

THE LAWS OF AGILE MEET AUSTRIAN ECONOMICS

Agile methodology and practice is a positive step on the road towards the Austrian vision that value lies entirely with the customer. But Agile does not quite go all the way.

1 The Law Of The Customer

Agile Principles

- ✓ The one valid definition of business purpose is to create a customer.
- ✓ The customer – with mercurial thoughts and feelings - is at the center, and demands to be delighted.
- ✓ Continuous innovation is a requirement to delight customers.
- ✓ Everyone in the firm must view the world from the customer's perspective, and share the goal of delighting the customer.
- ✓ The firm must have accurate and thorough knowledge of the customer.
- ✓ The firm's structure changes with the marketplace.
- ✓ Speed of response becomes crucial and time is a strategic weapon.

Austrian Principles

- ✓ Customer sovereignty – customers decide what is produced by buying or not buying.
- ✓ Value is subjective – and so customer preferences can change rapidly and frequently.
- ✓ Responsiveness is not enough – the goal is to imagine the customer's future needs, and involve them in the production of future value.

2 The Law Of The Network

Agile Principles

- ✓ Collaborative network of competence replaces hierarchy of authority.
- ✓ The network has no leader but it does have a shared, compelling goal.
- ✓ The network is the sum of the small groups (rather than individuals) it contains.
- ✓ Each group has an action orientation.
- ✓ The network's administrative framework stays in the background. No bureaucratic reporting.

Austrian Principles

- ✓ The true network is the market – which includes customers (of which there are many more than firms).
- ✓ Networking the production side of the firm is an incomplete act.
- ✓ A fully-functioning network includes customers and consumers with equally valid connections to the firm, not just collaborative production partners.

3 The Law Of Small Teams

Agile Principles

- ✓ Big and difficult problems are disaggregated into small batches and performed by small cross functional teams – scaling down the problem.
- ✓ 7 +/- 2 is a good rule of thumb for team size.
- ✓ Each team is autonomous, and works in small batches and short cycles.
- ✓ Each team aims to get to “done” – it's binary: either done or not done, never almost done.
- ✓ No interruption. ✓ Radical transparency. ✓ Retrospective reviews.
- ✓ Customer feedback each cycle.

Austrian Principles

- ✓ Required services can be a component of value creation – such as compliance, operations management, etc.
- ✓ Bureaucracy can't be eliminated entirely without a reduction in customer value.
- ✓ Focus on creating value for the future, while ensuring no loss of current reputation and relationship.

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