TDD for Business Strategies

Developing Agile Business Strategies Test-First

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BCS Edinburgh, 5th November 2014

WHAT DO I DO?

Independent
Management Consultant
Agile & Lean Coach

HOW DO I DO THAT?

Listen, help & teach
Get my hands dirty
Relevant solutions

WHAT IS TRANSFORMED?

Focus & Prioritisation
Communication
Collaboration
Morale, Team Spirit
Better, Faster, Cheaper

WHAT'S MY MISSION?

To transform people's working lives through simple principles and smart practices that turn slaves of the system into masters of their own work

WHAT'S MY VISION?

A world where people find work fun, rewarding, meaningful and satisfying
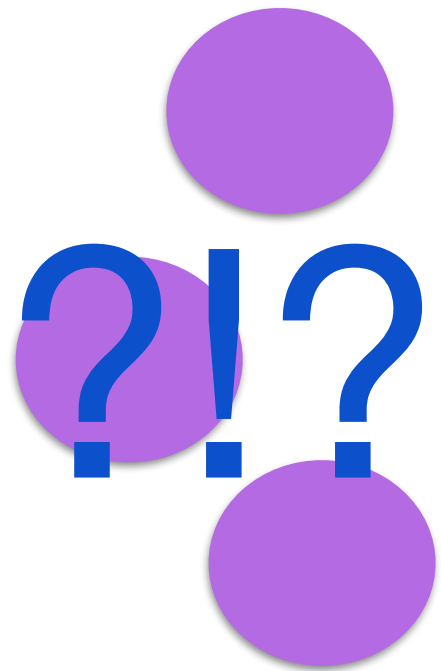
WITH WHOM DO I WORK?

Corporates   Individuals
SMEs   Teams
Startups   Programmes
                 Portfolios
                 Executives

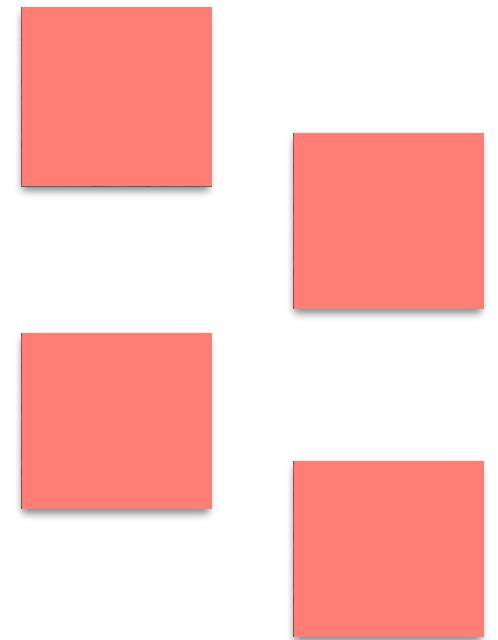@tomsedge   www.ambitiousmanager.com

"Not only are many business 'strategies' inward-facing, self-serving, meaningless to front-line staff, vague, unactionable and/or untestable – **many of them are not even strategies at all!**"

The Problem

Goals

Products

?!?

?

Strategy Chasm

Product Delivery

"We'll deliver the best possible customer experience through a total focus on customer need & service"

Meaningless
Vague
Untestable
Unactionable

Examples of bad and non-strategies

"Our strategy is to cut costs by going digital and automating our processes"

Inward-facing
Meaningless
Vague
Unactionable

Case-Study: Kodak - Why Bad Strategy Matters

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1981 Prediction (10y)

1975 Invented Digital Camera

Bankruptcy 2012

What went wrong?

Case-Study: Kodak - Why Bad Strategy Matters

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George Eastman 1880s:

MISSION — **"To make photography into an everyday affair"**

VISION — **"A world where the camera as convenient as the pencil"**

STRATEGY — Film Rolls   Technicolor

www.reocities.com/ambassador_satch/kodak.pdf

Case-Study: Kodak - Why Bad Strategy Matters

Kodak's Vision & Mission in the 2000s:

Mission: "We will build a world-class, results-oriented, diverse culture based on our six key values, through which we will grow more rapidly than our competitors by providing our customers and consumers with solutions to capture, store, process, output, recognize and celebrate achievement and communicate their images to people and machines anywhere, anyplace, and anytime. We will derive our competitive advantage by offering our customers and consumers differentiated, cost-effective solutions they want, when they want, and with flawless quality in our consumables, hardware, systems, and services. In this way, we will achieve our fundamental objective of Total Customer Satisfaction and our consequent goals of Increased Global Market Share and Superior Financial Performance."

Vision: "To be the World Leader in Imaging"

What do we need?

1. A Way to **Create**
   Effective Business Strategies

2. A Way to **Describe and Discuss**
   Business Strategies

3. A Way to **Test**
   Business Strategies to Validate Them

4. A Way to **Influence**
   those who set Business Strategies (if it's not us)

Creating: What is a "Business Strategy"?

VISION — Where we're heading
How will the world be different?

MISSION — Why we're here
Our purpose and driving cause

GOAL — What we want
The immediate destination or outcome

STRATEGY — How we will get it
The route to the destination and approach

AGILE

TACTIC — Reusable way to get there
A specific method for a stage of the route

www.ambitiousmanager.com/confuse-strategies-goals-tactics-part-i/

Then define the Vision

Destination

Impact

Specific

VISION — Where we're heading
How will the world be different?

Future Picture

Outward Facing

Measurable

Actionable

Mission & Vision: Real-world Examples

Guess Who

® The Tesla Logo is a Registered Trademark of Tesla Motors Inc.

MISSION

To accelerate the advent of sustainable transport

VISION

A market filled with compelling mass-market electric cars

Mission & Vision: Real-world Examples

Guess Who

MISSION

To make the best products in the world that delight our customers and make our employees incredibly proud

VISION

A world where technology is simple, seamless & unobtrusively makes life easier

® The Apple Logo is a Registered Trademark of Apple Inc.

Mission & Vision: Real-world Examples

Guess Who

SPACEX

® The SpaceX Logo is a Registered Trademark of Space Exploration Technologies Corp.

MISSION

To enable the space flight capabilities necessary to make human life multi-planetary

VISION

A self-sustaining human civilisation on Mars

Recap: What is a "Business Strategy"?

VISION — **Where we're heading**
How will the world be different?

MISSION — **Why we're here**
Our purpose and driving cause

GOAL — **What we want**
The immediate destination or outcome

STRATEGY — **How we will get it**
The route to the destination and approach

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Benefit Customers

Concrete

Aligned

GOAL

What we want
The immediate destination or outcome

Measurable

Meaningful

Outward Facing

Tesla: Example of Mission, Vision, Goals

® The Tesla Logo is a Registered Trademark of Tesla Motors Inc.

MISSION — **To accelerate the advent of sustainable transport**

VISION — **A market filled with compelling mass-market electric cars**

2008 **GOAL** — **Viable electric car (range, speed)**

2012 **GOAL** — **Better electric car (practicality, ergonomics)**

2016? **GOAL** — **Affordable electric car (mass market)**

Recap: What is a "Business Strategy"?

VISION — Where we're heading
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Create one or more Strategies to reach Goals

Theory

Specific

Testable

STRATEGY — How we will get it
The route to the destination and approach

Levels of Detail

Justification

Linked to Goal(s)

Example of Goals leading to Strategies

Loans Provider

GOAL — **Stress-free Applications (>90% satisfaction)**

STRATEGY **?**

Personalised Call Centre

Better Website UX

Create a mobile App

Advertising Campaigns

Outsource Process

Simplify Loans

Tesla: Example of Goals leading to Strategies

GOAL — **Viable electric car (range, speed)**

STRATEGY — **Create a luxury sports car using the Lotus Elise**

STRATEGY — **Design our own battery packs using small cells**

STRATEGY — **Order a custom two-speed transmission**

STRATEGY — **Buy-in electric motors**

What do we need?

1. A Way to **Create** Effective Business Strategies

2. A Way to **Describe and Discuss** Business Strategies

3. A Way to **Test** Business Strategies to Validate Them

4. A Way to **Influence** those who set Business Strategies (if it's not us)

Describe and Discuss: via Business Strategy Stories

I THINK…. ← 1. Summarise the strategy in a sentence

WILL DELIVER…. ← 2. Explain how it will achieve specific goal(s)

BECAUSE…. ← 3. Explain why it will deliver these

Tesla: Example Business Strategy Card (Aspect)

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I THINK designing and building our own battery packs made with small off-the-shelf battery cells

WILL DELIVER the performance and range needed for a credible sports car at an acceptable price

BECAUSE in theory they'll deliver enough energy, power, recharge cycles and there's no off-the-shelf alternative

More Examples of Strategy Stories

I THINK joining the gym **WILL DELIVER** weight loss **BECAUSE** exercise burns calories

I THINK the train **WILL DELIVER** a comfortable productive journey **BECAUSE** I can work and relax

I THINK a beach holiday **WILL DELIVER** rest for the whole family **BECAUSE** we'll just relax and do nothing

I THINK a HTML 5 interface **WILL DELIVER** the biggest market **BECAUSE** every device can use it

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a Registered Trademark of
Lehman Brothers Holdings Inc.

4th largest US Investment Bank

Collapsed in Sub-Prime Crisis of 2008

How could this have happened?

Case-Study: Lehman Brothers - No Feedback

® The Lehman Brothers Logo was a Registered Trademark of Lehman Brothers Holdings Inc.

Robert Lehman, led 1925-69

 MISSION   VISION

"Consumption, not production, will determine America's future prosperity."

STRATEGY   Airlines   Motion Pictures   Retail

Case-Study: Lehman Brothers - No Feedback

® The Lehman Brothers Logo was a Registered Trademark of Lehman Brothers Holdings Inc.

Lehman's 21st Century mission/vision:

"We are One Firm, defined by our unwavering commitment to our clients, our shareholders, and each other. Our vision is to build unrivalled partnerships with and value for our clients, through the knowledge, creativity, and dedication of our people, leading to superior results for our shareholders."
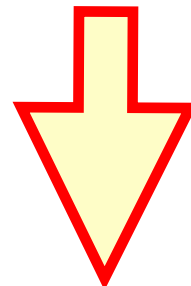
Case-Study: Lehman Brothers - No Feedback

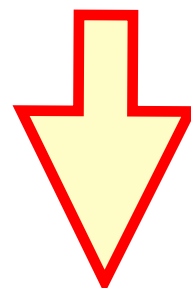® The Lehman Brothers Logo was a Registered Trademark of Lehman Brothers Holdings Inc.

CDOs

⬇
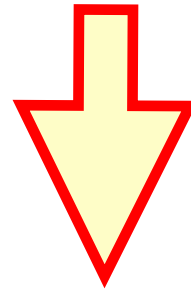
Obscured Reality

⬇

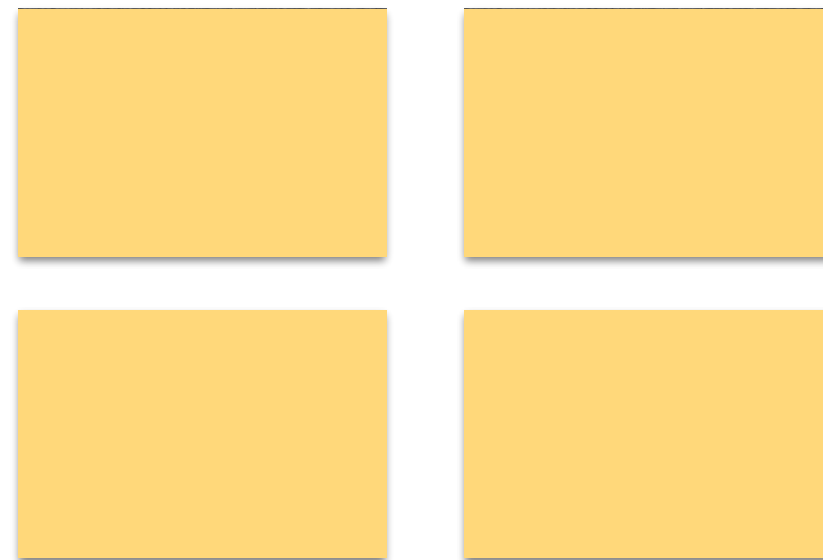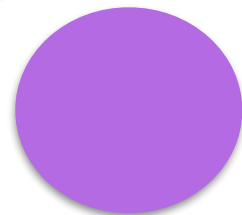No Feedback

⬇

3 Big Property Investments
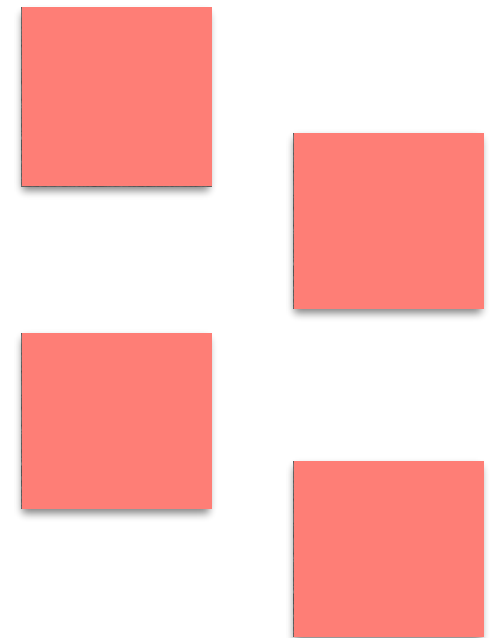
Testing: Test-First Principles for Business Strategies

Agile Code	Agile Business Strategy
Write a unit test	**Write a strategy test**
Run all tests (new red)	**Run all tests (new red)**
Write the code	**Perform an experiment**
Run all tests (green?)	**Run all tests (green?)**
Refactor	**Hone the strategy**
Repeat	**Repeat**

Business Strategy Story Acceptance Criteria

Acceptance

IF….
IF….
IF….
IF….
IF….
IF….
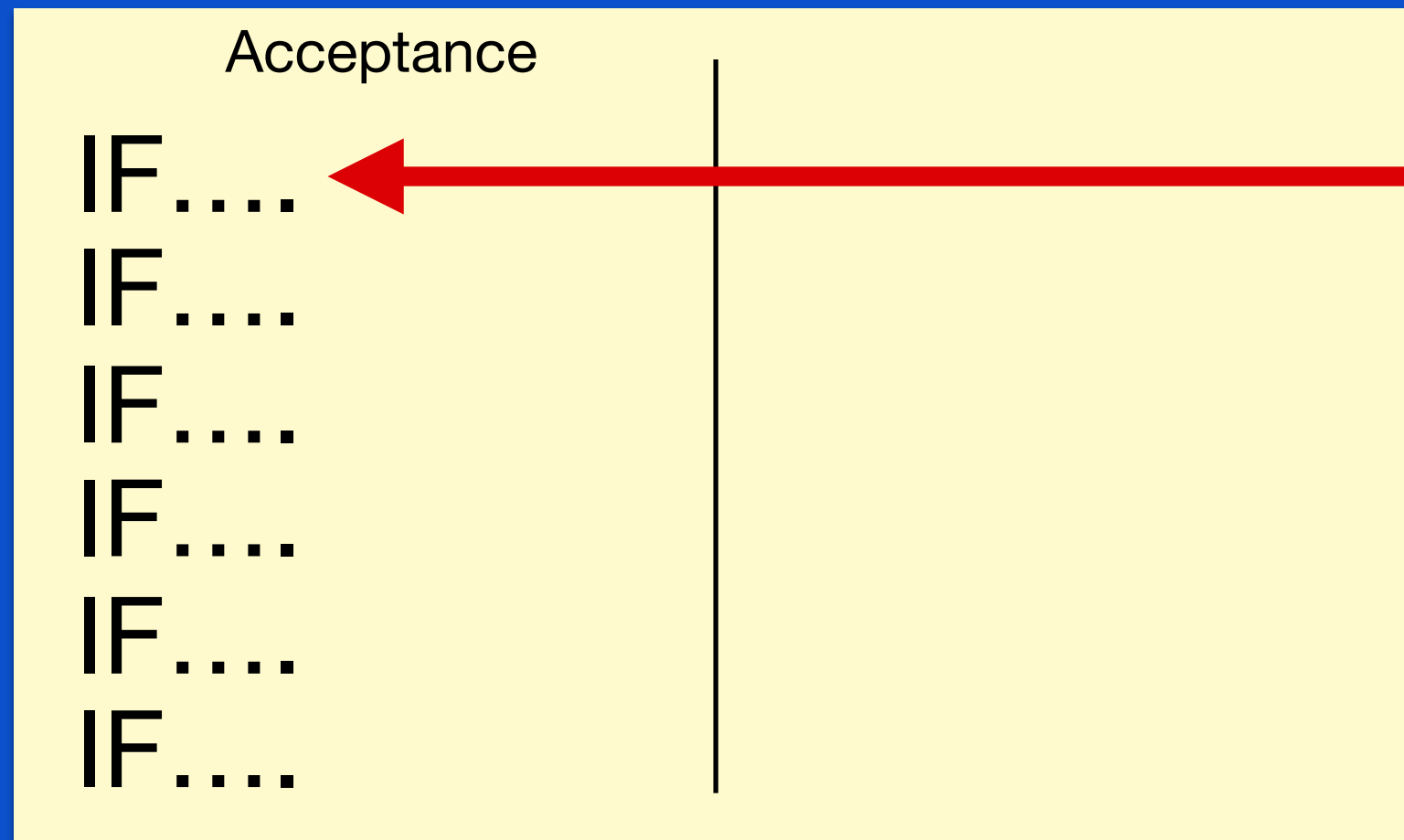
On the back, define acceptance criteria:

How will we know this strategy is working?

What can we measure?

Business Strategy Story Negative Criteria & Side Effects

Acceptance	Failure / Side Effects
IF....	IF....
IF....	IF....
IF....	IF....
IF....	IF....
IF....	IF....
IF....	IF....

Failure (negative) criteria and undesirable side effects:

What could go wrong?

What could this strategy break?

Tesla: Example Business Strategy Card (Back)

Acceptance	Failure / Side Effects
IF packs store enough energy	**IF** it takes too long
IF packs deliver enough power	**IF** it costs too much
IF recharge time is short enough	**IF** we can't cool the cells effectively
IF cost is low enough	**IF** we can't wire the cells efficiently
	IF it makes the car too heavy

Tesla: Example Business Strategy Card

I THINK designing and building our own battery packs made with small off-the-shelf battery cells

WILL DELIVER the performance and range needed for a credible sports car at an acceptable price

BECAUSE in theory they'll deliver enough energy, power, recharge cycles and there's no off-the-shelf alternative

Acceptance	Failure / Side Effects
IF packs store enough energy	IF it takes too long
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IF recharge time is short enough	IF we can't cool the cells effectively
IF cost is low enough	IF we can't wire the cells efficiently
	IF it makes the car too heavy

Step 1: Write a Strategy Test

Acceptance	Failure / Side Effects
IF packs store enough energy	IF it takes too long
IF packs deliver enough power	IF it costs too much
IF recharge time is short enough	IF we can't cool the cells effectively
IF cost is low enough	IF we can't wire the cells efficiently
	IF it makes the car too heavy

"Will our new battery pack deliver XXX MJ?"

"Will it reliably produce YYY kW?"

"Will the pack weigh under ZZ kg?"

Step 2: Run Business Strategy Test(s)

Ensure **ready** to test

Verify we **can** test

New tests **should fail**
(if we able to run them)

Recap: What is a "Business Strategy"?

VISION — Where we're heading
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TACTIC — Reusable way to get there
A specific method for a stage of the route

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Divide-and-conquer

Technique

Re-usable

TACTIC — Reusable way to get there
A specific method for a stage of the route

Small Step

Rapid Feedback

Examples of Tactics Relevant for Tesla / Manufacturing

- **Simulate** - computer modelling

- **Materials** - experiment with cell structures

- **Prototype** - component cells, wiring, cooling parts

- **Scale Down** - build a 1/10th scale version

- **Scale Up** - scale up to full size

- **Form Factor** - change shape / layout

- **Sourcing** - component sourcing approach

- **Production Method** - assembly techniques

- **Productionise** - automate & optimise assembly

Example of Tesla Tactic

Acceptance	Failure / Side Effects
IF packs store enough energy	IF it takes too long
IF packs deliver enough power	IF it costs too much
IF recharge time is short enough	IF we can't cool the cells effectively
IF cost is low enough	IF we can't wire the cells efficiently
	IF it makes the car too heavy

"Will it reliably produce YYY kW?"

e.g. Experiment with Scaled-Down version 1/10th size: can it deliver?

Examples of Tactics Relevant to Service Companies

- **Business Model Canvas** - viability modelling

- **Simulate** - paper or computer process modelling

- **Focus Group** - consultations and tasters

- **MVP** - minimum viable service/product

- **Limited Trial** - restrict by customer

- **Bifurcated Demand** - restrict by work type

- **Model Office** - manual ideal process testing

- **Scale Down/Up** - start with one team or group

- **Productionise** - initiate full Product Development
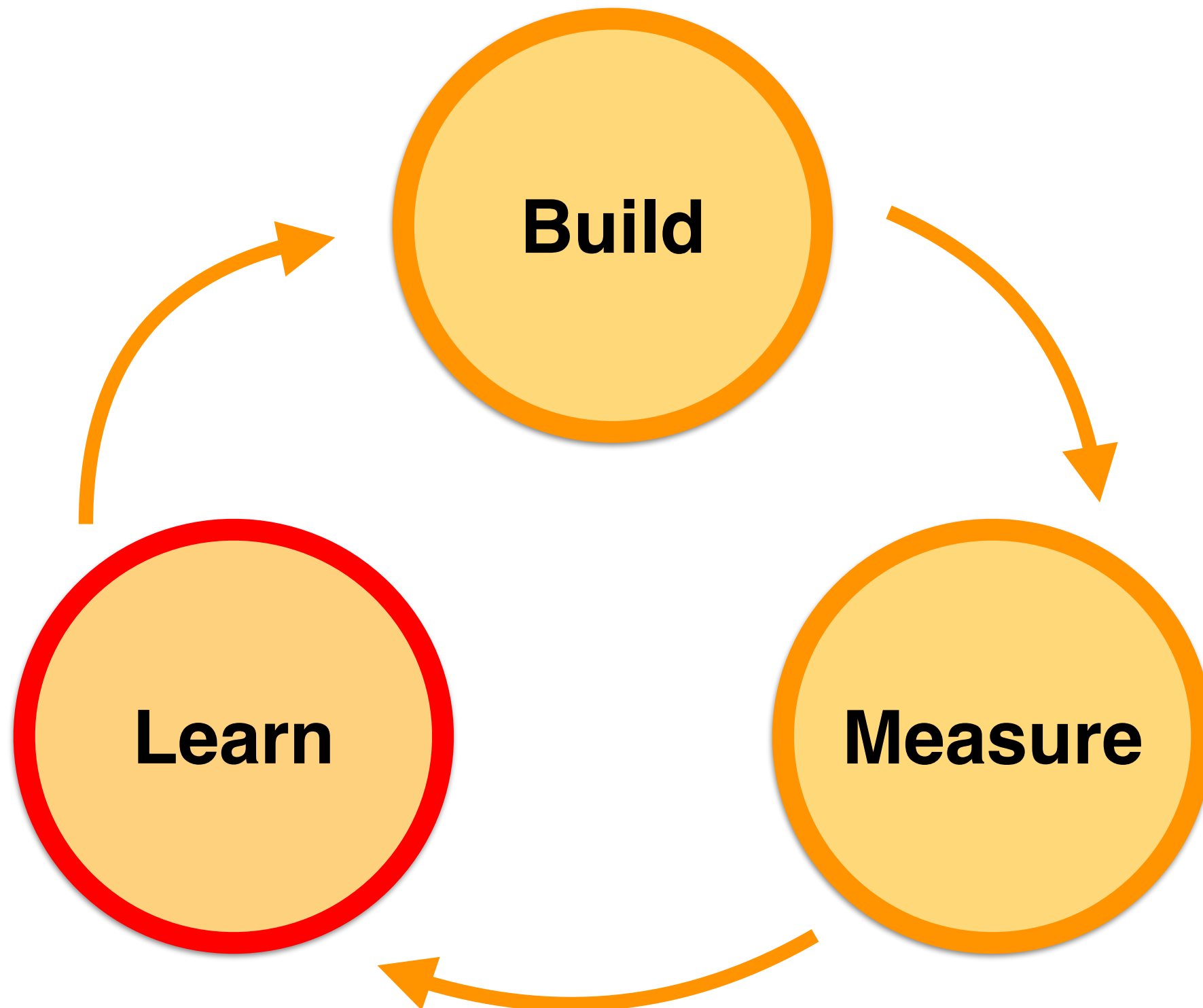
Step 4: Run Business Strategy Test(s)

Did experiment succeed?

Adjust and Continue?

Side Effects?

Step 5: Hone the Strategy (Refactor)

Corporates

Few weeks
to months

Startups

Few days

SMEs

Few days to weeks

We're done when
we're confident in the Strategy
and
we're ready to move on
into Product or Service Delivery

What do we need?

1. A Way to **Create**
   Effective Business Strategies

2. A Way to **Describe and Discuss**
   Business Strategies

3. A Way to **Test**
   Business Strategies to Validate Them

4. A Way to **Influence** those who set
   Business Strategies (if it's not us)

"Strategy is what we deal with:

it isn't your concern"

Sceptical Leaders: A Five Point Plan

1 Map Real Mission & Vision

2 Map Goals to Mission & Vision

3 Map Strategies (as Stories) to Goals

4 Generate Alternative Goals & Strategies

5 Run Experiments

1. Map Real Mission and Vision

Map your organisation's Mission, Vision:

- Capture what they "officially" are

- Capture what you think they should be or really are - if different - and why

- Show the two sets together next to each other in a simple visual way - e.g. on one page

- Get feedback from people

2. Map Goals and relate to Mission and Vision

Compare stated Business Goals with Mission & Vision

- Are they compatible?

- Do they make sense?

- Do they help achieve the mission and vision?

Capture contradictions
(but don't point them out just yet)

GOAL

3. Map Strategies (as Stories) and relate to Goals

Introduce the Business Strategy Story card concept

- Capture existing business strategies on cards

Pair Business Goals with Strategy Stories (1:n)

- If some don't fit, good - that points out a gap or a contradiction

- Wait to point out contradictions until you can offer alternative solutions
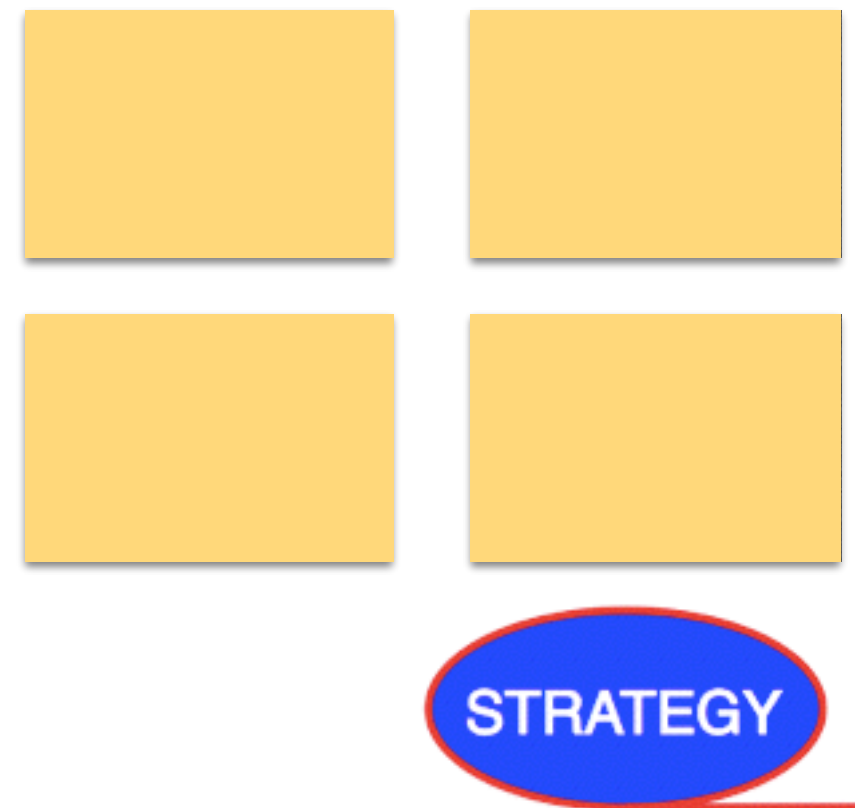
4. Generate Alternative Goals and Strategies

Generate alternative Goals and Strategies

- Review with people to get feedback

- Show how they function next to the "official" alternatives

- Show the contradictions and problems with existing Goals and Strategies

- Show how the alternatives better support Mission & Vision

GOAL   STRATEGY

5. Run Experiments to validate new Strategies

You only need permission to try

- Push message of lower risk: "let's replace theories and plans with safe-to-fail experiments to find out"

- Keep plugging away and run your own experiments to get evidence that supports your message

Apply Agile Test-First Principles to our Business Strategies

TACTIC

Recap: What do we now have?

1. A Way to **Create**
Effective Business Strategies

2. A Way to **Describe and Discuss** Business
Strategies

3. A Way to **Test**
Business Strategies to Validate Them

4. A Way to **Influence** those who set
Business Strategies

Q&A and Thank You!

Good luck with your Test-First Business Strategies