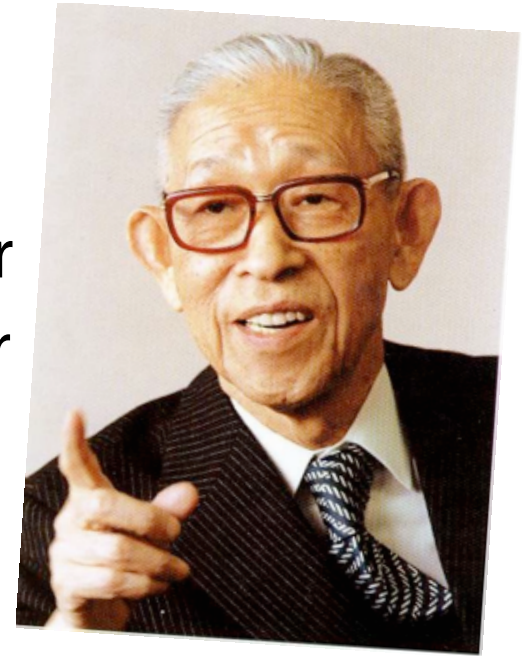


Konosuke Matsushita (1)

"We will win and you will lose. You cannot do anything about it because your failure is an internal disease. Your companies are based on Taylor's principles. Worse, your heads are Taylorized, too. You firmly believe that sound management means executives on one side and workers on the other, on one side men who think and on the other side men who can only work. For you, management is the art of smoothly transferring the executives' ideas to the workers' hands."



Konosuke Matsushita (2)

“We have passed the Taylor stage. We are aware that business has become terribly complex. Survival is uncertain. Therefore, a company must have the constant commitment of the minds of all of its employees to survive. For us, management is the entire workforce's intellectual commitment at the service of the company.”



Konosuke Matsushita (3)

“We know that the intelligence of a few technocrats—even very bright ones—has become totally inadequate to face these challenges. Only the intellects of all employees can permit a company to live with the ups and downs and the requirements of its new environment. Yes, we will win and you will lose. For you are not able to rid your minds of the obsolete Taylorisms that we never had.”





GOSEI



GOSEI

Tayloristic to Agile organization

Ari Tikka, Ran Nyman

Scan-Agile 2016

Gosei Oy



Ran Nyman



Ari Tikka

- 20 + years in software business
- Agile adoptions in large and small organisations
- Telecom, Medical, Game, Financial, Public sector
- LeSS coaching company
- www.gosei.fi



Why Taylorism?

Ford 1900

Context

- Huge market and demand
- Winning product
- Lack of skilled workforce

Solution

- Automation
- Detailed standardization
- Proper wages



NOKIA and Finland 1990

The business opportunity

- Telecom monopolies freed
- Carefully crafted GSM standard
- Ambitious and brave leader Jorma Ollila
- Talented workforce in Finland, but mostly non-SW

Background

- 100+ years of smoke-pipe industry
- No experience in leading large SW product development

NOKIA culture

Grab aggressively the opportunities

- Great success in the beginning

Just make it work - by the engineers

- Success at the growth phase with plentiful of resources
- Ever increasing complexity

Just make it happen - by the management

- Disconnected the organization
- Superficial decision making

What happened with people

Urgency. Money to hire all talent

- Tayloristic organization

Educate the recruits, but

- No resources to educate
- Elite educated, others survive
- Educate to in-house habits
- SW considered commodity
 - Hardware, Business, Design matters

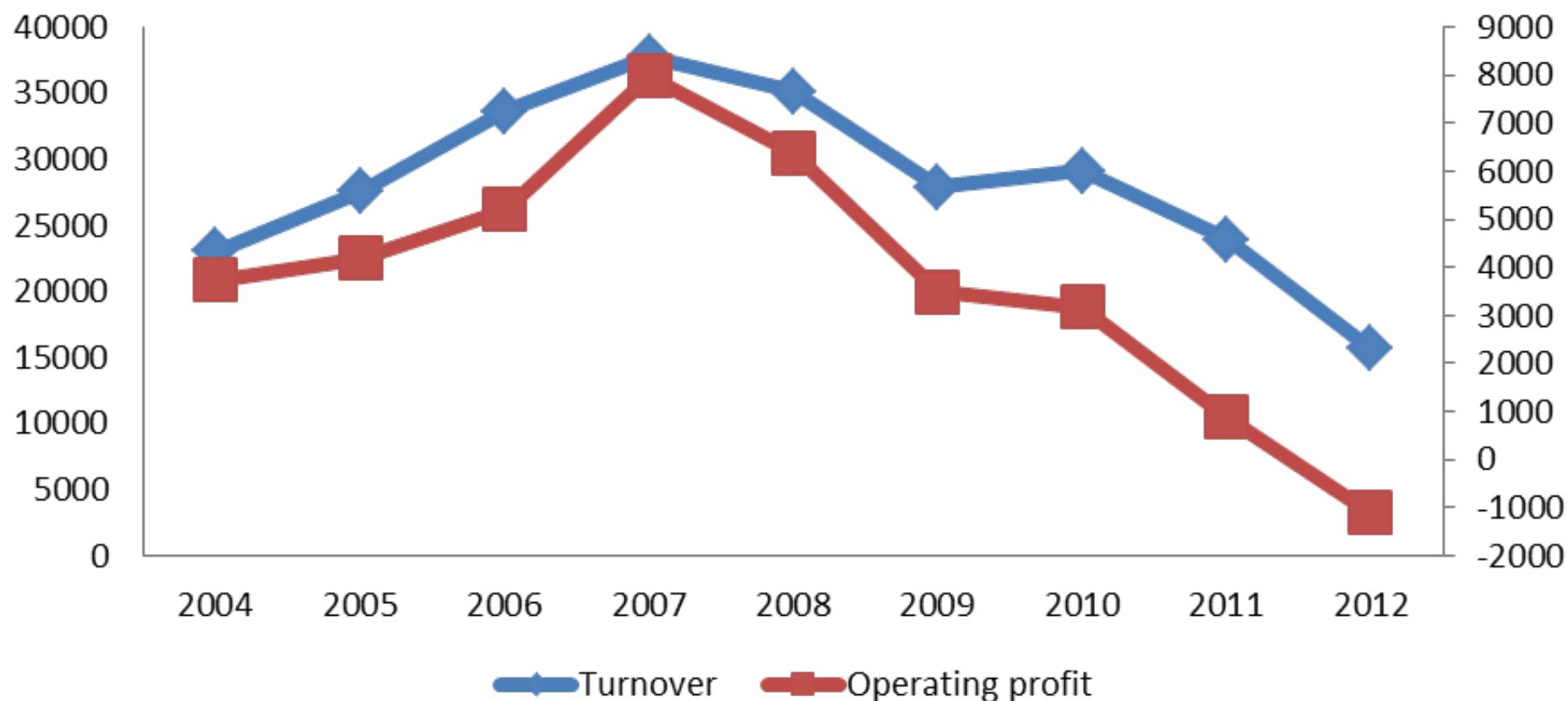
Self-Organising

- Everyone did development
- Best became elite
- A lot of coordinator positions
- Some only hang around
 - OK until layoffs

“Just make it work”

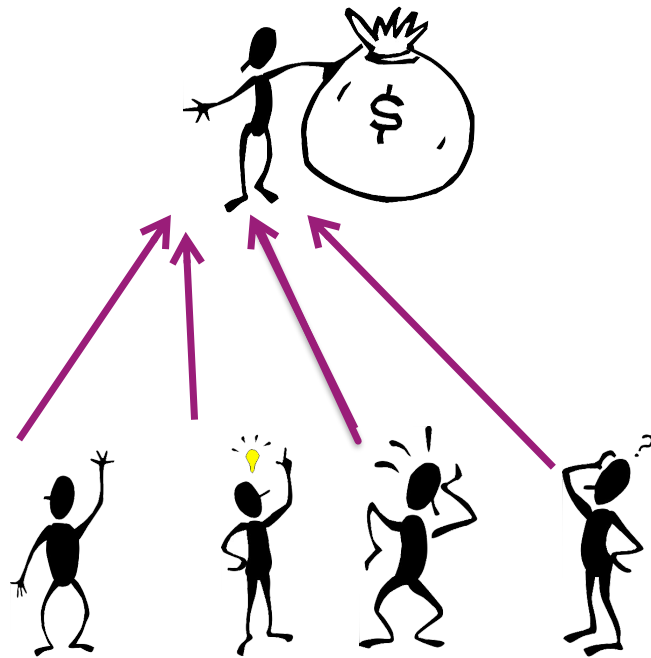
- Coordination Chaos

NOKIA mobile phone business 2004-2012 (million euros)



Coordination chaos

In the beginning



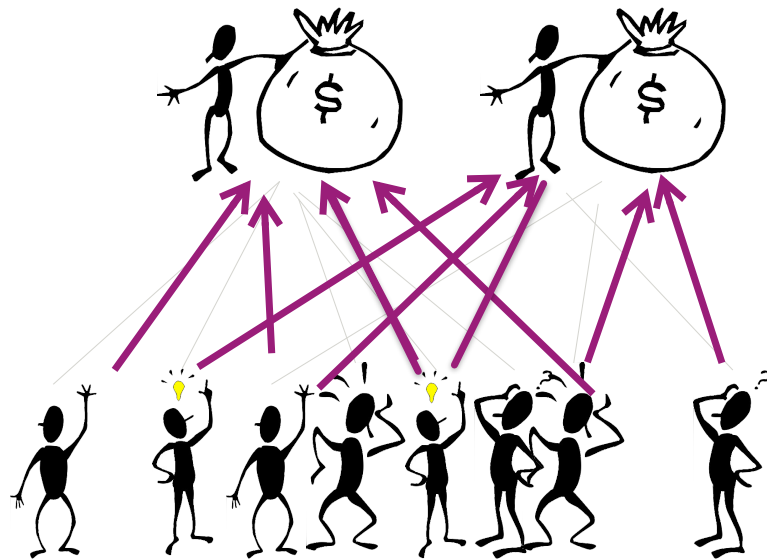
"Hey, We have business! And it is growing!"

"People just find their roles."

"Specialists are irreplaceable. We need to optimize their individual performance."



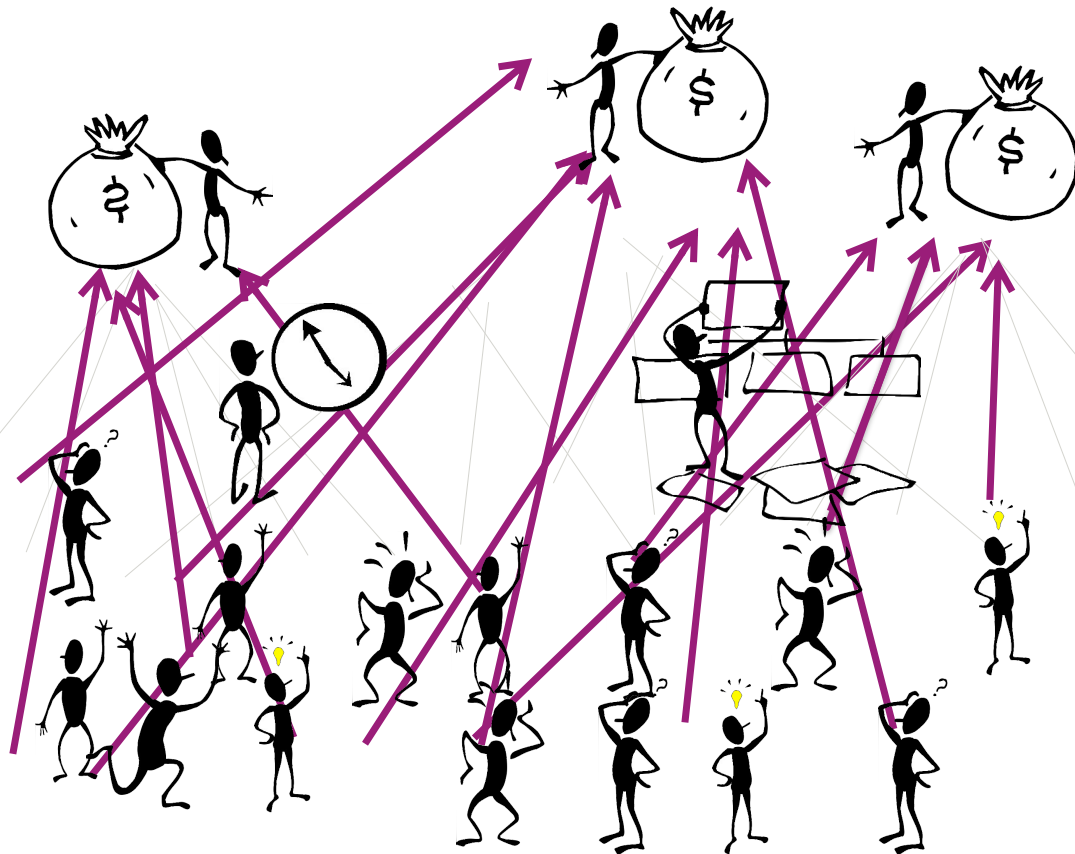
Growing using common sense



"It starts to get messy. We need someone to look after things."

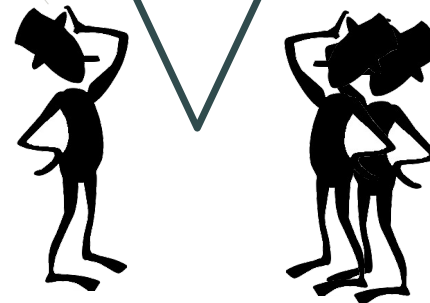
"Lets hire a coordination specialist - the project manager."

Growth continues - we make it work

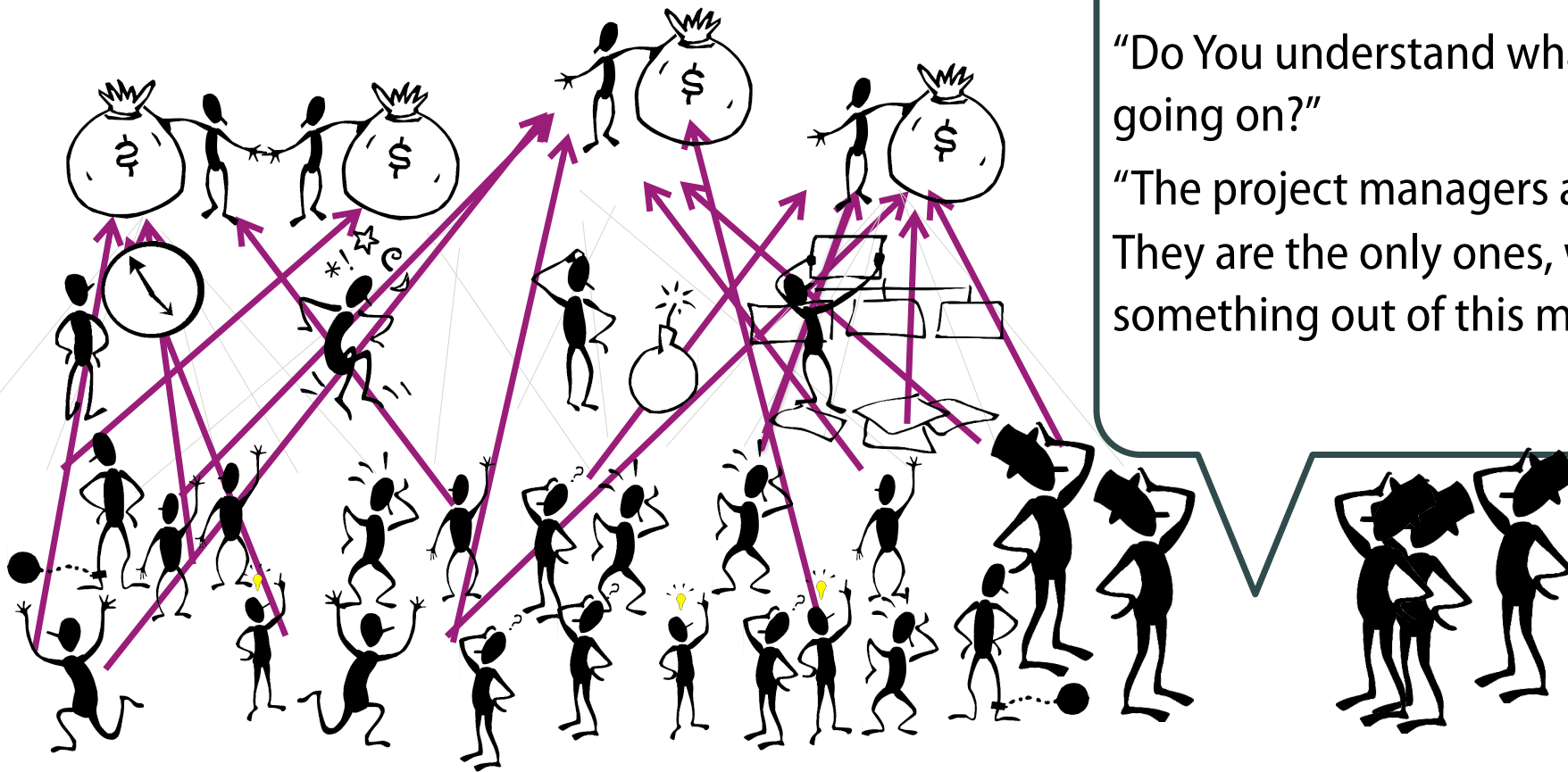


"The project managers really do their job."

"Obviously it is best to give responsibilities to the specialized people."



The coordinators become the heroes

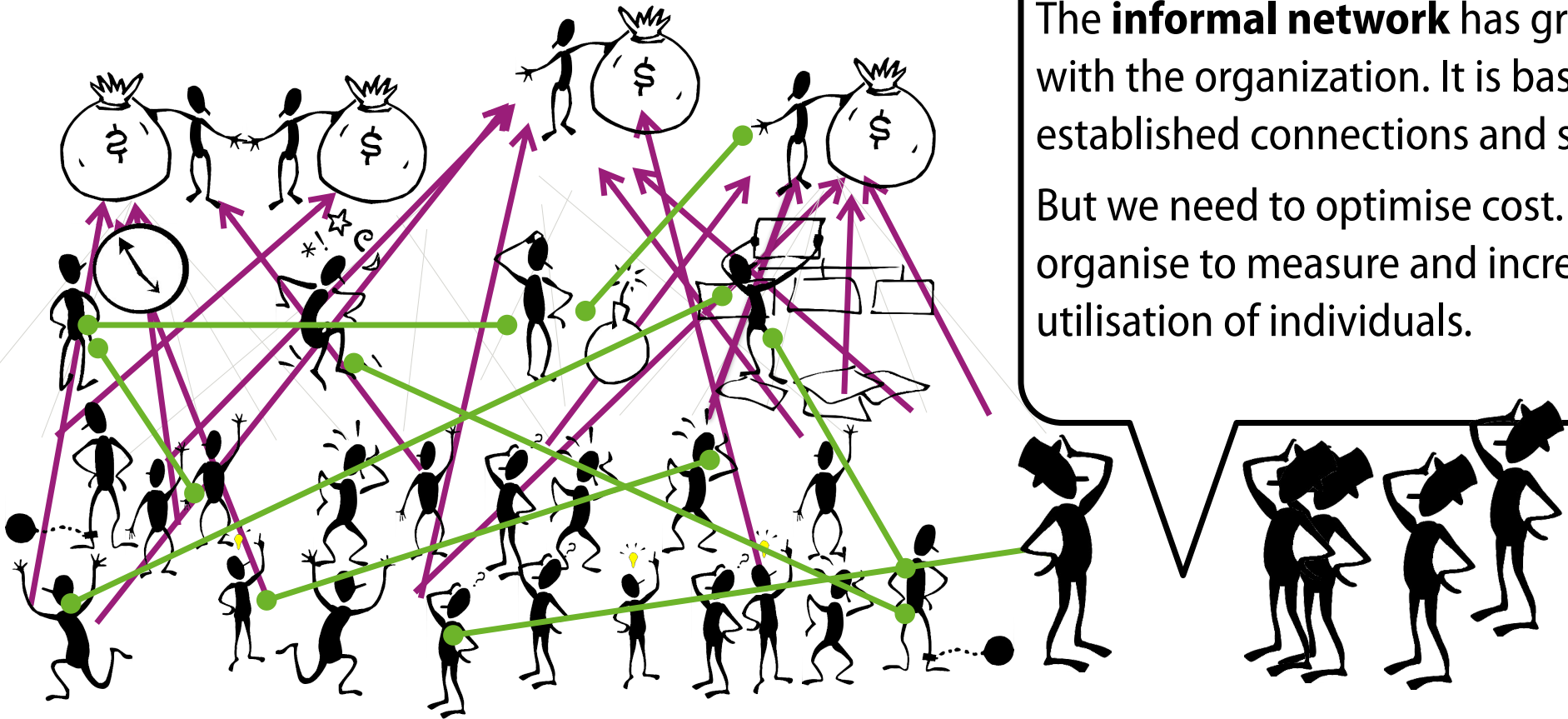


"Do You understand what is really going on?"

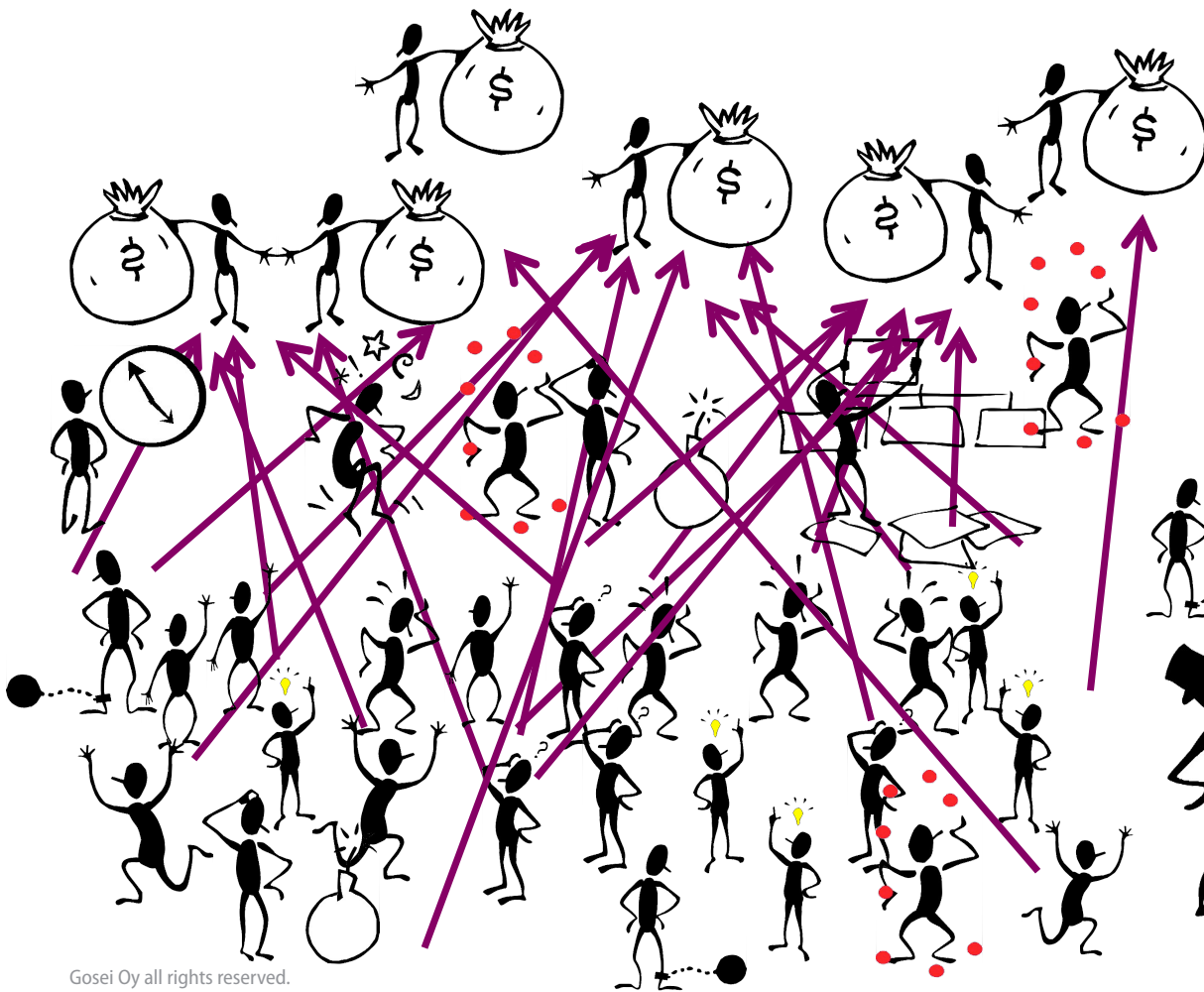
"The project managers are the heroes!
They are the only ones, who get something out of this mess."

Hidden enabler is killed

The **informal network** has grown with the organization. It is based on established connections and slack. But we need to optimise cost. Lets organise to measure and increase the utilisation of individuals.



But... too much to be coordinated

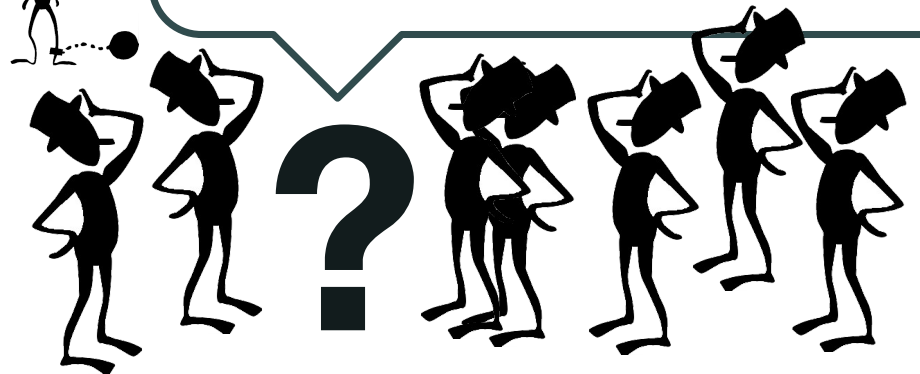


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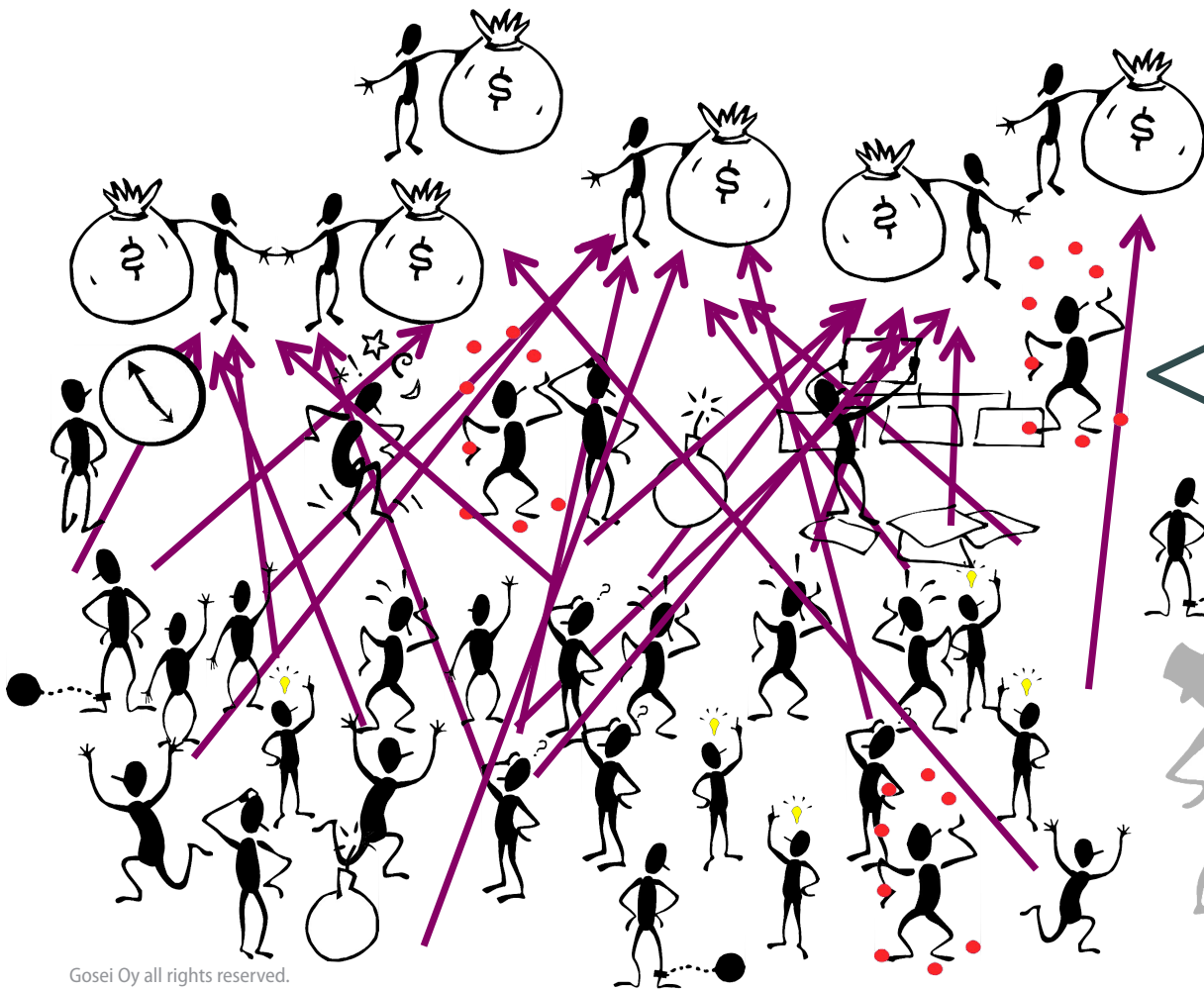
"We are slow and expensive. Why are projects no more productive?"

"People Resources are either idling or overloaded."

"The portfolio does not obey. Dependencies and maintenance dominate."

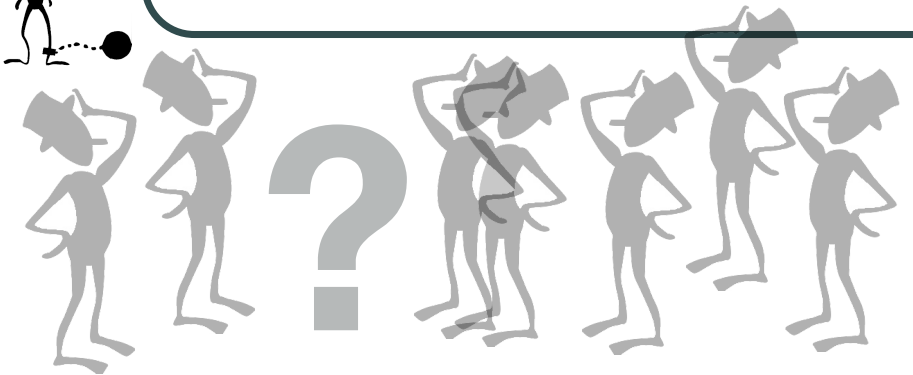


Symptoms of fragmented organization

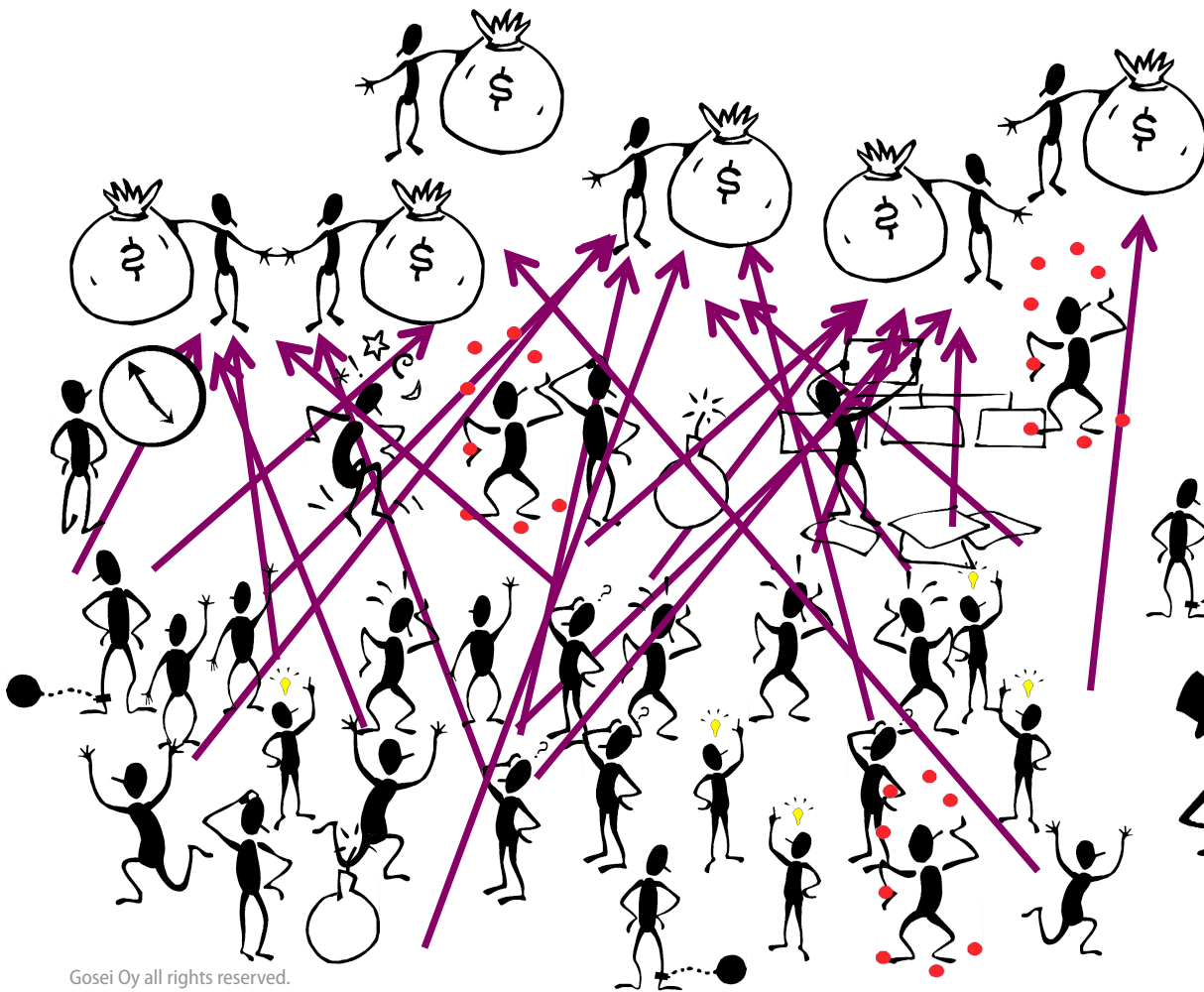


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Wasting. Waiting. Scatter.
Handovers. Loss of knowledge. Hunting
for resources. Bad quality. Quick fix.
Distress. Reorgs. Cost management.
Gaps between roles. Nonproductive
feedback. Misleading measures.
Unclear. Bad atmosphere.
No time for learning.

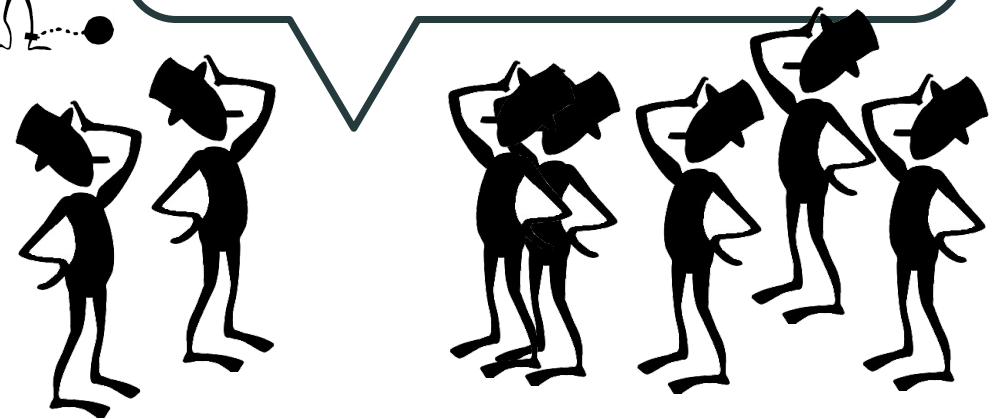


No change in thinking

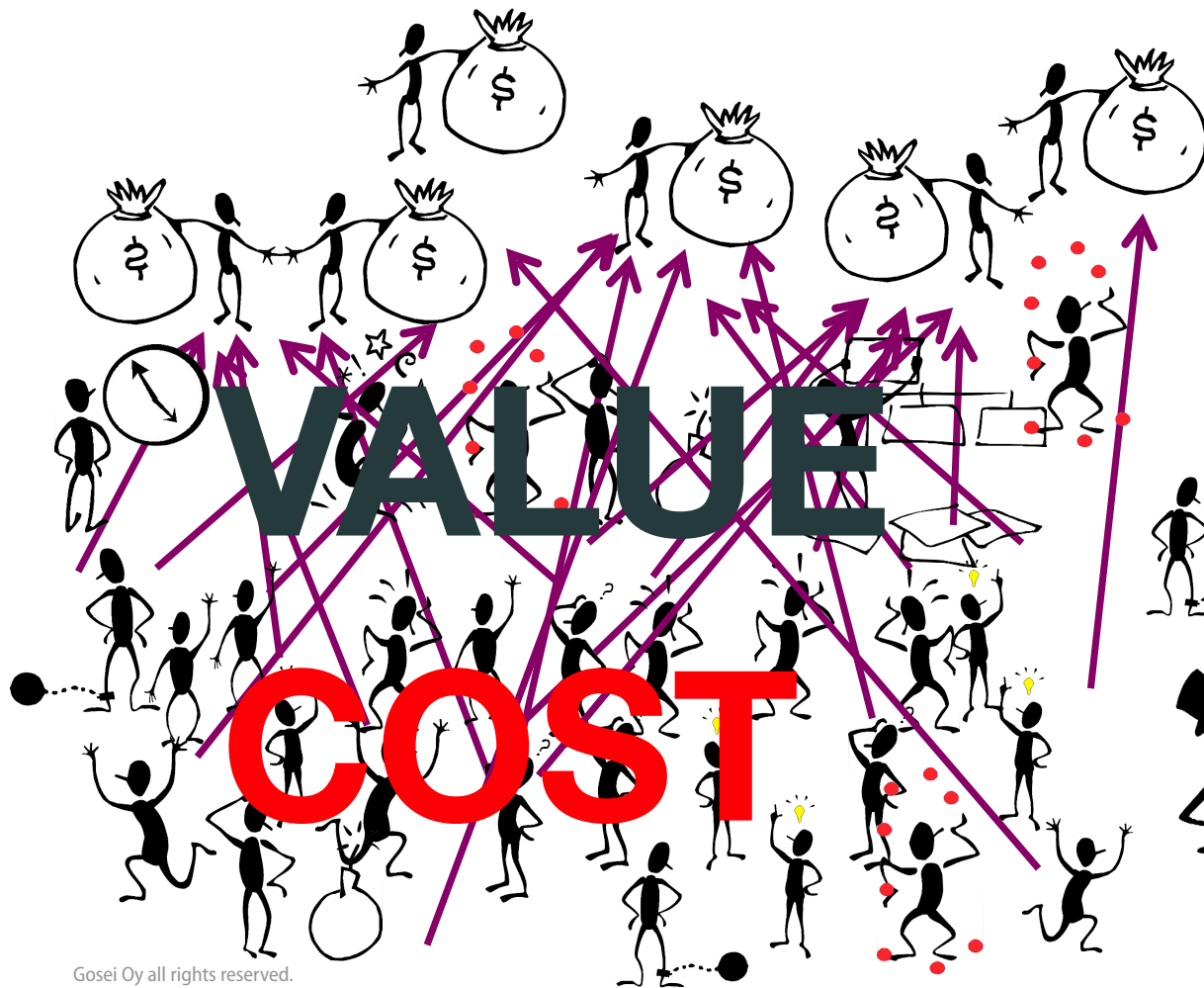


"We still need to have parallel projects to keep the over-specialized people working."

"We still need to keep the specialists doing their own work so that we get something done."



Outsourcing the leadership problem

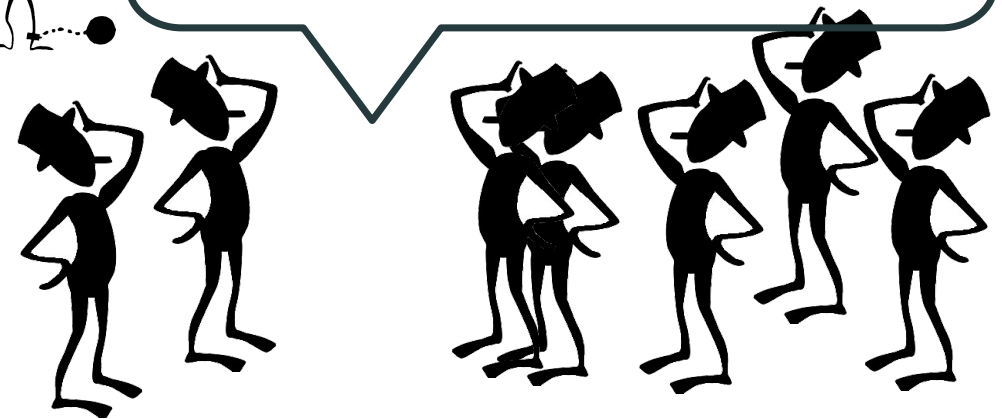


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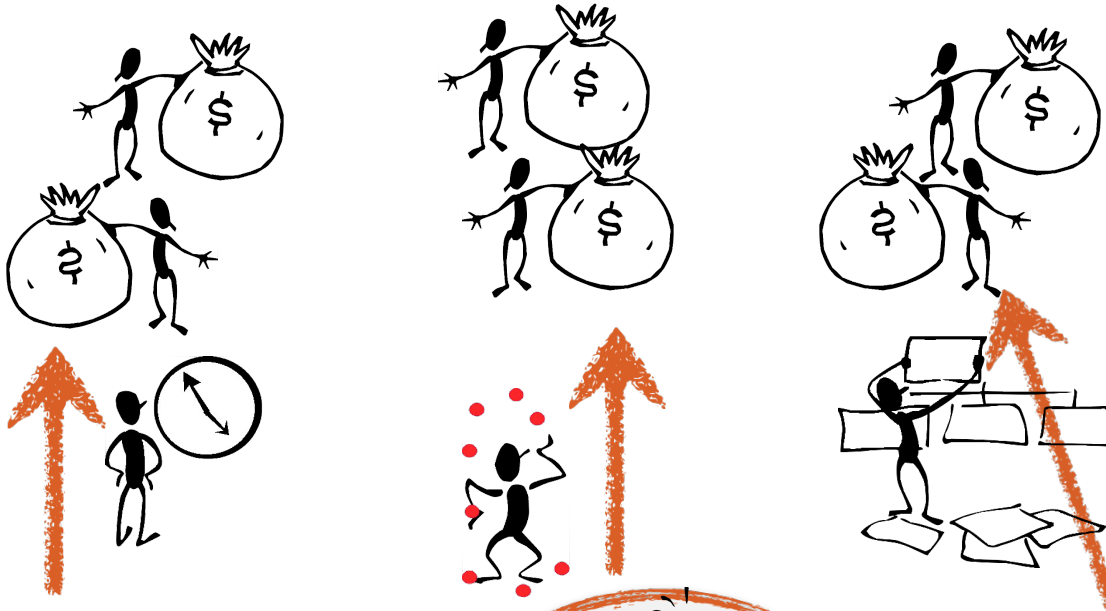
"We still have the customers. And the middle layer coordinates the whole."

"The development is too expensive and is difficult to manage."

"But we can outsource the difficulty to an affordable provider, which we then can control through the agreement."



Or fundamental change in thinking



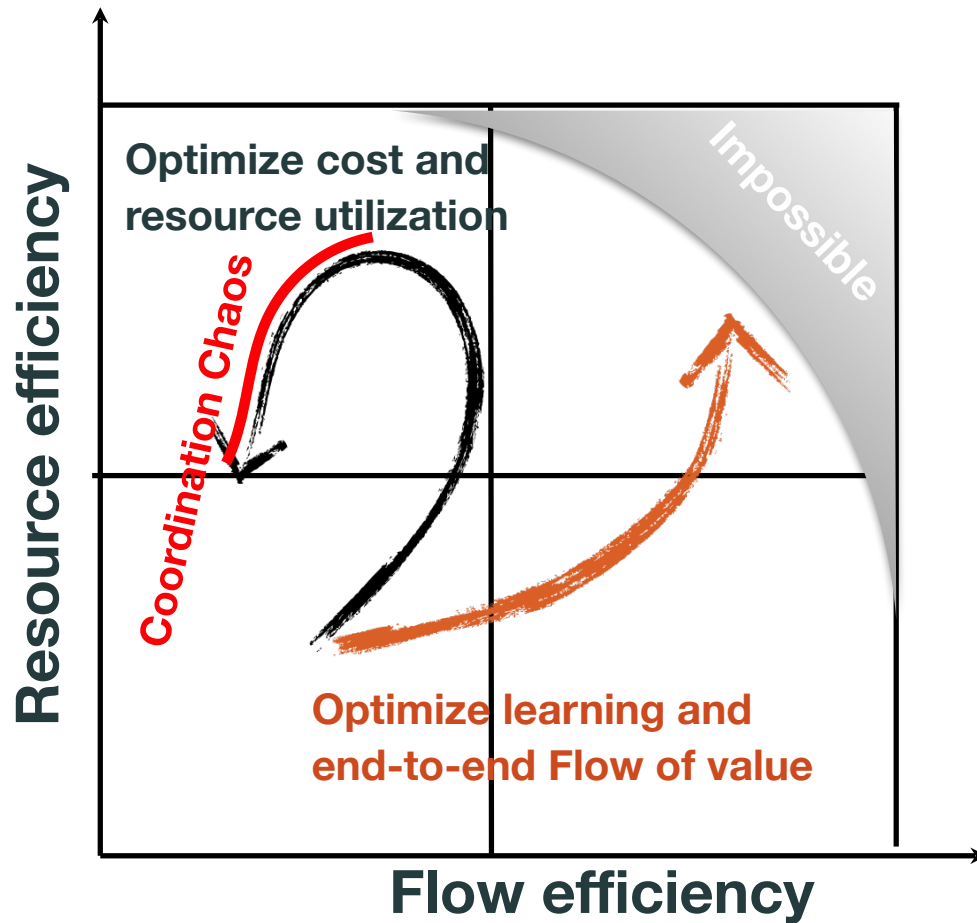
"Let people work in customer-oriented teams. First learn intimately what the customer needs, and then learn how to deliver. There will be discovery and innovation.

The end-to-end throughput will improve.

The coordination cost becomes investment in learning."



Flow vs resource efficiency



Resource efficiency

- Optimal with simple tasks in stable environment
- Specialization is locally economical, but makes the whole system fragile

Flow efficiency

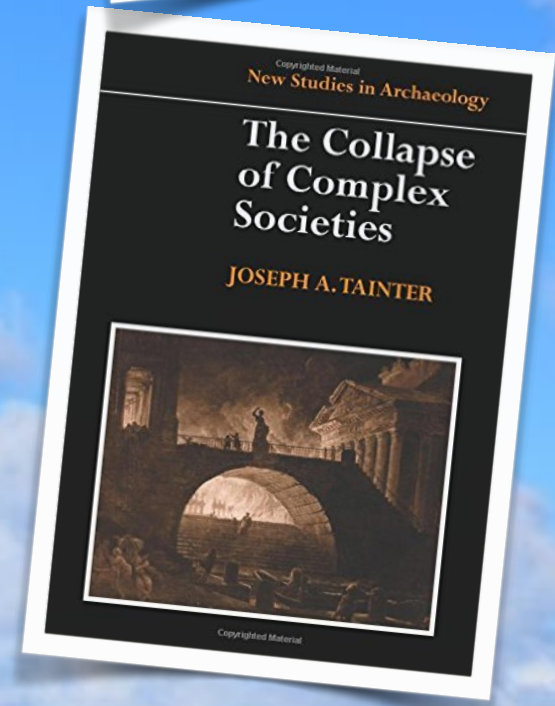
- Better for all knowledge work
- Optimizes the whole

Joseph A. Tainter

American sociologist
and historian

Studied the collapse of
Complex societies like
Mayas, Chacoan,
West Roman Empire,
Western Chou,
Mesopotamia, Egypt,

...



Tainter's story in brief

Abundant resources and innovation enable the growth of the Society.

Innovation increases local efficiency and complexity.

The complexity grows

- Birth of elite. Priests, nobles, clerics, bureaucrats.

- Birth of wasteful rituals that maintain the status of the elite

The complex/complicated society can no more adapt and collapses

The population drops dramatically and the ecosystem absorbs the remaining.

**The root cause of the collapse
is not the depletion of resources,
but the complexity of the society.**

Growth of Coordinating Bureaucracy

William G. Ouchi

Identified management control mechanisms

Inventor of motivation Theory Z

- Addition to well know Theory X and Y

Influenced by Japanese management style



Control Systems in organizations by William G. Ouchi

Market system

Measure Input (€) and Output (€).
Contractual between parties. Exact contract!

Bureaucratic system

Written rules and processes.
E.g. Employment agreement and supervision.

Clan system

Informal value based rules that allow innovation and collaboration. For **unique, interdependent or ambiguous** task, this is only possibility. E.g. SW Development.

Three Layers in (large) Organizations

Economical reality

Business (top) management
Market control

Reward power

Middle management
Bureaucratic control

Analyze
Coordinate
Intermediate
Execute

Dependent power
->Politics

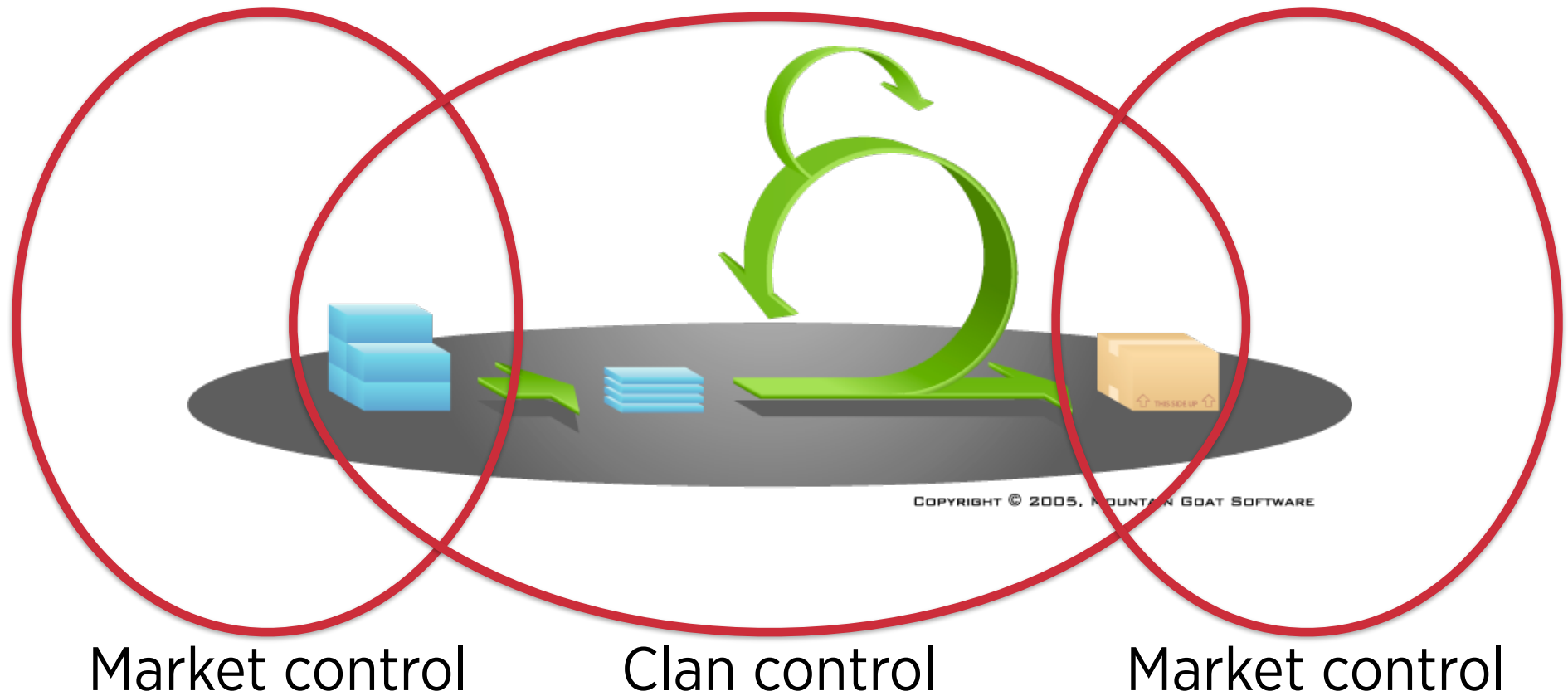
Internal reality

Front-end workers
Clan control

Expert power

Technical reality

Contrast with Scrum



Clan control = Teamwork

A real team

- Authorised

Compelling direction

- Challenging, Clear, Consequential

Enabling structure

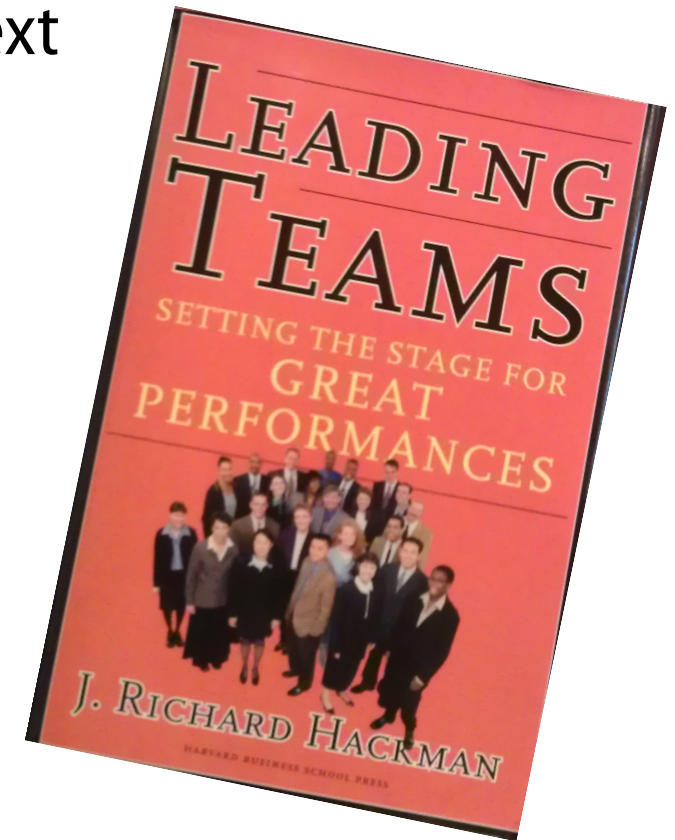
- Complete tasks

Supportive context

- Rewarding

Right coaching

- Effort



Lean Product Development

Responsibility
(Business)

Feedback
(Testing)

Handover

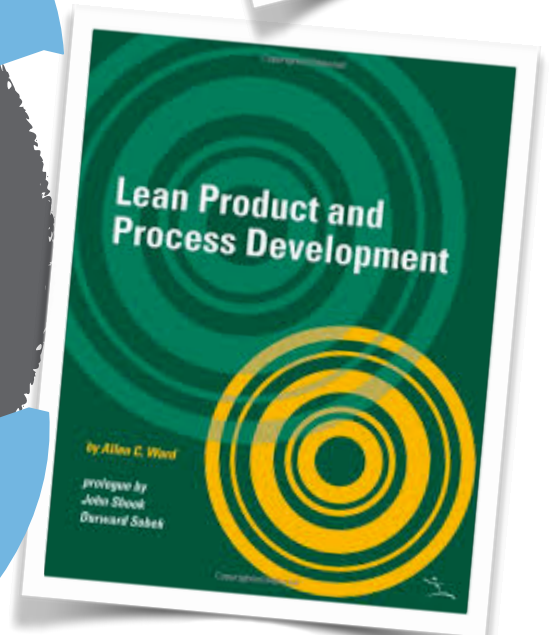
○ Waiting

Scatter

Wishful thinking

Knowledge

Implementation



Experimenting leadership for 200 years

Experimenting leadership for 200 years

Carl von Clausewitz: On War 1832

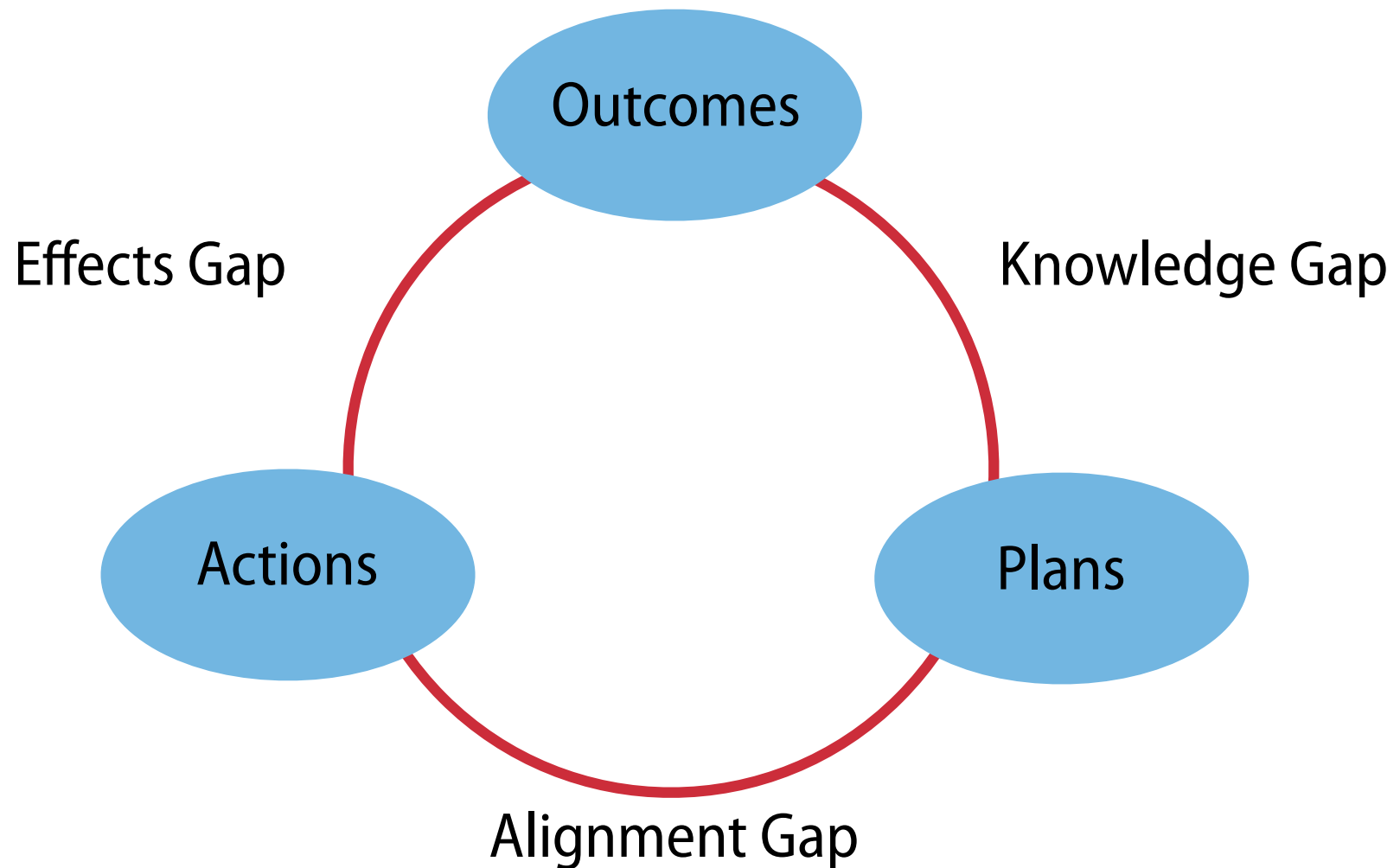
Helmuth Carl Bernhard Graf von Moltke: Guidance for Large Unit Commanders, 1869

Stephen Bungay: The Art of Action, 2011



	20th Century Management	19th Century Military
World view	Business is science Organisations are machines Managers are engineers	War is an art Organisations are organisms Officers are leaders
Assumptions	Outcomes are predictable Optimize parts and you optimise whole Managers plan, workers do	Outcomes are unpredictable Do and adapt What counts is aligning and motivating people
Result	Nasty surprises Silos Paralysis	Success when followed Failure when given up

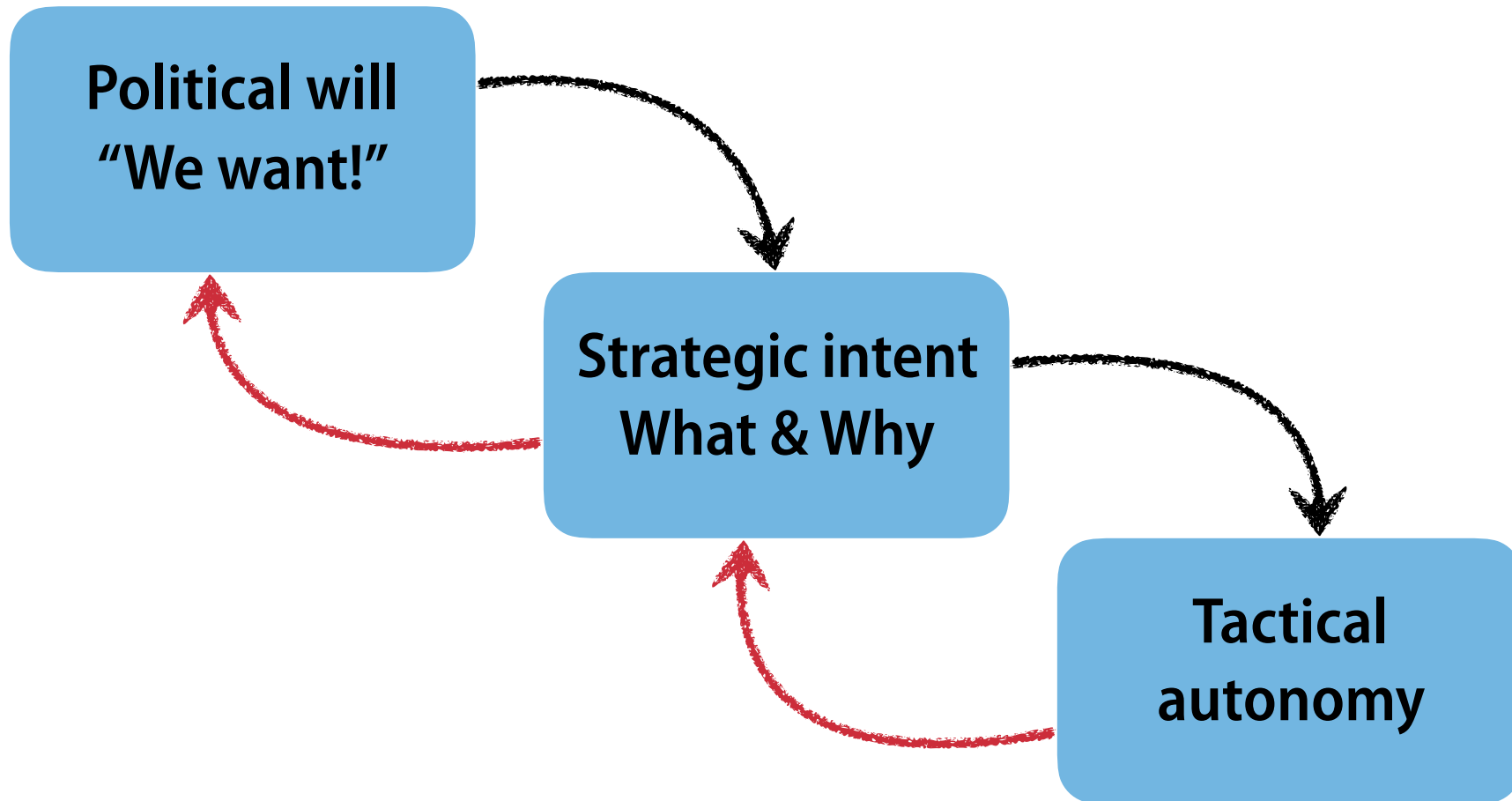
Three fundamental gaps



A photograph of a crowded street in India, likely a market or a busy thoroughfare. The street is filled with people, cars, and various shops. A large, bright red starburst graphic is superimposed over the center of the image, containing the word "Friction" in bold black text. The background shows a dense urban environment with many buildings and signs, including a prominent red sign for "B+ Plus" on the right side. The overall scene conveys a sense of a busy, congested environment.

Friction

Strategy communication



GOSEI

Fear

Fear

Collective

- Death of the tribe
- External conflict, starvation

Individual

- Exclusion from the tribe
- Internal conflict and punishment

Avoid conflict



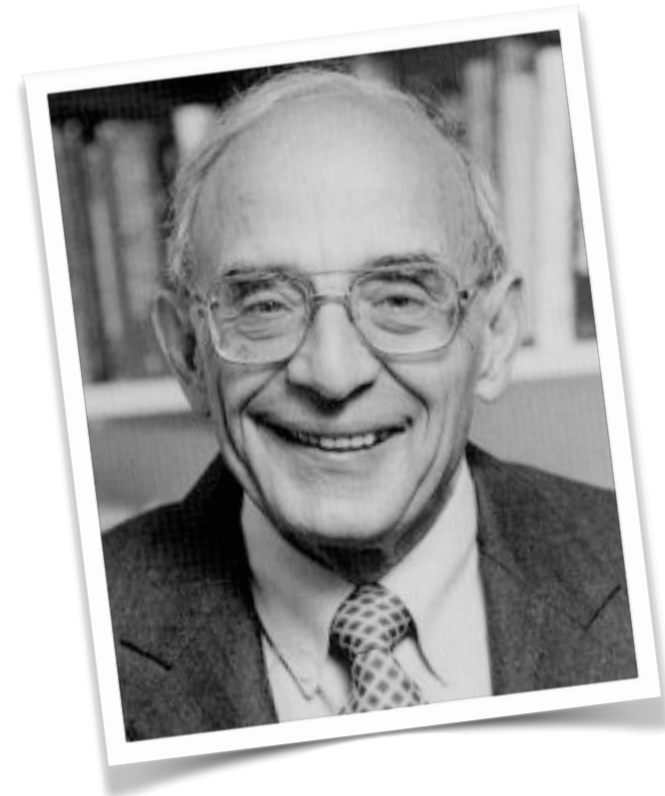
Consequences of Fear

Organizations are designed to produce waste and error, in order to avoid embarrassment and threat, and to cover unacceptable acts.

It is indiscussable. Indiscussability is indiscussable. But individuals know.

Results in skilled incompetence and organizational depression.

Chris Argyris: Overcoming Organizational Defenses,
Facilitating Organizational Learning. 1990.



Case NOKIA Mobile Phones

Study

- Quy N. Huy at INSEAD and Timo Vuori at Aalto University
- Three rounds of interviews with 76 former senior managers

Sources:

<http://www.enterprisegarage.io/2015/12/case-study-how-nokia-lost-the-smartphone-battle/>

<http://knowledge.insead.edu/strategy/who-killed-nokia-nokia-did-4268>



From top to bottom in 5 years

1. Top Management feared of competition and threatened the Middle Management
2. Middle Management misled Top Management because of internal fear
3. Top Management was over-confident and uninformed
4. Top Management was not technically competent to assess the situation
5. Wasted development effort, not acted on by top management

Fearless Leadership

Fearless leadership

From conflict avoidance to Greed to Learn.

Take time to build the feedback system from realities:

- Organize for intimate, dis-intermediated contact of the front-ends.
This creates meaning, innovation and fast feedback.
- First learn what customers need. Then learn to deliver.
- Learn the system and improve

Experience based confidence

Psychological safety



Employees who feel psychologically secure:

- Stay with the company
- Embrace new ideas from their colleagues
- Generate more revenue
- Rated as 'effective' twice as often by their managers.

Fundamental assumptions

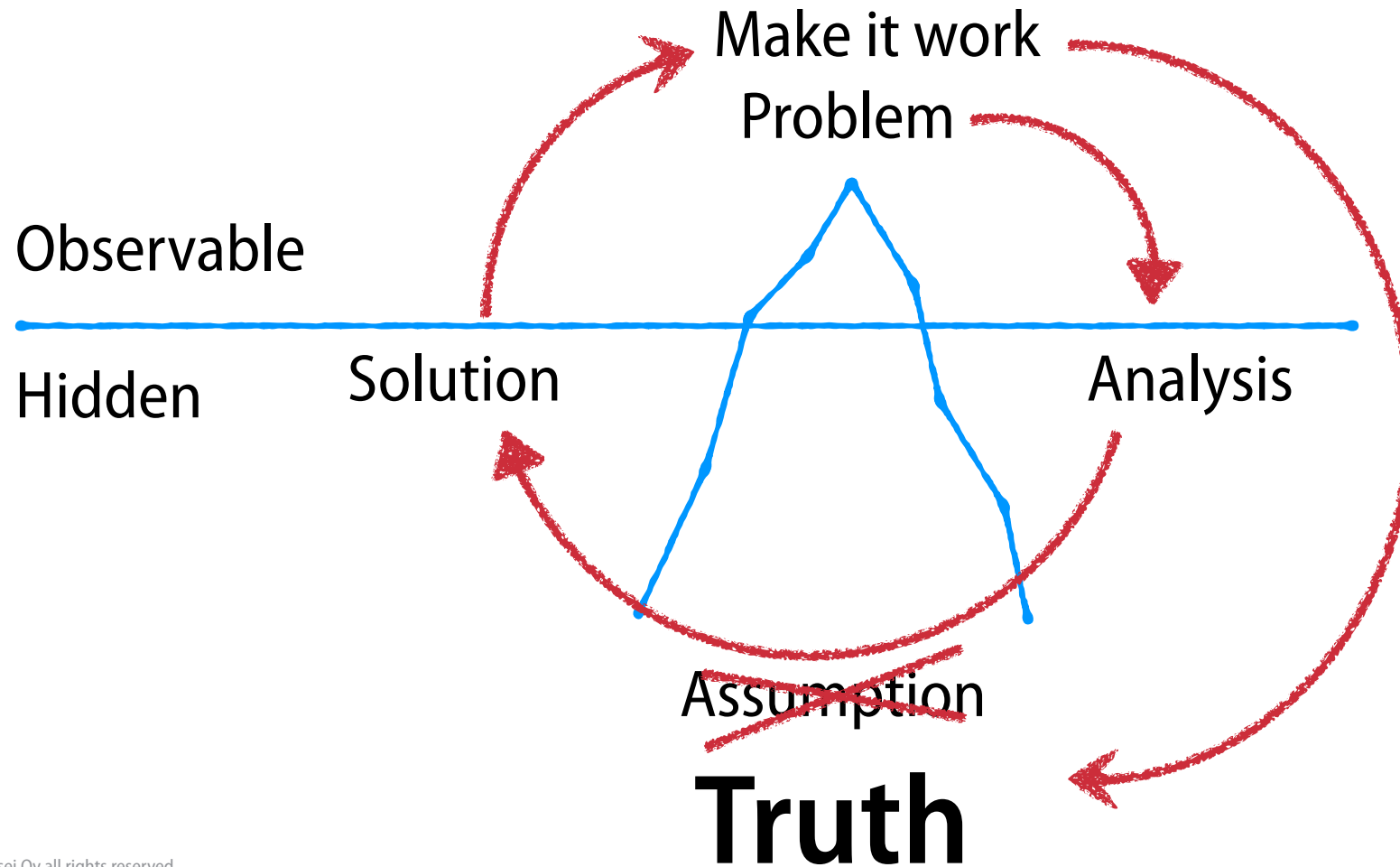
Organizational culture

- defines the correct way to
Think, Feel and Perceive to it's members
- repeats success automatically
- solves problems of **internal** cohesion
and **external** change
- is based on assumptions of reality



Edgar Schein

The power of assumptions



Comments...

Culture does not develop by scientific method

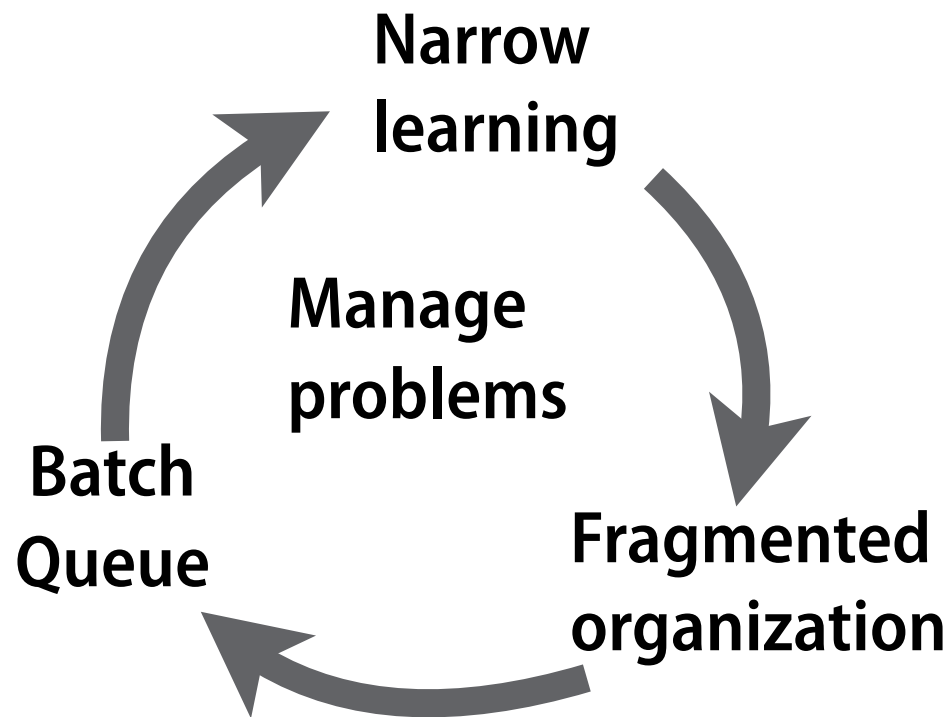
- In-validation needs to be deliberate

People as members of an organisation sacrifice personal integrity in favour of alignment

- This goes to the extent of “Stupidity based organisations” and “Management Bullshit” by Alvesson & Spicer

System dynamics

Everyday experience



“Pressure. Must. Should.”

“No time to jump on the bike.”

**“Power and wisdom are
always elsewhere.”**

Alternative



“Negotiate the Pressure.”

“Take time to jump on the right bike.”

“Power and wisdom are where the work happens.”



CC-BY Smarter Every Day

<https://youtu.be/MFzDaBzBIL0?t=168>

<https://youtu.be/MFzDaBzBIL0?t=260>

Findings

In Tayloristic organization:

- Specialisation adds complexity in multiple ways
- Coordination is preferred over learning
- Reflective learning is less effective
- Power and wisdom are always elsewhere

Sources of fear for leaders are:

- Competition
- Scarcity of people, money and time
- Urgency - learning affects after delay
- Trust among the top management and investors

Get fast feedback from reality

- Customer - Lean Startup
- Technical - Continuous Integration
- Self (the system)

“There isn’t any law that prevents large organizations from being engaging, innovative and adaptable - and mostly bureaucracy free.”

The future of management, Gary Hamel