

Stephen Denning's Forward-to-Basics Radical Business Guide

The most fundamental – most radical – purpose of a business enterprise is to continue to present approaches that register customer delight. *The Leader's Guide to Radical Management: Reinventing the Workplace for the 21st Century* develops a program based on a number of precise principles. Focusing on client delight leads to self-organizing teams. This in turn leads to working in short, client-driven iterations. Similarly, client-driven iterations should emphasize delivering value at the end of each work segment. Successfully working in an iterative fashion both enables and requires a significant degree of transparency and openness. Then under the right conditions, teams can continue to improve incrementally on previous successes. Finally, open communication is recognized as the underlying necessity with regard to all of the other principles. This scheme is introduced in the third chapter of the book, and subsequently the program is presented in a successive fashion, so that each principle becomes a separate chapter.

The notion of generating delight for the public is nothing new. Marcus Vitruvius Pollio was an architect at the time of the Roman emperor, Caesar Augustus. The Latin expression “utilitas, firmitas, and venustas” occurs in the work *de Architectura*, written about 15 B.C. The text survived through the Middle Ages, and the English translation usually has been rendered as “commodity, firmness, and delight.” If there is no mention of Vitruvius in Stephen Denning's book, he does cite Peter Drucker's speculative comment about historical management and the building of the first pyramid. Yes, it still stands.

Stephen Denning frequently stresses a need for first-order basics, where good business practice is concerned.

A significant amount of attention is delivered toward issues with what is considered to be traditional management today. The first chapter of *Leader's Guide* is devoted to description of contemporary job roles under a typical management regimen: a writer, an auditor, a software developer, a banker, and a consultant. The discussion emphasizes the manner in which individual motivation, initiative and creativity can become subordinated to dysfunctional and even counterproductive work behavior. The second chapter outlines a brief history of how American business management has happened to become what it is today.

A peculiar feature of traditional management discourse is the unspoken assumption of its inevitability. It is as through the practices of traditional management – hierarchy, command and control, tightly planned work, competition through economies of scale and cost reduction, impersonal communication – reflect timeless truths of the universe, so obvious that there is scarcely any need to articulate them, let alone examine them.
(LGRM P. 22)

The essential point is that conditions have changed, so what has traditionally worked in the past is no longer relevant anymore. Work has shifted from semi-skilled to knowledge work. The organization needs the commitment of the workforce, in an increasingly mobile society. Customers have more choices. They have become more selective and are no longer willing to be treated as an afterthought. The system has stopped delivering.

In the past when heavy industrialization was first becoming established, the model of a military organization happened to be adopted for large business organizations. Major George G. Whistler brought military-style processes to run Western Railroad in the decade before the Civil War. Fifty or sixty years later, Frederick Wilson Taylor invented *The Principles of Scientific Management*, for application at Bethlehem Steel. Narrow, repetitive task definitions could be allocated methodically in a systematic manner, along with a drive for increasing unit productivity. Henry Ford developed the factory manufacturing assembly line. Alfred Sloan separated functional and manufacturing operations apart from corporate finance at General Motors. Robert McNamara was involved with Ford, the Defense Department, and the World Bank in the middle of the last century, and he epitomized the management practices of the era. Managerial planning and budgeting became further separated from the physical workspace or the marketplace. Mass marketing was increasingly practiced and promoted. With the arrival of the twenty-first century, however, it has become more and more apparent that American companies are growing less and less convincing as effective economic enterprises. Technological improvements and business process reengineering represent attempts to fix problems without really addressing root causes. The system itself has become the problem.

Having covered the necessary background, the interlocking logic of the seven principles of radical management is argued, decisively and persuasively. First, a principle becomes defined. Next, a few corollary assumptions or relationships are mentioned. Basic problems or limitations will be discussed in each case. Several specific observations from actual management practice and from academic business literature are likely to be raised. Finally, relevant practical exercises are recommended. Capriciously, a comparison with the rigorous, scholastic manner of elucidation by Thomas Aquinas in the *Summa Theologica* might even come to mind. A tone of humor and mock seriousness frequently lightens what could become an overly ponderous undertaking. Stephen Denning's own experience at the World Bank is handled with a degree of lighthearted detachment. A difference between lying and bull---ing will be carefully explained. A difference between a blue pill and a red pill will be carefully explained.

Stephen Denning is a master of rhetoric. He uses many small stories to enliven and illustrate the discussion: bread-making in Golfe-Juan in the south of France, King Henry II of England in 1154 with regard to the innovation of the jury system, and the refinement of lean manufacturing in Japan at Toyota.

The fourth chapter concerns delighting clients as the proper motivation of a business enterprise. A clear distinction concerning people, not things, as the most meaningful final purpose is established.

The specific utility of a net promoter score has become a useful means of quantifying customer satisfaction. Appropriate inquiry can be used to estimate what percentage of customers will become promoters and what percentage of customers will become detractors. Other customers may be more neutral or more passive. Obviously, having more promoters and fewer detractors will lead to an increased score. The concept of bad profits is related to business practices that may appear to inflate profitability in the short run, while actually leading customers to feel misled, mistreated, ignored or coerced. With the growing prevalence of open Internet social network communications, potential perception of bad profits can come to be broadcast broadly with exponential impact.

The fifth chapter concerns self-organizing teams: “A complex problem, like discovering ways to delight clients, is best solved by a cognitively diverse group of people that is given responsibility for solving the problem, self-organizes, and works together to solve it.” (LGRM P. 95) One key observation is the fact that cognitive diversity may or may not be related to personal identity in terms commonly recognized categories of race, national origin, gender or religion. Instead, it is necessary to involve people who have different types of interpretations, perspectives, ways of solving problems, and predictive models. These kinds of qualifications would deserve more exploration, since it is clearly central to the overall plot. A reference to the book *Flow*, by Mihaly Csikszentmihalyi, hints out and away toward a tempting theoretical side excursion. Generally, a great deal of literature about teams has been produced, and it is clear that teams sometimes work well and sometimes don’t work well. Some guidelines for keeping teams on track are important.

The sixth chapter concerns client-driven iterations. A clear explanation of lean manufacturing at Toyota is extremely helpful here. “When lean techniques are executed well, with small batch sizes, increased flexibility and reduced variability, cycle times can drop by factor of ten to one hundred. Inventories can be reduced by more than 90 percent, freeing enormous amounts of cash.” (LGRM P. 120) A comparison is established with Scrum and Agile software development techniques, in contrast against typical habits:

The habits of managers who have worked in a sequential push fashion for decades are set and embedded in the culture of most large companies. It is common sense, obvious, and logical to do the requirements, then design, then implement. It gives the impression of an orderly, accountable, and measurable process with simple, document-driven milestones. It is a natural marriage with hierarchical bureaucracy. It ties in with thinking built on the economies of scale, mass production, and mass marketing. There is only one problem: in a complex dynamic environment and where competitive survival depends on being able to delight clients, it doesn’t work. (LGRM P.128)

Iterative approaches may not be appropriate in settings where work is excessively predictable and unchanging, or in environments which are excessively unpredictable.

The seventh chapter concerns delivering value to clients in each iteration. The peculiar phenomenon of stalled traffic on a busy expressway, with no apparent cause, illustrates control of inputs into a system.

At some point, additional traffic creates stoppages disproportionately and with exponential frequency. It is nice to know that the science of phantom traffic jams has derived a terminology for “jamitions.” The effects quickly can seem out of control, beyond normal, instinctual expectations. Work efforts in factories, service business, or even medical clinics can be affected by the same types of common misunderstandings. Certain realizations about characteristic time-based behavior within regularized systems and processes deserve increased emphasis. Particularly, carefully structured exercises show that as batch sizes become smaller, the overall completion of work becomes faster.

More explicit, practical advice is concentrated in the discussion of time estimation within teams in the third practice example for this section.

The eighth chapter concerns radical transparency. Here the discourse becomes especially passionate, as the author relates a first-hand experience with the management style of Robert McNamara at the World Bank a number of years ago. While the personal demeanor of McNamara was imposing, “it was striking to see how McNamara’s internally contradictory statements were made to stick by the sheer force of his presentation. He staked out positions on both sides of the issue. Yes, he stood for quantity, and yes, he also stood for quality, and if there was a quality problem, no it wasn’t his responsibility.” (LGRM P. 166) The most transparent performance behaviors will encourage more complete openness, especially about impediments to results on behalf of clients or customers.

Again, just as with the presentation regarding cognitively diverse teamwork, the fact of hidden personality conflicts, particularly with top management teams, leads to unresolved hindrances. Again, these kinds of qualifications would deserve more exploration. It is noted that a rethinking of fundamental issues of corporate governance is usually considered to be painful and disruptive.

The ninth chapter concerns continuous self-improvement. A good deal of attention is directed toward the specific practices of Toyota. A serious devotion to both continuous improvement and also to radical respect for people is critical. The incidence of certain quality lapses at Toyota within the past few years will illustrate unwanted deviation from declared corporate intentions. Self-improvement is fragile. Communications are crucial. Top Management must stay attentive.

The tenth chapter concerns interactive communication. Here again, Stephen Denning becomes outspoken about a basic reliance on authenticity, honesty, and decency as indispensable attributes of better business practice. A better understanding of individuals, as aspiring to be recognized in a full manner and to contribute in a full manner, cannot continue to be avoided for the sake of habit.

Traditional managers speak to employees as employees, and power is the currency of communication. These managers present themselves as the superior of the subordinates, although out of feigned politeness traditional management refrains from calling subordinates “inferiors.”

In reality, the subordinates may be superior to their “superior” in many respects: knowledge, skills, courage, integrity or something else. As a result, traditional managers are continuously involved in exaggerations and mystifications to preserve a façade of superiority. It is in this façade that traditional managers place their hope of getting things done. Yet in the world of knowledge work, it is perceived for what it is – a façade. (LGRM P. 213)

Improved results are possible where communication is based on interactive, two-way conversation between fellow human beings, symmetrical and reciprocal. As a fluent talker himself, Stephen Denning is committed to the notion of careful and deliberate narrative as a good way of engaging other people.

The final section of the book concerns implementation of the principles previously covered. A candid, autobiographical struggle for committed change at World Bank is described with considerable detail. Persistent conversation, enthusiasm, and evangelism for change can find momentum and participation, when the purpose is truly worthwhile.

When other members of our group and I left the organization, the idea didn’t die because it wasn’t dependent on us. People went on implementing it, not because they had been told to but because they believe in it. (LGRM P. 231)

The lessons from that experience are summarized in ten practices of radical change management, which do seem to appeal to common sense.

A series of similar change journeys is used to close the discourse: Total Attorneys, Standard & Poor’s, Systematic Software, OpenView Venture Partners, Bjorn Granvik of Jayway in Sweden (in Chapter 5 and not Chapter 6 as indicated), Salesforce dot com, and Thogus Products. It may be noticed that many of Stephen Denning’s examples concern software development, and many examples concern consumer product manufacturing. One challenge lies in envisioning how these agile principles can be extended further and applied in a greater variety of different circumstances.

Stephen Denning’s book was published in August of 2010. In July of 2011 a noteworthy article about the World Bank appeared in the *New York Times*, entitled “World Bank Is Opening Its Treasure Chest of Data.” The current president of the World Bank, Robert B. Zoellick, has made the determination that the most valuable currency of the institution is actually information, rather than money. There are vast data sets of all kinds about specific conditions in various parts of the globe. Within the past year the bank has opened seven thousand data sets for the benefit of the public. “We don’t have all the answers,” he declares. “For too long prescriptions have flowed one way. “ The article goes on to describe something of the extended struggle going on for many years to try to inform more openness and transparency, in spite of considerable opposition and resistance. It would appear that the exercises Stephen Denning wishes to espouse can have a decisive impact over an extended period of time.

It is acknowledged that none of the seven principles in Stephen Denning's book are brand new, in and of themselves. The key point is the need for a means to integrate all of these concepts into an actualized unity.

The specific observation about the leadership manner of Robert McNamara may be important to register in the shared, public, social spheres at this time. Particularly, McNamara's internally ambiguous and contradictory statements are called into question. If it becomes a generally widespread understanding that such contradictory declarations by those individuals in positions of leadership are inadequate, then an impetus for significant change can be proposed. Corporate employees and managers, those leaders who serve as members on a directorship board, corporate stockholders, investment analysts, and responsible public journalists can all act to enforce the message that casual and careless inconsistency is unacceptable. Business schools have failed to do this in the past, in particular, although those institutions may represent possible places to begin.

Stephen Denning has emphasized the need for appropriate teamwork in view of making for a reinvented workplace. Much more could be said about the path to an improved awareness of cognitively diverse contributions in a teamwork setting. A discipline of finding and integrating meaningful observations among an array of possible choices, arriving from a variety of different dimensions of realization, is becoming increasingly necessary.

People are often permitted to indulge in contradictory and even destructive behavior without full awareness of the impact of what they are doing, and particularly without full appreciation of how those actions might be perceived by other concerned individuals. The behavior of corporate business leaders during the recent financial crisis could provide any number of extreme examples.

John Beebe, M.D. is a highly respected psychologist and psychiatrist who has been studying and sharing his understandings about teamwork dynamics for several decades. He turns to the literature of the insightful humorist, Samuel Clemmons, or Mark Twain. Huckleberry Finn realizes:

The widow rung a bell for supper, and you had to come on time. When you got to the table you couldn't go right to eating, but you had to wait for the widow to tuck down her head and grumble a little over the victuals, though there warn't really anything the matter with them --that is, nothing only everything was cooked by itself. In a barrel of odds and ends it is different; things get mixed up and the juice kind of swaps around, and the things go better. (The Adventures of HuckleBerryFinn)

One of Dr. Beebe's pointed topics is exactly aimed at addressing how contradictions can happen persistently and unconsciously within personal expressions of all kinds. Most people will be generally aware of *Moby Dick*, even if they may have never read the famous novel. There is a pointed passage to be found in another book by the same author, Herman Melville:

Goneril was young, in person lithe and straight, too straight, indeed for a woman, a complexion naturally rosy, and which would have been charmingly so, but for a certain hardness and bakedness, like that of the glazed colors on stoneware. Her hair was of a deep, rich chestnut, but worn in close, short curls all round her head. Her Indian figure was not without its impairing effect upon her bust, while her mouth would have been pretty but for a trace of mustache. Upon the whole, aided by the resources of her toilet, her appearance at a distance was such, that some might have thought her, if anything, rather beautiful, though of a style of beauty rather peculiar and cactus-like. (The Confidence-Man: His Masquerade)

In allowing this short quotation to register in the mind, it becomes apparent that the description is ambiguous and contradictory, and it is impossible to have a clear image of the woman as she is described in these words. If this kind of conflicting statement may be presented intentionally by a creative writer, it also happens inadvertently, without fully conscious comprehension in many instances.

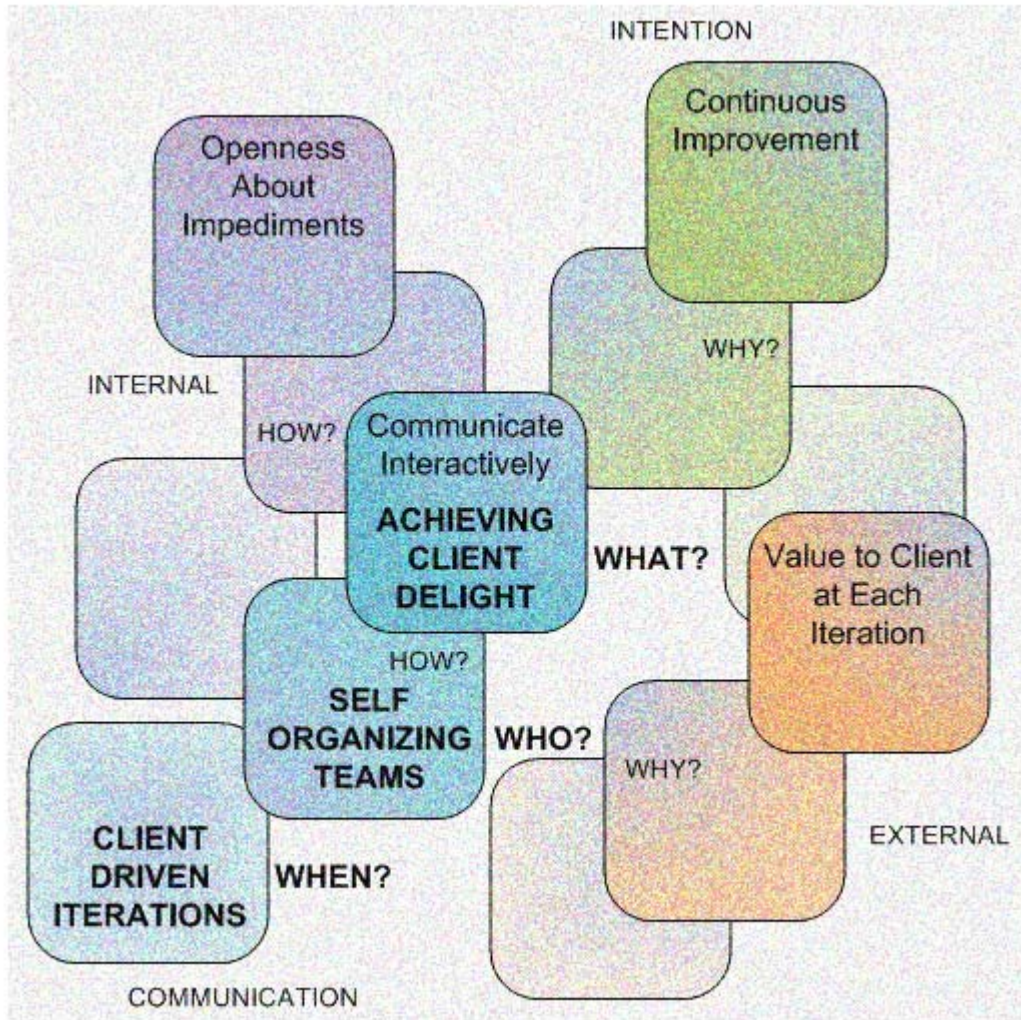
Dr. Beebe takes the notion of the confidence man, or the trickster of story and legend, to cast better clarity on personal behavior, particularly as it is reflected upon other people.

He can demonstrate more examples of teamwork interactions in popular films, in sporting competition, and in other shared public realms.

Returning to the focus on business management practice, a considerable amount of dedication and intention is required to achieve a proper understanding of integrated decision management. The evolved tools of deliberative psychology are available for active application, beyond how these have been understood in the private, exclusive corner of purely personal self development, of the recent past.

With insight and humor, Stephen Denning advocates provocative directions for fresh consideration.

John Roth
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November 11, 2011



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Vanguard Maintains Competitive Advantage with Business Process Management and Enterprise Content Management, October 24, 2011, Las Vegas.

George Heming of Vanguard Investments presented an insightful view of a recent business transformation initiative at the annual IBM “Information on Demand” convention in Las Vegas last month.

The Institutional division of The Vanguard Group manages 401(K) retirement plan programs on behalf of 3.5 million participants, through affiliated sponsors. The internal business procedures had become encumbered by an inefficient organizational model, which George Heming and his colleagues have now improved and streamlined. Under the old way of doing things, monthly processing for about 10,000 payroll files could involve almost fifty separate task steps that required many days to complete. The new way of doing things involves just four steps, which can be finished in just a few hours. Sixty-eight percent of the work load can now be handled by straight-through automation, so only certain exceptions require some degree of manual handling.

“Don’t throw technology at poorly designed processes,” Heming maintains. Look to assemble “right work, right tools, and right expertise. “

Vanguard always tries to stay directed toward the client’s best interests, as a true client-owned mutual fund company.

The transformation initiative was driven by dedicated teams of crew members combining business insight, technology know-how, and lean process improvement techniques.

Small, incremental adjustments were introduced through successive iterations.

System redesign, modeling and simulation methods were utilized, in conjunction with agile build, test, pilot, and roll-out phasing. Change management and training accompanied each change effort.

The old way of doing things was impeded by an inequitable distribution of work, with clients being assigned as accounts dedicated to a particular administrator. Details about the handling of each client were not being adequately documented. Now, with the new way of doing things, exception circumstances are ranked as tier one, tier two, and tier three task items – to be allocated for resolution deliberately at the correct level of skill and experience.

Analytics are used to facilitate understanding of work behaviors and client preferences.

Overall, the transformational changes have assisted in improving a net promoter score from sixty-nine percent to seventy-three percent, in the Institutional division at Vanguard.

The Satmetrix Company, which is a recognized authority on customer experience measurement, has acknowledged Vanguard as the top performer in the financial services industry for the brokerage and investment category for 2011.

These several specific points of reference with regard to business transformation appear particularly evocative, since they align closely with recommendations described by the leadership expert, Stephen Denning, in his recent book, "The Leader's Guide to Radical Management: Reinventing the Workplace for the 21st Century." His principles include: client delight, self-organizing teams, short iterations, value at each iteration, confronting impediments, open communication, and continual improvement. The book actually contains no specific examples taken from the financial services industry. Denning's comments regularly appear on the Internet version of "Forbes."

Later the same day as the presentation by George Heming, there was an opportunity for me to mention the apparently close correlation of these two independent approaches, during a casual, focus reception at the IBM Expo center. A Vanguard team member, who had come with George Heming, indicated that he had not been aware of Stephen Denning's management principles. The convergence may tend to prove the point, not just through words, but also through action and accomplishment.

John Roth
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November 1, 2011