

THE LEADER'S GUIDE TO RADICAL MANAGEMENT

RE-INVENTING THE WORKPLACE FOR THE 21ST CENTURY

Inspiring Continuous Innovation,
Deep Job Satisfaction & Client Delight

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PREFACE & INTRODUCTION

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to be published
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The Leader's Guide to Radical Management

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A book by

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PREFACE

Remarkably, the return on assets for U.S. firms has steadily fallen to almost one quarter of 1965 levels... very few [workers] (20 percent) are passionate about their jobs... executive turnover is increasing.. consumers are becoming less loyal to brands... the rate at which big companies lose their leadership positions is increasing.

The Deloitte Center For The Edge¹

Organizations today face a crisis. It's not a crisis involving a single catastrophic event, like the financial meltdown of 2008, although that too is a symptom of the trouble that is afoot. The crisis is more insidious and more serious.

The crisis is of long standing and its signs are widespread. Productivity keeps on its decades-long decline. Innovation continues to falter. Workers are disgruntled. Customers are frustrated. Brands are unraveling. Reorganizations, downsizings and outsourcings proliferate. Executive turnover is accelerating. No one's job is safe. Institutional life expectancies are less than two decades.

A crisis of this scale and age is not something that can be resolved with a single management fix, such as instilling a "sense of urgency,"² or putting more emphasis on "intrinsic motivation."³ Superficial fixes are impotent to deal with a crisis of this size and complexity.

The roots of the crisis lie deeper. They reside in part in the standard attitudes and practices of traditional management, which have now metastasized, and in part in fundamental shifts in the external world to which traditional management has been unable to adjust.

Early in 2008, I set out to learn more about the nature of the crisis and discover what could be done about it. This book tells the story of that journey.

There must be workplaces, I thought, where new ideas are embraced, where jobs are deeply satisfying and clients are being delighted. Could we identify the conditions that had enabled that to happen? Could we then reverse-engineer those conditions? Could we create an environment that was congenial to ideas that are lively, vibrant, exciting or different, in a sustained way, not just in isolated examples?

I began by talking to people and asking them if they knew about any such workplaces.

My assumption was that finding them would be difficult—like searching for needles in a haystack. Few people would know about them, let alone have personal experience of them.

My first surprise was that I had no difficulty at all in finding them. In fact almost everyone I talked to could tell me about an experience that they themselves had had. Typically, it wasn't in their workplace of today. But in almost every case, they had had an experience of this kind.

The second big surprise came when I noticed that an unusually high proportion of these extraordinary experiences had been in software development. Initially, I didn't pay this any attention. After all, these were geeks! They talked with a strange vocabulary. What could I possibly learn about management from people who had, I imagined, gone into computing because they preferred machines to people?

My third surprise was what was going on in these companies. When I checked it out, I discovered a way of managing that was much more productive than traditional management and where the people doing the work were having serious fun.⁴

The fourth surprise was that it wasn't limited to software development. Once this different way of managing got under way in one part of the company it tended to spread to other parts of the company, even the entire firm. It was also widespread in auto manufacture, particularly Toyota and Honda. In fact, once I understood the principles, I started to see signs of it in many different sectors.

The final big surprise was that when the dots were joined and the elements were fully comprehended, I realized that what I had

stumbled on was more than a management technique. The idea was larger, with far-reaching economic, social and ethical implications.

Overall, this was very different from the way most companies are currently run. As Mikkel Harbo, a manager at the Danish company, Systematic Software, told me, "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 fundamentally."

It is for this reason that I decided to call it, "radical management." It goes to the root of what it takes to make things happen in the world. The workplaces that it creates are drastically different from traditional management. It implies fundamental shifts in how we think, speak and act at work.

In effect, in this book, I am inviting you to take the journey that I have taken and learn what I have learned. It will involve spending the time to think about what we are doing in organizations today and why we are doing it. It will entail considering whether these are the kind of organizations that we want to create, as well as imagining why and how they could be very different—much more productive and much more fun.

This book doesn't offer a quick fix. If I had a quick fix, I would give it to you. But the nature and scale of the issues that we are dealing with in today's workplace are not susceptible to a quick fix.

Nor is this a book about "What's new?" even though that is an eternally intriguing question. When pursued exclusively, it results in a mish-mash of fads and trivia.

In this book, I will be more concerned with the questions, "What is good?" and "Who is it good for?" Is it good for the organization? Is it good for those doing the work? Is it good for those for whom the work is done? Is it good for society at large?

These are questions that cut deeply as well as broadly. They shed light on issues such as: what is true productivity for an organization? What is its source? What is needed to sustain it? They also address: what is responsibility? What does it mean to be genuinely authentic? What lifts up the human spirit and makes it sing?

Together the principles described in this book constitute a radical change in the way organizations are managed. They respond to the problem that traditional management is dysfunctional: the standard managerial practices of today's organization systematically lead to organizational under-performance, disgruntled workers and frustrated customers. Most proposals for reforming management advance one of those elements at the expense of the other two. The principles

described here simultaneously inspire high productivity, continuous innovation, deep job satisfaction and client delight.

RADICAL MANAGEMENT

INTRODUCTION

If a factory is torn down but the rationality which produced it is left standing, then that rationality will simply produce another factory.

Robert Pirsig⁵

This is a book about a radically different way of managing. It's about pulling apart the black box of traditional management and putting the pieces together in a way that creates continuous innovation and client delight. It involves a wholly different way of thinking, speaking and acting at work. It leads to workplaces that are more productive and more fun. These workplaces *feel* different.

Given the deep change that has taken place in both the marketplace and the workplace, should we be surprised that we need different management?

THE MARKETPLACE HAS CHANGED

In the marketplace, what worked yesterday—satisfying customers by offering average products or services with zero defects—is no longer good enough. Absence of defects is expected and lacks luster. Unless clients are delighted, they can—and will—go elsewhere. The bar has been raised.

To assure long-term growth, firms must forge relationships with their customers and turn them into long-term supporters and advocates of the firm's goods and services. They must continually find new and economical ways to provide goods or services that are differentiated, noteworthy, surprising or remarkable. They need constant innovation.⁶

Delighting clients goes beyond reconfiguring the marketing department.⁷ It means committing the entire organization, and everyone in it, to delighting the client as the firm's principal goal *and* putting in place the management principles and practices needed to accomplish that goal.

THE WORKPLACE HAS ALSO CHANGED

“Management was originally invented,” as management theorist Gary Hamel has noted, “to solve two problems: the first—getting semiskilled employees to perform repetitive activities competently, diligently, and efficiently; the second—coordinating those efforts in ways that enabled complex goods and services to be produced in large quantities. In a nutshell, the problems were efficiency and scale, and the solution was bureaucracy, with its hierarchical structure, cascading goals, precise role definitions, and elaborate rules and procedures.”⁸

With the continuing shift from semi-skilled work to what economists call knowledge work, hierarchical bureaucracy is no longer a good solution.

The consequences are well known. It results in the talents, ingenuity and inspiration of the workforce not being fully tapped. Only one in five workers is fully engaged in his or her work.⁹ For the organization, this means that the energies and insights of four out of five people in the workplace are being needlessly squandered. From the firm’s point of view, leaving talent unutilized is wasteful. When the firm’s future depends on what knowledge workers can contribute, it becomes a serious productivity problem.

For the customers of these organizations, the situation is similarly grim. A firm full of people who are not fully engaged in their work is not much fun to deal with. Although firms talk about customer service and responsiveness, they are more often engaged in one-way communications. The recorded message might say “Your call is important to us,” but the customer knows that it isn’t.

THE SYSTEM IS THE PROBLEM

I will argue that the problems of today’s workplace aren’t the personal fault of the individual managers. They are largely the fault of “the system” they are implementing, which systematically limits the capacity of people to contribute, constrains the firm’s productivity and practically guarantees that clients will be dissatisfied.

A mental model of management is being pursued, with interlocking attitudes, principles and practices, that methodically prevents any individual management fix from permanently taking hold.

In the course of the chapters ahead, I will introduce a very different way of managing. I will offer one extraordinary example after another, from software developers, car manufacturers, house builders, staff in a call center and song writers. I will show people having serious fun what they are doing and becoming steadily better at doing it.

The emerging approach to managing is proving to be not only more productive than traditional management. It also liberates the energies, insights and passions of people. It creates workplaces that enable the human spirit. It delights clients and creates shining eyes among the people doing the work.

This is not about firms becoming more productive by having people work longer hours or by downsizing or outsourcing. It's about deploying energies differently. In some areas, managers have to do more. In other areas, managers need to do less. Overall, they will have to act on the basis of principles that are quite different from those of today's traditional manager.

THE SEVEN PRINCIPLES OF RADICAL MANAGEMENT

The principles described here are not randomly plucked from the air. They form a self-reinforcing sequence.

They begin by getting the goal right: the purpose of work is to delight clients, not merely to produce goods or services or make money for the shareholders.

Focusing on client delight leads to self-organizing teams, because client delight requires continuous innovation, and a self-organizing team is the management arrangement most likely to generate continuous innovation.

This in turn leads on to working in client-driven iterations, because delighting clients can only be approached by successive approximations. And self-organizing teams, being a life-form that lives on the edge of chaos, need checkpoints to see whether they are evolving positively or slipping over the edge into chaos.

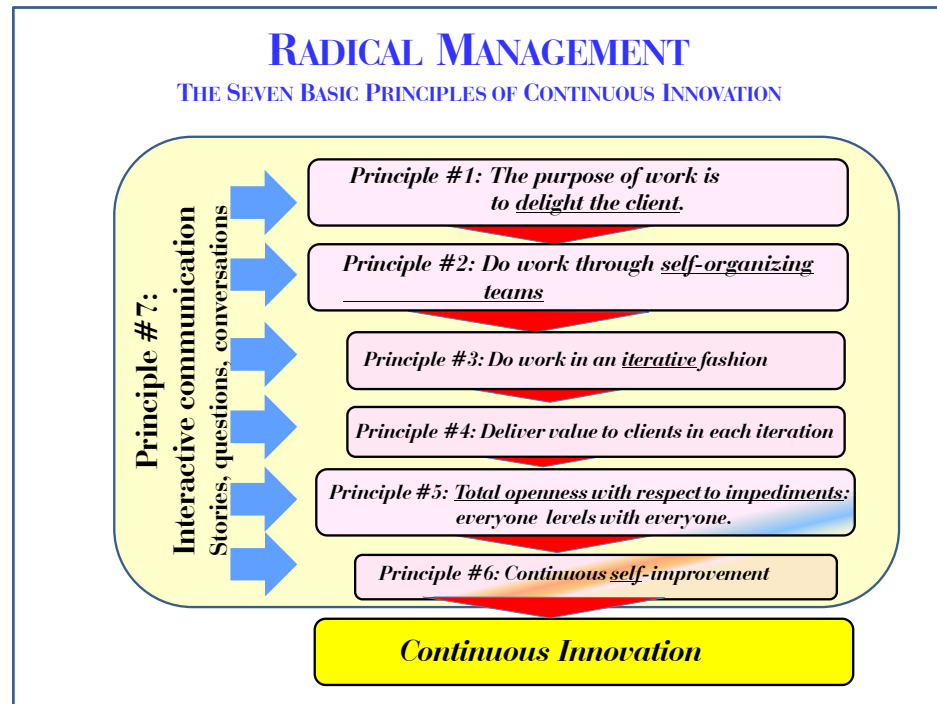
Similarly, client-driven iterations focus on delivering value to clients by the end of each iteration. They force closure and enable frequent client feedback.

Self-organizing teams—working in an iterative fashion—in turn both enable and require radical transparency so that the teams go on improving of their own accord.

An underlying requirement of all of these principles is interactive communication. Unless managers and workers are communicating interactively, using authentic narratives, open-ended questions and deep listening, rather than treating people as things to be manipulated, none of the above works.

When self-organizing teams are set up and supported by implementing these principles, they naturally evolve into high-performance teams that are significantly more productive than the norm, deeply satisfying to workers and tightly focused on delighting clients.

Together, the principles constitute a radical shift in the practice of management, and an approach that is well adapted to meet the challenges of the 21st Century organization.



PRINCIPLES AND PRACTICES

The principles comprise the seven most important elements of radical management. In the appendices to each chapter, I also describe a large number of practices—more than seventy of them in total. The practices are some of the ways to go about implementing the seven principles. Some of the practices support more than one principle.

The principles are more fundamental than the practices. If you think about the principles enough, you should be able to deduce the practices from them. If you keep the seven principles steadily in mind, you shouldn't go too far wrong.

Thus in implementation, it's important to focus on the spirit of radical management, and not get lost in the fine print. Even if you're not doing all those seventy-plus practices, but you are living the seven principles, that's still radical management. On the other hand, if you are doing lots of the practices, but you're not living some of the principles, then you should probably ask yourself whether you still have at least one foot in the land of traditional management.

This is not a book about praising famous firms or the current media darlings. Instead, I will be discussing how ordinary people become extraordinary, and how every firm can continuously reinvent itself.

Rather than talk about prodigies or celebrities, I will be describing a way of working that is broadly available to all.

I will rarely be using Japanese terms like *kanban* or *kaizan*, even though Japanese firms have made an enormous contribution to management thinking. My goal is to communicate certain truths that transcend any particular country or culture.

I will also make sparing use of the terminology that is widespread in software development, under the labels of "Agile" and "Scrum", with terms like "scrum-masters", "product-owners", "burndown charts" and "sprints". Software developers deserve credit for advancing some of the thinking described in this book to its fullest extent.¹⁰ Their terminologies were deliberately chosen to differentiate this way of developing software from the roles and practices of general management.¹¹ The terminology has been helpful in software development. My goal here is to explain in plain language how the underlying managerial principles and practices have roots in many different fields and how they apply to all sectors of the economy.

Some critics will say that the principles and practices described here are not possible, that they embody an unbelievable utopia, or that they have already been tried and shown not to work. They will give a thousand reasons why we have no choice but to keep on managing the way we always have, with stunted productivity, dispirited workers and frustrated customers.

It would be easier to accept that version of events if we hadn't already seen scores of organizations practicing the principles of radical management and achieving extraordinary performance with thousands of highly energized teams, workers experiencing truly better lives, and clients finding true delight.

WHO THIS BOOK IS FOR:

This book is intended for:

- Anyone who wants to re-invent the workplace and inspire—simultaneously—extraordinary productivity, continuous innovation, deep job satisfaction *and* client delight.
- Managers who want to lift their game, and create groups that buzz with extraordinary energy, excitement, innovation and genuine high performance.
- Anyone trying to understand why software developers practicing Scrum and Agile or car manufacturers like Toyota and Honda achieve extraordinary gains in productivity, and how to apply what they do to general management.
- Anyone who wants to generate some big wins for the organization through the use of leadership storytelling.

In short, this book is intended for those who wish to enjoy a life filled with passion, excitement and productivity and create that for others. Not tomorrow, not some years down the track, but now, today, in the very organization that is tiring you and inspiring you with anxiety. This is about taking charge of your life and experiencing the meaning, the élan, the spirit and the exhilaration of extraordinary performance.

	Traditional management	Radical management
Goal	The purpose of work is to produce goods or services	The purpose of work is to delight clients
How work is organized	Work is done by individuals reporting to bosses.	Do work through self-organizing teams
Plan	Work is done in accordance with a comprehensive plan.	Do work in client-driven iterations aimed at continuous innovation.
Measuring progress	As work proceeds, provide progress reports of what is under way	Deliver value to clients each iteration.
What is communicated	Communications cover what people need to know.	Total openness: everyone levels with everyone.
Improvement	Bosses are responsible for productivity.	Continuous self-improvement by the team itself.
How it is communicated	One way communication: send people messages and tell them what to do	Interactive communication: stories, questions, conversations
Principal focus of competition	Cost reduction: economies of scale, downsizing, outsourcing	Time: deliver more value to the client sooner
Consequence	Rates of return on assets steadily decline. Innovation is stunted. Four in five workers are not fully engaged in their jobs. Customers receive average products and services.	Continuous innovation: self-organizing teams normally evolve into high-performance teams, focused on delighting clients, with above average productivity and deep job satisfaction.

¹ Deloitte Center for the Edge: *Measuring the Forces of Long-Term Change: The Shift Index*, pp. 2, 70, 97, 104, 111.

[<http://www.edgeperspectives.com/shiftindex.pdf>] Accessed January 20, 2010.

² Kotter, J. *A Sense of Urgency*, Boston: Harvard Business School Press, 2009.

³ Pink, D. *Drive: The Surprising Truth About What Motivates Us*, New York, Riverhead Books, 2010.

⁴ I am indebted to Hans Samios, a manager at Intergraph Corporation in Alabama, who contacted me and suggested that I check out what was happening in these software development firms.

⁵ Pirsig, R. *Zen and the Art of Motorcycle Maintenance*. New York: William Morrow, 1974, p.94.

⁶ As explained in chapter 4, much of the thinking behind client delight as a goal builds on the work of Fred Reichheld: *The Ultimate Question: Driving Good Profits and True Growth*, Boston: Harvard Business Press, 2006. See also: "Wow?" Net Promoter Blogs, [http://netpromoter.typepad.com/fred_reichheld/2008/09/wow.html] September 23, 2008. (Accessed January 18, 2010)

⁷ Rust, R.T., Moorman, C. and Bhalia, G. "Rethinking Marketing" *Harvard Business Review*, January-February 2010, 94-101.

⁸ Hamel, G. "Moonshots for Management," *Harvard Business Review*. February 2009, pp. 91-98 at 92.

⁹ Towers Perrin Global Workforce Study 2007-2008 [http://www.towersperrin.com/tp/getwebcachedoc?webc=HRS/USA/2008/200802/GWS_handout_web.pdf] (Accessed January 18, 2010).

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See also the Deloitte Shift Index: "75 to 80 percent of the workforce lacks passion for the work they perform on a daily basis. This is particularly significant given the strong correlation between Worker Passion and more active participation in knowledge flows. If companies are serious about more effective participation in knowledge flows, they must find ways to draw out greater passion from their workers." [<http://www.deloitte.com/us/shiftindex>] Accessed January 19, 2010.

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[<http://www.eurofound.europa.eu/ewco/surveys/ewcs2005/index.htm>]

¹⁰ See for example:

Resources available at <http://www.agilealliance.org/>

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[<http://www.mountaingoatsoftware.com/scrum-a-presentation>] Accessed January 20, 2010.
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[<http://www.ambysoft.com/essays/agileLifecycle.html>] Accessed Dec 30, 2009.

¹¹ Cohn, M. *Succeeding with Agile: Software Developing Using Scrum*, 2009, Upper Saddle River NJ: Addison Wesley, p. 101. According to Ken Schwaber, “the vocabulary of Scrum is a vocabulary of change. The words are often intentionally ugly—burndown, backlog, ScrumMaster—because they remind us that change is occurring.”