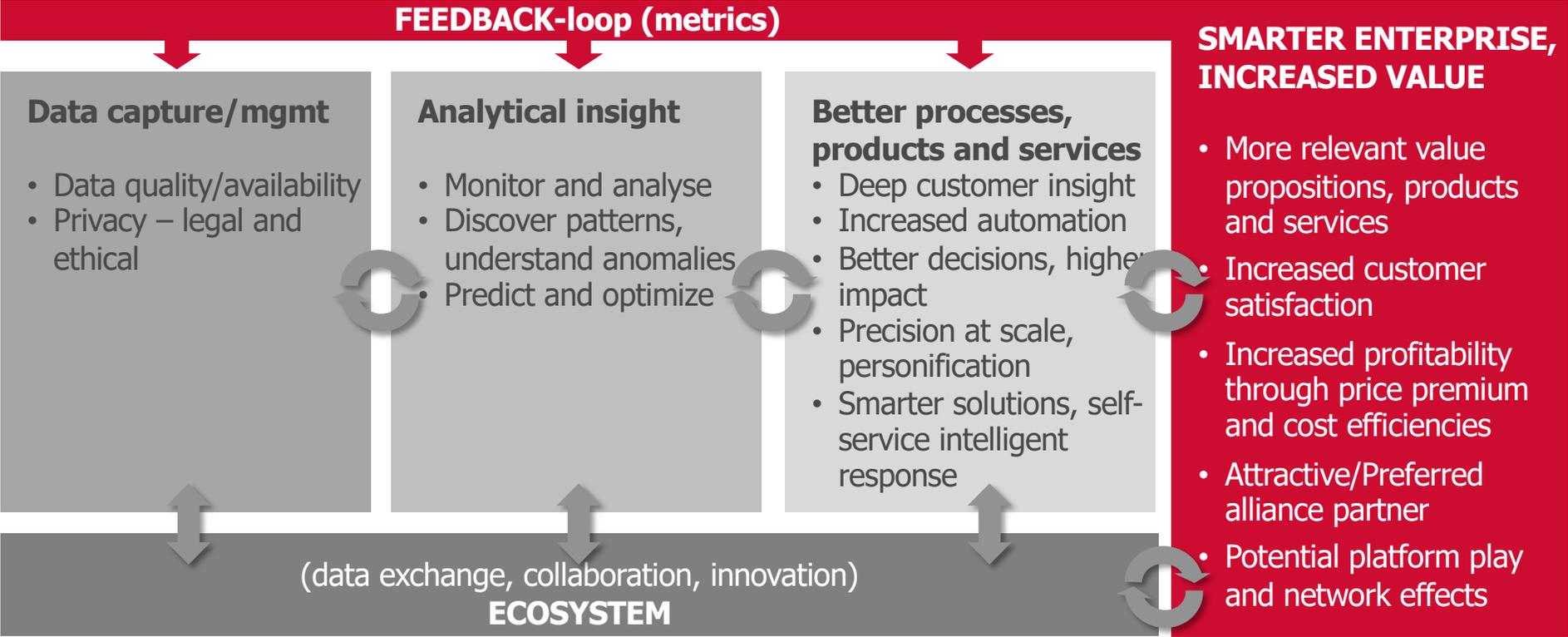
- Agile enterprise – the transformation journey…

Flexible Architecture

Modular

Information Exchange

Configurable Workflows

Standardised Documents

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Implications for governance

Success criteria	Traditional Governance	Agile Enterprise
Business	ROI	Customer/End-User Value
Technology	Cost/Efficiency	Speed/Adaptability

Left diagram (Traditional):

Development — Line org — Project — Operations

- Development portfolio — *Project/Profit plans*
- Operations & Maintenance — *Operational budget/Production plans*

Right diagram (Agile):

Development — Line org — Project — Operations

- Learning organization, agile development and continuous improvement
- *Fewer and smaller projects aimed at experimentation and hypothesis testing*
- *Value-driven goals and initiatives, continuous performance mgmt and improvement*

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Agile Culture – from control to enablement...

"loose" **"tight"** **"loose"**

diffuse

rules, regu-
lations, check
lists, routines,
detailed reqs...

diffuse

purpose **prosess/methodology** **feedback/results**

clear

enabled
differentiated
autonomous

clear
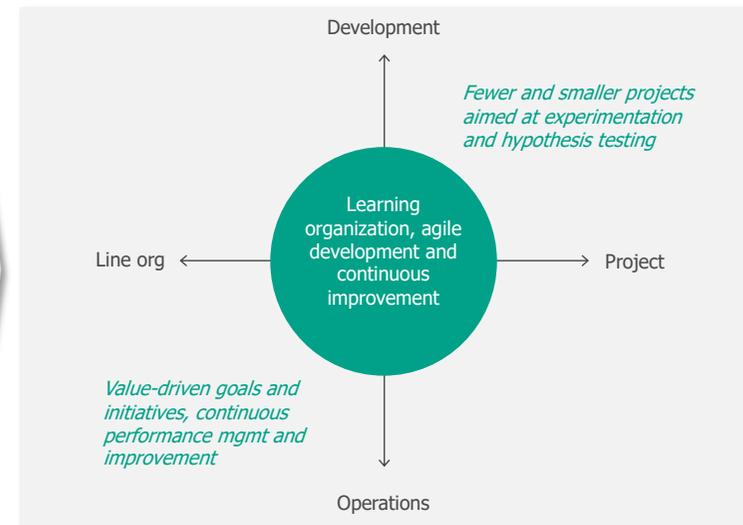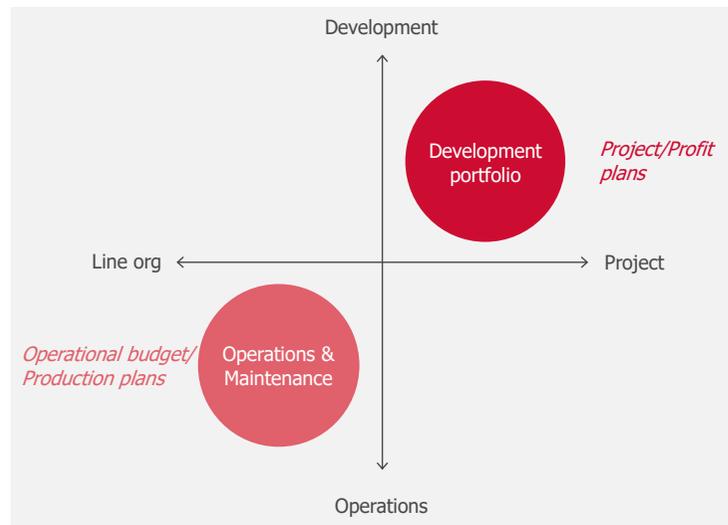
"tight" **"loose"** **"tight"**

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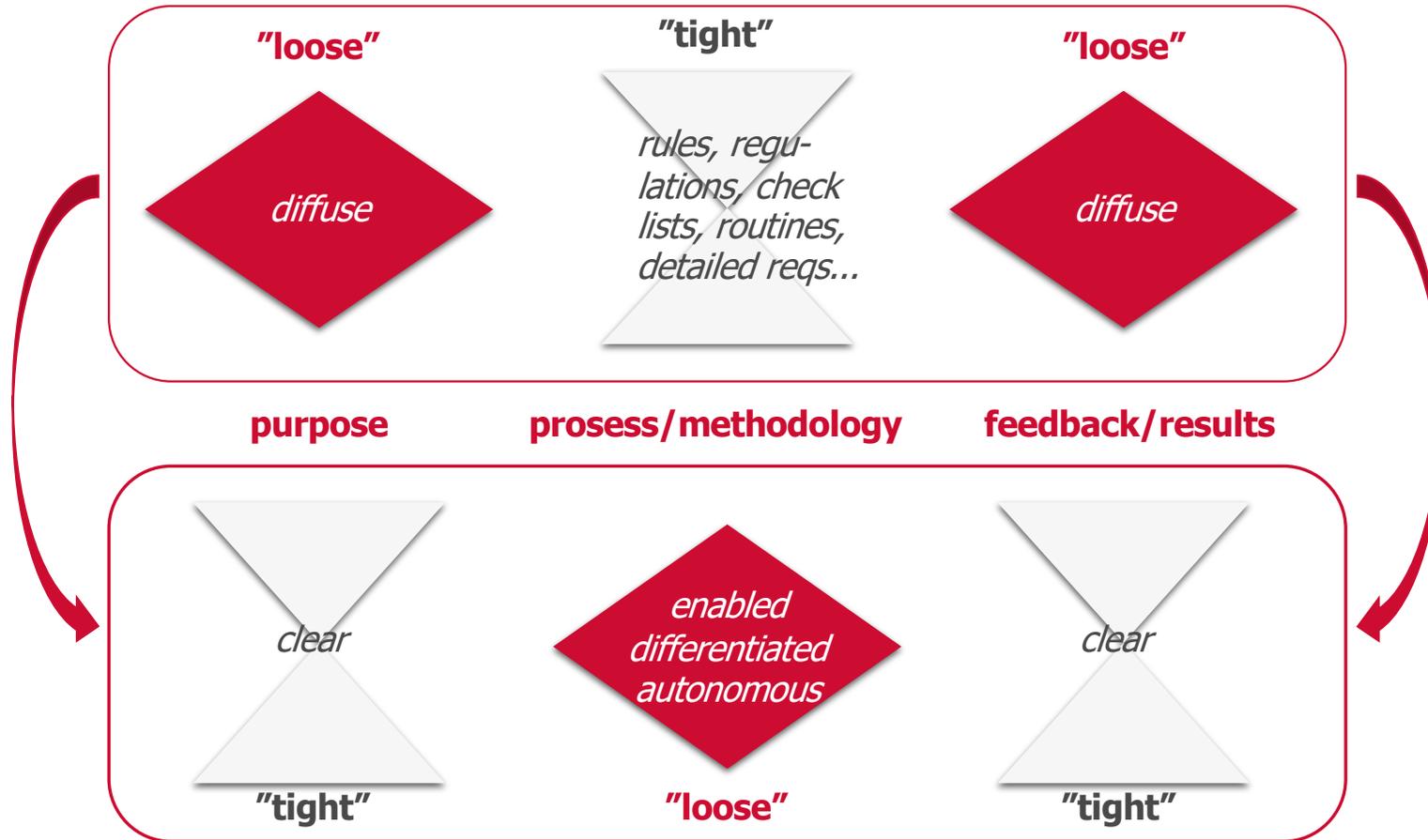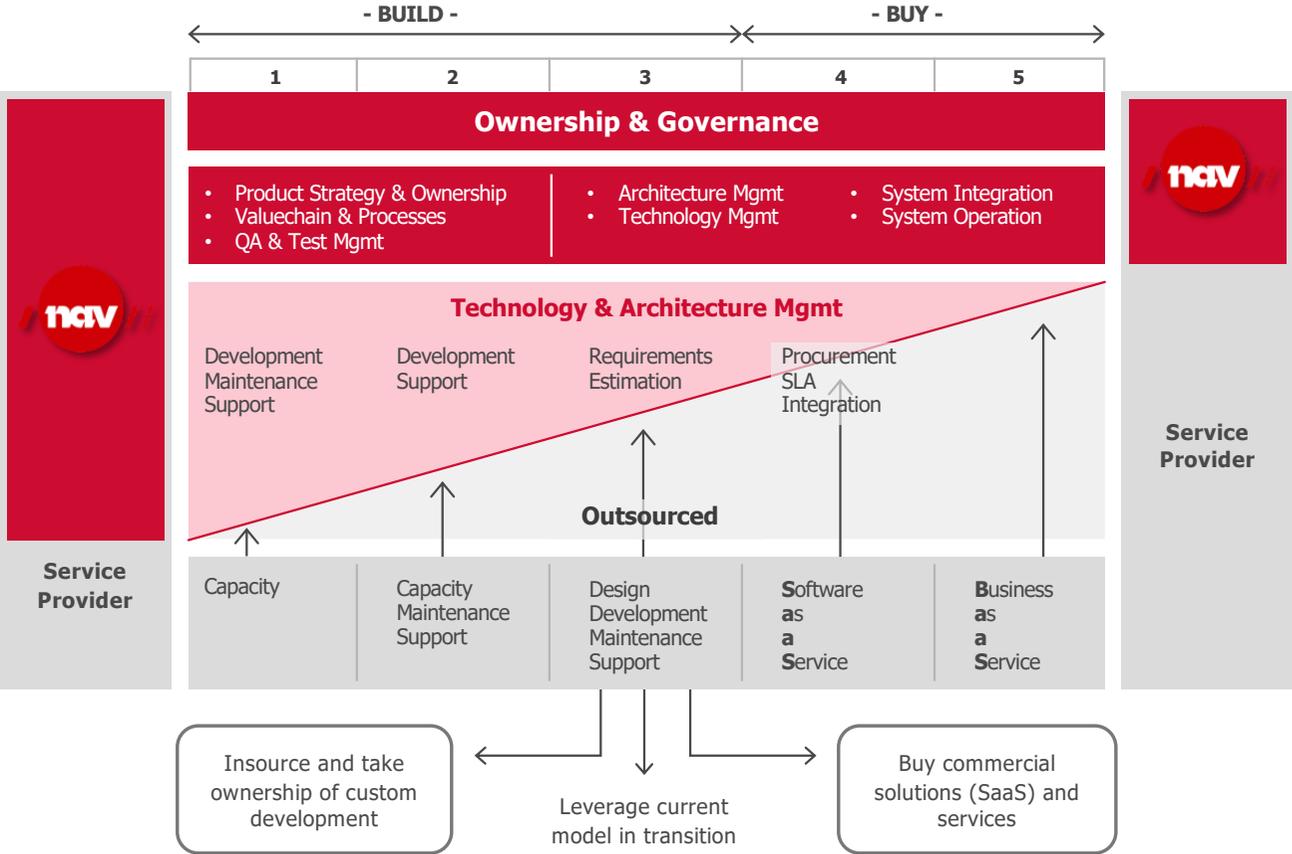
- Agile enterprise – the transformation journey…

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Sourcing strategy?

Smarter sourcing @NAV

- BUILD - | - BUY -

	1	2	3	4	5	

Ownership & Governance

- Product Strategy & Ownership
- Valuechain & Processes
- QA & Test Mgmt

- Architecture Mgmt
- Technology Mgmt

- System Integration
- System Operation

Technology & Architecture Mgmt

Development Maintenance Support	Development Support	Requirements Estimation	Procurement SLA Integration	

Outsourced

Capacity	Capacity Maintenance Support	Design Development Maintenance Support	**S**oftware **as** **a** **S**ervice	**B**usiness **as** **a** **S**ervice

Service Provider (left)

Service Provider (right)

Insource and take ownership of custom development

Leverage current model in transition

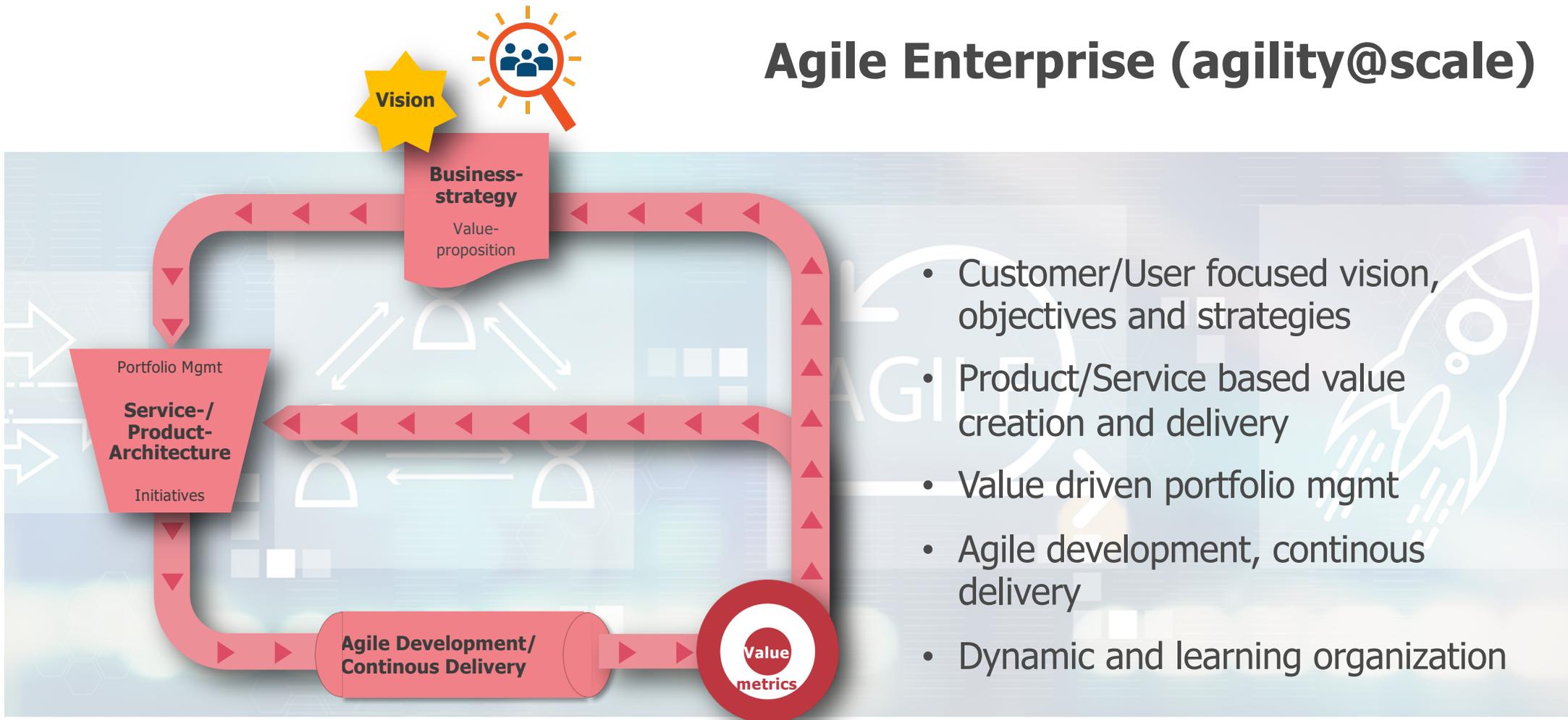Buy commercial solutions (SaaS) and services

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Agile Enterprise (agility@scale)

Vision

Business-strategy
Value-proposition

Portfolio Mgmt
Service-/ Product-Architecture
Initiatives

Agile Development/ Continous Delivery

Value metrics

- Customer/User focused vision, objectives and strategies

- Product/Service based value creation and delivery

- Value driven portfolio mgmt

- Agile development, continous delivery

- Dynamic and learning organization

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Digital transformation is <u>not</u> an IT project but all about organisation development and business innovation

- Focus and approach separates the mature from the weakest (drive transformational change vs incremental improvement)

- Mature enterprises build digital competencies systematically and are perceived as attractive places to work

- Digital transformation thrive in cultures able to experiment, take/manage risk, and drive continous learning and development

- Transformational leadership is important – it takes purpose and passion to change..!

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Working in parallell universes (ambidexterous organizations)

OPTIMALISERE LEGACY

AKSELERERE AGILE ENTERPRISE

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Timeline axis: 1 yr. — 2-3 yr. — 4-5 yr.

Vertical axis: leadership, strategy & gov...

Horizontal axis: organization, people & culture — architecture & technology

Agile Enterprise

Customer outcome focused, data/value driven, lean mgmt

Team based, domain driven, collaborative, agile and learning

Fast & flexible, secure & scalable, automated & cloud based

Build transformative vision and motivation for change; prioritize opportunities

Launch leadership program and governance 2.0

Evolve purpose and vision as new opportunities and capabilities emerge

Cultivate agility@scale

Scale x-functional areas/teams; build culture and competence

Evolve digital core; adopt new tech and platforms; automate «everything»

Mobilize organization and launch internal «startup» (product area/team)

«Cloud first» + «legacy optimization»

Application platform 2.0 for DevOps (PaaS, IaaS)

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Thank you 🙂

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