

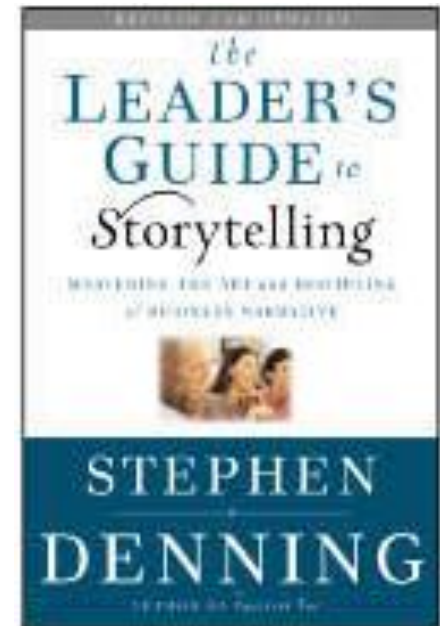
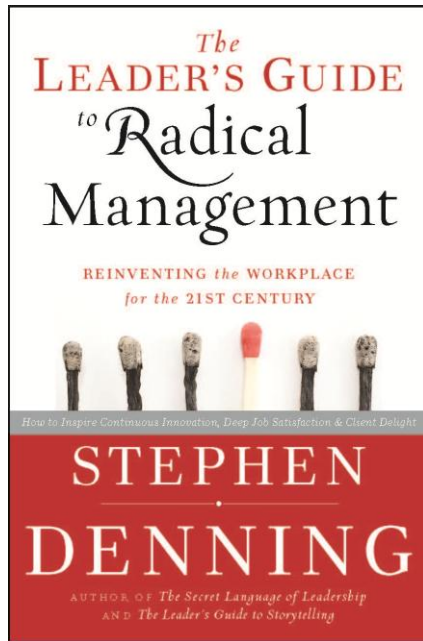
# Radical Management

**Steve Denning**

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

[steve@steddenning.com](mailto:steve@steddenning.com)

<http://blogs.forbes.com/steddenning/>



Video

# **Radical Management**

Explaining the idea in sixty seconds

# How organizations surprised us all

Stephen Denning

Former Director, Knowledge Management, World Bank

# 1978



## **Robert McNamara**

President, Ford Motor Company, 1960

Secretary of Defence, 1961-1968

President, World Bank, 1968-1981

“the smartest man I ever met”

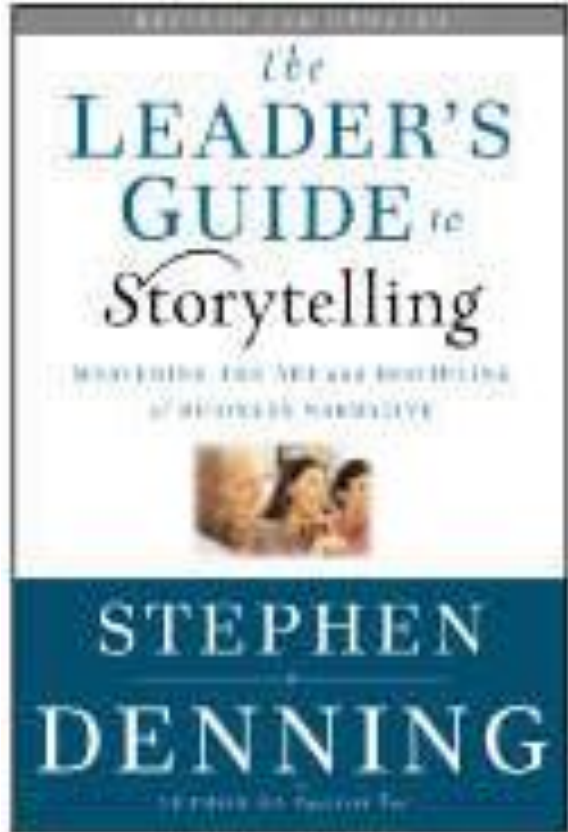
John F. Kennedy

# 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**



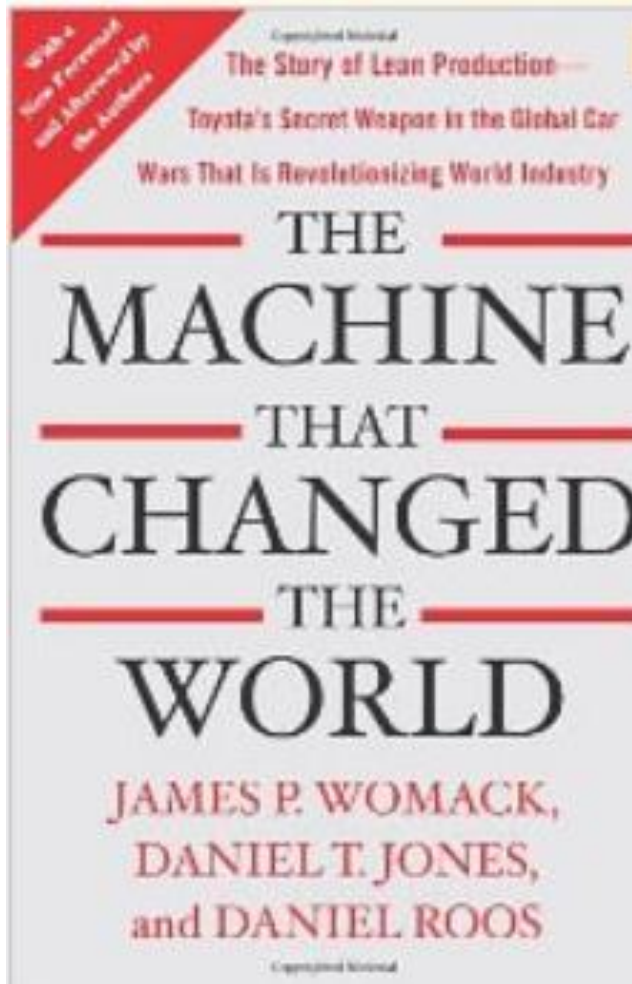
**Not just the World Bank**

- BP
- Ernst & Young
- IBM
- HP



It's not just leadership storytelling!

# Lean Manufacturing

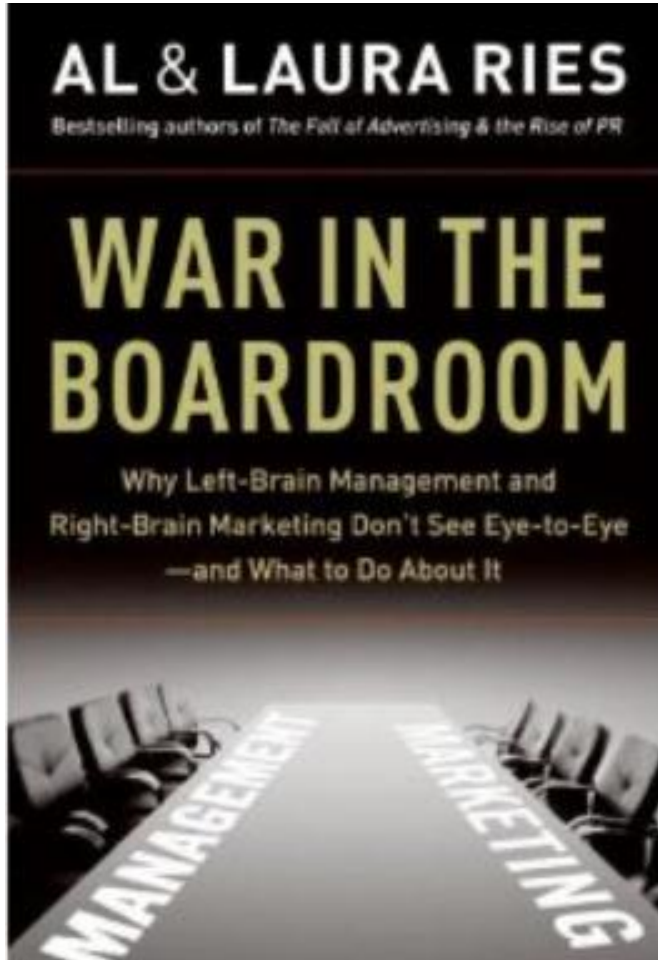


“Only 1% of lean initiatives meet their goals.”

*Jeffrey Liker*

**It's not just leadership storytelling!**

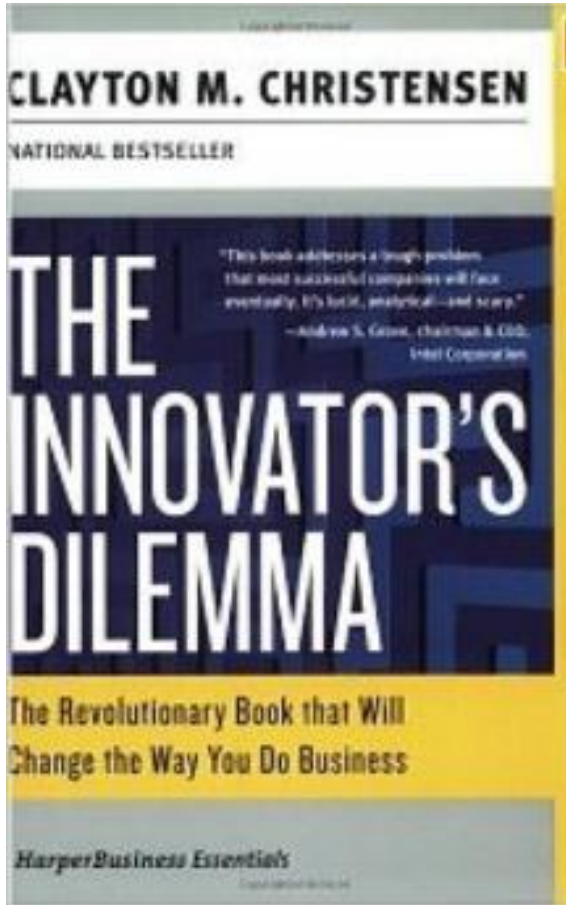
# **Marketing**



25 ways in which traditional management systematically kills great marketing ideas

**It's not just leadership storytelling!**

# **Innovation**



How management  
systematically kills  
disruptive innovation

# 2008

## The question was broader



Why did management systematically kill all the creative things in organizations?

- knowledge management?
- lean manufacturing?
- innovation?
- marketing?
- leadership storytelling?
- even Agile and Scrum

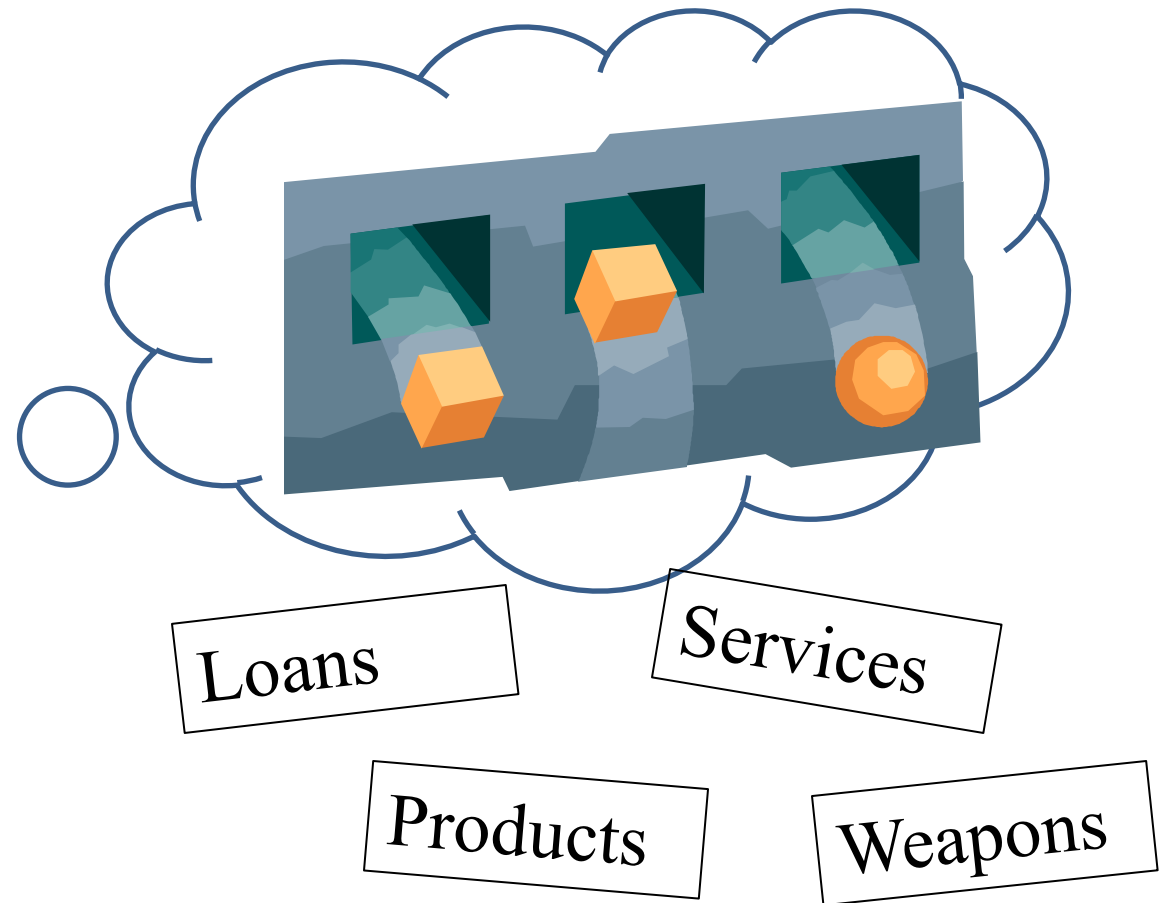
*Most management textbooks...*

*Most business schools ...*

**Traditional  
management  
rests on  
five interlocking  
principles**

# Five planks of traditional management

**1. The purpose of a firm is to produce outputs that make money**



# Five planks of traditional management

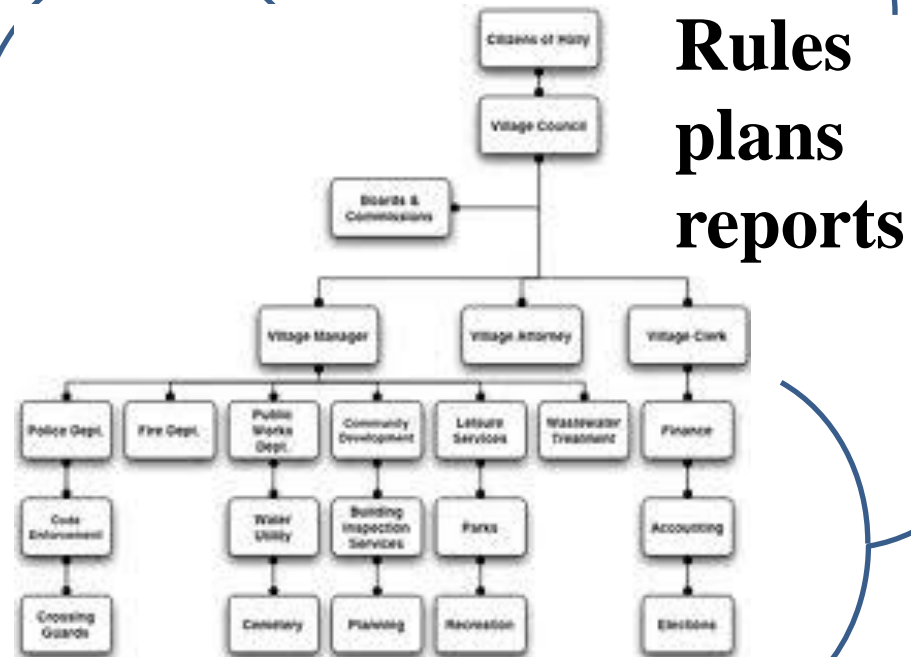
## 2. Managers act as controllers of individuals





# Five planks of traditional management

## 3. Work is coordinated by hierarchy and bureaucracy





# Five planks of traditional management

## 4. “The main thing is efficiency”

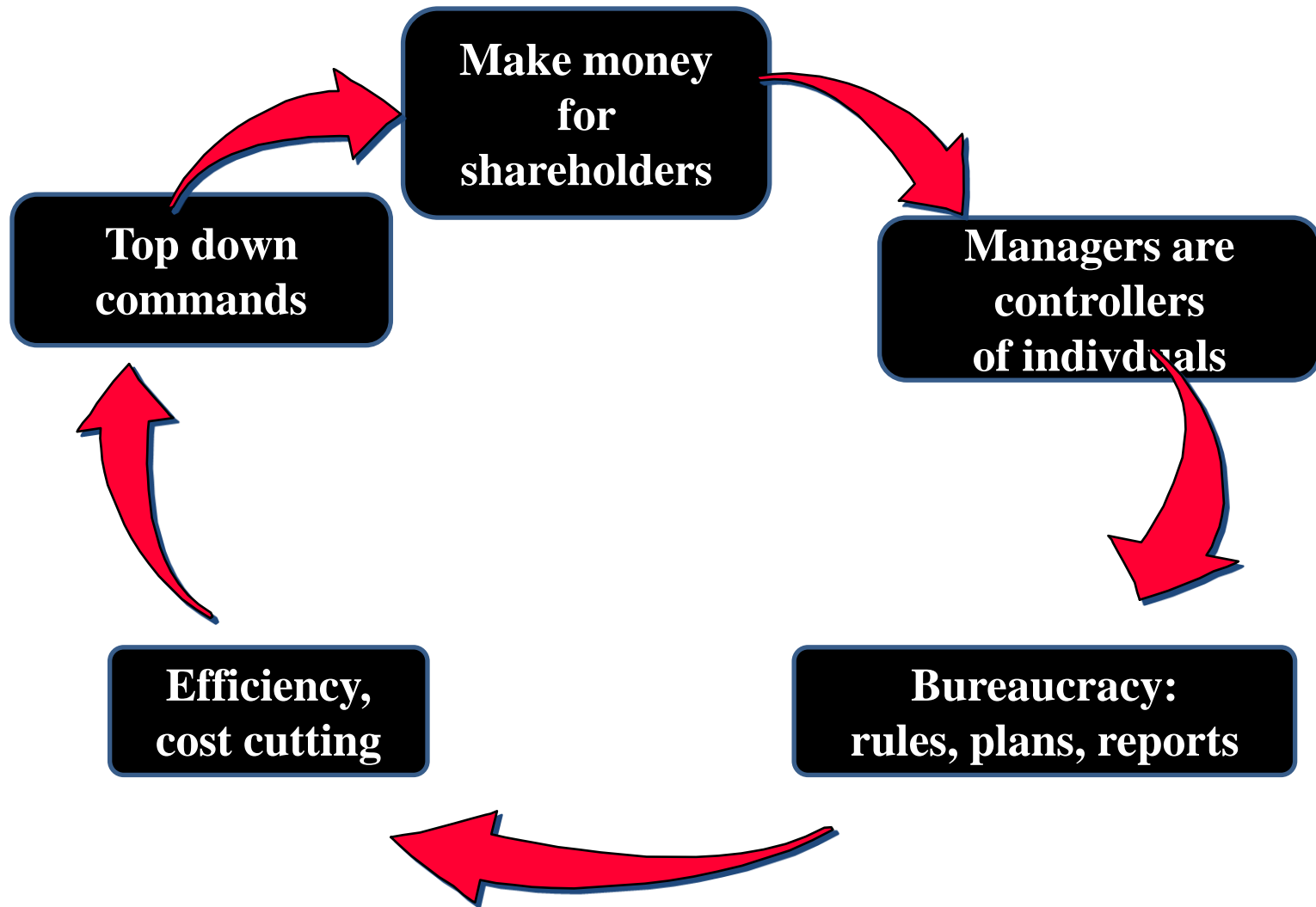


# Five planks of traditional management

## 5. Communicate by directives



# The shifts are interlocking & self-reinforcing



**“Single fix” improvements make no impact**

# Five planks of traditional management

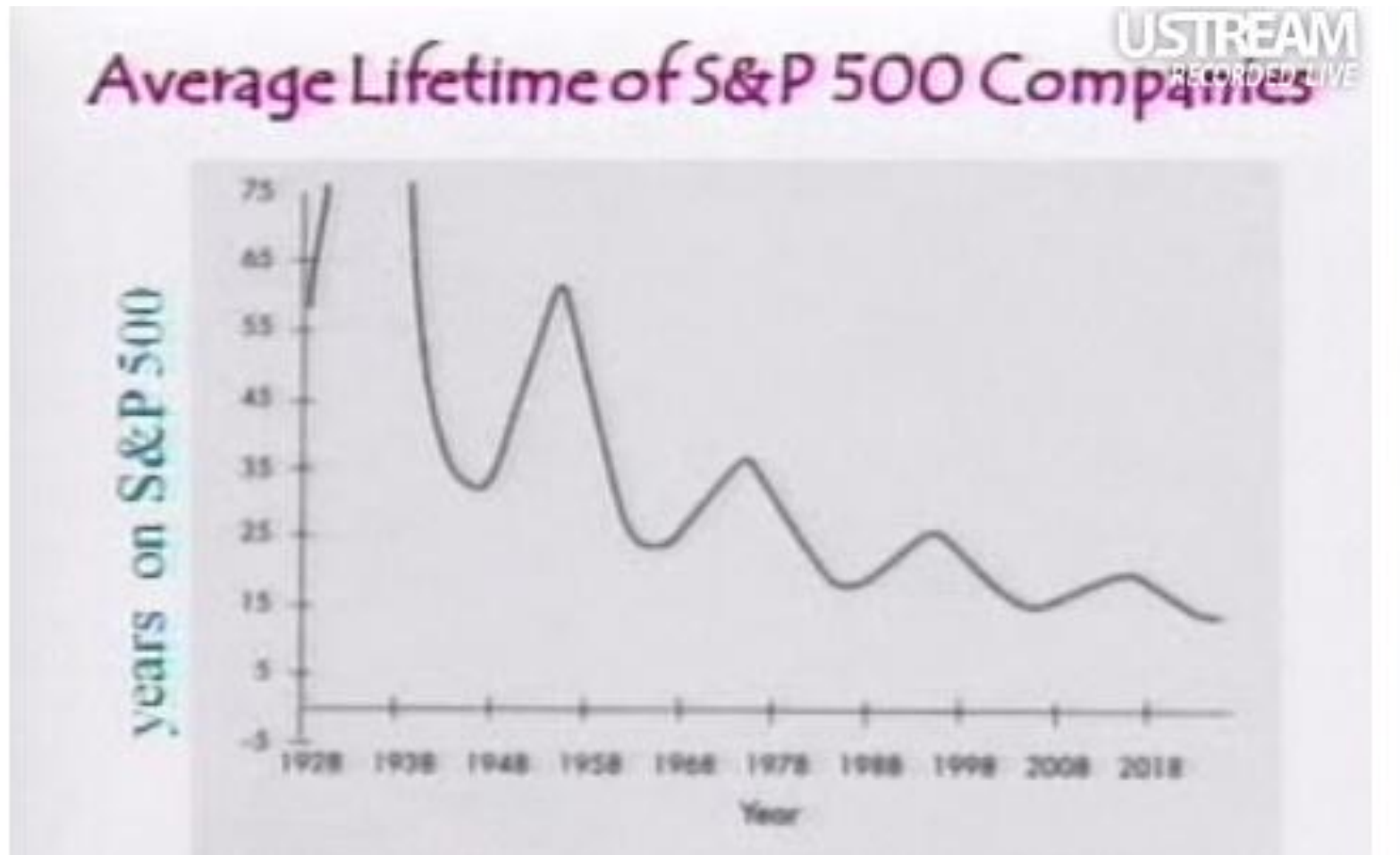
**“Traditional management practices are a success”**



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

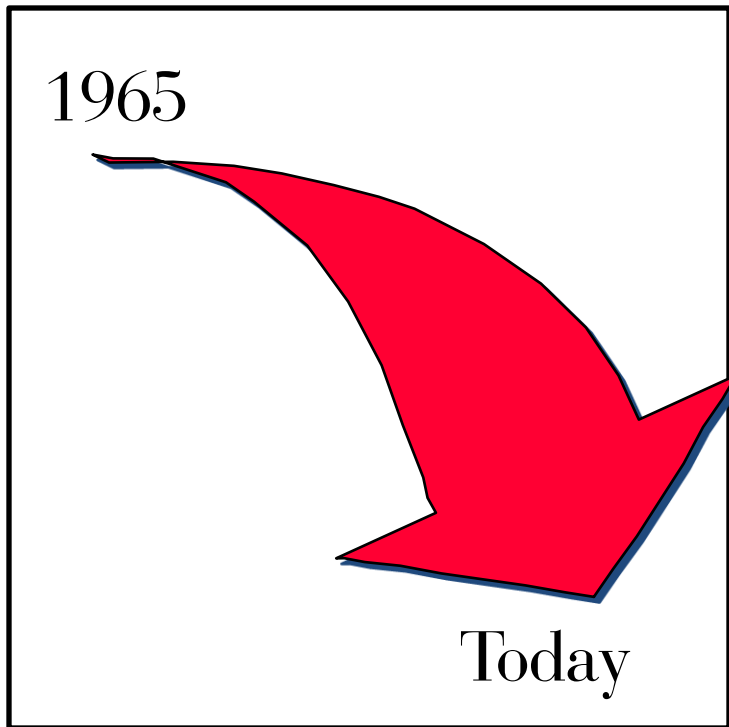


# 2009: Conclusive proof of the failure of traditional management



Source: Deloitte's Center for the Edge

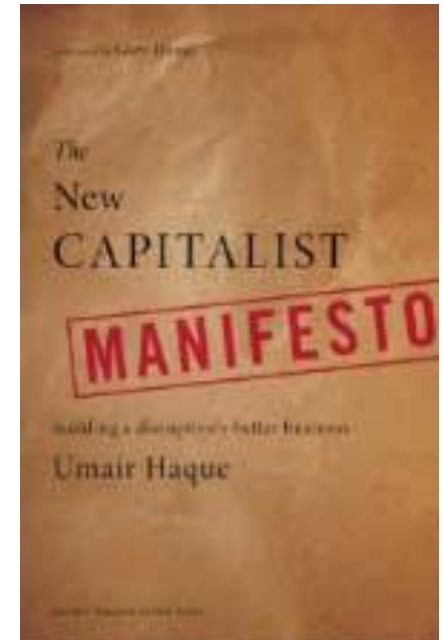
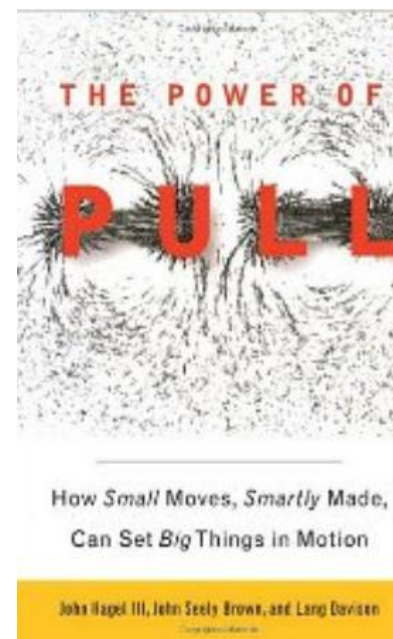
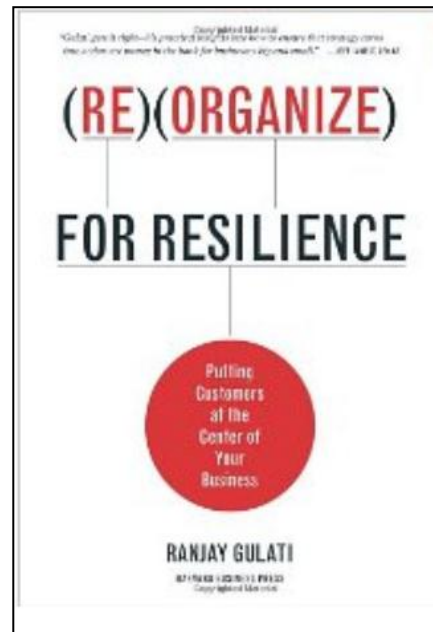
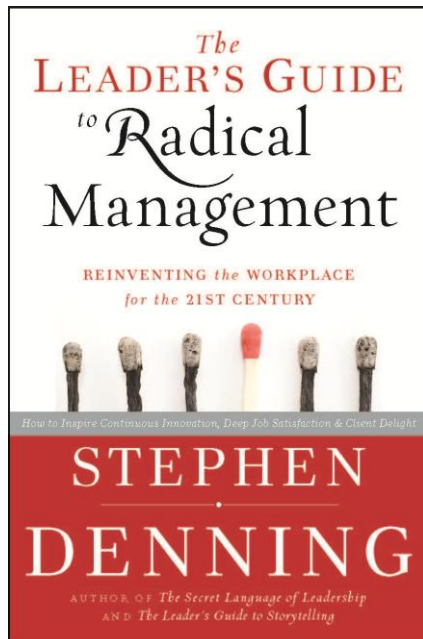
# 2009: Conclusive proof of the failure of traditional management



- 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*

Many are now concluding:

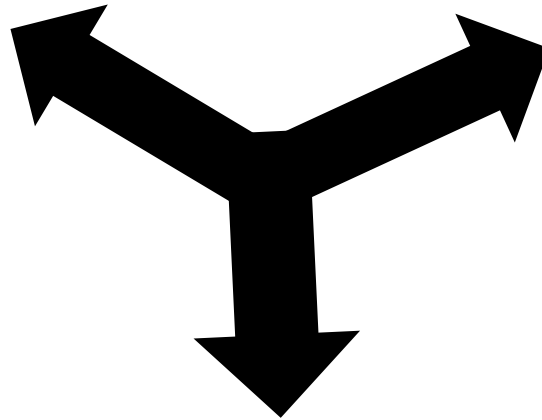
# Management is broken!



# What we have now

Failing  
firms

Dispirited  
employees

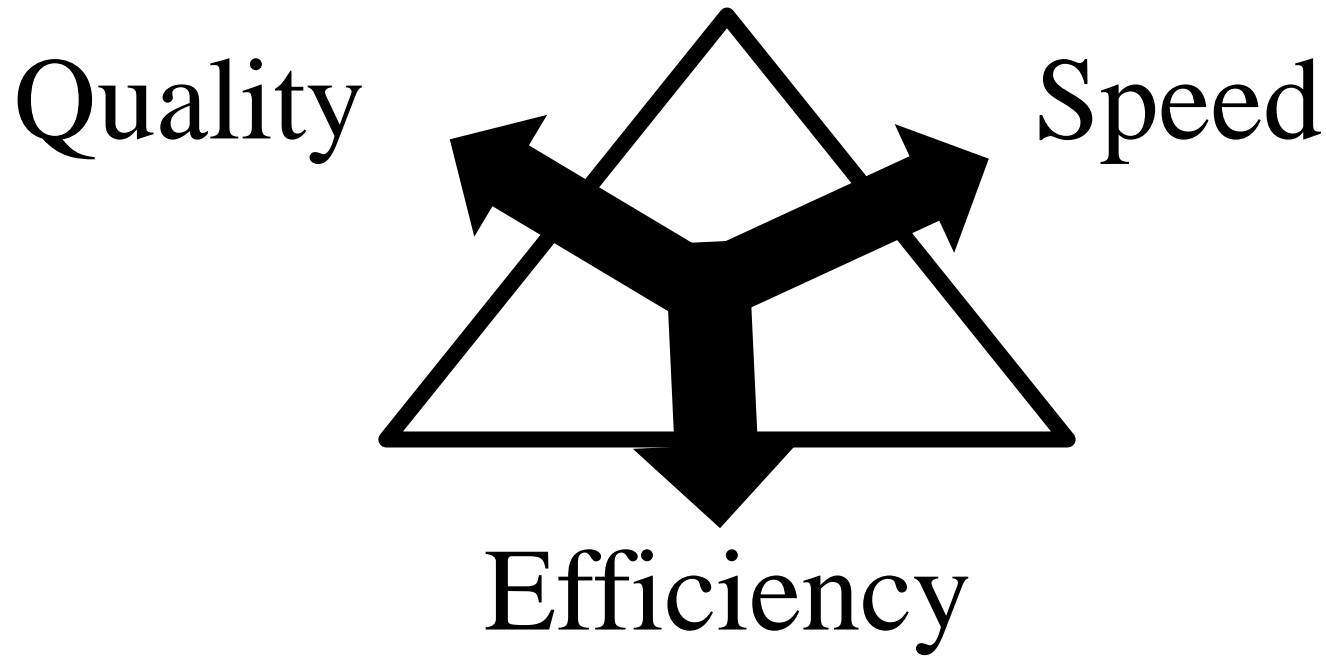


Frustrated  
customers

**Lose-lose-lose!**



# What we have now: tradeoffs



**The iron triangle**

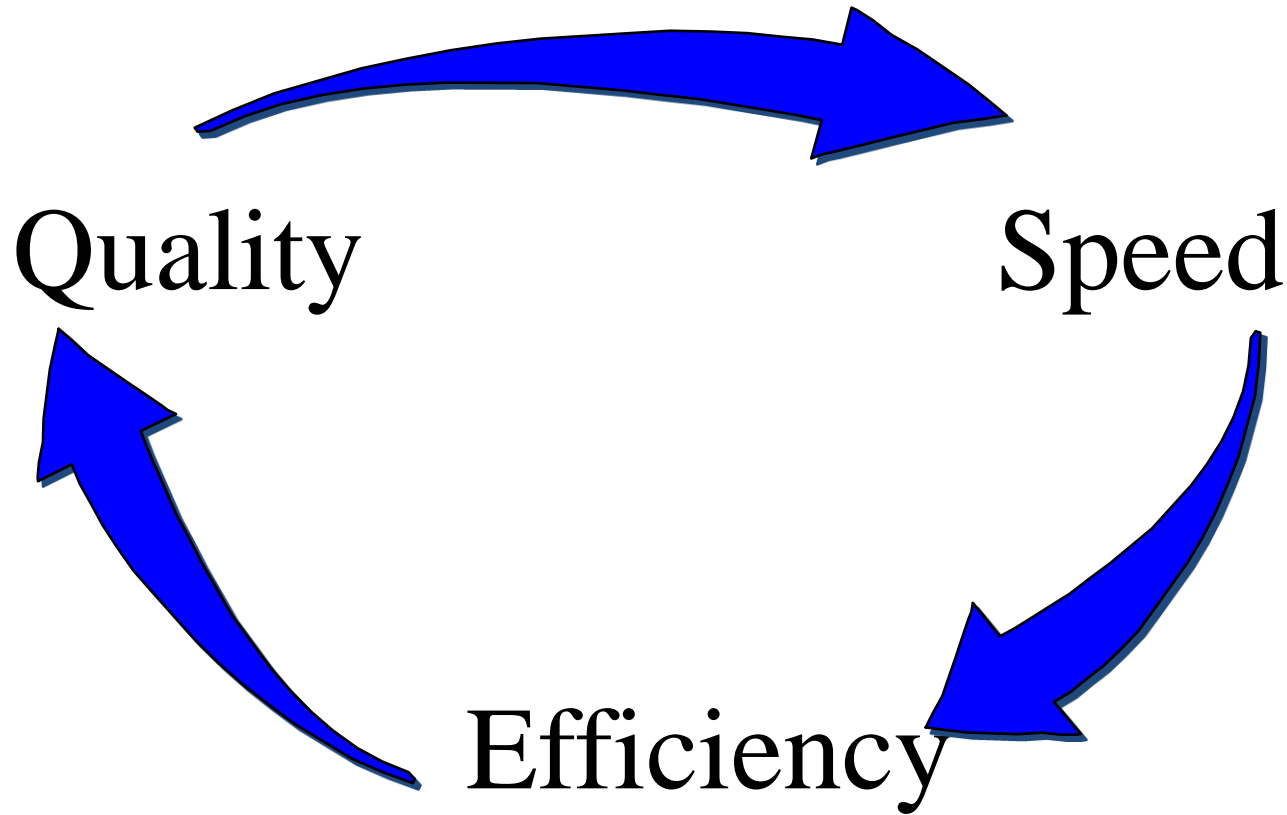
## Implication for organizational survival:

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

*Albert Einstein*

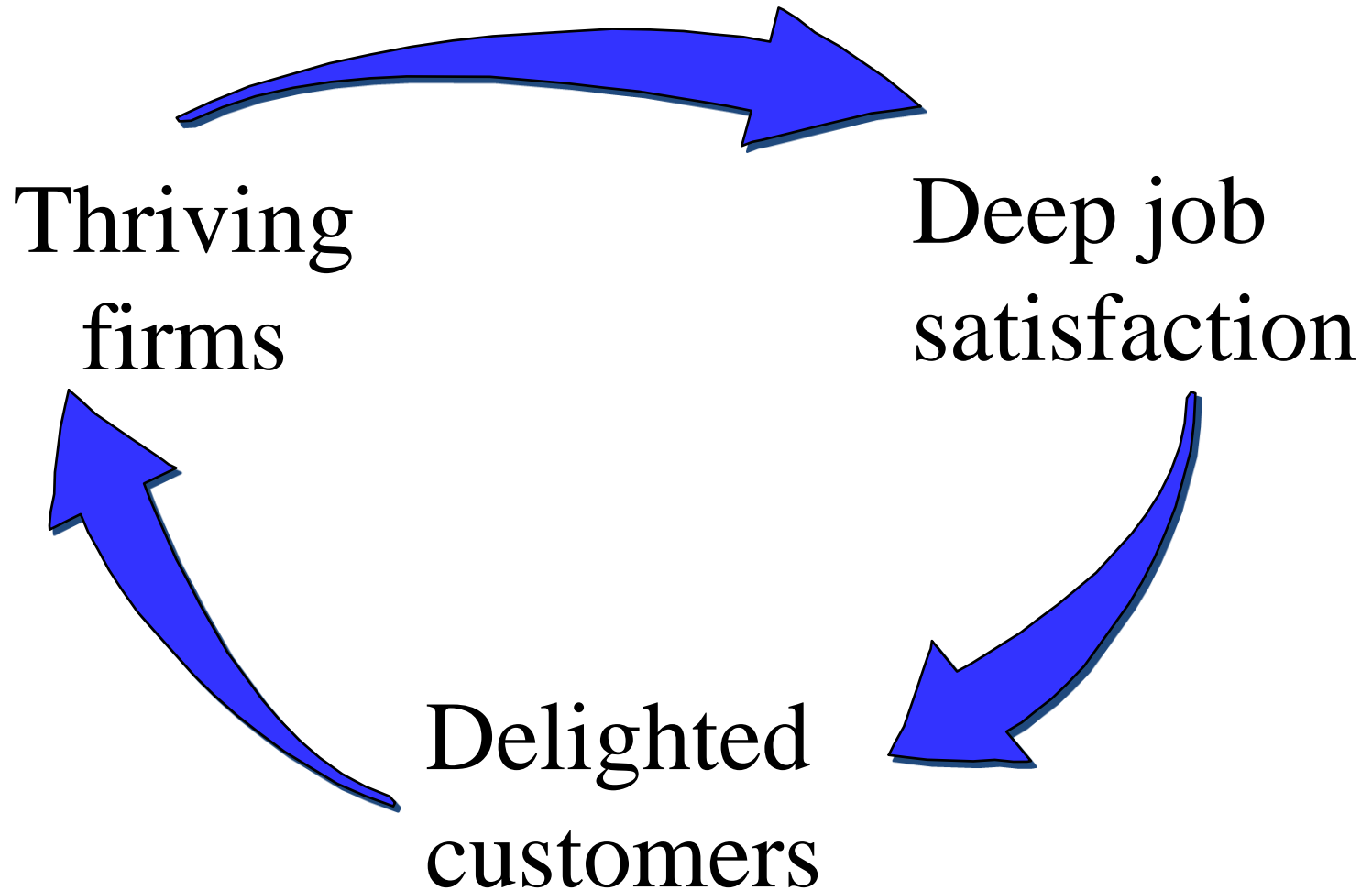
***We have to think differently!***

# What is needed: win-win-win



**No trade-offs!**

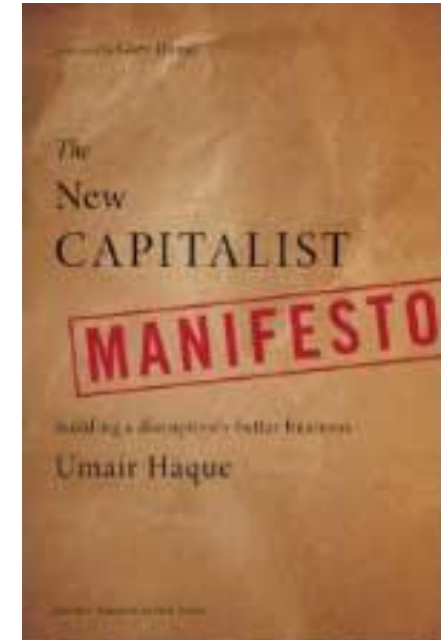
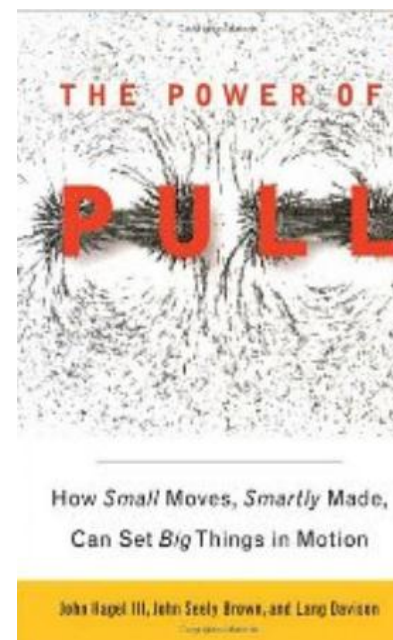
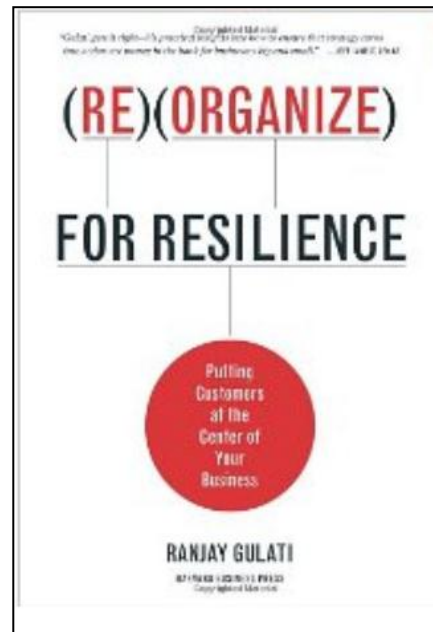
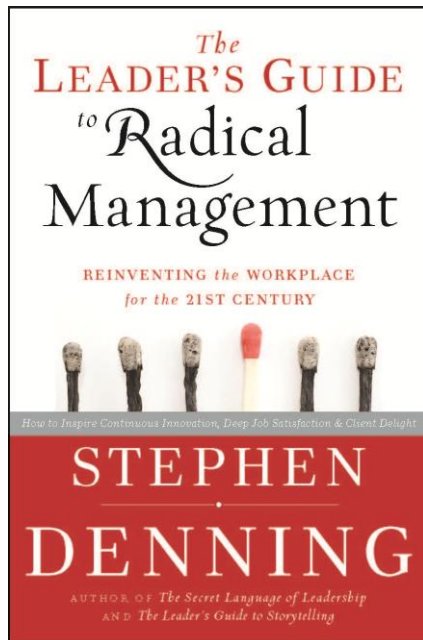
# What we need



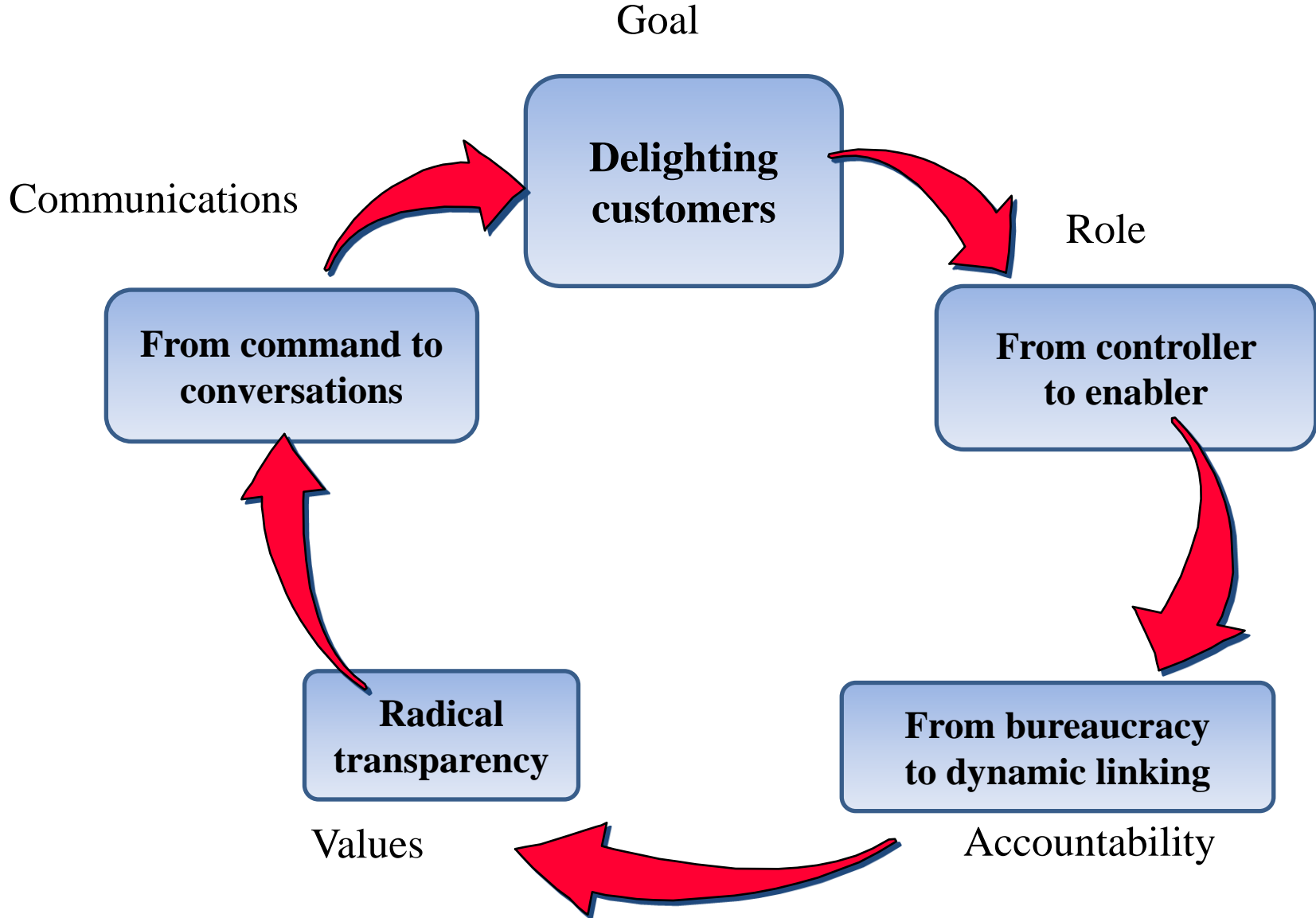
**Win-win-win!**

# We know how to achieve this:

## 5 big shifts ( and 70+ practices)!



# The shifts are interlocking & self-reinforcing



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*



# Practices for creating customer delight

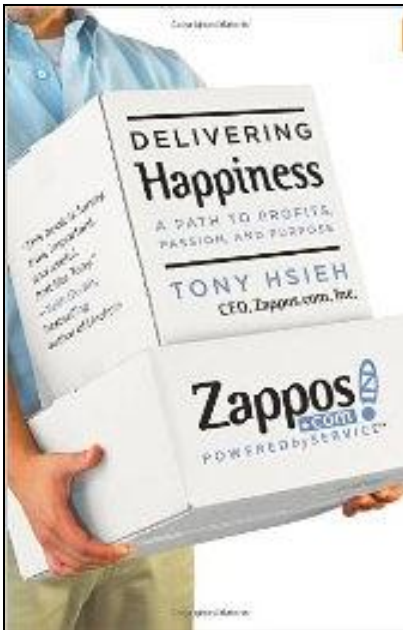
Is “**customer delight**” a serious business proposition?

“**Customer delight**” =

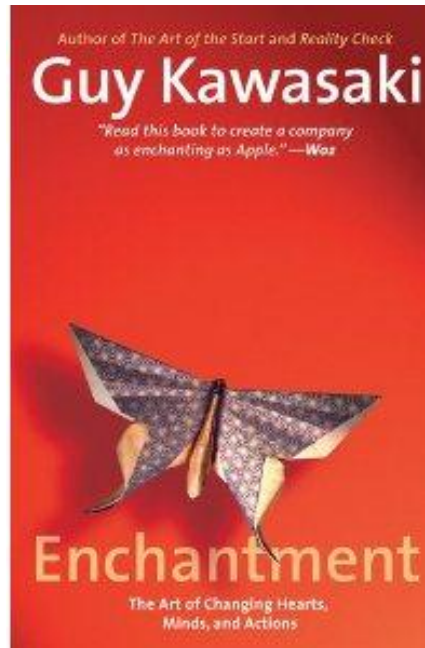
“Providing a continuous stream of additional value to customers and delivering it sooner”

# Practices for creating customer delight

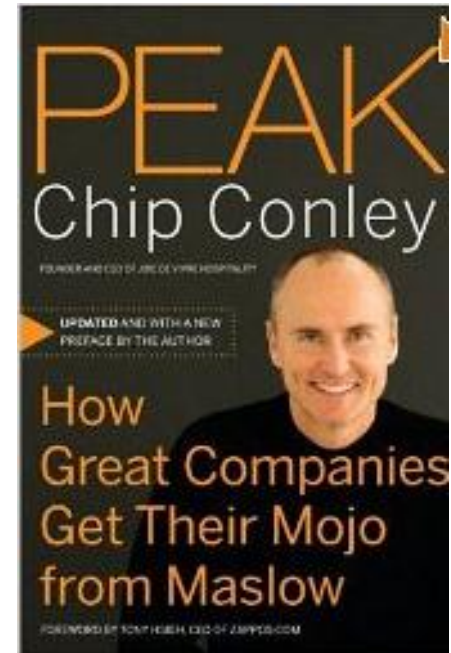
Is “**customer delight**” a serious business proposition?



“happiness”



“enchantment”



“joy”

# Practices for creating customer delight

Is “**customer delight**” a serious business proposition?

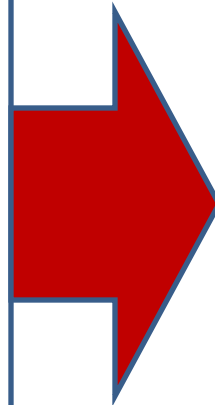
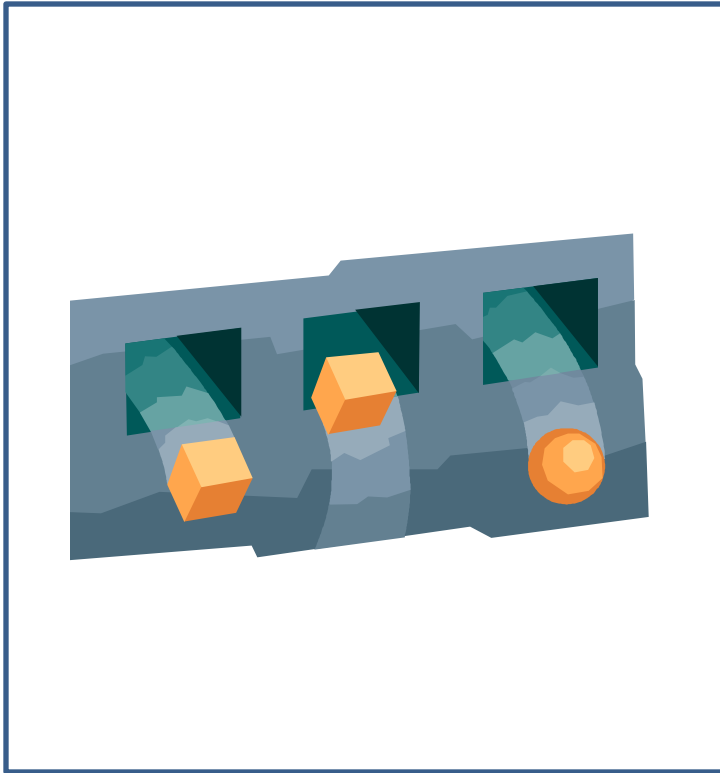


- “customer success”
- “customer trust in us”
- Net Promoter Score

1

# NEW GOAL: delight the customers

from outputs to outcomes



Produce outputs

Generate outcomes

1

# 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!

Sorry  
about  
that!



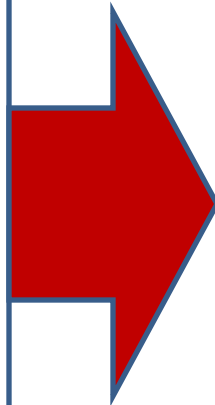
1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

The  
bottom  
line for  
business

Make money



Delight the customer

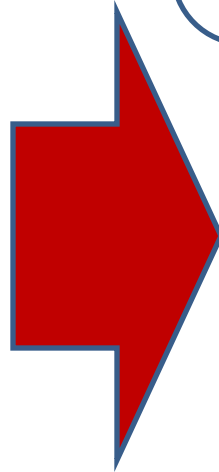
1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

“You take what we make!”

“We want to understand & help solve your problems!”



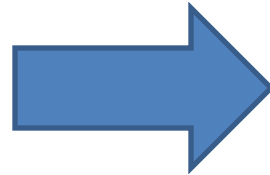
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# NEW GOAL: delight the customers

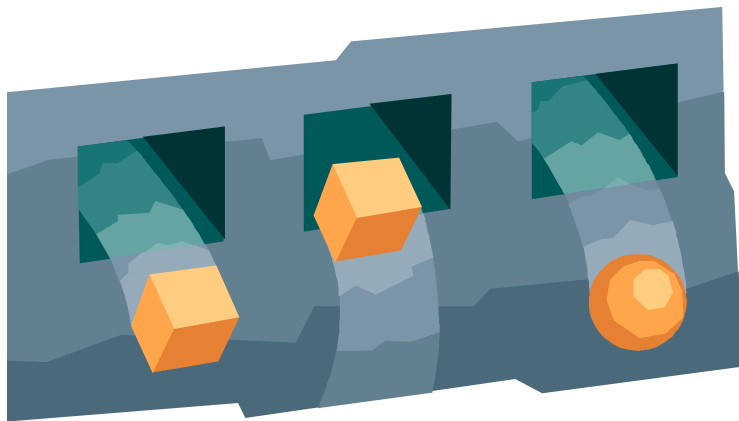
i.e. from outputs to outcomes

## This changes the game completely

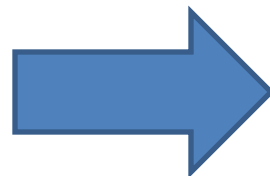
**Outputs**



**Outcomes**



**Things**



**People**



1

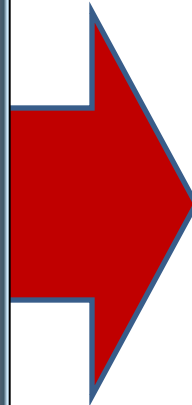
# NEW GOAL: delight the customers

i.e. from outputs to outcomes

**A paradoxical discovery!**



Customer delight



Costs come down of  
their own accord!

1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

The goal is: **delighting the customer**

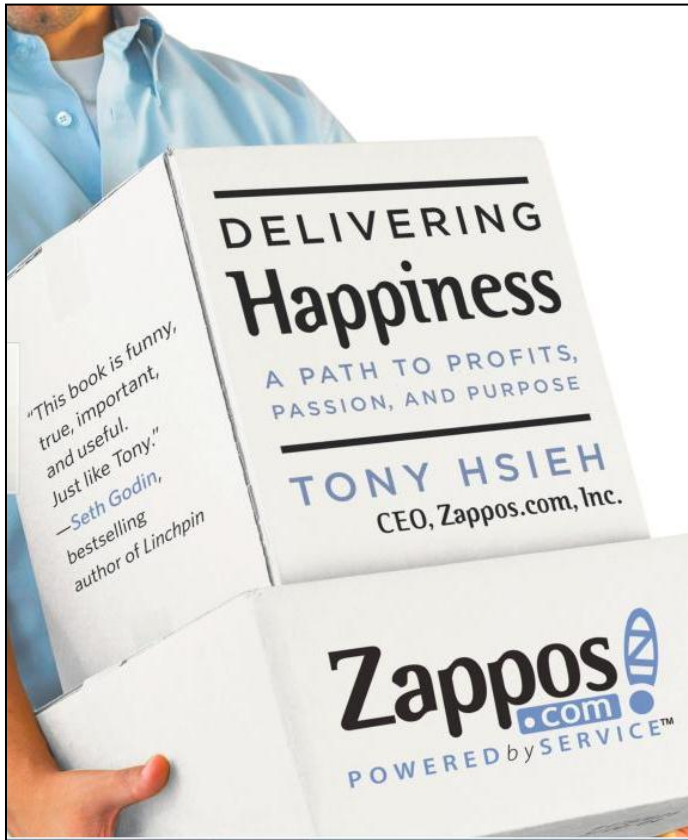
- “Making money” is not the goal
- “Being agile” is not the goal.
- “Working software” is not the goal.
- Agile & Scrum & working software are means to achieving the goal.
- Everyone must focus on the goal

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!

### 20<sup>th</sup> Century

54 buttons  
Complicated

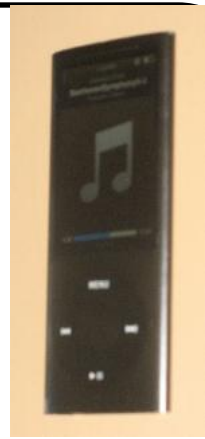
DVD  
controller



### 21<sup>st</sup> Century

4 buttons  
Simple  
Easy to use

iPod





1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

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**

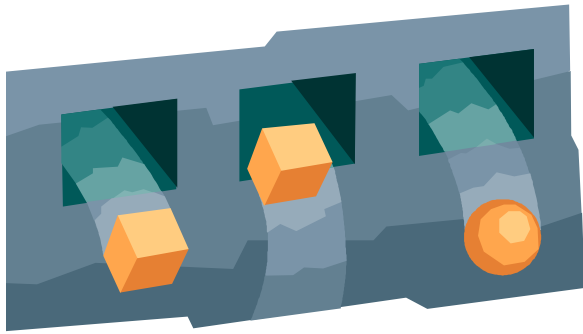
5. New way to **communicate**

# 2. Enable

self-organizing

teams

## 2 NEW MANAGER ROLE: from controller to enabler



Bureaucracy can  
produce outputs



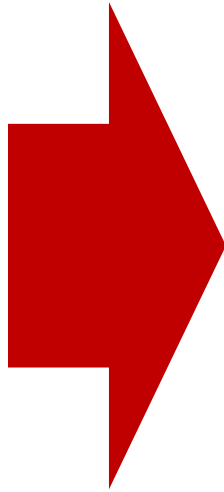
Bureaucracy cannot  
generate outcomes



## 2 NEW MANAGER ROLE: from controller to enabler



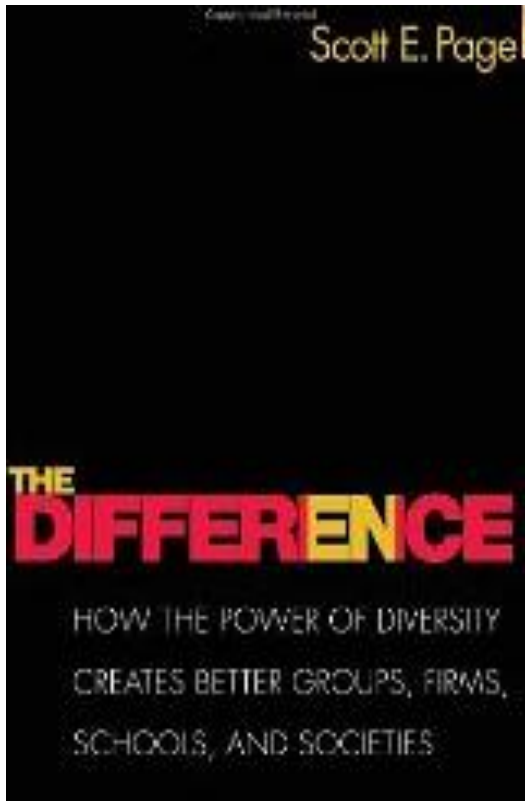
Controller of  
individuals



Enabler of self-  
organizing teams

2

**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

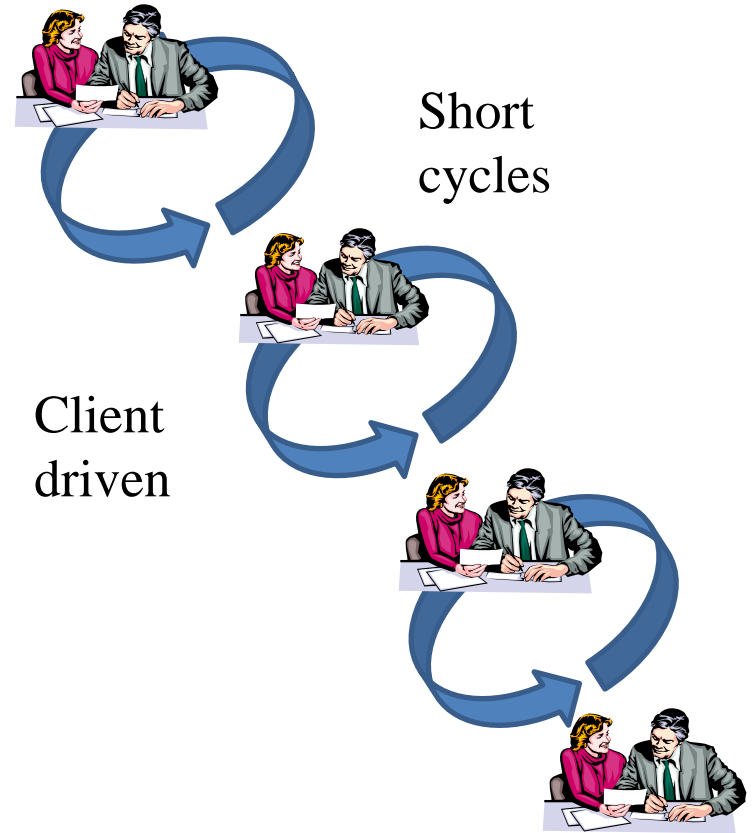
3

**COORDINATION: From bureaucracy to dynamic linking**

# 3. Dynamic linking

# 3

## COORDINATION OF WORK: Dynamic linking



Hierarchical bureaucracy

Dynamic linking

## **3. COORDINATION OF WORK: Dynamic linking**

### **Dynamic linking: work in short cycles**

**In software**

**Agile**

**Scrum**

**Kanban**

**Even “lumpy” work!**

**E.g. Quadrant Homes**

**Naval radar system**

**Polaris submarines**

### 3. COORDINATION OF WORK: *Dynamic linking*

Progress is measured by *direct client feedback*



**Eric Ries:**  
“Most changes  
make things  
worse for the  
customer”

# The case of the missing button

4

4. FROM VALUE TO VALUES: radical transparency

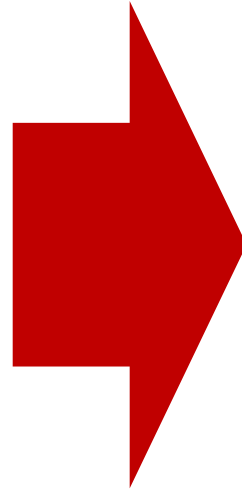
# 4. From value to values

4

## 4. FROM VALUE TO VALUES: radical transparency



“Just do it”



Alan Mullaly CEO, Ford



5

**INTERACTIVE COMMUNICATION: conversation**

# 5. From top-down To conversation

5

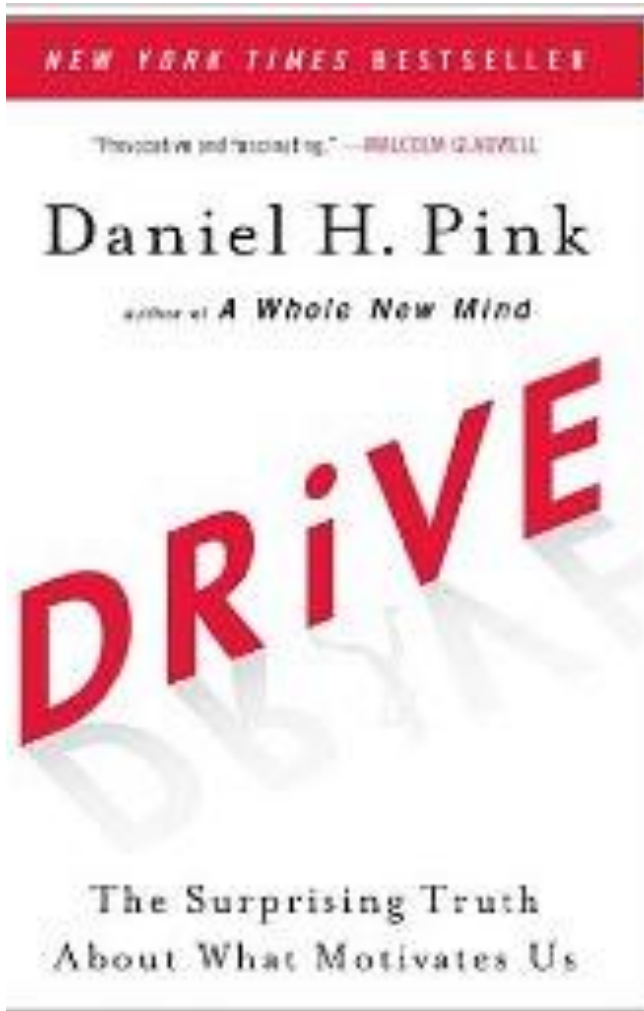
## INTERACTIVE COMMUNICATON: conversation



Commands  
kill  
motivation

5

## INTERACTIVE COMMUNICATON: conversation



Money  
kills  
inspiration

# 5

## INTERACTIVE COMMUNICATION: conversation



Top-down commands

Peer-to-peer conversations

## 5 INTERACTIVE COMMUNICATION: conversation

How can Apple be a model when Steve Jobs is a tyrant?



**Robert McNamara:**

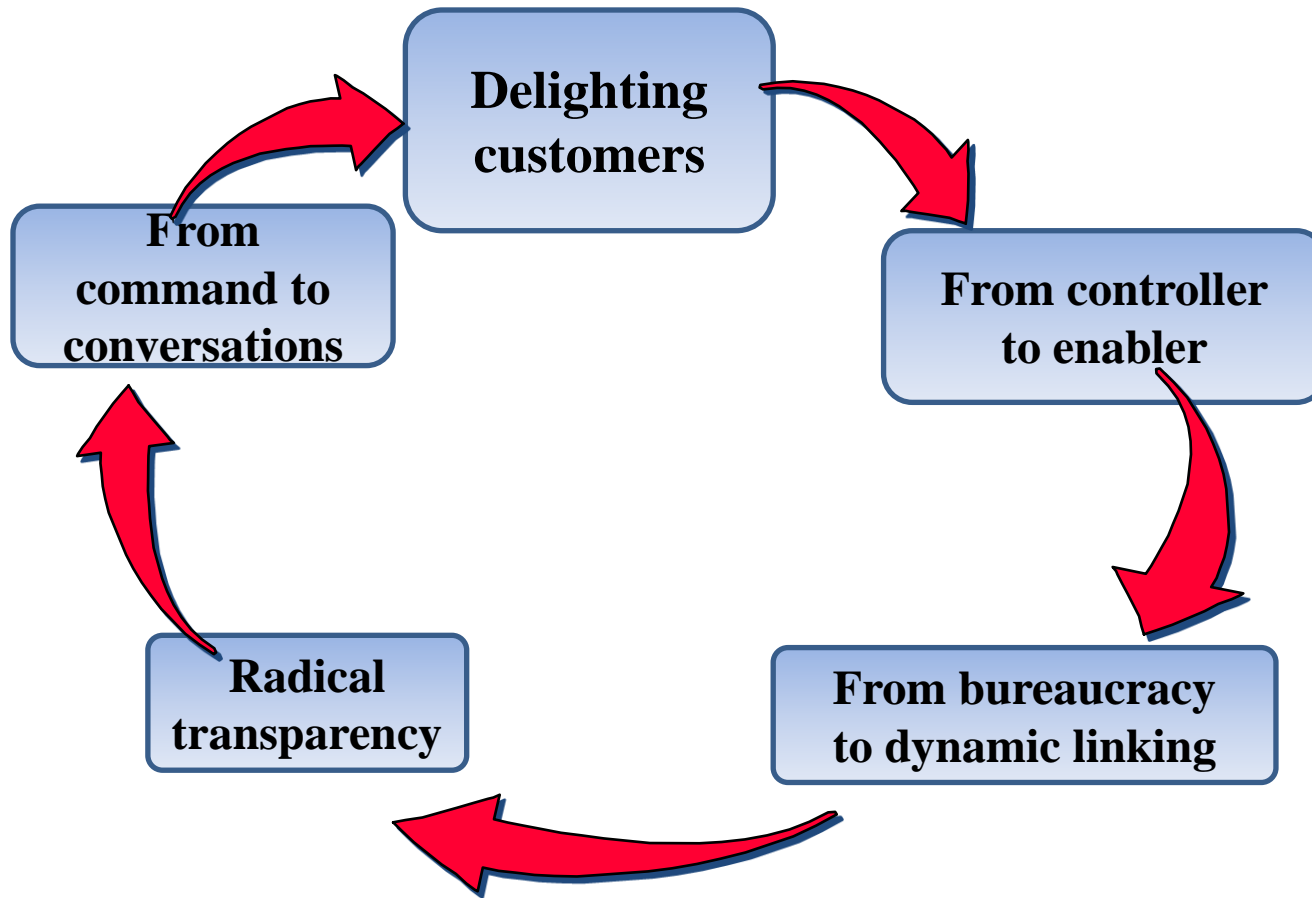
**“Just get it out!”**



**Steve Jobs:**

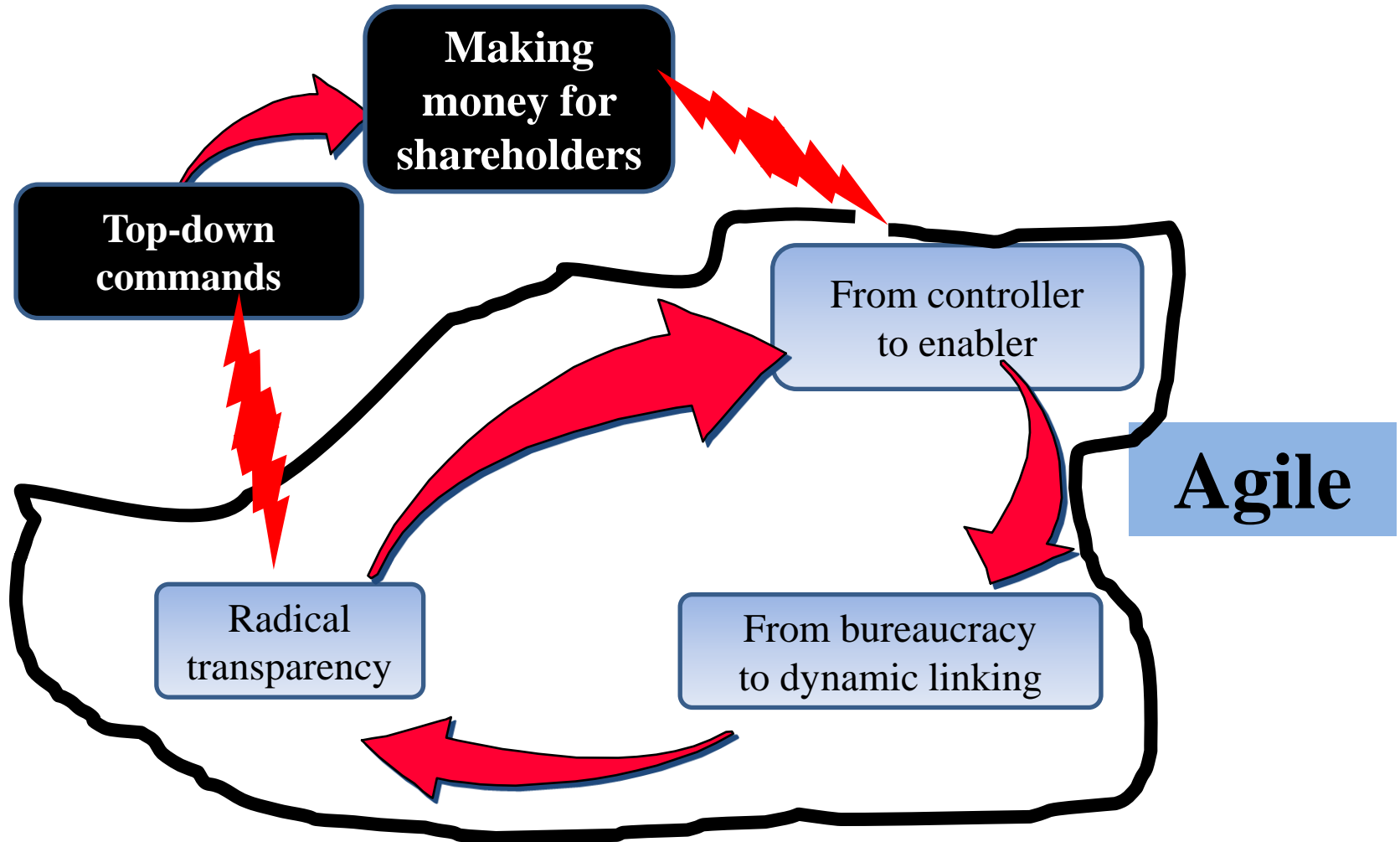
**“Get it right for  
the customer!”**

# WHAT'S NEW: doing all at once



**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!**





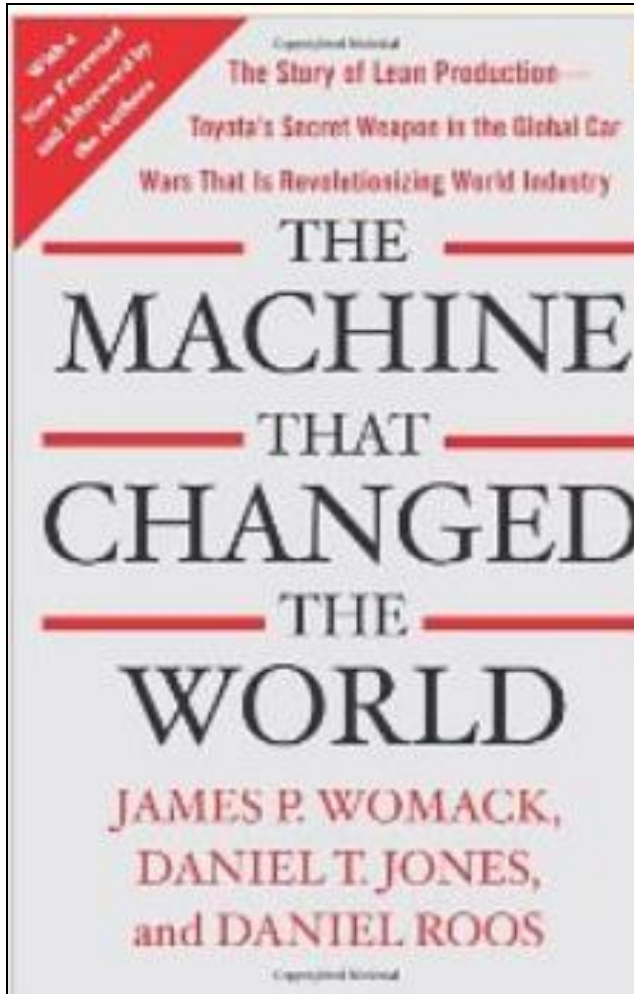
# Lead the revolution!

- 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



1990

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)

**More than a new set of management tools!**

The real voyage of  
discovery consists not in  
seeking new landscapes,  
but in having new eyes.

Marcel Proust



Everything  
is  
different!