

Learning Consortium for the Creative Economy

A report to the Drucker Forum

October 13, 2015

“In a technology-driven economy, does management need a fundamental makeover? How can digital technology be leveraged to augment human capacity...? Can we achieve breakthrough innovation across the board, creating new opportunity for people? Based on the new technology infrastructure, is a new economic order in the making?”

Abstract of the Drucker Forum 2015

As foreshadowed at the 2014 Drucker Forum, in March 2015 a group of eleven companies, under the auspices of Scrum Alliance®, formed a Learning Consortium for the Creative Economy (LC) to explore the above questions, by going and seeing for themselves what was actually happening on the ground. During nine site visits conducted in the summer of 2015, the LC explored the hypothesis that forward-looking companies had already made progress in developing and implementing leadership and management goals, principles, and values that constitute a fundamental management makeover.

Although there were many variations observed during the site visits, the LC observed a striking convergence toward a set of management goals, principles, and values that are markedly different from the management practices of hierarchical bureaucracy that is still pervasive in large organizations today.

Although there is no “one size fits all,” the site visits revealed a family resemblance among the goals, principles, and values of the companies visited. The site visits showed that implementation of the goals, principles, and values requires *strong leadership*, with a particular *mindset*, which includes:

Site visits 2015

agile42 (Ann Arbor, MI, USA)
Brillio: (Bangalore, India)
C.H.Robinson (Minneapolis, USA)
Ericsson: (Athlone, Ireland)
Magna (Barcelona, Spain).
Menlo Innovations: (Ann Arbor, USA)
Microsoft: (Seattle, USA).
Riot Games: (California, USA).
SolutionsIQ: (Seattle, USA)

Goals, attitudes, and values that focus on added value and innovation for customers and users, rather than a preoccupation with short-term profits.

Managers seeing themselves, and acting, as enablers rather than controllers, so as to draw on the full talents and capacities of knowledge workers.

The use of autonomous teams and networks of teams, in some cases operating at large scale with complex and mission-critical tasks.

The coordination of work through structured, iterative, customer-focused practices rather than bureaucracy.

Embodying on a daily basis the values of transparency and continuous improvement of products, services, and work methods.

Communications that are open and conversational, rather than top-down and hierarchical.

The embrace of physical workspaces that are noticeably open, egalitarian, and collaboration-friendly.

In workplaces that have pursued these goals, principles, and values over a sustained period by leaders with the requisite mindset, the site visits revealed:

A capability to generate continuous added value for customers and users.

An enhanced ability to respond to unpredictable shifts in the marketplace.

Knowledge workers who are remarkably engaged, and sometimes passionate, in their work.

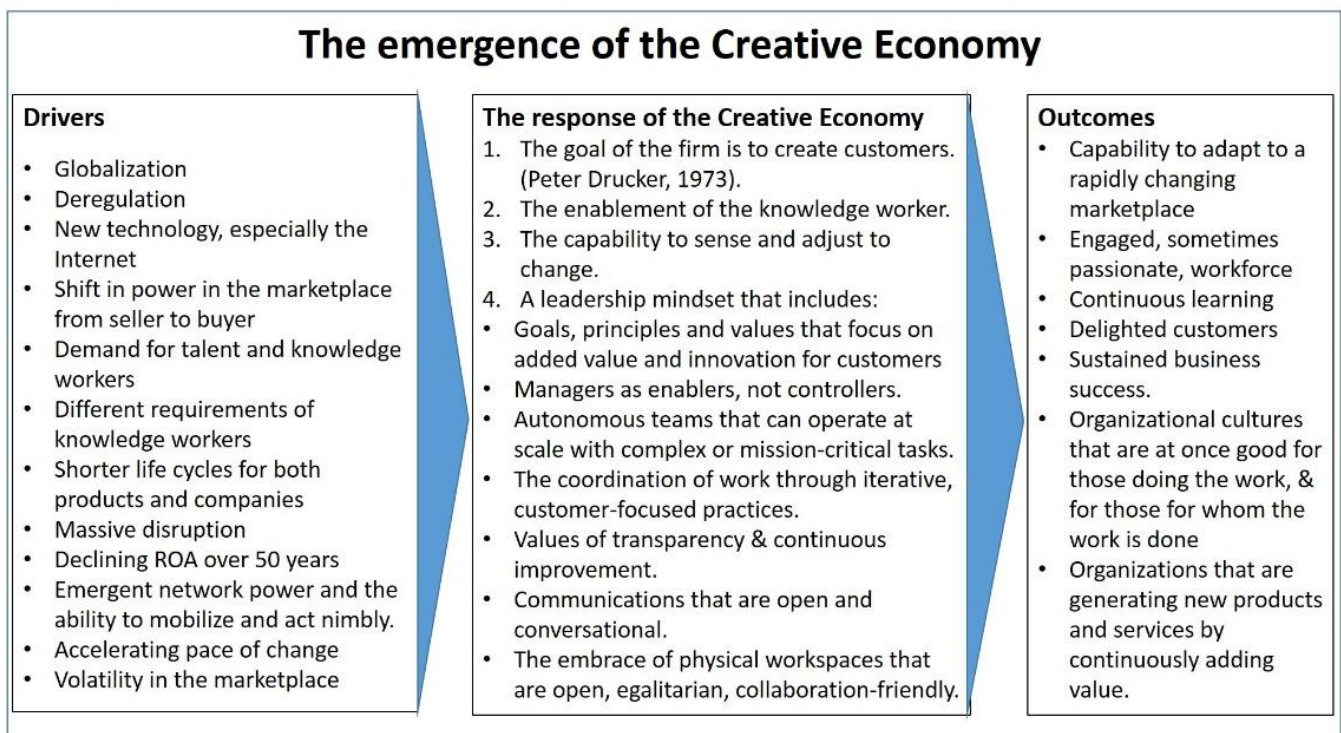
In the more advanced implementations, organizational cultures that are at once good for those doing the work, for those for whom the work is done, and for the financial health of the organizations themselves.

The emergence of a Creative Economy, i.e., an economy in which organizations are generating new products and services by continuously delighting customers and adding new value.

A universal feature of all the site visits was a recognition that achieving these benefits is dependent on the requisite *leadership mindset*. Where the management practices and methodologies were implemented without the requisite mindset, no benefits were observed. Individually, none of the observed management practices are new. What is new is the way that the new management goals, practices, and values constitute a coherent and integrated system, driven by and lubricated with a common leadership mindset.

Another universal feature of site visits to organizations where the goals, principles, and values are being successfully pursued is *strong leadership*. This was not only true in organizations that were in transformation from an entrenched legacy culture of hierarchical bureaucracy, where courageous championing of the different goals, principles, and values is a sine qua non of progress in overcoming an adherence to the status quo. It was also true in newer organizations that were founded from the outset with the goals, principles, and values of the Creative Economy, where continuous championing and vigilance are seen as necessary to preserve the organizational culture and to prevent reversion to hierarchical bureaucracy, especially as the organization grows.

The detailed report of the LC is available on-line here (*give link*). The members of the LC invite those interested, not only to read the report, but also to make the same journey of discovery as the LC made, by visiting organizations and seeing for themselves the implementation of these leadership and management principles, something that is now occurring in many organizations around the world.



Background

In the twentieth century, the management principles of hierarchical bureaucracy helped organizations meet the demand for mass market products and services and generate unprecedented material prosperity for many. But then the world changed. Deregulation, globalization, and new technology, particularly the Internet, transformed everything. Power in the marketplace shifted from seller to buyer. The old ways of getting things done became less and less effective. Firms had difficulty making money and their life expectancy declined.

Some firms responded by applying existing management principles more energetically. They tightened management control. They downsized. They reorganized. They delayed. They empowered their staff. They launched innovation initiatives. They reengineered processes. They launched sales and marketing campaigns. They acquired new companies. They shed businesses that weren't doing well. They focused tightly on maximizing shareholder value. They gave the top executives stock-based compensation in an effort to make them more entrepreneurial. These fixes sometimes led to short-term gains, but they didn't solve the underlying problem. Deeper change was needed. The principles of twentieth-century management itself had become obsolete.

Another set of organizations, and parts thereof, began doing something different. They developed and implemented a different leadership mindset, with goals, principles, and values that were better

suited to the emerging marketplace of the twenty-first century. The resulting ways of organizing, creating, marketing, making, selling, and delivering products and services don't look or feel much like their predecessors. The workplaces they create look and feel different. They are highly interactive. These organizations are not just tinkering with the principles that were once successful but are now increasingly irrelevant and ineffective. These organizations have been creating something fundamentally different.

The leadership mindset visible in the organizations visited by the LC reflects a recognition that the big, lumbering twentieth-century bureaucracies are too slow and clumsy for the marketplace of the twenty-first century, in which fickle but powerful customers are in charge. Now, "predictable" and "reliable" performance isn't good enough anymore. For true success, the organization has to deliver experiences that delight customers—a much more difficult undertaking, and something that can't be accomplished without embracing different goals, principles, and values.

The leadership principles that were observed in these site visits are not a random collection of fixes. They fit together as a mutually reinforcing set of management patterns. Once an organization or unit embraces the leadership mindset, and pursues it consistently over a period of time, it affects everything in the organization—the way it plans, the way it manages, the way people work. Everything is different. It changes the game fundamentally.

Principal findings

Principal findings from the nine site visits include:

Acquisition of the leadership mindset takes time. In older firms that had operated for some time with traditional management practices, the site visits confirmed that a transition from the traditional management practices to the different goals, principles, and values is possible, but it takes time. It is a process of constant learning and adapting. The transition cannot be accomplished by sending staff and managers to a short training course, although such courses have helped begin the journey. In some cases, the beginning of the leadership journey was sparked by a visit to another unit or organization, or an encounter with a coach, attending a conference, or reading a book or article.

Implementation of the goals, principles, and values takes time. Beginning the journey is one thing. It is only over time that leaders and their organizations come to understand the scope, pitfalls, challenges, and opportunities of the journey. After the journey begins, the process of organizational transformation is a matter of learning by doing, with constant inspection, adaptation, and reflection, drawing on the lessons of setbacks, building on successful practices, learning from others, and deep listening.

Firms are at different places in the journey. The site visits revealed that some firms are at an early stage of the journey, with teams still learning how to implement the relevant leadership and management practices, particularly the challenge of getting work fully done in the course of an iteration. Other firms are at a more advanced stage of the journey, with hundreds of teams operating at the same cadence and routinely producing finished work at the end of each iteration.

All journeys involved overcoming setbacks. All organizations experienced setbacks in their journeys. All organizations have taken actions that they now view as learning experiences but that at the time looked like total failure. These setbacks were seen as learning experience and didn't discourage the leaders from continuing on their transformation journey, which they saw as crucial for the future. These leaders persevered and eventually succeeded by adherence to the leadership goals, principles, and values.

All firms are adapting the practices to fit their own context. All companies are continuing to adapt the terminologies and methodologies to fit their own contexts. In applying the management practices to large-scale implementations, firms drew on their own experience as well as on other exemplars. In some cases, an emphasis on certain practices makes it less necessary to introduce other practices.

The management practices are successfully operating at scale. Several of the LC members have been successfully using the new management practices for a number of years at scale. In two of the largest LC members, we found units of several thousand people all operating with autonomous teams using the new management principles with success. In another company that now has close to 2,000 staff, the whole organization has been operating in this manner since its creation in 2006.

The management practices are successfully handling complexity. Some LC members are successfully applying the new management practices to operations of great complexity. For instance, one organization is using the new management practices to develop a vast network management system that covers hundreds of thousands of base stations all around the world. Another is using the new management practices to operate a vast global computer system that has around 70 million users and represents a significant proportion of the world's Internet traffic.

The management practices can be highly reliable. Some LC members are successfully using the new management practices to deliver services where absolute reliability is a requirement. The business at one organization, for instance, includes software that supports medical devices that must be fail-safe: the last time the firm experienced an "emergency" was in 2004.

The practices are spreading beyond software development. While the new management practices were most obvious in software development, they were also evident in firms involved in manufacturing, telecommunications, transportation, consulting, and coaching. All LC members are finding that software plays an increasingly important role in their businesses and business models, reflecting the dictum of venture capitalist Marc Andreessen that "software is eating the world." Members report that there are now very few, if any, "IT projects." There are now only business projects. From this perspective, software is merely a tool to do business projects.

The management practices are both durable and fragile. Despite setbacks in the course of the various journeys, the management practices are showing considerable durability. One firm has been operating with the new management practices for 14 years, another for 9 years, and another 7 years, some at very large scale. Yet, as noted above, the management practices are also fragile in the sense that they are vulnerable to disruption from the intrusion of different managers with traditional management mindsets.

An invitation

The detailed report of the LC will be available online here as of mid-October 2015:

<https://www.scrumalliance.org/why-scrum/learning-consortium>.

The members of the LC invite those interested not only to read the report but also to make the same journey of discovery the LC made, by visiting organizations and seeing for themselves the implementation of these leadership and management principles, something that is occurring in many organizations around the world.

Organizations wishing to participate in the 2016 Learning Consortium for the Creative Economy should contact Scrum Alliance at learningconsortium@scrumalliance.org.

About Scrum Alliance

Scrum Alliance is a nonprofit association of more than 400,000 members worldwide. Its mission is to "transform the world of work, by guiding organizations to become prosperous and sustainable, to inspire people, and to create value for society." For more information, please visit www.scrumalliance.org.