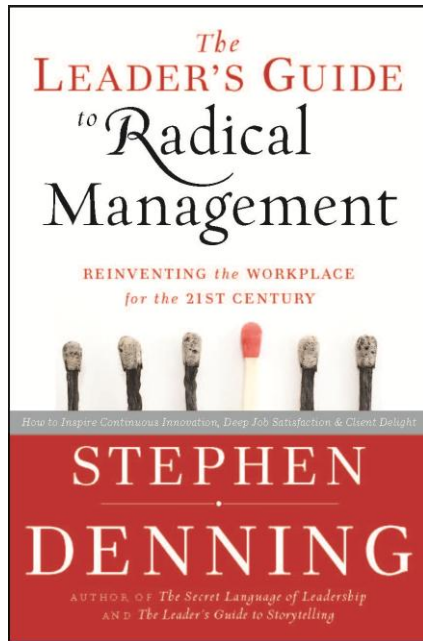


Making The Entire Organization Agile

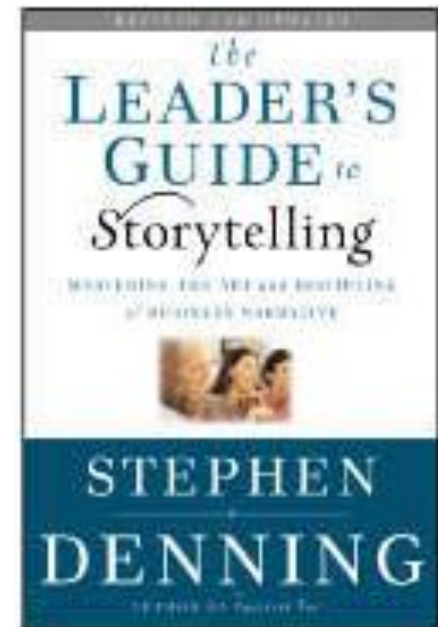


Steve Denning

www.stevedenning.com

steve@stedenning.com

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



These slides:

<http://www.stevedenning.com/slides/SaltLakeCityAug2011.pdf>

Last night

“When the whole enterprise is Agile, it means that the bad guys will have won.”

Ken Schwaber

This morning

“Nothing in the world will make corporations become truly Agile, genuinely valuing people and being transparent.”

Ron Jeffries

Oh dear!



My confession

My story....

Video

Making The Entire Organization Agile

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



**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

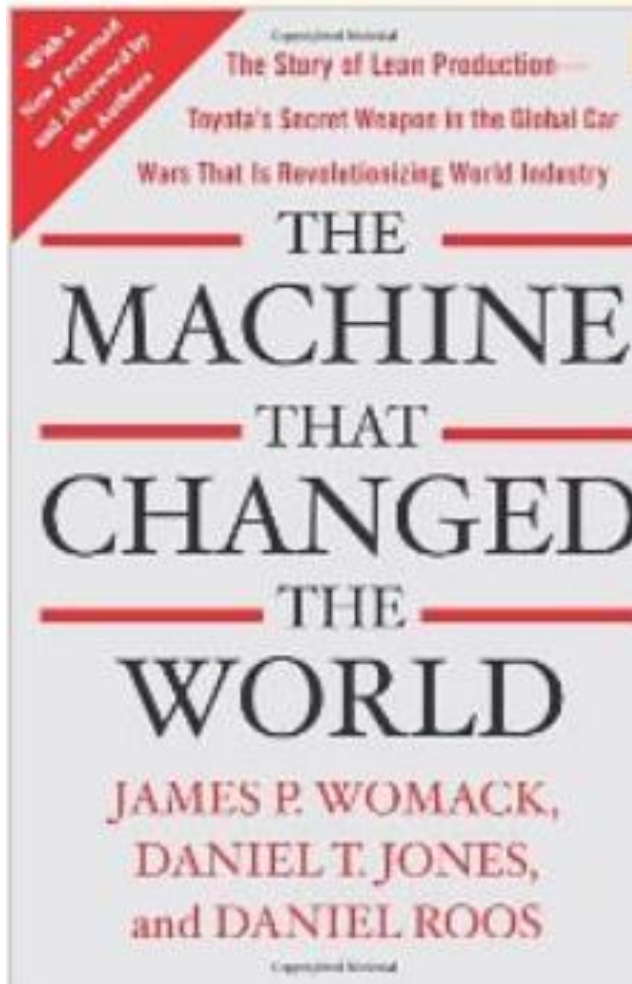


Not just the World Bank

- BP
- Ernst & Young
- IBM
- HP

It's not just leadership storytelling!

Lean Manufacturing

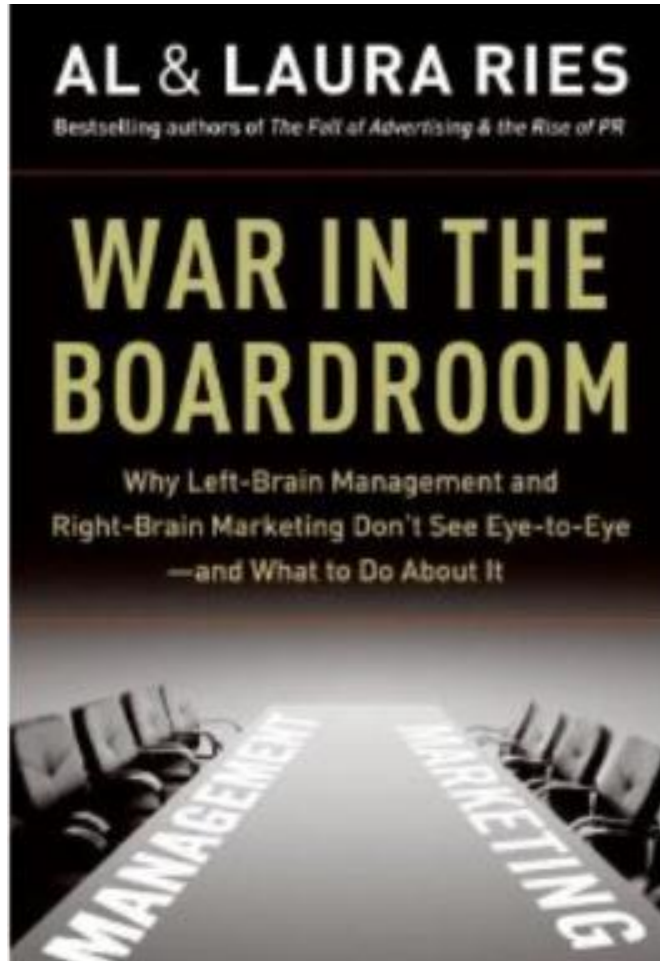


“Only 1% of lean initiatives meet their goals.”

Jeffrey Liker

It's not just leadership storytelling!

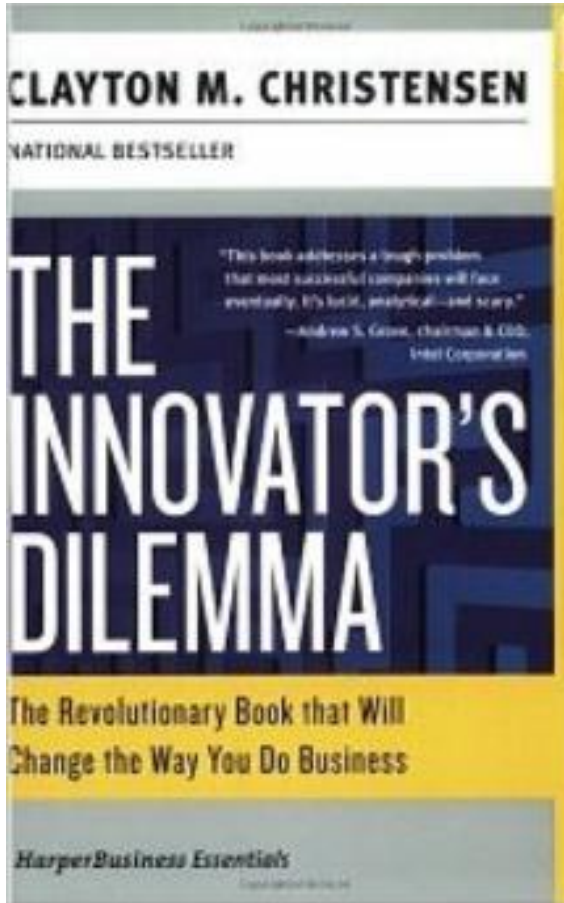
Marketing



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

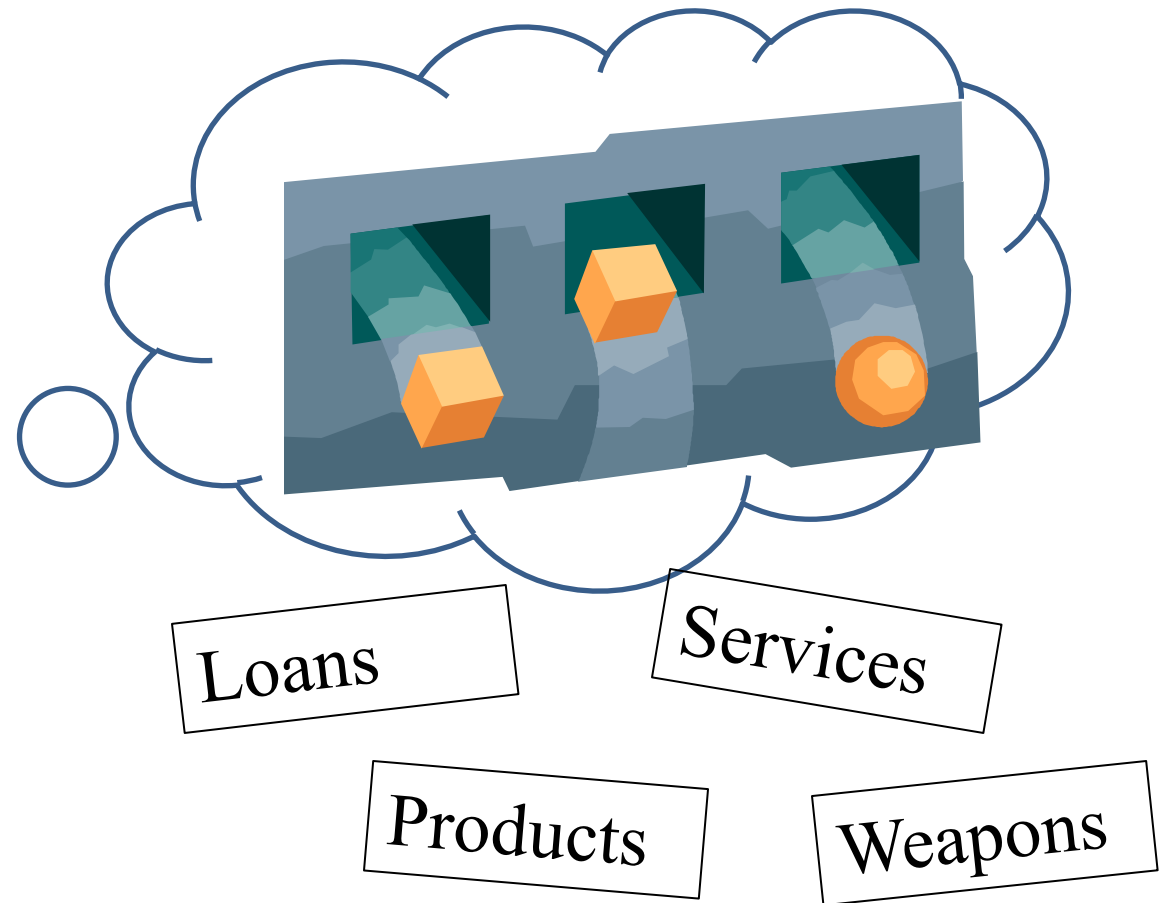
Most management textbooks...

Most business schools ...

**Traditional
management
rests on
five interlocking
principles**

Five planks of traditional management

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



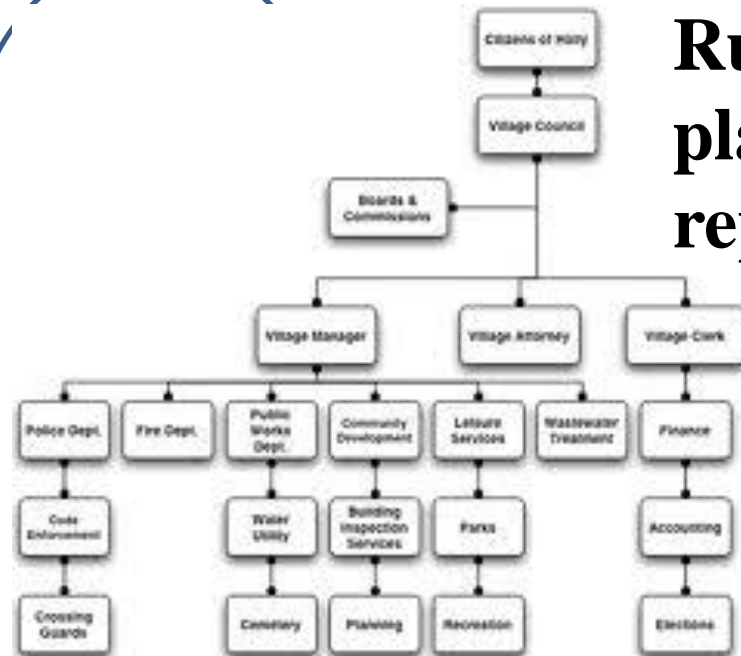
Five planks of traditional management

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



Five planks of traditional management

“Traditional management practices are a success”

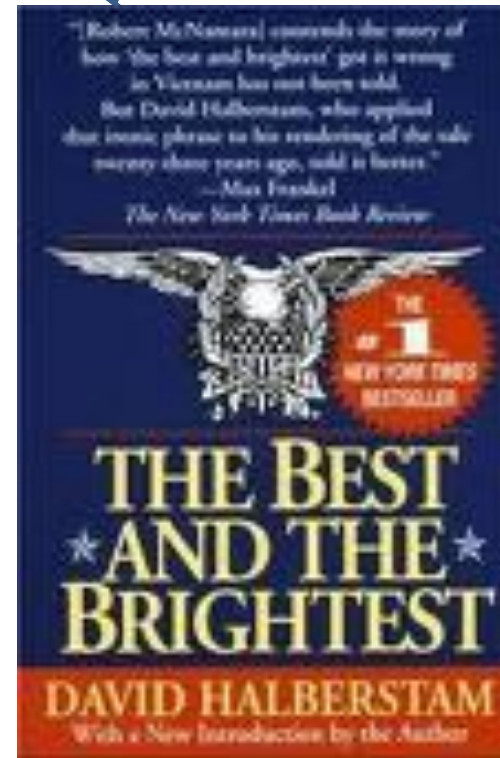


“the smartest man I ever met”
John F. Kennedy



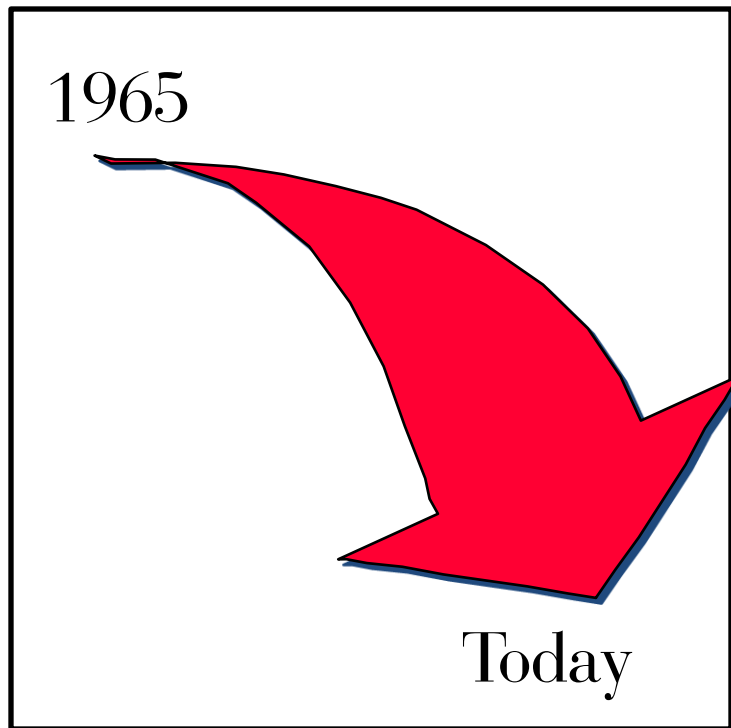
Five planks of traditional management

Contrary evidence is inadmissible



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

2009: Conclusive proof of the failure of traditional management

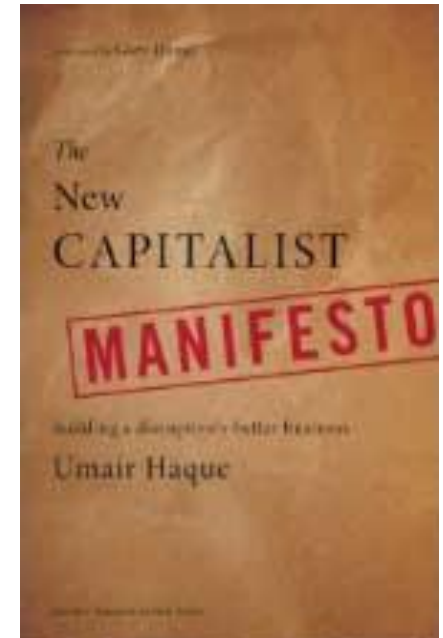
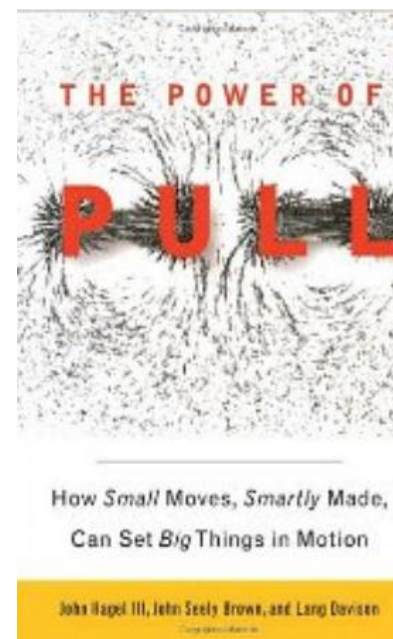
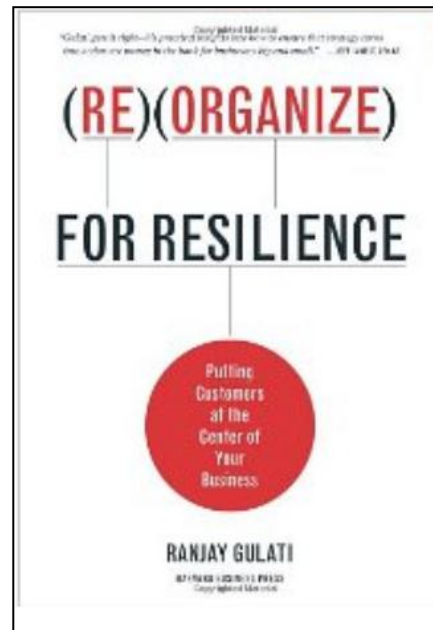
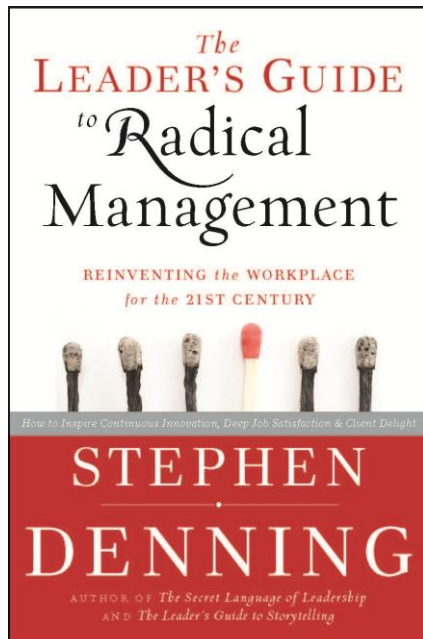


- The *rate of return on assets* has fallen by 75% since 1965
- The *life expectancy* of Fortune 500 firms down to 15 years, and is heading towards 5 years.
- Only *1 in 5* workers *fully engaged*

Source: Deloitte's Center for the Edge: The Shift Index

Many are now concluding:

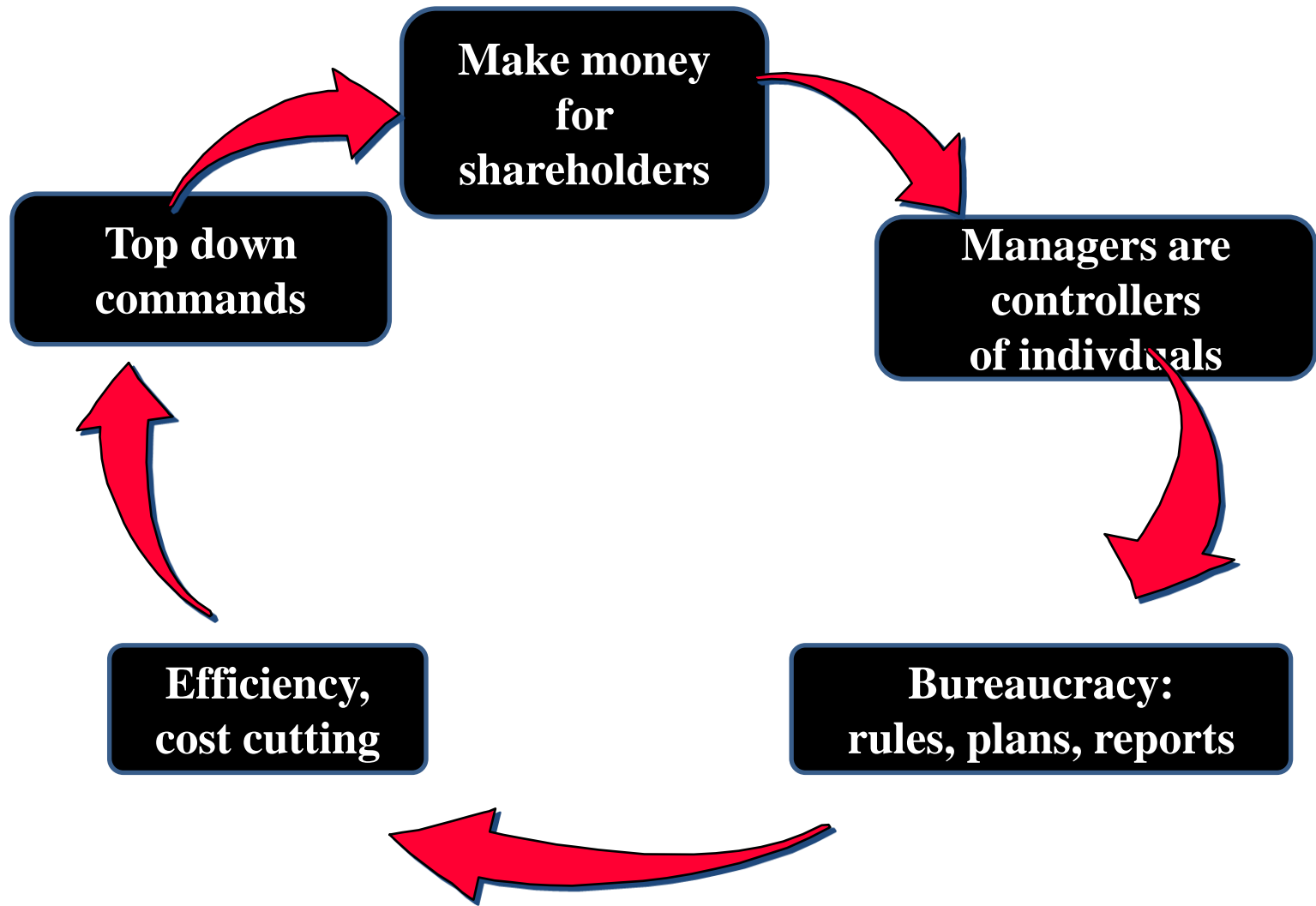
Management is broken!



Implication for organizational survival:

**We have to
manage
differently!**

The shifts are interlocking & self-reinforcing



“Single fix” improvements make no impact

Implication for organizational survival:

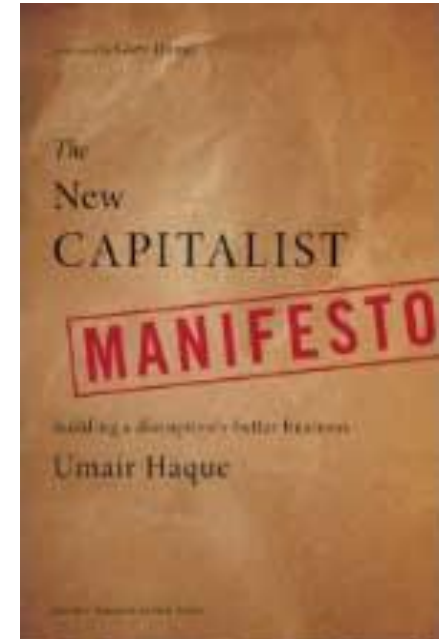
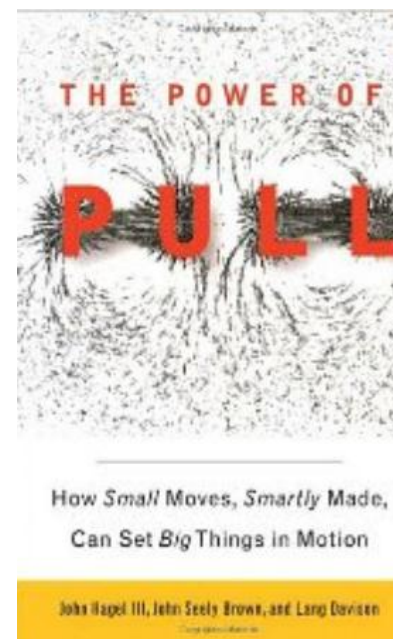
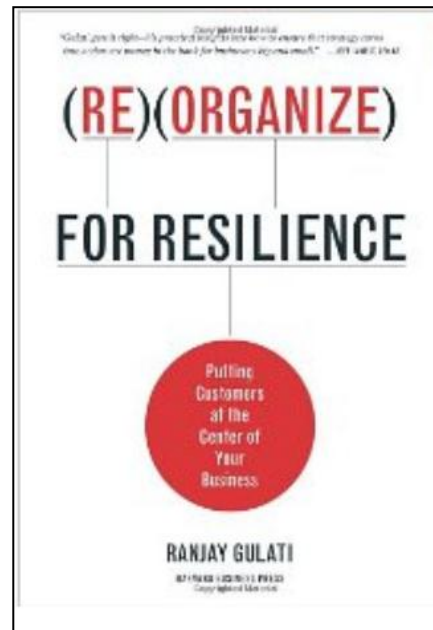
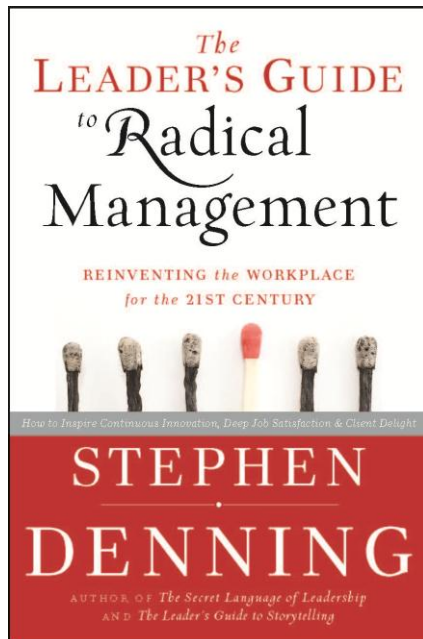
“The significant problems we have cannot be solved at the same level of thinking with which we created them.”

Albert Einstein

We have to think differently!

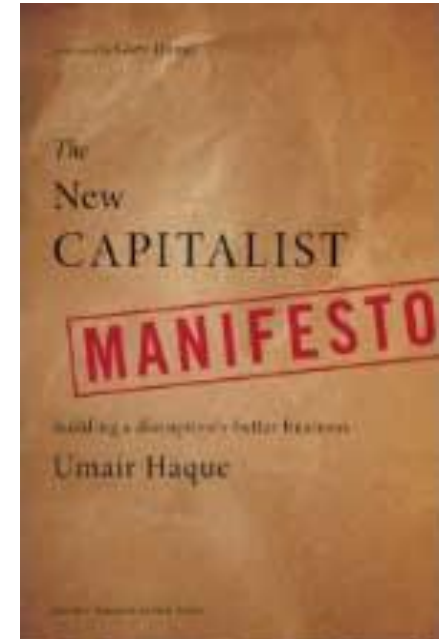
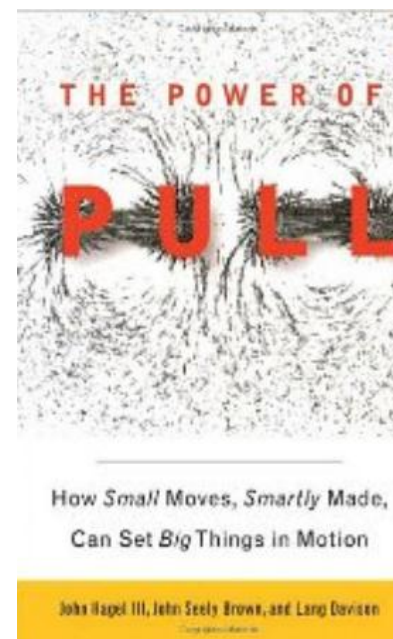
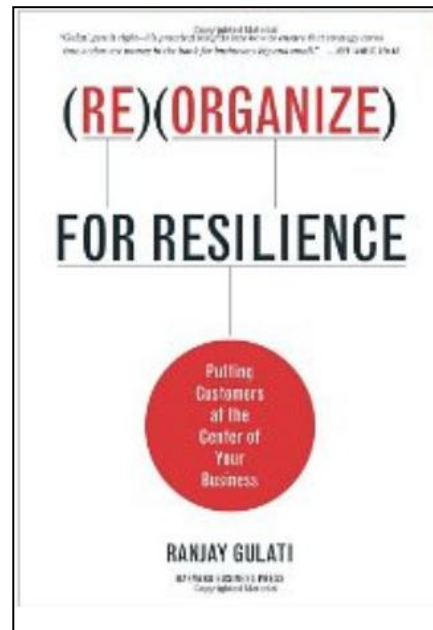
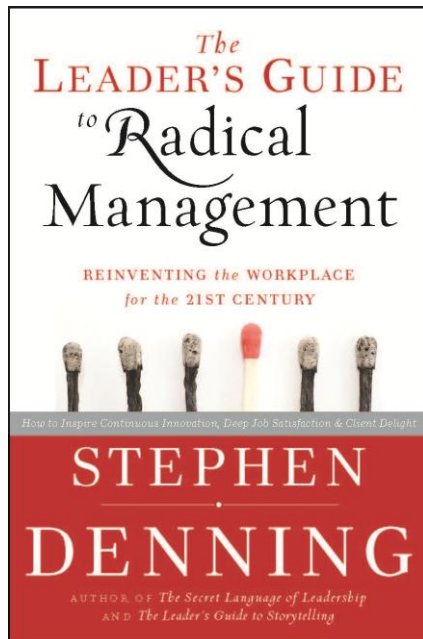
We know how to manage differently:

5 big shifts (and 70+ practices)!



Five big shifts...

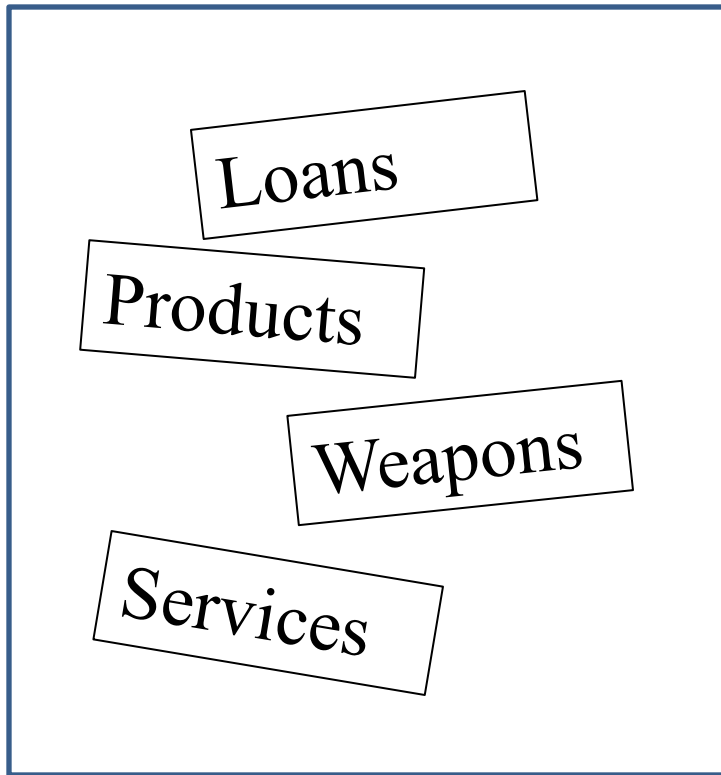
1. **New goal** for the organization
2. **New role** for managers
3. **New coordination** mechanisms
4. Shift **from value to values**
5. New way to **communicate**



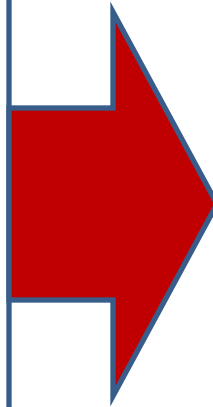
1

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!



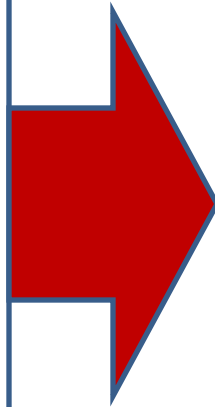
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NEW GOAL: delight the customers

i.e. from outputs to outcomes

The
bottom
line for
business

Make money



Delight the customer

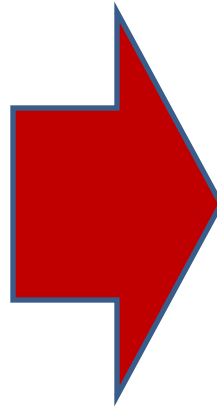
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NEW GOAL: delight the customers

i.e. from outputs to outcomes



Efficiency



Customer delight

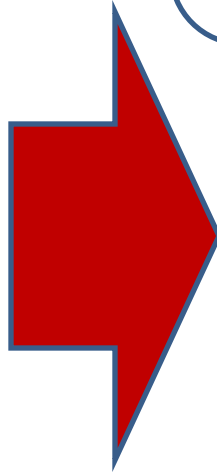
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NEW GOAL: delight the customers

i.e. from outputs to outcomes

“You take
what we
make!”

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



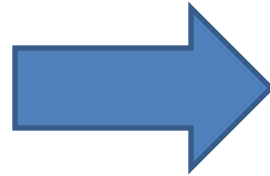
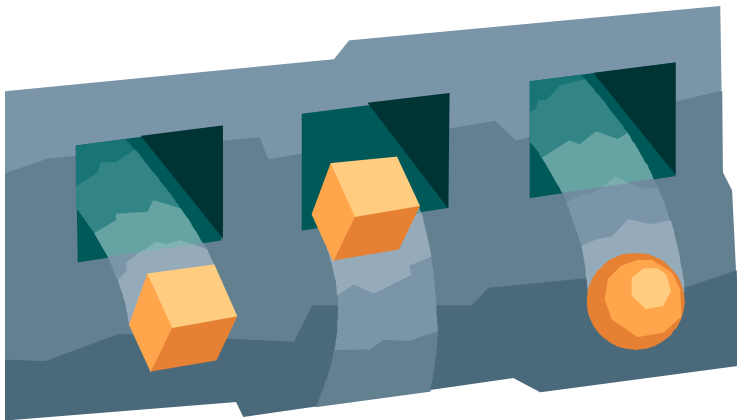
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NEW GOAL: delight the customers

i.e. from outputs to outcomes

This changes the game completely

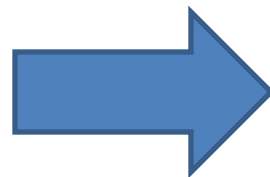
Outputs



Outcomes



Things



People

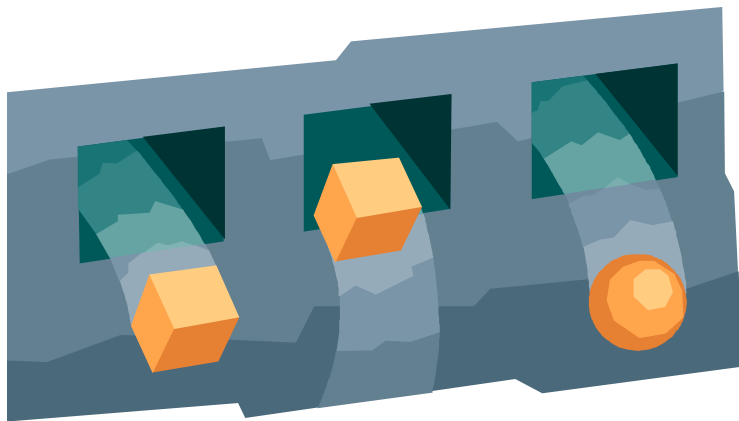
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NEW GOAL: delight the customers

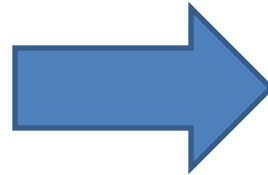
i.e. from outputs to outcomes

This changes the game completely

Outputs



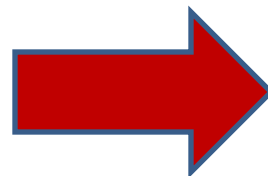
Simple



Outcomes



Complex



1

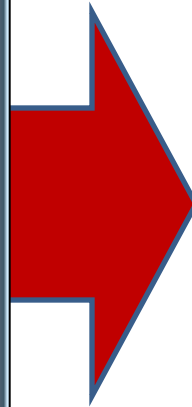
NEW GOAL: delight the customers

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

Practices for delighting clients & customers

- Commit explicitly to the goal!

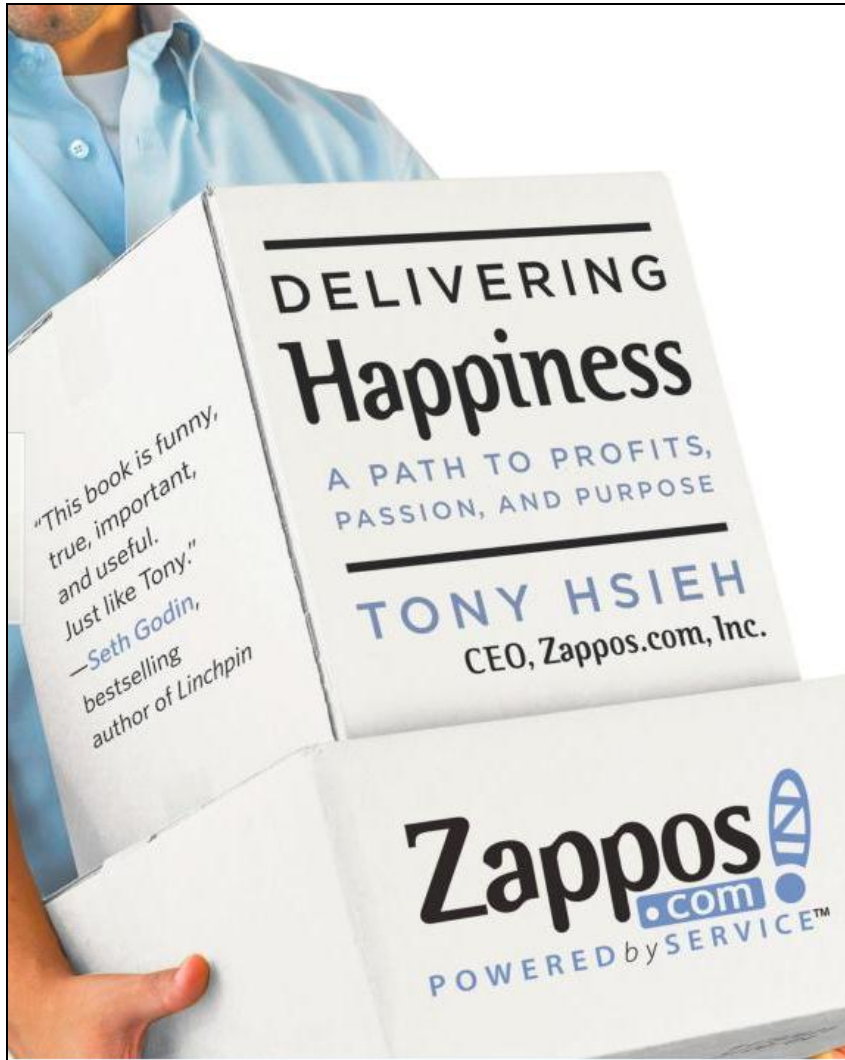
Toyota

Zappos

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

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients!

e.g. Apple vs Microsoft

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- **Aim for the simplest thing!**

Paradox: people often want less: DVD vs iPod

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

LESS
IS
MORE!

20th Century

54 buttons
Complicated
Hard to use

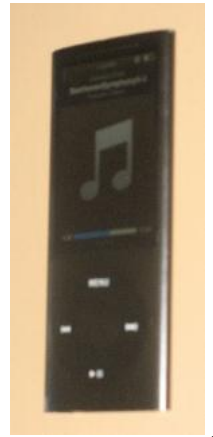
DVD
controller



21st Century

4 buttons
Simple
Easy to use

iPod



1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- Aim for the simplest thing
- **Deliver it sooner !**

Value stream mapping:

In a bureaucracy, large amounts of work wait in queues

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- Aim for the simplest thing
- Deliver it sooner
- **Read their minds!**

No one asked Apple for an iPod, iPhone or iPad

Focus groups can't tell you this!

Become anthropologists!

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- Aim for the simplest thing
- Deliver it sooner
- Read their minds
- **Evaluate what clients/customers do, not what they say!**

e.g. New Coke

e.g. Eric Ries and lean startups

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- Aim for the simplest thing
- Deliver it sooner
- Read their minds
- Evaluate what clients/customers do, not what they say
- **Let clients & customers become co-creators!**

e.g. Harley Davidson

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- Aim for the simplest thing
- Deliver it sooner
- Read their minds
- Evaluate what clients/customers do, not what they say
- Let clients & customers become co-creators
- **Stop doing things that don't add value!**

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Practices for delighting clients & customers

- Commit explicitly to the goal
- Target the primary clients
- Aim for the simplest thing
- Deliver it sooner
- Read their minds
- Evaluate what clients/customers do, not what they say
- Let clients & customers become co-creators
- Stop doing things that don't add value!
- **Measure!**

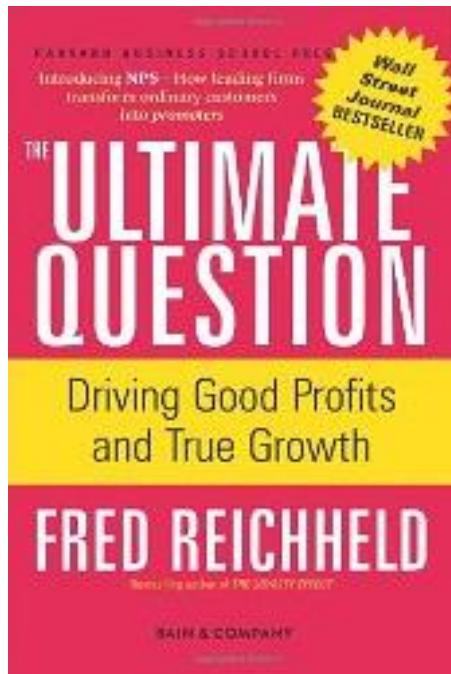
1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

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

“Customer delight”
is
measurable.



Fred Reichheld: *The Ultimate Question:*

*"How likely is that you will recommend this firm
or service or product to a colleague or friend?"*

0 1 2 3 4 5 6 7 8 9 10
Unlikely Somewhat likely Likely Highly likely

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

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

“**Customer delight**” =

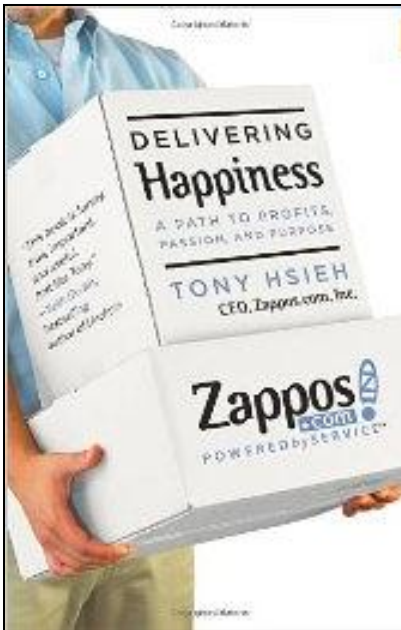
“Providing a continuous stream of additional value to customers and delivering it sooner”

1

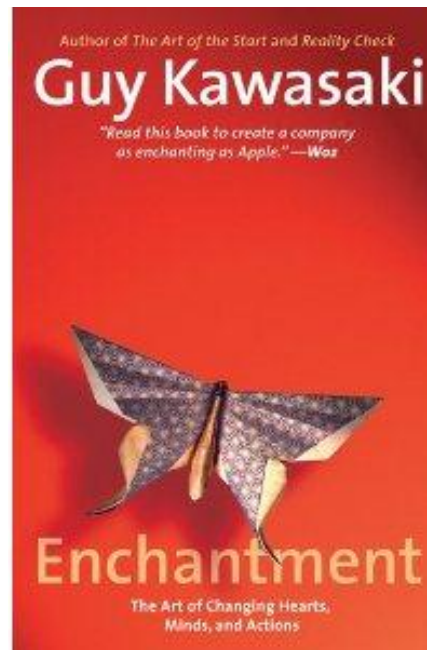
NEW GOAL: delight the customers

i.e. from outputs to outcomes

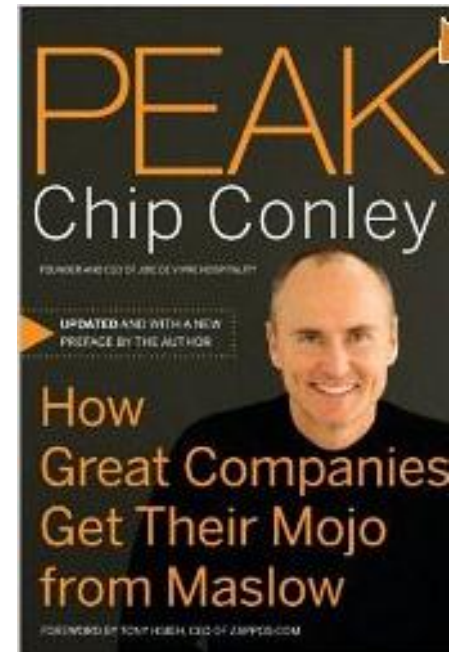
Is “**customer delight**” a serious business proposition?



“happiness”



“enchantment”



“joy”

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

Customer delight is the firm's new bottom line



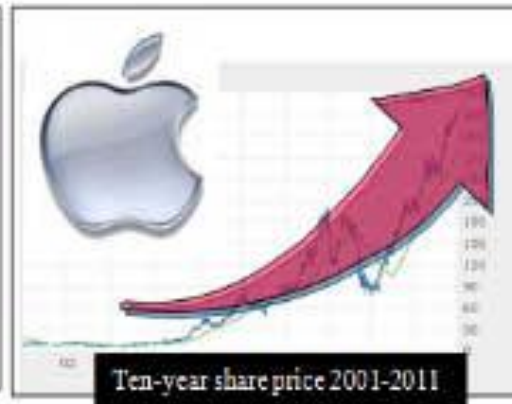
Making money is
the result of the firm's actions,
not the goal.



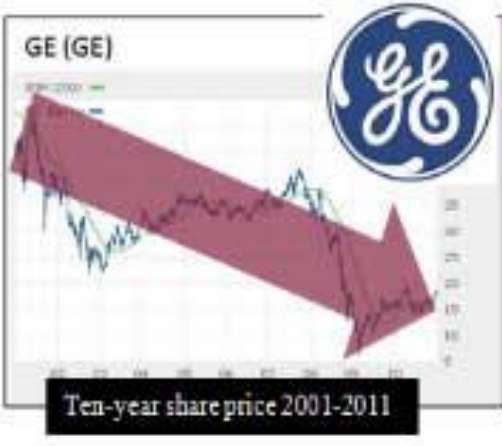
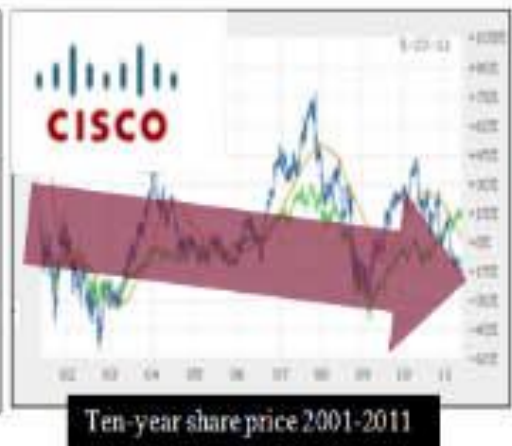
By focusing on delighting the customer,
Apple & Amazon make more money than
they would if they set out to make money.

This is the answer to Ron Jeffries...

Radical management



Traditional management



It makes much more money...

1

NEW GOAL: delight the customers

i.e. from outputs to outcomes

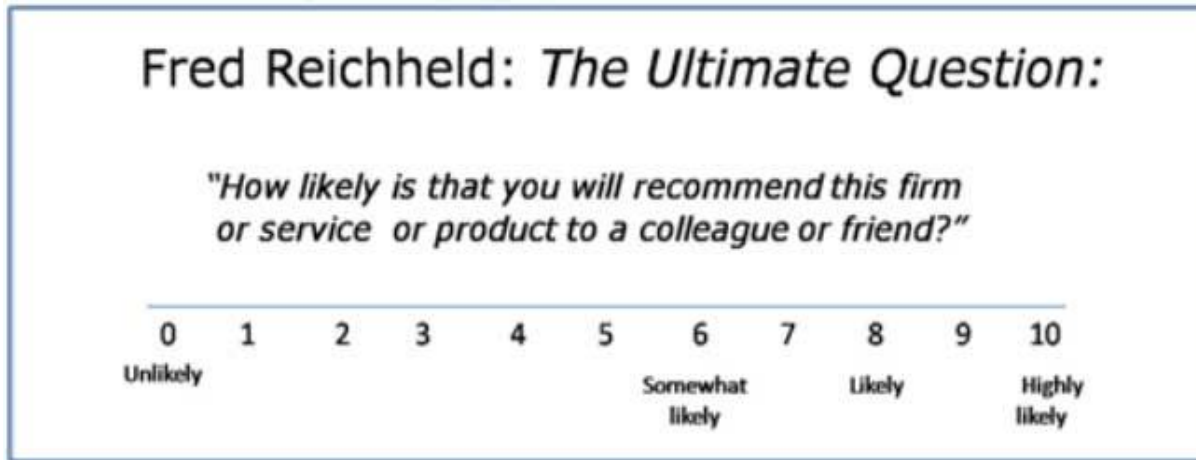
Discussion:

1. Is the goal of your firm:
 - to make money for shareholders?
 - to delight the customers?
2. Can you conceive of your firm adopting “delight the customers” as its bottom line?

1

i.e. from outputs to outcomes

Exercise: How likely is it on a scale of 0 to 10 that you would recommend the airline (or other transport) that got you to this conference?


$$\text{Net promoter score} = \text{Promoters (9 or 10)} - \text{Detractors (0 - 6)}$$

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

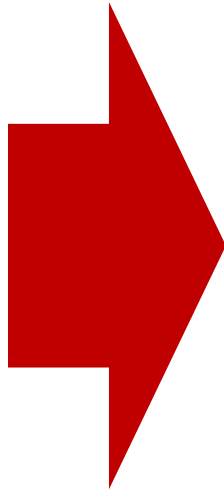
3. **New coordination** mechanisms

4. Shift **from value to values**

5. New way to **communicate**

2

NEW MANAGER ROLE: from controller to enabler

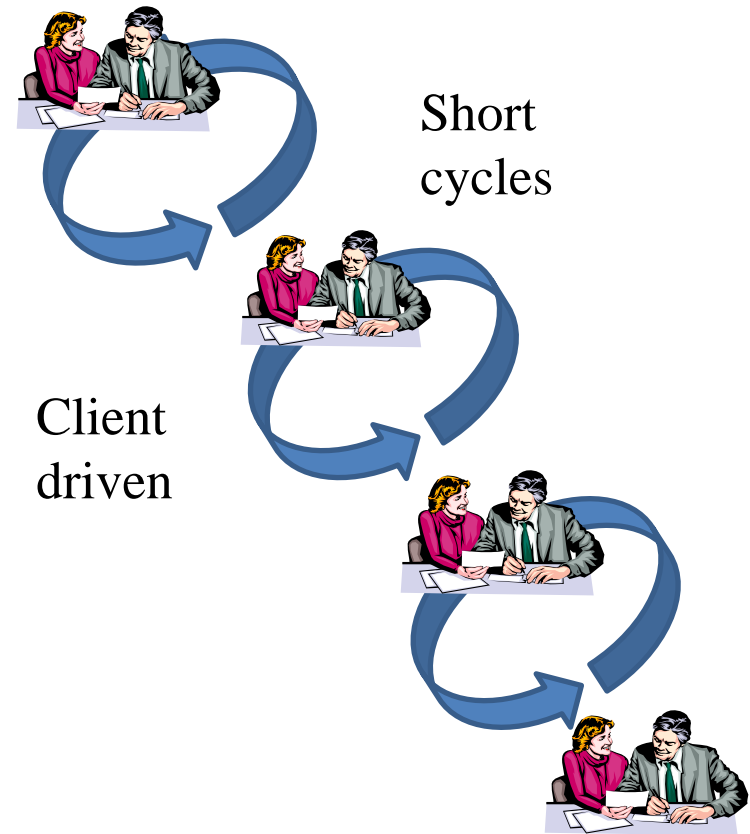


Controller of
individuals

Enabler of self-
organizing teams

3

COORDINATION OF WORK: Dynamic linking



Hierarchical bureaucracy

Dynamic linking

4

4. FROM VALUE TO VALUES: radical transparency



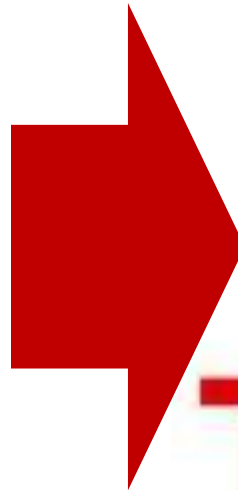
“Just do it”



Alan Mullaly CEO, Ford

4

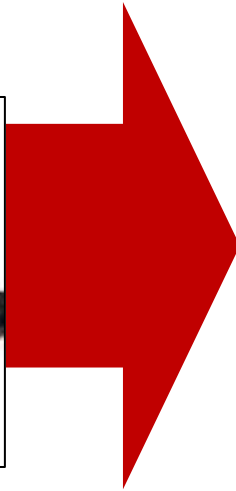
FROM VALUE TO VALUES: continuous improvement



Get the product out

**The status quo is
never good enough**

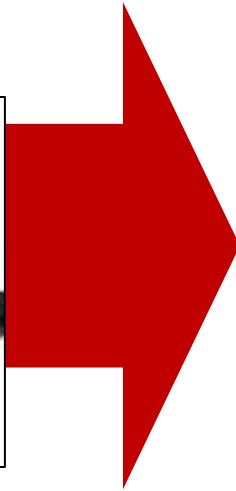
5

INTERACTIVE COMMUNICATON: conversation

Command and
control

Adult-to-adult conversations

5

INTERACTIVE COMMUNICATON: conversation

Top-down commands

Peer-to-peer conversations

5

INTERACTIVE COMMUNICATION: conversation

From command to conversation: practices

- Use authentic storytelling to inspire passion!
- Practice deep listening of customers and employees!

Robert McNamara, World Bank President, 1978

Scott Cook, CEO of Intuit

5

INTERACTIVE COMMUNICATION: conversation

From command to conversation: practices

- Use authentic storytelling to inspire passion!
- Practice deep listening!
- **Know the customer's story!**

“What really bugs the customer?” is the source of innovation!

5

INTERACTIVE COMMUNICATION: conversation

From command to conversation: practices

- Use authentic storytelling to inspire passion!
- Practice deep listening!
- Know the customer's story!
- **Deploy user stories as catalysts for conversation!**

Mike Cohn: User Stories Applied

The user story is the beginning, not the end, of the conversation

5

INTERACTIVE COMMUNICATION: conversation

From command to conversation: practices

- Use authentic storytelling to inspire passion!
- Practice deep listening!
- Know the customer's story!
- Deploy user stories as catalysts for conversation!
- **Use stories to enhance team cohesion!**

Team members aren't collaborative angels

Learning to know each other's story can help bonding

5

INTERACTIVE COMMUNICATION: conversation

From command to conversation: practices

- Use authentic storytelling to inspire passion!
- Practice deep listening!
- Know the customer's story!
- Deploy user stories as catalysts for conversation!
- Use stories to enhance team cohesion!

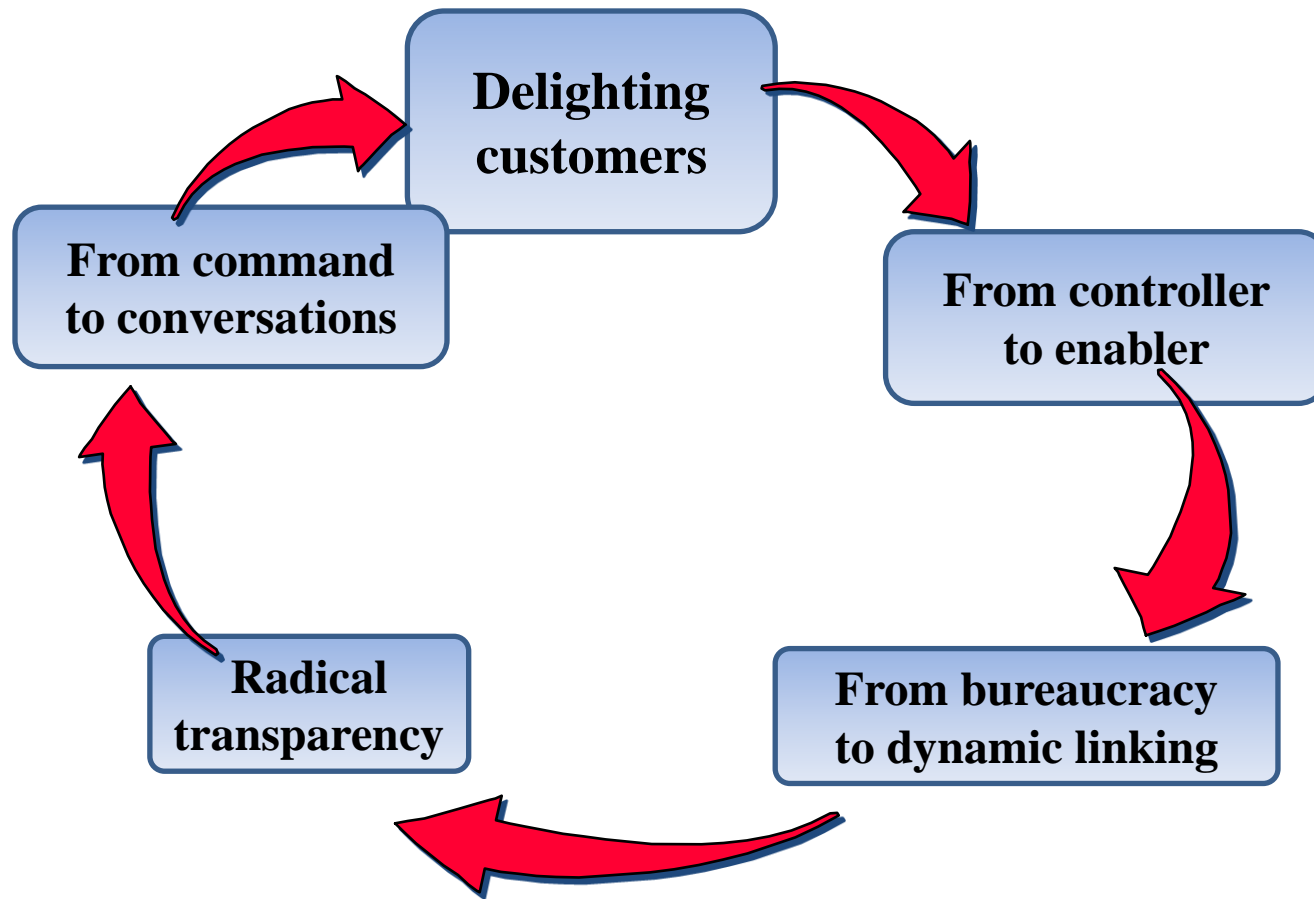
Team members aren't collaborative angels

Learning to know each other's story can help bonding

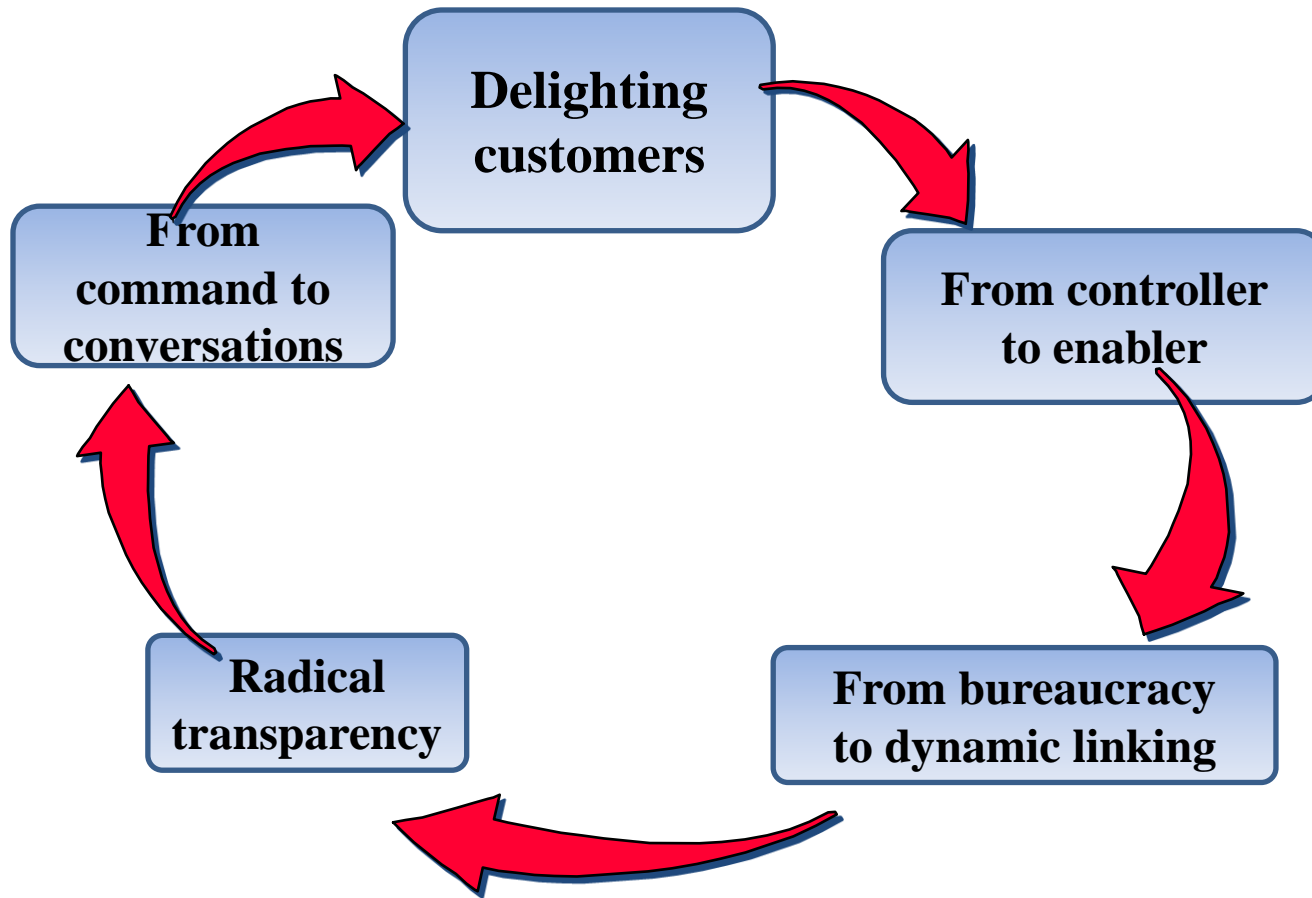
- **Use authentic storytelling to inspire passion!**

World Bank: a story moved an intransigent organization

The shifts are interlocking & self-reinforcing

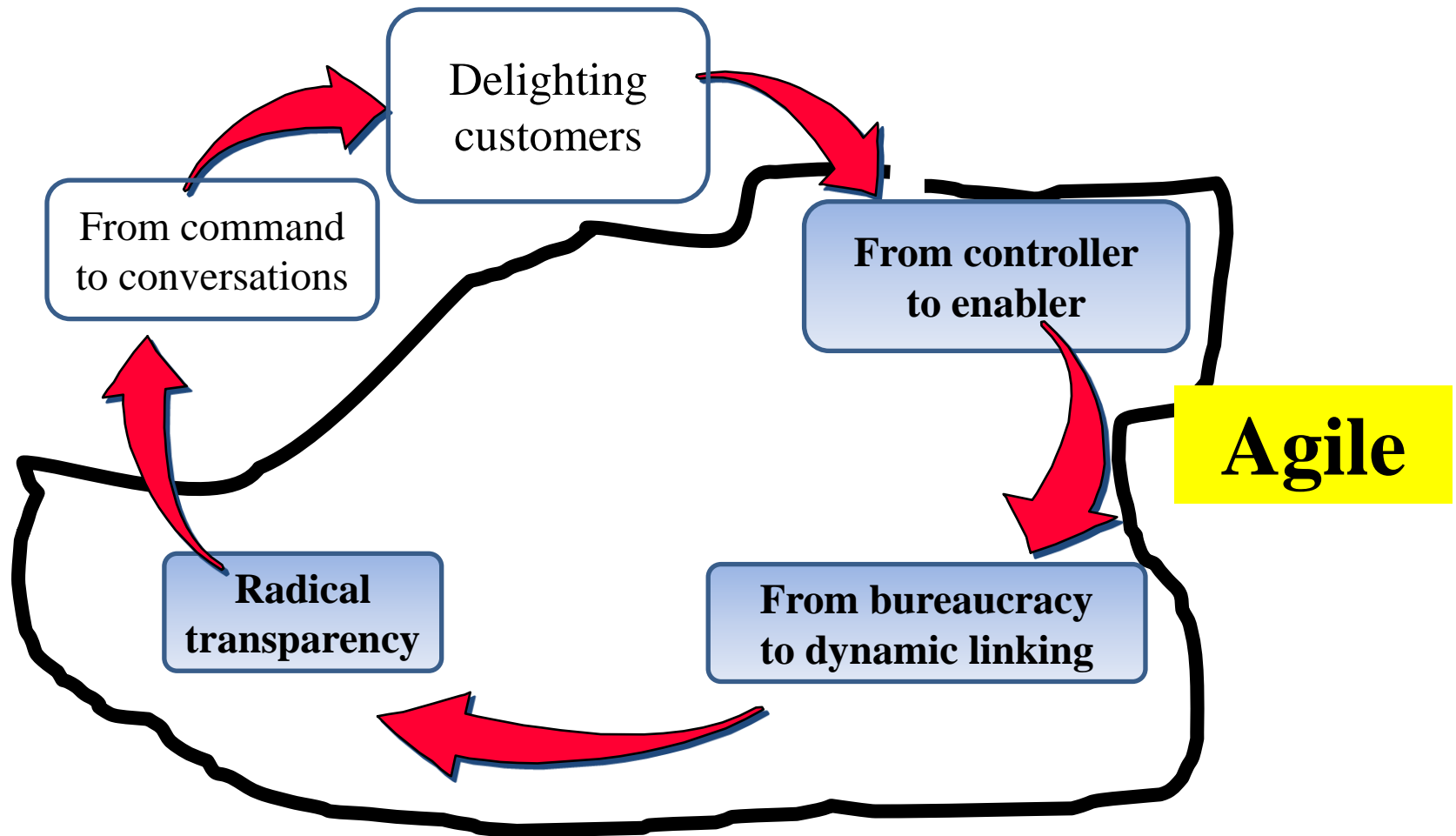


WHAT'S NEW: doing all at once



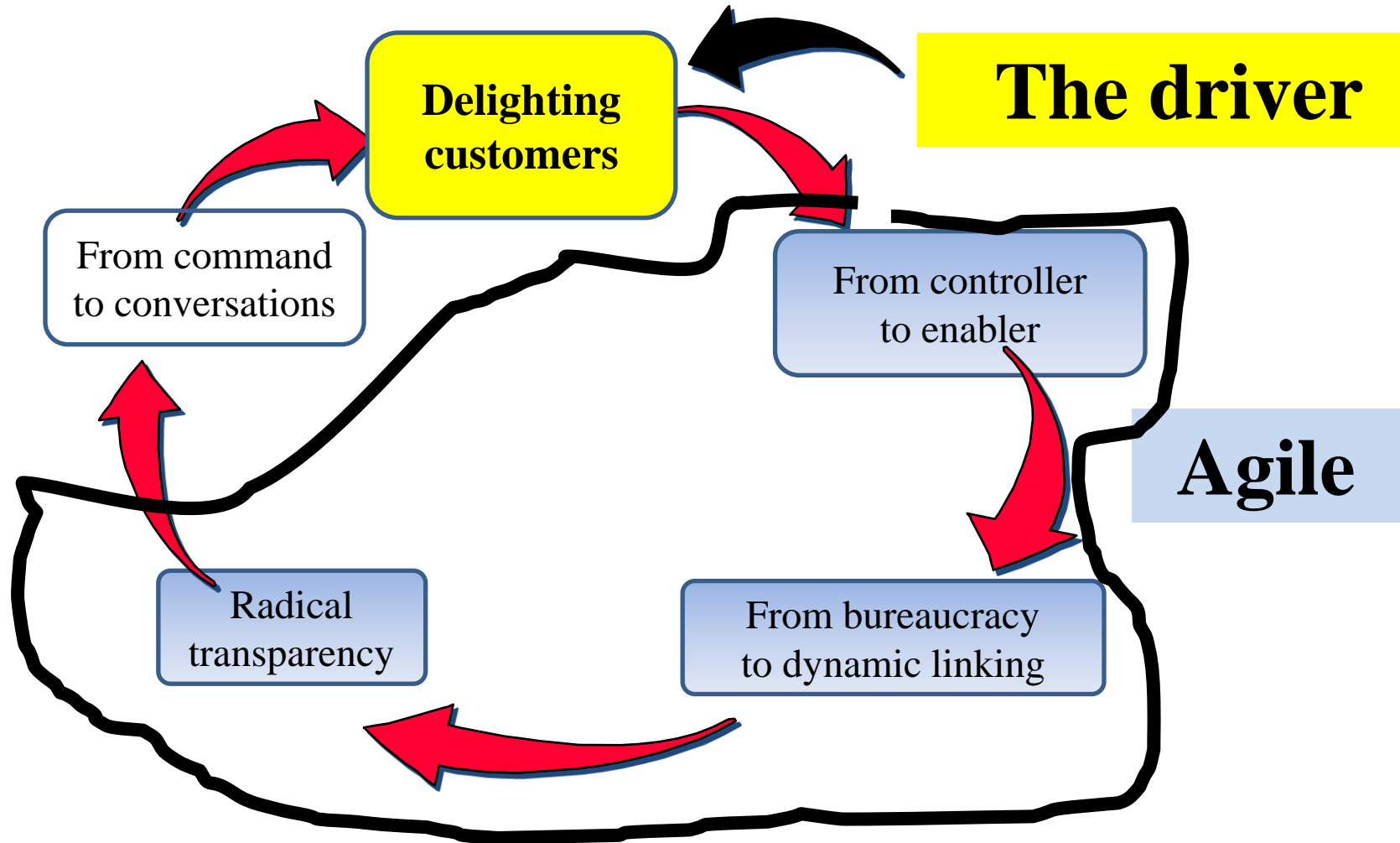
Individually, none of the shifts is new

Agile has focused on part of the agenda



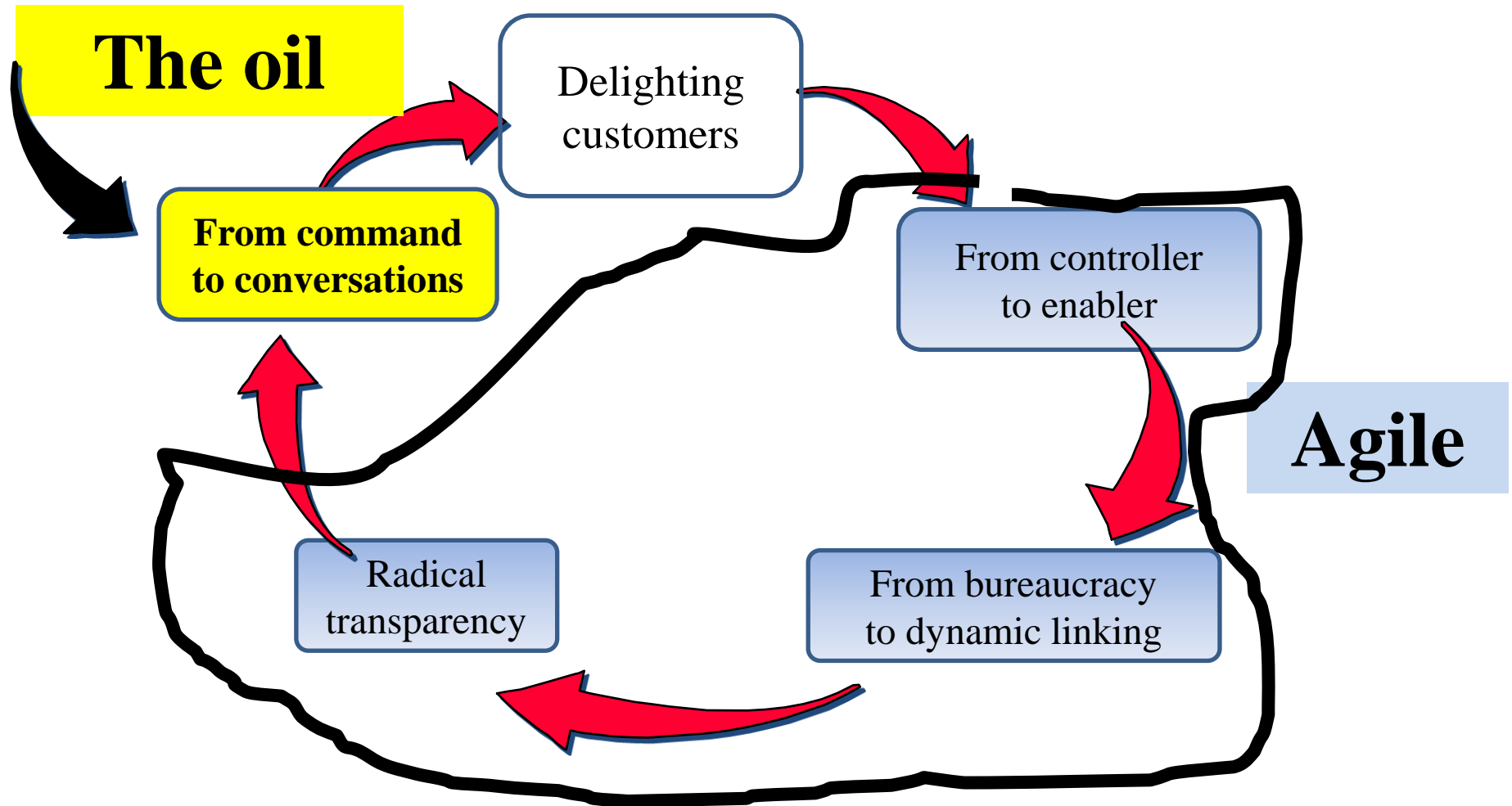
Agile has downplayed “touchy feely” stuff

Agile has focused on part of the agenda



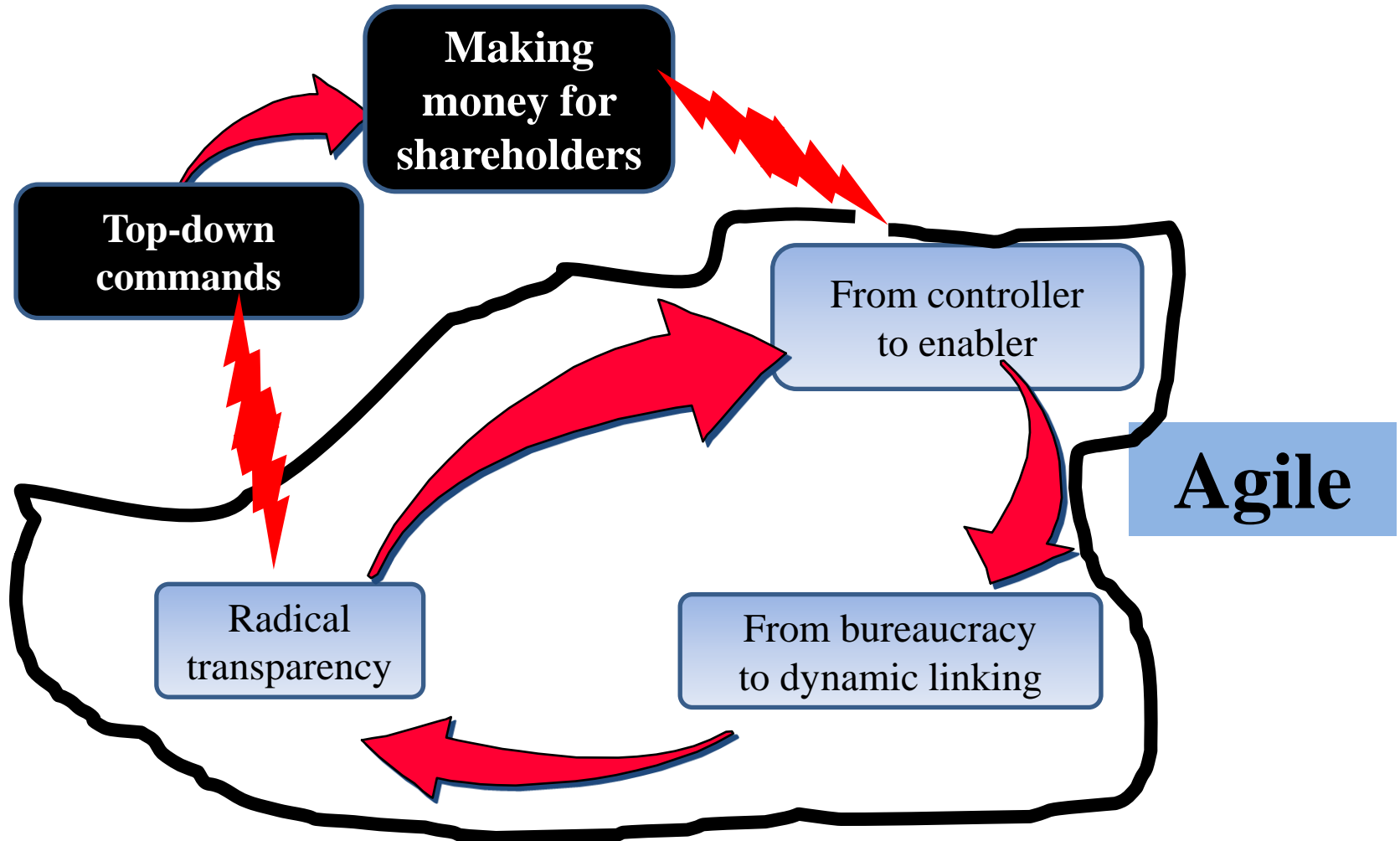
Agile has downplayed “touchy feely” stuff

Agile has focused on part of the agenda



Agile has downplayed “touchy feely” stuff

Without all five pieces....



... an organization is at war with itself

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)



Ten-year share price 2001-2011

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



While the other firms

STRUGGLE just to **STAY IN PLACE**



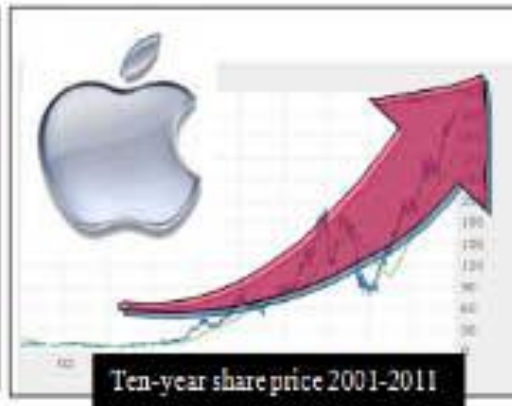
While the other firms

STRUGGLE just to **STAY IN PLACE**

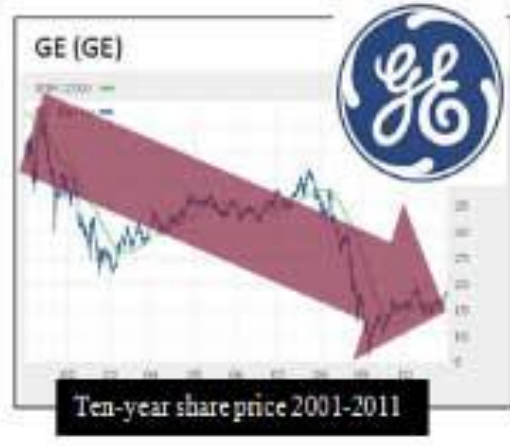


Change is inevitable...

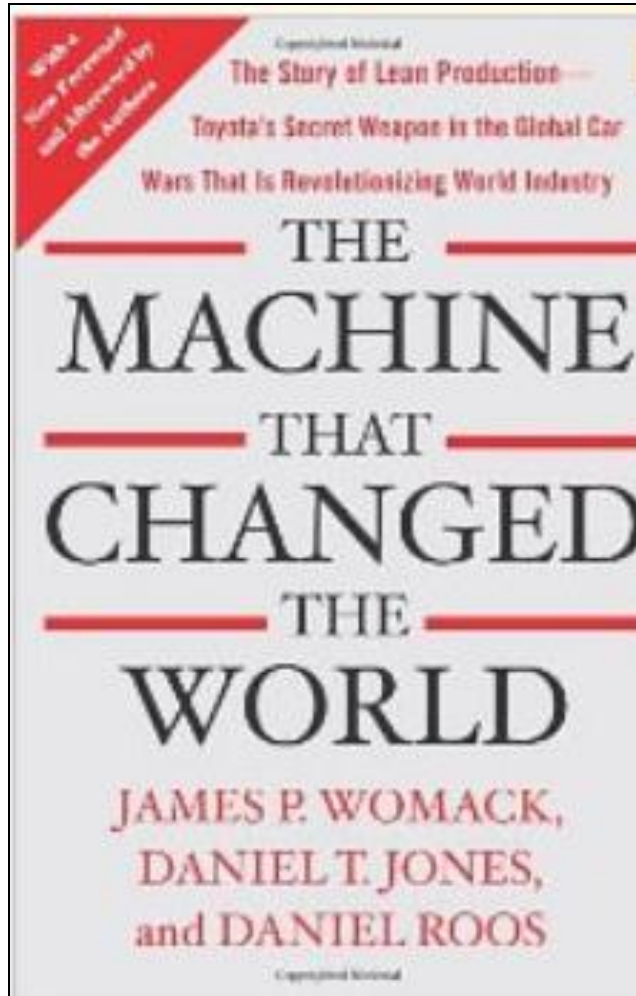
Radical management



Traditional management



The transition won't be easy



1990

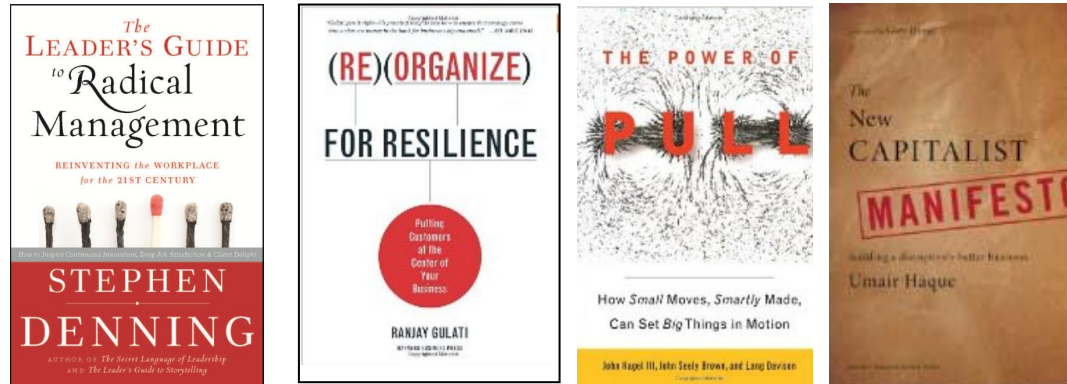
The world's best plant:
Ford's Hermosillo plant
in Mexico

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!

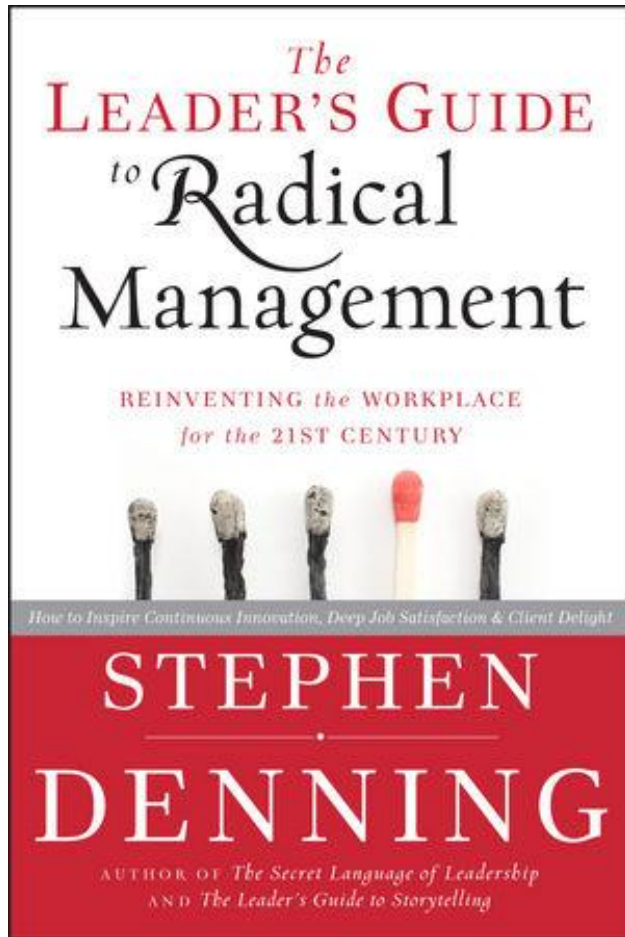
Lead the revolution!

- 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!

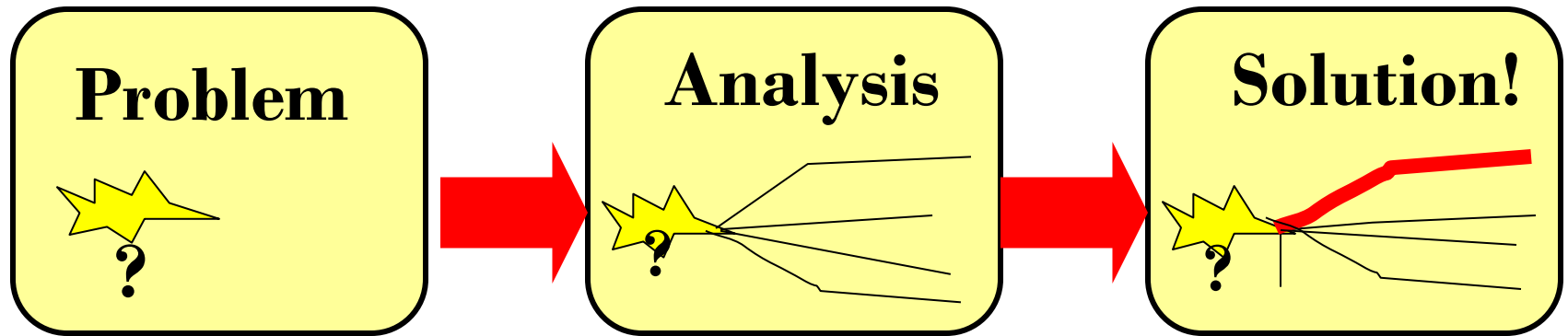
The real voyage of
discovery consists not in
seeking new landscapes,
but in having new eyes.

Marcel Proust



Using storytelling to inspire change

The Western intellectual tradition



Effective presentation to get action



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