Disrupt or Be Disrupted

How Established Enterprises can Innovate like Lean Startups

Steve Bell
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2014 Lean Transformation Summit
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• Lean Upstream Fastbreak (Lean Product & Process Development)
• How Established Enterprises Can Innovate Like Lean Startups – with Steve Bell
• Building Inspirational Leadership Capabilities
• Washington State Gov.’s Lean Transformation Journey
Today’s Presenter

Steve Bell

- Founder Lean IT Strategies
- Founder Lean4NGO (www.Lean4NGO.org)
- Author *Run Grow Transform* (Productivity Press, 2012)
- Co-author *Lean IT* (Productivity Press, 2010)
- Author *Lean Enterprise Systems* (Wiley, 2006)
- Recipient Shingo Prize for Research
- Lean Enterprise Institute faculty
Disrupt Or Be Disrupted

How Established Enterprises can Innovate like Lean Startups
1. Why is innovation vital?
2. Why is it difficult for an established enterprise to be innovative?
3. Lean startup toolkit fundamentals
4. Lean leadership lesson wrap-up
5. Q&A
How can a giant reinvent itself to survive and thrive in a changing world?
Giants *should* be Paranoid

We don’t compete against competitors, we compete against market transitions

*John Chambers, CEO, Cisco Systems*

In an industrial company, avoid software at your own peril . . . a software company could disintermediate GE someday, and we're better off being paranoid about that.

*Jeff Immelt, CEO, GE*
Why is innovation so difficult for large enterprises?
Two types of innovation

1. **Sustaining** - does not create new markets or value networks but rather evolves existing ones with better value

2. **Disruptive** - helps create a new market and value network, and eventually disrupts an existing market and value network
## Different mindsets and contexts

<table>
<thead>
<tr>
<th>Sustaining</th>
<th>Disruptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problem relatively well understood</td>
<td>Problem not understood</td>
</tr>
<tr>
<td>Improves performance or profit (Kaizen)</td>
<td>Game changer (Kaikaku)</td>
</tr>
<tr>
<td>Customer/segment known</td>
<td>Customer/segment suspected</td>
</tr>
<tr>
<td>Product value proposition known</td>
<td>Product value proposition suspected</td>
</tr>
<tr>
<td>Market behavior is well understood</td>
<td>Market behavior may be a mystery (we may think we understand it, but that could be a pitfall . . . )</td>
</tr>
<tr>
<td>Traditional business models and methods are satisfactory to deliver innovation</td>
<td>Traditional models and methods are irrelevant and potentially distracting</td>
</tr>
</tbody>
</table>
Creative Destruction

You need to be your own greatest competitor in the race for innovation and market share
What are the challenges for an established enterprise to think and act like a disruptive startup?
Do you focus on protecting assets?

Customers, Products, Intellectual property, Suppliers, Brand, Channels, Operating model, Shareholders, Proprietary technology, Legal Protections, etc.
Do you focus on protecting assets?

Lean Leadership Guidance:

– Focus on customer value
– Think from the customer needs backwards, not your assets forward
Where is ownership?    Purpose?

Who disrupts whom . . . ?
Where is ownership?  Purpose?

Lean Leadership Guidance:
- Clarity / Constancy of Purpose
- Value Stream Management
- Respect for People
As technology exerts more influence some are experiencing CxO overload

- Chief Information Officer
- Chief Technology Officer
- Chief Marketing Officer
- Chief Product Officer
- Chief Innovation Officer
- Chief Data Officer
- Chief Big Data Officer
- Chief Social Media Officer
- Chief Info Security Officer
- And more . . .
As technology exerts more influence some are experiencing CxO overload.

Lean Leadership Guidance:
- Focus on customer value
- Value Stream Management
- Role Clarity
Scale: what return are you expecting through your innovation portfolio?
Scale: what return are you expecting through your innovation portfolio?

Lean Leadership Guidance:

- Focus on customer value
- Clarity / Constancy of Purpose
- Management by Fact
Manufacturers: Physical-Digital Convergence

- What % of your value proposition is digitized?
- What impact will Extreme Manufacturing, 3D printing, and other advanced manufacturing technologies have on your core business?
- How well do you integrate emerging technology capabilities with your existing skills and operating model?
Manufacturers: 
Physical-Digital Convergence

Lean Leadership Guidance:
- Focus on customer value
- Extended Value Stream collaboration
- Experimentation
What does Lean Startup offer to this discussion?
### Models for new product development

<table>
<thead>
<tr>
<th></th>
<th>Product</th>
<th>Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional</td>
<td>Known</td>
<td>Known</td>
</tr>
<tr>
<td>Agile</td>
<td>Unknown</td>
<td>Known</td>
</tr>
<tr>
<td>Lean startup</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
</tbody>
</table>

*Lean startup = extreme uncertainty*
Minimize TOTAL time through the loop

This is the same "learning loop" idea as PDCA

Source: LEI Lean Startup Webinar 2010
Key Lean Startup ideas

• Extreme uncertainty
• MVP
• Split Testing (A/B)
• Validated Learning
  – Value hypothesis
  – Growth hypothesis
• Pivot / Persist
Key Lean Startup ideas

- Extreme uncertainty
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Emergent Strategy
Key Lean Startup ideas

- Extreme uncertainty
- MVP
- Split Testing (A/B)
- Validated Learning
  - Value hypothesis
  - Growth hypothesis
- Pivot / Persist

Learning SPEED!

Emergent Strategy
Need for Lean Leadership to overcome enterprise impediments

- Creative destruction / Protecting assets
- Ownership Ambiguity and Conflict
- Investment portfolio expectations
- Extended Value Stream collaboration
The Bottom Line:

How do you lead your established enterprise to continuously improve and disruptively innovate at the same time?
Questions & Answers with Steve Bell
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