Radical Management

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Video

Radical Management

Explaining the idea in sixty seconds
How organizations surprised us all

Stephen Denning

Former Director, Knowledge Management, World Bank
Robert McNamara

President, Ford Motor Company, 1960
Secretary of Defence, 1961-1968
President, World Bank, 1968-1981

“the smartest man I ever met”
John F. Kennedy
1996-2000

A knowledge management program was launched
2000-2008

Teaching the Fortune 500 how to use the power of leadership storytelling

Why doesn’t it stick?
One clue...
It’s not just leadership storytelling!

Knowledge management

Not just the World Bank
• BP
• Ernst & Young
• IBM
• HP
It’s not just leadership storytelling!

Lean Manufacturing

“Only 1% of lean initiatives meet their goals.”

Jeffrey Liker
It’s not just leadership storytelling!

Marketing

25 ways in which traditional management systematically kills great marketing ideas
It’s not just leadership storytelling!

Innovation

How management systematically kills disruptive innovation
Why did management systematically kill *all* the creative things in organizations?

- knowledge management?
- lean manufacturing?
- innovation?
- marketing?
- leadership storytelling?
- even Agile and Scrum
Most management textbooks... Most business schools...

Traditional management rests on five interlocking principles.
1. The purpose of a firm is to produce outputs that make money.
Five planks of traditional management

2. Managers act as controllers of individuals
Five planks of traditional management

3. Work is coordinated by hierarchy and bureaucracy

Rules
plans
reports
Five planks of traditional management

4. “The main thing is efficiency”
Five planks of traditional management

5. Communicate by directives
The shifts are interlocking & self-reinforcing

Make money for shareholders

Managers are controllers of individuals

Bureaucracy: rules, plans, reports

Efficiency, cost cutting

Top down commands

“Single fix” improvements make no impact
Five planks of traditional management

“Traditional management practices are a success”

“the smartest man I ever met”
John F. Kennedy
2009: Conclusive proof of the failure of traditional management

Source: Deloitte’s Center for the Edge
2009: Conclusive proof of the failure of traditional management

- The *rate of return on assets* has fallen by 75% since 1965
- Only 1 in 5 workers *fully engaged*
- Whole industries have been lost to *outsourcing in Asia*

*Source: Deloitte’s Center for the Edge: The Shift Index*
Many are now concluding:

Management is broken!
What we have now

Failing firms

Disspirited employees

Frustrated customers

Lose-lose-lose-lose!
What we have now: tradeoffs

Quality  Efficiency  Speed

The iron triangle
Implication for organizational survival:

“The significant problems we have cannot be solved at the same level of thinking with which we created them.”

*Albert Einstein*

*We have to think differently!*
What is needed: win-win-win-win

Quality → Speed → Efficiency → Quality

No trade-offs!
What we need:

- Thriving firms
- Deep job satisfaction
- Delighted customers

Win-win-win!
We know how to achieve this:

**5 big shifts**

( and 70+ practices)!
The shifts are interlocking & self-reinforcing

Goal

Delighting customers

Role

From controller to enabler

From bureaucracy to dynamic linking

Values

Radical transparency

Communications

From command to conversations

Accountability

Goal
1. NEW GOAL: delight the customers
   from outputs to outcomes

1. Delight the customer!
Practices for creating customer delight

Customer delight is not a new idea:

Ancient Romans e.g. Vitruvius’s treatise on architecture
Is “customer delight” a serious business proposition?

“Customer delight” = “Providing a continuous stream of additional value to customers and delivering it sooner”
Practices for creating customer delight

Is “customer delight” a serious business proposition?

“happiness”  “enchantment”  “joy”
Is “customer delight” a serious business proposition?

- “customer success”
- “customer trust in us”
- Net Promoter Score
NEW GOAL: delight the customers
from outputs to outcomes

Produce outputs

Generate outcomes
NEW GOAL: delight the customers
i.e. from outputs to outcomes

An epochal shift in the balance of power in the marketplace:

The customer is now the boss!
NEW GOAL: delight the customers
i.e. from outputs to outcomes

The bottom line for business
Make money

Delight the customer
NEW GOAL: delight the customers
i.e. from outputs to outcomes

“You take what we make!”

“We want to understand & help solve your problems!”
NEW GOAL: delight the customers
i.e. from outputs to outcomes

This changes the game completely

Outputs → Outcomes

Things → People
NEW GOAL: delight the customers
i.e. from outputs to outcomes

A paradoxical discovery!

Customer delight

Costs come down of their own accord!
NEW GOAL: delight the customers
  i.e. from outputs to outcomes

The goal is: delighting the customer

- “Making money” is not the goal
- “Being agile” is not the goal.
- “Working software” is not the goal.
- Agile & Scrum & working software are means to achieving the goal.
- Everyone must focus on the goal
1 NEW GOAL: delight the customers
  i.e. from outputs to outcomes

Deliver it sooner!

In a bureaucracy, large amounts of work wait in queues
1 NEW GOAL: delight the customers
i.e. from outputs to outcomes

Aim for the simplest thing!

LESS IS MORE!

20th Century
54 buttons
Complicated

DVD controller

21st Century
4 buttons
Simple
Easy to use

iPod
Why it is inexorable …

Radical management

[Share price charts for Amazon, Apple, and Salesforce]

Ten-year share price 2001-2011

Traditional management

[Share price charts for Walmart, Cisco, and GE]

Ten-year share price 2001-2011

It makes much more money…
1. **New goal**: “Delighting the customer” means …. a different way of running the organization.

2. **New role** for managers
3. **New coordination** mechanisms
4. Shift from value to values
5. New way to **communicate**
2. Enable self-organizing teams
2 NEW MANAGER ROLE: from controller to enabler

Bureaucracy can produce outputs

Bureaucracy cannot generate outcomes
NEW MANAGER ROLE: from controller to enabler

Controller of individuals

Enabler of self-organizing teams
NEW MANAGER ROLE: from controller to enabler

Diversity defeats intelligence!

The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools, and Societies by Scott E. Page
3. Dynamic linking
3. COORDINATION OF WORK: Dynamic linking

Hierarchical bureaucracy

Dynamic linking

Client driven

Short cycles
Dynamic linking: work in short cycles

In software

- Agile
- Scrum
- Kanban

Even “lumpy” work!

E.g. Quadrant Homes
- Naval radar system
- Polaris submarines
Progress is measured by *direct client feedback*

*Eric Ries: “Most changes make things worse for the customer”*
4. FROM VALUE TO VALUES: radical transparency

4. From value to values
FROM VALUE TO VALUES: radical transparency

“Just do it”

Alan Mullaly CEO, Ford
5. From top-down
   To
conversation
Commands
kill
motivation
Money kills inspiration
5 INTERACTIVE COMMUNICATION: conversation

Top-down commands

Peer-to-peer conversations
How can Apple be a model when Steve Jobs is a tyrant?

Robert McNamara: “Just get it out!”

Steve Jobs: “Get it right for the customer!”
WHAT’S NEW: doing all at once

Delighting customers

From controller to enabler

From bureaucracy to dynamic linking

Radical transparency

From command to conversations

Individually, none of the shifts is new
Without all five principles....

... an organization is at war with itself
The transition is inevitable

Two- to four-times gains in productivity

Economics will drive the change!
Change is inevitable...

**Radical management**

- Amazon.com: Ten-year share price 2001-2011
- Apple: Ten-year share price 2001-2011
- Salesforce: Six-year share price 2004-2011

**Traditional management**

- Walmart (WMT): Ten-year share price 2001-2011
- Cisco: Ten-year share price 2001-2011
- GE (GE): Ten-year share price 2001-2011
The opportunity for Scrum and Agile

Lead the revolution!

- **Embody** the change
- **Be the strategy** (not *support* the strategy)
- Master **leadership storytelling**
- **Challenge management** to join the future
- **Encourage** others who share the vision
- **Take charge** of the future

Let’s move to the front of the bus!
The transition won’t be easy

The world’s best plant: Ford’s Hermosillo plant in Mexico

1990s: Ford’s Romeo plant in Michigan

2006: The new CEO, Allan Mullaly, embraces it
Reinventing management requires systemic change

“Once you introduce this, it affects everything in the organization—the way you plan, the way you manage, the way you work. Everything is different. It changes the game radically.”

Mikkel Harbo
VP, Systematic Software (Denmark)
The real voyage of discovery consists not in seeking new landscapes, but in having new eyes.

Marcel Proust