



Software Center



# Delivering Customer Value in the Age of Autonomous, Continuously Evolving Systems

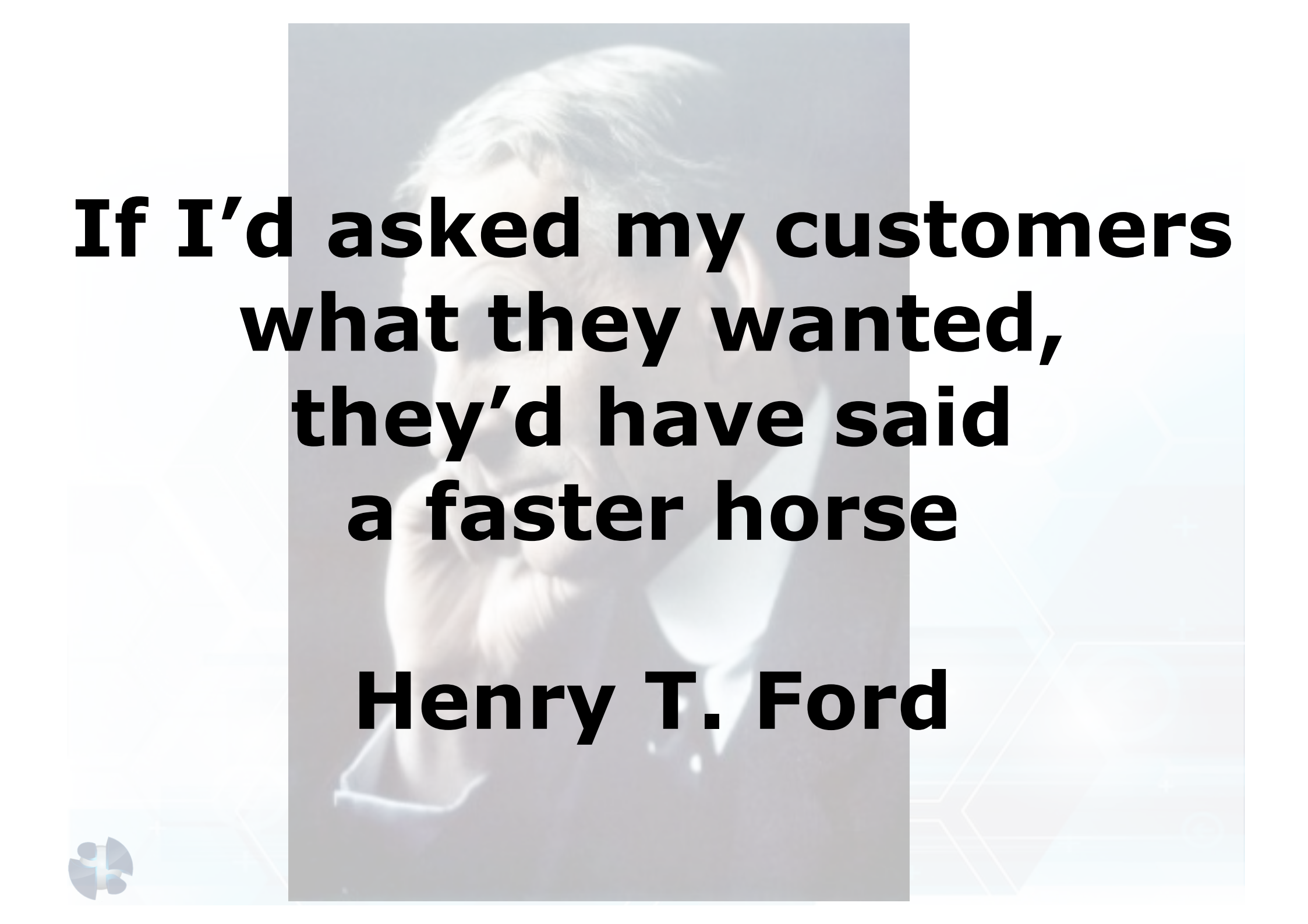
**Jan Bosch**

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Gothenburg, Sweden.

[www.janbosch.com](http://www.janbosch.com)

Guest Lecture, IEM, Chalmers. February 2017.



**If I'd asked my customers  
what they wanted,  
they'd have said  
a faster horse**

**Henry T. Ford**





**Customers don't know what they want. It's very hard to envision the solution you want without actually seeing it.**

**Marty Cagan**



**The critical failing of user interviews is that you're asking people to either remember past use or speculate on future use of a system**

**Jakob Nielsen**



**[The assumption that a]  
reasonably well-defined set of  
requirements exists, if only we  
take the time to understand  
them, is wrong**

**Dean Leffingwell**





**Customers don't know what's possible. Most have no idea about the enabling technologies involved**

**Marty Cagan**



**You can't just ask customers  
what they want and then  
try to give that to them.  
By the time you get it built,  
they'll want something new.**

**Steve Jobs**



# Underlying Insight

- Customer don't know what they want
- You need to you show “it” to them
- And then measure their behaviour
- Or, if you must, talk to them





# Three Key Take-Aways

- Increasing **SPEED** trumps ANY other improvement R&D can provide to the company – the goal is **continuous deployment** of new functionality
- Effective use of **data** from customers and products in the field is the next area to exploit and monetize
- Strategic use of the **ecosystems** around your systems and services is critical as it allows for agility, risk sharing and allows the company to focus on the key differentiators



# Overview

- Vem är jag? Wie ben ik? Who am I?
- Trends in Software: Need for Speed
- Stairway to Heaven
  - Speed
  - Data
  - Ecosystems
- Implications for Requirements Engineering
- Conclusion





Academic Research



Software Center



Software Center



Consultancy



Entrepreneur



*fidesmo*



Remente

Industry Innovation



Industry Operations



AUQTUS  
Automated Quality Testing of User Scenarios





# Software Center

**Mission:** Improve the software engineering capability of the Nordic Software-Intensive industry with an order of magnitude

**Theme:** Fast, continuous deployment of customer value

**Success:** Academic excellence

**Success:** Industrial impact



CHALMERS



MALMÖ UNIVERSITY



MÄLARDALEN UNIVERSITY  
SWEDEN



SIEMENS



verisure

ALARMS WITH IQ



ERICSSON



GRUNDFOS

# Theme Structure

## Application Domain Themes

Shared  
public/partner  
funding

Autonomous  
Systems

**WASP**

Internet  
of  
Things

**IOTAP**

System  
of  
Systems

Predominantly  
partner  
funding

Continuous  
Delivery

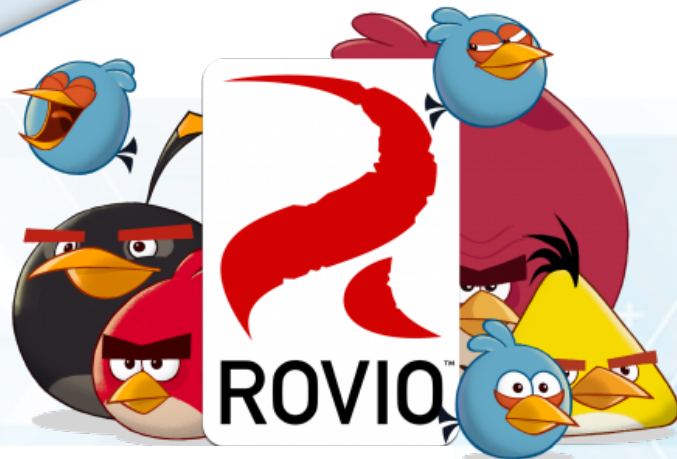
Continuous  
Architecture

Metrics

Customer  
Data and  
Ecosystems

## Technology Themes

# Some Online Companies





# About Sweden

- Third largest country in EU (450,295 KM2) (about 4.7% of China)
- ~ 10 Million people (<1% of China)
- Incredibly strong industry base: Volvo, Ericsson, Sony Ericsson Mobile Communications AB, Saab Defense, Electrolux, Volvo Cars, Sandvik, Scania, Atlas Copco, ABB and SKF
- Also: Hennes & Mauritz, IKEA, Nordea, Preem, Securitas and Nordstjernan



# About Sweden

**SWEDISH HITS**



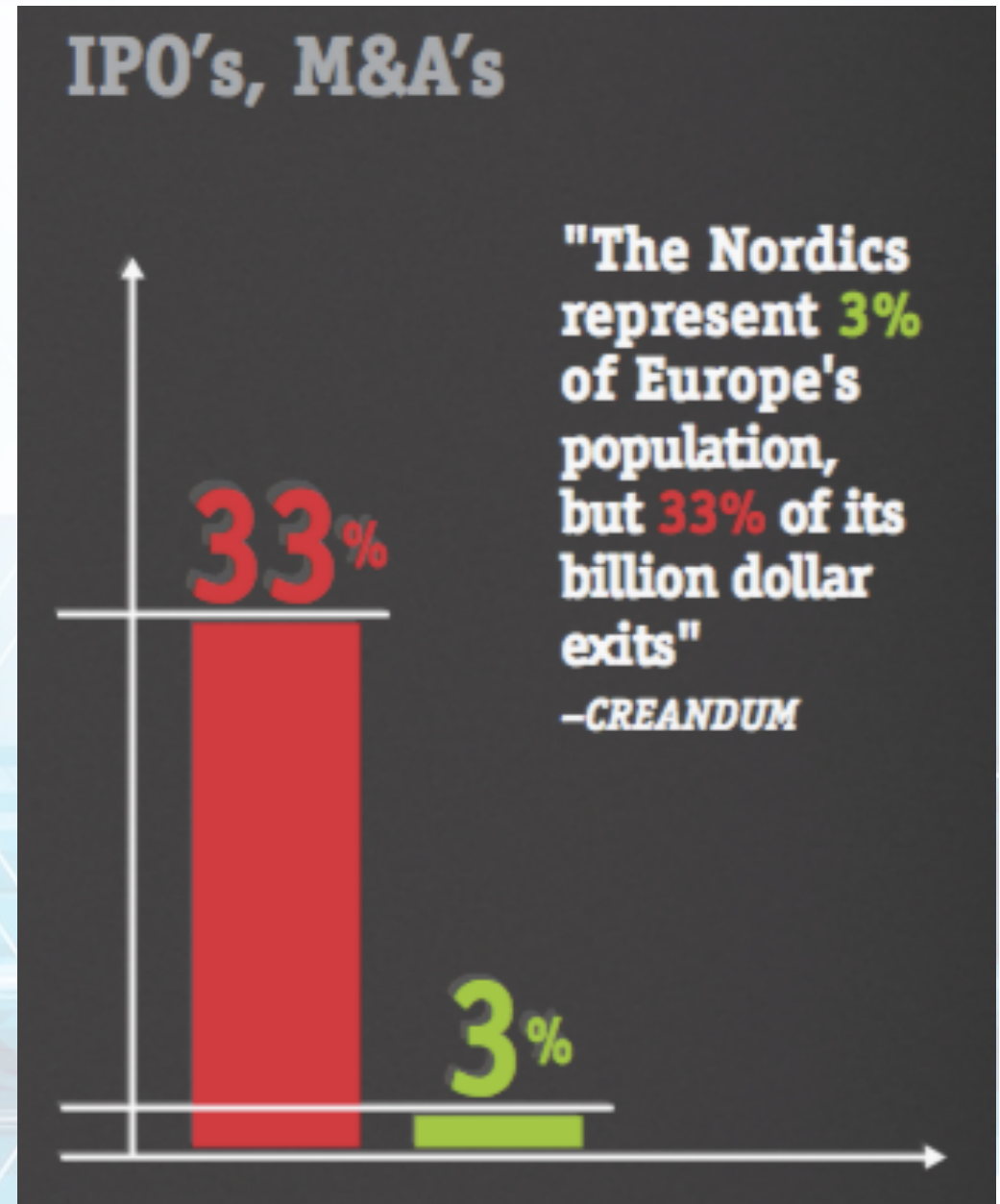
**IN THE SPOTLIGHT**

Bloglovin iZettle KnC Miner  
Lifesum MAG interactive Magine  
Sinch(Rebtel) Stardoll TicTail  
Wrapp Widespace Tobii Truecaller  
Soundcloud Videoplaza Yubico

... and many more!

**NEXT TO WATCH**

13th Lab, Bannerflow, BehavioSec, Campanja, Detectify, Epidemic sound, Fishbrain, Funded-ByMe, Hansoft, Instabridge, Load Impact, Lookback, Narrative, People People, Poppermost Productions, RelationDesk, Safello, Teenage Engineering, Unomaly, Vamos, Virtusize, Vint, Volumental...and many more!



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# Software Changes Everything

## Air Pollution

Control of CO<sub>2</sub> emissions of factories, pollution emitted by cars and toxic gases generated in farms.

## Forest

Monitoring of fire conditions

## Wine C

Monitoring in vineyards grapes and

## Offspri

Control of gr animal farm

## Sports

Vital signs centers and

## Structu

Monitoring of in buildings,

## Smartphones Detection

Detect iPhone and Android devices and in general any device which works with Wifi or Bluetooth interfaces.

## Perimeter Access Control

## Electromagnetic Levels

Measurement of the energy radiated by cell stations and and WiFi routers.

## Traffic

Monitor affluent routes.

## Smart Roads

Warning messages and diversions according to climate conditions and unexpected events like accidents or traffic jams.

## Smart Lighting

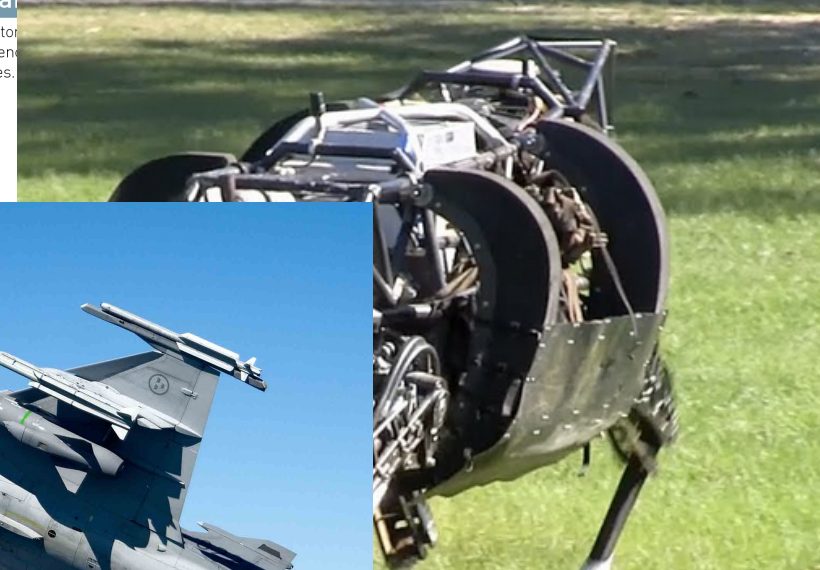
Intelligent and weather adaptive lighting in street lights.

## Shopping

point of sale ts, preferences, nents for them

## Maps

car areas and



# Self-D

# bots



# Gripen Drone



## Quality of Shipment Conditions

Monitoring of vibrations, strokes, container openings or cold chain maintenance for insurance purposes.

## Water Quality

Study of water suitability in rivers and the sea for fauna and eligibility for drinkable use.

## Smart Parking

Monitoring of parking spaces availability in the city.

## Golf Courses

Selective irrigation in dry zones to reduce the water resources required in the green.

## e Management

Detection of rubbish levels in containers to optimize the trash collection routes.

## Water Leakages

Detection of liquid presence outside tanks and pressure variations along pipes.

## Vehicle Auto-diagnosis

Information collection from CanBus to send real time alarms to emergencies or provide advice to drivers.

## Item Location

Search of individual items in big surfaces like warehouses or harbours.



# Nature of Product Innovation is Shifting

- More than 90% of R&D is related to software according to Ericsson
  - The world's 5th largest software company
- 70% of all innovation is related to software according to AB Volvo
- 80-90% of all innovation in a car is related to electronics (HW & SW) according to Volvo Cars

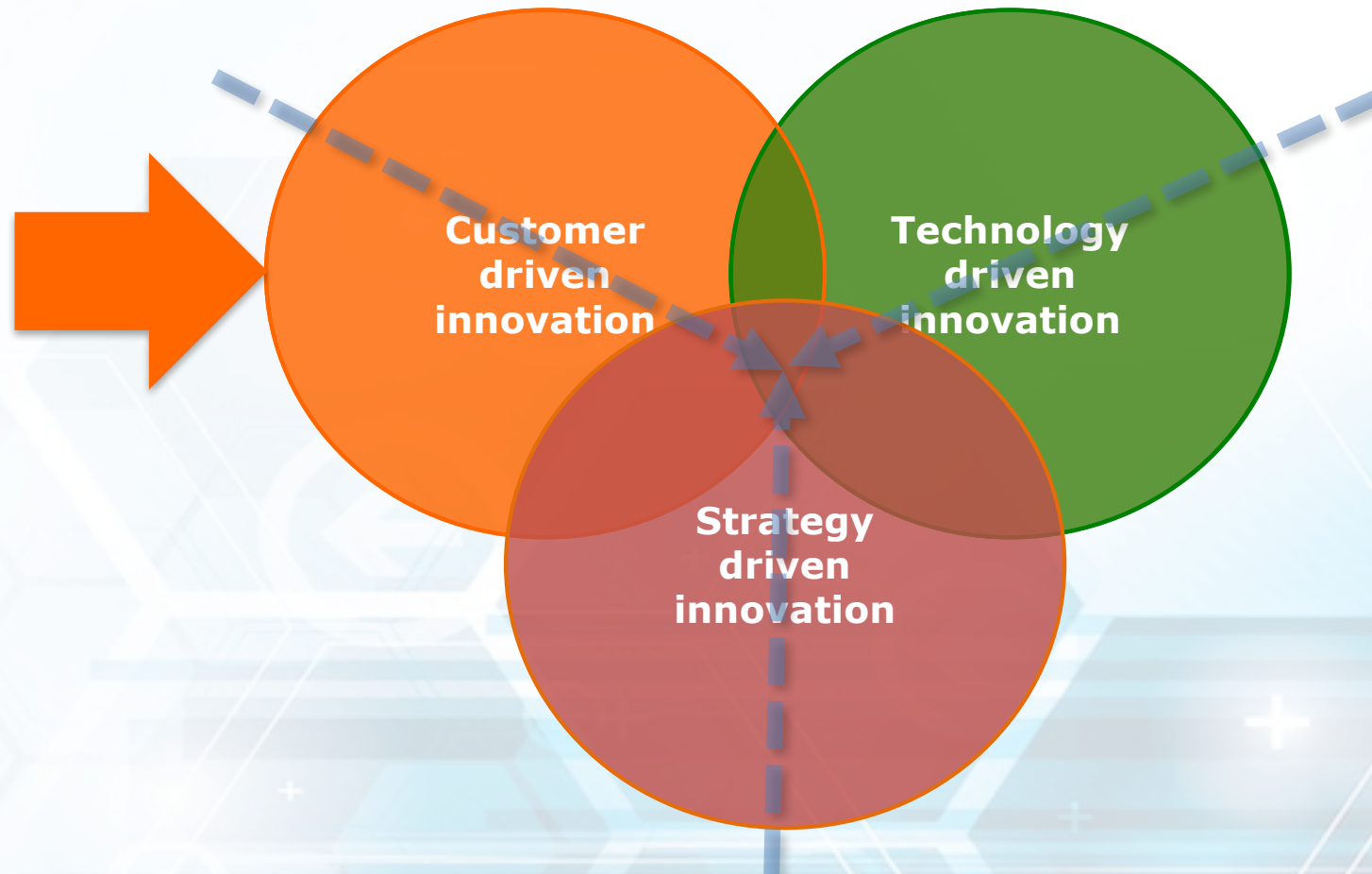


# Towards Product as a Service



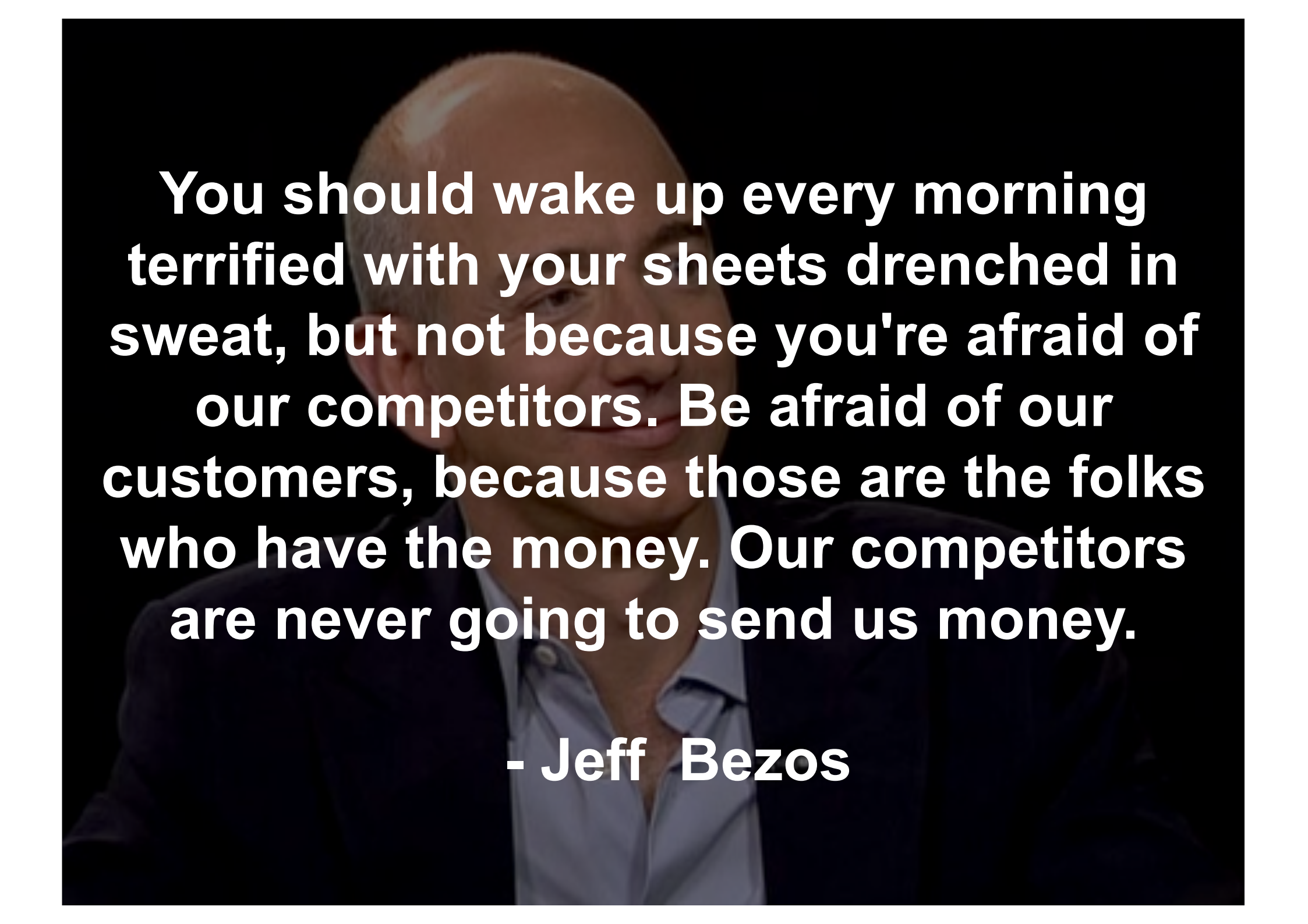
**This requires continuous deployment throughout the lifetime of the product**

# Innovation Approaches



This requires continuous experimentation with customers

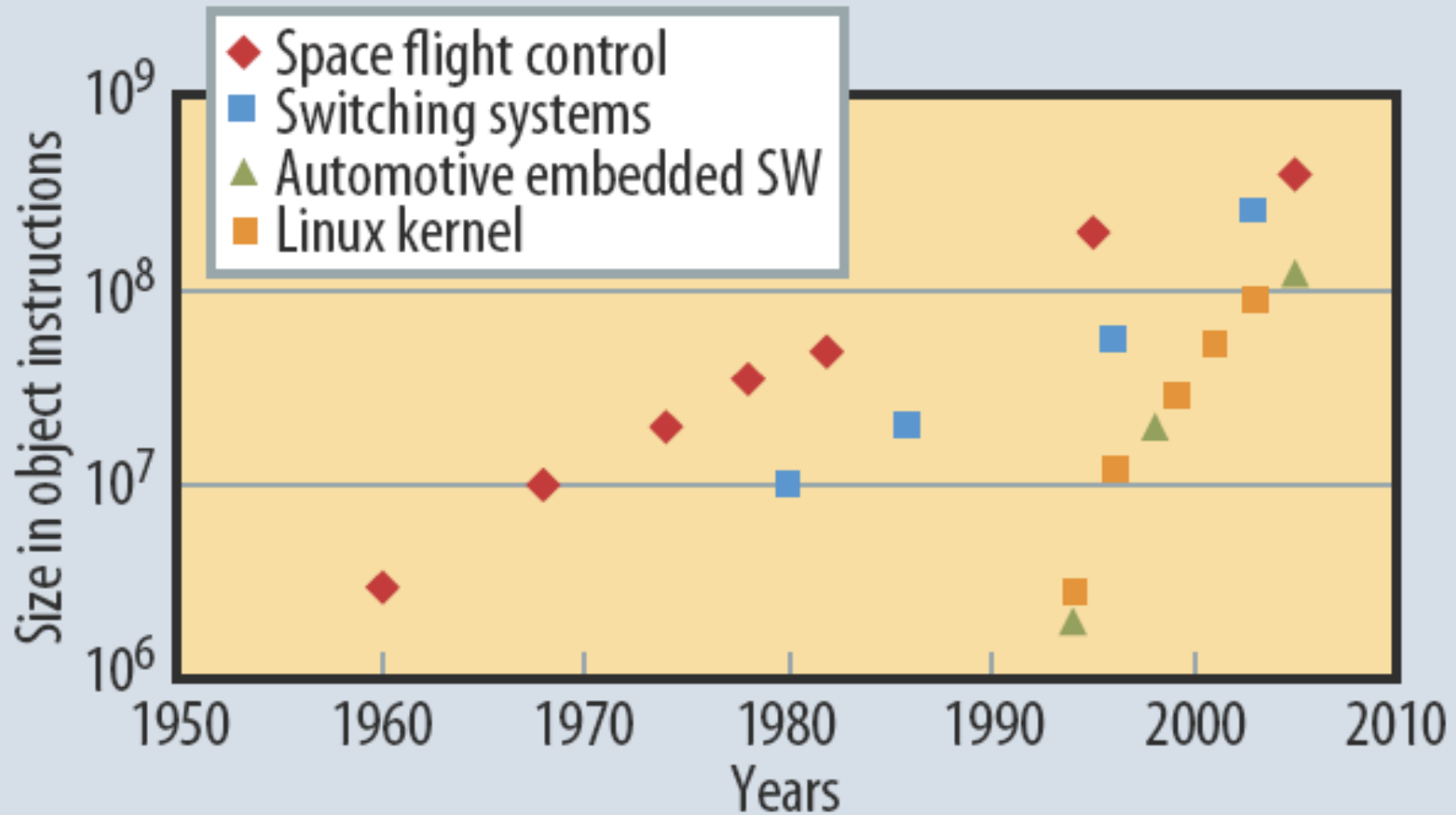


A portrait of Jeff Bezos, the founder of Amazon, is shown in the background. He is a middle-aged man with a receding hairline, wearing a dark suit jacket over a light blue button-down shirt. The image is semi-transparent, allowing the text to be clearly visible over it. The text is in a bold, white, sans-serif font and is centered on the image.

**You should wake up every morning terrified with your sheets drenched in sweat, but not because you're afraid of our competitors. Be afraid of our customers, because those are the folks who have the money. Our competitors are never going to send us money.**

**- Jeff Bezos**

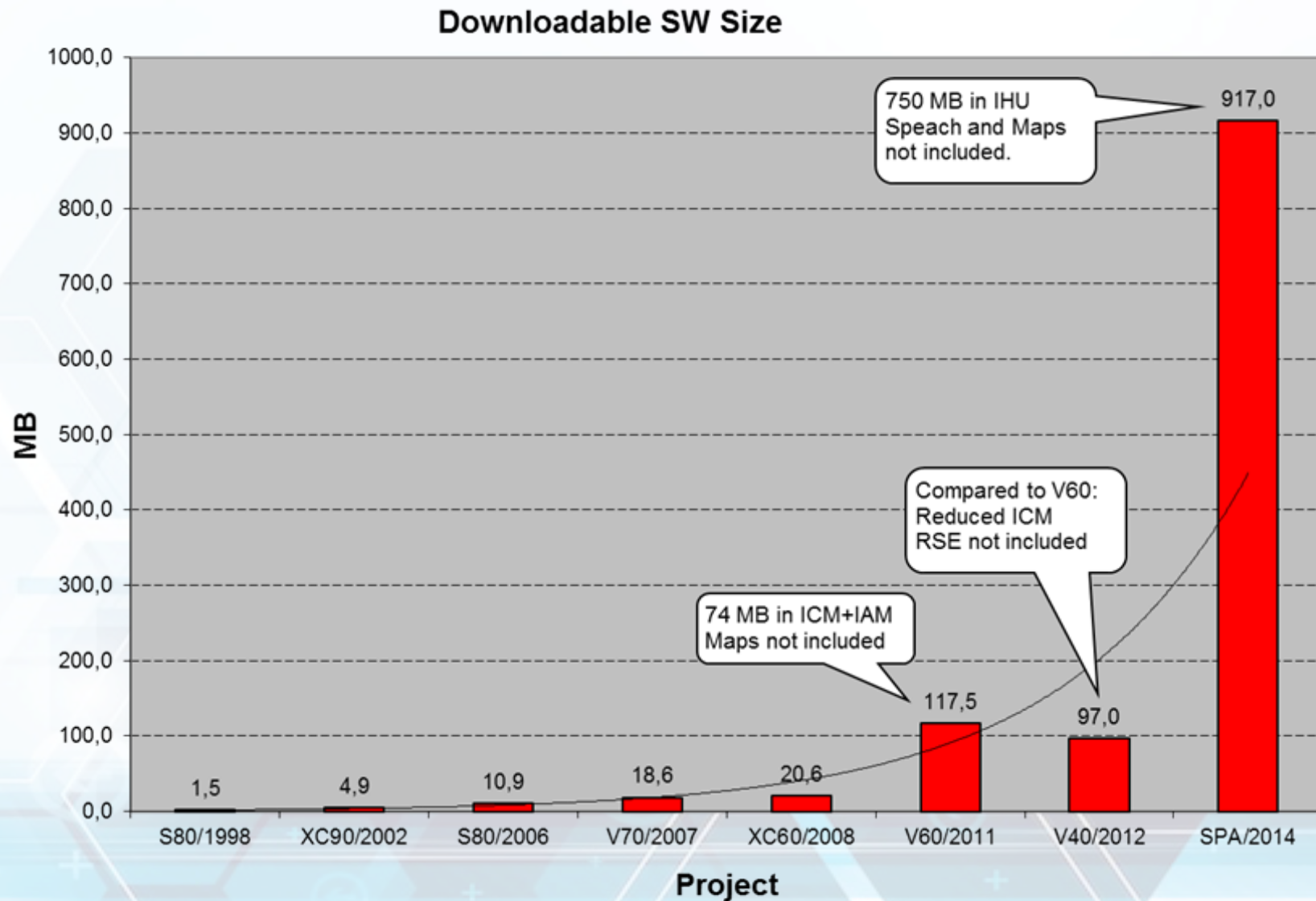




**10x every ~7 years**



# Volvo XC 90



# Data Generated in the World

 **65 billion**

Location-tagged payments  
made in the U.S. annually

**154 billion**



E-mails sent per day

 **87%**

U.S. adults whose location is  
known via their mobile phone

## Digital Information Created Each Year, Globally

2,000 BILLION GIGABYTES

1,800

1,600

1,400

1,200

1,000

800

600

400

**2,000%**

Expected increase in  
global data by 2020

**III**

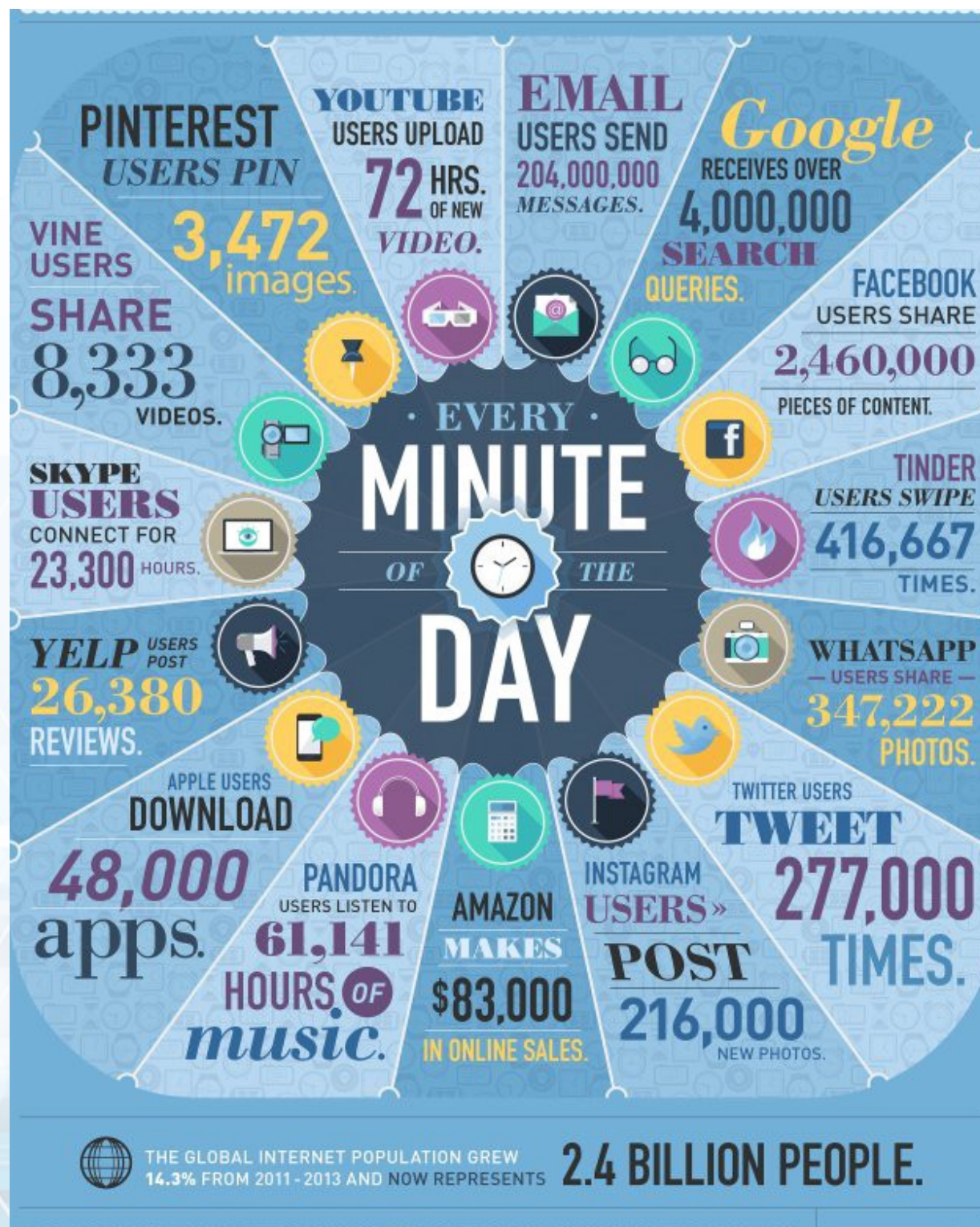
**Megabytes**

Video and photos stored  
by Facebook, per user

**75%**

 50 Terabytes of data are created every second







# Trend: Need for Speed

## Value Creation Shifts

Emerging companies highlight importance of user contribution and social connectedness



Level of User Contribution

<b>Founded</b>	<b>1984</b>	<b>1995</b>	<b>2004</b>	<b>2009</b>
<b>1M users</b>	<b>~6 years</b>	<b>30 months</b>	<b>10 months</b>	<b>?</b>
<b>50M users</b>	<b>N/A</b>	<b>~80 months</b>	<b>~44 months</b>	<b>~ 1 month</b>



# Need for Speed in R&D – An Example

- Company X: R&D is **10%** of revenue, e.g. 100M\$ for a 1B\$ product
- New product development cycle: **12 months**
- Alternative 1: improve efficiency of development with 10%
  - **10 M\$** reduction in development cost
- Alternative 2: reduce development cycle with 10%
  - **100M\$** add to top line revenue (product starts to sell 1.2 months earlier)

**No efficiency improvement will  
outperform cycle time reduction**

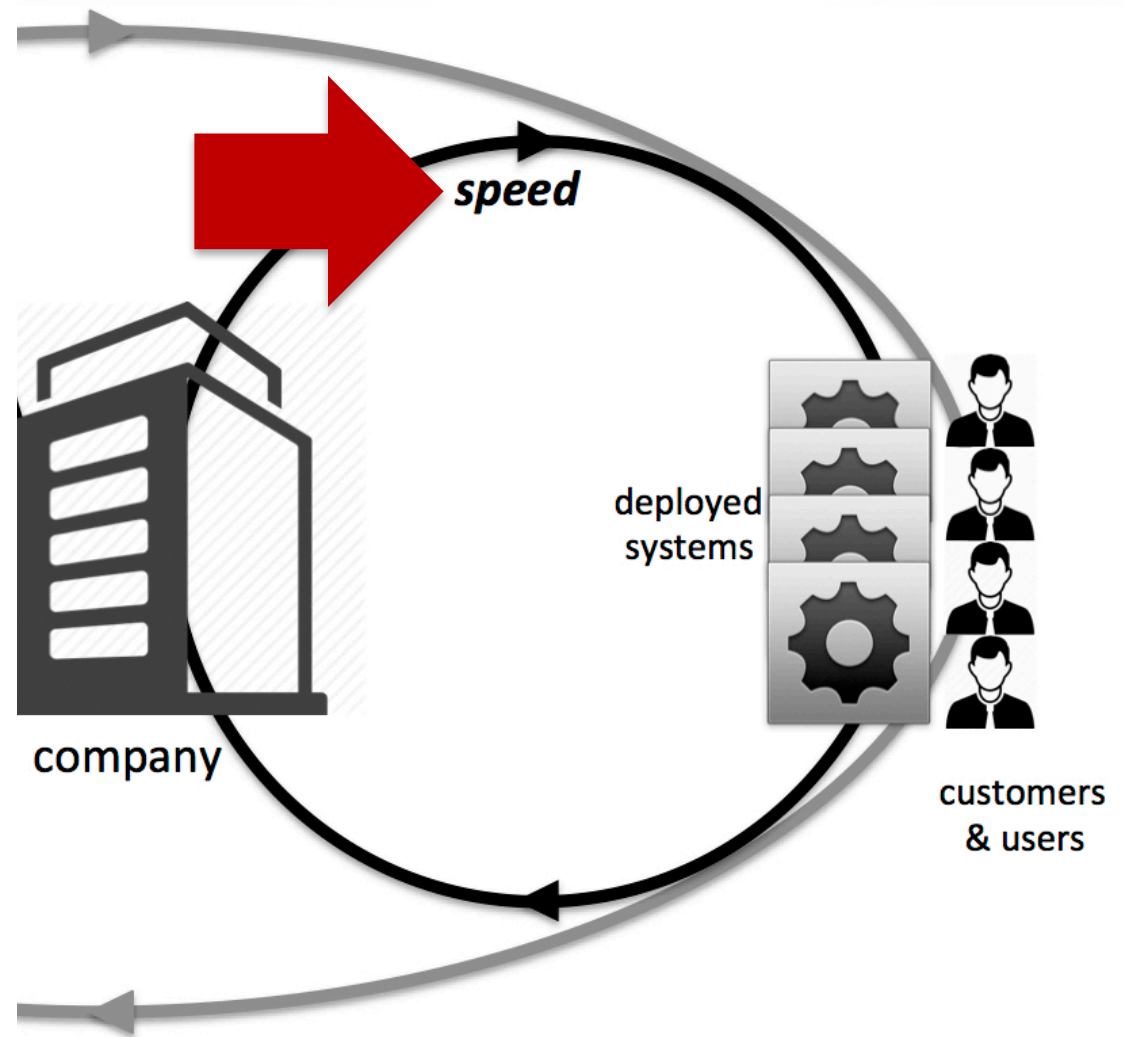


# Overview

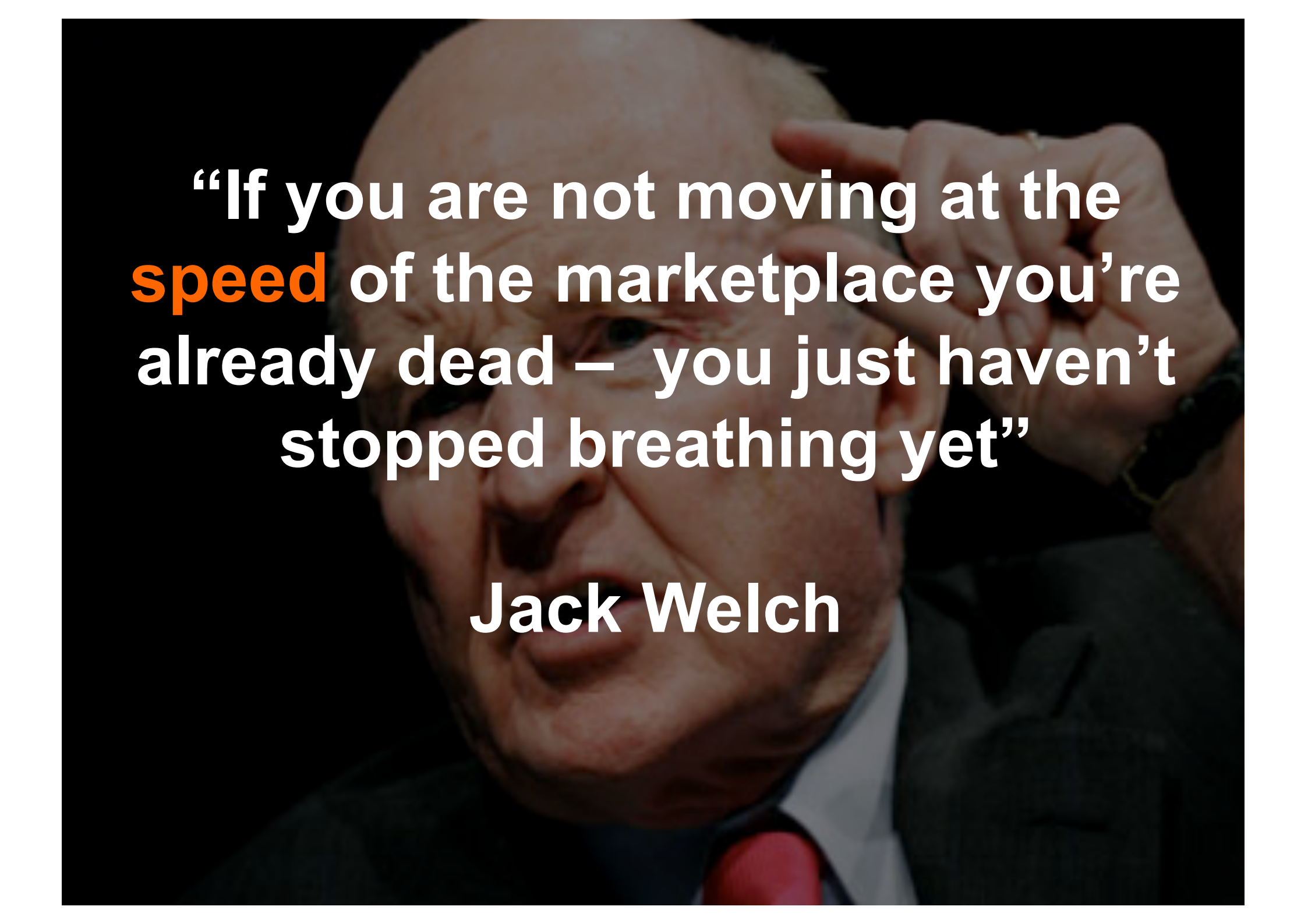
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# Stairway to Heaven 2.0



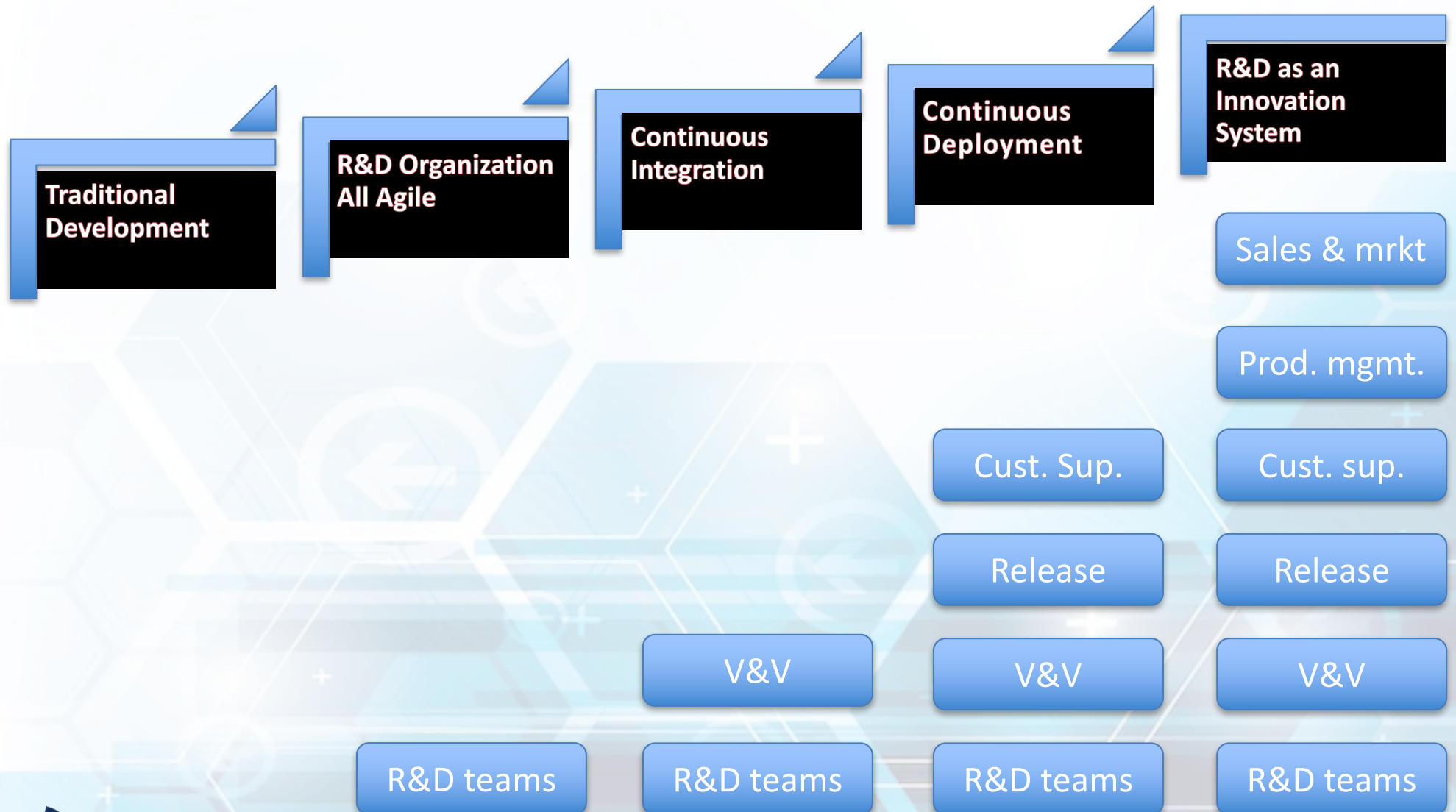


A close-up photograph of Jack Welch, an older man with a balding head and a serious expression. He is wearing a dark suit jacket, a white shirt, and a red tie. His right hand is raised to his forehead, with his fingers spread. The background is dark and out of focus.

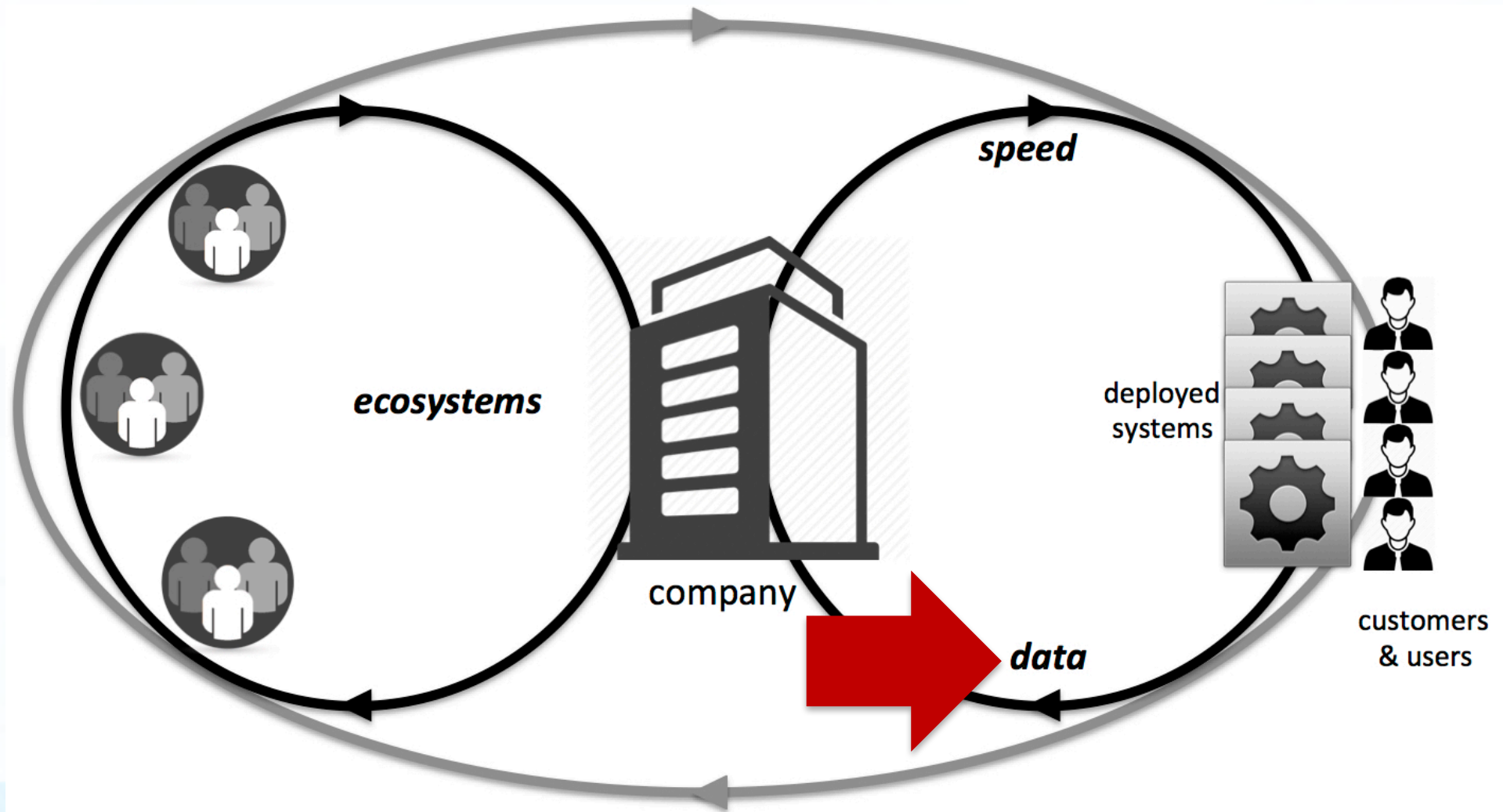
“If you are not moving at the  
**speed** of the marketplace you’re  
already dead – you just haven’t  
stopped breathing yet”

Jack Welch

# Stairway to Heaven: Speed

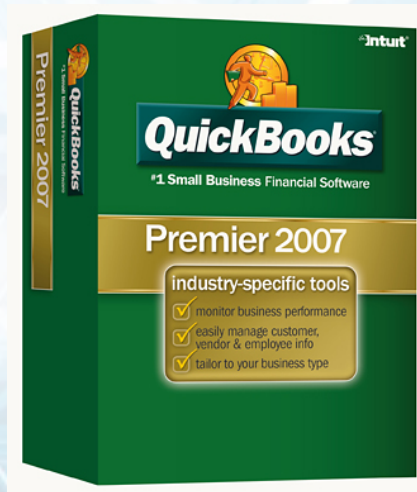
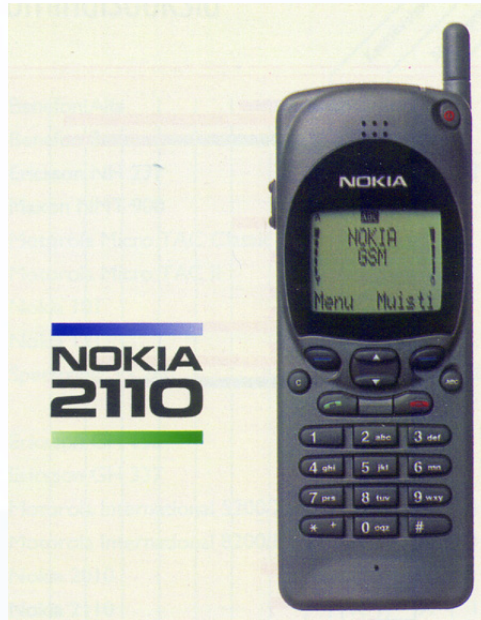


# Stairway to Heaven 2.0





# What Do These Product Have in Common?





# Example: Apple

The Myth	The Reality
Inspired innovation	Create and winnow 10 pixel-perfect prototypes
Inspired design	Build a better backstory (intricate layers of business design behind the products)
Brilliantly inspired marketing	Engineer the perfect customer experience to create customer experience and buzz

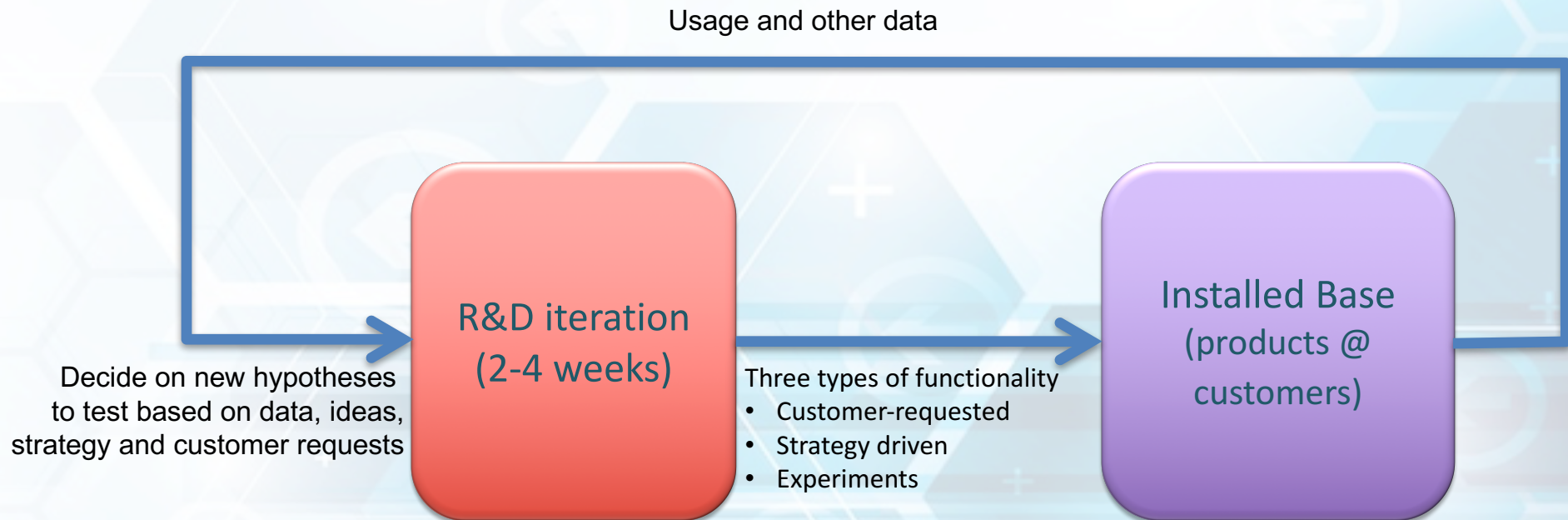


Reference: [http://blogs.hbr.org/cs/2011/08/steve\\_jobs\\_and\\_the\\_myth\\_of\\_eur.html](http://blogs.hbr.org/cs/2011/08/steve_jobs_and_the_myth_of_eur.html)

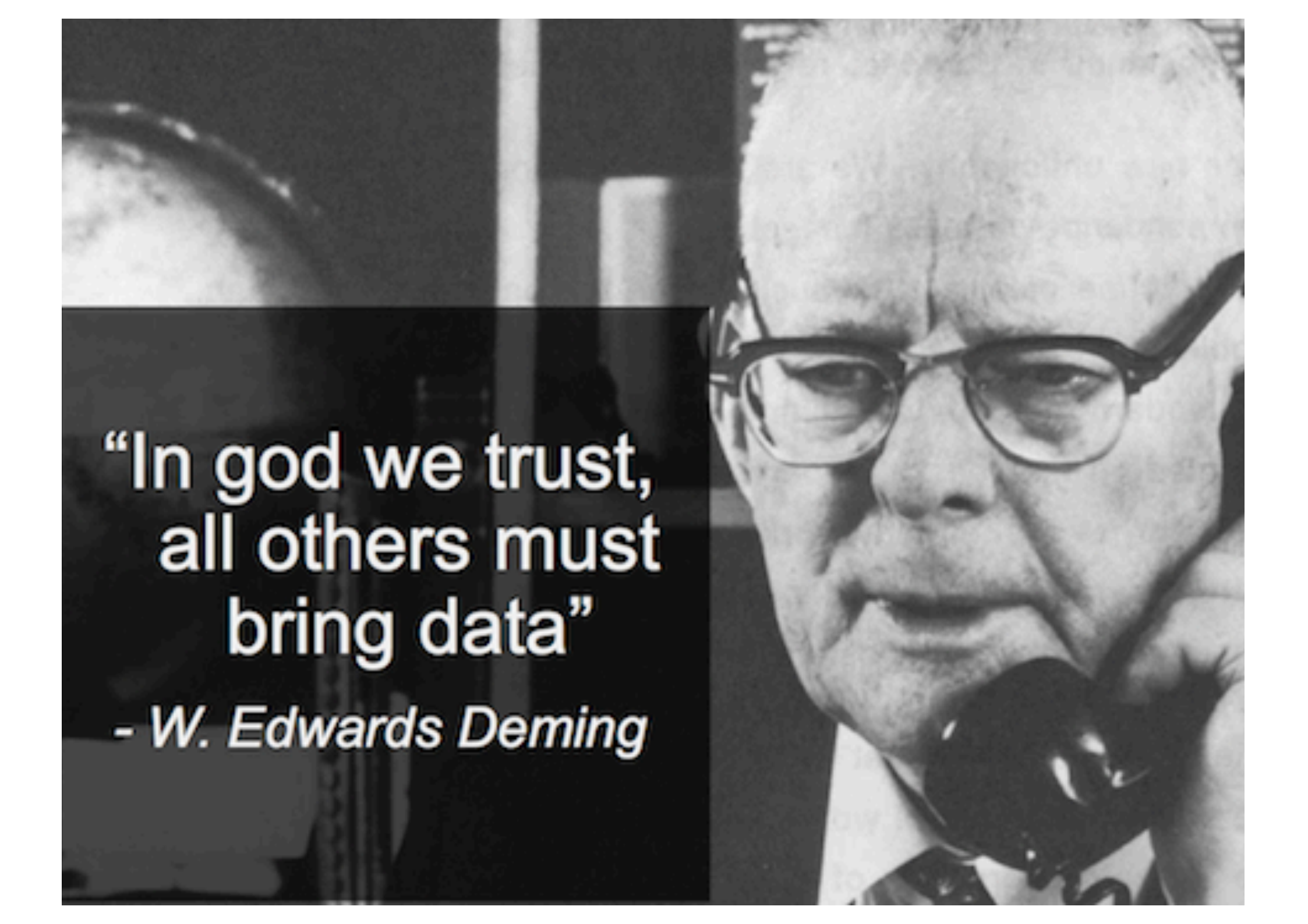
# R&D as an Experiment System

**Learning: the company running the most experiments against the lowest cost per experiment wins**

Goal: increase the number of experiments (with customers) with an order of magnitude to ultimately accelerate organic growth



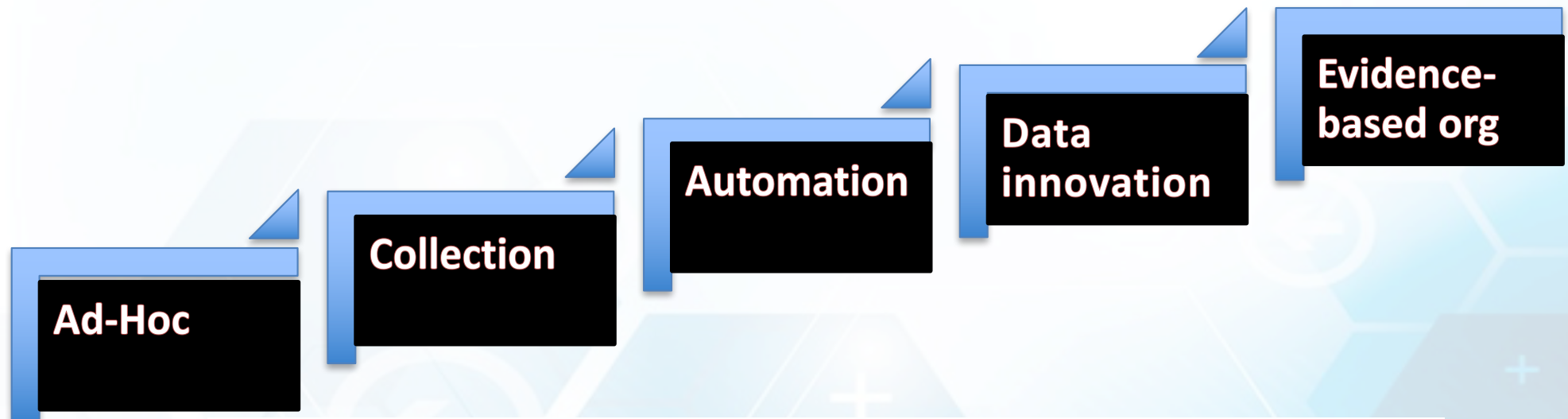
**Decisions should be based on DATA, not opinions**

A black and white portrait of W. Edwards Deming, an older man with glasses, resting his chin on his hand and holding a telephone receiver. The image is split vertically, with the left half being a dark, semi-transparent overlay containing text.

“In god we trust,  
all others must  
bring data”

- *W. Edwards Deming*

# Stairway to Heaven: Data



	Collection	Analysis	Reporting	Decision making
Ad-hoc	manual	manual	manual	manual
Collection	automated	manual	manual	manual
Automation	automated	automated	automated	supported
Data innovation	dynamic	dynamic	dynamic	supported
Evidence-based company	dynamic	dynamic	dynamic	automated





# In Practice: Slow Feedback Loops



# In Practice: Limited Use of Data

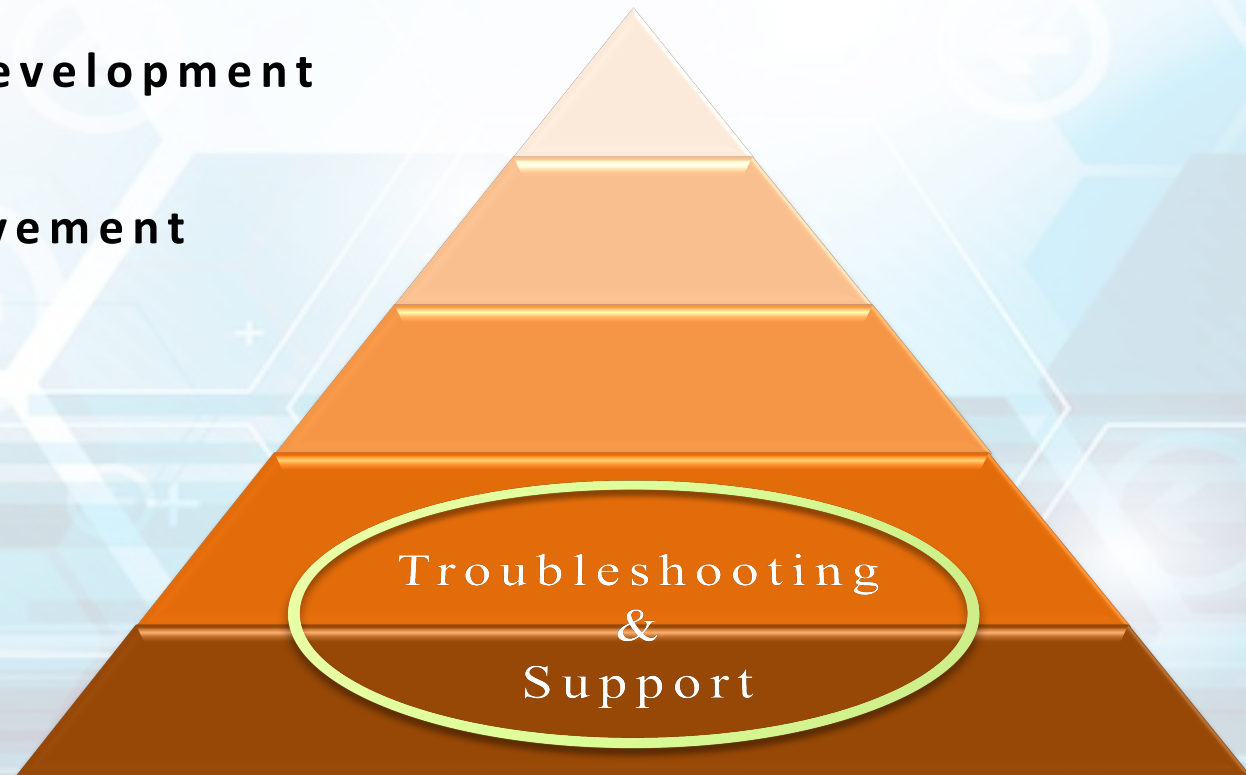
**New feature development**

**Feature improvement**

**Feature usage**

**Diagnostics**

**Operation**



# In Practice: The 'Open Loop' Problem

Weak link to PM decision-making and feature prioritisation.

- Are the prioritised features used by customers?
- Are the prioritised features generating revenue?

Learn (?)

Build

Technology-driven feature development.

- Difficulties in building smaller increments.
- Difficulties deploying early to customers.

Measure

High-level system measurements.

- Limited metrics on feature level.
- Inability to track feature use.



# Interview Quotes

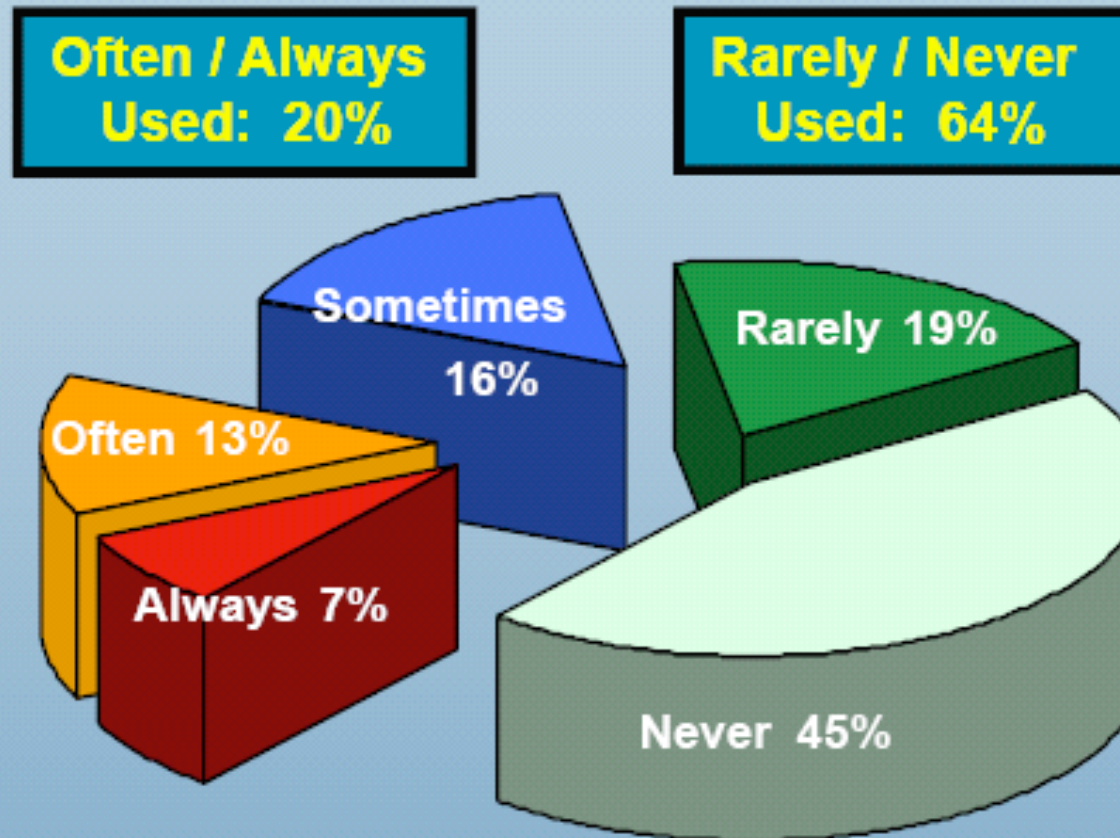
- "We **DON'T** know what features our customers use".
- "We have an idea on what functionality that is used...based on sales...but we **DON'T** really know...".
- "We can see some of the functionality that is used, but we **CAN'T** see how it is used".
- "Our development is affected in that we **DON'T** know what customers want".
- "We get feedback only on things that **DON'T** work...things that are problematic. This is not necessarily an indication of what is used the most...".
- "Does silence mean that things are OK? We **DON'T** know...".





# “Featuritis”

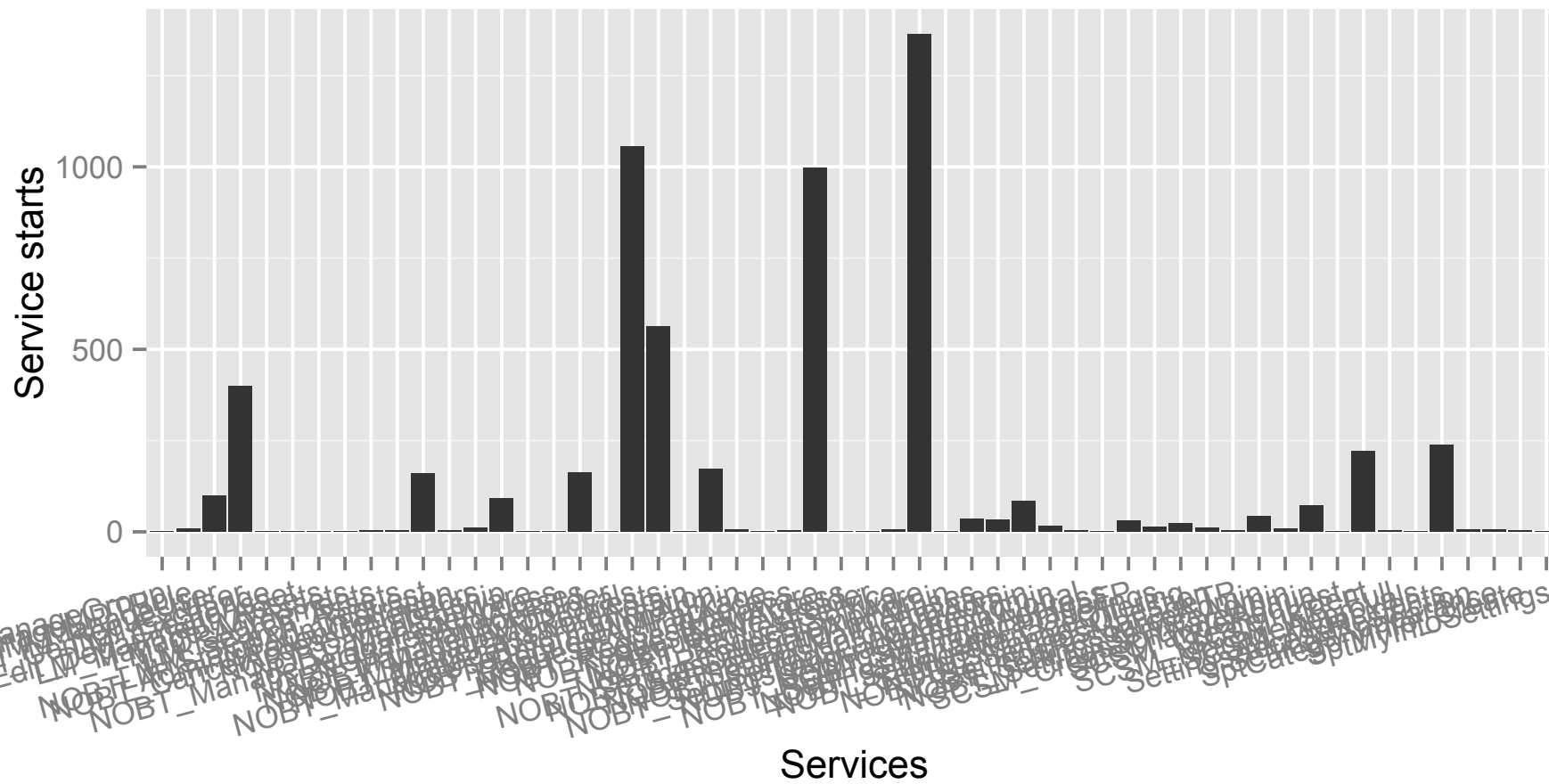
Features / Functions Used in a Typical System



*Standish Group Study Reported at XP2002 by Jim Johnson, Chairman*



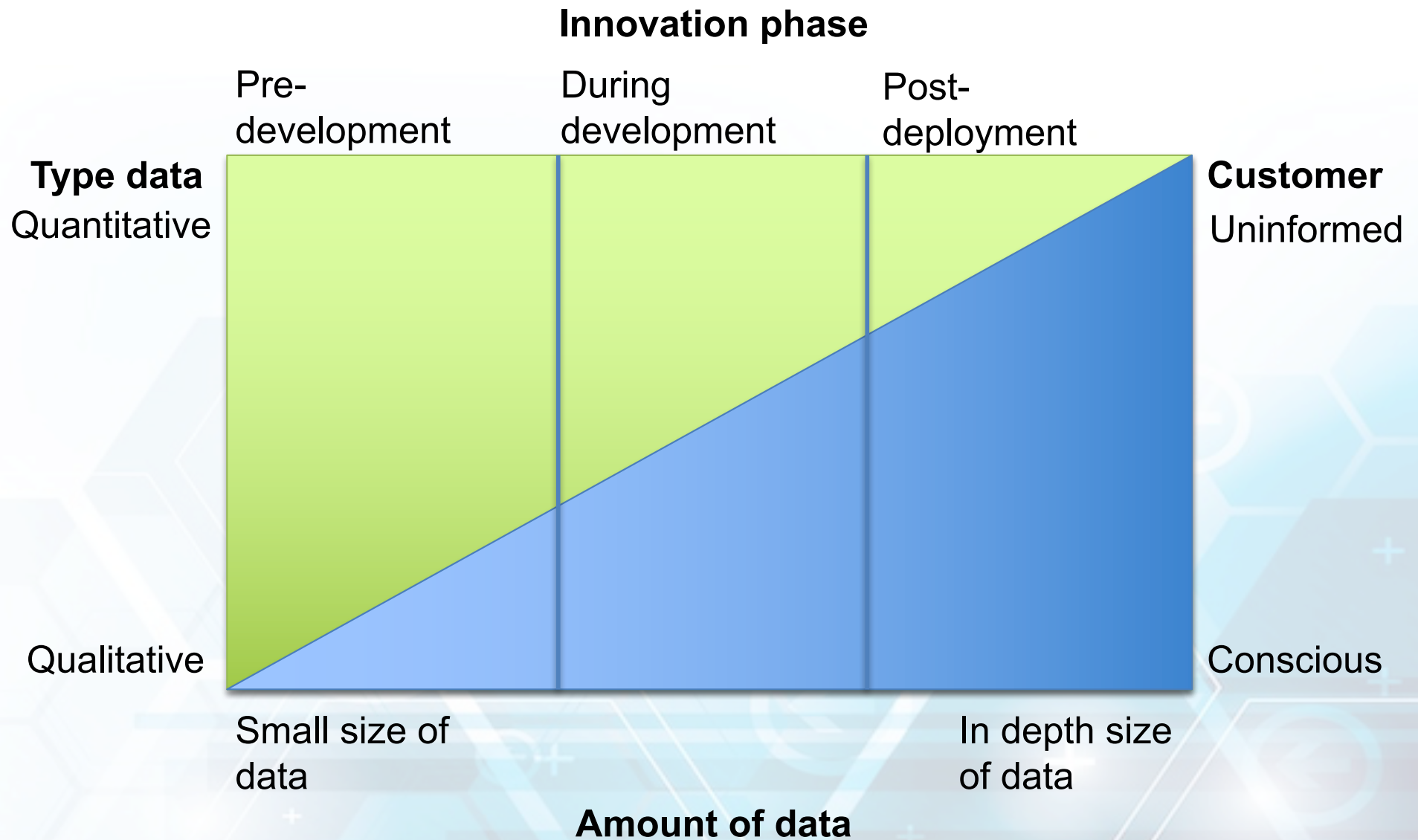
# Our Research ...



# Stages and Techniques

	Pre-Development	During development	Post deployment
Optimization	Ethnographic studies	Independently deployed extensions	Random selection of versions (A/B testing)
New features	Solution jams	Feature alpha In-product surveys	Instrumentation/ collecting metrics
New Products	Advertising Mock-ups BASES testing	Product alpha Labs website In-product advertising	Surveys Performance metrics

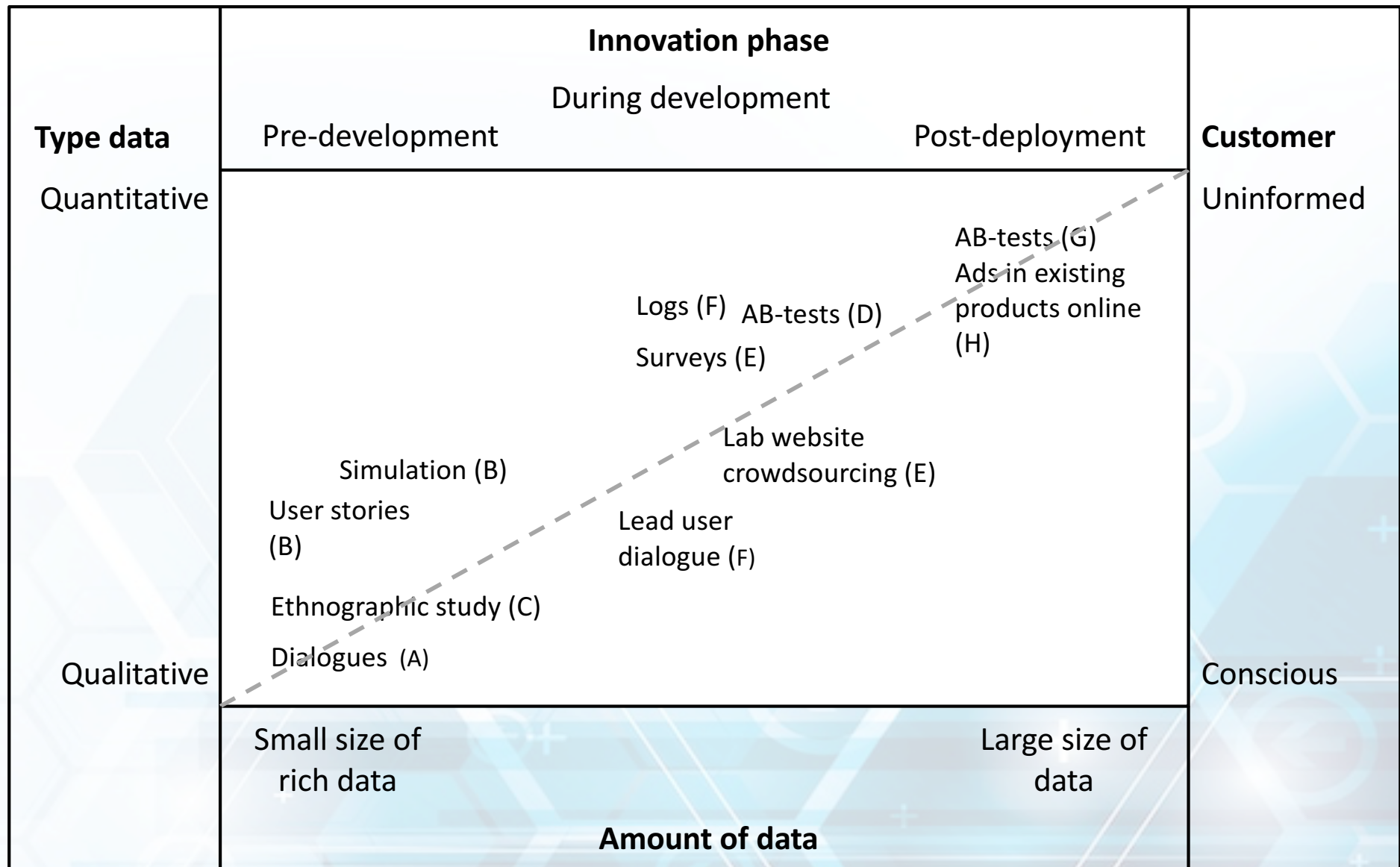




Source: Bosch-Sijtsema & Bosch, 2015



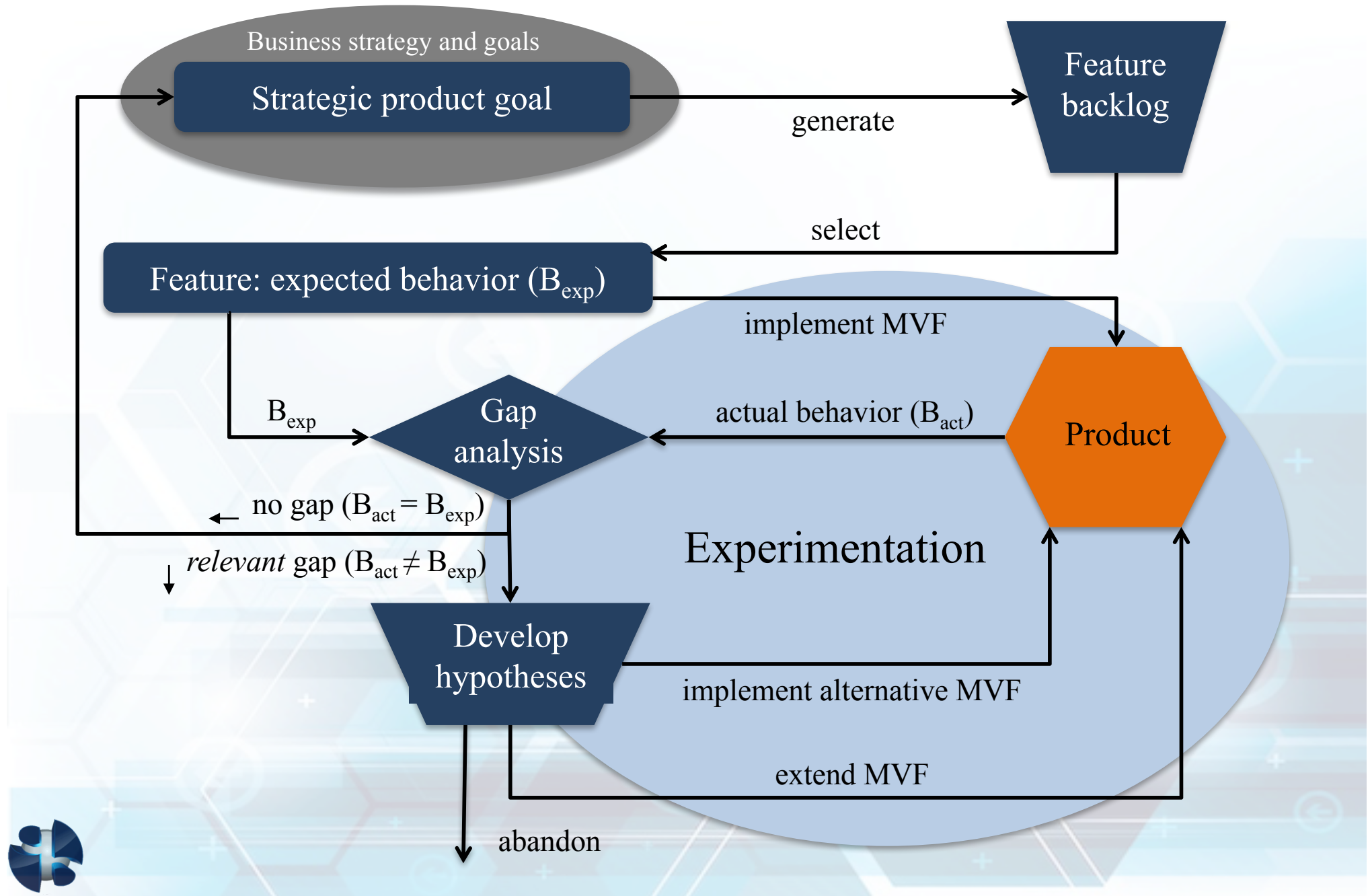




Source: Bosch-Sijtsema & Bosch, 2015



# The HYPEX Model

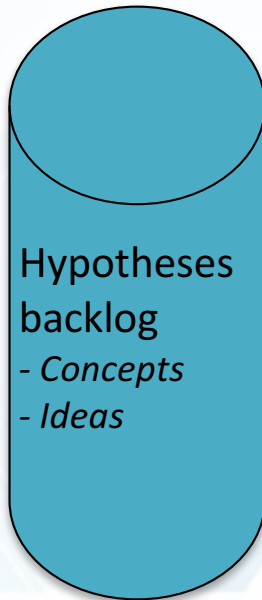


# The QCD model: Qualitative/quantitative Customer-driven Development

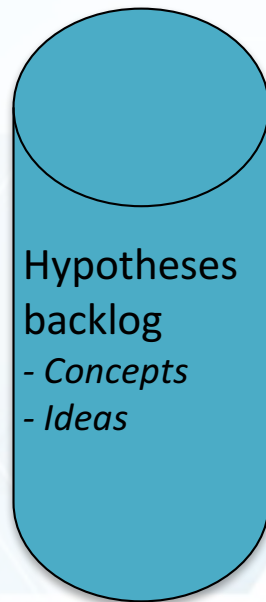
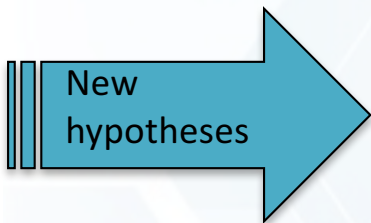
- Emphasizes the need for **combining** qualitative feedback with quantitative customer observation.
- Requirements are treated as **hypotheses** that are continuously validated with customers.
- The **validation** data is used to decide whether to run another validation cycle, whether to have the hypothesis put back into the backlog, or whether to abandon the hypothesis.
- Allows for continuous **re-prioritization** of feature content.
- Could be used to better understand the **content** of large amounts of quantitative data, and/or to validate qualitative data with a large customer base.



# Not Requirements; Hypotheses







**New hypotheses based on:**

- Business strategies
- Innovation initiatives
- Qualitative customer feedback
- Quantitative customer feedback
- Results from QCD cycles



## Customer Feedback Techniques (CFT):

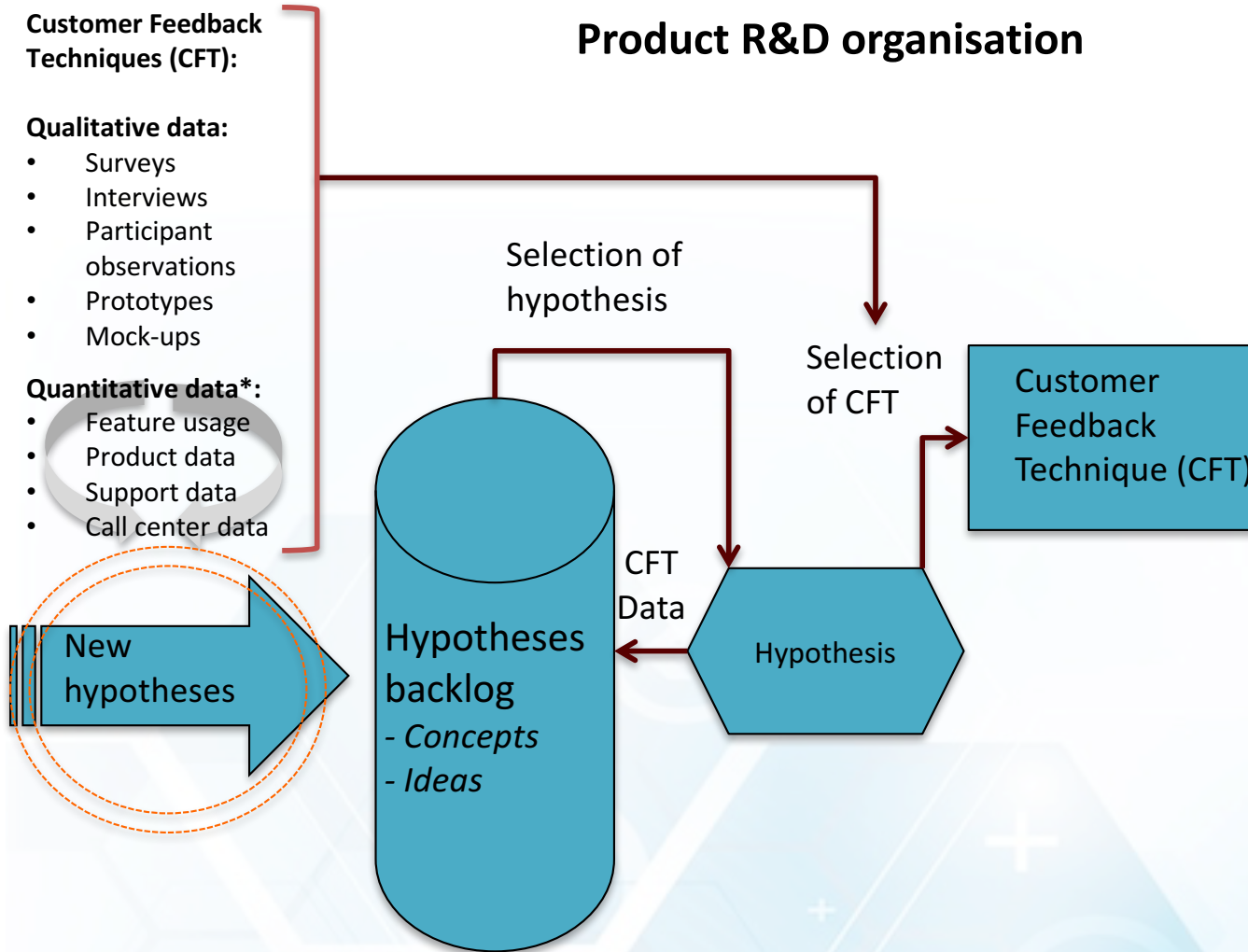
### Qualitative data:

- Surveys
- Interviews
- Participant observations
- Prototypes
- Mock-ups

### Quantitative data\*:

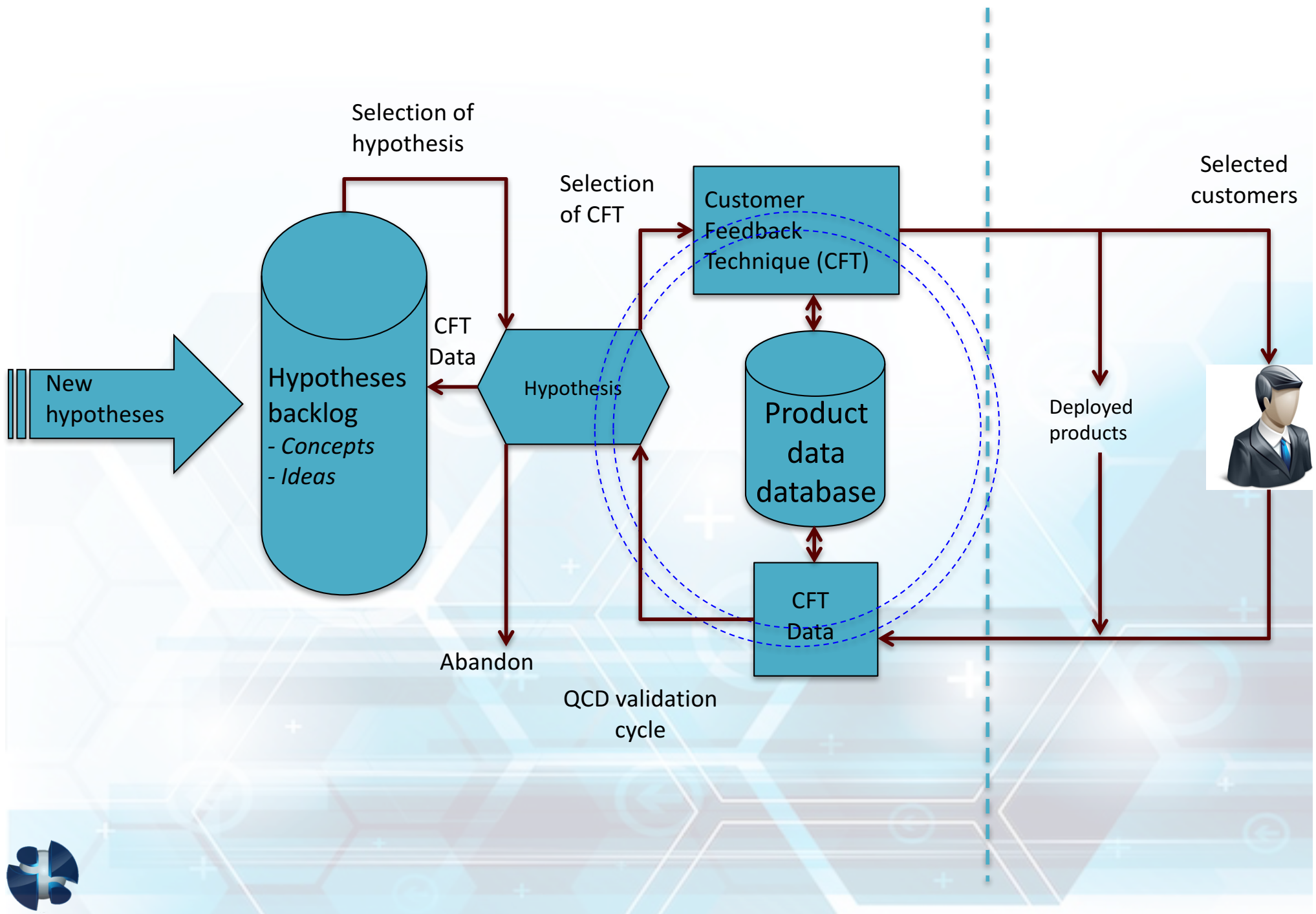
- Feature usage
- Product data
- Support data
- Call center data

## Product R&D organisation



## Product R&D organisation

## Products in the field



## Customer Feedback Techniques (CFT):

### Qualitative data:

- Surveys
- Interviews
- Participant observations
- Prototypes
- Mock-ups

### Quantitative data\*:

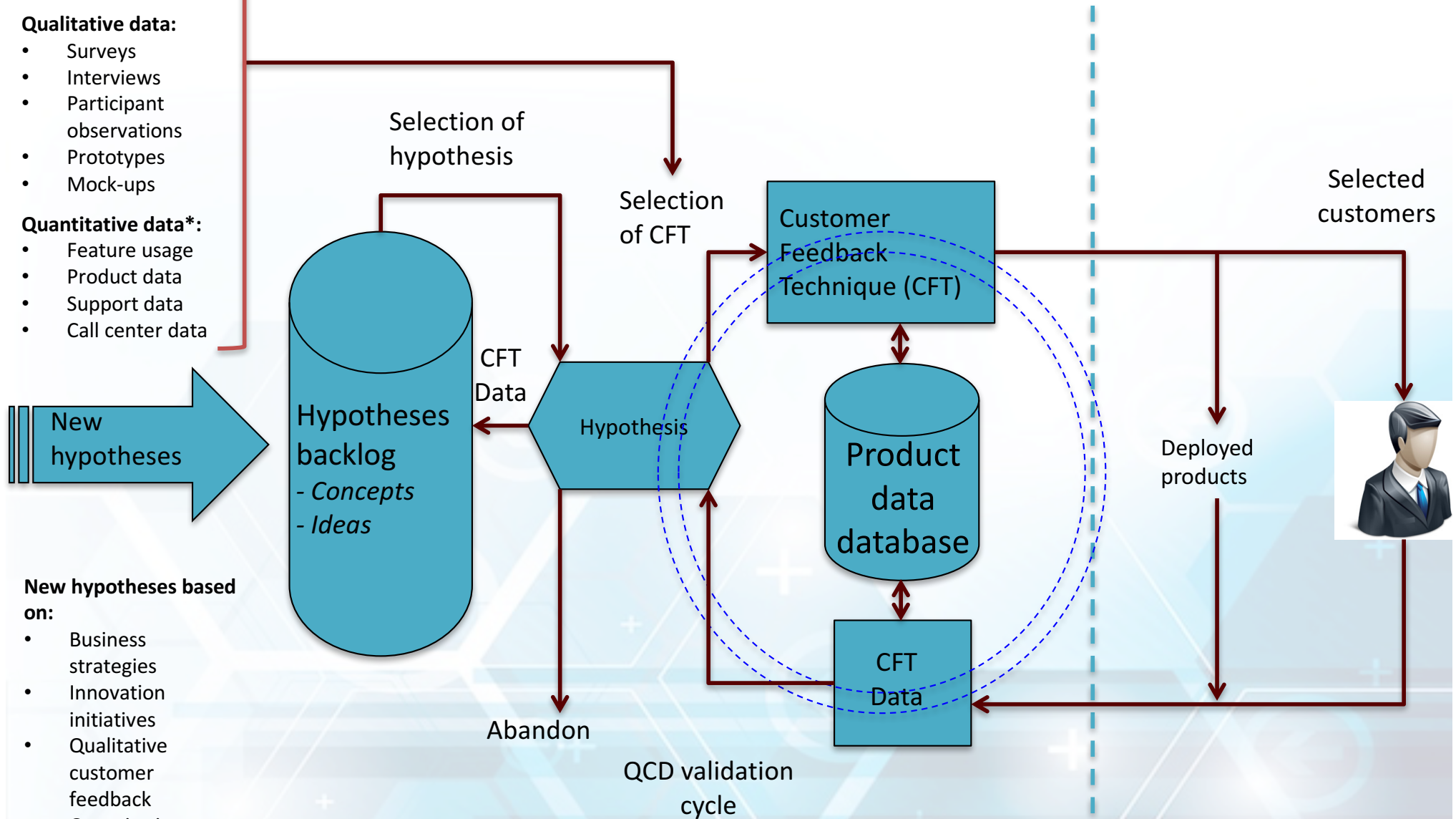
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### New hypotheses based on:

- Business strategies
- Innovation initiatives
- Qualitative customer feedback
- Quantitative customer feedback
- Results from QCD cycles

## Product R&D organisation

## Products in the field



# Continuous prioritization of hypotheses!

\*Loop in which decisions are taken on whether to do more qualitative customer feedback collection.



# Towards Automated Experimentation

## 1. self-reflective architectures

- measure and track own performance
- data collection integral in architecture
- facilitate automated experimentation
- support continuous deployment

## 2. data analytics techniques

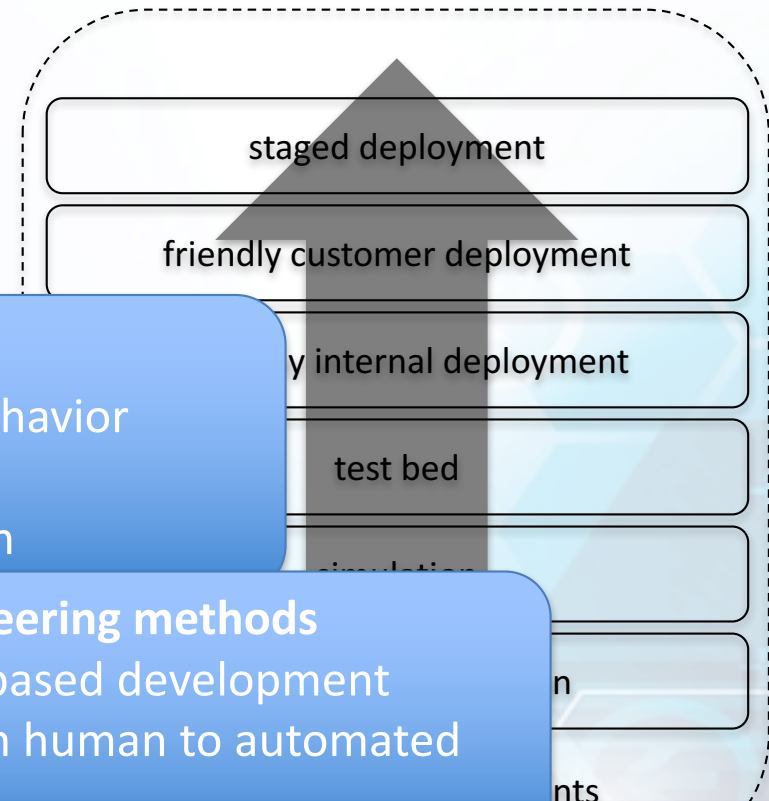
- establish success of autonomous behavior
- determine value of new features
- support automated experimentation

## 3. novel software engineering methods

- data-driven/evidence-based development
- Support transition from human to automated experimentation

## 4. Families of smart systems

- Facilitating learning from each other

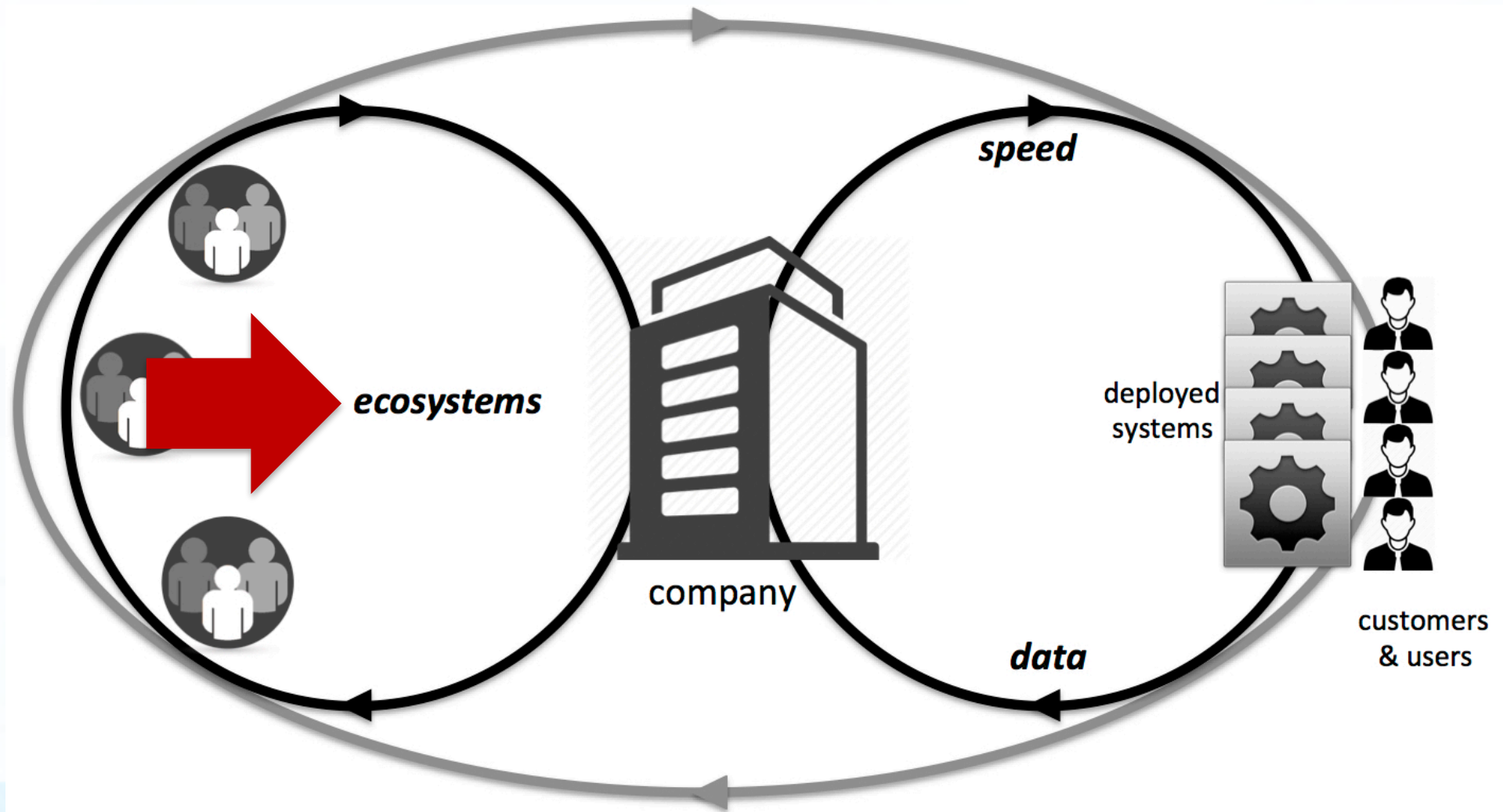


A portrait of Peter Norvig, Chief Scientist at Google, is shown in the background. The image is overlaid with a dark red, semi-transparent filter. The text is centered over the image.

**We don't have better algorithms.  
We just have more data.**

**Peter Norvig  
Chief Scientist, Google**

# Stairway to Heaven 2.0



# Business Ecosystem

Economic community supported by a foundation of interacting organizations and individuals, which can also be perceived as organisms of the business world (Moore, 1993).

1. Symbiotic relationship
2. Co-evolution
3. Platform: tools, services and technology used in ecosystem to enhance performance



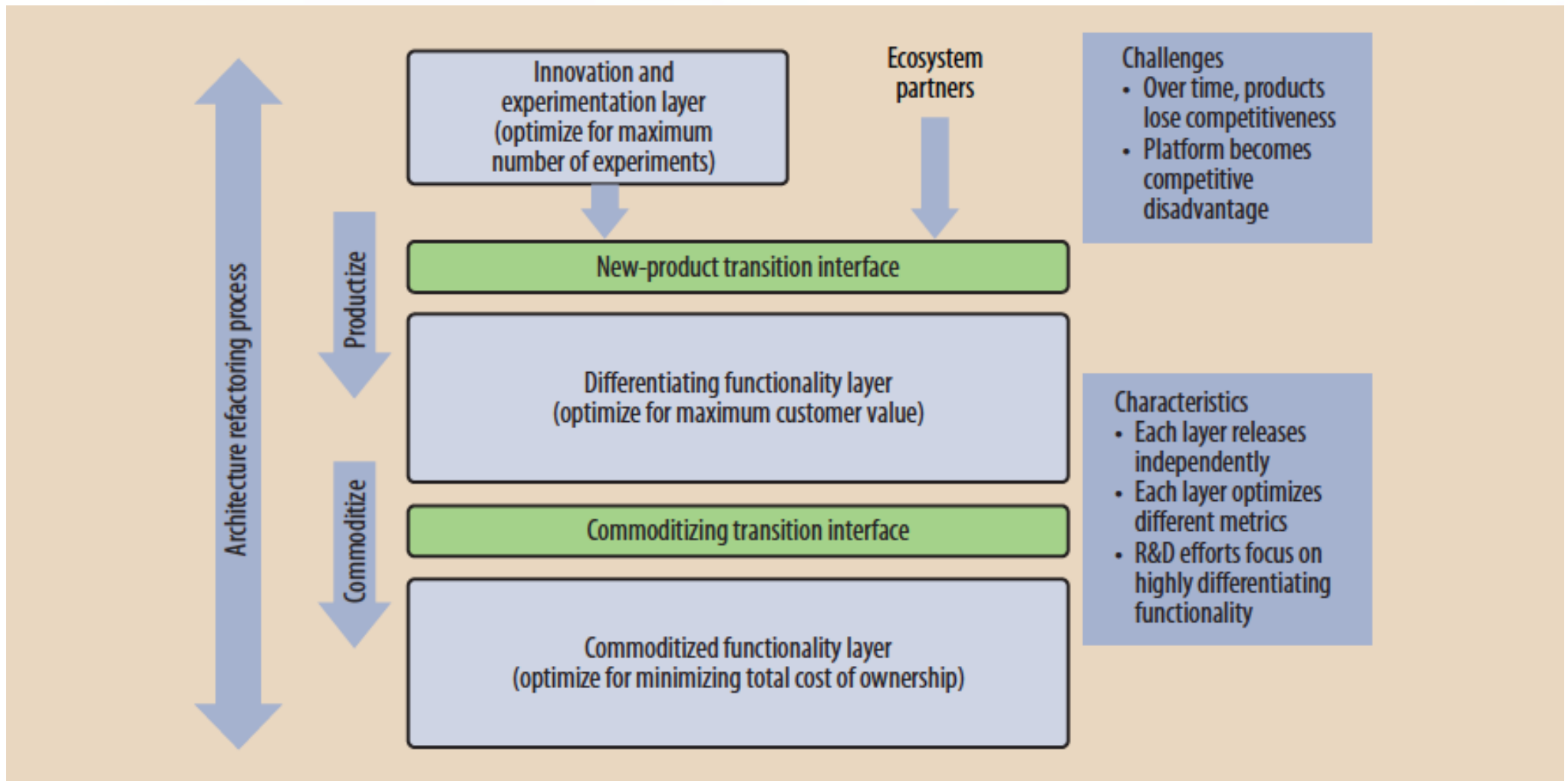


# Software Ecosystems

- Here's a try: A business ecosystem consisting of a platform, a set of internal and external developers and a community of domain experts in service to a community of users that compose relevant solution elements to satisfy their needs.
- Some more detail:
  - **platform:** A hierarchical set of shared components providing functionality that is required and common for the developers constructing solutions on top of the platform.
  - **Evolution:** Over time, the functionality in the ecosystem commoditizes and flows from unique solutions to the platform.
  - **Developers:** Although internal and external developers use the platform differently, the platform often allows developers to build on top of each other's results.
  - **Composition:** Users are able to compose their own solutions by selecting various elements into a configuration that suits their needs optimally.



# 3LPM: Three Layer Product Model

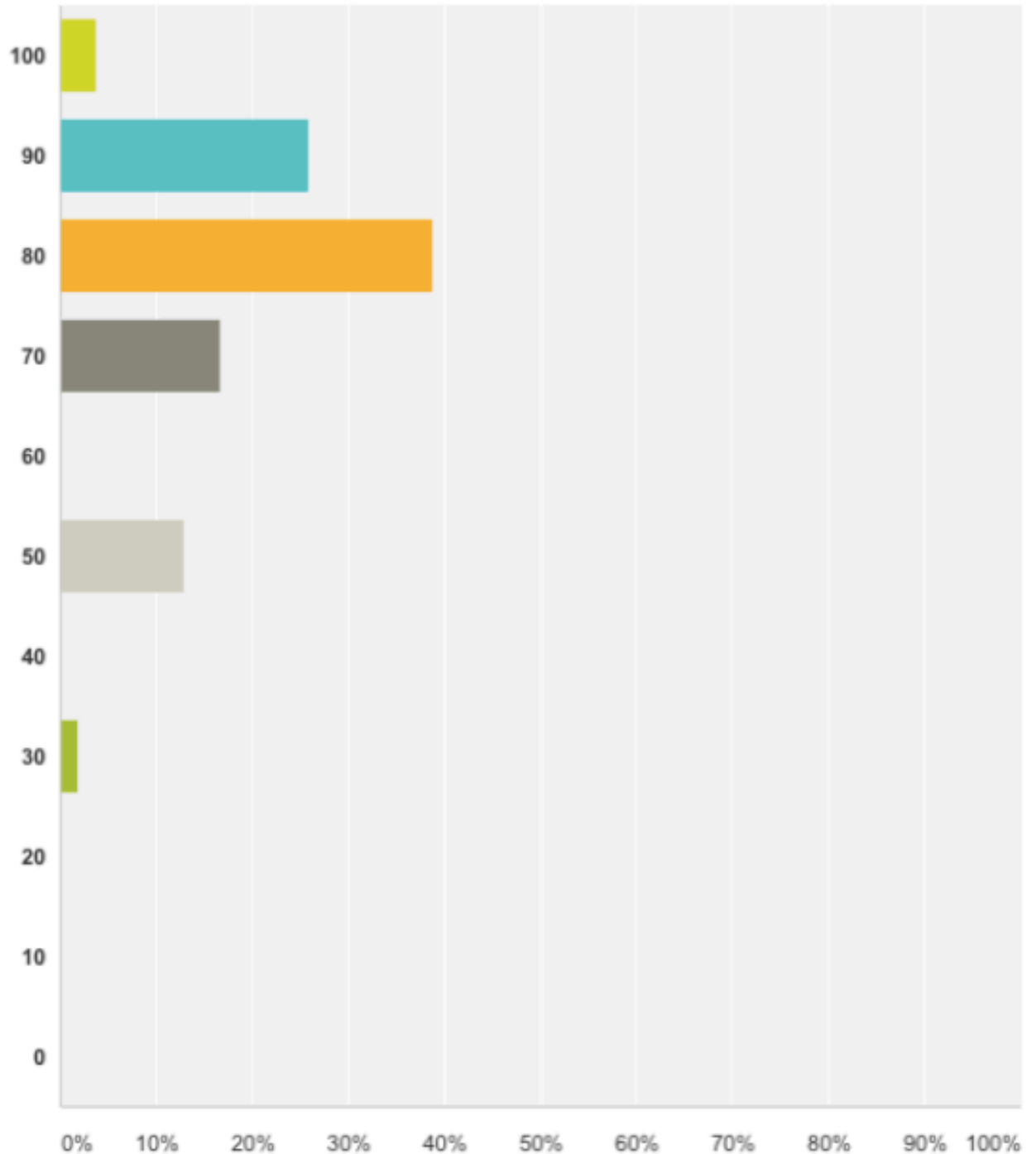


Bosch, J. (2013). Achieving Simplicity with the Three-Layer Product Model, *IEEE Computer*, Vol. 46 (11), pp. 34-39.



# What % of R&D for Commodity?

Answered: 54 Skipped: 6



# TeLESM: Three Layer Ecosystem Strategy Model

## Innovation ecosystem

**internal** ←

- Me-Myself-I Strategy
- Be-My-Friend Strategy

**collaborative** →

- Customer Co-Creation Strategy
- Supplier Co-Creation Strategy
- Peer Co-Creation Strategy
- Expert Co-Creation Strategy

→ **external**

- Copy-Cat Strategy
- Cherry-Picking Strategy
- Orchestration Strategy
- Supplier Strategy
- Preferred Partner Strategy
- Aquisition Strategy

## Differentiating ecosystem

**internal** ←

- Increase Control Strategy
- Incremental Change Strategy
- Radical Change Strategy

**collaborative** →

→ **external**

## Commoditizing ecosystem

**internal** ←

- Rationalized in-sourcing
- Push-Out Strategy

**collaborative** →

- OSS Creation Strategy
- Partnership Strategy
- OEM partnerships

→ **external**

- COTS Adoption Strategy
- OSS Integration Strategy
- Outsourcing





# Stairway to Heaven: Ecosystems



Levels	
Internally focused	do everything in-house unless it is really impossible
Ad-hoc ecosystem engagement	individuals take ad-hoc decisions to engage with ecosystem partners, but local optimization
Tactical ecosystem engagement	ecosystem engagement is centralized, but driven by tactical (rather than strategic) considerations
Strategic single ecosystem management	one of the ecosystem types is managed strategically
Strategic multi-ecosystem management	all three types (I, D, C) are managed strategically

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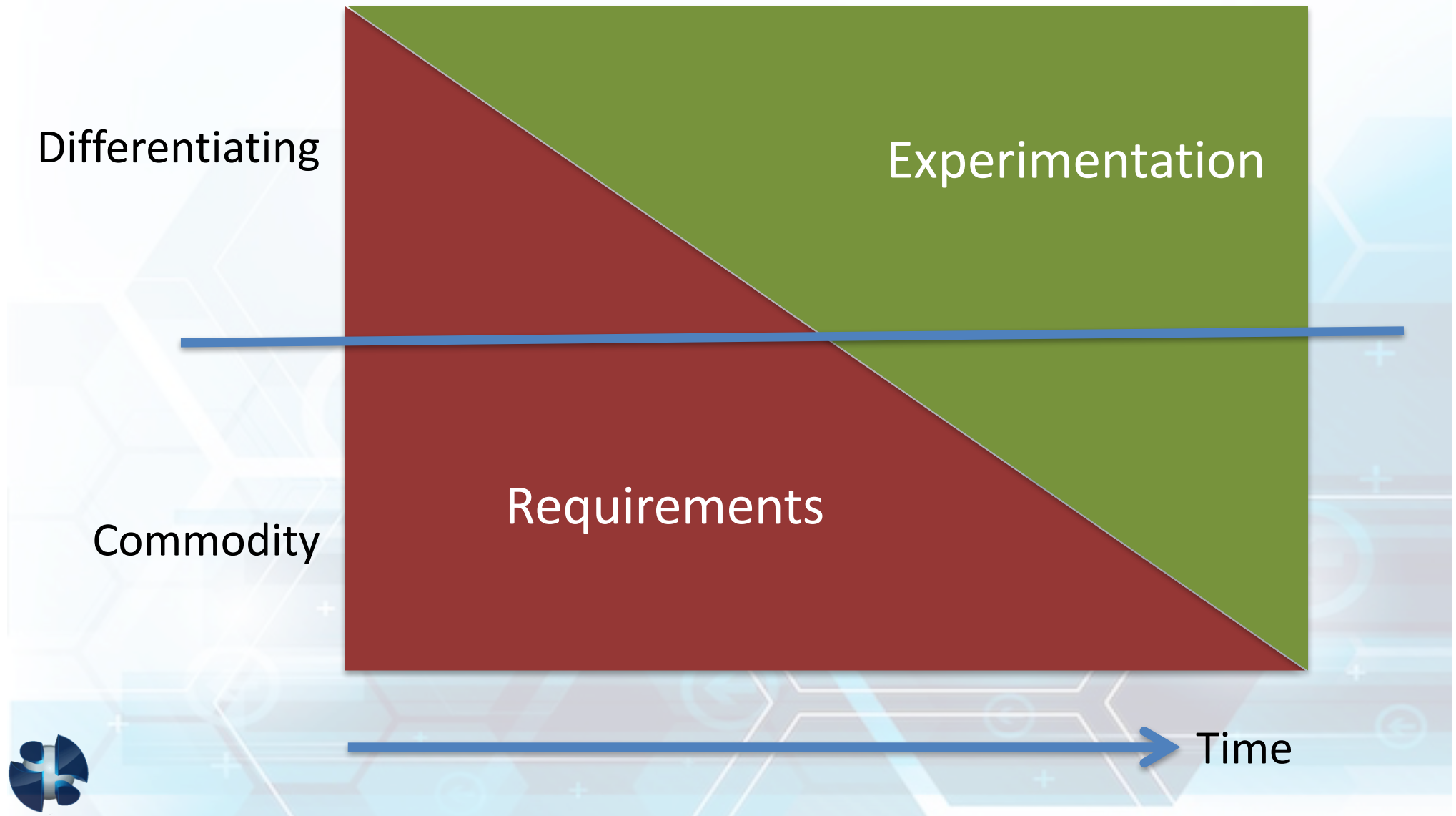


# From Requirements to **Proven** Value

- All systems will employ continuous deployment (at least once per agile sprint)
- R&D teams will employ A/B testing for all feature development and “MVP” approach for new products (***instead of requirements!***)
- Systems will use streaming analytics in various forms and exhibit data-driven behavior
- Systems will autonomously experiment with their behavior to improve the delivered value
- Families of similar systems will learn from each other automatically



# Requirements versus Experimentation





# Implications

1. Elicit as **few requirements** as you can before building the MVP
2. Instrument, collect and analyze data to **constantly validate** your prioritizations
3. Model the **expected value** rather than express the requirement
4. Focus on **minimizing the R&D investment** between data driven proofpoints



# Implications

## From

- Pre-development requirements
- Opinions-based decision making (experience)
- Satisfying the requirements
- Deeply integrated architectures
- Hierarchical organizational model
- Static certification

## To

- Value modeling and constant validation
- Data-driven decision making
- Constant experimentation and innovation
- Modularized architectures
- Ecosystem of partners
- Dynamic, continuous certification

# Overview

- Vem är jag? Wie ben ik? Who am I?
- Trends in Software: Need for Speed
- Stairway to Heaven
  - Speed
  - Data
  - Ecosystems
- Implications for Requirements Engineering
- Conclusion

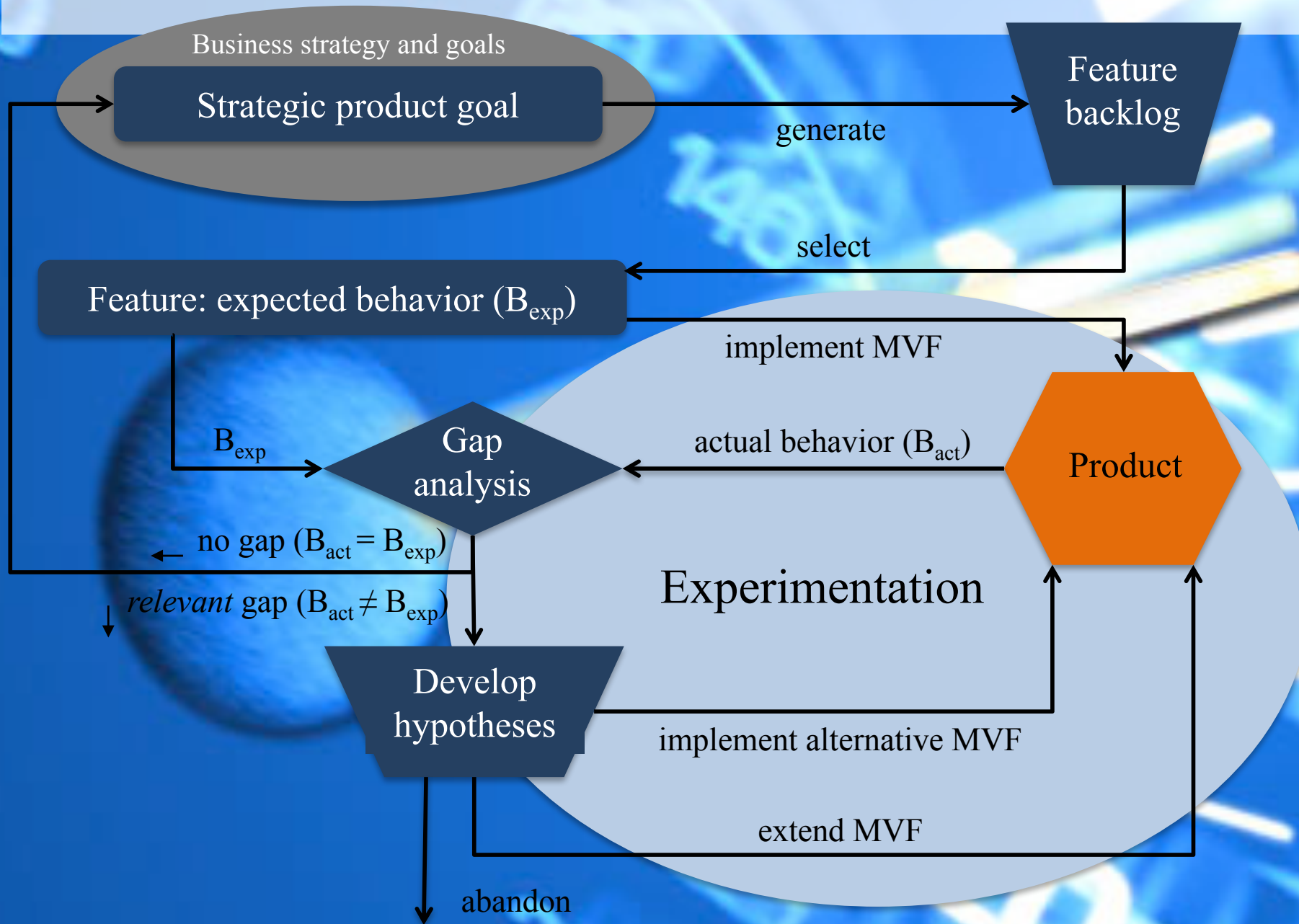


# Speed

- Increasing **SPEED** trumps ANY other improvement R&D can provide to the company – the goal is **continuous deployment** of new functionality
- If you're not a front-line engineer, there is only ONE measure that justifies your existence: how have you helped teams move faster?
- Don't optimize efficiency, optimize speed



# Data-Driven Development



# Software Ecosystems

## Ecosystem Drivers

External

Internal

Internal

External

Internal

## Ecosystem Type

### Innovation ecosystem

- **Who:** Customers, 3<sup>rd</sup> party developers, suppliers
- **What:** Development of new functionality
- **Why:** Share/minimize innovation costs/risks
- **When:** High market uncertainty
- **How:** Open innovation, co-opetition, partnerships
- **Mechanisms:** Product platforming, idea competitions, customer involvement, collaborative design, innovation networks etc.

### Differentiating ecosystem

- **Who:** Keystone player
- **What:** Optimization and extension of existing functionality
- **Why:** Turn innovations into core product offerings, keep internal control over value-adding functionality, optimize for maximum customer value
- **When:** When innovative functionality have proven valuable for customers
- **How:** Innovation transfer, R&D management, monetizing strategies
- **Mechanisms:** Data-driven development, patents, contracts, licenses etc.

### Commoditizing ecosystem

- **Who:** Suppliers, competitors, developers
- **What:** Reduce efforts related to old, non value-adding functionality
- **Why:** Share/minimize maintenance costs
- **When:** Functionality that has become so integral to the product that it no longer offers customer value
- **How:** OSS, COTS, inner source, standardization, shared supplier
- **Mechanisms:** Open platforms and API's, connecting services etc.

## Ecosystem Characteristics

- Collaborative
- Internal/external
- Exploratory
- Risk prone
- Less control-driven

Functionality transfer

- Competitive
- Internal
- Efficient
- Risk averse
- Control-driven

Functionality transfer

- Collaborative
- Internal/external
- Cost-efficient
- Risk averse
- Less control-driven



# Not My Job?!



Strong LEADERSHIP needed from YOU



**“One accurate measurement is worth more than a thousand expert opinions.”**

**- Admiral Grace Hopper**







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