



Radical Management

*Mastering
the Art
of Continuous
Innovation*

Stephen Denning

“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 EDGE: THE SHIFT INDEX

Total Attorneys is a rapidly growing Chicago-based company that provides services and software to small law firms. Like many successful companies, when it began as a startup in 2002, work was done on the fly, new products were developed, new markets opened and new customers were identified.

But as the firm grew, so did bureaucracy. Soon work slowed down and staff morale deteriorated. In some cases, Total Attorneys moved so slowly that by the time its software was completed, clients wanted something different. By 2008, with around 160 employees, Total Attorneys, once an exciting place to work to, had become a bureaucratic traffic jam.

Up to this point, Total Attorneys was a depressingly familiar story. Then the firm’s CEO Ed Scanlan did something different to recapture some of the startup’s energy and excitement. He broke up the departmental silos and formed small cross-functional teams that were empowered to manage themselves. The teams now work in cycles, implementing a prioritized series of tasks that reflect what clients want to see developed. At the end of each cycle, the work is demonstrated to clients and their feedback was incorporated in the next cycle. In this way, the work is always focused on tasks of high priority to clients.

The approach was so successful that it spread to the call centers, sales, marketing, accounting and the general counsel’s office. “This way of managing appeals particularly to the new generation,” Scanlon noted. “They want autonomy. They want ownership. They want purpose.” In sum, they want a revolutionary approach to management.

Radical Management: Why Is an Alternative to Traditional Management Needed?

Many studies have documented that traditional hierarchical management is increasingly counter-productive in an environment of rapid change that requires continuous adaptation.

Disillusion with traditional management has reached the point where Alan Murray in *The Wall Street Journal* has declared “the end of management.” Gary Hamel writing in *Harvard Business Review* has written that “Equipping organizations to tackle the future would require a management revolution no less momentous than the one that spawned modern industry.” Professor Julian Birkinshaw has written in *Reinventing Management* (Jossey-Bass, 2010) that “management has failed.”

It is becoming increasingly clear that the familiar components of traditional management—hierarchy, command-and-control, tightly planned work, standardized HR practices, growth strategies based on the experience curve and market share, and process and product innovation driven by incremental technological improvements—lead to an inability to innovate, disgruntled workers and frustrated customers.

These practices of traditional management worked well enough for much of the 20th Century, but what firms such as Total Attorneys have discovered is that there is a radically different way of organizing and managing that enables an organization to continuously add new value to customers and clients. Aspects of this way of organizing and managing, which I call radical management, first emerged in isolated pockets of the economy—particularly software development, car manufacturing and successful startups. It is now spreading to other sectors, such as finance, consulting, construction and manufacturing. The approach is, in principle, applicable to any organization.

Radical management focuses the entire organization on the goal of constantly increasing the value of what the organization offers to its clients. Once a firm commits to this goal, traditional command-and-control bureaucracy ceases to be a viable organizational option. Instead the firm will, like Southwest Airlines or Starbucks, naturally gravitate towards some variation of self-organizing teams as the default management model for work organization. That's because it is only through mobilizing the full energy and ingenuity of the workforce that the firm can generate the continuous value innovation needed to delight clients. Not surprisingly, those doing the work find more satisfaction as members of such productive teams.

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To ensure the high performance of self-organizing teams, radical management organizes work in client-driven work cycles; with value delivered to clients during each iteration, in an environment of radical transparency; continuous self-improvement and interactive communications.

In companies where these principles and practices of radical management are effectively implemented, the results have included two- to four-times gains in productivity, continuous innovation, deep job satisfaction and client delight. Such companies have found that their employees are likely to do best what they do for themselves in the service of delighting others. When they are in charge of their own behavior they take responsibility for it. When they are able to work on something worthwhile with others who enjoy doing the same thing, the group tends to get better.

By working in short cycles, everyone can see the impact of what is being done. When people are open about what is going on, problems get solved. Continuous innovation occurs. Clients are surprised to find that even their unexpressed desires are being met. They become loyal to the firm and promote it to their friends and colleagues as a kind of unpaid marketing department.

In radical management the goal of continuous value innovation implies a fundamentally different way of organizing, thinking, speaking and acting in the workplace. The differences between radical management and traditional management are summarized in the following exhibit:

	Traditional management	Radical management
Goal	The purpose of work is to produce goods or services.	The purpose of work is continuous value innovation that delights 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 at 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.

Seven Basic Principles of Continuous Innovation

1. The purpose of work is to delight clients through value innovation.

Global competition and widespread access to reliable information have shifted the balance of power from sellers to buyers. Now unless the firm is constantly adding new value, clients easily can—and will—go elsewhere.

Radical management thus begins by clarifying the goal of work. The firm has to change its vision from merely producing a certain quantity or type of goods and services to a vision of offering constant value innovation and nurturing enduring relationships with customers. As Roger Martin has written in Harvard Business Review, we are now entering the era of customer capitalism. The new era requires a new kind of management.

2. Work should be carried out in self-organizing teams.

Once a firm adopts the goal of constant value innovation, bureaucracy ceases to be a viable way of organizing. That's because bureaucracy doesn't bring out the best in people and continuous innovation only occurs where people give their best. So instead, the firm must adopt self-organizing teams. When self-organizing teams are properly executed, they elicit the full talents, energies, and passion of the workforce. As they learn to operate at this level, when properly supported by management, they tend to evolve towards high performance.

Doing work in teams is obviously not a new idea. For almost a century, management theorists have been urging organizations to pay more attention to the human factor and have work done in teams. What is new in radical management is using client-driven iterations, radical transparency and interactive communications to sustain self-organizing teams and foster their evolution into high-performance teams.

3. Work should be done in client-driven iterations.

Instead of the long production runs and elaborate plans favored by traditional management, radical management organizes work in relatively short time slices aimed at delivering value to clients in each short slice.

In part, this is because delighting clients involves successive approximations as to what might succeed or fail. Continuous feedback from the clients is needed as to insure that the direction in which the work is heading adds value. Firms as different as Nike, Ford, IBM and IDEO use an innovation process based on co-creating unique value with customers.

4. Each iteration should deliver value to clients.

Once the corporate goal shifts from producing goods and services to constant value innovation, management needs to give everyone doing the work a clear line of sight as to whether their efforts are contributing to the new goal. As a result, each work cycle focuses on what client value has been added during the cycle.

This has become the norm in certain parts of the software development, but has also been applied to a variety of undertakings, such as building houses as at Quadrant Homes, producing the Polaris submarine or developing a radar system for the Royal Navy.

In contrast to the myriad cost-cutting schemes of traditional management, radical management constantly seeks to reduce the time to market, thus delivering more value to clients sooner.

5. Total openness: everyone levels with everyone.

Firms cannot accomplish the complex task of continuous value innovation or establish genuine responsibility for work if people are telling each other what they want to hear or limiting their communications to what they think listeners need to know. Radical transparency is essential so that the team continues improving the product, service or delivery.

The openness is multidirectional: the team members with each other, the team with management, and management with the team. This multidimensionality is accomplished not simply by urging people to be more open, but by implementing management practices that foster a culture of transparency and by systematically removing impediments. One of the most important of these practices is the daily standup meeting in which members of the team share what they did yesterday, what they are going to do today and what impedes their work.

6. The workplace is a context in which teams themselves want to improve.

Once these arrangements are in place, the team can accept genuine responsibility for getting work done and enjoy the freedom to swiftly proceed. In such a setting, teams typically want to get better and generally do improve.

In contrast to a traditional management setting, with uninspiring goals such as, “achieve 12 percent of Return on Investment,” radical management creates conditions where teams enjoy doing what they are doing and are inspired to achieve goals that add customer value.

7. Management communicates through interactive conversations.


Implementing the previous six principles requires enhanced communication capabilities at every step. For managers this means learning to have interactive conversations, to employ authentic narratives, and to pose open-ended questions that energize and inspire, to engage in attentive listening, and encourage horizontal communications to enhance learning. Communication in radical management entails a shift from the model of, “I’ve got something to tell you and I’m hoping you’re going to see it the way I see it, and if you do that, I’ll pay you for it,” into: ‘I’ve got a spark: let’s build a fire together.’”

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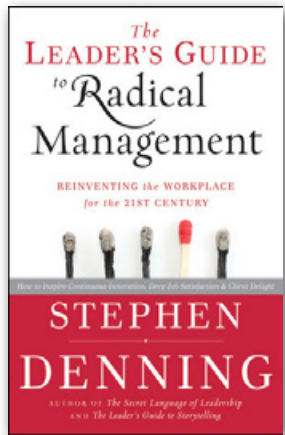
A Mutually Reinforcing Sequence

The seven principles enunciated here are not a random collection of well-meaning management ideas. Rather, they are a set of highly effective business practices, which are being applied in a variety of industries. Implemented together, they form a mutually reinforcing system. *The Leader's Guide to Radical Management* (Jossey-Bass, 2010) describes in detail how the seven principles are supported by more than seventy business practices.

Individually, none of the seven principles is new. Each of them has been implemented and tested. What is new is for organizations to put all the principles of radical management together as an integrated, mutually supporting system. It's the integrated implementation of all the pieces that gives radical management its power.

As Mikkel Harbo, Director of Business Development & Operations at 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.”** 

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BUY THE BOOK

Get more details or buy a copy of Stephen Denning's [Leader's Guide to Radical Management](#).

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Stephen Denning is a leading writer who consults with organizations in the U.S., Europe, Asia, and Australia on leadership, management, innovation, and business narrative. In 2009, he was a visiting fellow at All Souls College, Oxford University, U.K. He is the author of *The Secret Language of Leadership*—a Financial Times selection in Best Books of 2007, and a 800-CEO-READ selection as the best book on leadership in 2007.

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