

# Q&A - May 20, 2015 - Learning Consortium Webinar

## Agile and the Transformation of the Workplace

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### The transition to the Creative Economy

1. Where can I get more information on this management style? Are there other books in addition to Dawna Jones's book *Decision Making for Dummies*?

You will find more than a score of wonderful books here:

<http://www.forbes.com/sites/stevedenning/2013/05/07/the-best-new-books-on-the-creative-economy/>

<http://www.forbes.com/sites/stevedenning/2014/12/14/noteworthy-books-of-2014/>

2. How can you help your company to adopt this culture with ease?

Changing an organizational culture will never be easy. That's because it's a change in ideology, which includes simultaneous shifts in goals, roles, coordination, values, communications, and metrics. You can find an extensive discussion of the issues and the available tools here:

<http://www.forbes.com/sites/stevedenning/2011/07/23/how-do-you-change-an-organizational-culture/>

3. The presentation seems to advocate an approach where people who are thinking in terms of the Creative Economy are reaching out to those in a traditional framework of thinking. Is this really a reasonable approach? In my experience, these two schools of thought are based on completely different and conflicting concepts.

In fact, what we are talking is more than a different concept. It's a different management ideology. These two ideologies -- the vertical ideology of the Traditional Economy and the horizontal ideology of the Creative Economy -- are incompatible. They have fundamentally different dynamics. When you try to plug Agile self-organizing teams into a hierarchical bureaucracy, you get continuing friction. It's not sustainable. Either the horizontal ideology will take over the organization or the vertical ideology will crush the Agile self-organizing teams. It's important that we be aware of what's involved in going down this path. It's not simply a matter of changing a few teams at the base of the organization. We are talking about organizational transformation.

4. Instead of trying to change the organization, don't we need to change the structure of the organization to a network structure? Otherwise there's a constant energy mismatch. Of course most managers resist this because they want to hold on to their power.

Retention of a vertical, hierarchical structure will be an impediment to implementing a horizontal collaborative culture. At the same time, a lot of energy can be spent in changing organizational structures without any real change in the culture. In general, it's a good idea to get some of the real change in practices underway before launching a major reorganization:

<http://www.forbes.com/sites/stevedenning/2011/07/23/how-do-you-change-an-organizational-culture/>

5. If I am in executive/senior management, why should I encourage this change? I am going to lose power and authority, and, most important, how does it impact my compensation and bonus?

Forward-looking firms like Apple, Amazon, Zappos, and Zara have embraced this different management ideology and are hugely successful in doing so. [Many books](#) are now available describing the inexorable shift to the Creative Economy.

In the end, the transition is being driven by [economics](#). The choices for the incumbents of the Traditional Economy are stark and simple: Change or die. Some organizations might decide, like Borders or Blockbuster, to die. Staying on the same course is not an option for the organization.

Individual executives may take the easy way out and try to preserve the status quo for the duration of their tenure, leaving the problem for successors to resolve. In those situations, it becomes a governance issue for the board of directors.

6. What the main skill that can be used to shift the mind-set the CEOs to adopt an Agile methodology?

Leadership storytelling is the main, and perhaps the only, way to achieve fundamental shifts in mind-sets:

<http://www.forbes.com/sites/stevedenning/2012/03/09/the-science-of-storytelling/>

7. Even if top management says they get it and seem to act upon it, my experience is that when changes cross departmental borders or the organizational silos, the political debate comes in and slows things down. How can we improve change over the silos' borders?

It's the responsibility of the top management to inspire collaboration across organizational boundaries. Articulating and inspiring a widely shared vision in terms of adding value to customers with continuous innovation will be an important key. If individual departments are seeing their goals in internal financial or operational metrics, then the risk of fragmentation of effort is significant. Equally, if the transition is perceived as merely the introduction of new Agile processes without a change of management mind-sets, then the risk will also be high. A discussion in 2011 with Rod Collins sheds light on these issues:

<http://www.forbes.com/sites/stevedenning/2012/04/11/why-cant-the-c-suite-grasp-agile-management/>

8. What will the existing hard-core "managers" do? It will be tough for them to change their mind-set. How to make sure that they won't create hurdles in the new culture?

In any major organizational change, there will be champions, followers, and resisters. The most important thing at the outset is to encourage the champions and remove any impediments for the followers. Over time, resistance will go underground, as recalcitrant managers create implicit hurdles in the way of the change. It's the responsibility of the top management to identify aberrant behavior and root it out. Initially, this should happen by inspiration. Then it is made systemic through common processes. Ultimately, the use of "power tools" (e.g., removal of resisters from the organization) may be needed to complete the transition:

<http://www.forbes.com/sites/stevedenning/2011/07/23/how-do-you-change-an-organizational-culture/>

9. Given the information presented, I realize conceptually the happy path to transformation. Maybe I am rare here, but I have experienced two kinds of results that are much more common than the happy path. Those are: 1) scorched and burned organizations replacing their team members with members who claim to be Agile; or 2) claiming to be Agile with practicing ceremonies, but constantly falling back to traditional inefficiencies. What is our obligation to the Agile community and the legacy employees to develop a stronger road map to Agile for everyone? Does

the Learning Consortium have holistic road maps for a number of different traditional-culture starting points?

These are big, complicated issues. We hope that the experiences of the twelve companies that have joined the 2015 Learning Consortium will shed further light on the issues and provide some road maps. You will find some discussion of what we currently know about the issues here:

<http://www.forbes.com/sites/stevedenning/2015/01/26/why-do-managers-hate-agile/>

<http://www.forbes.com/sites/stevedenning/2015/01/28/more-on-why-managers-hate-agile/>

<http://www.forbes.com/sites/stevedenning/2012/04/17/the-case-against-agile-ten-perennial-management-objections/>

<http://www.forbes.com/sites/stevedenning/2013/12/18/navigating-the-phase-change-to-the-creative-economy/>

## Management in the Creative Economy

**10. Who should start the idea of focusing on growth ahead of costs, if the current C-suite is focused on cost cutting only? How can we turn this around?**

**Dawna:** A colleague of mine who helps financial officers use uncertainty for growth tells me that there is a growing awareness that a focus on costs is not achieving revenue. Pivoting the focus has to start with someone who is aware and who can see the possibilities. That's likely to be you, because you bring vision and alternatives and have the backing of brain science. Working with one C-suite at a time allows for a more open, exploratory discussion of whether the cost focus is achieving the revenues desired. In other words, use your questioning skills to find out whether there is readiness to explore alternatives to what is clearly not working -- nothing is being done because the alternatives aren't clear. It's a process of experimenting and not giving up at the first "no." Change takes energy, so it needs numbers and support. Opening the conversation starts with a stealthy "hack" so that you can see whether they are all doing what they are doing out of habit, or whether there is a sense that a serious shift in perspective is required.

**11. What would you recommend when the management layer is within the technology organization and impacts the team's ability to be Agile?**

The presence of "managers" is not the problem. The challenge is to inspire "managers" to conceive their role as enablers rather than controllers. As noted

above, this is a fundamental shift in management ideology:

<http://www.forbes.com/sites/stevedenning/2015/01/26/why-do-managers-hate-agile/>

## 12. Is the new manager similar to the ScrumMaster role, as a servant leader?

There are certainly similarities, particularly in terms of being an enabler rather than a controller. One facet of the manager in the Creative Economy, which is often less explicit in writing about servant leadership, is the overriding concern for delivering value to customers. "Good" servant leaders do this instinctively, although it can be helpful to make it explicit.

## Getting alignment on common goals

### 13. My company is pretty far along in implementing these principles already. What we struggle with is how to keep the network of people aligned with common goals and tools. Can we have a geographically distributed organization without having a traditional structure?

Traditional management structures create a semblance of alignment, but the reality is often lacking. The key is continuous communication to inspire people to embrace common goals. Some face-to-face discussions will probably be essential. The use of leadership storytelling will be important:

<http://www.forbes.com/sites/stevedenning/2011/06/08/why-leadership-storytelling-is-important/>

### 14. Power and authority in traditional organizations are often measured by salary. Do managers fear a drop in salary from going to collective management, in your experience?

Fear of loss of power and uncertainty about the new role are generally more prominent factors than loss of salary.

### 15. What helps people accept and trust the new way of working?

The successful experiences of those who have gone before are among the most important sources of learning. This can happen through direct contact with those people or through leadership storytelling about those experiences.

### 16. One of the biggest challenges is to move individual contributors to focus on a common goal. How can we get the team to embrace a common goal?

It's important to make sure that the common goal is worthy of being embraced. If the goal is an internal goal that is financial or operational in nature, it's unlikely that the goal will be embraced. In fact, such goals don't deserve to be embraced. Having

goals that are customer focused, with those doing the work having a clear line of sight to the ultimate customer and how the work will affect them, is central. Allowing staff to have a role in the formulation of the goals will also be important.

17. From my experience working with our development teams, the group leaders tend to overlook retrospective meetings at the end of the sprint. To you, how important are retrospective meetings? If they are important, how would you convince product owners that these are useful meetings to have?

Retrospectives are central in a culture where continuous learning and innovation is the goal. Sharing stories of retrospectives that have had important impacts will be one way of convincing skeptical product owners of their importance.

## Persuading customers to change

18. How does an organization engage clients/customers and get them to feel confident about collaborating (rather than dictating)?

Having customers who have made the transition to collaboration educate those who haven't is a good approach. Sharing stories about those experiences may be the next-best thing.

## Peer accountability in the Creative Economy

19. Where does accountability exist in the new world (of the Creative Economy)?

It depends on which aspect of the work of the organization we are talking about. At the team level, accountability lies with each individual and with the work teams. This peer-to-peer accountability is measured through a combination of individual and team goals that influence each person's compensation. In terms of strategy, values, and overall performance, accountability lies with the top management of the organization.

20. How does peer accountability relate to the decision-making process?

If the teams are to be held accountable, then they must also be involved in actually making the decisions.

21. If a goal is not met, how does the impact get transferred in the case of peer accountability?

Where a goal is not met, the retrospective should include discussion of the cause of the shortfall and what to do in the future. The team itself needs to be involved in

these discussions and decisions. If shortfalls become endemic, then changes in the team or the goals are needed.

## 22. Who sets the goals in peer management?

In self-organizing teams, the team itself must be involved in setting the goals for each sprint. The top management sets goals for the organization as a whole. Keeping goals consistent throughout the organization is one of the challenges for management.

## 23. To encourage team members in using collaborative, Agile practices (vs. traditional management team behavior), we've worked at building up trust and peer accountability. However, our team members often revert to reporting to me, or to another manager. They don't seem to grasp the concept of a new way of working as the foundation of new-world management. What can I do?

Part of the answer may lie in ensuring that your own behavior isn't unwittingly encouraging the reporting to you. Sharing experiences of the more successful self-organizing teams may help to encourage the right behavior. As noted above, there are now many books and training courses available on the subject. Leadership storytelling about truly self-organizing teams should also help.

## Compensation and performance evaluation

## 24. How do you handle things like merit increases and promotions with this new model? Rewarding top performers and the like? How is compensation determined in this structure? How are bonuses determined?

You can find some useful suggestions about these issues at:

- *Abolishing Performance Appraisals: Why They Backfire and What to Do Instead* – by Tom Coens and Mary Jenkins
- Adobe has abolished the yearly performance review.  
<http://blogs.adobe.com/adobelife/adobe-life-magazine/v1/check-in/>
- Netflix culture: <http://www.slideshare.net/reed2001/culture-1798664>
- Jeff Sutherland: <http://www.scruminc.com/agile-performance-reviews/>

## Scaling and the Creative Economy

## 25. "Agile is hard as well as easy." With this statement in mind, how do we manage Agile teams that are distributed globally across different time zones?

While it's true that colocation is obviously ideal for Agile teams, where staff are dispersed, teams can use technology to maintain open and continuous

communication. Some firms have had success by having teams work initially in a face-to-face setting before separating and working together virtually in different countries. Time-zone differences pose additional practical problems in terms of real-time collaboration.

Nevertheless, experience shows that distributed software development using Agile can be highly productive, e.g., firms like [Xebia](#). For more discussion of distributed Agile teams, see also: Craig Larman and Bas Vodde, [\*Practices for Scaling Lean & Agile Development: Large, Multisite, and Offshore Product Development with Large-Scale Scrum\*](#) (2010).

**26. What about putting ScrumMasters in all the globally located teams and having all the ScrumMasters collaborate to make sure everything goes well?**

Yes, where that is feasible.

**27. How does the Creative Economy relate to SAFe (Scaled Agile Framework)?**

One way of looking at scaling of Agile is a three-way classification:

- A. Multiple teams working on the same product
- B. Multiple teams working on different products
- C. Cultural transformation, with a focus on delivering continuous value for customers

SAFe is mostly about (A) and to some extent (B).

The Creative Economy covers all three but particularly (C).

The customer is noticeable for being absent from current articulations of SAFe: The management mind-set is vertical.

In the Creative Economy, the customer is explicit and central. In fact, the firm revolves around the customer (rather than looking upward to the boss). In the Creative Economy, the management mind-set is horizontal and focused on the customer.

**28. It's not very easy to build trust "from low-level management to higher-level management" in big multinational corporations. Most multinational corporations are really big and follow a top-to-bottom hierarchy. In these cases, how do we make them understand that Agile will work?**

Hopefully, the Learning Consortium will shed some light on these issues. There is already considerable experience in some very large multinational organizations:  
<http://www.forbes.com/sites/stevedenning/2012/06/01/ge-gets-agile/>

## The role of emotions

### 29. Any examples where emotions can be used as data?

Your subconscious is already using your emotions as data without your knowledge, so being able to name what is going on without blame or judgment helps elevate the discussion to ask: What is doing on at a deeper level that we can use to find a better solution? Fear shows up as conflict and shuts down DM effectiveness. Conflict is the place for shifts to take place, because underneath the conflict is something waiting to emerge, a better answer. Another example is joy ... when people follow what they love, high performance is the result. HP documented this in their work from 2005. Resistance to change means an emotion is missing: optimism, courage, a sense of safety or hope, for instance.

### 30. Could you elaborate on this (use emotions as data) a little more -- with examples?

**Dawna:** The inkjet division in HP in 2005 asked, "What was the source of phenomenal results?" The manager hired a social biologist to follow the trail of high performance who discovered that, despite the fact that the company was a hierarchy, the only person the network of high-performing teams had in common was the CEO. Other than that, they were goal focused ... they shared a goal, they cared about the value of an efficiently running inkjet cartridge for the customer. My colleague Nick Zeniuk called it "follow the joy." Networks also run on other emotions, like the lower form of ego (a poor relationship with oneself, like self-importance). Fear ran the decisions of the financial sector in 2008 as they ran for bailouts. Unfortunately, fear wasn't used to determine whether it was a good idea to issue bad loans in the first place. Using risk to minimize loss is a fear of loss, which works against a company's resilience and capacity to use change to benefit. Any time you see blaming or anger, you have fear. Any time you have high performance where barriers are readily overcome, you have a strong sense of purpose combined with enthusiasm.

## Story points

### 31. How do I get the team to understand how to do the story points? How many story points should each individual be able to do in a day?

Mike Cohn has many useful inputs on these issues in his books, *User Stories Applied* and *Succeeding with Agile*. There are also many useful articles and videos on the Web.