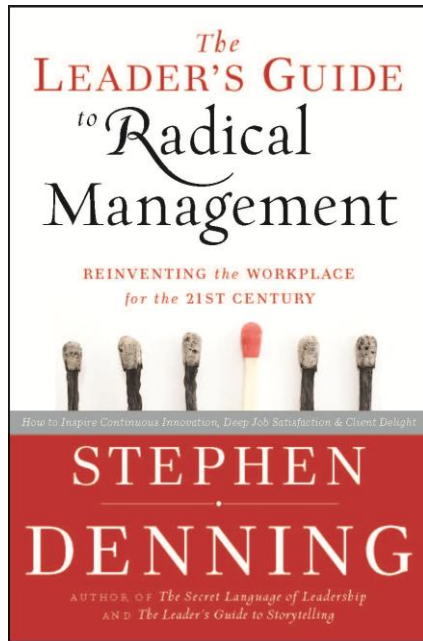
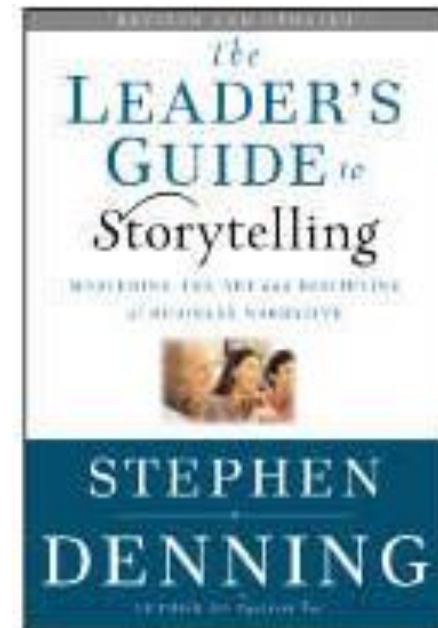


# Making The Entire Organization Agile



**Steve Denning**  
[www.stevedenning.com](http://www.stevedenning.com)  
[steve@stedenning.com](mailto:steve@stedenning.com)



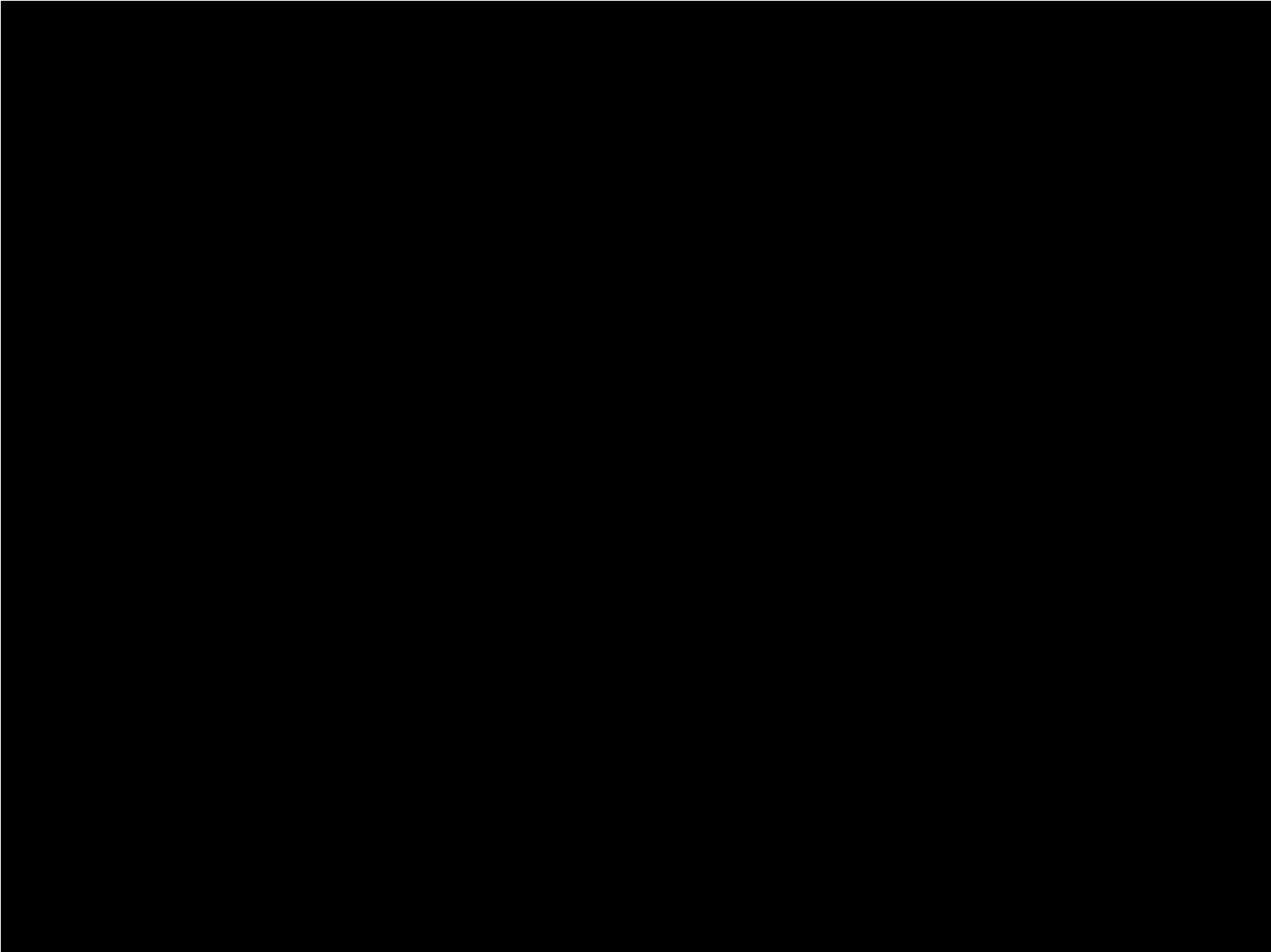
These slides:

<http://www.stevedenning.com/slides/agile.pdf>

Video

**Making  
The Entire Organization  
Agile**

Explaining the idea in sixty seconds



<http://www.youtube.com/watch?v=tTwdpRukACk>

Video

**Making  
The Entire Organization  
Agile**

Explaining the idea in sixty seconds

# How organizations surprised us all by

Stephen Denning

Former Director, Knowledge Management, World Bank

<http://www.youtube.com/watch?v=tTwdpRukACk>

# 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



**A knowledge management program was launched**

**In 2008, I began exploring:**

**Why do managers  
act this way?**

**(These are highly intelligent, educated people!)**



**One clue...**

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

# **Knowledge management**

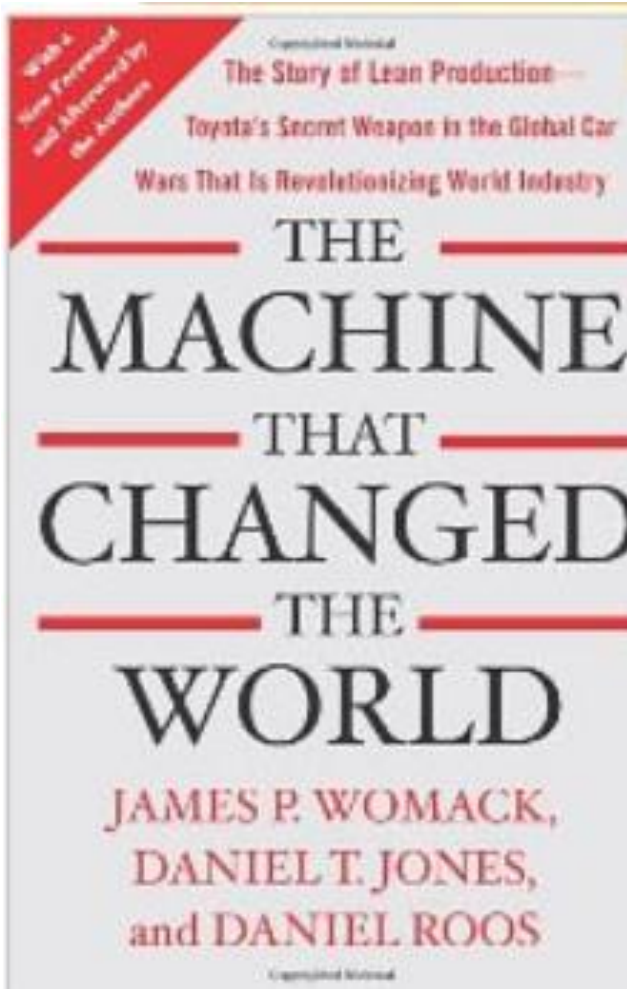


**Not just the World Bank**

- BP
- Ernst & Young
- IBM
- HP

It's not just leadership storytelling!

# Lean Manufacturing

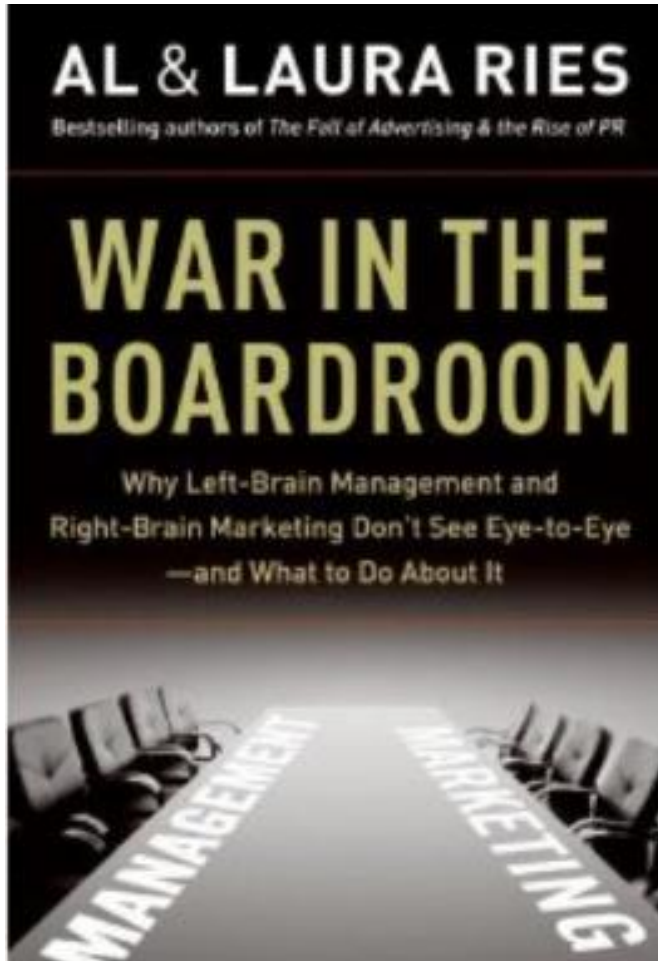


“Only 1% of lean initiatives meet their goals.”

*Jeffrey Liker*

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

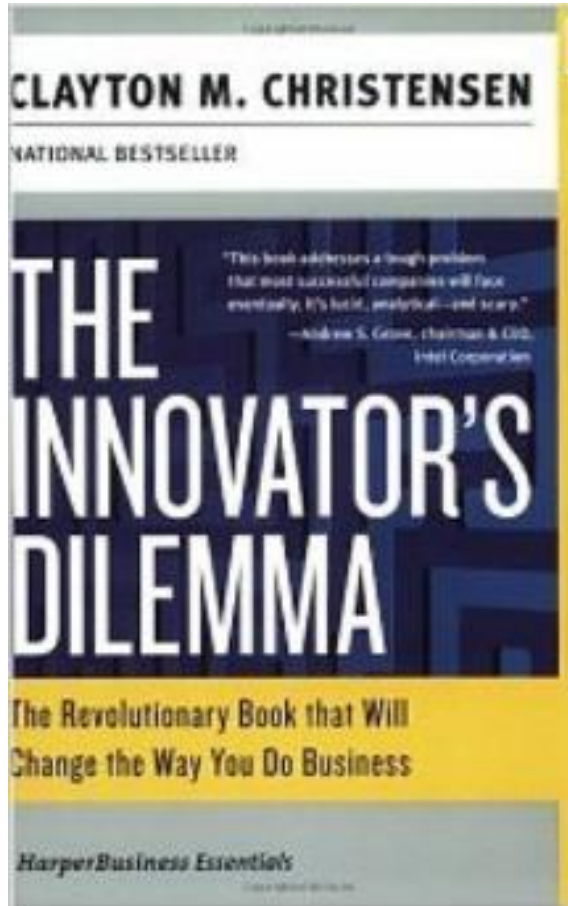
# **Marketing**



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

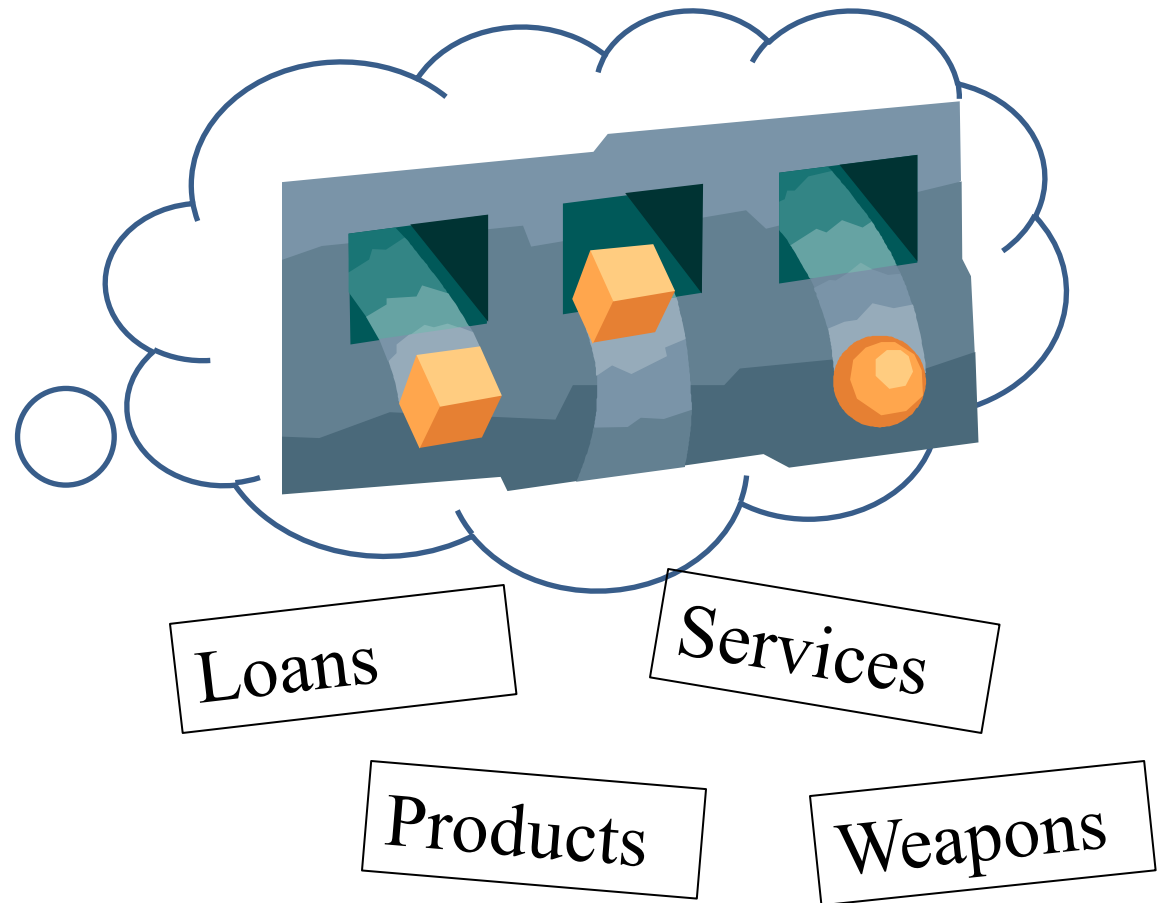
*Most management textbooks...*

*Most business schools ...*

**Traditional  
management  
rests on  
five interlocking  
principles**

# Five planks of traditional management

## 1. The purpose of a firm is outputs





# Five planks of traditional management

## 2. “The main goal is efficiency”



# Five planks of traditional management

## 3. Customers are 'demand' that can be manufactured



# Five planks of traditional management

## 4. “Staff are ‘human resources’ that can be manipulated”



# Five planks of traditional management

## 5. Communicate by directives



# Five planks of traditional management

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



“the smartest man I ever met”

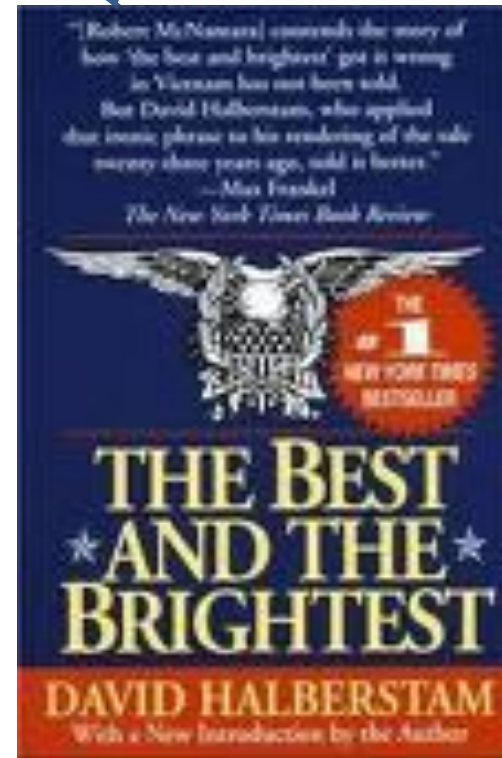
John F. Kennedy





# Five planks of traditional management

## Contrary evidence is inadmissible

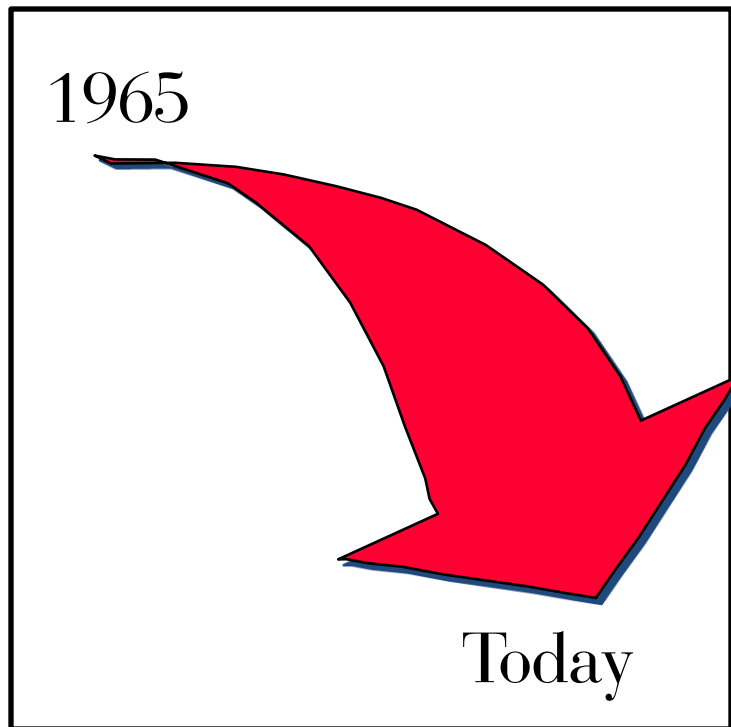


“the smartest man I ever met”

John F. Kennedy



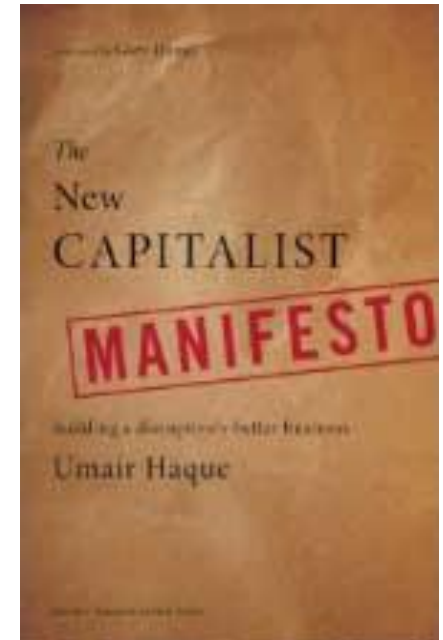
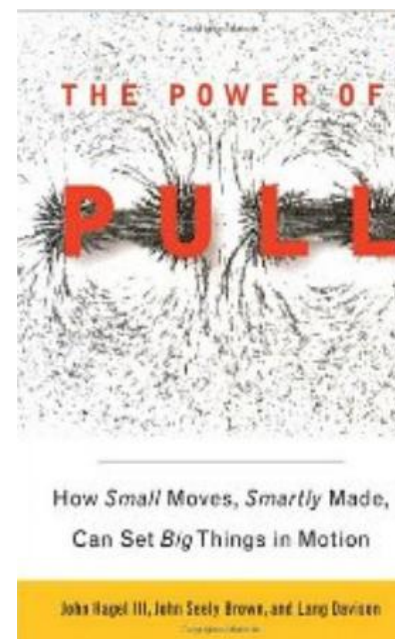
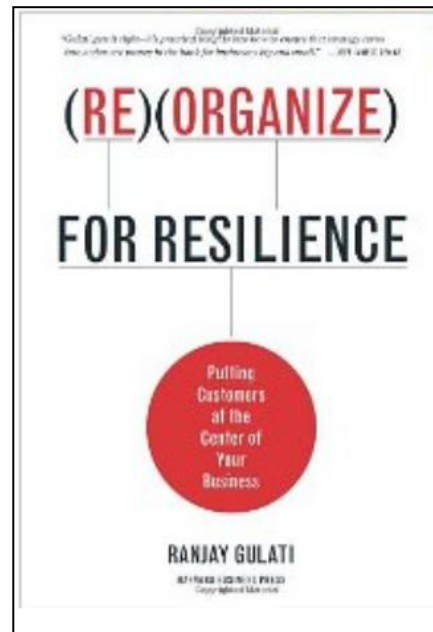
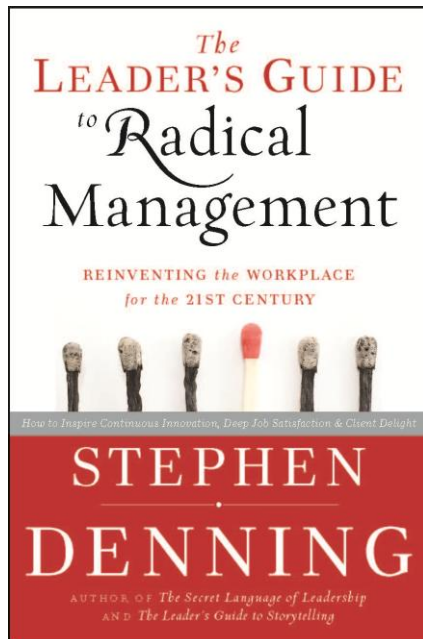
# 2009: Conclusive proof of the failure of traditional management



- The *rate of return on assets* has fallen by 75% since 1965
- The *life expectancy* of Fortune 500 firms down to 15 years, and is heading towards 5 years.
- Only *1 in 5* workers *fully engaged*

Many are now concluding:

# Management is broken!

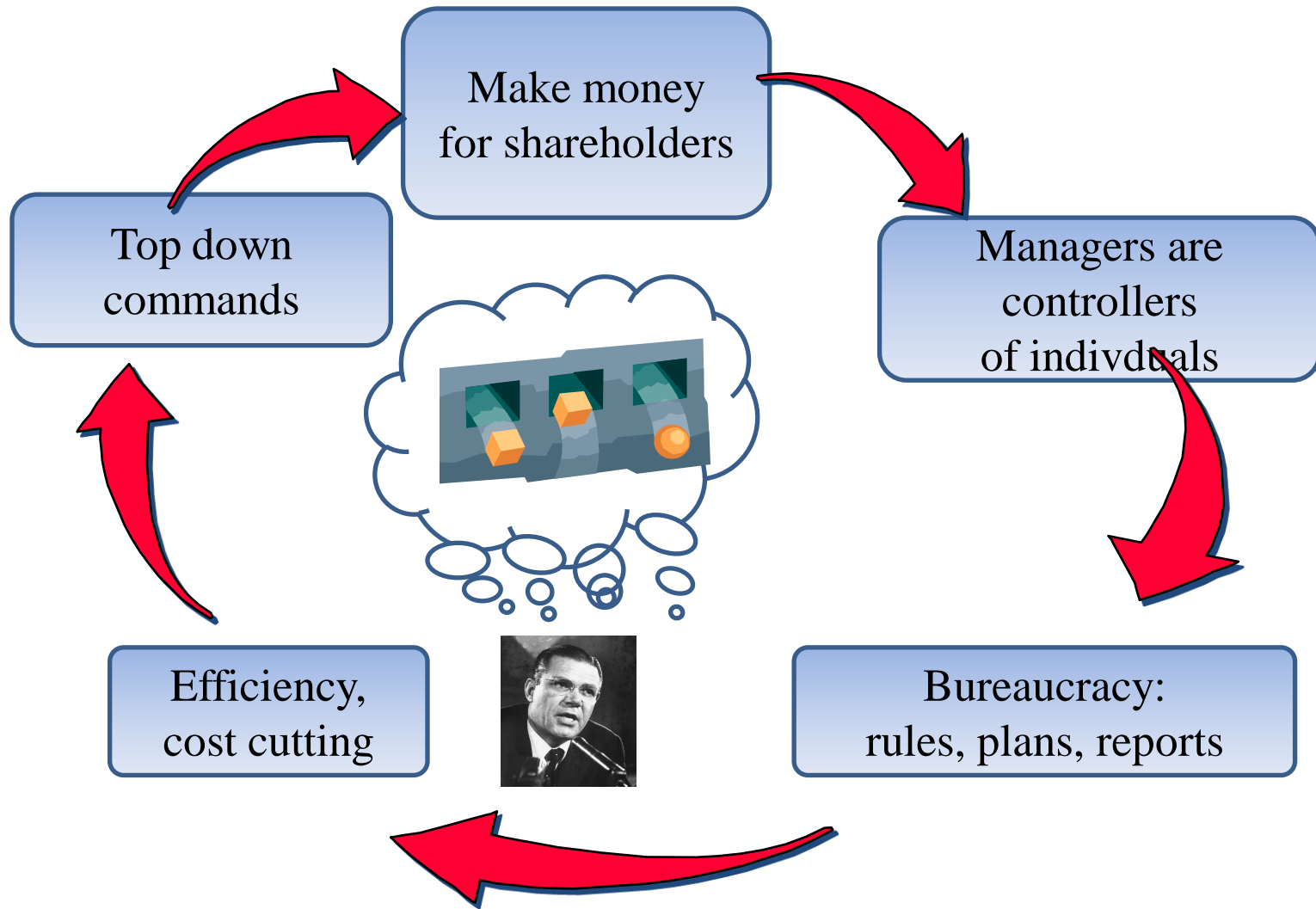




**Implication for organizational survival:**

**We have to  
manage  
differently!**

# The shifts are self-reinforcing & interdependent



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

## Implication for organizational survival:

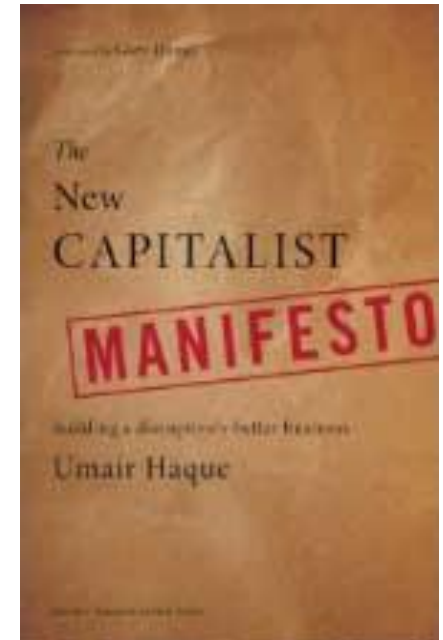
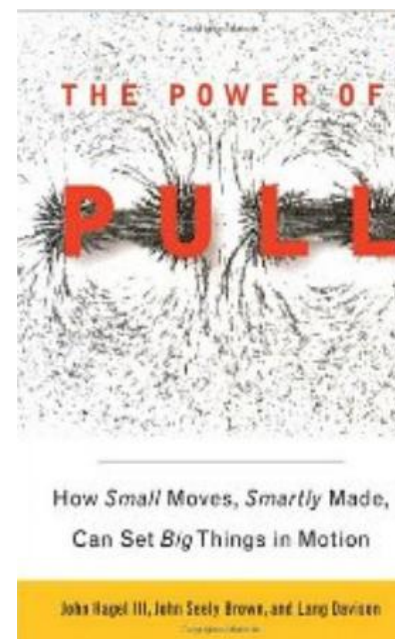
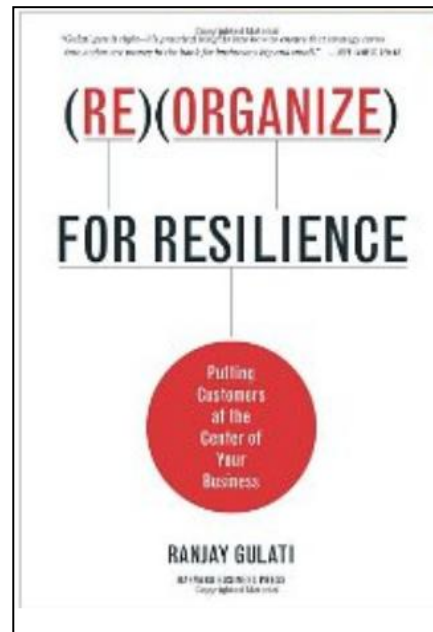
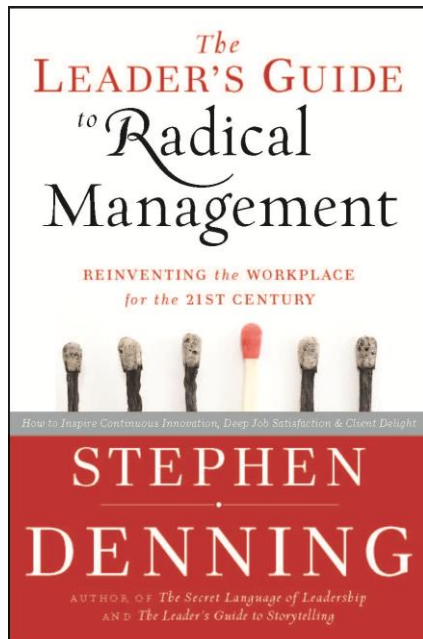
“The significant problems we have cannot be solved at the same level of thinking with which we created them.”

*Albert Einstein*

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

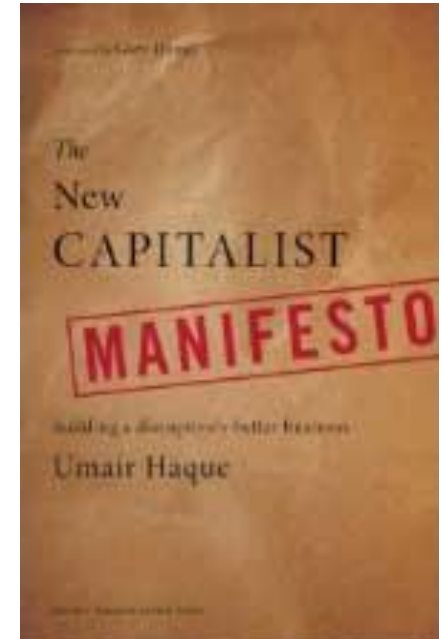
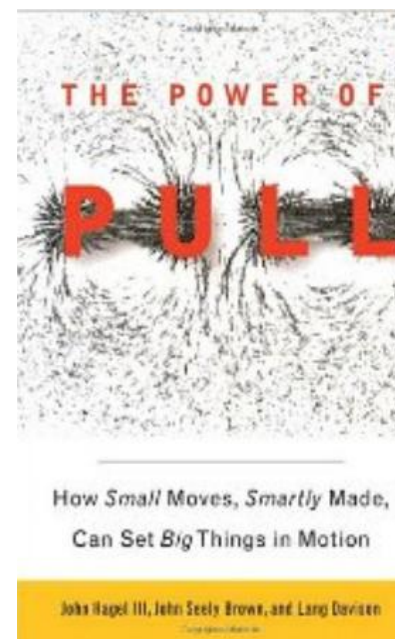
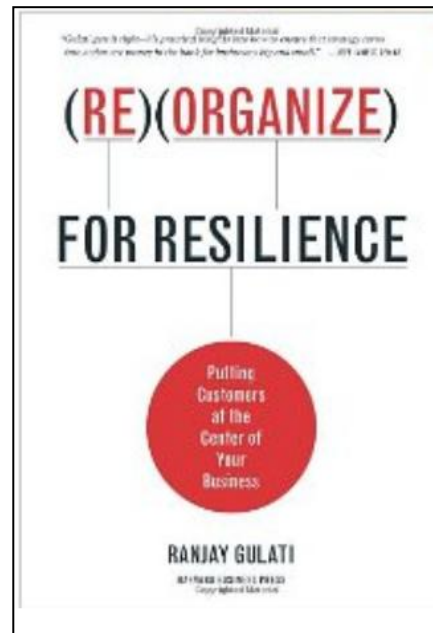
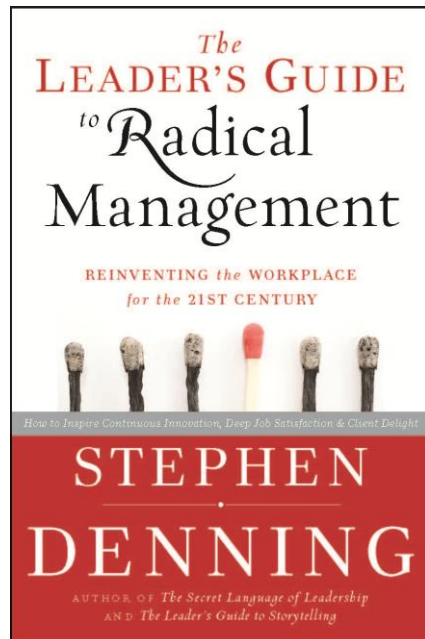
We know how to manage differently:

# 5 big shifts ( and 70+ practices)!



# Five big shifts...

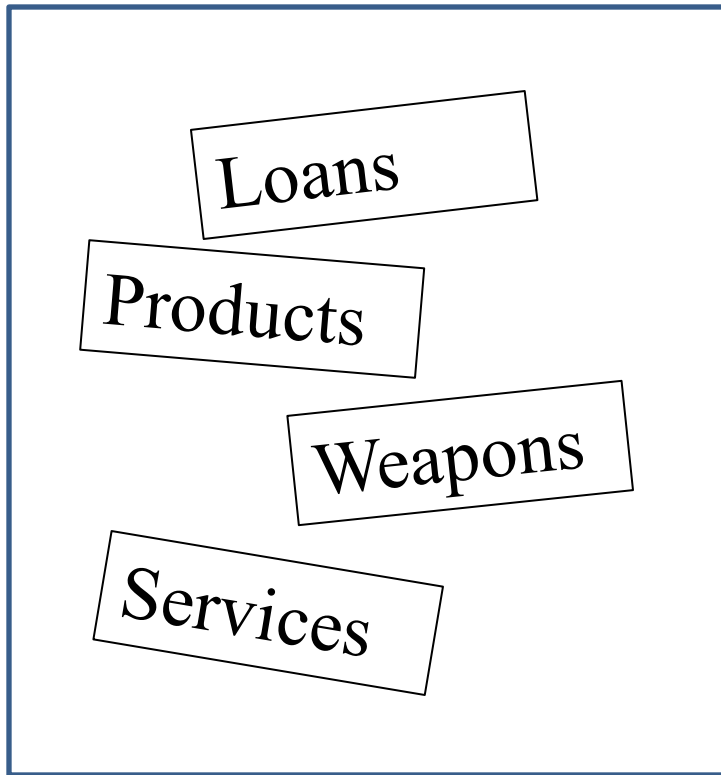
1. **New goal** for the organization
2. **New role** for managers
3. **New coordination** mechanisms
4. Shift **from value to values**
5. New way to **communicate**



1

# NEW GOAL: delight the customers

from outputs to outcomes



Produce outputs



Delight the customer

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!



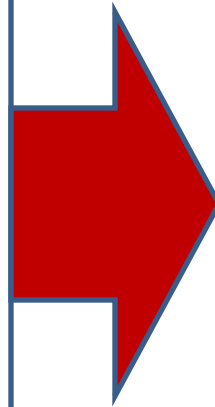
1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

A new  
bottom  
line for  
business

Make money



Delight the customer



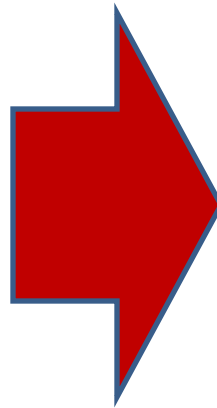
1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes



Efficiency



Customer delight

1

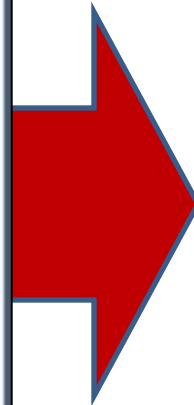
# NEW GOAL: delight the customers

i.e. from outputs to outcomes

**A paradoxical discovery!**



Customer delight



Costs come down of  
their own accord!

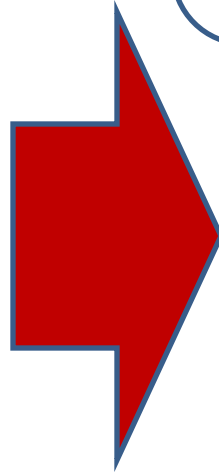
1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

“You take what we make!”

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



1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes

LESS  
IS  
MORE!

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

54 buttons  
Complicated  
Hard to use

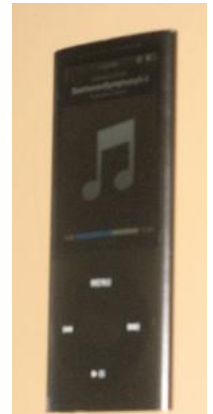
DVD  
controller



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

4 buttons  
Simple  
Easy to use

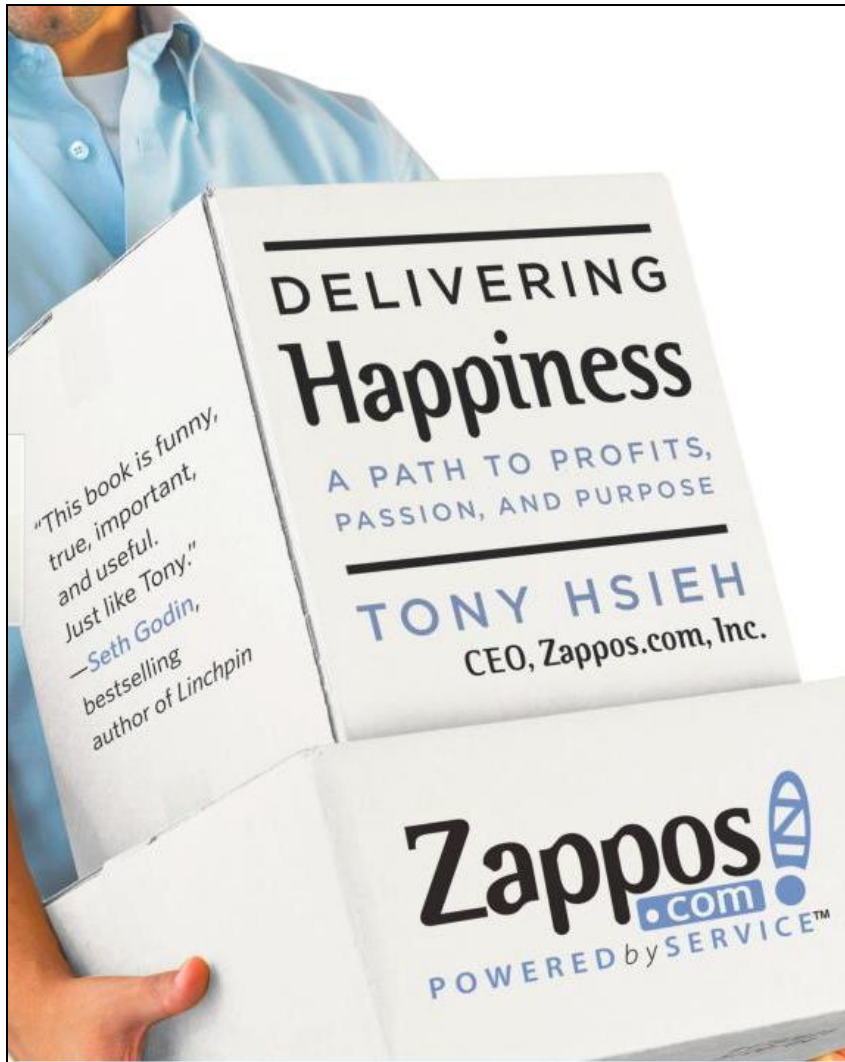
iPod



1

# NEW GOAL: delight the customers

i.e. from outputs to outcomes



Zappos runs its warehouse 24/7

This is not an efficient way to run a warehouse

Customers are **happy** to get free shipping.

They are **delighted** when a customer orders by midnight EST, and gets the delivery eight hours later.

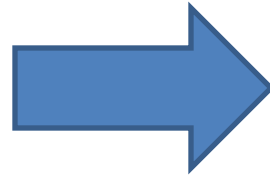
1

# NEW GOAL: delight the customers

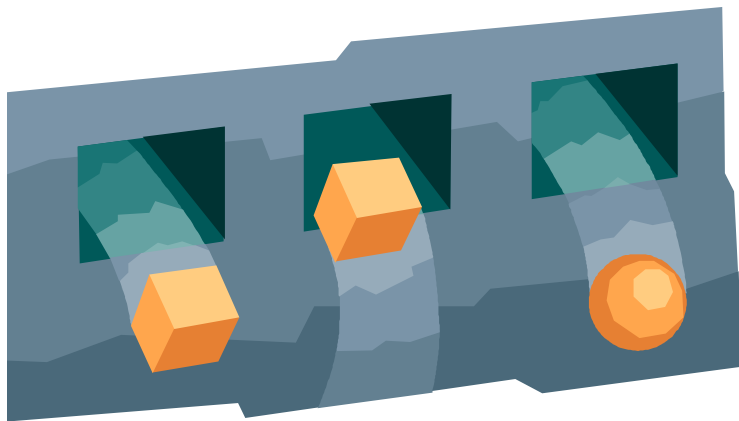
i.e. from outputs to outcomes

## This changes the game completely

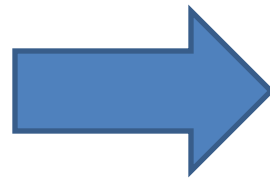
**Outputs**



**Outcomes**



**Things**



**People**

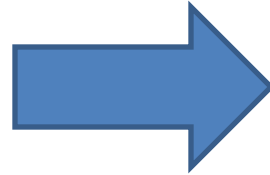
1

# NEW GOAL: delight the customers

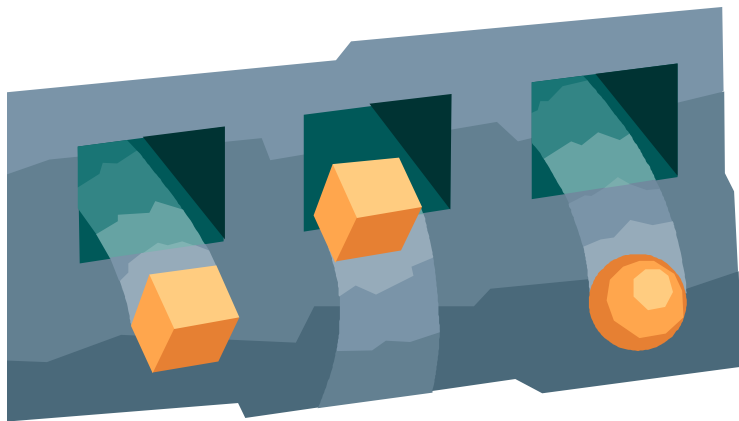
i.e. from outputs to outcomes

## This changes the game completely

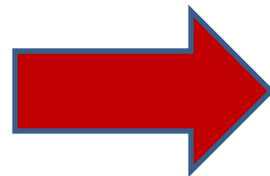
**Outputs**



**Outcomes**



Simple



*Complex*

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

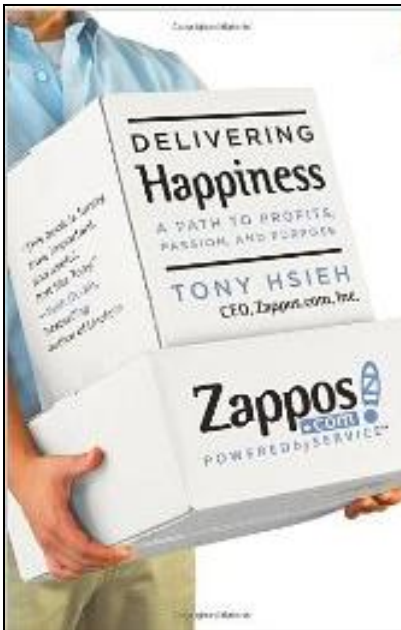


1

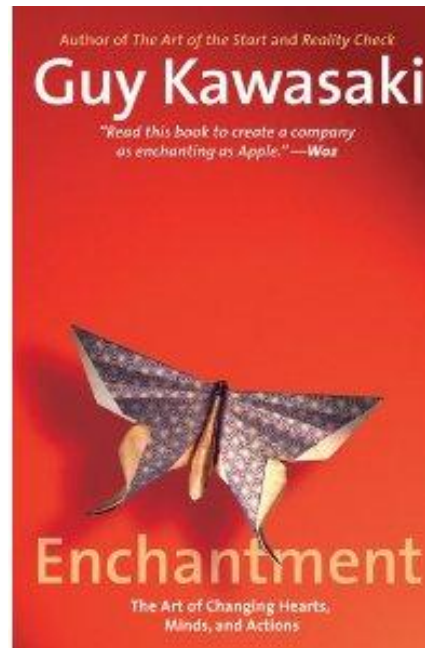
# NEW GOAL: delight the customers

i.e. from outputs to outcomes

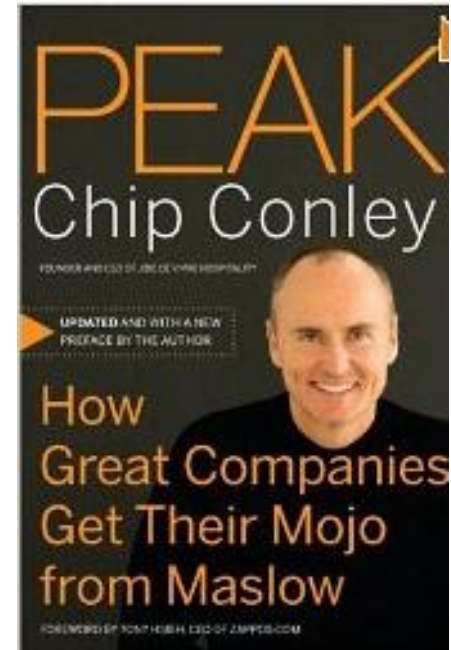
Is “**customer delight**” a serious business proposition?



“happiness”



“enchantment”



“joy”

1

## NEW GOAL: delight the customers

i.e. from outputs to outcomes

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

“**Customer delight**” =

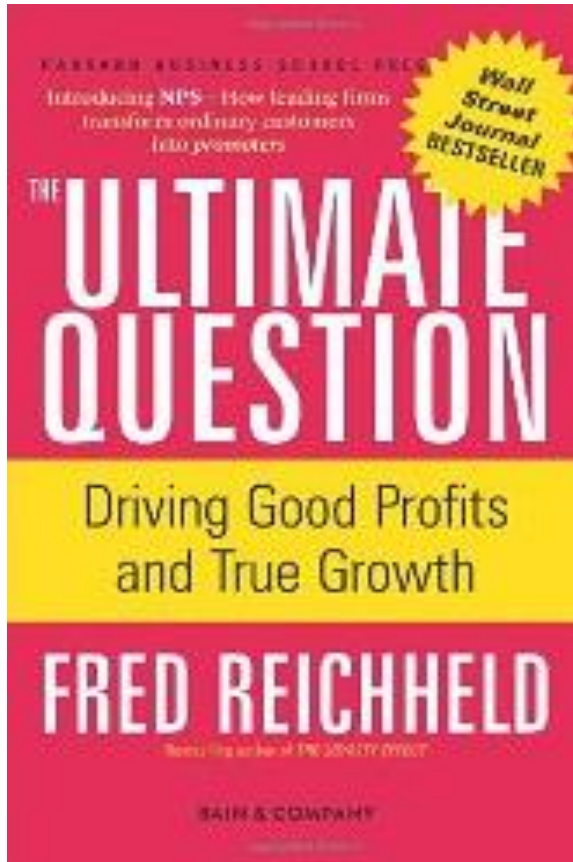
“Providing a continuous stream of additional value to customers and delivering it sooner”

1

# NEW GOAL: delight the customers

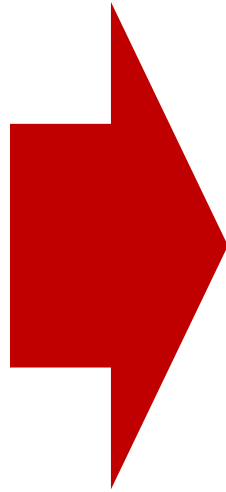
i.e. from outputs to outcomes

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



“Customer delight”  
is  
measurable.

## 2 NEW MANAGER ROLE: from controller to enabler

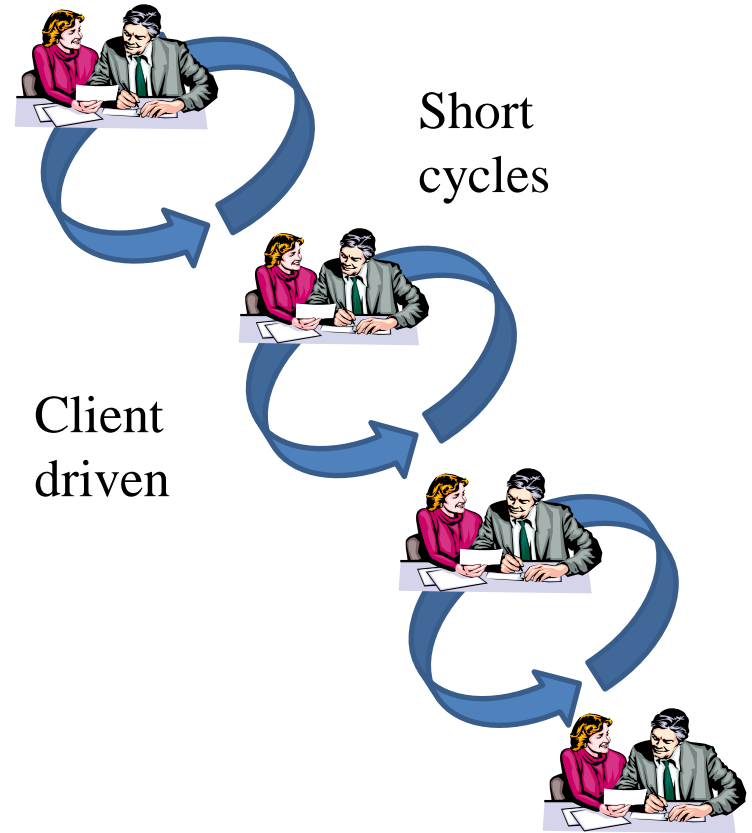


Controller of  
individuals

Enabler of self-  
organizing teams

# 3

## COORDINATION OF WORK: Dynamic linking



Hierarchical bureaucracy

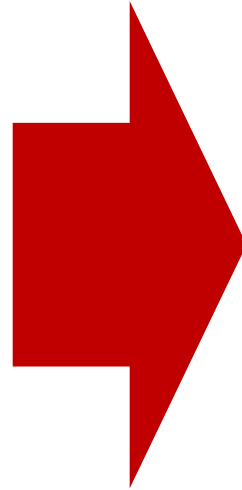
Dynamic linking

4

## 4. FROM VALUE TO VALUES: radical transparency



“Just do it”



Alan Mullaly CEO, Ford



# 4 FROM VALUE TO VALUES: continuous improvement

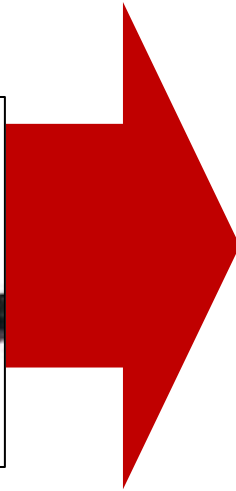


**Get the product out**

**The status quo is  
never good enough**

# 5

## INTERACTIVE COMMUNICATION: conversation

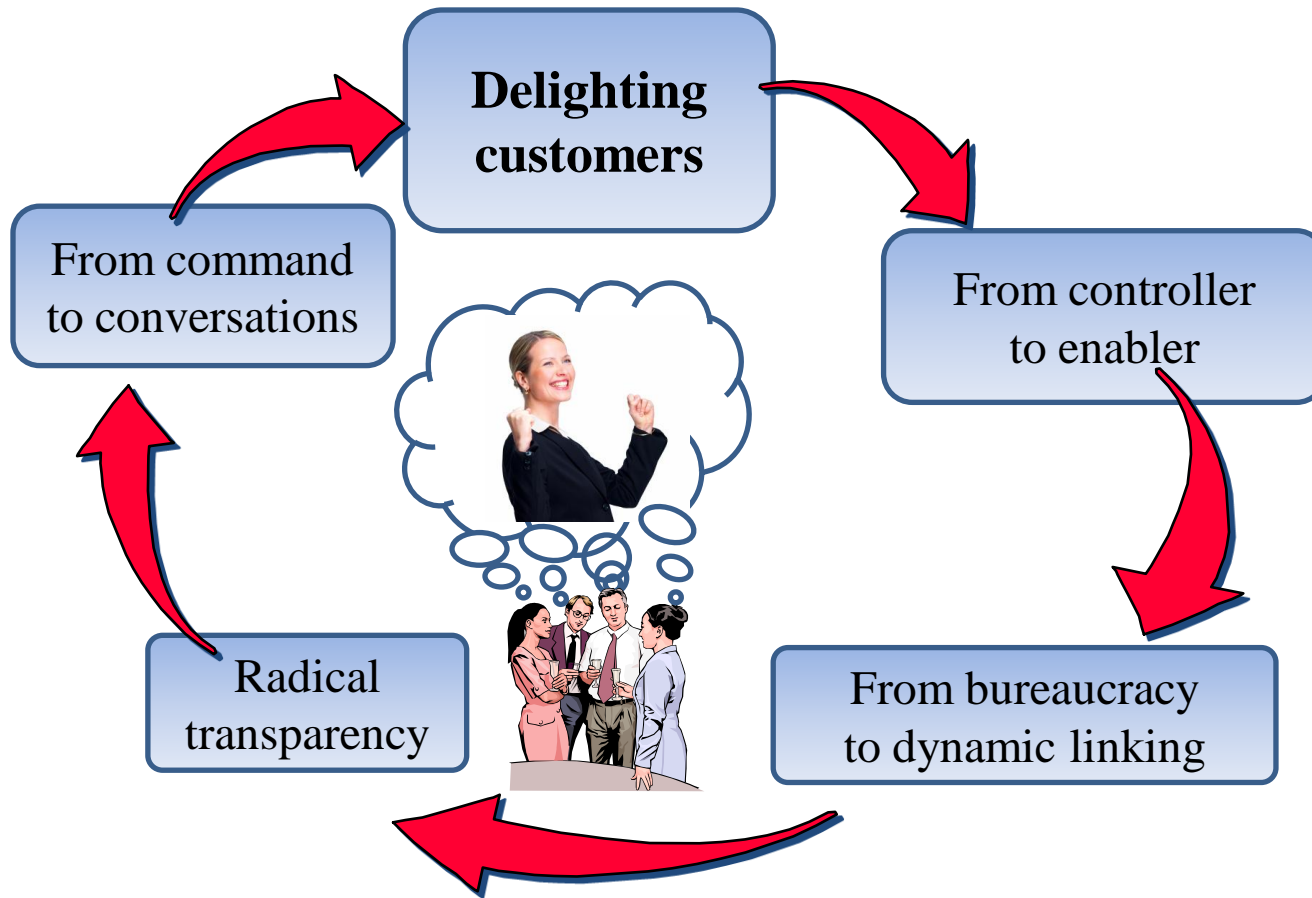


Command and  
control

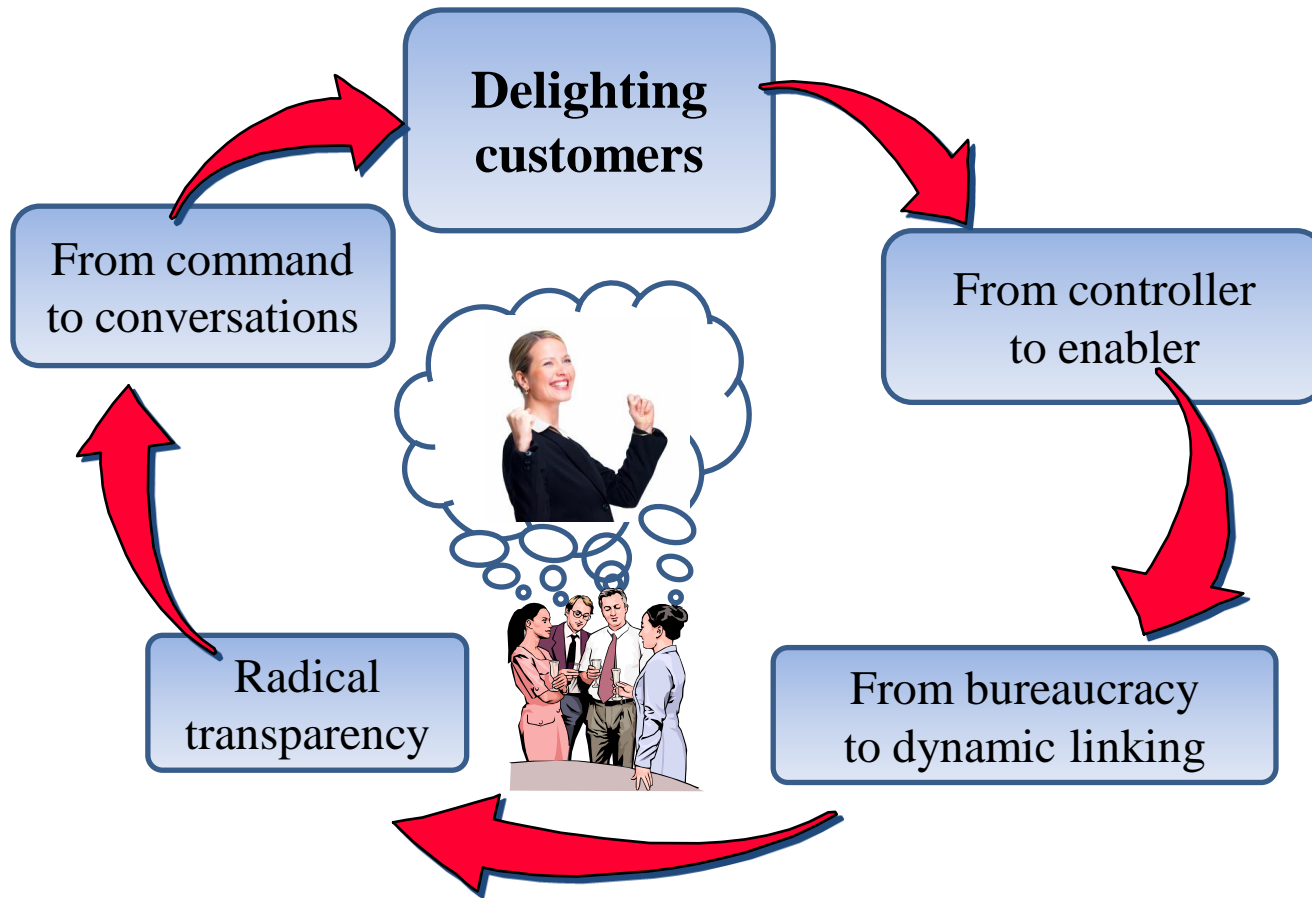
Adult-to-adult conversations



# The shifts are self-reinforcing & interdependent

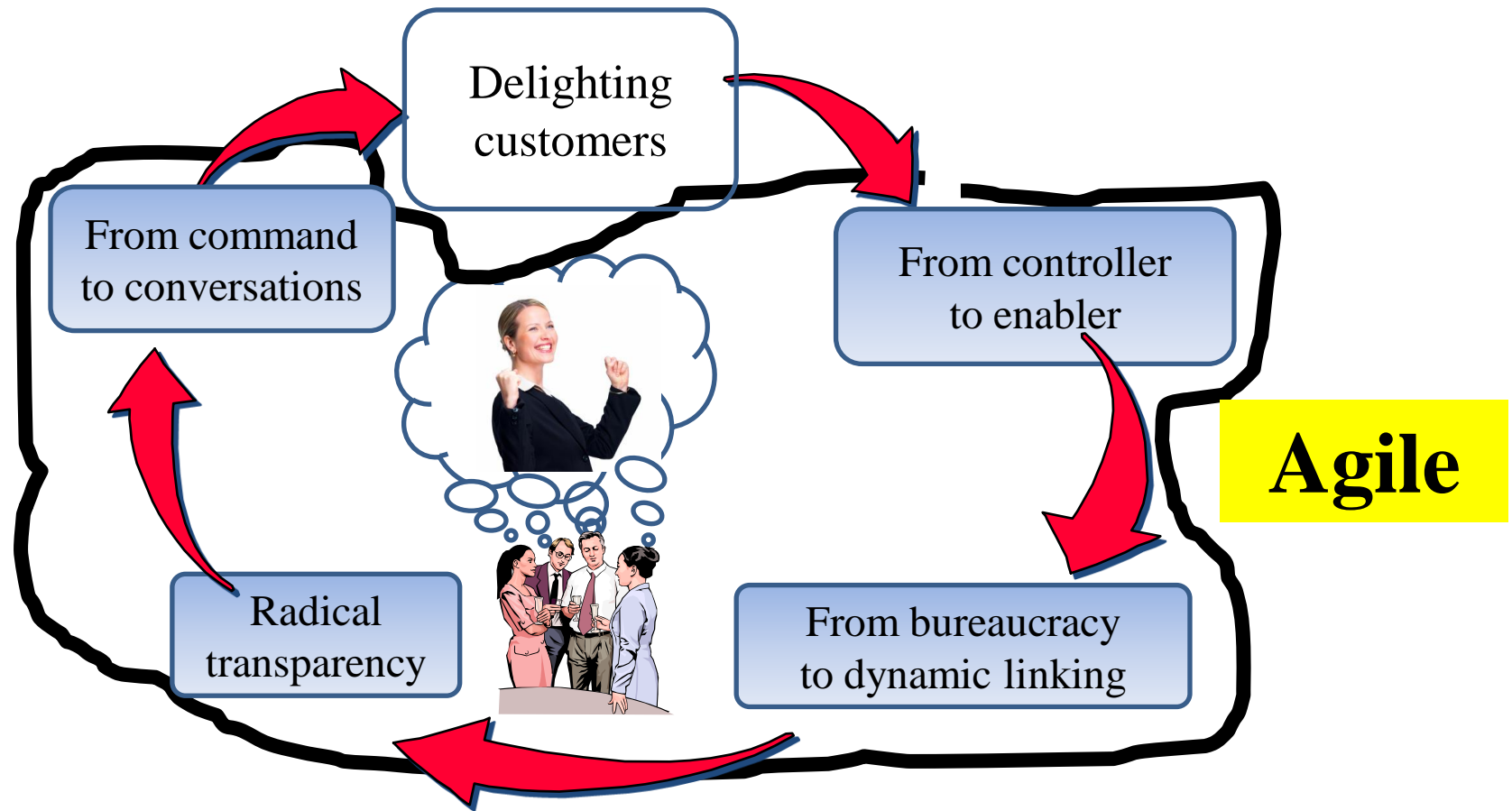


# WHAT'S NEW: doing all at once



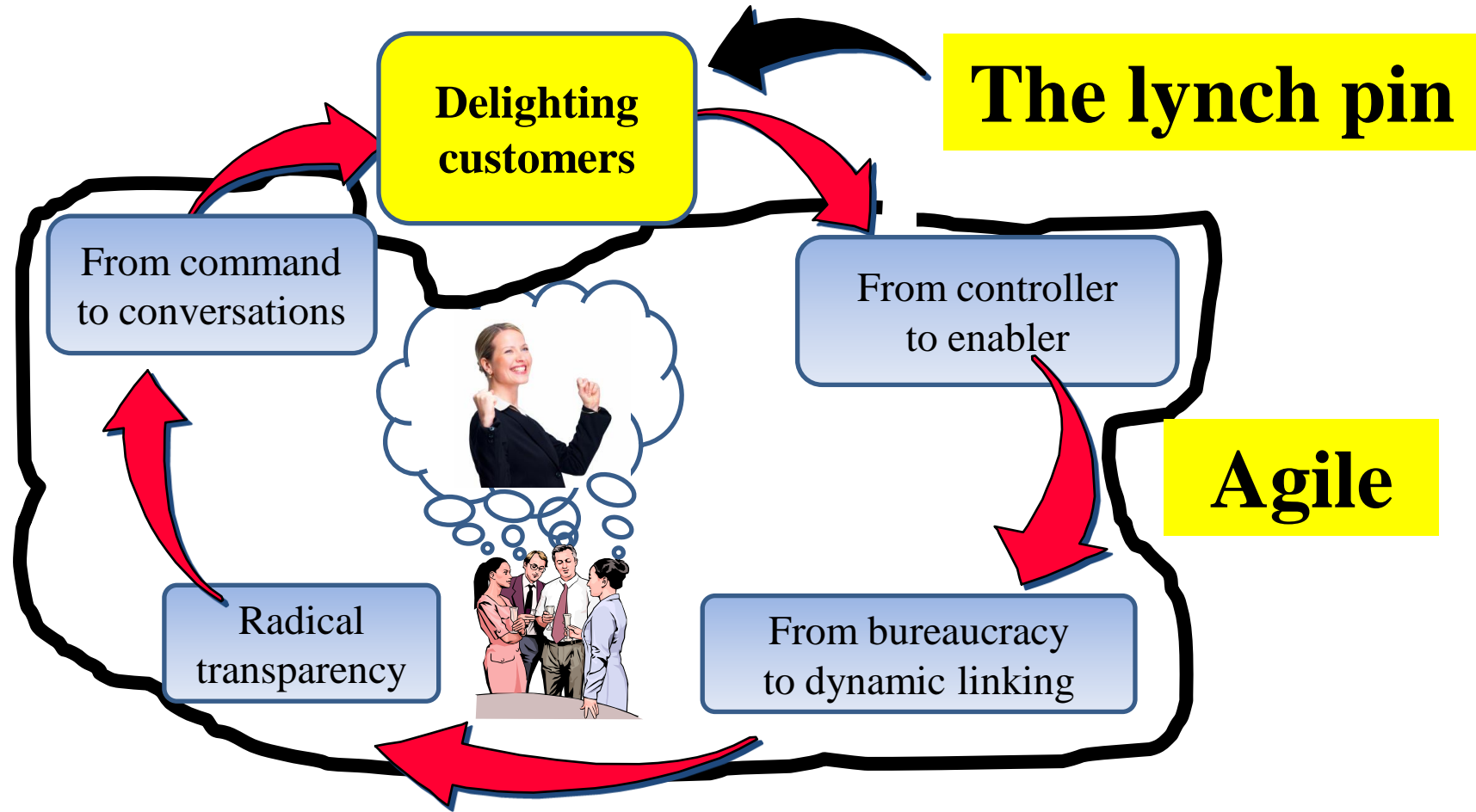
**Individually, none of the shifts is new**

# WHAT'S NEW: doing all at once



## Principal focus of Agile/Scrum

# WHAT'S NEW: doing all at once



**Delighting customers is pivotal**

**The transition is inevitable**

Two- to four-times  
gains in  
productivity

**Economics will drive the change!**

Firms that delight their customers,  
are also **HUGELY PROFITABLE**



Six-year share price 2004-2011

Firms that delight their customers,  
are also **HUGELY PROFITABLE**

Apple (AAPL)



Firms that delight their customers,  
are also **HUGELY PROFITABLE**



Ten-year share price 2001-2011



While the other firms

**STRUGGLE** just to **STAY IN PLACE**

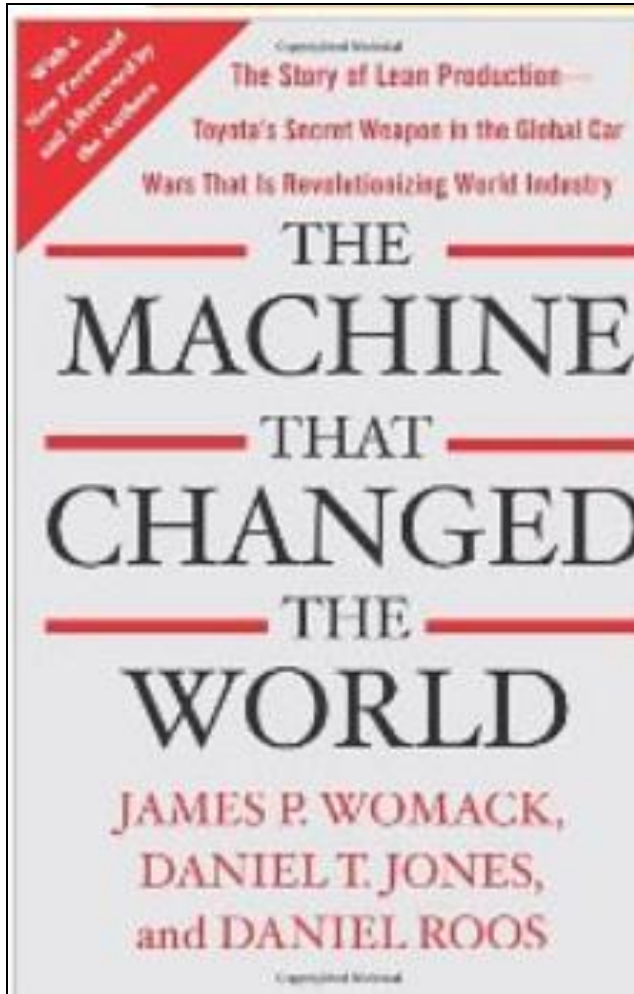


While the other firms

**STRUGGLE** just to **STAY IN PLACE**



# The transition won't be easy



1990

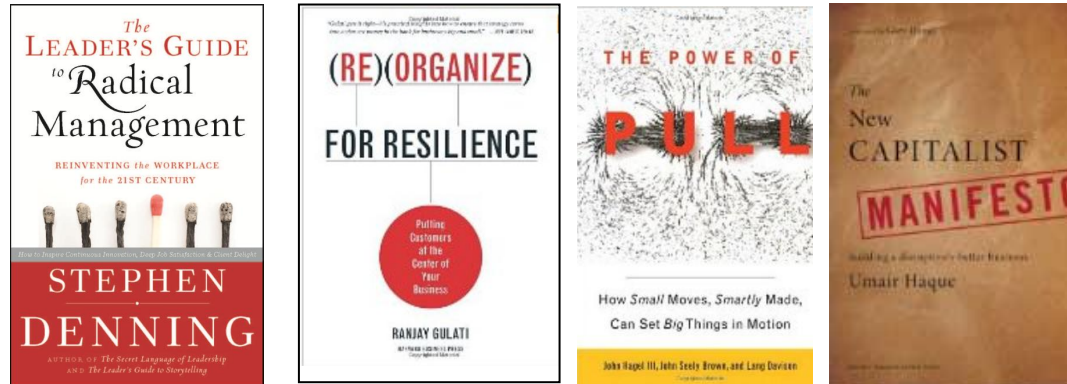
The world's best plant:  
Ford's Hermosillo plant  
in Mexico

1990s: Ford's Romeo plant  
in Michigan

2006: The new CEO,  
Allan Mullaly, embraces it

# *The huge opportunity for Scrum*

## **Educate yourselves!**



*Master the principles and practices  
of radical management*

## **Educate your managers!**

- *Disseminate the Shift Index*
- *Disseminate the books that show how*

**Become leaders of the new movement: inspire!**

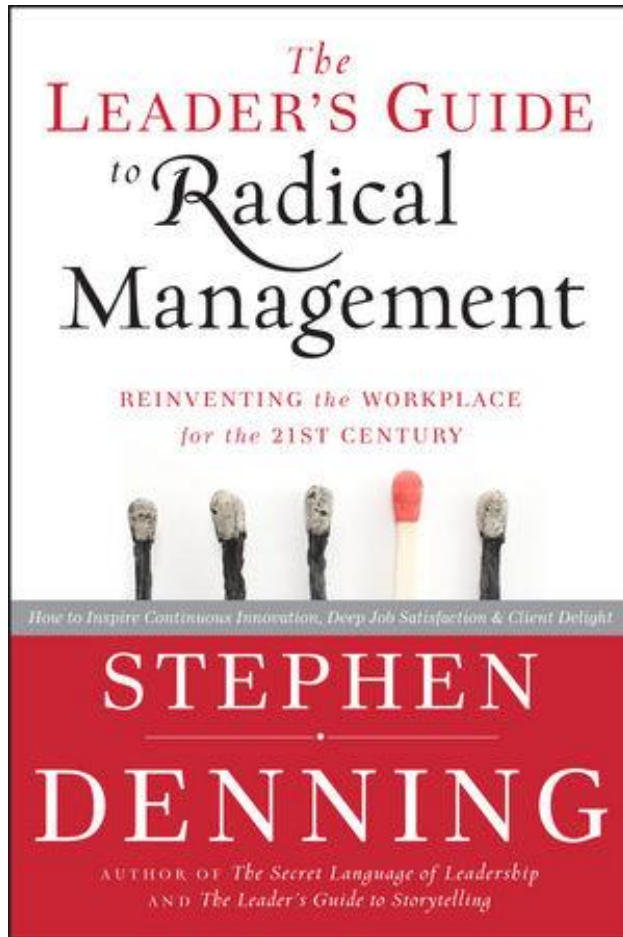
# Lead the revolution!

- **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!



# 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!



# Reinventing Management Requires Systemic Change

## Traditional management

## Radical management

### New Goal

The firm's goal is to **make money for shareholders**

Customers are "demand" to be parsed & manufactured

The firm's goal is to **delight customers**

Making money is a result of delighting customers

### New Role

Managers are **controllers of individuals**

Employees are "human resources" to be manipulated with carrots & sticks

Managers are **enablers of self-organizing teams**

Managers provide clear line of sight to customers and remove impediments

### New coordination mechanisms

#### **Bureaucracy:**

Work is coordinated by rules, plans and reports

#### **Dynamic linking:**

Teams work in short cycles with direct feedback from customers

### Value vs Values

#### **Economic value:**

Single-minded focus on efficiency, economies of scale

#### **Values that delight customers :**

Radical transparency & continuous improvement

### Communications

#### **One-way communication:**

Tell people what to do

#### **Interactive communications:**

Stories , questions & conversations