

#WORKOUT

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JURGEN APPELO

Games, Tools & Practices to Engage People,
Improve Work, and Delight Clients



Jurgen's book is practical and fun, but most of all, it's subversive. If you care enough to get started, you'll discover that these tools will transform everything about your organization.

Seth Godin,
The Icarus Deception

Jurgen's book is practical and fun, but most of all, it's subversive. If you care enough to get started, you'll discover that these tools will transform everything about your organization.

- **Seth Godin**, author of *The Icarus Deception*

Brilliant, counter-intuitive, and creative approach to management. Very insightful and humanistic. Highly recommended!

- **Derek Sivers**, Founder of *CD Baby*, TED speaker, author of *Anything You Want*

Management 3.0 #Workout is the best walkabout in a constantly evolving landscape of management.

- **Tomas Rybing**, Director Project Management at *Aptilo Networks*

In our always-on, real-time world, the nature of work has changed, potentially for the better. While people can be more autonomous and more productive, they can also self-destruct easier. Jurgen tackles these important changes in his fun and interesting book.

- **David Meerman Scott**, bestselling author of *The New Rules of Marketing and PR*

Don't wait for managers to fix management problems around you. Be the manager of your own fate and take action instead! This insightful book will not only help you get on the right track, but will also teach you how to enable people around you, so that you can create a better working environment for yourself.

- **Kamil Posiadala**, Agile Software Developer

Engage people, improve work, and delight clients: these are the tenets of this amazing book, which will show you how to transform the entire layer of management in your organization into a wellspring of creativity, productivity, and engagement. Excellent!

- **Marshall Goldsmith**, a *Thinkers 50*, Top Ten Global Business Thinker and top-ranked Executive Coach

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- **Penelope Trunk**, author of *Brazen Careerist: The New Rules for Success*

How do you become one of the best managers in the world? Sports professionals would hire a good coach and exercise daily. Management 3.0 #Workout from Jurgen Appelo is your personal coach who gives you tons of exercises and practical advice for the modern manager. The only thing you need to add is the daily exercising.

- **Tobias Leisgang**, Systems Engineering Manager at *Texas Instruments*

In a rapidly changing world where predictable Newtonian doctrine is no longer up to the challenges being placed on managers, Jurgen Appelo's timely book provides an incredibly accessible leap into the thinking that is likely to define the manager of tomorrow.

- **Deane Sloan**, Chief Technology Officer at *Equinox IT*

Want to know what the next stage of management may look like? Do yourself a favor and take a look at Management 3.0 #Workout by Jurgen Appelo. Chock full of management nuggets as well as exercises and activities, Management 3.0 #Workout provides insights into how to engage the next generation workforce.

- **John Baldoni**, author of *MOXIE: The Secret to Bold and Gutsy Leadership*, chair at *N2Growth*

Do you want a feel-good book about management? Enjoy reading "Management 3.0 #Workout". Every chapter is full of aha moments. I read it in public transport, and I reached the office with a smile and great ideas to improve the workplace.

- **Jeanne Estelle Thebault**, President of Montreal *IIBA Chapter*

Steering a software factory team of 400 people, I'm confronted every day with the challenge to unleash the best out of our people and our teams in order for happy customers to receive high quality software every two weeks. This book provides our teams with insights, tools, stories, games... to keep our people doing the right thing right, with passion.

- **Johan Lybaert**, Director of Applications at *Cegeka*

Do you dream of a management more adapted to the complexity of our world? Great news, this is a reality! Management 3.0 #Workout by Jurgen Appelo is the toolbox of the agile gardener who promotes collaboration, builds the team around common values, grows skills and motivates his co-workers. You have now the keys to change the world. Like me, read this inspiring book and cultivate happiness in your organization.

- **Loïc Leofold**, CEO & Agile Coach at *NEOWIND*

Leadership is hard to get right, but with a decent set of tools and exercises, the job is immeasurably easier. This book offers those tools, exercises and above all, insight into how a 21st century manager behaves. Work and the workforce is fundamentally different compared to how it was even a decade ago and Jurgen's book helps engage and enthuse the reader to become a better manager and lead their team to success.

- **Mike Pearce**, Development Manager at *MOO.com*

If management is too important to leave it to managers only, then the agile management practices described by Jurgen Appelo in this book are way too valuable to apply them only to IT environment. Motivated, nimble and versatile teams are a pillar of success in today's world of financial services. You will find out how to build them from this book!

- **Tomasz Sitkowski**, acting CRO at *mBank CZ/SK*

As the current Generation enjoys work-life integration, people will look and respond to 'lean forward' management. Management 3.0 #Workout will provide a complete guide to step out of the office and contribute to a culture of success as a goal while having fun as your journey.

- **Sebastian Dieguez**, Agile Coach and Evangelist

Many authors make claims, but Jurgen Appelo delivers on them. He offers a combination of crisp, articulate thoughts in an easy, engaging read. If you're looking for actionable advice that will help you build a better, stronger and more productive relationship with those you lead, then I'd highly recommend you read Jurgen's book.

- **Mike Myatt**, author of *Hacking Leadership*, a *Forbes* leadership columnist, and founder at *N2Growth*

There's another way to envision management. In this book, Jurgen Appelo is offering practices and exercises you can easily try, to change your own environment. While developing your management talent, you will say, like me: Thank You Jurgen!

- **Alexis Monville**, Chief Agility Officer at eNovance, Co-founder of Ayeba

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Jurgen Appelo



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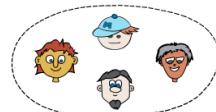
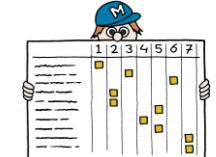
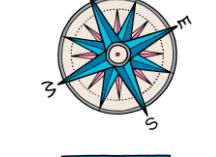
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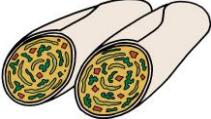
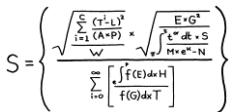
To mom,
for always helping out.

Good ideas are not adopted automatically. They must be driven into practice with courageous patience.

Hyman Rickover, American admiral (1900–1986)

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Preface

There are too many questions in this world and not enough answers. Sometimes people ask me, “Which companies have adopted Management 3.0?” “Where in the world have Management 3.0 practices been applied?” or “Are there any case studies about the return on investment of Management 3.0?”

These seem to be good questions for anyone who is considering investing in a book or in a workshop. However, when you swap *Management 3.0* with the word *health*, suddenly, the questions sound less meaningful: “Which people have adopted a healthy lifestyle?” “Where in the world have healthy exercises been applied?” and “Is there a return on investment on being healthy?” When a person requires an answer to such questions before being willing to invest time and effort in his health, reading one book with workout exercises is probably not enough to turn him into the next David Beckham. And yet, it is not unheard of for a single book to change a person’s life. For organizations, it is no different. One book *could* change everything.

Will this book have that effect on you? I sincerely hope so; it is my third attempt already! I wrote the first one, *Management 3.0: Leading Agile Developers, Developing Agile Leaders*, specifically for team leaders and development managers. In that book, I tried to explain that managers still play an important role in agile software organizations. I wrote the second one, *How to Change the World: Change Management 3.0*, to answer the question, “How do we introduce new ideas in organizations?” Both books formed the basis for the two-day course *Management 3.0: Agile Leadership Practices*.

While facilitating my courses worldwide, in collaboration with dozens of licensed Management 3.0 trainers, I gained three important insights. First of all, many participants suggested that my work applies to organizations in *all* industries, not just software development. Second, many readers and participants are often not team leaders or development managers themselves; nevertheless, they are all eager to learn about better management. Third,

people appreciate good theory now and then, but most are looking for concrete advice and practices they can try out tomorrow morning. These three insights became the goals for my third book: to break out of the software development corner, to teach *everyone* how to do management—possibly without managers—and to offer practical games, tools, and exercises not covered in the first two books. You are reading that book now.

I started loving management when I decided to stop inflicting bad management practices upon my coworkers. I manage the worldwide Happy Melly business network, the global Management 3.0 licensing program, my classes and workshops, and everyone who is somehow involved with my writing and speaking activities. My Gmail contacts database says I've been in contact with 10,000 people in the last five years, in some form or another. I don't pay any of these people an annual bonus in order to get things done; I don't have vacation policies, flextime policies, or open-door policies; and none of my contacts need to fear that I will require an annual performance appraisal. Interestingly enough, the Management 3.0 facilitators, Happy Melly board members, and many others I work with are highly engaged, love improving their work, and are eager to learn how to delight their clients. How is that possible without organizing regular one-on-ones in my private office with each and every one of them?

Healthier organizations are possible when you stop comparing them with machines and, instead, compare them with communities. This is possible when you introduce ideas and practices inspired by complexity science and systems thinking. I call this way of working with organizations *Management 3.0*. Fortunately, plenty of businesses worldwide are already applying such an approach, at least to some extent. Therefore, it makes little sense for me to answer the question, “Which companies have adopted Management 3.0?” It is more interesting to discuss, “From which innovative companies can anyone with a healthy Management 3.0 mindset borrow their ideas and practices?” The answer is: a lot!

This is a management book for everyone: developers, artists, writers, team leaders, middle managers, designers, project managers, product managers, human resource managers, marketers, testers, coaches, mentors, consultants, trainers, facilitators, entrepreneurs, and freelancers. Everyone is, to some degree, responsible for management activities. This book tells you how you can implement better management, possibly with fewer managers, by looking at what other companies in the world have been doing. They have paved the way for the rest of us!

I like to believe that I have achieved the best possible position as a modern manager: I manage many people every day, but I'm sure nobody sees me as their boss. I only hope they see me as someone they like working with, while at the same time, we get the results that we want, and our business keeps growing.

With this book, I will show you how you can achieve the same thing: a healthy organization thanks to regular workout exercises, and plenty of management activities that, in many cases, require no managers. As I said, there are too many questions in this world, but I hope this book is able to give you at least a few useful answers.

Jurgen Appelo, May 2014

jurgen@noop.nl

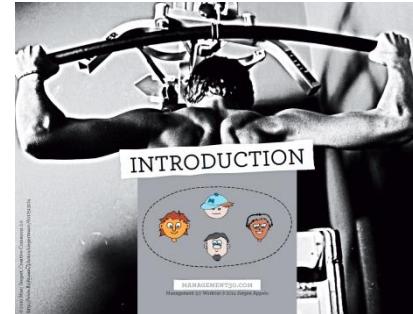
No managers were harmed while writing this book.

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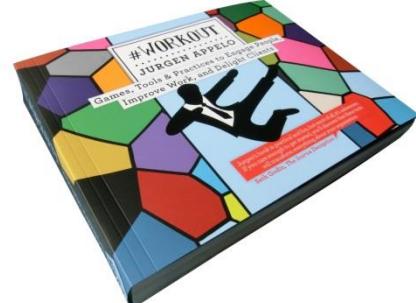
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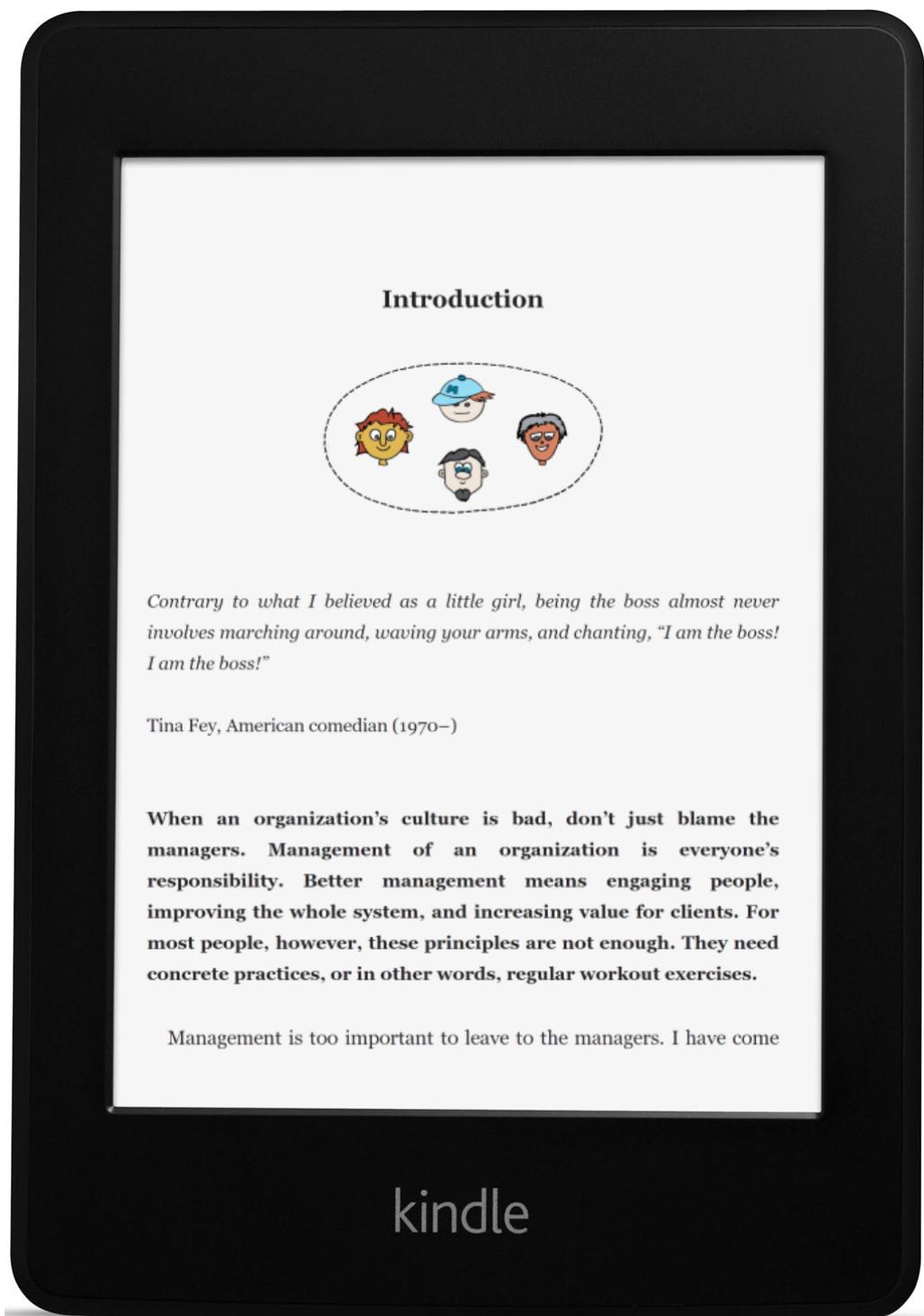


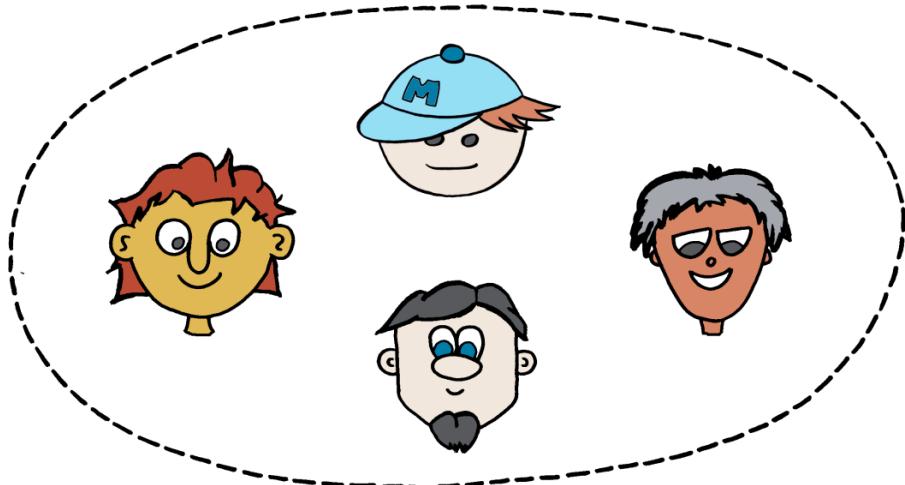
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Introduction

Contrary to what I believed as a little girl, being the boss almost never involves marching around, waving your arms, and chanting, “I am the boss! I am the boss!”

Tina Fey, American comedian (1970–)

When an organization's culture is bad, don't just blame the managers. Management of an organization is everyone's responsibility. Better management means engaging people, improving the whole system, and increasing value for clients. For most people, however, these principles are not enough. They need concrete practices, or in other words, regular workout exercises.

Management is too important to leave to the managers. I have come to this conclusion after twenty years of being a manager, writing two management books, giving eighty management courses in thirty countries, and speaking at almost 100 conferences worldwide, some of them about management. I've noticed that most leaders don't know how to solve their management problems and most knowledge workers, such as engineers, teachers, consultants, and designers, don't realize that they are also (to some extent) responsible for management stuff. I firmly believe that, like keeping the noise down, the files organized, the meeting room tidy, and the customers happy, management is *everyone's job*. At one time or another, we all fit the description of manager. [Tobak, "Learn How to Manage."]

I am pleased to say that, of all the participants in my public workshops, fewer than twenty percent considered themselves to be managers. The other eighty percent were usually developers, coaches, consultants, entrepreneurs, team leaders, and other kinds of **creative networkers** (see sidebar). This wide diversity of participants shows one of two things: either management is an activity that is relevant to many more workers than just managers, or I am extremely bad at targeting the correct audience for my courses. I prefer the former interpretation!

What are creative networkers?

I came up with the term *creative networker* as an alternative to *knowledge worker*, which is a bit outdated in my opinion. I prefer this new term to emphasize that many people work nowadays in the *creative economy* [Denning, "Leadership"] and that they collaborate in *networks*, not in hierarchies. (I will elaborate on this throughout the book.)

A creative networker is a person who creates or grows unique value within a network of people, or someone who creates or grows the network in an original way for others to share their value. Even better, it can be a person who does both! [Appelo, "Are You a Creative Networker?"] The term *knowledge worker*, on the other hand, implies that people add value only with their knowledge. It does not imply creativity nor the ability to network.



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For two years, I kept track of the questions that participants from all over the world asked me during these management workshops. I have a box with nearly two thousand colorful sticky notes expressing an equal number of colorful and sticky problems. Many issues in the box are the same or similar and were reported to me almost everywhere I went. These are the questions I encountered most often:

- How can we motivate our workers?
- How can we change the organization's culture?
- How can we change the mindset of managers?
- How can we get teams to take responsibility?
- How can we improve teamwork and collaboration?
- How can we get managers to trust their teams?
- How can we develop people's competencies?
- How can we be agile when the organization is not?

Notice that *all* these questions, except the last one, are asking, “How can we change *other* people?” This attitude is a reflection of the traditional approach to management: one person manipulating the behaviors of others. But what if all these management problems were simply the outcome of an incorrect interpretation of management? When everyone is trying to manipulate everyone else, should we be surprised that problems never go away and that new ones keep popping up? When people don’t focus on improving *themselves*, is it any wonder they’re always complaining about *each other*?

Other frequently asked questions

“Will your next book be called Management 3.1 or 4.0?”

“What tools do you use to make your illustrations?”

“So, you travel a lot?”

If you seek an answer to any of these, buy me a drink. I’ll need it.

I often ask audiences if they have heard about global movements, improvement methods, or innovative management practices, and usually only a few hands go up. But when I ask them if their organization’s culture needs to change, almost everyone says yes! It seems that few people learn, but most find fault in how their colleagues work. Perhaps they could change the culture together if they just start learning what has already been tried successfully elsewhere. Maybe they could stop reporting problems when they stop manipulating each other and instead start to improve themselves.

The focus of this book

The improvement of a person’s approach to management is my focus in this book. I want to show all creative networkers, including designers, middle managers, project managers, mentors, trainers, freelancers, and others, what *they* can do to change the way their collaborative work is managed. You don’t have to *solve* all the problems mentioned earlier. If you choose to have a different view of management, the problems can *resolve* themselves. And you don’t need to wait for permission from the managers. Change yourself, inspire others, and enjoy the book!

Bad Management

Mismanagement is like Miss World, Miss Earth, and Miss Universe. It raises eyebrows, makes few people happy, and is best judged with examples.

I once gave a presentation at a university in Bogotá, Colombia, where the students were quite interested in the theories, practices, and stories I shared about better management and amazing organizations. After my talk, one guy came up to me to discuss his difficult boss. “He monitors my working hours like a hawk”, he told me to illustrate his pain. “When I arrive at the office one minute after nine in the morning, my boss says *I owe him one minute!* How do I deal with a manager like that?” I was flabbergasted to hear about such an extreme form of micromanagement, and the only reply I could think of was, “Have you considered quitting your job?”

Another time, I was in a discussion with the CEO and a dozen top managers of a mobile apps development company in Shanghai, China. The company was very successful and trying to be more agile, but it was also struggling with its rapid growth at the same time. The managers told me their interpretation of being agile was to deliver new software to their customers faster. I disagreed. Rapid development is a good first step, I believe, but the ultimate test of agility is whether you can keep *all* your stakeholders happy: customers and employees, owners and suppliers, government and community. To my surprise, the CEO nodded his head in agreement and said to his managers, “We have learned to make new mobile apps faster and faster, but our employees are leaving the company in droves to work for our competitors. You’re bossing them away! How can that be agile?”

The ultimate test of agility is whether you can keep *all* your stakeholders happy.

On another trip I visited a small software company in Kiev, Ukraine, where management enforced a strict policy of separating development and testing activities. The developers, all men, were in one room, and the testers, all women, were in another room. When I chatted with employees about their work and ambitions, it appeared that most testers wanted to become developers, and most developers wanted to become managers. Some testers were teaching themselves to code in the hope of being promoted to a development team someday, while some developers were bossing the testers around, perhaps in an attempt to practice their skills as future managers. And

few of the developers tested their own code, because testing was “women’s work”.

There are two conclusions we can draw from these examples. The first is that, yes, I travel a lot. The second is that, when it comes to working together in organizations, managers are mistaken, workers are misled, organizations are misbehaving, and many people feel miserable.



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The misery of workers worldwide is personified by the fictional character of Melly Shum, who has hated her job for almost 25 years. Melly is depicted on a huge billboard in my home town of Rotterdam, The Netherlands.  She sits in her office, looks into the camera with a thin smile, and has not stopped working since 1990 (except for a brief vacation in 2013 due to office maintenance, after which she returned to work on another floor). Melly Shum, imagined and realized by artist and photographer Ken Lum, is for me *the symbol* for all workers who feel disengaged and unhappy about their organizations, but who don’t feel ready to quit their jobs. According to several studies, this situation accounts for about two-thirds of the global work force. [Bersin, “Why Companies Fail to Engage”; Crowley, “Sharp Drop-off in Worker Happiness”; Scott, “7 Ways You’re Not Engaging”]

The happiness of workers is crucial because happy people are more productive. [University of Warwick, “We Work Harder When We Are Happy”] I firmly believe we can only improve worker happiness when everyone feels responsible for management and learns to manage the system instead of managing each other. The only reason people suffer from bad organizations is that they don’t stand up to say, “I’m not taking this any longer; go boss yourself!” It troubles me that, when I ask people for their favorite moments in life, they usually only list things that happened in their personal time. But if your best experiences are all vacations, then maybe you shouldn’t return to work tomorrow.

If your best experiences in life are all vacations, then maybe you shouldn’t return to work tomorrow.

Doing the Wrong Thing

The reason I travel a lot is that I give presentations and workshops on almost every continent about modern management in the 21st century. Some people have said that the advice and practices I share are simply common sense, and I might even agree. Unfortunately, as many before me have observed, common sense is not common practice. Common practice for me is eating giant bags of M&Ms while watching a movie; common sense would be to watch my health and eat only the green ones. For organizations, common practice is that they are managed like machines, with their workers treated as gears and levers. I call this **Management 1.0**. In this style of management, people assume that the organization consists of parts, and that improvement of the whole requires monitoring, repairing, and replacing those parts. We can find management 1.0 everywhere around us.

For example, some writers suggest that “winner take all” organizations should rank employees using measurements of individual achievements and give more work to the organization’s “best performers” while getting rid of the bad ones. [Netessine and Yakubovich, “Get Employees to Compete”] These writers seem to assume that the community of employees is better served with competition and politics than with collaboration and a shared purpose.

Other writers suggest that employees have a tendency to “slack off” when the boss is on vacation. After all, “When the cat’s away the mice will play!” Therefore, the boss should return to the office regularly to peek around the

corner and check which of the mice are laboriously sweating on the treadmill and which ones are partying with the cheese. [Swyers, “What Your Employees Do When You’re on Vacation”] It seems the assumption here is that work-life balance is bad and that nobody is needed to check the “work” of the cats.

Further extending this idea, other writers suggest that bosses should continuously monitor whether people are actually using office tools to do work and not for skyping with friends, facebook diary entries, or photoshopping baby pictures. The crucial and ethical part of this practice, it is claimed, is to let everyone know that they’re being watched. [Richmond, “Legally and Ethically Monitoring Employees”] In this case, the assumption is that managers can keep everyone’s trust only when they are honest about not trusting anyone.

sigh

It is interesting to note that these examples were all delivered to my online news reader on *one single day*. Imagine the volume of nonsense that workers get flooded by over the span of a year, or during a lifetime! For me, such articles are a clear sign that treating employees like adult human beings might be common sense, but it is not common practice. On the other hand, it is a great opportunity for anyone who tries to make the world of work a better place. There’s obviously plenty to do!

Treating employees like adult human beings might be common sense, but it is not common practice.

Doing the Right Thing Wrong

Fortunately, some people have learned to do better. In a **Management 2.0** organization, everyone recognizes that “people are the most valuable assets” and that managers have to become “servant leaders” while steering the organization from “good to great”. These are certainly interesting ideas, but sadly, managers often use the wrong approach. They correctly understand that improvement of the whole organization is not achieved by merely improving the parts, but, at the same time, they prefer to stick to the hierarchy and have a tendency to forget that human beings don’t respond well to top-down control and mandated “improvements”.

One of these good ideas is that managers should have regular **one-on-ones** with employees. [Haneberg, “Great One-on-Ones”] It’s an idea I feel positive about—it acknowledges that management is about human beings and that managers must seek ways to help people find their true calling and achieve great results together. Unfortunately... many managers don’t see that they should manage the system around the people, not the people directly, and that they should leave micromanagement to the teams. Instead, they use one-on-ones for individual goal-setting, and they follow-up later by asking people for status updates—both of which only *reinforce* the superior-subordinate relationship that is typical in all command-and-control organizations.

The suggestion to organize **360-degree feedback** is also quite reasonable. [Zenger and Folkman, “Getting 360 Degree Reviews Right”] The issue is that managers are not independent observers. They cannot objectively assess the performance of individual people, and therefore evaluations should be provided from multiple perspectives. Unfortunately... some people don’t realize that the method they use to evaluate performance will influence that performance. And thus HR departments install electronic performance appraisal tools that require people to give anonymous feedback about each other. Trust breaks down completely because managers are allowed to know more about employees than employees are allowed to know about each other, which emphasizes that managers are more important than non-managers.

Managers are allowed to know more about employees than employees are allowed to know about each other.

There’s also not much wrong with the idea behind **balanced scorecards**. [Kaplan and Norton, “Using the Balanced Scorecard”] The problem with measurements is that one metric easily leads to sub-optimization (improving one part of the work while diminishing another part), and, therefore, you need multiple perspectives to have a more holistic view of the organization’s performance. Unfortunately... when managers continue to view the organization as a hierarchy, they usually try to impose goals and metrics on every part of the system. But in complex systems, performance is usually found in the relationships between the parts, and proper goals and metrics can only emerge from intelligent local interaction, not as part of a top-down target-setting framework.

I could go on and on discussing the positive ideas behind **servant leadership**, **total quality management**, the **theory of constraints**, and many more

management models. All of them have undoubtedly helped organizations move away from Management 1.0, which is good. Management 2.0 organizations are at least *trying* to do the right thing. But they do some of those things the wrong way because they're still stuck with a hierarchical view of organizations. They adopt good ideas but force-fit them onto a bad architecture. This is primarily why the good ideas rarely stick and why fads and fashions fail to deliver on their promises and will always be replaced one after the other. [Miller and Hartwick, "Spotting Management Fads"] The only effect consistently achieved across all ideas implemented by bosses is that they *reinforce the position of the boss*.

The essential flaw of TQM [Total Quality Management] is that, when implemented, it tends to reinforce the mechanistic and hierarchical models that are consistent with the mental maps of most managers.

Argyris, *Flawed Advice and the Management Trap* loc:359

No Control

Do managers need to be smarter than non-managers? Recently, I got involved in an interesting email discussion about the question of whether management work requires smarter people. It is a regularly occurring topic. The reasoning is usually that managers have a higher role than other workers, overseeing a bigger part of the organization, and therefore their work involves more complexity. The increased responsibility suggests the need for them to be smarter than non-managers.

It sounds reasonable. It's also nonsense.

Scientists seem to agree that the human brain is one of the most complex systems in the universe. Together with the complexity of the rest of the human body, this makes each human being very, very complex. The **Law of Requisite Variety**, probably the most famous law among complexity thinkers (see sidebar), says:

If a system is to be stable, the number of states of its control mechanism must be greater than or equal to the number of states in the system being controlled.

Wikipedia, "Variety (Cybernetics)"

What are complexity thinkers?

The study of *complexity science* investigates how relationships between parts of a complex system (such as an ecosystem or an economy) give rise to the collective behaviors of that system, and how the whole system in turn influences the parts. The term *systems thinking* represents the process of understanding how human systems (including people, teams, and organizations) behave, interact with their environment, and influence each other. A *complexity thinker* applies both: insights from scientific research into complex systems and understanding of the workings of social systems.

Some people claim that the Law of Requisite Variety is as important to managers as the laws of relativity are to physicists. [Beer, *Designing Freedom*] The Law of Requisite Variety requires that anything that controls a system must be *at least as complex* as the system being controlled. When we translate this to management work, it means the manager of a system must operate at a similar or higher level of complexity than the system, in order to *fully control* it.

That idea makes sense, but there's a caveat. When I am the manager of a group of people, I can never have more complexity than this complex system of human beings (which includes all their complex interactions). It's just impossible!

The problem here is the word *control*. We shouldn't use it in a social context. People are not thermostats! Instead, we should use terms such as *lead, coach, inspire, motivate, constrain, govern, and help*. By using these words we work our way around the Law of Requisite Variety because we choose to ignore part of the system's complexity.

For example, a surgeon treating a human heart chooses to ignore a significant part of the complexity of the human body. He focuses only on the heart. Not the hands, not the brain, not the tonsils, and not the hemorrhoids—just the heart. That's his job. In fact, during an operation the surgeon might ignore so much complexity of the human body that his job could be called merely difficult, but not complex. However, the nurses who handle the patient before

and after the operation focus on the patient's well-being, which is definitely a complex matter. But they ignore the details of the heart. That's what the surgeon is for.

Now, what about the hospital director? Does she have a "higher role"? Is her work "more complex" because her scope of concern is the entire hospital, including lots of surgeons, doctors, nurses, and patients? Does the role of the director require a smarter brain?

Not at all!

With hundreds of patients and workers in the hospital, the complexity is astounding. Nobody can ever claim to "control" the hospital, because *indeed* the Law of Requisite Variety would demand that there be at least as much complexity in the director's brain as the complexity of everyone else combined! Obviously, this is not a reasonable requirement. With a complex system, there is no such thing as central control. The director ignores a tremendous amount of complexity, and only focuses on the things she considers important. The rest is all delegated to smart creative networkers. In fact, the work of the director could be *less* complex than that of a nurse!

With a complex system there is no such thing as central control.

Delegation of control is the only way to manage complex systems. There is no other option. If we didn't have delegation, the President of the United States would have to be the person with the highest mental processing ability in the entire country! Obviously, the United States has performed quite well without usually having such a person in the Oval Office.

The idea that management work is "more complex", and that the management role requires "higher mental abilities", is, frankly speaking, nonsense. However, I understand it is an easy mistake to make with a limited understanding of systems theories. It is no surprise that many managers love this kind of thinking! Who doesn't want to hear they are smarter than others? Who doesn't want to see confirmation that their work is hard and requires much higher pay? Who doesn't want to be acknowledged as "the boss"? Any book confirming that bosses are "leaders" who are destined to lead their organizations to greatness is sure to be consumed like cake at a children's party. In fact, it follows logically that Management 1.0 and Management 2.0 literature sells quite well to upper management layers!

I see this classic image of 'the boss' as a total anachronism. It may work in certain connotations like 'organised crime boss', 'union boss' or 'pit boss', but being bossy per se is not an attribute that I have ever seen as desirable in a manager or anyone else for that matter.

Branson, *Like a Virgin* loc:2400

Smart Managers

Sadly, it's probably true. Managers *are* (on average) smarter than non-managers! I've learned there is a positive correlation between management layers and learning capability. [Sydney Morning Herald, "Your Boss Is Smarter Than You"] In fact, this should be obvious for any complexity thinker.

Research confirms a correlation between management layers and increased corruption. [Spinney, "The Underhand Ape"] There's also a correlation between management layers and grey hair. There's a correlation between management layers and white skin, the male gender, tall people, handsome faces, and expensive shoes. (I can tick them all off my list, except for the corruption thing.) Does that mean that the work in higher management layers is best done by tall, white, handsome men with grey hair and expensive shoes? Does it mean that the work *requires* more corruption? When there's a correlation between management and playing golf, does being a manager require playing golf? I don't think so. Likewise, I don't believe management jobs require smarter people.

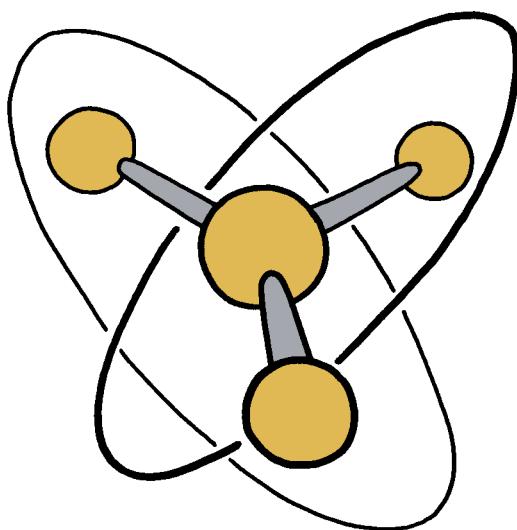
The reason managers are probably (on average) smarter than non-managers is just a side-effect of the promotion game in traditional organizations. There are only a few high positions available in the hierarchy. Everyone who wants to build a career and earn more money is required to play the game. For various cultural and political reasons, the promotion game favors people who are male, have grey hair, have white skin, and have a less-than-honest approach to climbing the corporate ladder. The promotion game also favors smart people, because being smart helps beat the competition. Game theory and natural selection have much better explanations for the higher ratio of smart people in top management jobs than job descriptions!

The game of ascending the hierarchy, or climbing the corporate ladder, benefits those with smart brains (and those with height, looks, and white skin). But when those smart people get settled in their comfortable chairs on those higher management levels, they might be disappointed. The actual

management work that needs to be done at those higher levels has little to do with their mental abilities. In fact, the *really* smart thing to do would be to delegate as much as possible. The work they keep for themselves might only be just a little complex. Take Ricardo Semler as an example. He's the CEO of Semco, a big Brazilian company, and he says he barely does anything in that job! [Semler, *The Seven-day Weekend*]

Why Do We Need Management?

In the last decade or two, we have witnessed the emergence of a good number of Big Ideas, including Agile, Lean, Scrum, Kanban, Beyond Budgeting, Lean Startup, Delivering Happiness, Design Thinking, Real Options, Scenario Planning, Conscious Capitalism, and many more. What all these manifestos, methods, and movements have in common is that they promote better ways of working while borrowing a thing or two from science.  I often say they're like a family. They all share the same DNA, which they received from their parents: **systems thinking** and **complexity theory**. And sometimes the family members quarrel and fight, just like in any other normal family.



Unfortunately, many creative networkers find it hard to implement such Big Ideas in their organizations because they always encounter obstacles. The barriers most often mentioned are organizational culture, organizational structure, change management, people management, command-and-control hierarchies, and other topics usually directly associated with management.

[VersionOne, “Annual State of Agile”] In fact, all around the world, the cultures and practices of Management 1.0 and 2.0 are the main obstacles. They prevent people from upgrading their work processes to more modern and sensible approaches.

This should come as no surprise to anyone who has ever read the work of management expert Peter F. Drucker, since he convincingly argued decades ago that, “Management is about human beings, and management is the critical, determining factor.” [Drucker, *Management* loc:1038] You can optimize all you want in development, design, testing, finance, marketing, human resources, or anywhere else. Ultimately, management always needs to change as well, or else your improvement efforts will run into a wall.

Management always needs to change as well.

Interestingly enough, Drucker referred to the work of *management* as being critical, not the job of the *managers*. I usually compare it to the work of *testing* versus the job of *testers*. Obviously, it’s crucial that you test your products, but it may not be crucial for you to work with full-time testers. The availability of dedicated testers depends on the size of the organization, the need for specialization, and various other factors. But no matter whether you have testers or not, *everyone* should feel responsible for testing the products they are working on. (Yes, that includes the men, thank you!) And when the product is bad, I hope nobody blames only the testers.

Likewise, *management* of the work is a crucial activity, but this could be done with or without full-time managers. Again, having dedicated managers depends on the size of the organization, the availability of mahogany desks, and plenty of other things. However, no matter whether there are managers or not, *everyone* should feel responsible for management. When the organization sucks, don’t blame just the managers!

No matter whether there are managers or not,
everyone should feel responsible for
 management.

As I said in the beginning, I strongly believe management is too important to leave to the managers. Management is everyone’s job.

Do we *really* need managers?

The same discussion emerges again and again. "Can we do business without managers?" "Can we get rid of all the management layers?" [Hamel, "Fire All the Managers"; Happy Melly, "The #NoManager Organization"; Sweeney and Gosfield, "No Managers Required"]

When you translate it to testing or marketing you will see how silly the discussion is. "Can we make products without testers?" "Can we get rid of all the marketers?" As if only design and development make a viable business. Dream on!

Obviously your business will require work that we typically categorize as testing, marketing, or management activities. Whether or not you have people who *specialize* in these activities is beside the point. The work is crucial and needs to be done, one way or another. Sure, fire all the managers. But *someone* needs to define the purpose of the business, which people get hired, how everyone gets paid, and how much to spend on coffee. This book is for those who care about their organization, not about the titles on their business cards.

Management 3.0 Principles

I have claimed that Management 1.0 is doing the wrong thing and that Management 2.0 is doing the right thing in the wrong way. Now you probably expect me to say that Management 3.0 is doing the right thing (or maybe doing the wrong thing right). But what is "doing the right thing" when it comes to management? To answer that question, I need to answer another one first.

The great thing about traveling to many countries, and meeting people at lots of companies and conferences, is that I get to hear very interesting questions, like I did recently in Gothenburg, Sweden:

What if we did everything that the <insert method here> experts tell us to do, including all the practices, but the products we make are still bad, and the organization still sucks, what then? What can we do when <insert method here> is not enough?

Well, I think that's easy. Principles rarely change, but practices always depend on context. Therefore, it depends on how you interpret <insert method

here>. If you associate the method with a collection of principles, you can always keep inventing new practices, as long as they adhere to the principles. But if you associate <insert method here> with a specific set of practices, you're doomed. You're going to need a new fashionable word very soon.

Some of my friends prefer organic food over factory food. I respect their opinion that consuming organic food is for them the right thing to do. Choosing better food over mass-processed food is not a method. It's not a framework. It's not a religion. It's a way of life. It's what my friends believe is right. Doing "the right thing" means acting in a way that is consistent with a core belief.

My core belief for management is that organizations are complex adaptive systems and that good management means taking care of the system, instead of manipulating people. I believe that improving the environment so that it keeps workers engaged and happy is one of the main responsibilities of management; otherwise, the organization fails to generate value. I believe that management should continuously optimize the whole system, or else, at some point, atrophy of the organization will surely follow. And I believe that management should take care that it maximizes value across all clients (see sidebar); otherwise the organization becomes dysfunctional. In other words, a management practice is a good practice when:

- 1.** It engages people and their interactions;
- 2.** It enables them to improve the system;
- 3.** It helps to delight all clients.

For example, I consider **Management by Walking Around** (see chapter "Personal Maps") a good practice because it requires management to interact with the teams who are doing actual production work. The goal is to find out how to help improve the system in which the people are doing their work. And it is done in order to understand how value is delivered to customers and other stakeholders.

Clients and stakeholders (or involvees)

In this book, I use the terms *clients* and *stakeholders* interchangeably. A stakeholder is anyone who has a stake in what an organization is doing. A client is anyone who is served by whatever value the organization provides. Broadly speaking, it comes down to the same thing and includes customers, shareholders, employees, suppliers, communities, and many more.

Sadly, stakeholders are often confused with shareholders, and clients are usually mistaken for customers. For lack of a better word, I've decided to mix the words clients and stakeholders throughout this book. Just remember that I do *not* mean only customers or only shareholders. I mean *everyone* who is somehow involved and cares about the business. (And I vote that *involvee* be added to the English dictionary.)

Everyone can come up with useful new practices that satisfy the three principles. Management 3.0 is not *defined* by concrete activities, such as the Delegation Board, the Kudo Box, the Champfrogs Checklist, or Feedback Wraps (see later book chapters). These practices and exercises are just *examples* of things management can do to increase the health of the organization. Merely drinking ecological coffee does not make someone an “organic-minded” person, and neither do we expect all organic food lovers to be coffee drinkers. Ecological coffee is not part of a framework or method but a simple practice that certainly fits well with the organic food mindset.

Likewise, Management 3.0 is neither a framework, nor a method. It is a way of looking at work systems, and it has a few timeless principles. Having a Merit Money system, or Exploration Days, or a Salary Formula, or a Work Exposition (see later chapters) fits nicely in the Management 3.0 mindset. None of these practices are *required*, but you could definitely *consider* them. Or even better, maybe you can invent your own Management 3.0 practices.

And yes, I believe Management 3.0 is “the right thing” to do.

Management 3.0 Practices

When experts discuss work approaches for certain groups of people, they often come up with collections of “best practices”. I agree with those who say there is no such thing as *best* practices, only *good* practices, but I also think that *not* offering any practices is worse. In principle, it is good practice to offer both principles *and* practices. Project managers, software developers, and

creative networkers in other disciplines have access to plenty of practices they can borrow in their daily work. But what are the good practices for management?

In principle, it is good practice to offer both principles *and* practices.

Strangely enough, when I ask employees for examples of good management practices, they only seem to come up with principles, such as “delight the customer”, “have a shared purpose”, and “trust the team”. I believe these suggestions are sound, and well meant, but they are not *concrete*. By concrete I mean specific practices that can be explained to a novice so the novice knows exactly what to do on a Monday morning. “Be a servant leader” is abstract. “Bring the team some coffee” is concrete. “Make yourself dispensable” is abstract. “Take a six month vacation” is concrete.

When it comes to management, most people are novices. They need concrete advice and step-by-step guidance in answer to their “How” questions.

How do we measure performance?

How do we replace performance appraisals?

How do we decide on salaries and bonuses?

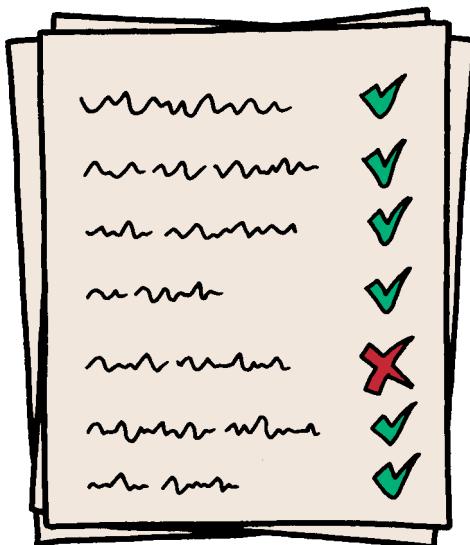
How do we offer career paths and promotions?

How do we motivate our employees?

When someone learns to drive a car, it is not enough to tell him or her, “The general principle is to arrive at a certain place without hurting or killing anyone. Good luck!” The novice driver needs a bit more guidance than that. (I certainly did!) He or she needs concrete tips on how to sit in the seat, how to hold the steering wheel, how to look at the road, and how to use the headlights and the turn indicators. In Europe new drivers learn how to use the gears, and in the United States they learn how to use the cup holders. Novice drivers will understand the principles soon enough, but only if they survive practicing the rules. It is the instructor’s job to explain that all the rules are merely suggested good practices that help to keep everyone safe.

Regrettably, as soon as you give people concrete practices, you run into the danger that some of them will follow the advice to the letter instead of trying to understand the principles. For example, a team needs to understand that the purpose of a standup meeting is to keep communication brief and effective. However, I was told of one team that cut off team members after 15

minutes because the practice was called the “15-minute daily standup”. Another team was reported to have difficulty accepting a person in a wheelchair in their standup meetings because the person couldn’t stand up! The mindless adherence to rules, combined with a steady loss of principles, is always a prelude to bureaucracy.



When I offer good Management 3.0 practices, I create the danger of similar dogmatic and bureaucratic tendencies. For example, when I suggest that people give each other kudo cards as tokens of appreciation, I sometimes get questions such as “Should this be anonymous or public?”, “Should I give them personally or should I put the cards in a box?” and “Should this be on paper or can we do this electronically?” It’s as if I tell them to bring the team coffee in the morning, and they ask *me* if the team needs milk and sugar, and if it’s OK to add a cookie, and if it should be a cookie with chocolate or a healthy one; and what about that one person who only drinks tea? My God, I don’t know! Figure it out! I refuse to be too specific because the danger is that people will make a checklist and do exactly as I say! The *principle* behind bringing the team coffee is that you’re trying to be a servant leader. So act like one.

Great Management

This chapter began with a number of depressing stories of mismanagement. I don’t want to end this chapter without offering you some more uplifting

examples. Fortunately, I have plenty of good stories to choose from. For example, here are some that deal with the use of office space by employees:

At VI Company, a software company in Rotterdam, The Netherlands, management has turned some of the office walls into big black chalkboards, and they made colorful markers available so that the employees can create their own useful office decoration. One time, a team decided to publicly plot their happiness index and different team members drew colored lines all over the wall. The chalk walls didn't just make the office look more colorful; they also supported the team's need for experimentation, learning, and improvement.

At Cisco Systems Norway, in Oslo, the employees love playing with their football table in the lunch area. However, it's not just *any* football table, it's a *special* one! The technical guys have upgraded the table with a few technical modifications of their own. For example, the two goals have laser beams installed in them, and the table has a digital counter so that it can count the goals that are being scored. The table also has a security card reader attached so that the players can identify themselves to the table. The employees made these upgrades because experimenting with technologies helps them to be innovative, and management allows them to spend as much time as they want on that football table.

Future Processing in Gliwice, Poland, has walls full of photographs and names of all its employees. It is a tradition at this company to take a picture of every new employee and to hang those pictures in the lunch area. They also plot the rapid growth of the company over the years with a graph made out of people's names. This is how the company acknowledges that it owes everything to the people who are working there, and it instills a sense of pride among the workers.

At InfoJobs, a company in Barcelona, Spain, which has been recognized as a "best place to work", the employees decided to give their meeting rooms names that correspond to the company's values and to use and decorate those rooms accordingly. For example, the *Alegria* ("happiness") room has nice pillows, blankets, flowers, books, and yoga mats. It is the room where people can express themselves and experience a bit of happiness. Oh, and the Human Resource department renamed itself People Development Support because its employees thought the new name better reflects what they do.

CCP Games, an online gaming company in Reykjavík, Iceland, makes vast virtual worlds and universes, full of battleships and aliens. What I found interesting was that two teams discovered a useful way to have different styles of task boards living side-by-side. A "Scrum" board (a visual board depicting

requirements and tasks) is used to manage the iterative flow of their product releases, and a “Kanban” board (another style of workflow visualization) is used for the continuous development of spaceships. The teams proudly showed me the pictures of their spaceships flying from one task board to the other!

At Spotify, the online music company in Stockholm, Sweden, management delegated the design of the new offices to their employees. One particular solution the workers and coaches came up with is to separate open work spaces from corridors by using a mesh of wires, instead of using glass or walls. This solution gives people both a sense of transparency *and* privacy at the same time.

Another company with a very modern office space is Wooga, an online gaming business in Berlin, Germany. The employees at this company have been running contests against each other for the best designed office space. I admit that it was easily one of the most colorful offices I have ever visited.

Yes, I visited all these companies myself. (Did I tell you that I travel a lot?) Granted, tweaks in the use of office space can sometimes be purely cosmetic. But I believe the examples I witnessed were indicators of good management, which often doesn’t require a lot of money or effort. In fact, the things I mentioned here are simple, cheap, and not very spectacular. But they work! I witnessed the happiness and pride of workers. I also saw people not waiting for managers to improve their work and taking responsibility for management into their own hands. Creative networkers choose to boss themselves.

Creative networkers choose to boss themselves.

It’s good to see that some people do know how to motivate employees, improve the system, and increase value for stakeholders at the same time. And it’s good to see that smart knowledge workers and creative networkers don’t wait for permission from the boss to start changing things. Hopefully, there will be many more stories like these in the future.

Healthy Management

My spouse has a personal trainer whose coaching includes a variety of healthy practices. One week it’s the lateral lift; another week it’s the biceps curl. Yesterday, the focus was on the bench press; tomorrow, it could be

the knuckle buckle. What's important here is that it's never the same thing. In order to become healthy, a human body should not get too comfortable performing the same routine over and over again. The real value of exercises is in continuous adaptation to unanticipated stress, a phenomenon that author Nassim Taleb has named **antifragile**. [Taleb, *Antifragile*]

Thanks to variability, small variations make [complex systems] adapt and change continuously by learning from the environment and being, sort of, continuously under pressure to be fit.

Taleb, *Antifragile* loc:1659

A complex system benefits from not following the same practices over and over again. By enduring a little bit of stress and continuously adapting to variability in the environment, the system learns to become fitter and healthier.

I've always said every child deserves a good dose of bacteria and viruses while growing up because this significantly boosts the child's immune system. Instead, in modern societies we raise our offspring to be sicklier and more prone to allergies because we protect our children from healthy infections. It's the same thing. The lack of short-term stress results in a lack of long-term health. When you always protect a human body from harm, you grow it to be fragile. Do your kids a favor and stop protecting them from small bits of harm. Watch them consume the dirt on their ham and cheese sandwich with pride. It's because you love them!

For organizations, it's no different. I am in favor of unexpected changes, which is why I am *against* rigid methods and defined frameworks. When you prescribe only formal or endorsed practices, you might introduce stagnation. It's a short-term benefit with a long-term risk. It's short-term protection from harm, leading to long-term fragility of the whole. When you present a collection of good practices as a fixed method or a solid framework, you forget about the nature of complex systems. These systems (including people) don't learn from fixation and stagnation. They learn from uncertainty, variability, and surprise.



I certainly understand people's need for more concrete management practices, but I've always argued against the definition of "One Management Method". The inevitable result would be a series of conferences about the One Management Method, accreditation of One Management Method trainers, official One Management Method tools, One Management Method maturity level assessments, and online tests validating whether people understand and apply the One Management Method correctly.  Learning would come to a standstill. This would be at odds with complexity science and incompatible with systems thinking. Offering a method or framework inspired by science is a contradiction in terms.

I prefer using the workout metaphor. Everyone understands that yoga and Pilates are just names for endless collections of ~~painful~~ useful practices based on guiding principles. They're not methods or frameworks. We all know that doing twenty push-ups per day is healthy, but it's not required. It's perfectly fine to replace this good practice with something else. In fact, as your personal trainer knows, every now and then you should! Likewise, you could measure Problem Time (see later chapter) until you are tired of it. You can ask people the Yay Questions until they get bored. You could try the Personal Maps practice until it loses its value. And you can't go wrong organizing Exploration Days until you don't need them anymore.

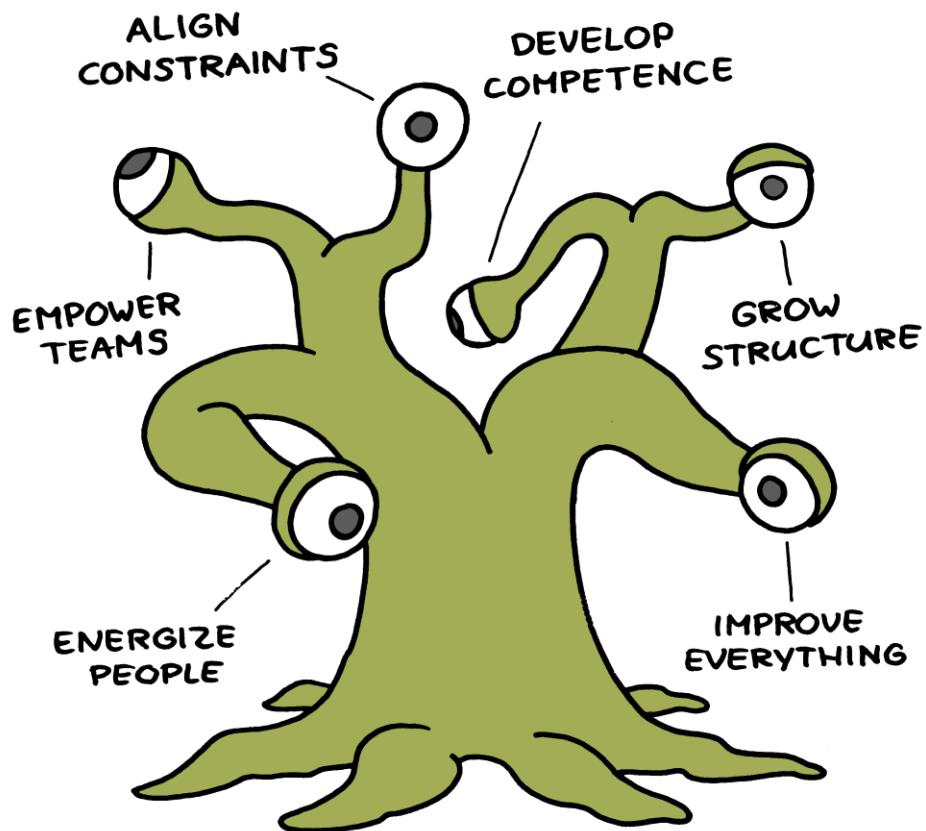
Are you an artist, developer, tester, doctor, manager, leader, coach, facilitator, public servant, or entrepreneur? Would you like to help your organization become fit and healthy? Introduce a change next week that your well-performing team did not expect. Add a new stressor. Feed them some dirt, mixed with a bit of love.

Introduce better management, with fewer managers.

In this book, I offer you a collection of concrete management workout practices because everyone should learn how to manage the system, not the

people. These are practices for *all* workers so that they can introduce better management, with fewer managers. These serious games and modern tools will help you change your organization's culture, step-by-step, beginning tomorrow.

Start working out; make the system healthy, and have fun!



Where's Martie?

In my first book *Management 3.0*, I offered a management model called Martie. [Appelo, *Management 3.0* pag:12] It is a six-eyed monster with different perspectives on agile management: *Energize People*, *Empower Teams*, *Align Constraints*, *Develop Competence*, *Grow Structure*, and *Improve Everything*. This model has been very useful by giving structure to both the original book and the popular two-day Management 3.0 courses. I have also used the same structure to determine the order of the chapters in this book.

However, Martie won't be featured prominently in this book because I prefer to remind people of the three principles: engage people, improve work, and delight clients. I expect that also referring to Martie's six perspectives (for structuring content) would only confuse most readers. If you want to know more about Martie, I suggest you read my first book.

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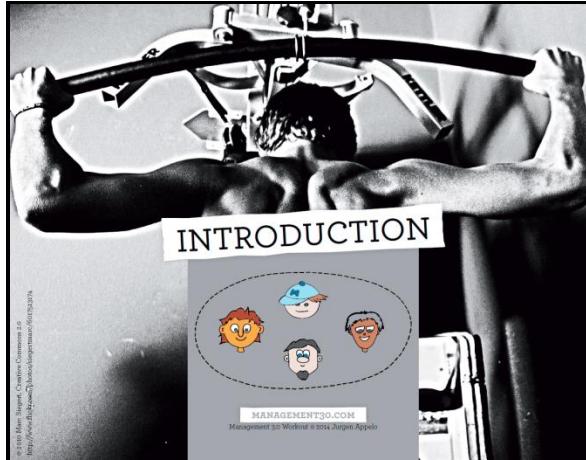
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When an organization's culture is bad, don't just blame the managers. Management of an organization is everyone's responsibility. Better management means engaging people, improving the whole system, and increasing value for clients. For most people, however, these principles are not enough. They need concrete practices, or in other words, regular workout exercises.

This image shows an open page from the book. The left side contains a block of text about the concept of 'creative networkers'. The right side contains a list of questions and a block of text about the improvement of management. The page is overlaid with a collage of many colorful, handwritten sticky notes in various colors like pink, yellow, and blue, which appear to be participant feedback or questions from workshops.

The focus of this book

The improvement of a person's approach to management is my focus in this book. I want to show all creative networkers, including designers, middle managers, project managers, mentors, trainers, freelancers, and others, what they can do to change the way their collaborative work is managed. You don't have to solve all the problems mentioned earlier. If you choose to have a different view of management, the problems can resolve themselves. And you don't need to wait for permission from the managers. Change yourself, inspire others, and enjoy the book!

This image shows another open page from the book. The left side has a block of text about servant leadership and Total Quality Management. The right side has a block of text about complexity thinking and a quote from Wikipedia. The central part of the page features a portrait of a young man looking directly at the camera, surrounded by a complex web of hand-drawn lines and arrows, symbolizing interconnectedness and complexity.

No Control

Do managers need to be smarter than non-managers? Recently, I got involved in an interesting email discussion about the question of whether management work requires smarter people. It is a regular topic of discussion in management circles. Managers tend to have a higher role than other workers, overseeing a bigger part of the organization, and therefore their work involves more complexity. The increased responsibility suggests the need for them to be smarter than non-managers.

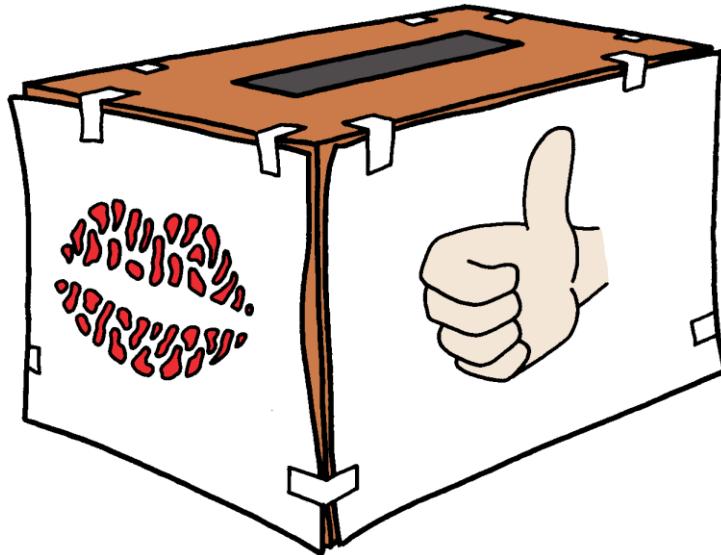
It sounds reasonable. It's also nonsense.

Scientists seem to agree that the human brain is one of the most complex systems in the universe. Together with the complexity of the rest of the human body, makes each human being very, very complex. The Law of Requisite Variety, probably the most famous law among complexity thinkers (see sidebar), says:

If a system is to be stable, the number of states of its control mechanism must be greater than or equal to the number of states in the system being controlled.

Wikipedia, Variety (Cybernetics)

This image shows the final page of the spread. It features a large, intricate web of hand-drawn lines and arrows in various colors, creating a complex and chaotic pattern. Overlaid on this pattern is a block of text about complexity thinking, mentioning the study of complexity science and its applications to social systems.



Kudo Box and Kudo Cards

www.management30.com/kudo-box

www.management30.com/kudo-cards

Anything that has real and lasting value is always a gift from within.

Franz Kafka, Austro-Hungarian author (1883–1924)

There are many wrong ways to reward employees. A simple but effective approach is to install a kudo box, which enables people to give each other a small reward. The kudo box fulfills the six rules for rewards, and works much better than bonuses and other forms of financial motivation.

In 2001, Enron, an American energy and services company, collapsed into bankruptcy because its managers liked their bonuses more than they liked the truth. They incentivized themselves to maximize their own paychecks, not the success of the organization. Similar creative financial practices occurred at Parmalat, WorldCom, Bernard L. Madoff, AIG, Barings, and many other companies. Corporate history is littered with the remains of organizations that allowed individual greed and egos to outgrow the solvency of the company. And bonus systems are still implemented all around the world “to incentivize performance”, despite the fact that experts have known for decades that there’s no proven correlation between bonuses and performance. [Fleming, “The Bonus Myth”]

It may come as a shock to many to learn that a large and growing body of evidence suggests that in many circumstances, paying for results can actually make people perform badly, and that the more you pay, the worse they perform.

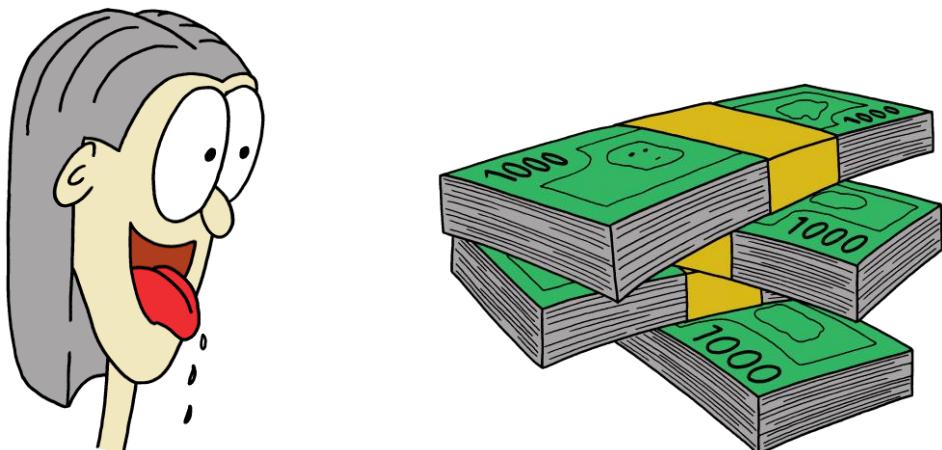
Fleming, “The Bonus Myth”

Indeed, excessive greed might be the biggest problem in free markets. Bankers in the United States and Europe have been so focused on their personal results that they collectively plunged the world into one of the deepest recessions we have ever seen. [Buchanan, “Banking Cheats”]

Excessive greed might be the biggest problem in free markets.

Extrinsic Motivation

Extrinsic motivation is defined as behavior that is driven by external rewards (given by others), such as money, grades, and praise. Rewards are among the trickiest and least understood tools in management. When applied in the right way they can generate significant results. Unfortunately, a common assumption among managers is that nothing works like money when you want to make people work harder, longer, or more effectively. Also, it is often assumed that extrinsic motivation works quite well when implemented as a financial bonus.  These assumptions are both wrong.



Money is as important to knowledge workers as to anybody else, but they do not accept it as the ultimate yardstick, nor do they consider money as a substitute for professional performance and achievement. In sharp contrast to yesterday's workers, to whom a job was first of all a living, most knowledge workers see their job as a life.

Drucker, *Management* pag:42

Scientific research has revealed that incentives for performance actually work the other way around. [Kohn, *Punished by Rewards*] The anticipation of a reward (either money or something else) works counterproductively, since it kills people's intrinsic motivation. The incentives ensure that people stop doing things just for the joy of the work. It is called the **overjustification effect**. [Kohn, *Punished by Rewards* pag:320] Instead of expecting and feeling enjoyment, people expect a reward.

Incentives ensure that people stop doing things just for the joy of the work.

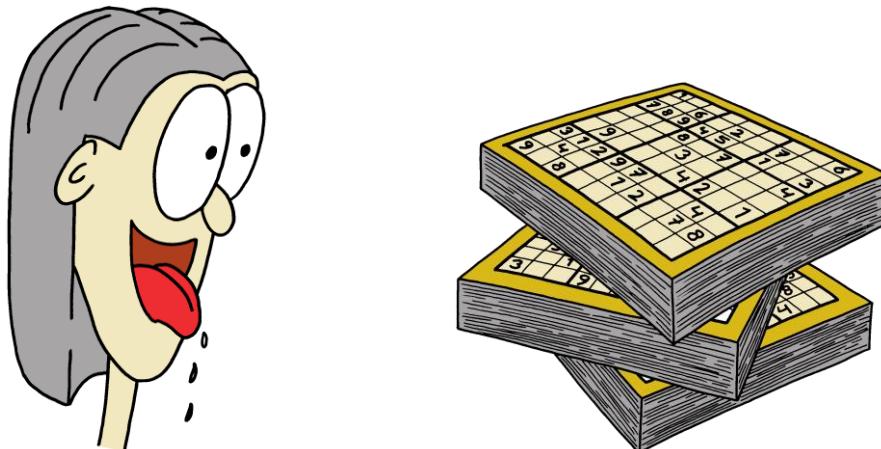
Another problem is that rewards based on outcomes increase the risk of cheating, since people's focus is on getting a reward instead of doing a good job. When you reward employees based on outcome, they will take the shortest path to that outcome. [Fleming, "The Bonus Myth"] Bad behaviors with dysfunctional side-effects undermine the organization's performance, while the employees walk away with a bonus or with their colleagues' pension fund.

Extrinsic motivation, with big incentives based on outcomes, is like a hot air balloon with a basket of gold. It's expensive, and it's hard to make it fly.

Intrinsic Motivation

Fortunately, there is some good news as well. Rewards that trigger **intrinsic motivation** are more effective, more sustainable, and usually cost less money.

 Intrinsic motivation is defined as behavior that is triggered from within a person. In other words, the person is rewarding herself.



Influence masters first ensure that vital behaviors connect to intrinsic satisfaction. Next, they line up social support. They double check both of these areas before they finally choose extrinsic rewards to motivate behavior.

Patterson, *Influencer* pag:194

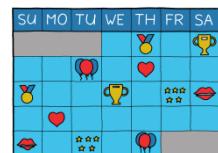
Rewards can work *for* your organization, and not *against* it, when you take the following six rules into account:

**1.**

Don't promise rewards in advance. Give rewards at unexpected times so that people don't change their intentions and focus on the reward. Research shows that, when acknowledgement of good work comes as a surprise, intrinsic motivation will not be undermined. [Pink, *Drive* loc:524]

**2.**

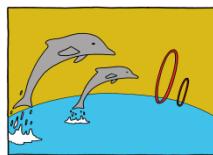
Keep anticipated rewards small. Sometimes, you cannot prevent people from anticipating a potential reward. In such cases, according to research, big rewards are likely to *decrease* performance. But with small rewards, the risk of hurting performance is negligible. [Fleming, "The Bonus Myth"]

**3.**

Reward continuously, not once. Do not look for something to celebrate just once per month or once per year. Every day can be a day to celebrate something. Every day is an opportunity for a reward. [McCrimmon, "Celebrating Success"]

**4.**

Reward publicly, not privately. Everyone should understand what is being rewarded and why. The goal of giving rewards is to acknowledge good practices and have people enjoy the work too. To achieve this, a regular public reminder works better than a private one. [Alberg, "How to Celebrate Success"]



5.

Reward behavior, not outcome. Outcomes can often be achieved through shortcuts while behavior is about hard work and effort. When you focus on good behavior, people learn how to behave. When you focus on desired outcomes, people may learn how to cheat. [Fleming, “The Bonus Myth”]



6.

Reward peers, not subordinates. Rewards should not come just from the manager. Create an environment in which people reward each other because peers often know better than managers which of their colleagues deserve a compliment. [Tynan, “Reward Employees”]

These six rules for rewards give you the best chance at increasing people’s performance and their enjoyment of work, while *encouraging* intrinsic motivation instead of *destroying* it. Notice that an incidental compliment addressed to a colleague in a meeting for a job well done, satisfies almost all six criteria. A well-aimed kiss, blown carefully across a conference table, can also do wonders, I’ve noticed. (Just kidding!) It’s not that difficult to implement rewards well.

Kudos

Money is only advised as a reward when you need to motivate people to do an uninteresting or repetitive job. [Pink, *Drive* loc:2523] And even in the case of creative work it’s OK for rewards to cost a little bit of money, as long as you don’t overdo it.

In one of my workshops, Paul Klipp, former president at Lunar Logic Polska in Poland, told me how he created a reward system. [Klipp, “How and Why You Should Build a Secret Spy Network”] He explained that his employees could give anyone a gift worth 20 euro. They called it **kudos** and it could be implemented as an email to a central mailbox, or by slipping a note into a cardboard box. The management team never questioned why someone was rewarded. When anybody in the company felt someone deserved a reward, she received it. Paul would personally bring a handwritten kudo note

and a tray of gifts from which the receiver could pick one item. And everyone would hear about it on Facebook and on the internal chat system. Paul told me these gifts worked extremely well, and he loved the fact that all employees were involved in recognizing people doing good things. It was a low-cost reward system, and trust was never abused.



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But, kudo is not a word!

Some readers have suggested that *kudos* is a singular word and therefore using the word *kudo* is wrong. But *kudo* is simply a back-formation from the Greek *kydos*, meaning 'glory' or 'fame', which is misunderstood as being plural. The words *kudo* and *kudos* were introduced into the English language in the previous century. Sure, the singular and plural forms began as a misunderstanding, but the same applies to many other words we now take for granted.

A similar system was implemented by Philip Rosedale, former CEO of Linden Lab. Linden Lab are the creators of the virtual reality platform Second Life. Rosedale called it the **LoveMachine**. [Markowitz, “Make Employees Happy”] It was a tool that enabled employees to send notes of appreciation to their colleagues. According to Rosedale, recognizing each other’s hard work makes everyone feel great. And because everything is transparent, managers gained

useful insight into which people were appreciated often and which people never received a compliment.

There are many other names in use for the same system. For example, at Zappos they call them **HERO awards**. [Pascual, “Four Peer-to-Peer Ways Zappos Employees Reward Each Other”] But no matter what you call it, a public system that enables people to give each other small unexpected tokens of appreciation for doing a good job meets all six basic principles of good rewards. A gift attached to the compliment is of course optional. It is the intention that counts. However, experience suggests that a tangible gift helps a compliment to have a bigger impact on the receiver. The gift enables the person to touch, hold, and cherish the compliment. And that has value too.

Should the kudos be anonymous? Should they be private?

I remember one occasion when I received a nice message from someone anonymously. Even now, after twenty years, it still bothers me not knowing who gave me that compliment.

Maybe you are different. Maybe you love the mystery of giving or receiving an anonymous reward. My advice here is simply to leave this decision to the givers and receivers in the company. They can decide best, given the context of the compliment and the culture of the organization, whether they want the identity of the giver to be known or not.

Whether kudos should be given publicly or privately is also a matter for discussion. The generic rule says that public rewards *usually* work better to improve an organization’s culture. Some people, however, shy away from public praise. Again, it is best to investigate your organization’s culture and people’s preferences to see what works best for you and them.

But What If...?

- I noticed there is always somebody who asks, “What if?”
- “What if our workers don’t play fair?”
- “What if two people abuse the kudo box system to get free movie tickets?”
- “What if someone just wants to gain the boss’s favor with a kudo card?”

To these questions I have just one reply: “What if you see such risks because you have a low level of trust in others? What if this low level of trust is a result of your company’s culture? What if the kudo box is exactly the kind of

practice that is needed to *change* this culture of distrust in a relatively harmless way?" Yes, there is always a risk that unexpected behaviors will occur. When I give away free books at a conference, some people might use them as paper weights or door stops. Should this hold me back from doing a good thing?

When cheating *does* occur, it is probably best to let this behavior emerge and evolve naturally, in a transparent way, so others can respond. Let the community decide what to do about cheating. Try not to delegate such matters to management, because management is like government. When you expect team members to reward *good* behaviors and you prefer that management deals with *bad* behaviors, you increase the gap between managers and non-managers. This gap makes the organization's culture worse, not better! In the end, everyone will be gaming the system, and management will have a full-time job making rules for "proper" rewards, creating elaborate forms for rewards, and depleting the rewards budget for their own benefit. We all know how governments work. :-)

Let the community decide what to do about cheating.

Another question I sometimes get is, "What if people *expect* to be rewarded? When one person gets a compliment for doing X, his colleagues might then also expect to get a reward for doing X. Ultimately, everyone will feel entitled to a reward for doing the same thing."

I understand the problem. Most workers have a good sense of fairness. When they give a reward to one colleague, they might feel bad about not giving a reward to another who has done the same good thing. And before you know it, you have a situation where everyone automatically gets a reward for doing X. Obviously, this should be prevented.

The first rule for rewards says that they should come as a surprise. When people expect to be rewarded, the rewards system has gone off track. That's why I suggest that you frequently emphasize that praise doesn't work when it is required or demanded. You might also want to phrase your kudos in such a way that stresses the fact that this is the first time somebody did something or the unique nature of her contribution or the effort beyond expectation that she put into the job. That would make it less likely that the next person will expect praise for the same thing. After all, it wouldn't be the first time, it wouldn't be unique, and it wouldn't be beyond expectation.

Finally, some readers have asked me, “Shouldn’t we reward teams instead of individuals? Don’t we want people to work collaboratively, instead of going at it alone?”

Well, yes, of course. But teamwork can only emerge as an outcome of people’s individual contributions to that team. If you give a person a reward, it could be *because* of what he did for the whole team. Obviously, sometimes it could be worth praising a whole team, a whole department, or even a whole organization. Quite often, however, people’s individual contributions to the whole have to be recognized first, *before* the whole unit performs in a way that deserves praise as well.

Teamwork can only emerge as an outcome of people’s individual contributions to that team.

The kudo box not only adheres to the six rules for rewards; it also satisfies the three principles for Management 3.0 practices: the rewards are handed out for improving the work and delighting clients, and they engage people through intrinsic motivation. And as a bonus, the practice helps you get rid of bonuses!



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About our "shout-out shoebox"

"Since the launch of our 'shout-out shoebox' at Brightside Group we have had nineteen cards put in the box, including a thank-you from one team to another. The whole team signed the card and it was proudly stuck up in the receiving team's area. Another great card was for a new starter who has been with us for just a few weeks but has impressed her team with her ability to 'hit the ground sprinting'. She was very touched with the gesture. The manager, who was skeptical at first, has been surprised by the positive reaction to the scheme, and he now asked if the practice can be rolled out to his own teams. In fact someone has already left a card for one of his teams so it has already crossed over."

Gary Shepherd, *United Kingdom*

About our Rippas

"Here at Virgin Mobile we have a thing called a Rippa (an Australian colloquialism for good work) which is given to people as a thank-you for a job well done, a token of appreciation, or just for the fun of it. Every person in the company gets a book of Rippas to give out, which are in carbon paper triplicate: one goes to the individual; one is for the manager; and the third goes in the Rippa Box.

Every three months there is a draw and about ten people win shopping vouchers. Similar to kudos, our system is about giving instant feedback to someone who has helped you out in some way."

Paul Bowler, *Australia*

About our kudos experiment

"At my company we tried to improve some people's attitude toward their work and coworkers. It had already taken many (hard and uncomfortable) talks to address the mood and cooperation in teams. The kudo box practice is a nice and simple way to support good relationships in teams. I convinced my superior to try a kudo box in one team for two months. After that we would evaluate and decide if we should implement it in other teams as well. I chose the team with the worst team communication, because I wanted to prove that all people can change and start collaborating.

Our work is not over yet, but I can report that the kudo box was really working for us, and after two months we gave one to every team. Nobody has abused the kudos yet, and we have already used it for almost a year!"

Janka Haderkova, Slovakia

About higher empathy

"I believe the kudo box is the simplest and most powerful practice for building mutual trust and motivation. There is only one condition to make it work: someone has to start!

I first heard about it from one of our leaders and I said, 'OK, fine' and then... did nothing. A few months later Jurgen visited us at Future Processing and he gave me a kudo card (with a nice message about his stay). That was the moment when it just "clicked" for me. Someone started and I have been using the practice ever since. So far, the results have been amazing. The only difference compared to using regular cards is that I use the online tool (<http://kudobox.co>), create a virtual kudo card, and then email it to someone.

I have realized that I am now better focused on people's contributions, that people love receiving kudo cards, and that it boosts empathy levels. I still remember the moment when I was sitting alone, and one team member came to me and said encouragingly, 'Don't worry. I know that we are a difficult team, but things will take a turn for the better.' This happened one day after I had sent that person a kudo card."

Paweł Pustelnik, Poland

What Now?

Now it is time for you to start implementing your own kudo box.

1. Secure commitment from management to spend a small sum each month on a new rewards system. If management is fearful of the costs, you can agree *temporarily* on a maximum amount which will be spent per month. (And make it available through a draw of winners.) If management doesn't cooperate (yet), simply introduce the system without the gifts.
2. Implement the practice at a high level, throughout either the whole company or the whole department. If this is not possible, experiment with one team, but aim to expand it as soon as the practice shows good results.
3. Create a central mailbox, or place a colorful cardboard box in a central location, and name it the “kudo box” or choose your own local terminology. Print kudo cards and posters to support the new initiative, and give someone responsibility for the kudo box.
4. Let everyone know that any employee is allowed to reward any other person with a small reward, by slipping a note or kudo card in the box. Tell them explicitly that you trust everyone not to abuse the system, or else... the employees should self-organize and take action.
5. Define the upper limit of the value of the gifts, and give some useful examples (movie tickets, flowers, lunches, gift certificates, cash, copies of the *Management 3.0* book, etc.). But allow people to be creative.
6. Check the box every day, and announce publicly who received a compliment and why. You might have to bootstrap the practice by handing out plenty of kudo cards yourself.

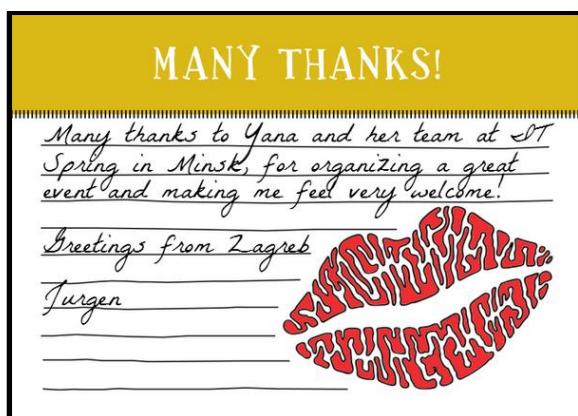
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Your own kudos

Print your own kudo cards!

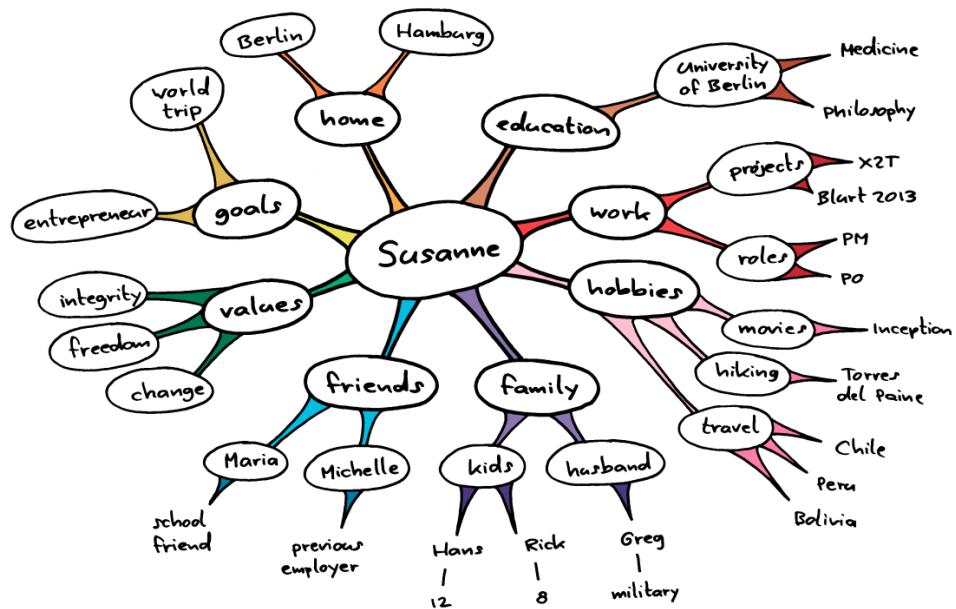
Download the PDF file from the Management 3.0 website and use the cards to surprise your colleagues! m30.me/kudocards



Kudobox.co is the easiest way to share your appreciation with colleagues. Write your message and within seconds you have a beautiful kudo card to share on Twitter, your intranet, or anywhere else. Works on desktop and mobile.

Try it out now! m30.me/kudobox





Personal Maps

www.management30.com/personal-maps

Our main business is not to see what lies dimly at a distance but to do what lies clearly at hand.

Thomas Carlyle, Scottish writer (1795–1881)

People should get closer to the work of others in order to better understand what is going on. They can do this by moving their feet, moving their desk, or moving their mike. Decreasing the distance of yourself to others helps to increase communication and creativity. A great exercise for a better understanding of people is to capture what you know about them in personal maps.

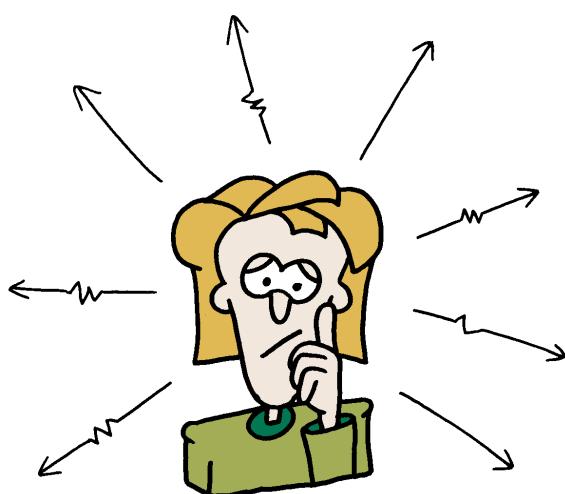
When I just started as a manager sixteen years ago, I had my own big office with a shiny desk, a fast, new computer, and a desk phone with more buttons than the ceremonial suit of your average dictator. There was also a small work force, consisting of a dozen or more software developers, to boss around as I pleased. There was just one thing I lacked: I had no clue what was going on in their minds.

Raised as a software engineer, I saw developers as unreliable computers with legs, and too much hair. My desperate attempts at programming them failed because they rarely followed my instructions. And my attempts at debugging produced some nasty side effects. After a while, I started to see the discrepancy between computer programming and people management. I started learning. Now it is my estimate that management is 5% instruction (what I want done) and 95% communication (what they need).

Management is 5% instruction and 95% communication.

Improving Collaboration

When I investigated my communication issue, I realized the solution follows naturally from scientific research, as well as common sense. It is crucial to understand the way in which communication flows in an organization.



Whether they intend it or not, people continually disperse information about their mood, their work, their feelings, their preferences, and many other personal attributes and activities.  Other people are able to pick up on some of that information. For example, when you feel stressed, you inevitably give off signals indicating this, and someone around you is bound to pick up on these signals and may ask what's amiss. Or when a colleague is working on a tough challenge, you might unknowingly radiate some information that helps him solve his problem. The picture on your desk communicates that you have two kids. The background on your computer screen clearly says you like cats. And the shopping bag next to your chair radiates that you're probably having friends over for dinner.

Software development expert Alistair Cockburn explains that the information flow across a team or an organization can be compared to the dispersion of heat or gas. [Cockburn, *Agile Software Development*] Not surprisingly, for the dissemination of information, sitting side by side in the same room is more effective than having two people sit in private offices next to each other. This, in turn, is more effective than having two people half a building and several coffee machines apart. For an optimal flow of communication, sharing the same room with other people works best because this allows a person to pick up other people's emitted information (either intentionally or unintentionally) which would otherwise never be appreciated. It's the same with heat and gas.

The obvious conclusion is that the effectiveness of collaboration between people heavily correlates positively to their proximity.

In a study conducted at Bell Labs, researchers tested for factors that determine whether two scientists might collaborate. The best predictor was, you guessed it, the distance between their offices. [...] The probability of collaboration sharply decreases in a matter of a few feet.

Patterson, *Influencer* loc:3904

Sadly, miscommunication is the norm in all organizations. [Appelo, *Management 3.0* loc:5155] When you understand that distance reduces communication, you can try to improve communication by optimizing your proximity to others. The “how” part of reducing the distance between managers and other people has been described in many books and articles. The suggestions differ in detail, but most of them boil down to the same

thing: people should get closer to the work that is important to them. Of course, this does not only apply to managers. It applies to any creative networker who is working with other people and is trying to do a good job.

People should get closer to the work that is important to them.

Management by Walking Around

The advice to walk around in the organization  is often presented under the Japanese name **Gemba** (meaning: “the real place”). The practice of Gemba states that a person ought to be where people are working in order to understand how well they can do their jobs and what they need from you. [Markovitz, “Go to Where the Actual Work Is Being Done”] But seeing things with your own eyes also helps to solve any problems people might have. Improvement works better when you use facts and not assumptions. [Rosenthal, “Walking the Gemba”] Other terms you may find in literature are **Genchi Genbutsu, Go and See** [Rother, *Toyota Kata* loc:1995], **Face-time** [Isaacson, “The Real Leadership Lessons of Steve Jobs”], and **Management by Walking Around (MBWA)**. And, in the case of distributed teams, this could easily become **Management By Flying Around (MBFA)**. [Cohn, *Succeeding with Agile* pag:370] The practice has more names than His Majesty King Willem-Alexander Claus George Ferdinand, King of the Netherlands, Prince of Orange-Nassau, etc., etc. Therefore, you might assume it is pretty important.



Some experts suggest that when walking around the people that are important to you, you should not follow a strict schedule, but rather try to do this randomly. You listen to them, talk to them, consult with them, and advise them. At random, you may decide to attend a team’s planning meeting, a stand-up meeting, a demo meeting, or you may catch them near the water

cooler. (This is far more challenging with remote teams but we'll address that topic in a moment.) It is important that you do not give your team the impression that you are *checking up* on them because your aim is better *communication* and *understanding*, and not better *instruction*. It's about managing, not programming. And face-time doesn't have to focus on just work. Social time (during lunch breaks, near the coffee machine, and after work hours) counts as well.

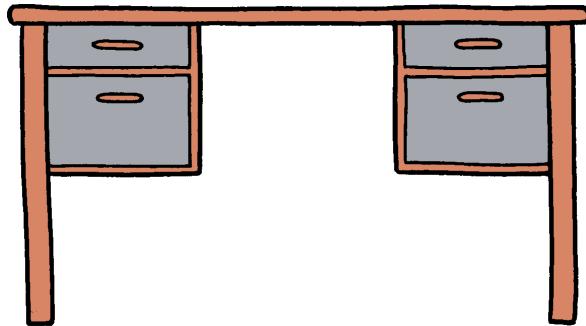
Social time turns out to be deeply critical to team performance, often accounting for more than 50% of positive changes in communication patterns.

Pentland, "The New Science of Building Great Teams"

Despite the fact that walking around is a great practice, I have a small problem with this approach. The problem is that you still have to get up and start walking around. This is great when, like me, you need daily exercise. (And after all, this book *is* about workout exercises!) But collaboration with other people, no matter how sincere, may still come off as artificial or stilted if you have to get up from your desk and head out of your office in order to talk to your team.

Management by Sitting Around

The more I thought about the idea of walking around, the more I got the feeling that the practice is suboptimal. Years ago, I realized that the concept of "being where the work happens" can be taken a step further. I solved it by picking up my stuff and moving to an ordinary desk alongside with my team.  It might have been the best management decision I ever made. It vastly increased the amount of social time I could enjoy with my team members.



The best computer systems in the world cannot substitute for being there, talking about what's going on and responding at once to subtle situational clues.

Harford, *Adapt* loc:3583

After I had moved my desk, no matter what happened, I was always around. This allowed me to pick up more information about what was going on, and understand much better what other people cared about. Team members regularly asked for my opinion, something that used to occur only when I happened to be walking around. And I picked up signs of joy and frustration, which I wouldn't have noticed if I had not been there. This convinced me that MBSA (Management by Sitting Around) could sometimes beat both MBWA and MBFA.

Interestingly enough, not everyone is of the same opinion. Richard Branson, the famous founder and chairman of the Virgin Group, has always practiced the opposite approach. He prefers *not* to sit with any of his management teams because, in his view, this could inhibit their creativity and self-reliance. [Branson, *Like a Virgin*] Instead, he prefers to leave them all to their own devices most of the time, but he guarantees regular face-time with everyone by flying around all the time. (This is of course easy to do when you have your own airline).

MBSA

"I once worked in a project management role and it seemed plausible to have a small office with another senior so I could discuss important matters and make confidential calls.

At one point, I started to collocate the people who were working on my project because communication between them was bad. I don't remember the exact reason, but I also moved from my own cozy office to where the project was happening. I guess it was to show that I was not only moving others around, but I was moving myself as well.

The effect for me was dramatic. Suddenly, I felt the pulse of the project and learned of people's problems directly. I was able to moderate discussions between workers, and they now found it much easier to ask me questions. Another effect was that sitting together showed that we were all in the same chain gang on this death-march project. For me as a new manager it was tremendously helpful to build trust. Later changes, such as the introduction of agile approaches, have been much easier because I had a better understanding of how the team felt."

Peter Rubarth, Germany

Management by Skyping Around

In February 2013, Marissa Mayer, the CEO of Yahoo, sent a memo to her employees, saying that working from home was not acceptable anymore, and that all Yahoo's remote workers would soon be expected to either relocate to the office or else quit their jobs. [Manjoo, "Marissa Mayer Has Made a Terrible Mistake"] She said the main reason for this decision was that collaboration and communication are improved when people work together in the office and when they can see each other face to face. Marissa Mayer was right.



She was also wrong. Plenty of research and case studies confirm that *creative* people who work remotely are, on average, *more* productive than their colleagues who work at the office. [Stillman, “Remote Work Boosts Productivity?”] Marissa Mayer’s claim that “speed and quality are often sacrificed when we work from home” might have been true for herself or for some of Yahoo’s employees, but, in general, this claim doesn’t stand up to scientific scrutiny. Richard Branson’s reaction to Marissa Mayer’s decision was, “Yours truly has never worked out of an office, and never will.” [Branson, “Give People the Freedom of Where to Work”]

The answer to the question, “Should people work from home or in the office?” is, as always, “It depends.” People *can* be more creative on their own when they work remotely, but creativity is fruitless without a frequent gathering of the minds and mixing of ideas. On the other hand, communication *can* be improved when people are collocated most of the time, but communication is useless without good productivity which many people often best achieve *alone*. Somehow, you must optimize both. Anyone who optimizes one over the other is missing the point.

Is the trend toward working remotely good or bad?

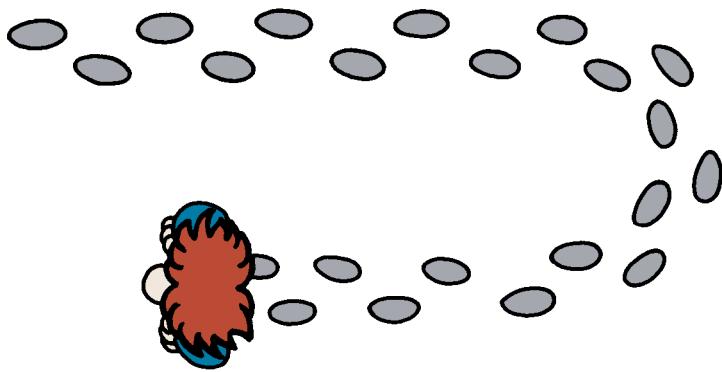
In many industries, companies prefer to keep people together in one building and then they try to compensate by giving workers individual offices or cubicles. (Banking, software, and government come to mind. Maybe Yahoo as well?) In other industries, many businesses prefer to let people work in a distributed way but then they compensate by frequently getting creative workers together for collaborative and productive meetings. (One can think of entertainment, media, and fashion. And Virgin.)

There is indeed a trend among office-oriented companies to allow more people to work remotely. At the same time, there is an *opposite* trend among creative businesses to relocate to shared spaces and city areas where different organizations can work more closely together. Neither direction is good or bad. What's good is that people try to find an optimum between two extremes.

The best approach for your organization is to find your own optimum. This means asking people to optimize both creativity *and* communication in ways they believe are best. It also means giving them the means for high-bandwidth communication across distances, in the form of Skype calls, Google hangouts, and any other tools you can think of that include both audio and video. 

The Observer Effect

Communication with co-workers is a crucial habit for everyone in a business. It doesn't matter if you're a manager, a team member, or an independent worker. You should move yourself around, and you should help others do the same. 



But no matter whether you move your feet, your desk, or your mike, you must keep in mind that objective observers don't exist. When you get closer to other people who are doing work, you are influencing them. This is called the **observer effect** or **observer's paradox**. This doesn't have to be a problem, as long as you are aware of the fact. You can even use it to your advantage!

When you observe other people doing work,
you are influencing them.

Your proximity to other people can help you to create trust. It also can help to create awareness among your team members that you care about what they are doing. Your proximity itself is an information radiator and has an impact on people's work. The consequence of moving around and paying attention to what others are doing is not only improved communication; it can also mean improved behavior and better performance.

Close Proximity

I know what you're thinking. Moving around sounds like a great idea but what can you do if you are involved in many teams? What if the teams work in different buildings or in different countries? What if you are the founder of 400 companies? My answer is: first, make sure at least one of them is an airline; second, figure out a good way to combine the three approaches mentioned earlier by applying these proximity principles:

The First Proximity Principle:

- Match your proximity to people with the importance of their work.

Is there an important project or deadline? Go sit with that team for a while. Is one team lagging behind the others significantly? Move your desk to their working area. Are you working with two teams that need special attention? Sit with both of them by alternating your work place from day to day, or week to week. Show people that you care about them and what they're doing and that you understand what's going on by *being there*.

The Second Proximity Principle:

- Keep your proximity diverse, flexible, and unpredictable.

You should not allow an important team to claim your full attention while leaving other people unattended. Optimize your communication with others using walks, trips, flights, and video calls. There should be diversity in your distance to people which will depend on the diversity of their locations and their work. But whatever you do, don't wait for problems to find you. [Grier, "The Gemba Walk"] The so-called "open-door policy" rarely works. You

shouldn't wait for people to come to you. You should go to *them*. [Appelo, *Management 3.0* loc:2309]

So, why don't you take any calls?

I once wrote a blog post about phone calls. [Appelo, "Why I Won't Take Your Call"] With that post I explained that I prefer asynchronous communication (email, SMS, Twitter) over synchronous communication (phone, Skype, chat). This seems to contradict the advice to seek face-to-face communication, but actually, it doesn't.

As a self-employed author and speaker, my aim is to be creative. Seeking to optimize my own productivity, I usually reject calls about simple matters because such calls hurt my creativity. But I am well aware that more complex collaboration only happens using high-bandwidth communication. Therefore, I do have Skype calls and face-to-face meetings with team members and relevant stakeholders. I just don't want to pick up the phone to answer dozens of trivial questions about article length, speaking fees, and flight arrival times. For that, the good Lord gave us email.

Running a productive organization means finding the optimum between creativity and communication. Creative people need time to themselves. If you let them be, don't disturb them with trivial phone calls, and allow them to work wherever they want, most will be *more* productive, not less. On the other hand, some have a tendency to focus a bit too much on their creative work, not realizing the organization needs collaboration as much as it needs creativity. It is up to you to see to it that both are balanced.

Proximity Management

The concept of moving yourself around and optimizing your distance to people has been documented through various management practices, including Genchi Genbutsu and Management by Walking Around. As a container term, I like the name **proximity management**. [Bregman, "The Real Secret of Thoroughly Excellent Companies"]

As managers and creative networkers, we do not manage other *people*. Instead, we manage *communication* and *creativity* in the system by regularly adjusting our proximity. It should never be too much and never too little.

We manage *communication* and *creativity* in the system by regularly adjusting our proximity.

Naïve managers, maybe in an attempt to emphasize their status, often *increase* their distance from people by moving to the corner office or the top floor of the office building, not realizing the detrimental effect this has on communication. Other managers, perhaps in an attempt to revitalize their ailing companies, often *decrease* distances among people by calling remote workers back to the office and putting everyone together in big open spaces, not taking into account that this can seriously hurt creativity and productivity.

The best creative networkers understand that managing proximity means finding the right balance between these two extremes which will always depend on the people and their work.

Great Conversation Topics

I find it hard to stay interested when people discuss the weather, sports, business, or celebrity gossip. One of the deepest discussions I enjoyed was when I shared a sauna in Finland with fellow speakers after a conference. We debated politics, philosophy, and the meaning of life in twenty minutes.

When I met with my fellow management team members of Happy Melly for the first time, I suggested that we not only discuss ideas, projects, and tasks, but also some personal stuff. I came up with the suggestion that each of us should ask the others one interesting personal question, and we should answer the question ourselves at the end of each round. The first question, offered by yours truly, was, “What part of your culture do you recognize in yourself?” The other team members followed suit with “What is your favorite movie and what does this say about you?” “How do you exercise physically?” “What is it you don’t understand about other people?” “Which book changed your view on the world?” and “What happened in your past that made you join this team?”

With a little effort, you should be able to come up with dozens of similarly interesting and challenging questions. It could be useful to memorize a few of them, so you can ask them of anyone at any time. You could really impress your colleagues the next time you share a sauna.

Besides asking deep questions, there are plenty of other things you can do to engage in interesting conversations with fellow team members. You can organize one-on-ones, discuss Gallup's famous 12 questions [Gallup, "Feedback for Real"] or you can play Delegation Poker (see the chapter "Delegation Board") or Moving Motivators (see the chapter "Champfrogs Checklist"). You can investigate people on social networks, such as Facebook, LinkedIn, and Twitter, or at social events, such as dinner parties or community gatherings. On the less serious side of the communication spectrum, we find personality tests, such as MBTI or 16PF [Appelo, *Management 3.0* loc:2191], and even horoscopes and numerology which can all be useful for discussing "typical" personality traits. (You may find it hard to believe, but I recently found out that according to numerology, I am a "typical 5" which has been my favorite number ever since I was 10 years old.)

Whatever you do to improve communication, keep in mind that the best approach to understanding a person depends a lot on that person's preferences. What works with one may not work with the other. For example, half the world knows that I don't drink beer and that I need private time each day because I'm an introvert. By offering me a beer after a busy day full of social activities you communicate to me that we're not socially close. My friends would never suggest that. This may actually *reduce* my willingness to open up and share my thoughts.

You can make amends by buying me a caffè latte the next morning.

Chit chat

"One point you didn't explore and expand on is to make room for a little chat during the day-by-day activities. It is one of those things so obvious, we keep forgetting about it. Whenever I am in a conversation at work, I have the habit of starting or closing the conversation with trivial stuff, just to confirm the informal relationships we have together. By doing this I not only make room for a personal connection; I also avoid giving people the feeling that I'm only interested in checking on their work."

Riccardo Bua, Belgium

You Are Always On My Mind Map

In an earlier version of this chapter, I suggested that you could draw a proximity map indicating where you are, where your most important people are, and how you plan to see them regularly. But I was never satisfied with my own suggestion. I didn't see the point of praising the merits of flight plans and Google maps, and I realized I was on the wrong track.

*It's not about *geographical* distance, it's about *mental* distance.*

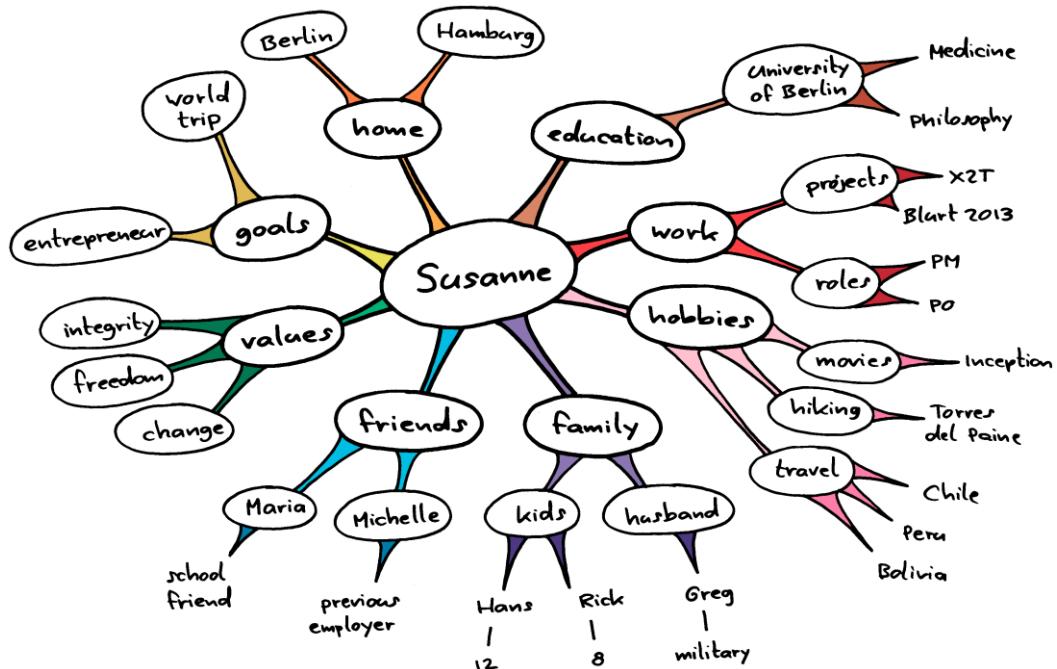
Jim McCarthy, keynote at *Agile Lean Europe 2012* in Barcelona

I noticed many times that the relevance of *geographical* distance has been shrinking steadily for years, thanks to globalization and technological progress. Unlike a decade ago, the connections to the people closest to me are almost literally under my fingertips. At the same time, it seems that the *mental* distance between people has been increasing steadily. Those same technologies have allowed me to be “friends” with thousands of people I hardly know while quality time with my closest friends and relatives suffers from the noise of status updates, photos, videos, likes, retweets, +1s, and personal messages through a dozen social channels.

An idea came to me during a car trip from Amsterdam to Brussels. I was staring off in the distance while driving, attempting to solve an issue that had been bugging me for months. I was disconnected from the whole world except for Raoul, who was sitting next to me, but he was graciously keeping his mouth shut for a while. Needless to say, it was the perfect time for me to have a creative thought. And I had one. I suddenly realized that we don't need more *geographical* maps. We need better *mental* maps.

Mind mapping is a simple but powerful technique that allows anyone who can hold a pen to visualize the relationships between concepts. By creating a **personal map** of a colleague, you make an effort to better understand that person. You start by taking a sheet of paper, an empty page in a notebook, or a blank screen on your tablet computer, and you write the person's name in the middle. You then write categories of interest around your colleague's name, such as *home*, *education*, *work*, *hobbies*, *family*, *friends*, *goals*, and *values*, and you expand the mind map by adding the relevant things you know about this person. Is her dog her biggest passion? Write it down. Did she attend the

same university as you did? Write it down. Does she hope to emigrate to another country? Write it down.



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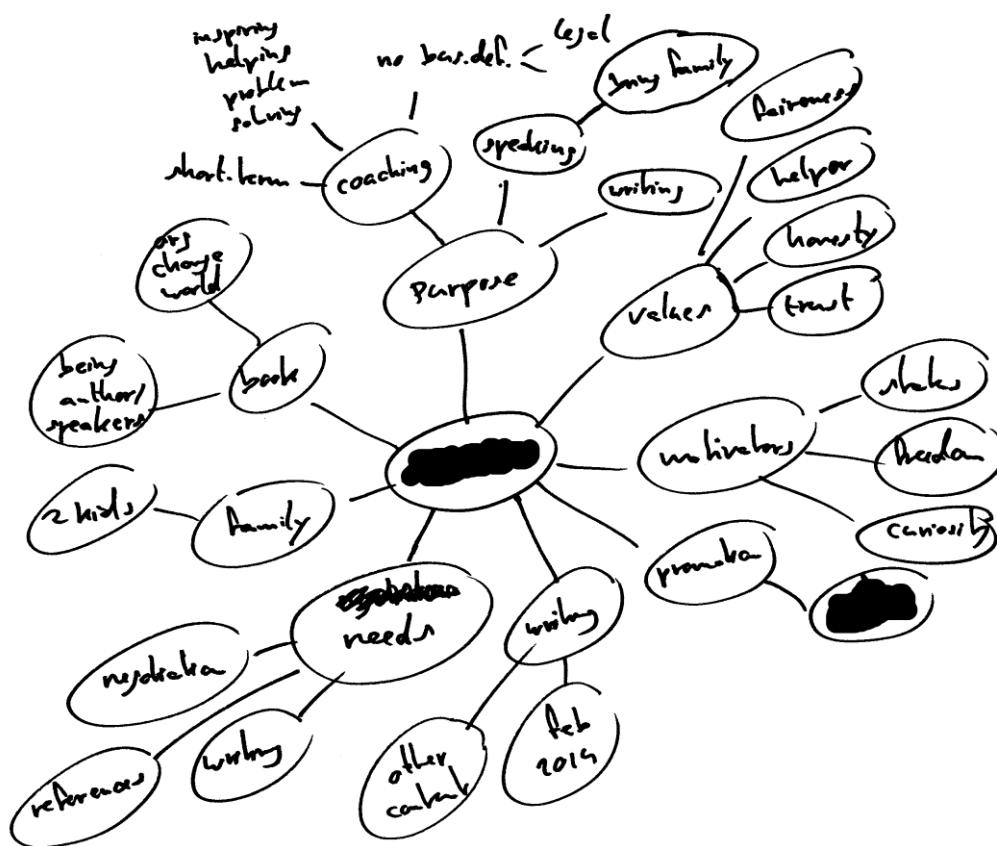
When you start creating personal maps for your team members, you might be surprised at how little you know about them. The empty pages stare at you like a glacier at a Patagonian hiker. If this happens, then it's probably a pretty good hint that you need to organize some face-time and ask a few interesting questions. You might be surprised how much people appreciate a genuine interest in their backgrounds, their needs, and their desires.

Collecting information about people is creepy!

In a world where people still remember the immoral scrutiny of former secret service agencies such as the KGB or the Stasi, and where many, nowadays, loathe the activities of the American NSA and its counterparts worldwide, it is no wonder that I sometimes get the question, "Isn't it wrong to collect information about people?"

Well, it depends on how secretive you are, and what you do with the results.

Is it wrong for my mother to have a calendar where she writes down other people's birthdates so she can send them a birthday card? Is it wrong for me to copy email addresses from business cards so I can invite my contacts to my book launch? Is it wrong for you to write down a few personal notes about coworkers so that you can help them to feel engaged, improve their work, and delight your clients?



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What Now?

This is a suggestion for you to try right now:

1. Grab a sheet of paper, and write the name of one of your team members. (If don't have any, try writing my name.)
2. Write the words *home, education, work, hobbies, family, friends, goals*, and *values* around the name, and connect those words with the name in the middle.
3. Now, work toward the outer edge of the paper, writing words, names and concepts that you are able to recall about this person, and connect them to the words you had already written. (If you wrote my name, try to find the hints I gave throughout this text.)
4. Evaluate the mind map you have just created, and recognize where you have empty areas. Decide what would be the best approach to improving communication with this person and filling in the blank spots on your map. (Adhere to the First Proximity Principle.)
5. Do the same with other people. Think about how you can use different approaches with different people in order to enjoy optimal face-time with all of them. (Adhere to the Second Proximity Principle.)
6. Get an office chair on wheels, and connect it to Google Navigator. (Just kidding.)

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PERSONAL MAPS

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In a study conducted at Bell Labs, researchers tested for factors that determine whether two scientists might collaborate. The best predictor was, you guessed it, the distance between their offices. [...] The probability of collaboration sharply decreases in a matter of a few feet.

Patterson, Influencer loc:3904

Sadly, miscommunication is the norm in all organizations. [Appelo, Management 3.0 loc:515] When you understand that distance reduces communication, you can try to improve communication by optimizing your proximity to others. The "how" part of reducing the distance between managers and other people has been described in many management articles. The theory is simple: the closer, the better. But most of them boil down to the same thing: people should get closer to the work that is important to them. Of course, this does not only apply to managers. It applies to any creative networker who is working with other people and is trying to do a good job.

People should get closer to the work that is important to them.

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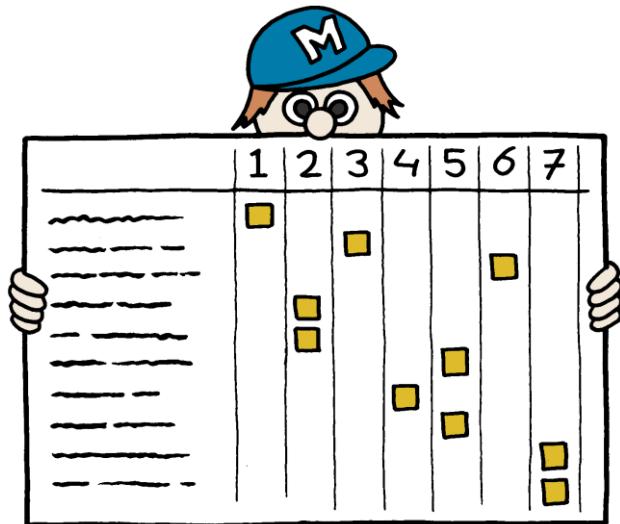
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Delegation Boards and Delegation Poker

www.management30.com/delegation-boards

www.management30.com/delegation-poker

*It is said that power corrupts, but actually it's more true that power attracts the corruptible.
The sane are usually attracted by other things than power.*

David Brin, American scientist (1950–)

Delegation is not easy. Managers often fear a loss of control when considering allowing teams to self-organize, and creative networkers sometimes don't know how to self-organize. A delegation board enables management to clarify delegation and to foster empowerment for both management and workers.

I once went horseback riding on a mountain in Chile. The trip lasted four hours and a guide led four tourists, including me, through an Andean forest. During our ascent of the tree-covered mountain, I wondered why my horse would stop occasionally and glance backwards, until the guide offered an explanation. She suggested that I should keep my horse away from the other horses and preferably, let it drop back to last in line because my horse was known to have a bad temper. Mine was the only white horse among four black horses, and our guide explained that horses can be as xenophobic as humans. My poor white horse had been traumatized as a result of being mistreated by the black ones, and my horse wouldn't hesitate at a chance to kick the others in the head.  Sure enough, at an unexpected moment, when we were relaxing and enjoying the scenery, my fierce white horse bolted toward my partner's discriminating black horse. The black one had probably given mine a funny look, or nickered something insulting, and I could barely prevent my animal from biting the black one's eye out. If I had not masterfully and heroically handled the reins, we might have never married. I mean a marriage with my partner, of course, not with the horse.



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The English verb “to manage” was originally derived from the Italian *maneggiare*, meaning to handle and train horses.

Kurtz and Snowden, “Bramble Bushes in a Thicket”

Managing an organization is like leading a horse. Some organizations are like the powerful lean horses we see on the racetracks. Others are like the sturdy horses that pull carts full of groceries. Some organizations are like horses in Chile carrying fat tourists and heroic writers. Other organizations may best be compared to pink fluffy unicorns. Whatever kind of horse your organization is, I’m sure it needs care, food, love, grooming, currying, brushing, and an occasional firm tug on the reins.

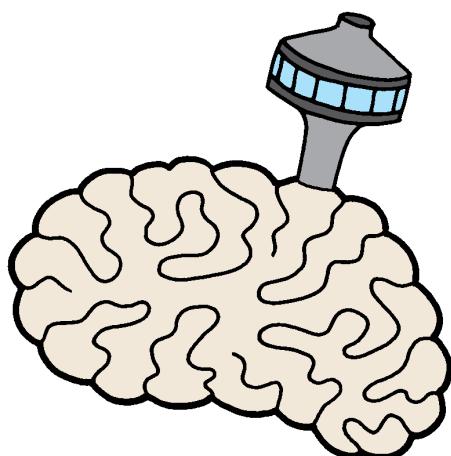
Managing an organization is like leading a horse.

Distributed Control

Let’s dismount from the horses and climb onto organizations. Someone close to me has a very inquisitive boss. She’s always busy checking everyone’s work and has remarks, criticism, and corrections for everything. It’s not surprising that the workers are a bit scared of her, especially because she can respond like a rabid dog whenever she finds something objectionable. Meek horses and vicious dogs don’t go well together.

In her defense, as the manager of a government agency, she has a lot of responsibility. She is held accountable for everything that is produced in her office. Therefore, it’s crucial that she keeps an eye on things, isn’t it? That sounds reasonable. But people behave according to how they are treated. When the boss always corrects everything you deliver, why bother producing a polished result? She’s going to change it anyway! Thus, the quality of the work goes down, and the boss has to tighten her control even more. Her intrusive management style generates continuous confirmation that her worldview is correct. The workers *are* sloppy, and they *do* deserve someone growling and snapping at them! If the horse is used to being bitten, it will only move forward when being bitten. Here we have a perfect example of a self-fulfilling prophecy. [Hoverstadt, *The Fractal Organization* loc:517]

We can only escape this typical management trap and increase the quality of work when we distribute control in our organizations. All around us (and inside us) complex systems self-organize successfully *because* control is rarely centralized. 🧠 There is no master T-cell that controls your immune system, there is no primary pacemaker cell that regulates your heartbeat, and there is no central neuron in your brain to create consciousness. In complex systems, control is typically distributed among the parts. And that's a good thing! If your immune system had a control center, it would be very easy for viruses to take it down. And if your heartbeat were managed by just a few cells, you wouldn't survive long enough to read the remainder of this book.

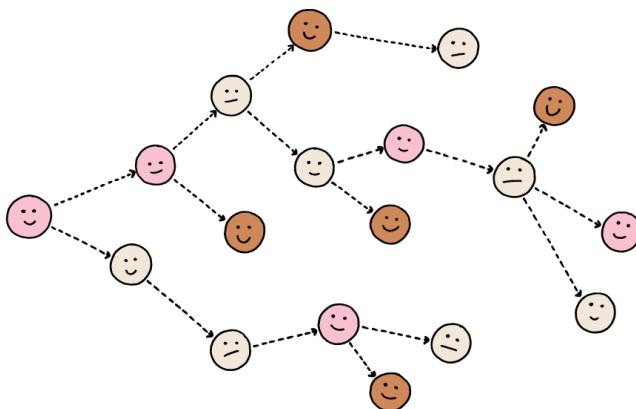


Another reason for distributed control can be found in the **darkness principle**. [Cilliers, *Complexity and Postmodernism* pag:4] This principle says that each part in a system is not aware of all the behaviors that occur elsewhere in the system. If one part “knew” the entire system, the complexity of the whole system would have to reside in that single part. The darkness principle explains that each worker has only an incomplete mental model of all the work. And the same goes for the manager too! Only the whole organization understands all the work. That is why it's best to distribute control among everyone. [Appelo, *Management 3.0* pag:108]

Complex systems survive and thrive *because* control is distributed. It is why the Internet cannot be destroyed. It is why terrorist groups form independent, self-organizing units. And it is why organizations require workers to have a high level of control over their own work. A top-down style of management is undesirable because it stifles an organization's ability to deal with complexity. [Seddon, *Freedom from Command & Control* pag:193]

So, why not get rid of the hierarchy completely?

Companies differ from natural systems because of *legal authority*. The people in an organization are not allowed to break any laws. Managers are *authorized* by the business owners to hire and fire people, to commit the whole business to services and payments by signing contracts with customers and suppliers, to take care of the money that goes in and out of the organization, and to delegate work to other people. This all passes through the organization in a hierarchical fashion to enable **traceability of authorization**.  As far as I'm concerned, that's one of the very few things for which a hierarchy can be useful.



Employee Empowerment

What scientists call distributed control is usually called **empowerment** by management consultants. However, some experts don't like the term. [Kotter, *Leading Change* loc:1775; Thomas, *Intrinsic Motivation at Work*] The word seems to suggest that people are "disempowered" by default and need to be "empowered" by their managers. [Lewin and Regine, *Weaving Complexity and Business*] Perhaps that was indeed its original meaning, and I agree that this could be seen as disrespectful.

On the other hand, I believe networked systems are more powerful than hierarchical systems because it's so much harder to destroy them. By distributing control in an organization, we not only empower workers, we also empower the managers. Maybe we should see it as empowerment of the *system*, not of the *people*. Remember the last time you were sick? I bet you felt quite powerless as an individual person against that tiny distributed virus. I'm just glad your distributed immune system was even more powerful, or else I would have one reader fewer!

We should see it as empowerment of the system, not of the people.

Management literature cites plenty of arguments in favor of empowerment, such as improving worker satisfaction, increasing profitability, and strengthening competitiveness. [Bowen and Lawler, “Empowering Service Employees”] All of these are true. But never forget that the real reason for empowerment is to improve system effectiveness and survival. We enable the organization to have more resilience and agility by delegating decision-making and distributing control.

Unfortunately, empowerment sounds easier than it is. For some organizations, it requires a total culture change which doesn’t happen overnight. This is one of the reasons why many empowerment programs, despite the best intentions of those involved, often don’t provide immediate results. [Caudron, “Create an Empowering Environment”] But there is no alternative. The organization *must* be empowered so that people can make their own decisions. All over the world, creative networkers are becoming better educated and better able to take matters into their own hands. And the more educated people are, the less effective authoritarian power is. [Ackoff, *Re-creating the Corporation* pag:180] In many organizations, teams understand their work better than their managers do. Most horses know quite well how to eat, how to run, and how not to fall off a cliff without detailed instructions from their riders. Therefore, the primary concern of management should be empowerment, not supervision. [Ackoff, *Re-creating the Corporation* pag:287] We aim for a more powerful system, not better-controlled people. We just need to learn how to implement this system better. It’s time for managers to dismount from their rocking horse and learn how to handle a live one.

Responsible, Accountable

I once tried to figure out what the difference is between the words **responsible** and **accountable**. I honestly didn’t know. The words are often used interchangeably. And in Dutch, German, Swedish, Finnish, and other European languages, they even translate to the same word! This makes the use of the two words confusing for readers and annoying for translators. The Wikipedia entry on *Delegation* tries to clarify it like this:

Delegation (or passing down) is the assignment of authority and responsibility to another person (normally from a manager to a subordinate) to carry out specific activities. It is one of the core concepts of management leadership. However the person who delegated the work remains accountable for the outcome of the delegated work.

Wikipedia, "Delegation"

I write this text as an author, but I delegate its translations to other people. My translators are *responsible* for finding proper alternatives to English words, while I hold them *accountable* for the delivery and quality of the translation. Of course, I am *responsible* for not making the text too difficult to translate, and I am held *accountable* for finding translators who are good, and who don't give up after a couple of paragraphs describing two different words that translate to one and the same word in their language, in a sentence that is far too long and awkward to translate, and also contains a ridiculous number of commas. Yes, such translators do exist.

To summarize it in my own words:

You are responsible for your own agreement to be held accountable by someone else.

It is crucial that you understand that this works in both directions. In any value exchange between two people, each is responsible for his own actions, and for agreeing that he can be held accountable by the other. Sadly, this is often misunderstood. In management 1.0 and management 2.0 organizations, "superiors" seek fulfillment of their own goals over the fulfillment of others, and they hold their "subordinates" accountable without acknowledging that they themselves should be held accountable for the well-being of the workers. Some call it the **accountability trap**. [Mayer, "The Accountability Trap"] This one-sided view of accountability leads down the path to compliance, compulsion, and complicity and probably some complaints. You can escape this trap by not only ignoring the difference between the words (as we do in some European languages), but also by acknowledging that empowerment is a reflexive relationship between two equal partners.

Empowerment is a reflexive relationship between two equal partners.

Defining Boundaries

All I know about horses is what I picked up from fantasy literature. I know they often have saddles, bridles, spurs, bits, shoes (not Italian), and long beautiful manes that always blow the right way when warriors need to stab an enemy to death. The ones who just sit on a wild horse and yell “yee-haw!” are usually dead before page 50.

I compare teams and organizations—not people!—with horses, and I believe in mutually respectful relationships between horses and their caretakers. The caretaking of horses includes giving direction and setting boundaries. Quite often, when managers delegate work to teams, they don’t give them clear boundaries of authority. [Vozza, “How to Set Healthy Boundaries in Your Workplace”] By trial and error, teams need to find out what they can and cannot do, usually incurring some emotional damage along the way. This was described by Donald Reinertsen as the “discovery of invisible electric fences”.

[Reinertsen, *Managing the Design Factory* pag:107] 🐾 Repeatedly running into an electric fence is not only a waste of time and resources but it also kills motivation, and it ruins the coat of the horse. With no idea of what the invisible boundaries are around it, the horse will prefer to stand still or kick another in the head.



Reinertsen suggests creating a list of **key decision areas** to address the problem of not setting boundaries. The list can include things like working hours, key technologies, product design, and team membership. A manager should make it perfectly clear what the team's authority level is for each key decision area in this list. When the horse can actually *see* the fence, there will be less fear and pain. And the farther away the fence, the more the horse will enjoy its territory.

It also works the other way around because of the reflexive relationship of responsibility and accountability. A team usually delegates work to management, such as rewards and remuneration, business partnerships, market strategy, and parking space. The horse is not required to simply accept any kind of boundaries, constraints, and abuse. Nature gave the horse strong teeth and hind legs for this very reason. My fierce white horse in Chile used them well.

Balancing Authority

There's nothing that scares an inexperienced rider more than the loss of control over the horse. Indeed, a well-managed horse will heed the instructions of its rider, while at the same time, the rider will understand the needs and desires of the horse. When we consider a manager and a team, is there an equivalent of the bridle and the reins?

Delegation is not a binary thing. There are shades of grey between a dictator and an anarchist. Managers can hand over responsibilities to teams in a controlled and gradual way. The art of management is in finding the right balance. You want to delegate as much as possible in order to decrease bureaucracy and increase power. But if you go too far, self-organization might lead to an undesirable and costly outcome, maybe even chaos. How much you can delegate depends on the maturity of the team, the status of its work, and the impact of decisions on the organization. Delegation is context-dependent.

Delegation is not a binary thing. There are shades of grey between a dictator and an anarchist.

Situational Leadership is a model developed by Paul Hersey. [Hersey, *Management of Organizational Behavior*] His theory suggests that delegation of authority can be implemented with four steps: *Telling*, *Selling*, *Participating*, and

Delegating. The manager should decide which of these four leadership styles to apply in which situation. This decision should depend on the context, and not on the manager's mood and what she did after dinner last night.

I like the multi-step approach of Situational Leadership because it acknowledges that in any relationship where there is negotiation over responsibility and accountability, one has to find the right balance. However, I believe the model is somewhat flawed because it has a one-sided perspective on delegation, from a superior to a subordinate. The model does not acknowledge that a healthy relationship between horse and rider is reflexive. It is a typical management 2.0 approach that only delegates work “downwards” to the team and not “upwards” to the manager.

We need an update to the model, which allows us to delegate work in *both* directions, and it should help us clarify responsibilities between both parties, while, at the same time, supporting a safe-to-fail environment for all involved. The rider allows the horse to eat whenever it wants, but it is not allowed to eat only sugar cubes. The horse allows the rider to set direction, but it doesn't allow him to lead them both off a cliff. We need a model that is *symmetrical*.

The 7 Levels of Delegation

Distributed control in a complex system is achieved when authority is pushed into all corners of the network. However, people prefer not to “lose control”. Therefore, in order to make them feel safe, we must play along with the assumption that they have at least *some* control over their situation. That's why a person wanting to delegate can benefit from the use of the **seven levels of delegation**. [Appelo, *Management 3.0* loc:2884]

1. **Tell:** You make a decision for others and you may explain your motivation. A discussion about it is neither desired nor assumed.
2. **Sell:** You make a decision for others but try to convince them that you made the right choice, and you help them feel involved.
3. **Consult:** You ask for input first, which you take it into consideration before making a decision that respects people's opinions.
4. **Agree:** You enter into a discussion with everyone involved, and as a group you reach consensus about the decision.

5. **Advise:** You will offer others your opinion and hope they listen to your wise words, but it will be their decision, not yours.
6. **Inquire:** You first leave it to the others to decide, and afterwards, you ask them to convince you of the wisdom of their decision.
7. **Delegate:** You leave the decision to them and you don't even want to know about details that would just clutter your brain.

Unlike Situational Leadership, the 7 Levels of Delegation is a symmetrical model. It works in both directions. Level 2 is similar to level 6, when viewed from the opposite perspective. And level 3, asking for input, is the reverse of level 5, which is about offering input.

The seven levels of delegation should *not* be applied to individual tasks and deliverables. Instead, they should be applied to key decision areas. Defining key decision areas is analogous to erecting a fence around the horse. Increasing and decreasing the delegation level (per key decision area) is similar to tightening or loosening the reins while riding the horse.

The seven levels of delegation can be used to define how decision-making is delegated from a manager to an individual or a team, from a team or individual to a manager, and between individuals or teams in a peer-to-peer manner.

Some examples:

- A CEO has set Mergers & Acquisitions at delegation level 1, and, therefore, she simply **tells** all employees in an email about the takeover of another company.
- A project manager has set Project Management Method at delegation level 2, and therefore he **sells** the idea of introducing an agile project management framework in the project team.
- Team members have set Vacation Days at level 3, and, therefore, they **consult** their fellow team members first whenever one of them wants to go on a vacation.
- The facilitator of a workshop has set Topics and Exercises at level 4, and, therefore, she discusses the available options with her class; together, they **agree** on the details of the program.

- A consultant knows that Key Technologies for his customer is set at level 5, and, therefore he **advises** his customer about which technologies to use, but he lets the customer make the final call.
- A mother knows that Boyfriends cannot be anything else than level 6, and, therefore, she gently **inquires** about the name and background of her daughter's latest object of desire.
- A writer **delegates** Printing & Binding at level 7 to his professional printer because, as a writer, he has absolutely no clue how to get his words stuck onto the thin slivers of a deceased tree.

The right level of delegation is a balancing act. It depends on a team's maturity level and the impact of its decisions. Distributed control in an organization is achieved when delegation of authority is pushed as far as possible into the system. However, circumstances may require that you start by telling or selling, gradually increasing the delegation level of team members and widening their territories.

The Delegation Board

There is an easy tool people can use to communicate the type of delegation between a manager and a team, or between any two parties. This tool can also help both parties be open and transparent about what they expect from each other. I call it the **delegation board**.

	1	2	3	4	5	6	7
WORKING HOURS							
PROJECT SELECTION							
TEAM MEMBERSHIP							
SALARIES							
OFFICE DECORATION							

It is a physical board (or a spreadsheet, or the window that looks out onto your neighbor's kitchen) that vertically lists a number of key decision areas that someone delegates to others. In the horizontal dimension, the board shows the seven levels of delegation. For each key decision area, the board has a note in one of the seven columns, clearly communicating to everyone how far authority is delegated in that area.  Are people somehow involved in the decision process (level 3: consult)? Is their agreement on certain topics required (level 4: agree)? Are they expected to inform the manager about their decisions (level 6: inquire)? The delegation board can tell everyone.

Empowerment boards

Originally, I referred to these boards as *authority boards*, but I think delegation boards sounds better. Now, I have people suggesting that maybe they should be called *empowerment boards* because empowerment is what we aim for, and is what the tool achieves! I've gotten used to the term delegation board myself, but please feel free to call them empowerment boards if you prefer.

OPG & KOEN	1 TELL 2 SELL 3 CONSULT 4 AGREE 5 ASK 6 INQUIRE 7 RESEARCH						
	1 TELL	2 SELL	3 CONSULT	4 AGREE	5 ASK	6 INQUIRE	7 RESEARCH
SALARY						x	
OFFICE SELECT						x	
HIRE					x		
SEATING	x						
PROJECT € budg					x		
VISIT ASML	x						
APPRAISALS			x				
HOW		x					
PROJECT MAN.	x			x			
ACQUIRE					x		

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Stand-up meetings, retrospectives, and one-on-ones can reveal confusion about authority (who-gets-to-decide-what) which can be resolved with the delegation board (or empowerment board). For example, new key decision areas with unclear authorization can be listed, or specific people/teams can be identified and listed by name (or a crude approximation of their physical appearance) using the notes on the board. Furthermore, as in the case of regular task boards, the notes can move from the left to the right, indicating that more and more control is being delegated from one party to the other. In fact, by visualizing delegation like this, there might be an *urge* to have things flow steadily from the left to the right!

Teams don't have to wait for managers to create a delegation board. When a team needs more clarity about the control of its territory, the team members could simply visualize their assumptions with a board and ask their manager to come and have a look. Of course, the one who delegates control is the one who decides where to put the notes, but the ones who do the delegated work are responsible for agreeing to their accountability! And remember, teams also delegate work. There is nothing to prevent them from defining *another* board with other key decision areas.

Teams don't have to wait for managers to create a delegation board.

The delegation board is useful in various ways. It models the creation of boundaries and the balancing act of authorization, both of which are needed to get the best out of self-organization. Second, by visualizing key decision areas and delegation levels, the board can act as an information radiator, influencing and directing anyone who takes a closer look at delegation. Last but not least, a delegation board gives managers something to control. When they feel they are losing control, I prefer to see them pushing around some notes on a board rather than the people in their organization. I have no problems telling managers that they can “control self-organization” with a delegation board when this gives people clarity of boundaries and an opportunity for expanding their territory.

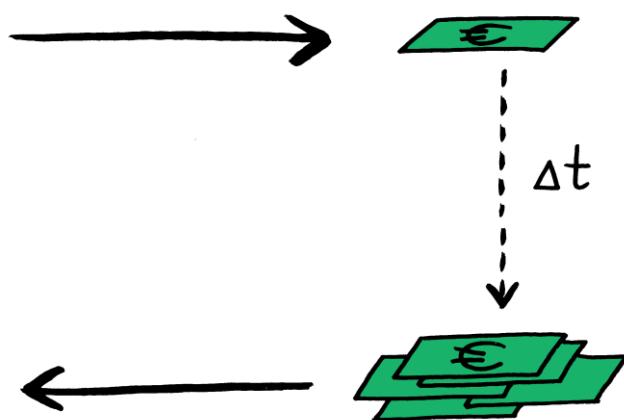
Self-organization gone too far

Even with my own workshops, I struggle with delegation regularly. I recently saw on Twitter the announcement that I would be running an event in Germany. That was a surprise to me. I didn't know! Apparently, local organizers had applied delegation level 7 and forgot to involve me in their decision. Who was at fault here? *I was, of course!* I had not properly communicated the key decision areas and delegation levels for my workshops. I added the delegation board to my website in a matter of days. It was a great reminder for me to apply the workout exercise to my own work!

Delegation Is an Investment

Distribution of control can be hard. Many managers embrace the idea of delegating work to workers, but they often fall into the **micromanagement trap**. [Thomas, *Intrinsic Motivation at Work*]

Managers expect their employees to be competent enough to take over responsibility for a key decision area. However, since nobody can be competent without some experience, managers feel compelled to monitor and control the details of the work. They don't allow workers to fail in a safe way and build up some real experience. And then the managers wonder why they are always needed to "do everything right". Insufficient delegation leads to reduced competence of workers, which leads to an increased number of problems, which makes managers delegate even less. The *my-team-is-not-ready-for-this-responsibility* idea is one of the toughest obstacles to overcome when distributing control in organizations.



Managers need to understand that delegation of control should be seen as an investment. [Rothman and Derby, *Behind Closed Doors* pag:97] There is a transaction cost involved, and it may take a while to get a return on such an investment. [Stillman, “How to Decide When to Delegate”] But ultimately, delegation can lead to prosperity and wealth. [Economy, “Delegating Well Gives You a Competitive Advantage”] In the meantime, the inexperience of team members will cost the manager a bit of time, energy, money, and possibly some frustration. That’s why authority should be set at a level that is high enough to allow people to gain experience, but not so high that things easily get out of control. It’s a bit like driving your car as fast as possible while still being safe. You push the gas pedal down and keep it right at the point where you can still respond adequately to road conditions, other drivers, and police inquiries. After all, you are aiming for *distributed* control, not for a situation that is *out of* control.

You are aiming for *distributed* control, not for a situation that is *out of* control.

My fierce white horse did fine when I kept the reins loosely but firmly in my hands. Frantic tugging on the reins does not help a rider to make more progress. Likewise, the delegation board can be of great help in avoiding the micromanagement trap. By visualizing delegation, it is easier to keep authorization loosely but firmly at a well-defined level. Nobody will appreciate it when authority bounces back and forth across all levels of delegation. A visual tool like a delegation board (or empowerment board) can help maintain stability of authorization, while steadily increasing empowerment for everyone.

Delegation Is an Achievement

Many people are uncomfortable with the idea of distributing their powers. They fear a loss of control, loss of status, and in some cases, a loss of their job. People who feel insecure about losing things will cling harder to what they have.

Interestingly enough, in complex systems, power works the other way around. Countries with free markets are more powerful than those with controlled markets. (Check any ranking of countries and you’ll see that free markets almost always perform best.) Similarly, a system with distributed control has a

better chance of survival than a system with centralized control. I don't know about you, but I would rather share control with others over a system that survives than keep and subsequently lose control by myself over a system that fails.

I believe the key to convincing management to delegate authority is to help them understand that delegation *increases* status, power, and control. You may even be able to visualize this. *Status* can be interpreted as the *number of people* who are authorized by a manager through a delegation board. The more people who report to a manager, the higher the status of the manager, as perceived by some people. However, it will be clear to anyone that a manager can only increase the number of direct reports by delegating work. *Power* can be seen as the *sum of all delegation levels* across all key decision areas. The more key decision areas that are managed through a delegation board, and the higher the level for each area, the more powerful the empowering manager apparently is. The *stability of the notes* on the board could be a measure of *control*. When the notes move back and forth repeatedly, we might have an indication of lack of control. But when they are stationary, or have a slow but steady pace of moving from the left to the right, we could have an indication of good control over the situation.

Each of these three measures might be a dream come true for many top managers. They could be the key performance indicators of modern management!

About learning to self-organize

"I coached a team that was formed with the 'instruction' to be self-organized. But the team was new to this and had only experience with a more command-and-control mindset. They were left to their own devices with no advice on how to 'self-organize'. The result was team conflict, low effectiveness, and decision paralysis, and the manager got more and more irritated about being asked to help them out all the time. Traditional micro-management was the inevitable result.

I helped the team to list their key decision areas, and we used the delegation poker game to facilitate discussions and agree upon delegation levels. The result was their first delegation board. This helped the team to make much better progress, and the manager was happier as well, because he could finally take a few steps back."

Inga-Lill Holmqvist, Sweden

About extending delegation boards

"What I usually add to the delegation boards of my clients is a column on the right with a field where you can add people who need to be consulted or informed. For example, the extra column is useful when a master architect can make her own decisions about a new enterprise solution, but needs to consult the team architect group and inform the R&D manager and a product manager.

What I found is that decisions are usually not only made between one person or team and one manager. Quite often, more people are involved who are part of the decision-making process."

Johan Oskarsson, *Sweden*

About combining with competence levels

"At VI Company, we use delegation in combination with competence development. We define different roles and competence levels and communicate clearly what authority level people have, which depends on their agreed-upon job levels.

For example, a junior developer is at level 3 in the area of Technical Documentation, which means his manager makes a commitment to ask for his input. A mid-level developer is at level 4, which means he and his manager are jointly responsible for documentation. For senior developers we've set this at level 7, meaning they have earned our complete trust to do whatever they think is necessary in this key decision area."

Ivo van Halen, *The Netherlands*

About learning to let go

"I played the delegation poker game once during an in-house training for a customer with 'high potentials'. One group was comprised of a number of managers and one subject matter expert. Guess who clearly won that game? :-)

The subject matter expert had no trouble at all delegating authority to others, whereas the managers were busy thinking up all kinds of scenarios of what might go wrong when 'non-managers' would make these important decisions..."

Collin Rogowski, *Germany*

What Now?

Now it is time to define the territory of the horse, and to handle it with trust and care.

1. Determine where in the organization people seem to have some issues with delegation and authorization.
2. Decide together what the key decision areas are for these workers. Try not to define the areas as too low-level (“Picking Up the Phone”) but also as not too high-level (“Doing Work”).
3. Decide what the *assumed* delegation levels are per key decision area. You may want to play Delegation Poker to find out. [Appelo, “Delegation Poker”]
4. Create a delegation board (or empowerment board) to visualize delegation to everyone involved.
5. Invite the manager and ask her to check if you’ve made the correct assumptions for all key decision areas and delegation levels. This may lead to an extra discussion or two to narrow down all the opinions.

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Delegation Poker

There are seven levels of delegation. Find out what the boundaries are for your team. Use Delegation Poker to define key decision areas and set the right delegation levels.



Download the playing cards for free: m30.me/poker





Work Expo

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The very purpose of existence is to reconcile the glowing opinion we have of ourselves with the appalling things that other people think about us.

Quentin Crisp, English writer (1908–1999)

Every business should start with one question—“Why?” Why do people decide to work together? An effective way to get this question answered is by creating an exposition of your work. Find stories that explain what you’re doing and why, and visualize these stories with pictures, videos, and artifacts.

When the young Zhang Ruimin in China was appointed as managing director of the Haier refrigerator factory in 1984, it didn't look like the kind of job anyone else would envy. The company was in serious debt. It produced a mere eighty refrigerators per month, and the quality of those was very poor. Then, on a good day in 1985, a customer came in and brought his broken refrigerator with him. As Mr. Zhang and the client went through the machines in stock, looking for a replacement, they discovered that a staggering one-fifth of the machines had failures. Mr. Zhang, a fervent reader of modern management techniques, decided to make a point by showing his employees how important he thought quality was. He lined up the broken refrigerators (each of which was very expensive in those days) and handed out sledgehammers to the workers. He said, "Destroy them! If we pass these 76 refrigerators for sale, we'll be continuing a mistake that has all but bankrupted our company." [Jinsheng Yi and Xian Ye, *The Haier Way* pag:23] Reluctant at first because the machines were worth more than two years of wages, the factory workers finally destroyed the machines, and, in order not to forget how important quality had become for them, they put one of the sledgehammers on display at the company museum.  Thirty years later, the story is still known all over China. With a market share of close to eight percent, Haier became the biggest producer of major household appliances in the world in 2011.



At the time of writing this chapter, Mr. Zhang still leads the company. And he is still on the lookout for new and better ways of management. I feel proud and honored that he wrote the foreword for the Chinese translation of my first book, *Management 3.0*.

Business Purpose

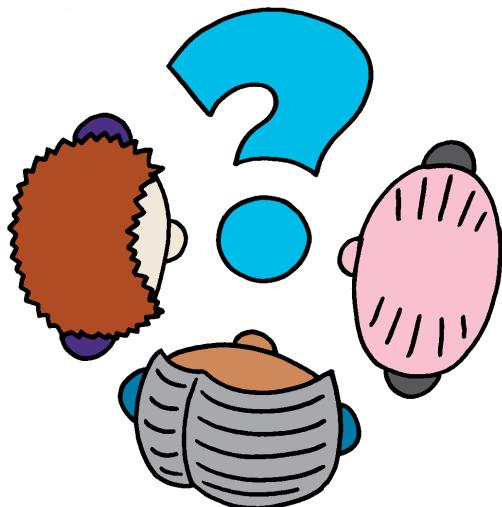
I take an interest in the purpose of organizations. If you ask any chief executive about the goal of his organization, there is a good chance that you will hear something along the lines of growth or expansion. But if the purpose of a business is merely growth then, from a biological perspective, we could call it a tumor. To me that doesn't sound like a healthy objective.

If the purpose of a business is merely growth then, from a biological perspective, we could call it a tumor.

Economist and Nobel Prize laureate Milton Friedman said the purpose of a business is to generate profits for its owners. [Friedman, "The Social Responsibility of Business"] Management guru Peter Drucker disagreed and said the purpose is to create a customer. [Drucker, *Management* loc:2557] Colleen Barrett, President Emeritus of Southwest Airlines, one of the most profitable airlines in the USA for the past 42 years, wrote that neither shareholders nor customers but, instead, employees always come first. [Blanchard and Barrett, *Lead with LUV*] Systems thinker Russell Ackoff had a more holistic view and claimed that a company's purpose is to produce and distribute wealth, not for its parts but for its environment. [Ackoff, *Re-creating the Corporation*] Consultant Jerry Weinberg, another systems thinker, seemed to have a more nihilistic view when he wrote that a system actually has no purpose. [Weinberg, *General Systems Thinking*]

This can all be a bit confusing, until we realize that all models are useful until they fail, and some fail faster than others. All these writers are right, except in the situations where they are wrong. The truth is probably somewhere in a combination of all models. We want everyone who is involved in a business to find it valuable.

All models are useful until they fail, and some fail faster than others.



Unfortunately, for practical purposes, the message “we’re all in this together” is often not very useful.  We have to simplify the world to make better sense of what we’re doing. That’s why we must narrow down the purpose of an organization by asking, “Why?” So, here we go.

Start with Why

In an era defined by the business, cultural, and social hangover from the excesses of the nineties boom—a period of Wall Street scandal, CEO misconduct, and unprecedented levels of mistrust between companies and their customers and employees—the most powerful ideas are the ones that set forth an agenda for reform and renewal, the ones that turn a company into a cause.

Taylor and LaBarre, *Mavericks at Work* loc:279

It would be a bit boring if everyone was the same. Fortunately, they are not. For example, some people have a passion for knitting. I’m grateful for that because it means I won’t have to do it. For organizations, the same principle applies. It’s great that some businesses have a passion for making refrigerators. It means that my company doesn’t have to do it and can focus on something else.

In May 2008, a group of scholars and business leaders, led by management writer Gary Hamel, gathered with a simple goal: reinventing management in the 21st century. The very first “moon shot”, as Professor Hamel called it, was to *ensure that management’s work serves a higher purpose.* [Hamel, “Moon Shots”] Author and speaker Simon Sinek wrote an entire book about the very same topic: finding the answer to why. [Sinek, *Start with Why*] It is my conclusion that, although management writers love disagreeing about many concepts and definitions, the one thing they all seem to agree on is that everything starts with the purpose of the organization. *Why* do people team up to start a business together? Hopefully, it’s not just to become rich but also to make a contribution to the world. Work is not only about Getting Things Done. It’s also about Making Lives Better.

Work is not only about Getting Things Done.
It's also about Making Lives Better.

It may seem a bit odd to talk about “who” an organization is, or what an organization “stands for,” but it is not odd if you look at it as a human community. As a community, the organization came into being because there were enough people who cared about something to pursue it together.

Senge, *The Fifth Discipline* loc:5900

Regrettably, three major problems usually stand in the way of a healthy definition of purpose.

Problem #1: Client Focus

As soon as a person, a team, or an organization defines its purpose as a focus on one thing above other things, there will be sub-optimization (improving one thing while ignoring another). When I focus on writing, I cannot focus on knitting. Somebody else will have to do the knitting, so I can focus on the writing. And maybe later, I can trade my wonderful book for someone’s beautiful sweater. We have to realize that everyone is entangled in a web of economic dependencies, and therefore, the purpose you choose for yourself

should somehow generate value for the others around you. Or else nobody will give you a knitted sweater.



This all makes perfect sense to complexity scientists, who have known for a while that complex adaptive systems find a global optimum through local optimizations and interdependencies. [Kauffman, *At Home in the Universe*] The parts in a complex system all try to optimize performance for themselves, but their efforts depend on the dependencies imposed on them by the parts around them. With a mix of competition and collaboration, the parts interact with each other without any focus on a global purpose. Nevertheless, the end result is often an optimized system. Biologists call it an ecosystem. Economists call it an economy. I call it common sense.

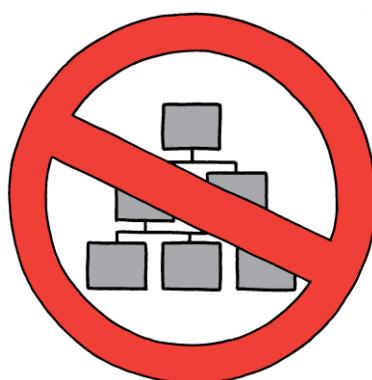
Most management scholars and experts have ignored the insights from the complexity sciences (or are unaware of them) and some have suggested goals that are too narrow. There are many corporate mission statements in the world expressing ideas such as, “Make money for shareholders”, “Put customers first”, and “Achieve superior financial results”. [Denning, *Radical Management* loc:1503] In each of these cases, the purpose of the organization is (too) narrowly defined as providing value to *one* type of client or stakeholder. 

Management consultant Patrick Lencioni analyzed the various kinds of mission statements that organizations define for themselves, and he found goals that have been created with a focus on **clients** (“Delight the customer”), **community** (“Serve the city”), **employees** (“Put workers first”), and **business owners** (“Create shareholder value”). [Lencioni, *The Advantage* loc:1669] Besides the limited focus on just one kind of stakeholder, the biggest problem I have with such mission statements is that they usually explain *who*, but not *why*.

Among the different kinds of mission statements, Lencioni also found examples with a primary focus on **industry** (“The work we do”) or **greater cause** (“What we want to achieve”). I think these are better choices because they allow for local optimization (which is fine), while not turning the focus on just one external relationship (which is not). For example, I could define my purpose as “becoming a great writer” (the work I like to do) or “helping people worldwide to enjoy their jobs” (the greater purpose I’m striving for). I have complicated value exchanges with many clients, including readers, writers, speakers, consultants, trainers, organizers, and freelancers, and some even more complicated exchanges with my spouse, friends, and family. Complexity theory allows only two clients to see themselves as more important than all the others: *me* and *everyone*. Dawkins, Hayek, Kauffman, and many other scientists and philosophers would agree that it amounts to the same thing. By focusing on *me*, while adhering to constraints imposed by *others*, I help to optimize the whole for *everyone*.

Problem #2: Goal Setting

Another problem I have with suggestions for goals and purpose in standard management literature is that most writers, consultants, and senior managers assume that it’s a top-down exercise. The management team defines the direction, and the rest of the business has to be “aligned” to that direction. Only few management teams seem to understand that reality is, in fact, a little more complex.



It is assumed, without much questioning, that small groups of powerful executives are able to choose the “direction” their organization will move in, realize a “vision” for it, create the conditions in which its members will be innovative and entrepreneurial, and select the “structures” and “conditions” which will enable them to be in control and so ensure success.

Stacey, *Complexity and Organizational Reality* loc:288

My purpose as a writer does not simply disappear when I’m part of a community of trainers who are building a business focused on management workshops. I still need to write while I’m organizing events with others. Likewise, the purpose of an organization does not simply overrule the purpose of a team or the purpose of an individual. The complex interweaving of collaboration and competition that we see happening horizontally between stakeholders is also happening vertically between different levels of abstraction. The purpose of an individual both aligns and conflicts with the purpose of the team, while the purpose of the team aligns and conflicts with the next higher levels of the organization.  The alignment enables us to exchange value, while the conflict helps us to be creative and innovative. [Appelo, *Management 3.0* loc:1059] Complex systems survive because *both* happen at the same time. Alignment and conflict go hand in hand, both up and down.

Therefore, I strongly suggest that organizational layers are aware of each other’s purposes. Employees subscribe to the purpose of the organization, while the organization recognizes the needs of employees. Teams will be in alignment *and* conflict with the goal of the department, while the department has to allow (and even invite) the emergence of the purposes of teams.

Employees subscribe to the purpose of the organization, while the organization recognizes the needs of employees.

Problem #3: Mission Statements

I wrote the first version of this text in a bar in Melbourne. I had been there for a number of hours, enjoying a relaxed atmosphere, friendly service, nice music, good coffee, and great Wi-Fi. (As a global bumblebee, I can say this is an almost unique combination.) I value good suppliers as much as I value good customers, and so I promoted the bar on Twitter, after looking up their details online. This is the company mantra that I found on their website:



When I was a little kid, some of my fondest memories were of the family holidays down at the beach. A fantastic ensemble of blurred memories filled with colour, excitement, adventure, food and that old weatherboard holiday house. Nowadays, we're all so busy and don't have time to visit the beach. Queen Street Rescue is exactly that! It's your rescue! It's a place where you can sit and relax and experience a little bit of the beach deep inside the City.

Queen Street Rescue, "Our Mantra"

And it worked. I had planned to have just a late breakfast, but I left after eight hours, three caffè lattes, lunch, tea, dinner, and a diet coke. The only thing I missed was half-naked youths on surf boards. (It was supposed to be like a beach, after all.)

The creation of mission statements seems to be one of the favorite activities of corporate management teams. Unfortunately, like poetry, many people try it, but only a few are any good at it. And then you end up with mission statements such as "Profitable growth through superior customer service, innovation, quality, and commitment" or "To be the leader in every market

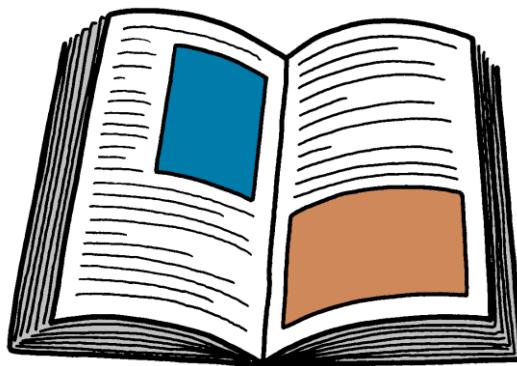
we serve, to the benefit of our customers and shareholders”, yadda yadda yadda. [McKeown, “If I Read One More Platitude-Filled Mission Statement”] Such mission statements are full of platitudes and abstractions; they don’t inspire or motivate anyone, and nobody ever lives by them. [James, “Why Missions Statements Are BS”]

I call them Vogon mission statements, the third worst kind in the universe. The second worst mission statement in the universe was written by a council of 63 lawyers on the planet Gnark, which, after the famous court case of Short-throat Sam versus the Cucumber, resulted in virtually all vegetables, and two very unfortunate species of fruit, being sued into extinction, while the last remaining settlement of carrots, celery, and radishes lived in exile on Gnark’s second moon, briefly thriving and producing green stalks with oddly protruding orange balls, until the untimely crash landing of Björn the Blender. The very worst mission statement in the universe was created by a company on planet Earth called Yahoo!

Storytelling

When you’re serious about the question why, I hope you won’t come up with something like, “To be the most essential global Internet service for consumers and businesses”. That one has already been used, and, it didn’t work. Instead, you might say something like, “We are your beach inside the city”, for the simple reason that the memories of your time on the beach are your favorites. Or your mission could be to bring quality to people’s homes because you have this CEO who is swinging a sledgehammer around, preventing any crappy products from escaping the company’s premises.

The answer to why starts with stories. 



In the introduction to this book, I referred to the photo of Melly Shum who has hated her job for 25 years. And for 25 years, I have been wondering, “Why? Why doesn’t Melly quit?”

Why are there organizations with jobs that people hate but won’t leave? Can I help transform those organizations? Can I help Melly? The search for an answer to this question explains what I do. I’ve used Melly’s photo at many conferences and in many workshops, and I used this story to suggest the name of the business that I started with some of my friends. The company is called *Happy Melly*. 



One of the first things to do when you start working together with other people is to answer the question *why*. What happened in the past that made you do what you do now? What are the anecdotes, both good and bad, that you like sharing with others, to explain your work? Can you visualize those stories with pictures, videos, or artifacts? Can you spin these stories into myths, metaphors, or archetypes? Good stories are the glue which helps to hold communities of people together, and good stories are important for *attracting* people to such communities. [Karol, “Attracting Google-Quality Software Engineers”]

The answer to *why* should be connected to what you’ve actually been doing. If your behavior is unrelated to your purpose, you’re talking nonsense or acting without meaning.

Purposes are deduced from behavior, not from rhetoric or stated goals.

Meadows, *Thinking in Systems* loc:206

POSIWID

There are some system thinkers who even go as far as to suggest that the Purpose Of a System Is What It Does, sometimes referred to as POSIWID. For example, the owner of a fitness studio can claim that the purpose of his business is to help people be healthier. But in practice, when many customers usually don't show up, and when the fitness studio actually expects a good percentage not to show up—because otherwise they would need to hire more trainers which they cannot afford—then the *purpose* of the fitness school is to *ensure* that a good number of people don't show up. The POSIWID principle can be a useful (though sometimes also a bit cynical) reflection tool, but in my opinion it merely turns the word *purpose* into a synonym for *behavior*. It's a matter of semantics. Personally, I prefer to associate the term with *desire*, *intent*, or *need*. This allows us to observe that, when behavior is not in line with intent, something is broken.

Show, Don't Tell

People love expositions, exhibits, and museums.  Expositions about art, expositions about history, expositions about science, expositions about architecture, expositions about technology, expositions about biology (we call them zoos), expositions about photography, and (probably) expositions about expositions. If you are on vacation in Amsterdam, you can even go to an exposition about sexuality. And if you're on a business trip in China, you can go to an exposition about the company that invited you, like I did when I was invited by Haier.



Expositions and museums are popular because they tell stories with pictures or objects. They inspire people by showing both the beautiful and the terrible things that have shaped humanity into what it is now. Some things we hope to create more of in the future, while other things we hope to never witness again.

What would you have on display if your team had an exposition? Which photos, videos, sounds, screenshots, or texts would you show to your guests? Which emails, trophies, badges, or gifts did you get in the past that could serve as an example of what you want in the future? Which products, phone calls, or objects will serve as a reminder of things that should never happen again? Research suggests that adding a visual element to your goal-setting efforts brings you stronger results. [Dowden, “A Picture is Worth 1000 Words”] And artifacts can contribute to the communication of shared values and purpose. [Robin and Burchell, *No Excuses* loc:586] So, which stories can you showcase with artifacts to emphasize your goals?

When you are able to create a nice exposition about the work in your team, department, or organization, it is likely that you have found and visualized your purpose.



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Mood boards

"I learned something similar from my former CEO. Our company had grown fast and our culture had difficulty keeping up. The CEO decided to collect data about historical events in the company, quotes from employees, and physical artifacts that together captured the essence of the company. He then had posters and other materials printed and hung them all around the office. It really helped employees not to lose sight of the original purpose and to reinforce the culture of the business.

Later, I used the same exercise during the kick-off of several new projects, though I called the result *mood boards*. It entailed covering white boards with pictures of customers, features, designs, and other stuff that captured the "why" of the projects we were about to start."

Johan Oskarsson, Sweden

What Now?

Let's see if we can make the abstract but important job of answering *why* a little more concrete for you.

- 1.** Select the level of purpose. Are you defining a purpose for yourself, for your team, for your department, or for the whole organization?
- 2.** Collect all the favorite stories that you (or other people involved) like to tell about your past, both the good ones and the bad ones.
- 3.** Select the stories that are the best examples of what you want or don't want to happen in the future.
- 4.** Find items that can represent these stories so you can showcase them in your own little expo.
- 5.** Evaluate the things on display, and use them to achieve consensus about your purpose. Prevent the use of specific stakeholder references, such as customers, employees, or shareholders. Instead, refer only to yourself or to the community of clients collectively.
- 6.** Compare your purpose with the purpose one organizational level up and one level down, if available. Notice the inevitable conflict and alignment. But don't overrule one with the other; just be aware of the differences.

- 7.** When people create a Vogon mission statement, put them out of their misery. It will be a mercy.

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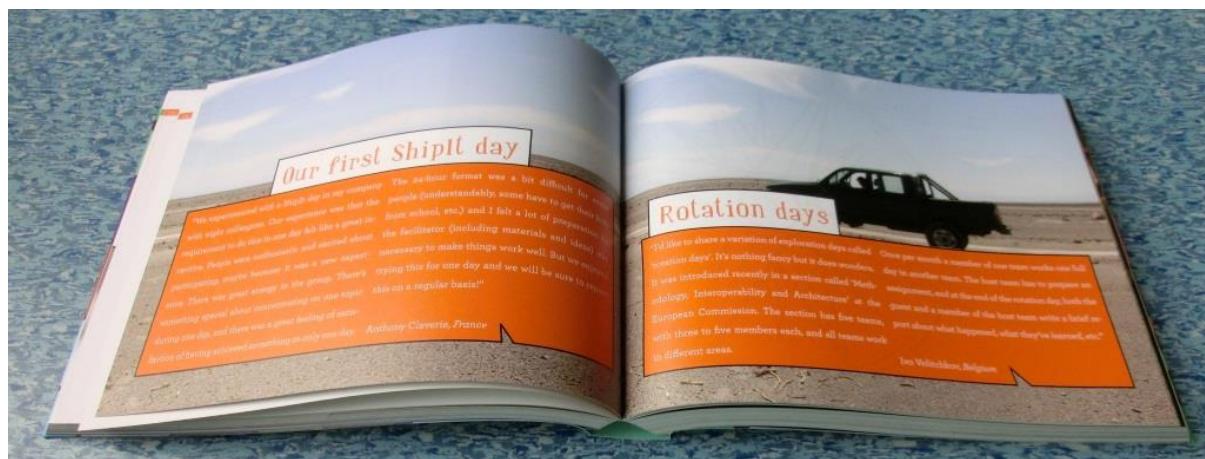
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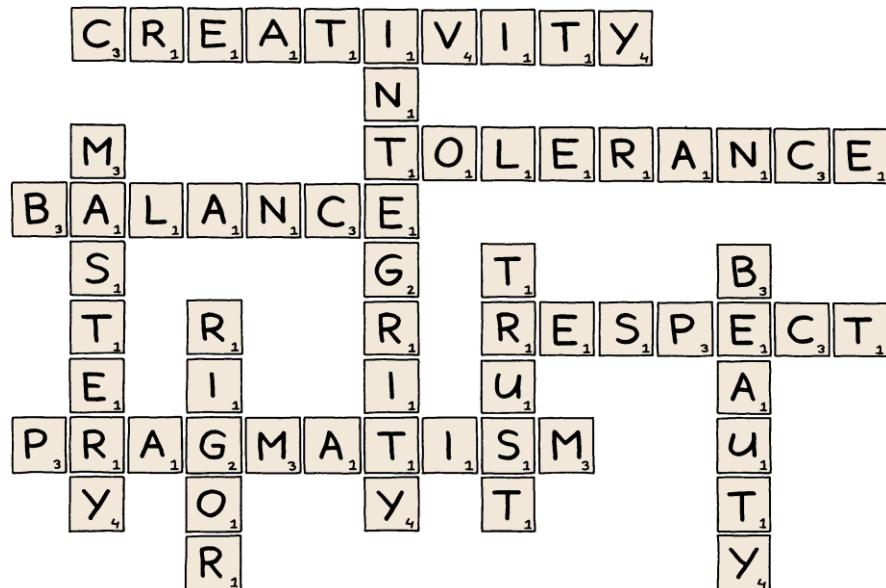
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Value Stories and Culture Books

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Lasting change is a series of compromises. And compromise is all right, as long as your values don't change.

Jane Goodall, British primatologist (1934—)

There are two kinds of values that both groups and individuals can recognize. Core values are the ones that come naturally to you. Without them, you wouldn't be yourself. Wish values are the ones you aspire to have. It will take effort for you to embrace

them. For best effect, you should spin your values into a personal story.

When I signed the contract for my first book, *Management 3.0*, my publisher and I agreed on the deadline of August 1, 2010, for the delivery of my completed manuscript. The editor added that this deadline was just a formality. “We know you authors”, he said. “You almost never meet your deadlines, and that’s OK. Just deliver whenever you’re ready.” But I replied, “No, I’m not one of those authors. I intend to deliver my book on schedule.” And I did. I emailed the completed manuscript to the editor on August 1, 2010, four minutes before midnight. I even had time to pour myself a drink.

Apparently, meeting the deadline was important to me. It was a matter of *discipline* and a matter of *honor*. I wanted to prove something to myself. As a beginning author, I thought it was in my own self-interest to be able to keep a promise.

Self-interest works only as long as there’s a containment vessel—a set of ethical principles that ensures enlightened self-interest doesn’t melt down into unbridled selfishness.

Hamel, *What Matters Now* loc:340

Honor and *self-discipline* are two examples of **values**, or virtues, of human beings. They are important. Without respect for existing value, the creation of new value easily melts down into selfishness.

I can tell you similar stories of how I pay all my suppliers within two weeks of receiving their invoices (*fairness*), how I never require contracts for my speaking engagements (*integrity*), how I use a daily reminder for myself to say “thank-you” to someone (*gratitude*), and how I spent weeks trying to figure out which charity organization to contribute to (*generosity*). I do these things because I find them important. They are important to *me*. Not only do they help me be happier with myself, but having an inspiring purpose and clear values also helps me to keep focus in my work and make decisions more easily. Purpose and values allow people to say either “Yes” or “No” to requests and opportunities with more conviction. Research confirms that clarity of values and direction makes a significant difference in behavior at work and is a force behind motivation, commitment, and productivity.

[Kouzes and Posner, *Leadership Challenge* loc:1173] Many employees in the world are in need of these clearer boundaries, because most of them suffer from cognitive overload: too many choices and too little direction. [Ashkenas, *Simply Effective* loc:242]

Creating Value

When you see an organization as a network of people creating value (as I do), then you inevitably come to the conclusion that all clients and stakeholders participate in this network in order to derive value from it. Customers, shareholders, employees, suppliers, banks, communities, business partners, governments, in short, everyone who is economically involved with the organization, try to get some value out of it. Otherwise they would not contribute to that collaborative project that we call a business.

You can only create new value when you protect what is already valuable. When you delight customers while screwing suppliers, you're not *creating* value, you're just *moving* it from one stakeholder to the other. When you increase short-term productivity while cutting corners in quality, you're not creating value, you're just *stealing* it from the future. And when you think you create shareholder value by depleting natural resources, you're not creating value; you're just *transforming* part of an ecosystem into an economy.

You can only create new value when you protect what is already valuable.

True value creation happens when you respect the things that are already valuable to some clients. This means taking into account the values of people at all levels of the organization and in all corners of the network.

Rather than viewing organizational processes as ways of extracting more economic value, great companies create frameworks that use societal value and human values as decision-making criteria.

Moss Kanter, "How Great Companies Think Differently"

"But", I hear you think, "What is valuable to clients and stakeholders? Which values should we respect and uphold? I want to be a true value creator, but

how do I do it?" Well, it seems you're showing signs of *curiosity*, *enthusiasm*, and *determination*. Great! That means you're already on your way to knowing the answer.

Core Values

A company I worked for once won an award for the “best business in the region of Rotterdam, The Netherlands”. The jury praised the company for its *reliability* and its *stability*. The company was indeed expressing these values competently, but if the organization had been remarkable in terms of *agility* and *flexibility* as well, maybe it would have survived the years that came after.

There are some things you do because that's just the way you are. (At least, that's what I keep telling myself every time I make a naïve remark, born out of *honesty*, at exactly the wrong moment to the wrong people.) The virtues that are wired into your mindset or your culture, and lead to your natural behavior, are your **core values**. For me, that could be *ambition*, *creativity*, and *focus*. (Sorry, I can't add *modesty* here.) For another, it might be *confidence*, *courage*, and *self-discipline*. Communities of people can have values as well. One organization could have *determination*, *leadership*, and *innovation* in its cultural DNA. For another it could be *philanthropy*, *love*, and *outrageousness*.

Core values lie at the heart of the organization's identity, do not change over time, and must already exist. In other words, they cannot be contrived.

Lencioni, *The Advantage* loc:1788

Of course, having three values is arbitrary. Every person, and every organization, can determine that any number of values are important. But a focus on too many things is a focus on nothing. Don't try to be everything to everyone. That's why most experts agree it's useful to select just two or three values as most important.

Sometimes I may lack the will to aim higher, have a stupid uninspiring idea, or have too many activities going on. At such moments, I temporarily lose sight of my own strengths and my core values. With organizations, it's the same. You emphasize your *core* values because you don't want to forget who you are.

This might come in handy the next time you're tempted to mistreat a supplier, compromise on quality, or abuse natural resources.

Wish Values

More interesting than discovering “who you are” is learning who you could become.

There are usually other values that you *aspire* to have as your core values, but unfortunately they don't come naturally to you—yet. It takes effort on your part to remind yourself that these values are important for your success and that you want to give them special attention. After all, more interesting than discovering “who you are” is learning who you could become. We could call these your **wish values** or aspirational values. They complement your core values. For teams and organizations, again, it is the same. They can aspire to embrace certain wish values to complement their core values.

These are the characteristics that an organization wants to have, wishes it already had, and believes it must develop in order to maximize its success in its current market environment.

Lencioni, *The Advantage* loc:1815

When you successfully develop your wish values, they could ultimately become your core values. But, even when they are not yet part of your mindset or culture, your desire to pursue them can play a significant role in your work. And both core values and wish values enable you to differentiate yourself from others in order to attract employees, customers, or business partners. [Goodman, “Your Company’s Founding Principles”]

Core values and wish values enable you to differentiate yourself from others.

Even more values

In his book *The Advantage*, Patrick Lencioni describes two other kinds of values: **permission-to-play values** and **accidental values**.

Permission-to-play values can be said to be part of the laws of the organization. They can be virtues such as *non-discrimination* and *equality* that should translate to clear and unambiguous rules for everyone. A violation of such permission-to-play values can be a reason to terminate a person's contract, but we don't have to treat these values as core values or wish values.

Accidental values can emerge as a result of self-organization. Simply because of unplanned social processes it can happen that most employees are cautious, humorous, pragmatic, or anything else. We have a habit of hiring people who are similar to us with comparable virtues, but that doesn't mean that we should focus on these as core values or wish values.

Value List

As the result of a bit of searching and some spare time on a flight from Shanghai to Dubai, I created the following list of 250 values, from a collection of multiple sources. I ignored words such as *religiousness* and *sexiness*, or any other words that did not seem very businesslike (unless your business is a church or a brothel, or both). You can use this list to find and select your favorite values. (A smaller version of this list was offered in my first book. [Appelo, *Management 3.0* loc:2256]) You can randomize the words and pick your favorites from a pile, or you can apply dot voting where several people make a mark on their preferred values in order to narrow the list down to three or five words. Whatever approach you use, discussing core and wish values is a great management workout exercise.

Acceptance	Creativity	Flexibility	Modesty	Self-control
Accessibility	Credibility	Fluency	Motivation	Self-discipline
Accomplishment	Cunning	Focus	Neatness	Self-reliance
Accountability	Curiosity	Frankness	Open-mindedness	Sensitivity
Accuracy	Daring	Freedom	Openness	Serenity
Achievement	Decisiveness	Friendliness	Optimism	Service
Activeness	Dedication	Friendship	Order	Sharing
Adaptability	Dependability	Fun	Orderliness	Silliness
Adventure	Determination	Generosity	Organization	Simplicity
Aesthetics	Devotion	Gratitude	Originality	Sincerity
Agility	Dignity	Growth	Outlandishness	Skill
Alertness	Diligence	Happiness	Outrageousness	Solidarity
Ambition	Directness	Harmony	Passion	Speed
Appreciation	Discipline	Health	Patience	Spirituality
Approachability	Discovery	Helpfulness	Peace	Spontaneity
Assertiveness	Discretion	Heroism	Perceptiveness	Stability
Attentiveness	Diversity	Honesty	Perfection	Status
Availability	Drive	Honor	Perseverance	Stealth
Awareness	Duty	Hopefulness	Persistence	Stewardship
Balance	Dynamism	Hospitality	Persuasiveness	Strength
Beauty	Eagerness	Humility	Philanthropy	Success
Benevolence	Education	Humor	Playfulness	Support
Boldness	Effectiveness	Imagination	Pleasure	Sympathy
Bravery	Efficiency	Impartiality	Power	Synergy
Brilliance	Elegance	Independence	Pragmatism	Teamwork
Calmness	Empathy	Ingenuity	Precision	Thankfulness
Camaraderie	Encouragement	Initiative	Preparedness	Thoroughness
Candor	Endurance	Innovation	Privacy	Thoughtfulness
Capability	Energy	Inquisitiveness	Proactivity	Thrift
Carefulness	Enjoyment	Insightfulness	Professionalism	Timeliness
Caution	Entertainment	Inspiration	Prudence	Tolerance
Change	Enthusiasm	Integrity	Punctuality	Tranquility
Charity	Equality	Intelligence	Purposefulness	Transcendence

Cheerfulness	Excellence	Introversion	Rationality	Trust
Clarity	Excitement	Intuitiveness	Realism	Trustworthiness
Cleanliness	Experience	Inventiveness	Reason	Truth
Cleverness	Expertise	Joy	Reflection	Understanding
Collaboration	Exploration	Justice	Regularity	Uniqueness
Commitment	Expressiveness	Kindness	Reliability	Unity
Compassion	Extroversion	Knowledge	Resilience	Valor
Competence	Exuberance	Leadership	Resolution	Variety
Concentration	Fairness	Learning	Resolve	Vigor
Confidence	Faith	Liberty	Resourcefulness	Vision
Conformity	Faithfulness	Logic	Respect	Vitality
Consistency	Family	Love	Responsibility	Warmth
Contentment	Fearlessness	Loyalty	Responsiveness	Willfulness
Cooperation	Ferocity	Mastery	Restraint	Wisdom
Courage	Fidelity	Maturity	Rigor	Wittiness
Courtesy	Fierceness	Meticulousness	Sacrifice	Wonder
Craftiness	Fitness	Mindfulness	Security	Zeal

Human values and virtues are interesting topics, not in the least because they are so heavily influenced by culture. This is wonderfully illustrated by social psychologist Geert Hofstede and his cultural dimensions theory. [Hofstede, *Cultures and Organizations*] For example, Hofstede's *power distance index* shows that in Latin, Asian, and African countries, there is a tendency to defer to authority figures, while in Anglo and Germanic countries this power distance is much lower. His *individualism index* shows a clear gap between the improve-yourself attitude in Western countries and the stay-with-the-group mentality in Eastern countries. Equally interesting are the *uncertainty avoidance* scores, which are high in Southern and Eastern Europe, and low for the North-West of the continent.

People also reported to me that significant cultural differences can exist between generations within the same region. For example, in Eastern European countries, the older generations, who have experience with socialism and communism, are more inclined to expect that the state and government be there to help everyone, while the younger generations learn that, basically, their future is their own responsibility. Obviously, such cultural backgrounds have an impact on the choices people make when picking their values.

Cultural backgrounds have an impact on the choices people make when picking their values.

Team Values

So far, I have discussed core values and wish values from both personal and organizational perspectives. But, like the formation of identity and purpose, the selection of values could also be considered and performed at every organizational level. What about the values of a team? What about the values of the department or the business unit? Clarifying your own values is important, but equally important is understanding the values of others. [Kouzes and Posner, *Leadership Challenge* loc:1207]

The behavior of a team depends on the personalities of the team members, their relationships, and their environment. An important change in their relationships or the environment can lead to a different set of desired behaviors for the team and can, therefore, be a reason to reconsider the team's wish values. The team's core values will probably not change just because of a new environment, but a change in team membership can definitely impact the team's core values.

Using the Big Values List, a team may discuss two or three core values (this is who we are) and wish values (this is what we want to be). A useful workout exercise, offered in my first book, is to have management do the same thing and then compare and discuss the results. [Appelo, *Management 3.0* loc:2241] The same approach was applied at Atlassian, a tool vendor company, which resulted in such fascinating company values as “Open company, no bullsh.t” and “Don’t f..k the customer”. [Rick, “Value Statements”]

Once the values are selected, people can print them on walls, task boards, t-shirts, screensavers, coffee mugs, etc.

What about values at other levels?

The selection of values can happen at any organizational level. If that happens (and I certainly suggest that you give it a try), you could end up with a lot of value lists. Isn't that confusing?

Maybe.

But it's not any more confusing than knowing that different organizational levels have different bosses, conflicting policies, multiple identities, and numerous faces. Human beings are masters at reconciling such differences. And if some multi-layered value lists are indeed too confusing, I see no reason why people cannot simply sit together and simplify the results. In most organizations, the problem is too little guidance in regards to values, never too much. Remember that the goal is for people to create and respect value and achieve happiness. The goal is not to fight over 250 simple words.

Employee Handbooks

In a land far, far away, and in a time long, long past, I was a senior student at the Technical University in Delft, The Netherlands, employed by the Faculty of Computer Science as a Student Assistant. I was one of the people paid to evaluate the programming assignments of first-year students which meant I could tell them that the word *end* had to be properly aligned under *begin* and that the purpose of indentation was to make code readable, not to balance the white space equally in both margins.

One of the things I did, from the bottom of my big compassionate heart, was to create a Freshmen's Guide. It was a simple little book, explaining where to find exams and grades, where to find the student's society, where to go with study problems, and where to find the better parties. I added plenty of handmade illustrations and silly jokes because I wanted the students to find it an interesting read. I am happy to say that my booklet was not only supported by the student's society and paid for by the faculty but the idea was also copied by some of the most famous companies in the world many years later. (Just kidding!)

IDEO is arguably the most famous design company in the United States, and for good reason. Its Little Book of IDEO spells out the important values of the organization, such as “be optimistic”, “embrace ambiguity”, and “learn from failure”. One statement I like in particular is “make others successful”, which means that employees should always strive to help each other out. Unlike my own Freshmen's Guide, IDEO's little book can be downloaded from the Web. [Amabile, Fisher and Pillemer, “IDEO's Culture”; Brown, “Little Book of IDEO”]



© 2013 IDEO

Valve, a highly successful gaming company, has a Handbook for New Employees which was created by a small team of developers and designers. The handbook, which contains great illustrations—yes, better than mine—and nice jokes and stories, was published first as a print edition and later made available as a downloadable PDF. The document not only inspired many companies in the world as a shining example of a flat organizational structure but it also showed that employee handbooks don't have to be boring and can be created by employees. [Coomer, "The Best Employee Handbook"; Valve, "Handbook"]

Another example is offered by online retailer Zappos, a company with an official Culture Book which is also written by its employees and updated every year. The book tells stories of how people feel about the company, and the employees take care that the company's culture is developed and reinforced all the time. Like the Valve Handbook, Zappos's Culture Book is freely available for download. [Heathfield, "Zappos Reinforces Its Company Culture"; Zappos, "Culture Book"]

Obviously, such handbooks and culture books only work when employees actually *use* them and know what they say. All too often, employee handbooks are created by human resources departments, not by employees themselves,

and are devoid of any emotion. Values are offered as bullet points and accompanied by rules, policies, and legal disclaimers. It's no wonder that, with such handbooks buried deep down in file systems, employees usually have no affinity with any core or wish values of the company. The real culture communicated in cases like these is "culture is defined by managers" and "we're not supposed to have fun".

In one organization, we asked three managers what the mission was and what was the most important organizational goal [...] We were told that the values were "in the employee handbook," but those values were disconnected from how people acted or how people were incentivized.

Robin and Burchell, *No Excuses* loc:1120

Perhaps the most famous example of a great culture book that actually worked is the Netflix Culture document, which says that it all starts with *freedom & responsibility* at this company. At Netflix, they actually practice what they preach because the company offers total freedom with regard to vacations, flex-time, and travel expenses (see chapter "Feedback Wrap"). [Baer, "Netflix's Major HR Innovation"; Netflix, "Netflix Culture"] Some say, as an example of how a company can create and reinforce a culture with values, it is the most important document ever to have come out of Silicon Valley. [McCord, "How Netflix Reinvented HR"]

Living Your Values

Enron, which went bankrupt because of fraud by its top management, had the values *integrity, communication, respect, and excellence* displayed in its corporate lobby. Apparently, only showing words to everyone is not enough. After you have determined what your values are as a team or as an organization, it's time to put your money where your mouth is. Turn your values into action! Create your own story!

Are you aiming for *honesty, excellence, and service*? Get the team in a car, drive to a client where something went wrong with your product, and sing a song about how sorry you are while handing over a big bouquet of flowers. Should your work be focused on *creativity, discipline, and orderliness*? Get your team to make a perfectly executed work of art out of sticky notes, carefully measured

out and modeled on the computer. The key is not only to *promise* to keep these values in mind but to actually *do something* to prove that these values matter and guide people's behaviors and decisions.

At the end of the day, you just ask yourself, "How did our vision and values influence decisions I made today?" If they did not, then they are pretty much BS.

Senge, *The Fifth Discipline* loc:6345

The culture should drive the business at your organization, not the other way around. [Lucas, "Culture Comes First"] Proper values, visualized and communicated with stories, help you define and reinforce that culture.

Videos and books

"After formulating our vision for Future Processing, we decided to present it to our teams in a three-minute animated video. The video presented our goals in the form of a story. We even hired one of the most popular Polish TV presenters to do the voice over. The effect was that people watched and shared the video much more willingly than they would with the best written corporate document in the world.

What we also did was to make a Christmas present from the teams for our CEO. We gathered some of the best stories in the company and published them as a book. Not only did our efforts result in a nice gift; now we also have an amazing source of funny and inspiring stories about our company that explains our culture and spirit. We share these with new employees and we also plan to print them for display in our new office building."

Agnieszka Zimończyk, Poland

What Now?

Does your team have its own team values? Do you have a culture book? If not, maybe you can do this:

- 1.** Collect stories of past behaviors that you feel exemplify and illustrate the culture of your team or organization. (You can combine this with the search for stories to create an exposition, see chapter “Work Expo”.)
- 2.** Print the big list of team values, one copy per person, and let each team member pick *core* values and *wish* values, based on the stories you’ve collected.
- 3.** Ask management to do the same, and compare the results. Choose a final set that everyone can agree on, both employees and management.
- 4.** Make the values easy to refer to, by keeping them visible around the office. But also find a way to retell the stories around them.
- 5.** Consider turning your values and stories into a culture book that is (preferably) maintained by employees, not by the HR department.

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Happy Melly is a network of businesses organized around the purpose of helping people be happy in their jobs. We do this in a number of ways: through books, conferences, workshops, apps, and more. We want you to join us - in your own way - to create better places to work.

For a regular supply of **stories about people and companies** experimenting with **happiness at work**, we recommend visiting our blog: m30.me/melly



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DEVELOPING A LEARNING MINDSET WITH "YAY!" QUESTIONS

Ping Ah, email. And a good one at that: my friend Robie Wood with a great story. Robie works at showVALUE, a company that specializes in agile management, training and other stuff like that. With 31 years of solid experience, he's an old hand in the business. Anyway, he recently read Jurgen Appelo's "yay!" questions [...]



March 31st 2014 by Melly



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TRANSPARENCY: GOOD FOR BUILDING TRUST AND STRENGTHENING THE TEAM

Do you know how much your colleagues make? Did you tell them how much you make? Is that an uncomfortable question? This week I came across this article on the Quartz website. It's about Buffer, a social-sharing app and website and how they decided to put the salaries of all their employees online. The result: [...]



March 28th 2014 by Melly



HAPPY MELLY {8-)



Identity Symbols

www.management30.com/identity-symbols

Condense some daily experience into a glowing symbol, and an audience is electrified.

Ralph Waldo Emerson, American essayist (1803–1882)

Identities are crucial for purpose definition and value creation. A team, business unit, or company has only really achieved an identity when people are eager to associate themselves with its symbols. Management can take an active role inviting groups of workers to create symbols that represent their shared identities.

No matter where I am in the world, I always smile a little when I glimpse the logo of KLM, Philips, ING, or Unilever. I once even took pictures of an airplane circling over the city of Chicago while towing behind it a banner with the slogan of Heineken. Why? I don't even drink beer! It's because these companies are Dutch, and I am Dutch as well.

There's nothing rational about it. I rarely want to hang out with other Dutch people when I'm abroad. I usually find them lacking good taste, manners, humor, and spare change. But beware! Don't ever make the mistake of writing my name with an *umlaut*, thank-you-very-much. My name is Jurgen, not Jürgen. I'm Dutch, not German.

Strangely enough, I seem to be the only Dutch person not participating in Dutch football parties or King's Day celebrations. I really don't care that much about the cheese hats and lion pants. When I'm on the other side of the planet, however, I admit I sometimes proudly wear orange. I even have a t-shirt with "Amsterdam" printed all over it. I only wear it when I'm abroad, not when I'm home because I'm actually from Rotterdam, which is Amsterdam's archrival. As I said, it's not rational.

How about you? Would you proudly wear a t-shirt with the flag of your country or the name of a city? How about the name of your spouse? A drawing by your children? The symbol of your sports club? The colors of your political party?

How about the logo of the company you work for?

Identity Management

Managing identity is about managing belonging. It is very hard to have a sense of belonging to a community when the community doesn't have a clear name and image. Just imagine how hard it would be to manage a family, with its family members, family history, family properties, and family traditions, if there were no family name! It's the same with teams, organizations, and other groups. If we want a person to feel part of a group and balance the needs of the group against her own needs, the group will need a name and image that is at least as strong as hers.

Managing identity is about managing belonging.

Identity requires coherence. The coherence of a group is about the consistency of its behaviors. Actions emerge from identity, and identity emerges from actions. The group's identity and actions need coherence, or else they are meaningless.

Coherence is about acting in a manner consistent with who you are. Identity and action need to be consistent and not in conflict. Coherence cannot be summoned on the spot. It cannot be created overnight. However, when an organization, a company, or a team does have coherence, amazing things can happen. Managers cannot be those who make it happen, but they can play a significant role in helping it come into being.

Lissack, *The Interaction of Complexity and Management* loc:106

Identity is a complex thing. Besides having a nationality (or multiple nationalities), you can be a member of a sports club, a political party, a religious community, and many other groups. These are all overlapping (and sometimes conflicting) memberships. People struggle every day with multiple identities. 🎭 They want to be on a great team, while at the same time, they want to do things on their own. They want to party all night long with friends (probably not with me), but they also want to participate in a sports match the next morning (definitely not with me).



Multiple levels of identity also occur in organizations. There is individual identity, team identity, department identity, business unit identity, and corporate identity. And, again, these identities overlap. People want to be on the management team while at the same time, they wish to remain “one of the guys” in the production department. They want to be an appreciated designer in a project team, but they also hope to be an active contributor to a community of designers across different projects. This juggling of multiple identities is a fact of life. What’s more, I believe management should stimulate and nurture all these different shared identities.

Human beings are masters of identity management, negotiating (without integrating) a constantly fluctuating constellation of identities. [Likewise] an organisation is a coherent body (integration) that is divided against itself (differentiation) and always changing (ambiguity). In other words, organisations collectively manage multiple types of coexisting identities.

Kurtz and Snowden, “Bramble Bushes in a Thicket”

An identity is crucial for the emergence of purpose and the creation of value, since these won’t be effective without a sense of belonging. [Irons, “Social Learning, Collaboration, and Team Identity”] It can also work to counterbalance sub-optimization, which happens when people only do what’s good for them, while ignoring what’s good for the group. [Baer, “How a Sense of Community Could Transform Selfish Workers”] A sense of identity helps people to form a community and enables peer pressure to combat selfishness. [Appelo, *How to Change the World* pag:51]

Selfishness

Interestingly enough, complexity science says that *everything* we do is related to selfishness and sub-optimization. After all, if you act in the best interest of your team, then you are optimizing for the team, and the emergent behavior of the team might not be in the best interests of the organization. Likewise, if you do a good deed for the whole organization, it could be the organization that is then acting in a selfish manner, and its behavior might not be best for the country. And we all know about the terrible things people have done to others on behalf of their countries.

We can only address sub-optimization and selfishness with strong identities at *all* levels, stimulating the human brain to utilize its capability for juggling co-existing identities. Let healthy human minds figure out how to balance the needs of the group against the needs of its members. I do this all the time! I balance the needs of my spouse, friends, and family against my personal brand, and I balance the needs of the Management 3.0 events and community against the needs of Happy Melly, its parent organization, and the other brands in the Happy Melly ecosystem.

Let healthy human minds figure out how to balance the needs of the group against the needs of its members.

I don't know the outcome of such balancing acts in your organization, but I do know that teams, departments, and companies with weak identities will suffer from a lack of commitment to a shared purpose and shared values.

Boundary Issues

For a shared identity to work, it is useful to know who is, and who is not, part of the group. This is sometimes clear, but quite often it isn't. It can happen that people have different definitions of what the group identity is and who belongs to it. This doesn't have to be a problem as long as people know each other's interpretations. Even more, the fuzziness of boundaries, and conflicting ideas of membership, can actually help a group be creative. [Irons, "Social Learning, Collaboration, and Team Identity"] As long as people are aware of different perspectives and they know how to deal with it, the fuzzy boundaries can be turned into an advantage.

However, when a person is a member of multiple groups where the identities appear to be of the same scope and on the same level (two teams, or two departments, or two organizations), it is probably smart to choose one primary identity. For example, it is hard to be a fan of two football clubs in equal measure. And people with two nationalities usually lean more towards one than the other. This reminds me of the famous question, "If you have two nationalities, which country will you cheer for when their two national sports teams play against each other?" For people in organizations, it is the same; they prefer to have one team to cheer for. I've heard some coaches

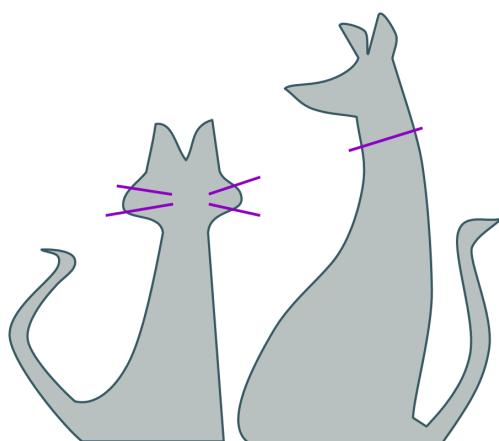
suggest a **60% rule**: everyone should spend 60% of their time on the same team, the same department, or the same organization. The rest of their time they can spend working for others. 



Group Symbols

It is hard to simply create an identity; usually it can only emerge. It often can't be forced; it's a natural process. It takes time to grow and nurture a shared feeling of belonging which holds teams, departments, and organizations together. [Magic of Teams, "Constructing a Team Identity"] You don't develop an identity just by making people share a room or a building with each other. However, there is something you can do to help people develop an identity by themselves.

Ask for symbols.



When my partner and I got married, I made a simple website with information for our guests. As a theme for the website, I came up with the idea of a cat and a dog.  It emerged spontaneously, but we liked this theme so much that the cat and dog were not only prominently displayed on the website but they were also used for buttons that we asked our guests to wear, and balloons and cardboard versions of the happy animals popped up all over the wedding location.  Our guests loved them. In terms of cohesion and identity, our feline and canine mascots easily beat boring white flowers.



© 2011 Olaf Lewitz

For the same reason, if you want a group of people to feel they are happily married together, suggest the use of names, logos, mascots, etc. For example, I once invited teams in an organization to come up with their own identities because we were building the organization's intranet. I remember one team called themselves "The A-Team" and they used pictures of B.A. Baracus, Hannibal, Face, and Murdock to present themselves as the problem fixers. A student in one of my workshops told me his test team called themselves the "Black Ninjas" and always wore black whenever they were hunting for product defects. At ResearchGate, a company I visited in Berlin, the managers insist that all teams think up a name with an R and a G in it. And so they have teams calling themselves The Gummibears, Vorsprung, SynRG, SuperGlue,

and The Borg. As marketing expert Seth Godin wrote in one of his many books, people want to be part of a tribe. It's time to put on the feathers! Identity is developed by sharing names and symbols. [Godin, *Tribes*]

Just like purpose and values, symbols can emerge easily when people remember and share stories. A group can only achieve cohesion when they experience things together. Of course, working together under stress is one possibility, but having a bit of fun would be the better alternative. There's nothing that invites group feelings more than stories such as, "Do you remember Danny's nocturnal scream of terror after the hotel inadvertently swapped the rooms of Carl and Carla?" Identity is developed by sharing stories. If you find the stories, you will find the symbols.

What about bad identities?

I almost hear you thinking, "Having an identity is not enough. There are many examples of bad symbols!" Indeed! Pol Pot, Idi Amin, Mao Zedong, Joseph Stalin, Adolf Hitler, Genghis Khan, Kim Il Sung, Osama bin Laden, history is rife with examples of leaders rallying communities to do terrible things to others, using the power of identities and symbolism.

That doesn't mean that identity symbols are bad. It just means that they are powerful and are devoid of ethics until you add them. Identity must be given meaning with purpose (see the chapter "Work Expo") and values (see the chapter "Value Stories and Culture Books") in order to have the group focus on doing good things. This has been the achievement of Abraham Lincoln, Buddha, Martin Luther King, Winston Churchill, Mother Theresa, Gandhi, and many, many more. It could be your achievement as well.

The T-Shirt Test

I once performed a workshop at a big company where I asked employees for the names of their teams and departments. The names the participants gave me were along the lines of HRK-EK, ERN56, and %\$#!? I think the names were not very interesting and the employees were not very happy. I'm sure there was a correlation there waiting to be discovered.

A team (or department, or division, or company) has only really achieved an identity when people are eager to wear the symbols of that team. It's the same

with football clubs, political parties, and religious gatherings. Creative networkers who gladly associate themselves with the identity of a team or organization feel more engaged, are more willing to improve the shared work, and are more empathic toward the needs of clients and stakeholders of that team or organization. Therefore, when you aim to adhere to the principles of Management 3.0, strengthening identities at multiple levels would be a great way to achieve that.

We spend most of our days living with ourselves, our partners, our children, and our organizations. And maybe a cat or a dog. Or a chinchilla. A happy life should include feeling happy about the relationships that you maintain, with yourself, your spouse, your kids... and your colleagues. (And your chinchilla.)

I call it the T-Shirt Test.  An organization passes the t-shirt test when employees will proudly wear a t-shirt with the company logo on it, hoping that other people will notice the name of the organization, hoping that other people will say, “Wow, you ~~have a~~ chinchilla? you work for company X? That’s so cool!”

An organization passes the t-shirt test when employees will proudly wear a t-shirt with the company logo on it.



When your colleagues aren't willing to associate themselves with the symbol of the group they belong to, this could be the symptom of a big problem.

When have you last worn the symbol of your team or company?

Collaboration Superpowers

"When we work together, we have to bridge some form of remoteness, even when we work at the same address. The purpose of Collaboration Superpowers is to make people comfortable working together from anywhere.

As a team, we are contributing to a story that's bigger than us. Our name and our logo reflect that. The name was repurposed from another project. The audacity of the name is certainly something big, and it's what we want to live up to! As for the logo, we were looking for something badass, elegant, sexy, gender-neutral, and powerful. After some brainstorming, the team discovered that we all had a mutual love for maps—and a subway map of Tokyo became our source of inspiration. Elinor Slomba added the brilliance of neon—and voila! A logo that we all loved exploded into being."

Lisette Sutherland, *The Netherlands*

What Now?

If you want to strengthen a sense of belonging among the people in a group, try the following management workout exercise:

- 1.** Find an excuse to ask teams, departments, or divisions about a symbol of their identity. Maybe because you need icons on the intranet, or on the website; maybe because you're creating a brochure for new employees; maybe because each will be presented at the company's annual event.

- 2.** Don't let them get away with a name such as "QA Department" in 12-point Times New Roman. It might be useful to collect some good (and bad) examples and distribute them for inspiration.

- 3.** Verify that all group members are willing to associate themselves with the chosen symbols. Otherwise, reject them. (The symbols, not the people.)

- 4.** Start using the symbols in all internal communication.

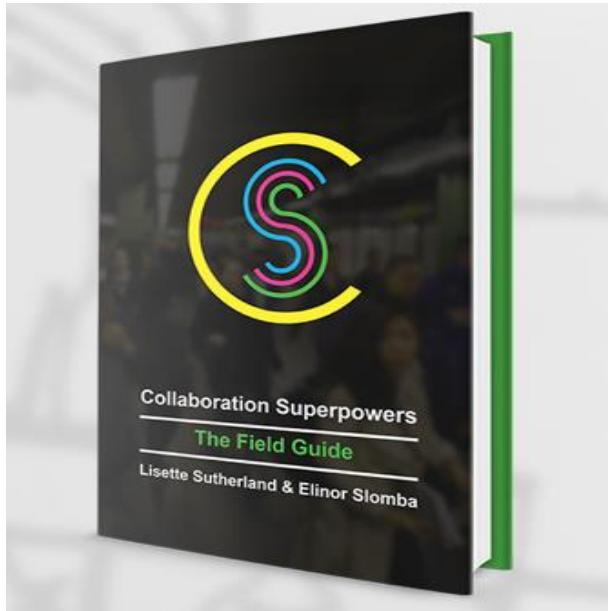
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"If knowledge is indeed power, knowledge shared is a superpower."

- Emi Kolawole

Everyone who collaborates faces the problem of how to bridge the distance between two or more minds, whether you're in the same building - or on the other side of the world. Rising to the challenges, remote work promotes some of the very things global business is seeking today including high levels of engagement and self-organization.



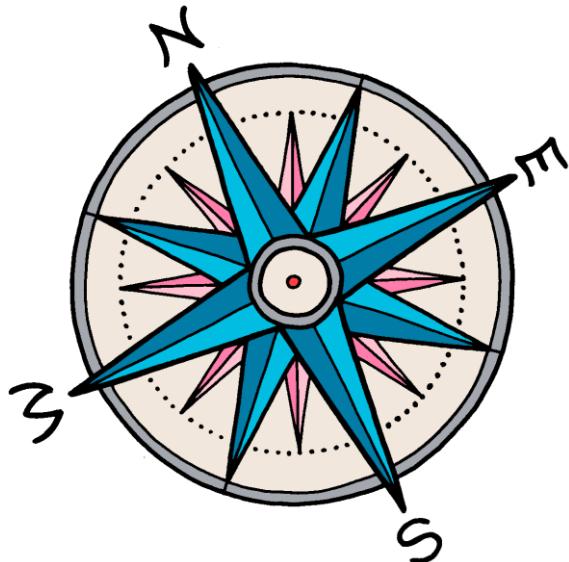
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Lisette Sutherland



Exploration Days and Internal Crowdfunding

www.management30.com/exploration-days

www.management30.com/internal-crowdfunding

I am always doing that which I cannot do, in order that I may learn how to do it.

Pablo Picasso, Spanish painter (1881–1973)

Many organizations struggle with self-education of employees. A very effective way to make learning enjoyable is for people to organize exploration days. Sometimes called hackathons or Shipt days, these days are meant to invite employees to learn and develop themselves by running experiments and exploring new ideas.

My favorite vacations have always been the ones where we fly to some faraway country, rent a car, buy a map, and start exploring.  I like to believe this is similar to what they did centuries ago: sailing off across the ocean and discovering new continents, new cultures, and new diseases.

Exploration is also the most effective approach to learning—a topic that appears to be a challenge in many organizations. An emphasis on learning is crucial for all businesses, no matter how successful they already are. After all, you won't have a *first mover advantage* for long if somebody else has the *fast learner advantage*.

You won't have a *first mover advantage* for long if somebody else has the *fast learner advantage*.



In modern organizations, more and more people are expected to be self-organizing. Sadly, I have noticed that self-*organizing* teams are not always self-*developing* and self-*educating* teams. I worked with software teams in which developers were very competent at playing Halo or Quake. But important software development practices, such as test-driven development and continuous deployment, were regrettably not among their core competencies.

The problem of team members needing more education can be a significant challenge because, in the words of science fiction writer Isaac Asimov, the only real form of education is *self-education*. Similar opinions have been offered by many management experts. We cannot educate employees. They can only educate themselves.

Development is always self-development. For the enterprise to assume responsibility for the development of a person is idle boast. The responsibility rests with the individual, her abilities, her efforts.

Drucker, *Management* loc:5807

I agree with the experts; education of employees is not the prime responsibility of the organization. On the other hand, waiting for people to start developing themselves is not always a successful approach either. People don't explore if they just follow the leader or the crowd. So what can we do? How can we create an environment that fosters learning and nudges employees to start their own exploration?

People don't explore if they just follow the leader or the crowd.

Education Days

I once introduced the concept of **education days** in the company where I worked. Every employee was entitled to a number of days per year (we started with twelve) that they were encouraged to use for self-education. It didn't matter whether they spent it reading a book, attending a conference, experimenting with new technology, or building a prototype of some crazy idea. Anything was fine, as long as they *learned* something. It was almost the same as vacation days, but instead of spending those days exploring bars and beaches, we expected people to explore techniques and technologies. It touched upon intrinsic motivators such as *mastery*, *curiosity*, and *freedom*. I thought it was a good idea.

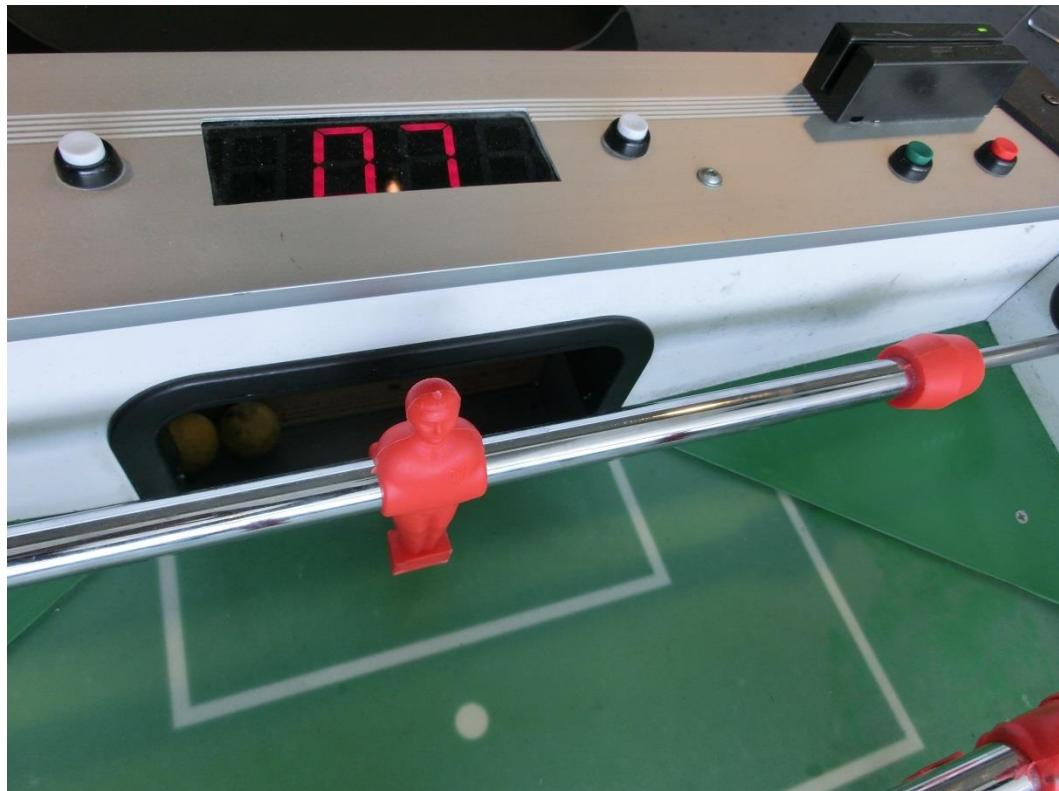
Well, it was. But it didn't work.

The idea was worth trying because apparently it *does* work in some other organizations. Google has its famous **20% time**, a policy that says employees are allowed to spend 20% of their time working on any idea that interests them. [Hayes, “Google’s 20 Percent Factor”]  It has not only worked as a good motivator; the practice has also generated many great ideas for the company. Products such as Gmail and AdSense were conceived in 20% time. Interestingly, it was reported recently that Google has downplayed the importance of its 20% time policy [Mims, “20% Time Is Now As Good As

Dead”] in favor of a more top-down approach to innovation and more reliance on employees to develop themselves in their own free time. [Mims, “20% Time Is Not Dead”] Apparently, Google has realized that having a fixed number of hours for exploration and learning is neither the best way to get people to develop themselves nor an adequate approach to building innovative products.



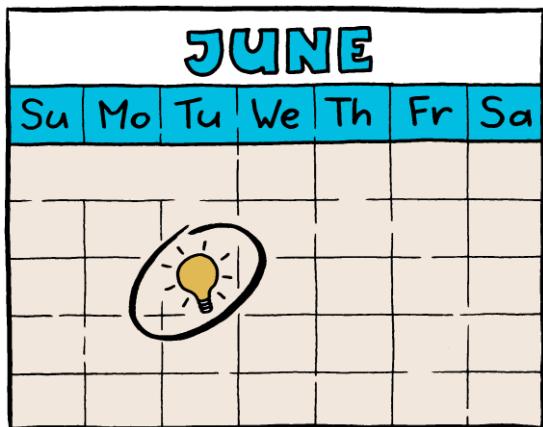
At Cisco Labs in Norway, they don't budget the time for people's self-development. Employees are allowed to spend any amount of time they want on their pet projects, and for some that means upgrading the football table in their lunch area. During my visit to Cisco Systems, I was shown their football table, which had a card reader installed that was used to sign in players using their security badges. Goals were registered with a built-in laser and shown on an LED -display on the table. Even the speed of the ball was measured. [Happy Melly, “Danger, If You Read This Story”] Cisco's employees had made all these modifications themselves because, for them, the football table is their technical research lab. Olve Maudal, who showed me around the company, told me that other organizations often try to encourage creative ideas by providing lounge areas with fluffy cushions and colorful wallpaper. Olve stated it was more effective to just allow people time to play and experiment. I agree. It wouldn't surprise me if, by now, the football table in Norway supports Google Glass and has drones flying over it, capturing live video that is streamed to YouTube.



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Unfortunately, my organizational reality several years ago proved a bit more stubborn and less playful than the examples I gave from Google and Cisco. Our employees argued that they had no time to learn and always had more urgent things to do. They had project deadlines to consider, customer demos to prepare, and meetings to attend. Therefore, they told me they saw no opportunity to make use of their education days. I thought this was strange because the same people had no problems making use of their *vacation* days. A more logical explanation seemed to be that they didn't consider their *education* to be as desirable as their *vacation*. Education, in their eyes, was just another task to be prioritized by management. Important maybe but not urgent.

Experienced creative networkers know that important things and urgent things rarely overlap. Doing what's good for you, and developing useful habits, takes motivation and discipline, like flossing your teeth, eating vegetables, and going to the gym. People need to grow into it. (I've managed the first one, but I'm still working on the other two.) Because organizations cannot really change people and educate them, a good alternative is to tweak the environment so that people change themselves, educate themselves, and start developing the desired habits. [Appelo, *How to Change the World* pag:48]



ShipIt Days

One company that understands this well is the Australian software company Atlassian. [Pink, “How to Deliver Innovation”] Once every three months, they select a day on which everyone in the company works for the entire day on an idea of their own choosing.  The requirement is that they deliver a result in just 24 hours, hence the name **ShipIt day**.  (The original name was actually *FedEx day*, but the FedEx company started to voice concerns about this.) Several other organizations, including Facebook and Spotify, organize similar internal events called **hackathons** [Zax, “Facebook’s Hackathons”] or **hack days**. It pretty much boils down to the same thing. Business stands still for one day—some people even stay at the office for a whole night—and everyone learns.



On a ShipIt day or hack day, you can work on whatever you want, as long as it isn't part of your regular work. [Zax, "Facebook's Hackathons"] You can choose to do it alone, but it's probably more fun to team up with some of your colleagues. Such days can be wild and spontaneous, but they work better when they are planned. [Brands, "FedEx Day at PAT"] At Atlassian, they usually have a "ShipIt organizer" who prepares meetings to come up with ideas that can be turned into projects. [Atlassian, "ShipIt Day FAQ"] At Facebook, they have a group called Hackathon Ideas where people post ideas during the week leading up to a hackathon, so that teams can form organically around them.

According to the people at Atlassian, ShipIt days work well because they stimulate creativity, they help solve actual problems, they increase knowledge and experience, and they are a lot of fun. [Silvers, "ShipIt Day in the Wild"] The people at Facebook and Spotify seem to agree that hack days lead to more focused and open working environments. And they not only involve developers, but designers, marketers, and other experts as well. Last but not least, these "synchronized education days" seem to help increase social connections between people, help them to self-organize, and increase commitment among employees.

How often should we do this?

At Atlassian, they organize a Shipt day every three months. At Facebook they organize their hackathons roughly every six weeks. Doing it more often has too much of an impact on people's regular projects and work lives. And less often means people get impatient, waiting for the next one. My guess is that the optimum for most organizations is somewhere between one and three months.

What ShipIt days and hackathons add to education days is that peer pressure makes it harder for employees to claim that they are "too busy", an argument that is also heard among Google's employees. [Mims, "20% Time Is Not Dead"] Second, the commitment to present the results in 24 hours gets rid of the free format of the education days. Third, handing out an award for the best idea, as a token of recognition among peers, seems to target people's sense of *honor* and *mastery*. Fourth and finally, when some people's ideas evolve into actual new products, this will clearly satisfy their desire for *status*. (And I think employees will rarely spend such days playing Quake or Halo.)

Should we be experimenting or delivering?

Everyone knows that the outcomes of research cannot be planned. (Otherwise, we could simply plan our way to vaccines for malaria and HIV.) Therefore, it's not required to deliver a successful idea at the end of a hack day. The goal is learning, not shipping. It is great when a team delivers a potentially shippable product, but it's also great when the explorers fail spectacularly by discovering the wrong continent, one they had never planned to find.

Internal Crowdfunding

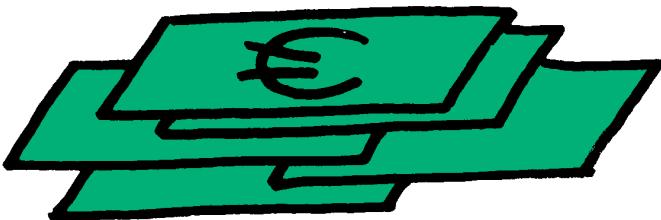
When I was CIO, our management team felt responsible for gathering innovative ideas from employees. We appointed an innovation committee, with representatives from several departments, which had the task of choosing which ideas to invest in as a company.

That didn't work either.

People submitted more ideas than we could handle, and many felt personally rejected when their idea was not selected by our innovation committee. The effect was the opposite of what we had intended: instead of getting better ideas, the flow of new ideas dried up!

Some companies have discovered that it is better to leave the selection of innovative ideas to employees. They take the hackathon a step further and turn it into an **innovation stock market** by giving all employees a personal (virtual) budget that they can use for investing in ideas.  Any employee is allowed to float a new idea on the stock market, but she will have to convince her peers to invest in her idea. With this approach, there is no innovation committee needed because employees decide together, as a crowd, which of the ideas have the best chance of succeeding and generating a return on their investment. Basically, what you achieve with such a system is an internal version of **crowdfunding**. [Burkus, "Why Hierarchy Stifles Creativity"] This can work beautifully because the job of management is not to select the best ideas; it is to create a great system that allows for the best ideas to emerge.

The job of management is not to select the best ideas; it is to create a great system that allows for the best ideas to emerge.



A worker-driven idea stock market, however, is probably not enough to survive in an ever-changing global market. One cannot leave strategic product development to pure chance and self-organization among employees. This is one reason why Google replaced its free-format Google Labs experiments with its more focused and disruptive Google X program. [Schrage, “Just How Valuable Is 20% Time?”] But a top-down pursuit of long-term strategic opportunities and bottom-up development of short-term ideas for improvement don’t need to be in conflict with each other. Probably, you need both. You cannot bet the future of the company on whatever employees come up with as playful experiments. [Mims, “20% Time Is Now As Good As Dead”] But you do not have a future *at all* as a company without an incentive for employees to develop themselves, motivate themselves, and generate innovative ideas. [Mims, “20% Time Is Not Dead”]

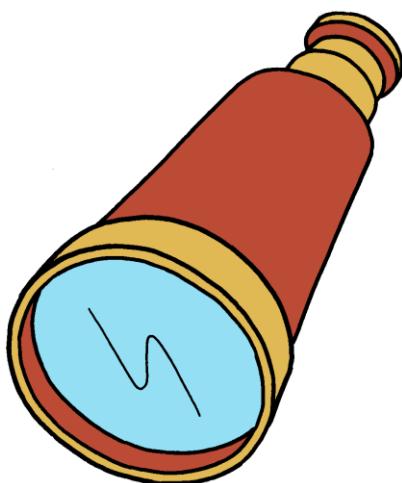
As with any other adventure, there are different paths to the same goal. When your regular education days and 20% time don’t work, you might want to consider turning them into ShipIt days, hack days, or a more exclusive and secretive program like Google X. And it may or may not be interesting to add an idea market, powered by internal crowdfunding, as a complementary approach to any disruptive innovations that top management is working on. These are all useful contributions to people’s self-education. They address intrinsic motivators such as *autonomy*, *mastery*, and *purpose*, but also *social connectedness* and *status*. People work on something they like to do for a cause they think is important. But people also see what their colleagues have worked on, and why this matters to *them*. And there is nothing as rewarding as delivering something interesting in just 24 hours, except maybe seeing it being turned into a real product thanks to an internal crowdfunding system.

Some experts say you get the best out of employees when you treat them as entrepreneurs. [Vanderkam, “Encouraging Employees to be Entrepreneurs”] By making a bit of time available for them to work on their dream projects and allowing them to gain support from their peers to actually get those projects funded, you help people feel more connected to their co-workers, and you help the organization become more innovative. No committee in the world can achieve that.

You get the best out of employees when you treat them as entrepreneurs.

Self-Education

Learning is different from training. Training is something organizations can do to teach employees how to handle a specific set of tasks. Learning is what employees must do *themselves* to cope with the complexity of their environment. And learning is optimal when people run experiments and explore unknown terrain. [Reinertsen, *Principles of Product Development Flow*] That's why I prefer to use the term **exploration days**. 🚡 The goal is to get employees to learn as much as possible by generating and exploring new ideas. Experts agree that the purpose of hackathons and other forms of exploration days is to experiment with ideas, not to ship things. [Zax, “Facebook’s Hackathons”] And organizations must learn how to run such experiments regularly, because those that learn fastest are the ones best able to survive.



The purpose of training is to reduce variety, to get a group of people tackling tasks in the same way; so training reduces variety. The purpose of learning is the exact opposite. Learning increases the individual's capacity to respond to different situations; it increases variety.

Hoverstadt, *The Fractal Organization* loc:161

Is this only for software developers?

Absolutely not. Anyone can explore ideas and generate interesting results. [Spotify, "Hackathons Aren't Just for Developers"] This is yet another reason why I prefer the name **exploration days** over **hack days** or **ShipIt days**, because people in non-development departments can find it difficult to figure out how to "hack" or "ship" things in their line of work. But innovation is not only about improving products; it is also about inventing entirely new ways to do marketing, HR, legal, operations, or management. [Appelo, "Innovation Is Not Only in Your Code"] All employees, no matter what their line of work is, can rethink the way they do their jobs and see themselves as explorers!

Exploration also means discovering new terrains or ideas in other people's areas of work. At Pixar, the famous animation company, they teach everyone, including the accountants, how to draw because learning to draw means learning to become more observant, which is useful for everyone. [Taylor and LaBarre, *Mavericks at Work* loc:3507] At Semco, in Brazil, they teach all employees the basics of accounting because understanding finance is *also* useful for everyone. [Semler, *The Seven-Day Weekend* pag:133] Note that the point here is not that you should learn to draw or balance accounts (coincidentally, I taught myself both), but I do suggest that all employees in a company learn to explore and expand their horizons.

The best approach to self-education depends on the organization. Maybe ShipIt days could have prevented the failure of my education days several years ago. In other organizations, where motivation and discipline are already sufficiently available, 20% time might be the better solution. Maybe you can initiate a couple of well-coordinated hack days to let people get used to the idea of self-education, and then gradually release the constraints when the teams are able to keep up the habit themselves.

Be creative in your organization's approach to learning. Investigate the different practices I've outlined in this chapter and apply these **three steps to creativity**:

- 1.** Connect unrelated ideas;
- 2.** Strawberry yogurt and naked fairies;
- 3.** Synthesize and simplify.

Most people are eager to learn new things but many of them don't know how, or they focus on irrelevant topics. Set up the constraints in the environment so that people learn relevant stuff. But never try to educate them. Help them to educate themselves by allowing them to explore. I can hardly think of a better management workout practice that helps engage people, improves work, and delights clients, all at the same time.

Adaptive and evolutionary systems by their nature involve experimentation. Since the way ahead is a gray zone, if we want progress, we must experiment.

Rother, *Toyota Kata* loc:2008

Casual Friday

"We have a version of exploration days at etracker which has generated some nice results. Every second Friday we have a 'casual' Friday. On this day, every developer is allowed to do whatever he wants. Some use this day to clean up things they didn't have time for during the week. Others use the day to build cool new features of which product management usually says that 'no one is going to need them'. But after releasing those features it sometimes turns out that our customers *do* love the new features. Maybe we should better call them anarchy days. ☺"

Yves Stalgies, Germany

Our first ShipIt day

"We experimented with a ShipIt day in my company with eight colleagues. Our experience was that the requirement to do this in one day felt like a great incentive. People were enthusiastic and excited about participating, maybe because it was a new experience. There was great energy in the group. There's something special about concentrating on one topic during one day, and there was a great feeling of satisfaction of having achieved something in only one day."

The 24-hour format was a bit difficult for some people (understandably, some have to get their kids from school, etc.) and I felt a lot of preparation by the facilitator (including materials and ideas) was necessary to make things work well. But we enjoyed trying this for one day and we will be sure to repeat this on a regular basis!"

Anthony Claverie, France

Rotation days

"I'd like to share a variation of exploration days called 'rotation days'. It's nothing fancy but it does wonders. It was introduced recently in a section called 'Methodology, Interoperability and Architecture' at the European Commission. The section has five teams, with three to five members each, and all teams work in different areas.

Once per month a member of one team works one full day in another team. The host team has to prepare an assignment, and at the end of the rotation day, both the guest and a member of the host team write a brief report about what happened, what they've learned, etc."

Ivo Velitchkov, Belgium

What Now?

Now it is time for you to start learning by doing.

- 1.** Read more about exploration days (ShipIt days, hackathons, 20% time) in the referenced articles.
- 2.** Organize an exploration day with just your own team, during the week or over a weekend.
- 3.** Use the results of this experiment to convince other teams to organize another day together.
- 4.** Consider setting up a stock market for ideas, where people can invest in each other's experiments and somehow reap the benefits of having supported a successful innovative project.

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Do you have a great idea to share with the world?

Are you looking for great ideas to change your work for the better?

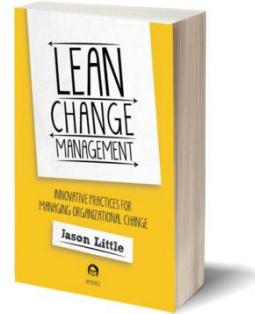
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Business Guilds and Corporate Huddles

www.management30.com/business-guilds

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An idea is a feat of association.

Robert Frost, American poet (1874–1963)

Many organizations need to harmonize practices, procedures, and tools across teams and departments. They also need people to share knowledge and develop their craft by communicating across traditional organizational boundaries. This is the purpose and role of guilds and huddles.

The façades on the *Grand-Place* in Brussels, Belgium, look amazing. In the past, they were literally the images of the **guilds** of Brussels, representing some of the finest crafts in the country. Nowadays, the former guildhalls offer expensive Belgian chocolates to naïve tourists, who are unaware that the *really* good chocolatiers are situated on the *Grand Sablon* elsewhere in the city.

Medieval Guilds

In the Middle Ages, professional workers were called artisans, and they often organized themselves in guilds.  For several centuries, those guilds were formed around disciplines such as carpeting, carving, masonry, and many others. Sometimes, these associations of artisans were very strict. They dictated the rules of business for artisans throughout an entire country. Sometimes they were organized in a more relaxed way, with their guiding hands only reaching as far as the city boundaries. No matter how they were organized, the guilds enabled people to learn a craft in master-apprentice working relationships, and they defined proper procedures and behaviors for all who practiced the craft.



Guilds [were] social networks that generated beneficial social capital by sustaining shared norms, punishing violators of these norms, effectively transmitting information, and successfully undertaking collective action.

Ogilvie, "Guilds, Efficiency, and Social Capital"

Unfortunately, when common sense devolved into politics, preserving power and making money became more important than sharing information and teaching students. With the help of the government, the guilds even became counterproductive in terms of innovation. It seems a classic example of management corrupting an idea that is intrinsically valuable but susceptible to abuse.

Communities of Practice

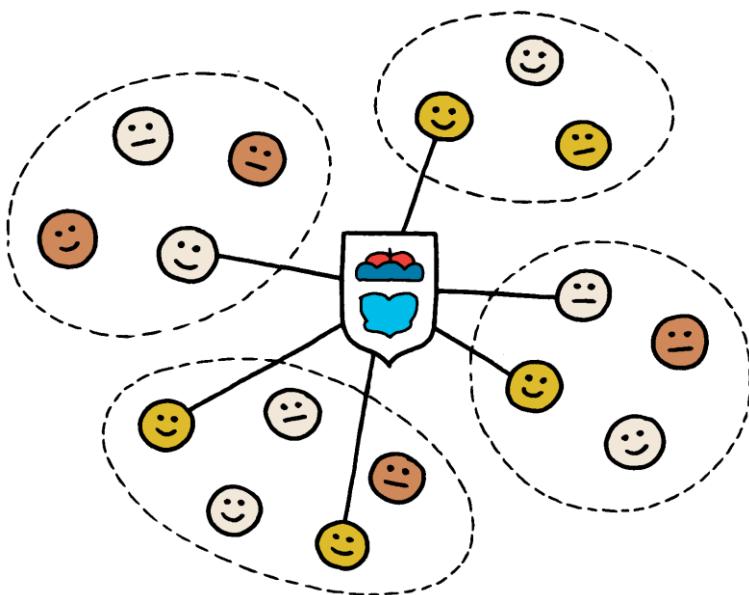
Fortunately, good ideas rarely die. Nowadays, the artisans within a company sometimes organize themselves in a modern version of a guild called a Community of Practice (CoP). [Malone, *The Future of Work* pag:84] A CoP is a group of professionals who share a common interest or area of work, a common concern, or a passion about a topic. They can be organized around roles, technologies, interests, and anything else. [Brown, “On Community of Practice”] Since communities of practice are usually informal and self-organized, and membership is voluntary, the people who are involved are often passionate about their work. [Wenger, *Communities of Practice* loc:144] This observation is closely related to one of Gary Hamel’s “moon shots” for business, which says that companies should see themselves as “communities of passion”. [Hamel, “Moon Shots”]

Communities of practice are groups of people whose interdependent practice binds them into a collective of shared knowledge and common identity. [...] When people work this way, barriers and boundaries between people and what they do are often insubstantial or irrelevant, since a collective endeavor holds people together.

Seely Brown, “Complexity and Innovation”

The purpose of a CoP is for participants to learn and share ideas, document lessons learned, standardize ways of working, initiate newcomers, provide advice, explore new technologies, and maybe even apply some forms of governance. A CoP can cut across teams, products, business units, and other organizational boundaries.  In doing so, it helps to strengthen the social network. Sometimes, a CoP is in place for the duration of just one (big)

project. Sometimes, CoPs continue for as long as their members are passionate about an area of work that binds them.



A community of practice is a unique combination of three fundamental elements: a domain of knowledge, which defines a set of issues; a community of people who care about this domain; and the shared practice that they are developing to be effective in their domain.

Wenger, *Communities of Practice* loc:518

In different contexts, people use different names for (roughly) the same idea, such as learning communities, tech clubs, centers of excellence, improvement communities, professional associations, or simply user groups. The CoPs at Spotify, the popular on-line music company in Sweden, are actually called guilds. [Kniberg, “Scaling @ Spotify”] It is the term I like best because it has an affinity with craftsmanship that is already centuries old. We could be more precise and call them **business guilds** to distinguish them from the bigger professional associations and user groups, which usually cover geographical areas instead of organizations. No matter what you call them, there are three things that business guilds all share. They cover a knowledge domain, a community of enthusiasts, and a set of tools and practices.

Business guilds cover a knowledge domain, a community of enthusiasts, and a set of tools and practices.

Though the work of guilds is primarily about learning through collaboration, their usefulness can extend to other areas as well. For example, an interesting aspect of business guilds is that they may enable workers to have a bigger impact on the products, services, and business strategies of the organization, similar to the influence craftsmanship guilds had on the policies and laws of their city councils.

Through guilds employees have an impact on the way they are working in the company and the way the company provides services to customers.

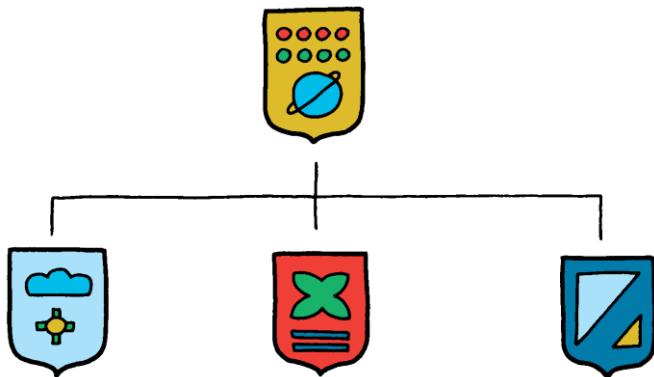
Aniola, “Guilds @ BLStream”

Hierarchies of Guilds

Business guilds (or communities of practice if you prefer) can form their own hierarchies, and they can be formed within existing hierarchies.  For example, in an organization that spans multiple European countries, the guild for testing in Germany and the guild for testing in France could both be part of a bigger European guild of professional testers. [Galbraith, *Designing the Global Corporation*] At the same time, each regional guild can be subject to different processes, rules, and rituals relating to how they are formed and governed. In some cases, an organization’s management will actively push for the formation of such communities. In other cases, they will leave it to their professional workers to organize themselves.

It is even possible for people from different organizations to join forces in one guild, or for multiple business guilds to form one guild across a city, so that people can collaborate and share their knowledge and passions across organizational boundaries. [Aniola, “Guilds @ BLStream”] This doesn’t have to be complicated. Sometimes it can be as simple as organizing a “regulars’ table” in a coffee house, such as the *Management 3.0 Stammtisch* in Munich, where enthusiasts from various companies discuss modern management

principles and practices on a weekly basis. [Happy Melly, “Planning a Revolution?”]



Football (or soccer for some readers) serves as a nice metaphor for cross-organizational guilds. The Dutch national football association (or “guild for football”) is called KNVB. At the European level, there is UEFA, of which KNVB is part, while at the world level they are all part of FIFA. The national football associations are subject to the national laws of their respective countries and are formed and governed in different ways. (Except for Brazil, where people told me that *fútbol* itself *is* the law.)

Watch out for inefficiency

Freelance project manager Tonio Grawe pointed out to me that hierarchies of guilds can lead to inefficiencies due to politics. For example, the rules of football at the European level differ slightly from the rules at the global level. Why? Because they’re different organizations with different people and different agendas. They do this because they can.

When guilds become institutionalized (formally recognized by management), it is important to understand how conflicts of interest between people, guilds, and management will be resolved. For example, the Dutch gymnast Jeffrey Wammes (a professional) was originally not selected by the Dutch Gymnastics Federation (the guild) to represent The Netherlands at the London 2012 Olympics. Wammes didn’t agree with that decision and took the case to court (the management), where the judge decided that Wammes had a good point, and that the federation had to reconsider its selection process.

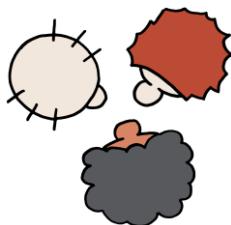
In organizations, similar conflicts can arise. Perhaps some people desire that a product is delivered on a certain date, but a guild tries to block it because the product does not satisfy certain quality criteria. Management will then have to make it clear to everyone which people are authorized to make which decisions and play the judge in case there are different interpretations of the rules.

It's always up to the government (or management) to define the boundaries within which the guilds can make their rules but also to respect those boundaries. It is interesting to note that the judge did not simply overrule the decision of the Dutch Gymnastics Federation and give Jeffrey Wammes what he wanted. Instead, the judge said the decision had been made badly and ordered the two parties to start over. Likewise, in organizations, management can be a force that nudges people and guilds into a collaborative mode without making the decisions for them.

Business Huddles

For some purposes, starting a business guild might sound like too much effort with too little benefit. Sometimes, you just need to make a quick decision as a group, or you merely want a brief update on the latest news and gossip within your community of creative networkers. That's where the **corporate huddle** comes in.

I remember lunch meetings at one of the companies where I worked that were among the most cringe-inducing practices our top management ever inflicted upon its employees. Once every three months it involved gathering everyone in the lunch area for one hour, paying for pizza or French fries, placing some department managers next to a computer and projector, and aiming PowerPoint slides decorated with bullet points at 200 glazed eyeballs. What I *don't* remember is anyone ever saying afterwards, "That was great! I wish we did this every week."



Corporate huddles are all-hands meetings that allow for quick horizontal decision making among peers.  They differ from traditional all-hands meetings in the sense that they are about peers informing each other and making decisions with each other, not managers informing non-managers about decisions that were already made without them. [Ashkenas, *The Boundaryless Organization* pag:157] Basically, you have a huddle when you get most members of a group in the same room and you invite everyone to contribute to a central discussion. That's the easy part. The difficult part is to make these huddles work, and to have people say, "That was good! We should do this more often."

Corporate huddles are all-hands meetings that allow for quick horizontal decision making among peers.

You can increase the chances of your huddles being successful by rotating the facilitator or leadership role of the huddle, by creating a regular schedule with an expected cadence, by injecting an element of surprise or fun (for example with an outside speaker from The Netherlands, or with a small celebration), by keeping those who were not able to attend adequately informed, by keeping the PowerPoint projector locked away, and by *not* organizing it in a boring lunch or conference room. [Ryan, "Don't Hate the Huddles"]

If you organize your corporate huddles well, there is a good chance that you will never need a traditional all-hands lunch meeting again because everyone in the community is already informed about the decisions that they made together. People report that better cross-functional communication, less micromanagement, and breaking down barriers between teams and departments are the major benefits of regular huddles. [Gardella, "The Verdict on Business Huddles"] And when you focus some of your regular informal huddles on a specific topic or discipline, such as designing products, gathering user requirements, writing technical documentation, or giving presentations, you have the start of what could soon become a fully-fledged business guild. Before you know it, you will be sharing insight and advice, helping each other to solve problems, discussing aspirations and needs, and developing shared tools, standards, and documents. [Wenger, *Communities of Practice* loc:153]

Tribes

Everyone can start a huddle or a guild. Is there something that interests you the most in your current job? Is there a topic, practice, or technology that you are passionate about? Could a group of peers in your organization benefit from a bit more coordination? Step forward and unite like-minded people across the organization by rallying them around a shared passion.

Your corporate huddle or business guild can start with a small group of enthusiasts gathered around a certain topic, but this can quickly evolve into an online discussion board, a wiki, brown bag lunches, off-site meetings, and anything else that helps you collaborate across multiple teams and departments. [Bozzuto and Stevens, “Beyond Functional Silos with Communities of Practice”]

By initiating collaboration among peers, you will be forming your own **tribe**. [Godin, *Tribes*] This is a good thing. Your tribe can define proper practices and rules of good conduct for professionals. It enables people across teams and projects to find appropriate levels of self-governance without getting management involved in the details. However, management *does* play a role as an enabler of this workout practice. Many creative networkers struggle with big task lists, full calendars, and strict deadlines. It can be hard for them to join a community that is focused on long-term learning rather than short-term results. Management should make it easy for workers by setting aside an appropriate amount of time and other resources for huddles and guilds.

Management should make it easy for workers by setting aside an appropriate amount of time and other resources for huddles and guilds.

One final word of advice for those who feel motivated to start a huddle or guild: try not to allow politics and corruption to get in the way of your real purpose. Perhaps a Code of Conduct, or even a Constitution, can help you prevent negative social behaviors by guild members from destroying the guild. You don’t want your business guild to end up like the guilds of the old days, showing just a façade of their former glory.

Lunch meetings

"The departments in my company are silo-oriented and there is little 'communication DNA' among the employees. I struggled with the challenge of how to get people to collaborate more and communicate with each other, and I had several discussions about this with my peers.

Then I read about business guilds. I discussed it with several colleagues and recently we held our first business guild meeting. All participants enjoyed it! Now we have a business guild lunch meeting once per week, with a common interest. Everybody is really enthusiastic and motivated and the guild is already growing."

Mark Henneman, *The Netherlands*

Special interest groups

"I was a member of a management team working for an R&D organization where we frequently had discussions about how to encourage better collaboration across organizational boundaries. At the same time we had a senior project manager with an agile mindset who spontaneously started organizing brief meetings with other project managers in order to discuss common concerns, good practices, and communication in general. The management team discussed this idea with her and it dawned on us that her informal huddles were a great way to tackle the collaboration problem that we had identified.

This thinking led to what we then called Special Interest Groups (SIGs). Obviously, having people participate in SIGs led to discussions about the impact on our billing rate and utilization, not to mention the added travel costs for our distributed organization. But we were able to agree on the boundaries and we gave the green light to the SIGs. Over time the SIGs proved their strengths. The feedback we received from the people in our organization clearly suggested that the SIGs were appreciated and that they generated genuine interest."

Juhani Lind, *Finland*

Specialization

"At Liip, we invite people to form guilds that, ideally, serve as a hub for all questions related to their topics, not only internally but also publicly. This gives people a chance to pursue the things they care about.

It might be worth pointing out Peter Drucker's observation that knowledge workers' primary allegiance is often their specialization, not their organization. Therefore, allowing and supporting the formation of business guilds is in the best interest of employers. Business guilds should be seen as a major opportunity for companies to allow their employees to follow their interests and to organize their work around it."

Timo Bezjak, Switzerland

Guild KickOff day

"comSysto is a fast growing consultancy company with teams distributed around Munich. To increase collaboration, knowledge sharing, and the feeling of being connected, we decided to implement business guilds in our own way.

We started with a Guild KickOff day. Topics, goals, and members were not defined at the start of this day, but everyone was empowered to influence the formation of guilds. We did set a few constraints. For example, at the end of the KickOff Day, each guild needed to have a contract, a minimum number of committed members, and a commitment to organizing one guild day per quarter. The KickOff day started with the opportunity for people to pitch one or more topics. Then, people self-organized around their favorite pitches, discussed them across various time slots, and the end result was that guilds were formed, common goals were defined, and contracts were signed among the new guild members to establish commitment.

We now support the guilds with Google+ and other communication platforms, so that communication does not only happen in regular guild meetings. Within months after the formation of the guilds, we are already able to feel an increase of collaboration, knowledge sharing, team growing, innovation, and happiness!"

Florian Hoffmann, Germany

What Now?

Now that you know what business guilds and corporate huddles are for, it is time to start applying the suggestions.

- 1.** What topic (technology, discipline, or role) are you most passionate about? Or which kind of work do you believe is in need of some harmonization across the organization?

2. Which other people in your organization are interested in this topic and might be eager to join your cause?
3. Send those people this chapter. Organize a first huddle and start discussing tools, processes, procedures, people, and policies. Maybe you want to refrain from using the word business guild right from the start and just focus on discussing something valuable with each other. Once people start saying, “This meeting was great! Can we do this again soon?” you have a good reason to suggest the formation of a business guild.
4. Investigate how internal social networking tools, such as wikis and other collaborative platforms, can help your fledgling community build and sustain momentum.
5. Make sure that management knows about the huddles and that they stay away from the messy details of the guilds, as long as the guilds work in everyone’s interests. (Obviously, this doesn’t apply to corporate huddles that span an entire company or department, which are usually initiated by management.)
6. Ask management to set clear boundaries around self-governance so that the new guilds can prove their merits without cannibalizing other work and projects.

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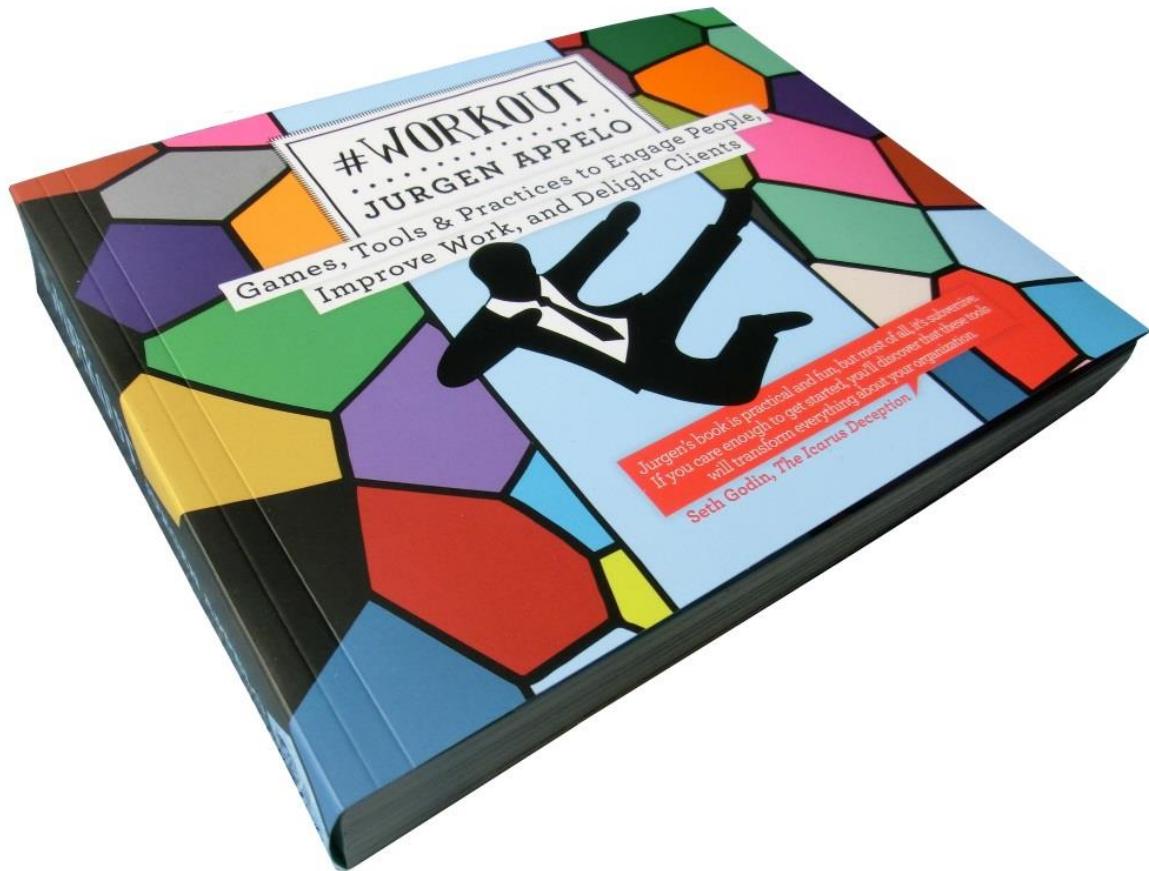
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Idealism increases in direct proportion to one's distance from the problem.

John Galsworthy, English novelist (1867–1933)

More and more employees enjoy freedom in their choice of working hours, work places, and vacation days, while some even have complete freedom in a trust-only work environment. This means face-time between coworkers happens less often and we must learn to give each other constructive feedback in a way that is fast, easy, and... written.

The first time I became a manager at a small company I wondered about a number of things beyond just the size of my monthly salary. I wondered about the size of my end-of-year bonus, the size of my office corner, and how many vacation days I should negotiate with the business owners. One of them said to me, “Why should I care how long you are away from the office? I just want to see a profit at the end of the year.” I remember feeling thrilled at the freedom, trust, and responsibility I was given. After my studies, which were all about achieving results no matter if I showed up in class or not, this was my first *trust-only* work environment.

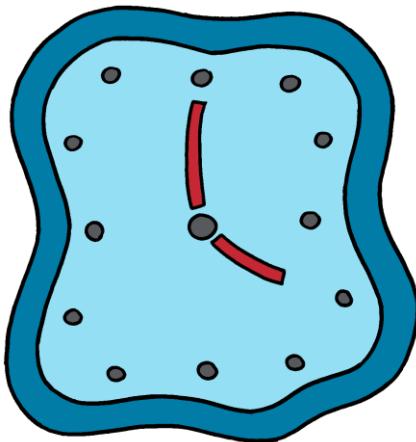
Contrast that with the experience I had several years later at another company that had a time clock. All employees were expected to check in and check out at the start and at the end of every day. Proof that this clocked time was actually monitored came when the financial controller reprimanded me one day for “working” only 7 hours and 25 minutes the day before. Apparently it didn’t matter that I had clocked at least 9 hours on other days. This is a clear example of a *time-driven* or presence-driven work environment.

You won’t be surprised when I say I preferred the former to the latter.

Flextime

The reason I was at the office for only 7 hours and 25 minutes on that particular day was because I had an appointment with the dentist, whose opening hours were almost as narrow as our financial controller’s mind. But compared to other workers, I suffered only a minor inconvenience.

Many employees have to juggle the challenges of dropping off and picking up their kids from school or day care, attending to their parents at an elderly home, visiting the hospital to see a loved one, attending yoga classes, learning a foreign language, evading or suffering traffic jams, working out at the gym, walking the dog, donating blood, or doing charity work. [Javitch, “The Benefits of Flextime”] It makes you wonder, if we want half the world to work from nine to five, shouldn’t the other half be working from five in the afternoon to nine in the morning?

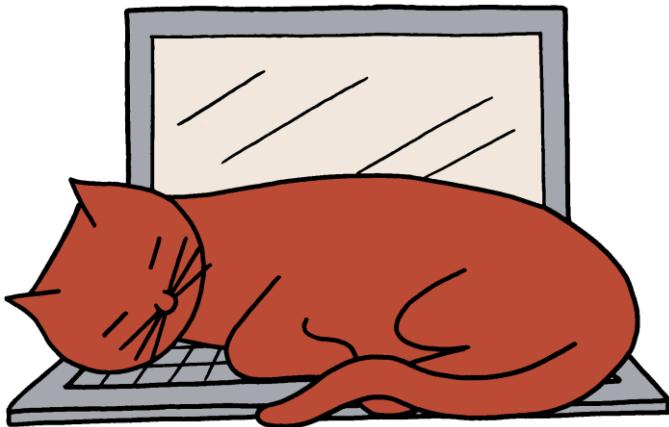


Dividing the world into two groups of people (those who work “normal” hours and those who don’t) is clearly unrealistic. That’s why many organizations have introduced a **flextime policy**.  Such a policy often defines a core time slot when everyone is expected to be at the office, while allowing flexibility for the other hours. Under this policy, employees can easily compensate for their 7 hours and 25 minutes on one day by working showing up at the office for 8 hours and 35 minutes on another day (often called *compensation time*).

It was a first step toward a more trust-driven work environment, which also meant a first step toward performance evaluations based on effort and results, not on time.

Remote Working

Fortunately, the “flexibilization” of work environments didn’t stop there. In a number of organizations, employees are allowed to do part of their work at home, in remote co-working offices, while traveling abroad, at the day care center, or at the local Starbucks. A **telecommuting policy**  allows people to do their work where it makes the most sense for them, given their personal circumstances and the nature of their work. Multiple reports have indicated increased morale, better focus, higher productivity, reduced turnover, and lower expenses in environments with a flexible attitude toward the location of work. [Boag, “Benefits and Challenges of Remote Working”; Surowiecki, “Face Time”] Also, such organizations tend to draw more-experienced, high-quality workers who prefer to work wherever they want.



Not unexpectedly, allowing people to do their work anywhere creates a bucket load of new challenges. What about privacy, security, and confidentiality? What about people's equipment, insurance, and travel expenses? [Elliott, "4 Important Considerations for Creating a Remote Work Policy"] Most organizations feel the need to develop a remote working policy that clearly defines people's rights and responsibilities when they are working away from the office.

And then there are other issues. When people work on their own as telecommuters, there is an increased risk of loss of trust, collaboration, and social cohesion. [McGregor, "Flextime"; Surowiecki, "Face Time"] In other words, the organization may risk losing a healthy culture. [Hauser, "What's Wrong with a No-Remote-Work Policy?"] It's no coincidence that even the hippest and trendiest Silicon Valley companies often spend large sums of money on free food, games, massages, and fitness equipment in order to keep everyone together in the same office as much as possible.

Still, the option of doing useful work while away from the office seems like a second step toward a more trust-driven work environment. And it is also a second step toward feedback systems focusing on *how* people do their work, not on *where* they work.

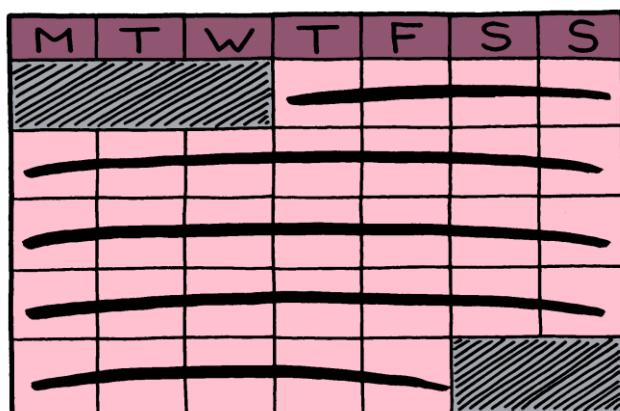
Unlimited Vacation

We can even go another step further in making our work environments more flexible. Ever since people have worked away from the office, the line between work time and free time has started to blur. When an employee books a vacation from her office desk, should that be considered as the first hour of her vacation time? And when the same person phones into an

important meeting from her holiday resort, does that count as two missed hours of vacation? [MacMillan, “Companies Offer Unlimited Vacation”] What about writing a report while babysitting the neighbors’ kids? What about walking the dog after lunch while discussing a project with a team member?

Smart organizations would rather not specify in detail what is and what is not allowed during specific times of the day, as long as people do enough useful work *and* take enough time off. Plenty of studies have found that time away from work, with regular vacations, improves people’s performance and lowers their stress levels which increases the quality of their output when they *do* work. [Bailyn, “Unlimited Vacation Time”]

Time away from work, with regular vacations, improves people’s performance.



For this reason, companies such as The Motley Fool, Netflix, HubSpot, Evernote, and Zynga have stopped defining how many hours per day people should work and how many days in the year they can go on a vacation. [McConnell and McPike, “Unlimited Vacation?”] The benefits of such an **unlimited vacation policy** 📈 are similar to the ones I mentioned earlier: better morale, increased productivity, higher retention, and higher engagement [McConnell and McPike, “Unlimited Vacation?”]. And no tiresome discussions about banking vacation days, half days, bonus days, and other nonsense.

Surprisingly enough, with an unlimited number of vacation days and without any guidance on *how much* vacation per year is reasonable, it appears some people actually take *less* time off than they should. The reasons mentioned

most often are not wanting to be characterized as a “slacker”, not having the experience or courage to say “No” to extra work, and not being able to choose (also called “choice overload”). [Bailyn, “Unlimited Vacation Time”; Gregoire, “Unlimited Vacation Policies”] Taking into account these undesirable side effects of an unlimited vacation policy, some companies are strongly suggesting a *minimum* amount of vacation per employee, but no maximum. [McGregor, “Unlimited Vacation Policy”] (This also happens to be the law in many countries.)

Assuming that we can properly address these side-effects, the responsibility for one’s own free time sounds to me like a third step toward a more trust-driven work environment. At the same time, it is a third step toward performance feedback that must be based on actual work *performance* instead of work *presence*.

Results-Only Work Environments

Flextime Policy, Remote Working Policy, Unlimited Vacation Time Policy, Casual Friday Policy, Open Door Policy.... You know there’s a problem when the word “policy” is needed to manage work in a sensible way. How about having *no* policies instead?

“There is also no clothing policy at Netflix, but no one comes to work naked,” says the company handbook. “Lesson: you don’t need policies for everything.”

McConnell and McPike, “Unlimited Vacation?”

I wrote a significant part of this book while traveling across the world. Actually, sometimes I was just *trying* to travel. Just last week, my flight to Hamburg was canceled two times, and thus I spent a whole day at the Vienna airport reading articles, answering emails, planning workshops, sending invoices, and writing blog posts. The coffee was good, the Wi-Fi was great, and the chairs were comfortable. I had a perfect office. To my surprise, some people on the Internet asked me, “Why are you staying at the airport? Why don’t you go sightseeing in Vienna?” And I thought, “Excuse me? Why do you stay at your office? Why don’t you go home to spend time with your family?”

Strange as it may sound, like many other people, I have work to do. But unlike some other people, I can do most of my work anywhere. The whole world is my office. The suggestion that I could spend a day sightseeing reflects the thought, “Jurgen is not at an office; therefore, he is probably not working. He could use his free time to relax and find himself a delicious chocolate-heavy Sachertorte.” It seems to me an expression of the notion that office work is normal and remote work is different. It’s time to change that.

Remote work insinuates that we’re away from something, a physical location where work should be done. [...] Words to remove from your vocabulary if you’re serious about moving into the twenty-first century include the following: flex worker, teleworker, remote worker, virtual worker, mobile worker, telecommuter [...] The insinuation that comes with the labeling is that they are doing something different from what they’re supposed to be doing.

Ressler and Thompson, *Why Managing Sucks* loc:445

I’m not a remote worker because I’m not *away* from anything where I’m supposed to be. (OK, I was supposed to be in Hamburg at some point, but that was just for a few hours.) My work is always with me. I think the same applies to other creative networkers.

Work isn’t a place you go; rather it’s something you do.

Ressler and Thompson, *Why Managing Sucks* loc:3173

I’m not a remote worker because I’m not *away* from anything where I’m supposed to be.

When we focus on results, we don’t need office policies. A popular example of a **no-policy policy** is the concept of the Results-Only Work Environment (or ROWE). It basically says, trust people to get the work done and measure performance by looking at output, not input. [Ressler and Thompson, *Why Managing Sucks* loc:1519] In a ROWE, people can work anywhere they want. It’s the results that matter, not the method. There is anecdotal evidence that

both output and engagement have increased when organizations have switched to a ROWE. [Belkin, “Time Wasted?”] This is no surprise. A Results-Only Work Environment implements what many studies have indicated to be the most effective way to manage an organization.

Help employees understand what needs to be done, give them the autonomy, trust and support to accomplish objectives in the ways that work best for them, and provide feedback and recognition to let them know how well they’re doing and reinforce good performance.

Valcour, “The End of ‘Results Only’”

Like any other good idea, ROWE has its share of problems and critics. Some people (employees and critics alike) have confused the Results-Only Work Environment with a Remote-Only Work Environment, pointing out that some jobs and work environments require people to handle customers (in retail) or patients (in hospitals), which is work that can’t easily be done remotely. [Haun, “Why ROWE Hasn’t Quite Caught On Yet”] It’s a strange argument because the idea is to focus on *creating results*, not on *staying away*. If good results require employees to discuss among each other who will be at the store or the hospital, and at which times, to take care of customers or patients properly, then this is exactly what should happen in a ROWE. A failure of people to take joint responsibility for results is not a failure of ROWE; it is a failure of company culture and personal attitude. [Haun, “Why ROWE Hasn’t Quite Caught On Yet”]

Other authors have claimed that a Results-Only Work Environment fails when company survival is at stake and that a sense of “all hands on deck” is needed. [Hollon, “Goodbye ROWE”] Again, the same conclusion applies here. If the crucial *outcome* is survival of the company, then *that* is the result the employees should be aiming for together. Indeed, they might have a better chance at survival with intensive face-to-face collaboration at the office, and it could be a sign of bad culture and attitude when employees don’t come to this realization by themselves and instead prefer to save the business from their own separate but comfortable homes. On the other hand, when people can’t be bothered to show up at the office, one might also conclude that it’s the company culture (not ROWE) that simply isn’t worth saving.

Developing Trust

“Trust people to get the work done.”

Oh. Really?

Few topics are as widely misunderstood as trust. Everyone talks about it, but when I ask for clarification, nobody can properly define it. They all claim employees have a right to be trusted, but few are willing to trust a co-worker to successfully perform open-heart surgery, build a rocket, or win the Olympics.

Trust is a rather complex topic. The model of trust that I trust most lists ten factors that all contribute to the presence (or lack) of trust. [Hurley, *The Decision to Trust* loc:616]

- **Risk Tolerance:** some people are risk takers, others are cautious;
- **Adjustment:** some people are optimists, others are pessimists;
- **Power:** some people have authority, others suffer from it;
- **Security:** sometimes the stakes are high, sometimes they’re low;
- **Similarities:** some people are similar to each other, others aren’t;
- **Interests:** sometimes interests are aligned, sometimes they aren’t;
- **Benevolent Concern:** some are nice to us, others... not so much;
- **Capability:** some know what they’re doing, others... not really;
- **Integrity:** some people deliver on commitment, others... forget it;
- **Communication:** some can communicate well, some... —uhm.

Growing trust involves quite a bit more than “just relying on everyone to get the job done”. Not everyone knows *how* to do a certain job (Capability). This makes people uncomfortable with a limitless amount of freedom for themselves *and* for others (Risk Tolerance), which actually feeds their *distrust* of a results-only work environment, which worsens their collaboration (Communication), which further breaks down trust, which nudges authoritative managers to “take action” and call everyone back to the office (Power), which destroys another chunk of trust, which stops people from delivering on commitment (Integrity), which evaporates the last bit of trust

people still had. And that's just one possible outcome of a laissez-faire approach to a results-only work environment.

As an alternative, the spiral of trust could move upward. By allowing those with a *track record of delivering on commitment* (Integrity) to work from home, you grow more trust in remote working, which reduces a manager's urge to "take action" (Power), which generates more trust among everyone that they can indeed self-organize, which helps them to collaborate better (Communication), which creates yet more trust, which helps even the most risk-averse people (Risk Tolerance) to see the benefits of a results-only work environment. The spiral continues until employees have earned freedoms they never had before, and can do work in ways they never thought possible (Capability).

Human organizations are complex systems. We can imagine many other vicious and virtuous cycles of trust, using any combination of the ten trust factors. However, many authors believe that growing trust by focusing first on commitment (Integrity) is a good bet.

There is no better way to build cross-group trust and offset initial skepticism than to establish a strong track record of delivering on commitments.

Hurley, *The Decision to Trust* loc:3175

Developing a track record of commitment and trust might take a lot of time and effort. Trust is like money. It can take years to earn it and it takes only minutes to lose it. Authoritative managers who communicate (intentionally or not) that nobody in the office can be trusted to set their own time schedule, choose their own work place, and select their own vacation days, do not develop trust. They merely *add* to the distrust that is already there in the organization's culture. [Valcour, "The End of 'Results Only'"] You may wonder at the long-term effects of such a message on performance and retention, but many experts already know. [Peterson, "Cutting ROWE Won't Cure Best Buy"]

Trust is like money. It can take years to earn it and it takes only minutes to lose it.

On the other hand, I agree that merely trusting everyone, no questions asked and no strings attached, will often have the same results. Instead, you should start with the premise that trust (maybe not in your Interests, Similarities, or Benevolent Concerns, but in your Capabilities, Integrity, and Communication) needs to be established first *before* you can do whatever you want. A focus on results not only follows but also precedes unlimited freedoms. [Daniels, “Results Only Work Environment?”] It appears that a results-only work environment is a right that has to be *earned*. [Gregusson, “Creating a Remote Work Policy”]

Instead of focusing on results, I believe creative workers should focus on trust first. They should learn that trust is grown by delivering on commitments, communicating often and well, aligning interests, showing benevolent concern, etc. When trust is established *first*, it is much easier to discuss and evaluate results *later*. Expecting trust to emerge automatically when just evaluating results is naïve and short-sighted. That’s why I prefer to talk about a **trust-only work environment**. When there is trust first, there will be results later. Create a trust-only work environment *before* a results-only work environment. Trust me.

When there is trust first, there will be results later.

Developing a work environment in which we trust people to get their work done also implies developing a work environment in which we can give feedback about that work. We saw that the steps toward giving workers more freedom by removing the focus on *where* they work, have also increased the need for evaluation about *how* they work. When work is something people *do*, not a place where they *go*, then feedback should also be targeted at what they *do*, not where they *are*.

Performance Appraisals

As soon as managers think about the possibility of switching from a time-only or presence-only work environment to a results-only or trust-only work environment, the first question that usually pops up is: “How do we evaluate results?” After all, a fair consideration is, “If we are not supposed to measure the *input* (the amount of time someone is present at the office) we need to

measure the *output* (the actual results produced) or else we won't know why we are paying that person a salary." And then they create yet another policy.

In policies, we see at-will agreements and elaborate rules of conduct (so we can fire you easily when you screw up), elaborate policy manuals (we're in control and you're not a responsible adult), time clocks and leave approval slips (we don't trust you), attendance awards and incentive pay (you really don't like to work), suggestion programs ("If you have an idea, put it in a box"), and, of course [...], the sacred cow, the Godzilla of them all—yes, the performance appraisal.

Coens and Jenkins, *Abolishing Performance Appraisals* loc:779

Traditionally, most businesses use a formal process involving **performance appraisals** as the main (or sometimes only) way of "evaluating" the performance of employees. The performance appraisal is described as a mandated process in which, for a period of time (often annually), an employee's work performance, behaviors, and/or traits are rated, judged, and/or described by someone other than the rated employee, and documented records are kept by the organization. [Coens and Jenkins, *Abolishing Performance Appraisals* loc:402] Managers and HR professionals believe they need this process in order to:

- 1.** Help employees improve their performance;
- 2.** Motivate employees with coaching and counseling;
- 3.** Enhance communication with valuable feedback;
- 4.** Find a fair way to distribute compensation;
- 5.** Have useful data for promotions and staffing decisions;
- 6.** Collect a paper trail in case they need to fire someone.

Regrettably, the practice doesn't work. Performance appraisals have a terrible track record. [Coens and Jenkins, *Abolishing Performance Appraisals* loc:457] While most companies appear to use them, a great majority of people find them completely useless and often counterproductive. [Jozwiak, "Is It Time to

Give Up on Performance Appraisals?”] A significant body of research confirms that performance appraisals usually destroy intrinsic motivation and team collaboration. [Kohn, *Punished by Rewards* loc:3568] This typically stressful annual ritual of appraisals almost always fails for a number of reasons: the employee and manager have opposite mindsets; pay often has nothing to do with performance; no manager can ever be objective; the performance checklists are too generic; the evaluations create distrust; and individual evaluations destroy teamwork. [Bersin, “Time to Scrap Performance Appraisals?”; Culbert, “Get Rid of the Performance Review!”; Vozza, “Scrap Year-End Performance Reviews”] Many managers seem to have at least an idea that something’s wrong because, second only to firing employees, they hate performance appraisals the most. [Williams, “Why ‘Constructive Feedback’ Doesn’t Improve Performance”]

Second only to firing employees, managers hate performance appraisals the most.

Nobody has been able to supply evidence that appraisals will help organizations improve their performance in the long term. Most managers and HR professionals just take them for granted without truly thinking about their many hidden assumptions. [Coens and Jenkins, *Abolishing Performance Appraisals* loc:769] If performance appraisals were themselves subject to a performance appraisal, they would be fired on the spot for complete lack of any concrete results. Worst of all, they reinforce the hierarchy that modern organizations should try to get rid of.

Performance appraisal has become more than a management tool. It has grown into a cultural, almost anthropological symbol of the parental, boss–subordinate relationship that is characteristic of patriarchal organizations.

Coens and Jenkins, *Abolishing Performance Appraisals* loc:72

Fortunately, the world is slowly waking up. One by one, both small *and* big organizations are getting rid of performance appraisals. [Bersin, “Time to Scrap Performance Appraisals?”] One main reason is that the practice is unsustainable in the light of the emerging globalized creative economy. Remote working, contract workers, Agile and Lean methods, and many other

trends make it more and more difficult to organize formal performance evaluations between “superiors” and their “subordinates”. (Case in point: my spouse hasn’t had any recent performance appraisals because he’s always away from the head office!) Better to get rid of this useless ritual completely and replace appraisals with something that makes more sense in the 21st century.

So, what *should* we do?

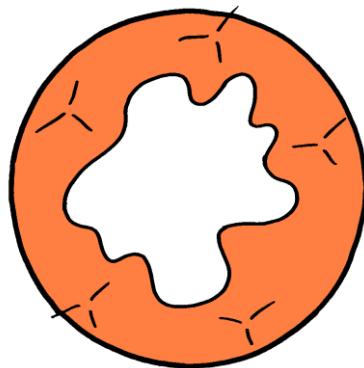
I believe the first thing we must learn is how to offer *written* feedback to our colleagues in an easy, honest, and friendly way. I would like to emphasize *friendly* because research shows that a “treat ‘em mean, keep ‘em keen” approach undermines morale and motivation in organizations, which destroys collaboration between employees as well as their performance. [Baer, “Why Jerk Bosses Make People Worse at Their Jobs”] It sounds obvious, but, sadly, it seems necessary to remind managers of this fact. When feedback is honest, however, research shows that engagement goes up. [Ashkenas, “Stop Pretending That You Can’t Give Candid Feedback”]

With more and more employees working remotely instead of at a central office, we need a way to provide frequent, honest, and friendly feedback on each other’s work via email and other online tools instead of only relying on face-to-face conversations. We cannot wait with our evaluation of someone’s new design, report, software app, or quality process until the next time we happen to run into them at the office. (That could take a while!) Considering they don’t want us to monitor their working times, work places, and vacation days, creative networkers have a right to receive useful feedback on their results and they need it *fast*. Feedback needs to be part of our work every day. Feedback should be *normal*. [Batista, “Building a Feedback-Rich Culture”]

Creative networkers have a right to receive useful feedback on their results and they need it *fast*.

Step 1: Describe Your Context

The purpose of feedback is to help people improve their work. [Tugend, “You’ve Been Doing a Fantastic Job”] It is crucial to realize that your goal is not to make them feel good about themselves. Your goal is to make them feel good about your feedback. When people appreciate constructive feedback, you increase the chance that they will act on it. [Kaufman, “Giving Good Constructive Feedback”]

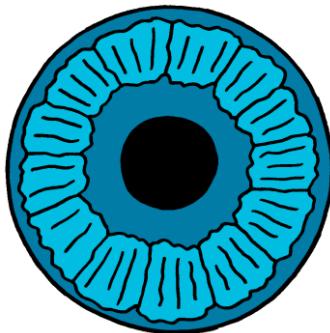


As a first step, it is useful to start any attempt at giving feedback by describing your context.  Briefly mention the environment you find yourself in, your state of mind, and the expectations and assumptions you have, which may all influence your evaluation in some way. [Tarn, “How to Give Constructive Design Feedback over Email”] For example, “I am reviewing the new website from my hotel room in Shanghai, feeling a bit tired after a long conference day, but I don’t want to keep you waiting. I work with the assumption that the website I’m looking at is the beta version, which implements all features we discussed in the last sprint.” Another example, “I’m giving you this feedback early in the morning, after a cup of tea and half a bottle of vitamin pills. I think I caught the flu! :-(I have the third draft of chapter 5 in front of me now, as a PDF on my Android tablet. I understand it still needs to be copy-edited.”

By starting with a description of your personal situation, you enable the people on the receiving end to notice any similarities between them and you, which can generate trust. (“The flu? I feel sorry for you. My husband is suffering from it right now!” “In Shanghai? Cool, I was there last year!”) You also allow them to appreciate your attempt at communicating well and they will better understand the context of your evaluation. Instead of “Your Twitter feed on the homepage doesn’t work!” they will read “Your Twitter feed on the homepage doesn’t seem to work from my hotel room in Shanghai!” This would allow them to correctly identify the Great Firewall as the source of the problem. (Yes, this is a real personal example.) And if you want to tell someone that her work looks horrible, this could be easier for her to accept when she knows her work sucked from the perspective of someone suffering a crappy Wi-Fi connection, an old smartphone, bad coffee, three screaming babies, and a terrible hangover. This allows the creative worker to keep believing her work actually looks great in her own safe environment, but offers the additional challenge of making it look good for someone in a less favorable context.

Step 2: List Your Observations

The purpose of the second step is to explain the things you observe, in terms of facts and experiences as if you have the eyes of a researcher.  Do *not* give your opinion on what's wrong or right about the person's traits, knowledge, or professionalism. Only focus on the things you can actually see about her work or behaviors. [Gallo, "Giving a High Performer Productive Feedback"; Kaufman, "Giving Good Constructive Feedback"] Make sure that anything you report is a plain fact. It should be as if the feedback is coming from a scientist's mind and, therefore, hard to deny or ignore. By just listing plain observations instead of emotional outbursts, you communicate your competence, which adds to the generation of trust.



For example, the feedback "The Twitter stream on the home page doesn't work" can be easily dismissed with "It works fine on *my* computer". Instead, you could say, "Under the Twitter header on the home page, I see an empty gray box. I expected to see the three or four latest tweets from our corporate account." Whether things "work" or not is an interesting topic for a philosophical debate in a hotel bar. The *fact* is you are looking at an empty gray box. This cannot be denied, unless you have a track record of poor eyesight.

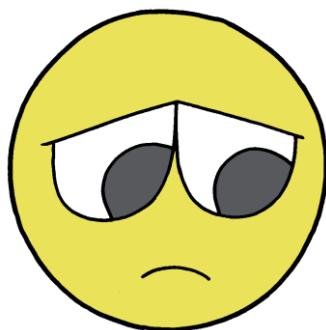
By keeping observations and facts separate from evaluations and judgments you can avoid unhelpful generalizations. The comment "Nothing you delivered has ever worked as promised" might *feel* true to you, but is less likely to inspire improvement than the comment "A cryptic error message (see attached) prevented me from accessing the application. It looked similar to the error message I reported last time and the time before." When you decouple observation from evaluation, you decrease the chance that people hear harsh, unfair criticism, and you increase the chance that they are willing to improve.

Do not fall into the trap of only pointing out things that are below expectations. You *must* also point out the things you noticed that are beyond what you expected. For example, “I was surprised to see the email address was validated in real-time.” or “The joke in the first paragraph made me laugh unexpectedly, and I sprayed my cappuccino all over my notebook.” Encouraging people to grow their strengths is not just useful for novices: even experts and top performers appreciate recognition of their talents every now and then. [Gallo, “Giving a High Performer Productive Feedback”; Kaufman, “Giving Good Constructive Feedback”] It also makes problems and issues easier to act on for those on the receiving end when they see there is a genuine appreciation for the things that were done well.

The result of step 2 should be an unsorted list of things you noticed while reviewing the work, both below and above expectations, as if you have been giving the commentary to a live sports event you had been eagerly waiting for.

Step 3: Express Your Emotions

Now that you have your list of facts and observations it is time to evaluate the impact they had on you. Yes, feel free to get emotional! 😊



By expressing the emotions you felt when reviewing someone’s work, it is easier to connect with the other person, and it can help you prevent or resolve conflict. You use it to express your benevolent concern for good results, which again adds to the growth of trust. For example, you can report that you felt *slight annoyance* when you saw no results in the Twitter box on the home page, and you felt *great amusement* at the joke in the first paragraph. The automatic email address validation made you feel *happy* at the competence level of your co-worker, while you felt *anger* when seeing the cryptic error message for the third time.

Don't be tempted to make assumptions about what *other* people might see or feel when reviewing the work. "No user will ever understand the icon on this button" is not good feedback because it expresses frustration. It is *not* a fact augmented with a feeling. A much better comment would be, "I saw a shower icon on the wall, but it took me a minute to understand that it was actually the light switch for the bathroom. It made me wonder if other users would make that connection more easily than I did." (Yes, being respectful often requires a few more words than responding like a prick would.) What is reported here is a misunderstanding (fact) and the expression of puzzlement (feeling). You can argue for hours about what other people might or might not understand, but nobody can deny your own observations and your own feelings. [Tarn, "How to Give Constructive Design Feedback over Email"]

If you want, you can emphasize the separation of facts and feelings by adding emoticons to the observations you reported in the previous step:

Observation	Feeling
"Under the Twitter header on the home page I see an empty gray box. I expected to see the three or four latest tweets from our corporate account."	:-/
"A cryptic error message (see attached) prevented me from accessing the application. It looked similar to the error message I reported last time and the time before."	>:(
"The joke in the first paragraph made me laugh unexpectedly, and I sprayed my cappuccino all over my notebook."	:-D
"I was surprised to see the email address was validated in real-time."	:-)
"I saw a shower icon on the wall, but it took me a minute to understand that it was actually the light switch for the bathroom. It made me wonder if other users would make that connection more easily than I did."	((+_+))

Explicitly listing the words *annoyed*, *angry*, *laughing*, *happy*, and *confused* probably makes your report a bit easier to comprehend, but I think there's value in playfulness. Personally, I appreciate people being serious about not taking work *too* seriously. {8-}

Step 4: Sort by Value

In the fourth step, you might find it useful to sort the observations by the value that you recognized in the work.  Usually, most of the things that resulted in a positive feeling will have a positive value for you, and the observations that led to a negative feeling will have a negative value. But it doesn't have to be that way! For example, someone could have made a hilarious mistake that made you laugh out loud (a positive emotion) but the embarrassing error must certainly be corrected (negative value). On the other hand, some other issue could have made you feel annoyed (a negative emotion), but maybe this helped you discover something crucial that would have cost you an arm and a leg if it had not been discovered early enough (positive value).

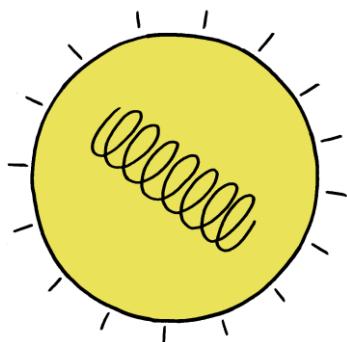


Assuming that people read your feedback from top to bottom, it will be helpful to put the most valuable observations at the top and the least valuable ones at the bottom. This makes sure people first learn how their work has *added* value for you; and only after that, they learn how their work has *subtracted* value. It seems like the equivalent of starting with compliments before dealing with criticism, though it is actually not the same thing.

In my opinion, it is misleading to talk about “positive feedback” (compliments) versus “negative feedback” (criticism). As we’ve seen, your *feelings* can be described as positive or negative, and the *value* of what you observed can also be positive or negative. But your feelings about discovering negative value can be positive, and vice versa. Therefore, your feedback as a whole should be called neither positive nor negative. [Tugend, “You’ve Been Doing a Fantastic Job”] It is merely a list of factual observations, positive/negative emotions, and positive/negative value. The end result communicates that your interests are aligned with the other person’s interests, and this creates more trust.

Step 5: End with Suggestions

OK, it's time to wrap up! You've spent some time describing your context, listing your observations, expressing your feelings, and sorting items by value. Now it is time to end your feedback on a high note. You can do that by offering a couple of helpful suggestions. 



Assume that everyone wants to do well. If people don't perform well, the fault should be found in the system around people that is preventing them from doing a great job. [Bersin, "Time to Scrap Performance Appraisals?"] Therefore, any evaluations of performance should reveal systemic problems, not personal failure. Your suggestions for improvement should reflect that mindset. For example, you could end with, "If you find this useful, I would love to help review the design process. Maybe we can discover why some error messages keep occurring." Or you could say, "If you want me or other people to test the Twitter box on other computers and other browsers, let me know." Or you could make an offer such as, "I attached some examples of icons that you might find helpful. They are just sketches, of course."

Remember that your suggestions are... just your suggestions. [Kaufman, "Giving Good Constructive Feedback"] Professional creative workers may disagree with you. That's why we call them professionals and creatives. But when you practice the separation of facts from feelings, and feelings from value, and you learn to wrap your report inside a context, spiced up with some suggestions, I'm sure most creative workers will be delighted with your approach to giving feedback.

It is said that experts usually look for things to improve, while novices usually look for confirmation that they're doing well. [Grant Halvorson, "Sometimes Negative Feedback is Best"] With the method described here, you can serve both groups. In fact, you don't even need to know if someone is an expert, a

novice, or anything in between. What you offer are observations, feelings, and value. It is up to them to decide how to consume your healthy feedback wrap. What they will certainly appreciate is that you can deliver a feedback wrap fast, which communicates integrity and commitment, the first and foremost prerequisites for trust.

The praise sandwich

One well-known method for constructive feedback is called the “praise sandwich”. It suggests that any criticism should be wrapped between positive comments before and after the criticism. [Kaufman, “Giving Good Constructive Feedback”]

However, many authors have problems with the praise sandwich. Some claim that people hear only the positive parts of the praise sandwich, and tend to ignore the bad stuff offered between the compliments. [Tugend, “You’ve Been Doing a Fantastic Job”] Other authors claim the opposite, saying that human brains are wired to respond to negative information, meaning that they ignore the compliments. [Williams, “Why ‘Constructive Feedback’ Doesn’t Improve Performance”]

I believe both are true, depending on who is listening (or reading). Research confirms that novices prefer support and confirmation while experts prefer honesty and valuable information. [Grant Halvorson, “Sometimes Negative Feedback is Best”] Therefore, a novice who feels insecure about his capabilities may seek confirmation that he is doing a good job, and might only pick up the compliments. An expert who desires an honest evaluation, however, has a focus only on the criticism, and she may dismiss the compliments in the praise sandwich as insincere flattery.

Written Feedback

With employees and other creative workers continuously moving between projects, working both inside and outside the office, and enjoying free time and vacations whenever they think they can, it is crucial for employers and coworkers alike to develop the capability of giving and receiving honest constructive feedback on results. Trust-only work environments should be feedback-rich. [Bersin, “Time to Scrap Performance Appraisals?”] This means there should be frequent feedback about the same products and processes from different people. [Gregusson, “Creating a Remote Work Policy”]

In Agile software development communities, when the release of a product is painful and time-consuming, it is often said it should be done *more often*, so that people are forced to learn how to make it painless and easy. With constructive feedback, it's the same. Traditionally, performance appraisals are done once a year in a big, painful, and time-consuming way. For a creative networker, the challenge should be clear. How can we give feedback *every day*? The feedback wrap will help you do exactly that. With a bit of experience, you can send a feedback wrap in less than 15 minutes. And a feedback wrap is also easy to *ask* for.

Obviously, because this is all about *written* feedback, your words must be picked carefully. Written language must often be softened with “maybe”, “a little”, and “it seems that”. And what you cannot communicate in body language will have to be translated into respectful sentences. Never forget that, unlike face-to-face conversations, written conversations are easily retrieved and reproduced, sometimes long after you had forgotten about them. Assume all your email is read by the NSA, leaked to the press, analyzed by your enemies, and forwarded to your mother-in-law. In other words, write nicely.

Assume all your email is read by the NSA,
leaked to the press, analyzed by your enemies,
and forwarded to your mother-in-law.

Even then, you *still* have little control over other people's interpretations. But let's not pretend that people are any better at offering and receiving verbal feedback. I believe people's response to feedback, whether written or verbal, is mainly determined by their inner state of mind and any conflicts they have with themselves. When a person's thinking is dominated by self-criticism, regret, pride, or some other very common human mental state, her response to your feedback may be unexpected and may seem illogical. [Kashtan, “Is Nonviolent Communication Practical?”] No amount of tweaking of words, whether verbal or written, can prevent an outburst of being human.

And yet, though I am among the first to admit that face-to-face discussions are crucial in all human relationships, I am convinced that the health of such relationships can be improved significantly with respectful written feedback on each other's work in a trust-only work environment. Written feedback also helps you to keep proper documentation, to think more carefully about delicate issues, and to report on observations, feelings, and value in a well-balanced manner. And most important of all, feedback wraps can be delivered

fast and often, and nobody needs to wait for scheduled face-to-face performance appraisals (which shouldn't happen anyway).

This looks like Nonviolent Communication!

Indeed, it does. **Nonviolent Communication** suggests that, in any sensitive and emotional conversation with other people, it is best to begin offering your feedback by describing the *facts* you observe. This is followed by expressing the *feelings* these facts generate for you, followed by an expression of your *needs* or what would be valuable to you, and concluded with a *request* or suggestion for the other person. [Rosenberg, *Nonviolent Communication*]

Nonviolent Communication lacks an explicit step for describing the context first, because the method is mainly practiced during face-to-face verbal conversations. The context is obvious when you're in the same room.

Because it is much easier to "count to ten" and "think before you act" when having a *written* conversation, I actually believe Nonviolent Communication could be more successful when *not* done face-to-face in the heat of an emotional discussion. [Appelo, "Nonviolent Communication (Stop It!)"] The feedback wrap could be the tool that enables Nonviolent Communication to earn the successes it has been deprived of in many real-time situations.

Wrapping Up

Among systems thinkers, it is well-known that 95 percent of the performance of an organization is the result of the whole system, not the individual people. It makes little sense to have performance appraisals with individual employees when most of their performance is the emergent result of the interactions between clients, tools, processes, and other parts of the environment over which they usually have little control. [Coens and Jenkins, *Abolishing Performance Appraisals* loc:925]

The concept of the Results-Only Work Environment is great where it promotes freedom, but I believe ROWE is somewhat flawed where it suggests a focus on goals, targets, and measurements. This might lead people to adopt a deterministic approach to performance management that has long ago been dismissed as unrealistic and unwise by the quality improvement movement and experts from Lean and Agile communities.

What organizations need is a *trust*-only work environment. By purposefully creating trust, people will be more eager to find and solve any performance issues. Who cares about the performance of individual parts when those parts are directly responsible for only 5 percent of the outcome? What you should care about is how the parts interact with each other, which includes how they give and receive feedback, because the other 95 percent of the performance in the system is found in the interaction among the parts!

By purposefully creating trust, people will be more eager to find and solve any performance issues around them.

The feedback wrap will help people focus on personal improvement *and* systemic improvement. At the same time, the practice generates trust through good communication, benevolent concern, aligning interests, increasing competence, and delivering on commitment. This growth of a *trust*-only work environment clears the path for a *results*-only work environment, where people can have flexible working hours, remote work places, and unlimited vacations, and, indeed, *maybe* some collective goals and targets.

Last, but *definitely* not least, I feel it's necessary to emphasize again that the feedback wrap can *never* replace face-to-face conversations, nor can it be an alternative for coaching and personal development. You still need to address those in other ways. But I'm sure this simple little practice grows trust among coworkers; it helps people improve the performance in the system; it motivates them with good communication and feedback; and it allows you to keep documented records of results, in case you ever need them. But I trust you won't.

Example

To: Jason Little

From: Jurgen Appelo

Subject: feedback on Lean Change Management, chapter 1

Hi Jason!

I'm reviewing your TXT file in Notepad++ while having lunch at home. I'm in a slightly annoyed mood because my music system was not delivered by the reseller this morning. Again! Hope it won't affect my appreciation for your writing. Fortunately, the sun is shining outside. :-)

Feedback:

I appreciate the “rocket surgery” joke. I actually wondered if you wrote this intentionally, but I assume you did. I hope there will be more of these. (Feeling: amused)

I appreciate the hotel story. It’s very visual. (Feeling: interested)

I like the mention of “pesky humans” and putting ‘change resistance’ in quotes. It shows you appreciate people. (Feeling: appreciation)

I like the mention of “Nonsense”. It gives you an attitude. (Feeling: appreciation)

I like “the Crème Brûlée will come out nicely toasted”. Metaphors are great. Keep using them. (Feeling: appreciation)

Style issue: “to manage uncertainty better through Lean Startup.” I miss a qualification here. Do you mean the book? The movement? The concept? (Feeling: puzzled)

I noticed a number of style issues where in my opinion the sentences don’t flow well. It confirms to me the text is not yet edited for style. (Feeling: none)

I noticed a number of typos, including: “the my experience” “as a being a” “none of it stuff”. I stopped marking them because I think a spelling and grammar checker could do this better than I can. (Feeling: slightly annoyed)

Suggestions:

Always use a spell and grammar checker before sending texts to reviewers.

Also: what helps me a lot is reading a text out loud. That way you find your tongue will be struggling with sentences where your brain doesn’t. And this helps you catch the style issues.

I think the text is ready for editing for style, and I will be interested to see how that will change it.

Cheers,

Jurgen

What Now?

You can start developing your remote communication skills using the feedback wrap exercise right now.

- 1.** I noticed there is always something I can give feedback on. Whether it's a new software app I'm using, an article I'm reading, a text I'm reviewing for a friend, a website I'm testing for a colleague, a new hotel I'm staying in, or the delivery service of a product I just ordered. Just pay attention to the things you are involved in today, and pick one or two to give feedback on.
- 2.** Ask people if your feedback wraps were valuable for them and if they see ways in which you could further improve them.
- 3.** Pay attention to the people you sent your feedback to. Are they making changes to address the constructive feedback you gave them?

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Social Time

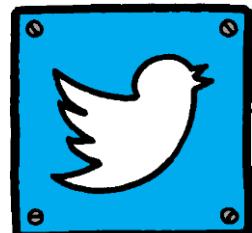
Well done!

You're almost halfway.

How do you like my book so far?

If you think others should read this too, can you **please** let them know they can read the book for **free**? Do you realize how *cool* you will look when others see that *you* are reading this book? ☺

Click here ->



Better management, fewer managers! Get Management 3.0 Workout for FREE:
<http://m30.me/tweet> #management30 #leadership

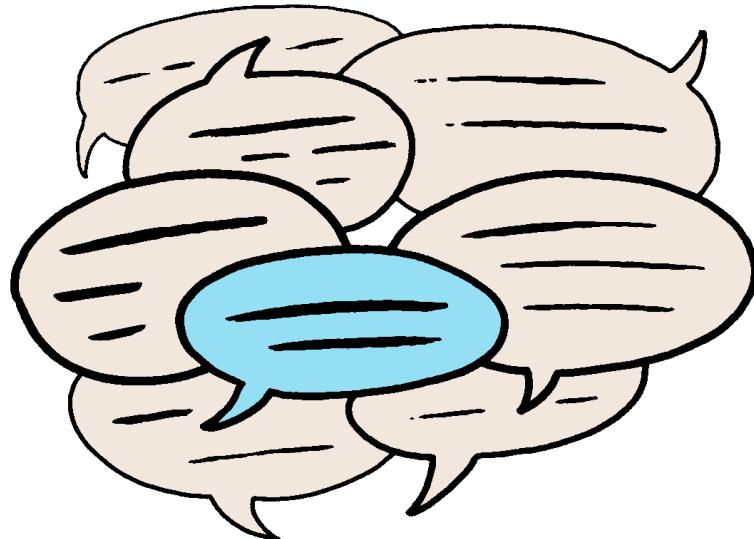
As an alternative, you can also copy/paste your supportive message on Facebook, LinkedIn, or Google+



Thanks, I appreciate it!

Cheers,

Jurgen



Improvement Dialogues and Copilot Programs

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The easiest kind of relationship for me is with ten thousand people. The hardest is with one.

Joan Baez, American singer (1941–)

Personal coaching, one-on-ones, and pair working are three examples of people helping employees and colleagues learn how to do better work. By using inquisitive statements instead of traditional coaching questions, you can catalyze a person's performance using principles taken from Appreciative Inquiry, Powerful Questions, and Improvisational Theater.

For five years, Raoul had been going on and on (and on) about his desire to live healthier, to eat better food, and to start a personal fitness program. Nothing ever happened. My standard reply, from behind a computer or business book, was that simply saying something a thousand times would never make it a reality. However, two years have passed since the last time I offered my smart insight, and I am now looking at someone who primarily eats chicken, rice, and veggies, who runs and exercises almost every day, and whose arms and legs have been morphing slowly from twigs into trunks. What has changed?

Well, that's an easy one. He now has someone who gives him personal dietary instructions and training schedules, who follows up with feedback on the progress he makes, and who cares deeply about his crunches and calories. Not me, of course. Two years ago, Raoul started working with a personal trainer.

Autocatalysis

The complexity science book that has fascinated me most (and the only one I read twice) was *At Home in the Universe* by theoretical biologist Stuart Kauffman. In this book, he describes the concept of **autocatalytic sets**.

Imagine a vast number of molecules happily bouncing around in a puddle. Molecules are very social and influential elements. They have a tendency to interact with each other: participating in reactions, creating bonds, sometimes transforming themselves, and sometimes merely catalyzing the transformation of their friends. Newly formed molecules can be just as interactive and productive as the ones that formed them, even contributing to the re-creation of their own predecessors. It is like a circle—old molecules create new molecules, which then create the old molecules, which then create new molecules, and so on. This is autocatalysis. We can imagine the puddle to be full of molecules catalyzing each other's production. When this is the case, the puddle of molecules is said to be **self-catalyzing**. It is a “self-contained cycle of chemical creation”. [MIT Technology Review, “The Single Theory That Could Explain Emergence”]

When connectivity and diversity are increased in a network of interacting parts that have a tendency to support each other's production, the formation of an autocatalytic set is almost inevitable. [Kauffman, *At Home in the Universe*] It leads to a self-sustaining network that has no need of anything but itself (and a little energy from outside). There is even empirical support for the idea that life itself is the outcome of very creative self-catalyzing molecules. [MIT

Technology Review, “The Single Theory That Could Explain Emergence”] Yes, it seems the poodle emerged from a puddle.

It’s not difficult to see how this insight applies to organizations. Employees can play the role of a catalyst for others, helping them to do better work and enhance their performance. [Appelo, *Management 3.0* loc:5399] With more diversity and better connectivity of people, heterogeneity increases, and an increased number of creative networkers can catalyze the work of others. This can go on until everyone’s work in the organization is catalyzed by at least one other person. Autocatalytic sets are merely the mathematical description of groups in which all participants reinforce and accelerate each other’s productivity.

Employees can play the role of a catalyst for others, helping them to do better work and enhance their performance.

Few things leaders can do are more important than encouraging helping behavior within their organizations. In the top-performing companies, it is a norm that colleagues support one another’s efforts to do the best work possible.

Amabile, Fisher and Pillemer, “IDEO’s Culture of Helping”

Many people see Stuart Kauffman as one of the fathers of complexity science. But maybe someday he will also be seen as a thought leader of organizational transformation.

Personal Coaching

Now, let’s get back to Raoul and his personal trainer. Many experts consider **personal coaching**  to be one of the most important organizational practices available. [Rother, *Toyota Kata* loc:2473] The purpose of a coach is to assist with someone’s personal development and performance improvement and to help that person achieve her goals. [Pavlina, “Life Coaching”] When every person in your organization is coached by someone else, you have achieved the equivalent of an autocatalytic set. This explains why most experts consider it important to rely primarily on coaches *internal* to an organization,

or at least coaches that have a strong and long-term relationship with the organization. [Rother, *Toyota Kata* loc:3447] A self-contained cycle of value creation needs to be built directly into the organization and its dependent ecosystem. Never delegate the responsibility of personal coaching to a short-term contractor!



Several aspects of coaching are important to consider. First of all, no coach can be the single authority on everything that is important for a person. Your fitness trainer is probably not the first person to turn to when you need help with public speaking. And I hope you won't confuse your team coach with a wellness coach. This means that over a long work life, you might benefit from engaging with multiple coaches for different areas of your life as well as using different coaches for the same areas at different times and under different circumstances.

Another thing to consider is that people rarely coach each other. Raoul has a language teacher who teaches him French every second week. The weeks in between, Raoul teaches her Dutch. Such a mutually beneficial coaching relationship is interesting for motivational and financial reasons, but it's not the norm. It is uncommon for two molecules to catalyze each other's chemical reactions. Likewise, it is uncommon for two people to act as each other's personal trainer. More commonly, the catalyzing chain only becomes truly circular, and auto-catalyzing, after there are four, five, or six steps in the network.

This doesn't mean there's nothing for a personal coach to learn when he is supporting an employee. On the contrary! Many say the best way to learn a craft is to teach it. (I'm learning a lot about this topic right now by writing about it.) But the learning for the coach is mainly autodidactic, which is great. Remember Isaac Asimov's statement that self-education is the only kind of education. Those who want to become a master in their craft are best advised to find themselves an eager student or two.

Those who want to become a master in their craft are best advised to find themselves an eager student or two.

Last, but not least, trust between a personal coach and a worker is often mentioned as the primary driver of self-development and performance improvement. People must be able to share their desires and fears, their goals and uncertainties, and of course, their dumbest mistakes with their coach in a way that improves rather than inhibits their progress and learning. Personal coaching can, indeed, be very *personal*. [Mantell, "Why and How to Trust Your Personal Trainer"]

Great coaching in an organization is internal, plural, maybe not mutual, but certainly educational, and definitely personal. If all goes well, it might even be recreational.

When and where do we talk?

Imagine that your spouse says, "Sweetheart, I think our communication isn't working out very well. Let's schedule a regular meeting to talk about our relationship, what's important to us, and how things are going. How about every Thursday evening at 9 o'clock in the meeting room?"

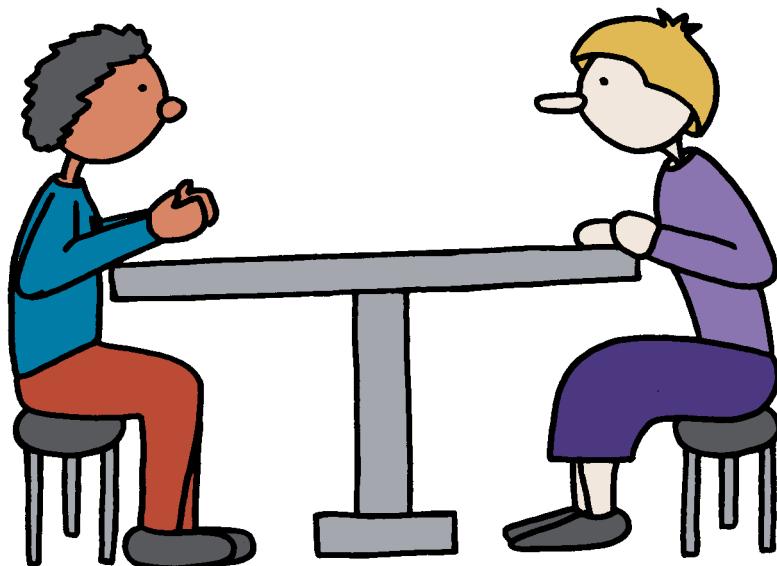
If something like this happened, chances are you're not in the best phase of your relationship. Certainly, in a great relationship, people share quality time with each other. But, in my opinion, discussions about what's important and how things are going can happen over breakfast, while traveling to work, during a walk in the park, over the telephone, or even with Facebook messages. And yes, occasionally, it can happen when sitting together at an office desk in a corporate meeting room. I did that once, just after breaking up with someone.

It's the same with employees and their coaches. Quality time can happen anywhere. When people only talk in a private office space during scheduled time slots, it seems to me they haven't achieved the best possible working relationship yet.

One-on-Ones

During my travels around the globe, I've noticed that the **one-on-one** , a regularly scheduled private dialogue between a manager and an employee, is possibly the most widely supported management practice in the world. It is usually promoted as a good way for managers to get to know their employees and to help employees perform better and develop themselves. [Haneberg, "How to Have Great One-on-Ones"; Rothman and Derby, *Behind Closed Doors*] Based on what can be gleaned from standard management literature, the purpose of the one-on-one is for a manager to discuss four things:

- Status and progress
- Obstacles and problems
- Career development
- Coaching and feedback



Interestingly enough, despite the fact that many managers agree on the usefulness of one-on-ones, few of them actually *organize* these regular private

meetings because managers feel the meetings distract them from their “real” work. [McCarthy, “How to Have an Effective 1 on 1”] I’m sure there are some who keep saying that “if only they could find the time” they would certainly schedule one-on-ones with their employees. And they spend five years trying to find that time.

I found some useful requirements for good one-on-one meetings. [Derby, “One-on-Ones with Self-organizing Teams”] First of all, it is said that, one-on-ones should follow a clear schedule. Some authors say weekly, others say monthly, and the rest of the authors can be plotted anywhere in between. I’d say anything between one and four weeks would be fine, depending on the context. Second, the meetings should be adapted to the employee’s needs. There’s no fixed agenda for one-on-ones, and the specific topics depend on the people. [Artner, “One-on-ones”] Third, the meeting should have the two participants’ *full* attention. No phone calls, no checking of e-mails or Facebook, and no watering of the plants during the one-on-one. Fourth, an important requirement for one-on-ones is they shouldn’t give anyone the feeling that the one-on-ones are costing them too much time. In many organizations, *not* doing them would be much worse. [Rothman, “No More Meeting Mutinies”]

This could make you wonder about the difference between personal coaching and one-on-ones. Personal coaching is about a coach helping people do better work and develop themselves and one-on-ones are about a manager helping employees do better work and develop themselves. Does that mean the manager is the employee’s personal coach?

No.

Remember that *trust* needs to be at the core of a personal coaching relationship. A person must be able to share any fears, uncertainties, desires, and ambitions with her personal coach. For many people this will be very difficult to do when the other person is their direct manager. How would you tell your manager that you fear he might discover the freelance gig you have on the side? How would you tell your manager that your greatest desire is to have her job? Transparency is a noble goal, but in many organizational cultures, it’s a bridge too far. Coaching might be necessary to precede and grow transparency.

Personal coaching is not a primary task in the manager’s role.

I agree with those who say that managers are responsible for making personal coaches available to their employees, but they should not aim to fulfill this role themselves. I am against the idea of “managers as coaches”. My first argument is that managers should manage the *system*, not the *people*. Therefore, personal coaching is not a primary task in the manager’s role. [Appelo, *Management 3.0* loc:4754] Management’s responsibility is the coaching *capability* of the system, not the day-to-day *implementation* of it. My second argument is that, when the role of the manager is mixed up with the role of the coach, the other employees will also expect to be coached in their one-on-one meetings with their managers. This goes against the idea that *anyone* in an organization should be able to act as another person’s coach. My third argument, closely related, is that it strengthens the hierarchy when managers in an organization act as people’s coaches. [Appelo, “Managers Should Not Be Coaching Developers”] It reinforces the misguided idea that superiors are more experienced than their subordinates are. In the 21st century, we shouldn’t reinforce hierarchies. We should aim for self-catalyzing networks.

It doesn’t scale!

Another reason many managers stop doing one-on-ones in a hierarchical organization is because the practice doesn’t scale. When an organization flattens and has fewer people in middle management positions, it is quite difficult for managers to keep organizing one-on-ones with all their direct reports. Scalability is a key objective for many managers, and this is much easier to achieve when the coaching part of one-on-ones is delegated to the network.

This does not mean that managers have no business talking with their employees. Of course they do. But the focus of their conversations should be on the value offered by the person to the system, and the value offered by the system to the person. This value exchange can be boosted considerably by making sure that every person is offered personal coaching. When a manager also wants to play the role of a personal coach, it would be wise of him not to offer this service to his own direct reports, but to employees elsewhere in the organization. That’s how you can grow a network, instead of a hierarchy.

Pairing

Besides assistance from coaches or managers, an employee's productivity can also be catalyzed by his peers. **Pair programming**  is the idea that two software developers work together on one piece of code. They have two keyboards, two mice, two monitors, and two brains, but only one computer. While one programmer acts as the “driver” (typing code on the keyboard), his buddy acts as the “navigator” (checking results and thinking of new ideas). These roles are not fixed because pairs regularly switch, passing control of the computer back and forth. Programmers are not unique in applying this practice. Two people collaborating while working toward one goal is an idea we also find among firefighters, rally racers, scuba divers, airplane pilots, Boy Scouts, and in plenty of other disciplines. [Jones, “High Cost and Negative Value of Pair Programming”; Thawar, “Pair Programming Considered Extremely Beneficial”]



Pairing is about “peering”

I admit that teaching, in the relationship between an employee and his coach, *can* go both ways. And, in a one-on-one meeting, it is possible that both the employee *and* the manager get feedback from the other. [Rothman, “No More Meeting Mutinies”] However, it is not the norm. I could teach my yoga master a thing or two about blogging, but that is not the aim of our working relationship. Likewise, I’m sure you can give your manager a few tips about managing people, but that doesn’t make you her coach.

Pair working is different. Pairing is about learning between *peers*. The focus here is clearly on the progress of *both* participants. It’s about looking intently at what the other is doing, learning from it, contributing to it, and improving it. Pairing is about peering into each other’s work.

We can easily see a number of benefits of pairing. It is the fastest way to learn complex skills (working alongside someone with a bit more experience beats reading manuals). It is a more successful approach to focused work and getting into a “flow” (fewer distractions from emails and social networks). And the outcome is usually of higher quality, with fewer problems and better designs (two brains usually perform better than one). [Hastie, “How Pair Programming Really Works”; Shore, “Pair Programming”] We can also easily understand that an extra pair of eyes is extremely valuable when human lives are at stake.

The benefits of pair working don’t stop there. We have anecdotal evidence that people are better able to solve problems when they think out loud and pose challenging questions. They are also able to compensate for their buddy’s blind spots, exert peer pressure not to apply poor practices, and learn how to produce better estimates. [Hastie, “How Pair Programming Really Works”] Furthermore, people working in pairs are less likely to be interrupted by other colleagues, and they report that they’re having more fun. [Shore, “Pair Programming”]

The experts found that pairing is most effective when the problem domain is complex, when the work is not yet fully understood by the workers, and when the tasks require creativity and experimentation by peers. When the problem and solution are well understood by one of the two workers, the pairing session can become a coaching session instead. The navigator/developer arrangement evolves into a master/apprentice relationship. However, when both workers understand the problem and solution well, many benefits of

pairing can get lost, and it could be preferable to have the pairing partners work alone instead.

We wouldn't call the world complex if other experts didn't offer some contrarian opinions. Some claim that more work gets done when people work alone and that pairing often takes place in noisy open offices that distract people. [Evans, "Pair Programming Considered Harmful?"] Some say that pairing costs a lot more and that quality benefits are merely anecdotal in small areas but not confirmed empirically on a large scale. [Jones, "High Cost and Negative Value of Pair Programming"]

I am sure the experts are both right and wrong, depending on the context. Pair working (sometimes called the "buddy system", the "two-man rule", or the "four-eyes principle") has emerged time and time again in environments where the problem domain is complex and the environment is dangerous. Two complex brains can absorb more complexity than one. Still, I admit that I wrote this text all by myself. I can't write when there's someone else looking over my shoulder all the time. The extra eyes and brains of buddies are quite welcome, but later, in the review stage.

Pair working has emerged time and time again in environments where the problem domain is complex and the environment is dangerous.

Copilots in the office

Ivar Conradi Østhust, a web developer in Norway, shared an interesting example of pair working with me over dinner after a Smidig conference in Oslo. He said he had been a copilot for the CTO of Itera Consulting. This program allowed any employee to be a copilot for a manager in the company for a period of six months. [Rangen, "We Don't Really Have a Theory for That"]

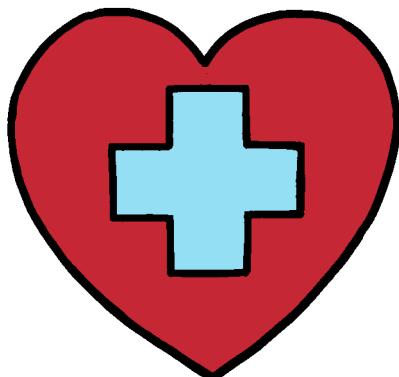
As a copilot, Ivar was included in management workshops, strategy sessions, and discussions about goals and metrics. He told me the copilot program is a great way to short-circuit traditional hierarchies. Copilots are invited to important meetings, and they are able to influence important strategic decisions before they are made.

A **copilot program** (see sidebar) seems like a blend of the three popular practices already mentioned and could be a great way to combine all their

benefits. Obviously, there can be a coaching relationship between the pilot and copilot because we can assume the pilot is the more experienced of the two. Their working relationship will certainly include private one-on-one conversations, and the two pilots are doing the same work together as a pair, with one sometimes handing over control of the work to the other, while the first keeps watching. In short, the copilot idea is coaching, managing, and pairing combined into one effective workout exercise program.

Appreciative Inquiry

Now that we've established the importance of catalyzing each other's performance in an organization, it is worth finding out what kind of approach we need as a coach, manager, pairing partner, or copilot. In my research, I was fortunate to find a method that offers great inspiration and is useful when focusing on positive organizational change.



The method of **Appreciative Inquiry** ❤ states that inquiry is the engine of change, and that traditional problem-solving processes in human systems have a tendency to worsen the problems they are trying to solve. The method states that “objective” inquiries are impossible and that all social analysis is inherently biased by the perspective of the observer. [Bushe, “Foundations of Appreciative Inquiry”]

In Appreciative Inquiry, the idea is to stop focusing on “what is wrong” and instead wonder about “what is possible”. It tells us that people co-create their organizations through stories, and that to improve organizations we must therefore improve our conversations. Appreciative Inquiry states that an *inquiry* into a human system will automatically *change* that system, and it claims

that organizations grow in the direction of the questions that people ask each other. (For example, asking a person about her happiness could cause her to feel either happier or unhappier.) Appreciative Inquiry also holds that sustainable change requires a positive attitude and positive relationships.

Organizations grow in the direction of the questions that people ask each other.

The benefits of a positive coaching style, as opposed to a more traditional find-problems-and-fix-them style, are backed up by neuroscience. [Stillman, “How to Be a Better Coach”] Instead of negation, criticism, and dissent, Appreciative Inquiry tries to foster positive change by bringing out the best in people, strengthening the affirmative capability of the organization and building momentum around a shared purpose. [Cooperrider and Whitney, *Appreciative Inquiry*]

Organizations, says AI theory, are centers of human relatedness, first and foremost, and relationships thrive where there is an appreciative eye—when people see the best in one another, when they share their dreams and ultimate concerns in affirming ways.

Cooperrider and Whitney, *Appreciative Inquiry* pag:20

For some readers, this should sound familiar. I dedicated a significant part of my first book, *Management 3.0*, to complexity topics, including the observer influencing the system, the problem of vicious feedback cycles, enabling change through storytelling, and seeing organizations as networks of relationships. Though explicit references to complexity science are missing, the articles about Appreciative Inquiry certainly seem to breathe complexity thinking all over. We would do well to consider some of its principles in our efforts to improve our personal coaching, one-on-ones, pair working, and copilot sessions. This means focusing on positive dialogues and tapping into the potential of participants while being aware of the influence of the observer.

Powerful Questions

Given that we should inquire into an organization in a positive way, it would be helpful to know what kind of questions we should ask. To learn more about this, we can turn our attention to the concept of **Powerful Questions**.

 [Kimsey-House, House and Sandahl, *Co-Active Coaching*] A powerful question stimulates curiosity and reflection in a conversation: it leads the participants toward creativity, energy, and forward movement; it helps to channel attention and focus; and it has a tendency to invite further questions. My own very first powerful question, satisfying all these criteria, would be, “How can we make our questions more powerful?”



A powerful question stimulates curiosity and reflection in a conversation.

The effectiveness of the actions we take depends on the quality of the questions we ask.

Vogt, Brown and Isaacs, *The Art of Powerful Questions*

We can make our questions more powerful by using *why*, *how*, and *what* instead of *who*, *when*, *where*, and *which*. The first set of question words invites deeper discussions than the second set. We can keep the scope of our questions realistic and our insights actionable by covering a part of the system that is

still within the participants' circle of influence. And we can modify our questions so that they challenge rather than hide our underlying assumptions.

For example, the following question is *not* powerful:

- Who is responsible for the failures of this organization?

The question starts with the narrow interrogative *who*, it has a scope that is far too wide (all failures in the whole organization), and it assumes that someone is to blame. Instead, with a few small changes we can make the question more powerful:

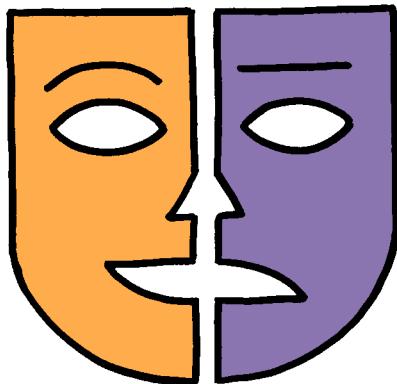
- Why does our team feel that the organization is failing?

This new question starts with the more powerful *why*; it narrows the scope to what the team is able to deal with (its own attitude); and it challenges the assumption that the organization is failing at all.

By asking questions that are more powerful, an organization is able to engage people's thinking about complex issues and shift away from lamenting about past problems to inquiring about ideas for a possible future. As creative networkers we have to develop the organization's capacity to be inquisitive, to learn, to adapt, and to seize opportunities for change. We can do that by creating a climate of discovery, suspending judgment, exploring beliefs, connecting ideas, widening perspectives, honoring contributions, articulating understanding, and sharing collective insights and actions. [Vogt, Brown and Isaacs, *The Art of Powerful Questions*] And by shortening our sentences. :-)

Improvisational Theater

Now that we know our positive inquiry into an organization is best initiated with powerful questions, it is useful to learn a bit more about developing and catalyzing our dialogues. A great analogy for storytelling in working environments is **Improvisational Theater**  (or **Improv** for short). Improv is a form of theater where little or nothing is planned ahead, and every performer on stage works with whatever is created at the moment.



When actors improvise on stage, the rules of Improv say they should respect whatever the other actors have created, add their own contributions to make things look even better, and adapt in a positive way to any unanticipated developments. In other words, *respect, create, contribute, adapt.* [Christiansen, “Rules for Improv”] There is also a strong focus on offering statements rather than asking questions, because by making your own statements you bring the conversation forward. When you merely ask questions, you’re just being lazy, expecting the other person to do all the work.

It is obvious that improvisation is a primary tool that has helped the human race to survive in changing environments. We’ve been improvising ever since saber-toothed cats developed fangs for possible use as human satay skewers. Improvisation is also exactly what we need in organizations in the 21st century [Fortier, “Improvisation”] and it’s a great analogy for people who want to change their lives. [Madson, *Improv Wisdom*] Furthermore, the rule that every improviser must make the *other actors* look better seems to me yet another example of autocatalysis. We find the same principle within top-performing organizations, such as IDEO, which has concepts such as “make others successful” and “be helpful” among their core values. [Amabile, Fisher and Pillemer, “IDEO’s Culture of Helping”] The mechanism that makes improvisation successful and that allows organizations to be top performers is also the enabler of life itself.

Improvisation is a primary tool that has helped the human race to survive in changing environments.

We've found some very compelling evidence to suggest that the ethos of support and generosity that is native to improvisation is at the core of our beings. Improvisers are trained specifically to look out for and support their partners and group in order to find success as a whole.

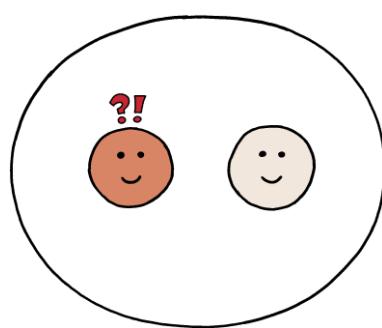
Fortier, "Improvisation: The Original Survivor Tool"

It is important for us to understand how to improvise in our dialogues and how to catalyze the performance of *other* people in the organization. We can do that by turning powerful questions into powerful statements, by respecting what others have said before, and by contributing with new statements in an affirmative way.

Let us now turn to a practical implementation of what we've learned so far from Appreciative Inquiry, Powerful Questions, and Improvisational Theater, and thereby lend a helping hand to coaches, managers, pairing partners, and copilots.

Focus Areas

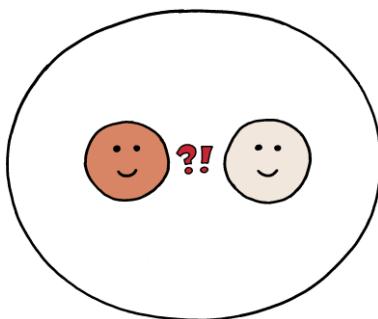
When we are engaged in personal coaching, one-on-ones, pair working, or copilot sessions, we can discuss four areas in order to improve each other's performance: personal topics, relational topics, organizational topics, and environmental topics.



Personal Topics

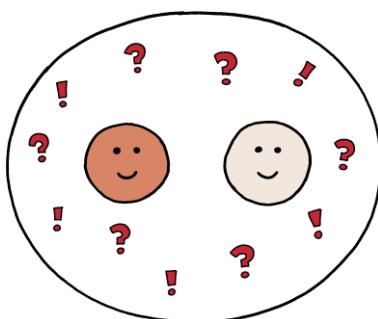
One of the goals of one-on-one coaching sessions is to align work and outcomes with a person's motivation. You can use your quality time to discuss intrinsic desires, personality traits, personal history, and personal ambitions. It

might sometimes be necessary to address health issues (of body and mind) and any other impediments that could prevent a person from performing to the fullest of her potential.



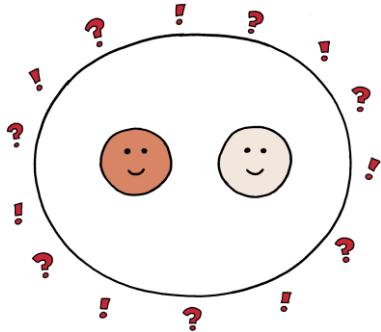
Relational Topics

A second area to cover in one-on-one coaching is the relationship between the two participants. It doesn't really matter if the discussion is between a coach and an employee, between a "superior" and a "subordinate", or between two peers on a team. In every case, you're trying to achieve a good working relationship. Therefore, any issues that are impeding a healthy and productive collaboration (dare I say catalyzation?) need to be resolved.



Organizational Topics

You should also talk about organizational changes and news, team performance, organizational structure, upcoming opportunities, innovative capability, and how to help other team members succeed. Everything is allowed as long as you try to focus on the systemic aspects of the organization. Your aim is not to gossip about other people. You're there to discuss how to get the whole system to improve and generate more value.



Environmental Topics

Finally, the last area in one-on-one coaching is a conversation about the environment. What is happening in the world at large? What have competitors and partners done lately? Are there important things going on with customers or communities? And how do these developments influence the way we do our work? You can talk about politics, technology, economy, and anything else that has an impact on the person's performance and productivity.

It may not come as a surprise that the different focus areas for improvement dialogues have a strong correlation to the three principles of Management 3.0 practices mentioned in the introductory chapter. The personal and relational topics will help you engage with people, the organizational topics will help you improve the work, and the environmental topics will help you delight the clients.

Inquisitive Statements

Based on the insights from Appreciative Inquiry, Powerful Questions, and Improvisational Theater, I made a list of *inquisitive statements* for use by coaches, managers, peers, and copilots. The statements I give here were inspired by various useful sources offering questions for coaches and managers. [Bavani, "The Power of Inquiry"; Doddi, "Great Questions to Ask"; Kimsey-House, House and Sandahl, "Powerful Questions"]

I turned questions into statements because this may help us to reduce the influence of the observer. The questions that we ask determine the direction of the change and thus, I believe it is sometimes best *not* to ask questions. Instead, we can pick reflective statements randomly from the list, enabling us to broaden our inquiry and cover a wide area of interesting topics. We should have faith in the uncertainty of the session's conversational flow and trust that the most inspiring insights will emerge from improvisation rather than interrogation.

There are four areas of inquisitive statements in this list: *personal*, *relational*, *organizational*, and *environmental*. This makes it easy for you to skip an area that is not applicable to your situation and to adjust the scope of the inquiry to what is realistic and actionable. For example, for someone who is privately paying a personal trainer, it makes little sense to discuss organizational and environmental topics.

All statements are designed to be powerful by the implicit use of *why*, *how*, *what*, and *when* (hidden within the statements). These question words invite deeper discussions and many of them help people to bring their underlying assumptions to the surface.

Personal Statements

- 1.** What I'm expected to do is...
- 2.** I believe I'm quite good at...
- 3.** I was complimented because...
- 4.** My work can be difficult because...
- 5.** The way my work goes well for me is...
- 6.** What I like about this job is...
- 7.** I learned a lot when...
- 8.** I want to learn more about...
- 9.** What I did since the last time we met is...
- 10.** What I'm working on right now is...
- 11.** The reason I can be blocked is...
- 12.** I can see my progress when...
- 13.** What I will do before the next time we meet is...
- 14.** I can improve the quality of my work by...
- 15.** I cannot be myself when...

- 16.** The reason I care is...
- 17.** What I need most is...
- 18.** My important values are...
- 19.** I am motivated by...
- 20.** My long-term purpose is...
- 21.** The reason I am at risk is...
- 22.** I see the opportunity to...
- 23.** I don't want to feel responsible for...
- 24.** I want to be held accountable for...
- 25.** I step out of my comfort zone when...
- 26.** What I don't dare to do yet is...
- 27.** I'm helping myself when...
- 28.** I can delight others by...
- 29.** What I'd like to change in myself is...
- 30.** I'm proud of myself when...
- 31.** One question that I should ask is...
- 32.** What I believe but cannot prove is...
- 33.** What seems to be happening is...
- 34.** The way I have been surprised is...
- 35.** I need more clarity because...
- 36.** I haven't done everything I can because...
- 37.** I could feel more energized by...
- 38.** One thing I should stop doing is...

39. The boldest step for me would be to...

40. The reason I feel happy sometimes is...

Relational Statements

- 1.** What I expect from our conversations is...
- 2.** The good thing about our conversations is...
- 3.** We were both complimented because...
- 4.** Our conversations can be difficult because...
- 5.** The way we do things well is...
- 6.** What I appreciate in our sessions is...
- 7.** What we both have learned is...
- 8.** What we both can learn more about is...
- 9.** What we both did since our last session is...
- 10.** What we both should be doing now is...
- 11.** The reason our conversation can be blocked is...
- 12.** I can see we make progress when...
- 13.** What we should do before our next session is...
- 14.** We can improve the quality of our sessions by...
- 15.** Our conversation is not optimal when...
- 16.** The reason we both seem to care is...
- 17.** What our conversations need most is...
- 18.** Our important values are...
- 19.** We are both motivated by...
- 20.** Our long-term purpose is...

21. The reason our conversations are at risk is...
22. Our conversations have the opportunity to...
23. We should not be responsible for...
24. We are both held accountable for...
25. We step out of our comfort zones when...
26. What we don't dare to do yet is...
27. I could support you when...
28. You can help me out by...
29. What I'd like to change in our sessions is...
30. I'm proud of us both when...
31. One question that you should ask is...
32. What we seem to believe but can't prove is...
33. What's emerging in our conversation is...
34. The way our sessions have been surprising is...
35. We both need more clarity because...
36. We have not done everything we can because...
37. We could both feel more energized by...
38. One thing we can both stop doing is...
39. The boldest step for us would be to...
40. The reason our sessions can feel good is...

Organizational Statements

1. What I expect from the *organization* is...
2. The *organization* is very good at...

3. The *organization* was complimented because...
4. Our *organization* can be difficult because...
5. The way the work in the *organization* goes well is...
6. What I appreciate about the *organization* is...
7. The *organization* has learned to...
8. What the *organization* should learn is...
9. Since our previous session, the *organization* has...
10. What the *organization* should be doing now is...
11. The reason our *organization* can be blocked...
12. I can see the *organization* make progress when...
13. Before our next session, the *organization* should...
14. The *organization* should improve quality by...
15. The *organization* does not perform well when...
16. The reason the *organization* cares is...
17. What the *organization* needs most is...
18. The important values in the *organization* are...
19. The *organization* seems to be motivated by...
20. The long-term purpose of the *organization* is...
21. The reason the *organization* is at risk is...
22. The organization has the *opportunity* to...
23. The *organization* is not responsible for...
24. The *organization* is held accountable for...
25. The *organization* is out of its comfort zone when...

- 26.** What the *organization* doesn't dare do is...
- 27.** I'm delighting others in the *organization* when...
- 28.** The *organization* should support me when...
- 29.** What I would change in the *organization* is...
- 30.** I'm proud of our *organization* when...
- 31.** One question the *organization* should ask is...
- 32.** What the *organization* believes but can't prove is...
- 33.** What's emerging in the *organization* is...
- 34.** The way the *organization* has been surprised is...
- 35.** The *organization* needs more clarity because...
- 36.** The *organization* hasn't done all it can because...
- 37.** The *organization* could be more energized by...
- 38.** One thing the *organization* could stop doing is...
- 39.** The boldest step for the *organization* would be to...
- 40.** The reason the *organization* can feel happy is...

Environmental Statements

- 1.** What *customers* can expect from us is...
- 2.** A good change among *customers* is...
- 3.** Our *customers* should be complimented because...
- 4.** Our *customers* can be difficult because...
- 5.** What our *customers* do well is...
- 6.** What I appreciate about *customers* is...
- 7.** Our *customers* have learned to...

8. What our *customers* should learn is...
9. After our previous session, our *customers* have...
10. What our *customers* should be doing now is...
11. The reason our *customers* can be blocked is...
12. I can see *customers* making progress when...
13. Before our next session, our *customers* should...
14. Our *customers* expect quality when...
15. Our *customers* cannot perform well when...
16. The reason our *customers* care is...
17. What our *customers* need most is...
18. The important values for *customers* are...
19. Our *customers* seem to be motivated by...
20. The long-term purpose of our *customers* is...
21. The reason our *customers* are at risk is...
22. There is an opportunity for our *customers* when...
23. Our *customers* are not responsible for...
24. Our *customers* can be held accountable for...
25. Our *customers* are out of their comfort zone when...
26. What *customers* don't dare to do is...
27. We're delighting our *customers* when...
28. Our *customers* could support us when...
29. What I would change about *customers* is...
30. I'm proud of our *customers* when...

- 31.** One question our *customers* should ask is...
- 32.** What *customers* believe but cannot prove is...
- 33.** What's emerging among *customers* is...
- 34.** The way our *customers* have been surprised is...
- 35.** Our *customers* need more clarity because...
- 36.** Our *customers* haven't done all they can because...
- 37.** Our *customers* could be more energized by...
- 38.** One thing our *customers* should stop doing is...
- 39.** The boldest step for our *customers* would be to...
- 40.** The reason our *customers* can feel good is...

The idea of an improvement dialogue is that a person picks a random statement from the list (or draws it from a pile of cards) and completes the sentence in any way she likes. Here is an example, with the statement “*What I need most is:..*”

- “*What I need most is...* a bit more time to learn new tools and technologies.”

The coach, manager, pairing partner, or copilot now has the obligation to respond to that statement *in the affirmative* and offer a suggestion to bring the dialogue forward.

- “OK, perhaps we can find out what busy work is keeping you from learning new things.”

It is then up to both participants to keep the conversation flowing by always staying positive and trying to contribute to the previous statement.

- “Yes, I have a hunch that management’s daily interruptions are costing me too much time.”
- “I see. Well, it should not be too difficult to measure this and validate that assumption.”
- “You’re right, I’ll see if I can find a time tracker app on my smartphone to do this.”
- “Good, and I will check if someone else has done something like that before.”

When you’ve arrived at a useful insight or action item for either of you, the employee can pick another random statement from the list. It is important to note that, in the area of organizational topics, the word *organization* can easily be swapped with *team*, *business unit*, or *department*. Among the environmental topics, the word *customer* could be replaced by *supplier*, *shareholder*, *employees*, or *community*. This should be left to the creativity and improvisation of the two participants. For example, participants could make a change to the statement “What *customers* can expect from us is...”

- “*What customers employees can expect from us is...* that we share our good experiences with these improvement dialogues with everyone.”
- “Good idea; maybe we could do a presentation about it.”
- “Yes, and we could let people watch while we give a demo on stage.”
- “That could work, but we should remove a few questions first that might be too personal to discuss in public.”
- “Certainly, I will review the questions if you schedule a time and place for the demo.”
- “Agreed; I’m making a note of it right now.”

You can see that improvement dialogues, initiated by inquisitive statements, are a simple way to bring a conversation forward rapidly and catalyze action. There’s no way of predicting what exactly will be discussed (minimizing the influence of the observer) or how the dialogue will develop (no questions are asked). It is also important that whatever the other person says is accepted as a fact (no denial is permitted). This brings the practice very close to both

improvisational theater and appreciative inquiry. You can even consider turning this practice into a little game: Every time one of the two participants denies something, or asks the other a question, there is a penalty of a dime, a dollar, or a drink.

By building on top of each other's contributions, respecting what others have said before, and by contributing with new statements in an affirmative way, the participants in these dialogues are most likely to bring out the best in everyone.

Internal coaching

"After I became a manager in a big telecommunications company, I went through frequent reorganizations that continuously changed my responsibilities. In one challenging situation, I was lucky that one of my managers funded an external coach who helped me to clarify and strengthen my position and to develop my personal way of leading teams. This experience made me realize that coaching could be an extremely helpful tool for everyone and I wanted to learn more.

I convinced my next manager that a qualification as a systemic coach would be the best personal development measure for me. To support the business case for the company, I offered my future support as an internal coach for other members of the organization. I also got in contact with the HR department to get their support and to discuss the development of an internal coach pool. I then became a systemic coach and was not only able to help in quite a few internal coaching relationships, I also adopted tools and a mindset which still support me as a manager and consultant today."

Jürgen Dittmar, Germany

What Now?

This is what you can do to get started with improvement dialogues:

- 1.** Initiate a coaching, pairing, one-on-one, or copilot session.
- 2.** Invite your colleague, friend, coach, or copilot for a private talk in a comfortable environment (preferably *not* in a boring office room).
- 3.** Print the statements in a way that makes it easy to pick them at random. Leave out the areas that are not applicable to your situation.

4. Explain the rules: no questions allowed, only reply in the affirmative, and contribute to the dialogue.
5. Pick questions, develop your conversations, and catalyze each other's contributions.
6. Make notes of any insights and action items.
7. Evaluate. Yes, you are now allowed to disagree and ask questions.

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Free illustrations

I would never call myself an artist or professional illustrator. But every now and then, I like working with pencils and pens and I noticed that people appreciate the “personal touch” that my illustrations add to my books.

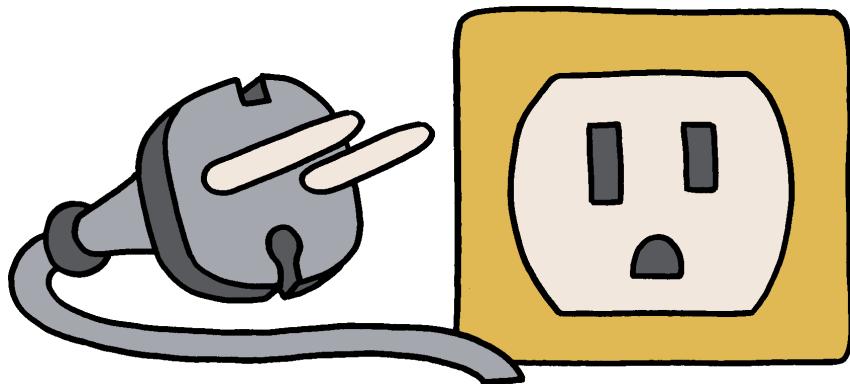
You should try it too!

In fact, you can start by downloading all illustrations that I made for my first three books, including this one! Yes, it is all free. And yes, you may use them in your own work, commercial or not. I would just appreciate it when you credit me, with a link to one of my websites.

However, what I really hope is that you start drawing yourself. The world already has too much stock photography!

m30.me/illustrations





Problem Time

www.management30.com/problem-time

It's so much easier to suggest solutions when you don't know too much about the problem.

Malcolm Forbes, American publisher (1919–1990)

It is common for organizations to focus on delivery times, but instead, they should be focusing on their queues and work-in-progress. By measuring total problem time and average problem time on improvement boards, workers can train themselves to keep solving problems, improve their work, and make all clients and stakeholders happy.

After we landed in Buenos Aires, we went through immigration, picked up our luggage from baggage claim, flung everything through the giant security machines, and went straight to the two cash machines at the first bank we saw in the arrivals hall to withdraw a pile of pesos. Unfortunately, the first machine we tried didn't work, and the second one was broken. There were three machines from another bank around the corner; the first was out of order, the second had a personality problem, and the third thought it was a statue in loving memory of times gone by when people were able to get cash.

It turned out that *all* the cash machines at the airport in Argentina refused to give us any money. One would think that a high priority in any country would be to ensure that tourists were able to transport foreign money into the country. But not in Argentina. The rich diversity of error messages and dysfunctional behaviors of cash machines Raoul and I encountered during our ten-day trip could turn any software maintenance person into a technical paleontologist. It turned *us* into gamblers because the complete randomness of pay-outs made the cash machines seem more like slot machines.

We encountered a few more problems on our trip in Argentina. The first *oficina de cambio* (exchange office) we visited in the city center didn't have any pesos. Figuring out where to buy a bus ticket in Bariloche took fifteen minutes of asking around at various kiosks within a hundred meter radius of the bus stop. Returning a rental car usually takes us five minutes, but in Bariloche, it took half an hour. Getting into an airport lounge anywhere in the world requires little more than offering a boarding pass to the receptionist; in Buenos Aires it took five minutes of browsing through a stack of papers, checking numbers, and filling out passenger data, by hand. And the priority check-in and boarding queues for frequent flyers probably exist somewhere, but you'll have to ask around. (Or just create your own, like we did.) None of this seems to bother the Argentinians that much, because research shows they are quite happy. [Happy Melly, "The Future of Happiness Can Be Found in South America"; LiveScience, "The Happiest Countries"] And they love dancing.

My experiences confirm the hypothesis that a person's happiness doesn't necessarily lead to an improvement in a person's work. Some writers claim that organizations should focus more on the happiness and well-being of their workers, because happiness leads to higher productivity and better performance. [Heathfield, "Are Your Employees Happy at Work?"] There is probably some truth in there, but there is also evidence that a much *stronger* correlation exists the other way around: When organizations perform better,

the employees' sense of happiness and well-being increases! [Rosenzweig, *The Halo Effect* loc:1349]

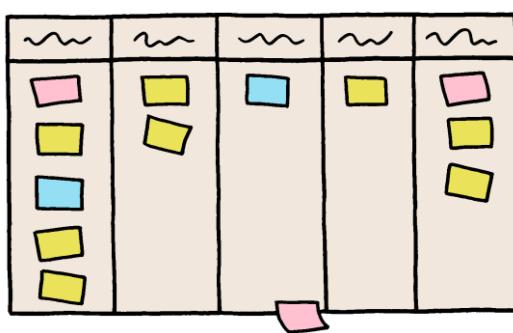
I strongly believe improvement of work leads to more happiness for everyone. Raoul and I very much enjoyed the sun, chorizo steaks, ice cream, the tango, wine, and the beautiful scenery in and around Buenos Aires and San Carlos de Bariloche. In terms of enjoyment we might rate our vacation as 9 out of 10. It *could* have been 10 out of 10 if the coffee house we found in San Martin de los Andes during an eight-hour road trip on our last day was accompanied by a coffee machine that actually worked.

These observations have convinced me that, instead of focusing on the *happiness of people*, possibly supported with a **happiness index** [Sutherland, "Happiness Metric"], we should be focusing on the *improvement of work*, preferably with some kind of improvement index. When things improve, people will be happier.

Instead of focusing on the happiness of people, we should be focusing on the improvement of work.

Solving Problems

Argentina is not the only place in the world with user problems. For example, whenever I try to use Twitter's website for more than a few minutes, I often get a strong desire to go and live in Argentina. At least, over there, I could have a nice juicy steak while dealing with things that are not working. I'm convinced that many other organizations *and* countries (including mine) can use a bit of improvement as well.



There has been a trend in the last ten years to visualize continuous improvement with **improvement boards** (or problem walls or impediment backlogs). Experts suggest that employees keep track of the problems (or the-things-that-can-be-improved) in an organization by visualizing them with sticky notes placed somewhere in the workplace. [Beaver, “Build a Team Improvement Backlog”] These boards can contain issues such as “update employee contracts”, “enable Wi-Fi in client waiting room”, “pay invoices faster”, “move all websites to a more stable hosting provider”, or “repair coffee machine”.

It is important to emphasize that improvement boards should not cover regular product requirements or service requests. Those types of issues can be addressed with their own specific task boards and can be managed with Scrum [Rubin, *Essential Scrum*], Kanban [Anderson, *Kanban*], or some other work flow management framework. The purpose of improvement boards is to keep track of systemic problems reported by clients and stakeholders regarding the work of a whole team, department, business unit, or organization. Adding a new button to a website is a functional requirement. Not seeing the new button because the website is always off-line is a problem begging for improvement. One cash machine running out of money indicates the need for a regular service request. Having *five* defective cash machines at the same time, with nobody around to fix them, indicates a systemic problem in the organization.

The concept of visualizing problems on a wall, so that everyone can see them is, a great idea. We often call this type of visualization **information radiators**, or Big Visible Charts. [Cockburn, *Agile Software Development*] However, I have noticed two important issues with this practice.

The first issue is that many people have the talent to completely ignore the most obvious information that has been radiating for a long time. I once attached a big, colorful note to the inside of the front door of my house as a reminder not to forget my wallet, my keys, my phone, and several other items I often left at home. The note worked—for one week. But after a week, I didn’t see the note anymore. It had become part of my normal environment. It stopped being remarkable. The same applies to the tiny pair of wooden shoes I have dangling from the front window of my car. I put them there as a reminder to keep track of the car’s mileage. It worked for a few days, but then the shoes became just another car accessory. Likewise, there are plenty of improvement boards in the world radiating harder than the Argentinean sun, but, after a promising start, they often stopped energizing anyone to improve anything.

Many people have the talent to completely ignore the most obvious information.

The second issue with information radiators is that more and more people are working remotely in the globalized economy of the 21st century. Many creative networkers don't share the same office with their co-workers. As a result, they cannot pick up the same visual clues. They must rely more and more on digital information stored in online tools. Granted, this is far from ideal, and if you can use physical information radiators with a collocated team you definitely should try. But to improve all organizations, we cannot get away with the simplistic suggestion that all teams should be collocated in the same work space and that all teams should have big visible charts on their walls.

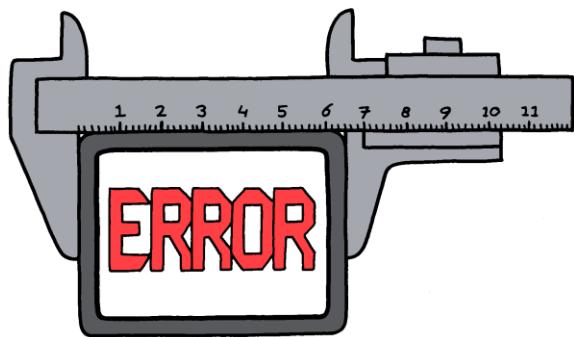
Considering that we cannot simply rely on office workers to properly pick up the information about continuous improvement radiated by their improvement boards, and that some of us may not even be in the office, I believe we need something else to guide us toward improvement of our work.

Unsolved Problems

If we want problems solved, we have to do a bit more than just visualize them with sticky notes. We have to perform some actual **problem management**. And to *manage* problems, a good start would be to *measure* them.  Peter Drucker once famously said, "What gets measured gets managed." Therefore, a good question is, "How can we measure our problems in an effective way so that they get solved and things will improve?" [Seddon, *Freedom from Command & Control* pag:44]

Measurement is fundamental to high performance, improvement, and, ultimately, success in business, or in any other area of human endeavor.

Spitzer, *Transforming Performance Measurement* loc:199



A common mistake is to assume that the *number of problems* is a decent key performance indicator of organizational dysfunction. After all, the thinking goes, the more problems we have on the backlog the worse our performance must be. However, this is not necessarily true. By measuring and reporting the number of problems in a distrustful environment, we easily get into a situation where people feel pressured not to add more problems to a large queue in order to prevent the metric from growing even larger. The result is a visible backlog of *reported* and *managed* problems, and an invisible backlog of *unreported* and *unmanaged* problems. (This might be the situation at some Argentinian banks, but I'm just guessing here.)

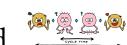
Another mistake is to think that when the queue size is stable, we have things under control. Before anything else, we must keep in mind the perspective of the stakeholder. What does anyone want who reports a problem? They want their problem to be fixed, and sooner rather than later! When *this* week's problem queue is exactly the same as *last* week's problem queue, does that mean our performance has remained the same as the week before? No! The people who reported the problems have now been waiting an extra week for us to fix them! Therefore, the metric we use should reflect that our performance has worsened. Any metric we come up with should incorporate the *age of problems*.

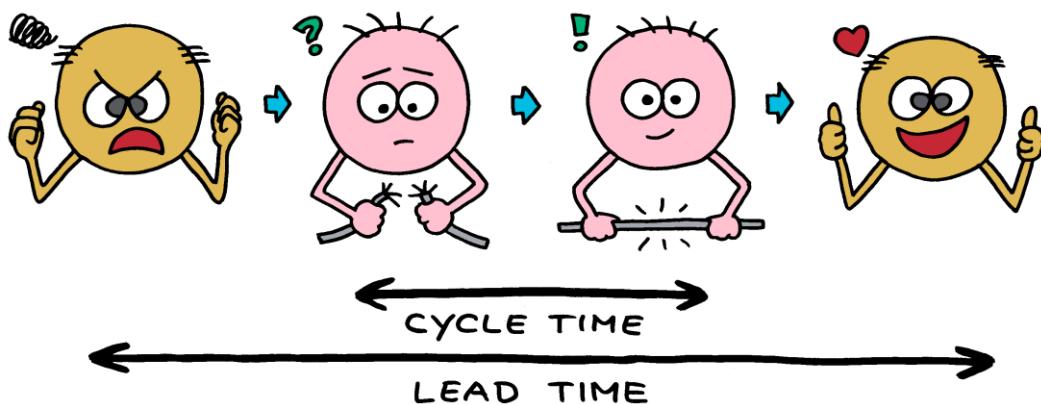
We should not penalize anyone for reporting problems. But we *should* penalize ourselves for not solving those problems rapidly. Finding one defective cash machine at an airport is a minor inconvenience. The machine could have broken down an hour ago. But finding *five* broken machines indicates a severe organizational dysfunction. And if those same machines are all still broken the following week, things are even worse than we thought! The longer a problem remains unsolved, the heavier this must weigh on our improvement index.

Work-In-Progress

Sadly, most organizations don't pay attention to queues. Instead, they pay attention to the time it takes to give customers what they want, or the time it takes to develop something. In a way, this makes sense because customers don't care about the size of queues. They care about their time.

Most organizations don't pay attention to queues.

Two metrics are often mentioned in performance management literature: **lead time** and **cycle time**. Lead time is the time measured from the moment a customer *reports* an issue until the moment the customer considers the matter solved. Cycle time is the time measured from the moment *work starts* to address an issue until the moment the organization considers the matter closed.  Logically, cycle time is always shorter than (or equal to) lead time. [Roock, "Lead Time and Cycle Time"]



Like queue size, lead time and cycle time are useful metrics, and like queue size, the metrics suffer from a few issues. One important problem with lead time and cycle time is that the data only becomes available once the problems have been solved. These metrics are a typical example of **lagging indicators**. They are only known *after* you're done. Consider the example of long lines in a supermarket. By only measuring lead time and cycle time, you will not know about the build-up of your customers' frustration *inside* the supermarket. You will only know about the long time they have been waiting in the queues *after* they have slammed the doors behind them on their way out—possibly never to return.

Another issue with lead time and cycle time is that these measurements originate from the manufacturing sector and are used to manage inventory of unsold physical goods, such as cars and books. Unsolved problems in an organization can be treated metaphorically *as if* they are unsold inventory, but reported problems are definitely not the same thing as physical inventory. The inventory metaphor breaks down easily. For example, two reported problems could later turn out to be the same problem viewed from different angles. I've never heard of anyone merging two unsold cars!

The third and most important argument against a focus on lead time and cycle time comes from queuing theory. It appears that measurement of queues is much more effective than measurement of waiting time. Again, consider supermarkets: all successful supermarkets have figured out that they must monitor the lines of people waiting to pay and keep those lines small. Customers regret the loss of the *time* they have spent waiting, and if the organization keeps its focus on *queues*, it turns out that people's waiting times will drop automatically. And information about queue size is available long *before* lead time and cycle time. It is a **leading indicator** of the happiness of clients.

Queues are a far better control variable than cycle time because [...] queues are leading indicators of future cycle time problems. By controlling queue size, we automatically achieve control over timelines.

Reinertsen, *The Principles of Product Development Flow* loc:296

Unfortunately, most organizations do not monitor the size of queues or the number of problems that have been reported to them. If they measure anything at all, it is usually the time it took them to solve a specific customer's problem or the time it took to develop something. For most workers, it requires a complete mindset shift to change focus from lead time and cycle time to their **work-in-progress (WIP)**. When we measure and manage our work-in-progress, the waiting times for clients will take care of themselves.
[Reinertsen, *The Principles of Product Development Flow* loc:2264]

It requires a complete mindset shift to focus on work-in-progress (WIP).

Performance Measurement

We've seen that measuring queue size (or WIP) is better than measuring lead time and cycle time, but a static queue size does not express the growing frustration among stakeholders regarding the aging of their unsolved problems. And visualizing queue size alone does not incentivize people to report new problems.

As someone who is *responsible* for the system, I value three things:

1. Reported problems are better than unreported problems.

I want all problems to be reported. No problem should be kept hidden. People should feel safe and incentivized to report any issue they find.

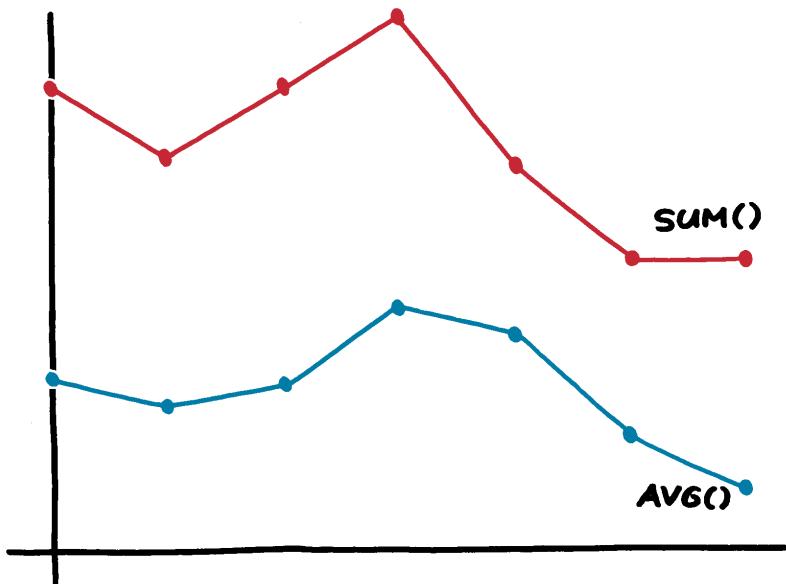
2. Young problems are better than old problems.

I want problems to be solved fast. They should not linger around on backlogs and boards for long because frustration grows with the age of problems.

3. Non-recurring problems are better than recurring problems.

I don't want the same problems to pop up again and again. Once solved, they should remain solved for good. Permanent fixes are preferable over short-term workarounds.

Given these three requirements, I believe we should measure *the total age of all problems*. Every week, we can spend a few minutes evaluating the entire list of open problems which have been posted on a wall or stored in a shared online tool. We then add a dot (or a point or a plus) to each problem that is still open. The number of dots (or points or pluses) per problem indicates how long this issue has been waiting to be solved. We can only remove a problem when the person who reported it agrees that the matter has been resolved. And, most importantly, when the same problem is reported again by another client, we re-introduce the issue in the queue, *starting with its former number of dots*. (Apparently, the problem was *not* properly solved!)



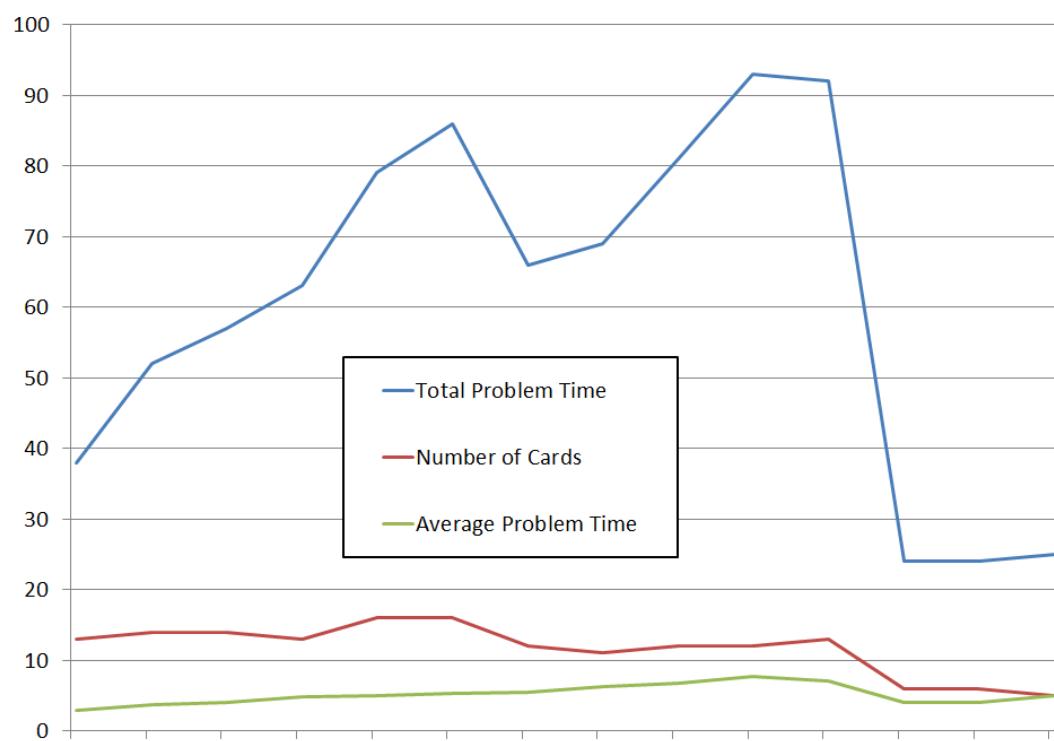
Once per week—or more often, depending on the nature of your business—we calculate the *sum* and *average* of all the dots  and we report the results to everyone who is part of the system. What you measure is what you get, and with these two metrics, **total problem time** and **average problem time**, we get exactly what we want: people feel an incentive to *report* new problems, partly because adding fresh problems can bring the average problem time down (but not the total sum). They also feel an incentive to *solve* problems on the board because this brings the total problem time down (but not necessarily the average). And when creative networkers focus mainly on solving problems that have already been on the backlog for a long time, they will reduce both the total time *and* the average problem time. Last, but not least, there is an incentive to solve problems for good because this prevents them from reappearing on the backlog. And we don't want our clients to keep encountering the same problems, do we?

Problem time is different from queue size because problem time can increase while queue size remains static, indicating a (possibly) growing frustration of clients who are waiting for their problems to be solved. Problem time is also different from lead time and cycle time because lead time and cycle time are measures of *completed* work—they are lagging indicators—while problem time has an exclusive focus on *uncompleted* work—a leading indicator.

What about a limited Work-in-Progress?

Many experts suggest that workers should keep the amount of work small by imposing a limit on their queues. This is often called a **limited WIP**. [Anderson, *Kanban* loc:2497] It certainly makes sense in many situations to keep a clear focus and to refrain from unnecessary task-switching, which is bad for productivity.

However, though a well-defined limit can be healthy for the stuff you're *working on*, it doesn't sound like a good idea for the number of *problems reported*. A hospital may have a policy for the maximum number of people being treated in Intensive Care, but when you arrive at their doors with a severed finger, it is unlikely they will deny you access with the reply, "Sorry, we've reached our limited WIP for today. Please come back tomorrow." That would qualify as bad service, not as a smart policy.



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Improvement Technique

Let's return to our stakeholders for a moment. They are usually outsiders *interacting* with our organization. They can be customers, suppliers, shareholders, representatives of local communities, or everyone else who has

a problem with our organization which can't be solved without our help. Our stakeholders also have three requirements, which are, unsurprisingly, very similar to ours:

1. An easy-to-report problem is better than a hard-to-report problem.

When they encounter a problem, they want to report it in the easiest possible way, for example, without filling out a complicated form.

2. A solved problem is better than an unsolved problem.

After reporting a problem, it should be fixed as soon as possible, preferably accompanied by an apology, thank-you-very-much.

3. A unique problem is better than a well-known problem.

Our clients actually prefer that problems don't exist at all, and they certainly don't want them to reappear again.

Of these three requirements, the only one we still need to take care of is the first. The second requirement (they don't want old unsolved problems) and the third requirement (they don't want recurring problems) are already covered indirectly by our two problem metrics: total problem time and average problem time. But I think the first requirement (they want to give feedback easily) needs special attention. We can address it by always asking our clients the golden question. 



Is there anything we can do better?

The barrier for people to give feedback must be as low as possible. If we don't get an answer to our golden question we should consider that itself a problem! On a number of occasions I have left a restaurant or hotel in an angry mood, vowing never to return again. When nobody asks me if everything was fine—in Europe nobody usually does—the business will never

know they lost a customer forever. And I'm not the kind of person who wastes ten minutes of his valuable time on a company's evaluation form when its product or service has already annoyed me tremendously. Sending out a rant on Twitter is much easier and more satisfying.

There is not much more we need to do in order to manage improvement and increase the level of happiness for everyone. All we have to do is ask our stakeholders, "Can we do better?" and add any newly reported issues to our problem board. By tracking the total time and average time of the reported problems on the board, we train ourselves to solve them quickly and solve them forever.

Problem Definition

Now that we know how to measure and manage problems, there are just two more questions for us to discuss. The first one is:

What exactly is a problem?

Who decides whether something is a problem or not? The client does! When I'm in a hotel room and I perceive the lack of an electrical socket next to my bed as a problem, then there *is* a problem. When I find only one pillow on my bed, and it's as flat as the Dutch countryside on a rare sunny day, then there *is* a problem. When I notice that the "high-speed" hotel Wi-Fi is more congested than a French highway on Black Saturday, then there *is* a problem!

Notice that a client perceiving a problem is *not* the same as "the customer is always right". Maybe electrical sockets in walls are impossible in an old building that is a protected monument. (I would be perfectly happy with a long extension cord.) Maybe paper-thin pillows are an expression of local culture. (Having a bigger one available in the wardrobe would be an easy solution.) Maybe high-speed Wi-Fi is impossible deep in a forest or high on a mountain top. (A note about this while booking the room would be appreciated.) The problem, as perceived by a customer might not be a problem that can be fixed. But when a customer feels annoyed by something, then this *is* still a problem!

The customer is not in a good position to prescribe product or service that will help him in the future.

Deming, *Out of the Crisis* pag:167

The same applies to suppliers, shareholders, employees, and all other clients. When some of them are unhappy, we have a problem! And we need to figure out a way to make them feel good again about our business.

Also, notice that the things workers are trying to do are often *not* described by them in terms of the needs of their stakeholders. I'm quite sure that no client has asked you to "identify metrics for continuous improvement", to "develop a training plan for new employees", or to "upgrade the website platform to version 4.2". And I hope no client has ever asked you to "update the competence matrix in the performance appraisal template". Yes, some of these tasks might be necessary to solve someone's problem. But the thing that should be on your improvement board before anything else is the client's *problem*, not just your *tasks*. Yes, tasks are useful. Tasks are good. Tasks make things happen. But you have to remind yourself why you're doing them in the first place. What should be ticked off as "solved" on your improvement board is the stakeholder's problem.

That brings me to the last topic to be addressed, which is:

When is a problem solved?

There's only one good answer to that, which comes from the mouth of the client standing in front of a nonworking cash machine: "It is solved when I say so!" Yes, it might be painful to hear this, but we *need* clients like that. The world has never been changed by those who just accept bad service or bad products.

The world has never been changed by those who just accept bad service or bad products.

It is not sufficient to improve processes. There must also be constant improvement of products, services and technologies.

Deming, *Out of the Crisis* pag:135

A problem is only really solved when the client feels good about you and your business. (In some cases, this could even mean two parties happily going their separate ways.) This indicates, again, that continuous improvement should ultimately lead to happiness. It can be fun to measure happiness, but you won't make things better by scrutinizing your happiness index. You make things better by improving your processes, products, services, and everything else. Therefore, what you should monitor closely is the collective and average age of all problems, and whether they are found and reported easily. By doing this, you not only engage the people, you also improve the work and delight all clients. And that is all that we want.

What Now?

It shouldn't be that hard to get started measuring problem time in your team. You can start with your existing improvement backlog, if you have one, or you can create a new one from scratch.

- 1.** Make sure your improvement board contains stakeholder problems, not just tasks.
- 2.** Check or estimate when each problem was added to the board, and calculate a problem time per issue.
- 3.** Calculate the total and average problem time for the entire board, and communicate it to your team members. Make a recurring task in your task list to do this every week from now on.
- 4.** Start asking stakeholders “What can we do better?” on a regular basis.

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Management 3.0 events

The Management 3.0 events aim at leaders and knowledge workers who are trying to be more agile and lean in their approach to management. The courses and workshops typically draw a mix of team leaders, development managers, directors, agile coaches, HR managers, project managers, and creative workers.



Just the right amount of theory vs. exercises, general experience vs. each participant's experience, one-way teaching vs. two-way sharing/feedback.

Claudia Daniela Hosu, ScrumMaster at Small Footprint, Romania

The most important goal for Management 3.0 events is for people to take action to improve their organizations. All events adhere to the following principles: theory and practice in small chunks; clear and effective visuals; inspiring stories and metaphors; fun games and exercises; focused group discussions; and concrete practices with tangible results.

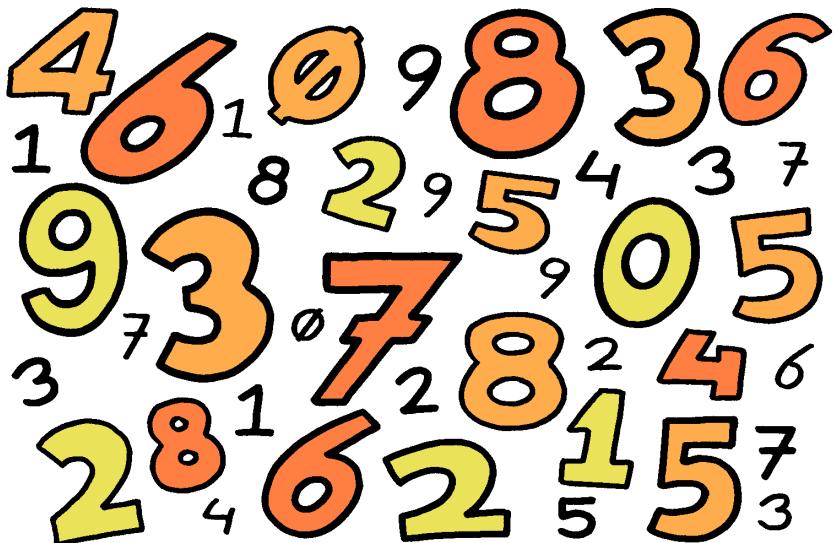


I had so many takeaways, almost everything. I would say: complex systems discussion, a lot of metaphors, 7 levels of authority, discussions of challenges, loved all the stories. Great great great course!

Tali Goshen, VP of Human Resources at superDimension, Israel

More information: m30.me/events

MANAGEMENT 3.0
CHANGE AND INNOVATION PRACTICES



Metrics Ecosystem

www.management30.com/metrics-ecosystem

Measure not the work until the day's out and the labor done.

Elizabeth Barrett Browning, English poet (1806–1861)

The way people measure performance in organizations is often just plain wrong. Everyone should learn the twelve rules of good metrics. This would help establish a culture in which people see measurement as a way to learn and improve, and create an organization where all workers participate in the metrics ecosystem.

I had a slice of banana cake accompanied by a small latte in my favorite coffee bar just before I wrote this sentence. That's another 300 kilocalories (or "calories" for our friends in the United States) that I just added to my fitness tracker. I allowed myself this transgression because we ran out of fruit juice at home, which meant I only drank water with my breakfast and my lunch. I was far below my calorie target for the day. Well, until I saw the banana cake.

Besides my daily calorie intake, there are many more things I could measure about myself and my work. Page views per blog post, unique visitors per month, Google rankings, Net Promoter Scores of my workshops, evaluations of my conference sessions, subscribers to my mailing list, stakeholders in Happy Melly, licensed Management 3.0 facilitators, revenues and profits, liquidity and solvency, book sales per month, steps I walked per day, and much, much more. Sometimes, it seems as if I spend half my time looking at numbers and searching for better ways to measure things. Maybe I should consider a measure for the number of metrics I'm working with and kick myself for going over target!

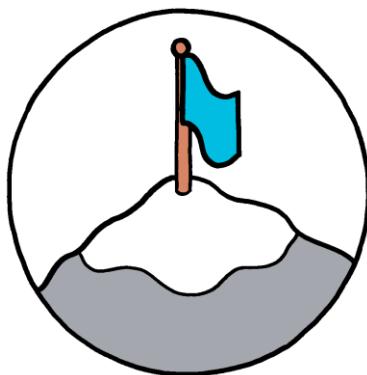
If there's one thing I've learned about measurement in my professional career it's that the set of metrics being used is always changing. That's not because I can't seem to make up my mind about good measurement. It's because I believe a business can be much happier and healthier when it's not always doing the same thing.

Health and Happiness

Scientists seem to agree that happiness is one of the major goals in a human being's life. [Gautam, "4 Major Goals of Life"] That sounds reasonable. And if happiness is the purpose of the mind, then I would suggest that health is the purpose of the body. Indicators of happiness and health are necessary for us to investigate problems and to make decisions about how to improve. We measure to understand how to live a better life, both mentally and physically. For organizations, it's no different. As managers, we want to know, "Do we take the blue pill, or the red one, or the colorful ones with the letter M on them?" Such decisions require insight. And insight requires measurement.

We measure to understand how to live a better life, both mentally and physically. For organizations, it's no different.

“But measurement is hard, and numbers are boring, and the outcomes are depressing, and the cow is sick, and the horse is dead....” Bah, these are all bad excuses! Most people have no idea how to measure well. They make their organization run a marathon with a thermometer up its rear end, and then they wonder why it’s running so slowly (and awkwardly). In that regard, it’s no wonder that an organization which measures very little and just runs around blindly usually goes much faster, until it runs into a tree, hopefully not with a thermometer in its mouth.



Measurement can be easy, fun, and motivating, and it’s one of the most important activities for any organization. What gets measured gets managed, and what gets managed gets done. It’s a cliché because it’s true! I measure the number of words per book, blog posts per week, and chapters per month because my purpose is to be a full-time writer. Happy Melly collects stories of happy and healthy companies because its purpose is to help people have better jobs. Google has a transparent system that enables *all* employees to define and track their own objectives. [Yarow, “This Is the Internal Grading System Google Uses”] When organizations end up in the wrong place, it’s often because they didn’t use the correct measures to discover where they were going. [Spitzer, *Transforming Performance Measurement* loc:431]

Comparing organizations with human bodies is actually not such a good idea. Except when in the vicinity of an attractive person, body parts usually make no plans and decisions on their own. The human body is called an *animated system*, while an organization is a *purposeful system*. [Gharajedaghi, *Systems Thinking*] Cities are better metaphors for organizations. A city is a community of people, many of whom have their own ambitions. The whole city is managed by a few people on everyone else’s behalf and is usually endowed by its managers with its own purpose. It’s basically the same with an organization, except that the geographical boundary that defines the city is

replaced with an economic and legal boundary that defines the organization. But no matter whether we talk about humans, cities, or organizations, there's one thing we recognize among all of them. We measure things in order to make decisions toward a purpose.

- Rule 1: Measure for a purpose 

Proxies and the Unknown

A single number indicating health does not exist. Neither does one single value for happiness, or for most other qualities for that matter. It is often said, “Not everything that counts can be counted.” Usually, the best we can do is work with values that are only surrogates or proxies for the real thing. As a result, our measurements are imperfect. We don’t measure love by tracking the number of phone calls. [Gharajedaghi, *Systems Thinking* pag:47] And yet, a complete lack of phone calls from a loved one should indicate at least *something*. It is still useful information, as long as we don’t jump to conclusions by confusing the lack of phone calls with a lack of love. (I just got my call two minutes ago, no kidding! My happiness increased, a little bit.)



Jumping to conclusions with incomplete information, and not understanding that there’s a gap between what is *measurable* and what is *desirable*, is one of the biggest problems with humans. For example, for many decades, governments have used gross national product (GNP) as an indicator of the health of their economies, but this well-known metric ignores the cost of natural resources. It only indicates sales. The metric does not attribute any value to plants, animals, or human lives! When a natural disaster wipes out a number of living things, or even an entire species, the GNP of a country usually goes *up*

because of the increased labor and sales of materials. But we'd be stupid to believe that the health of the economy increased as a result of the disaster.

The real health of an economy, like the happiness of a person, is not measurable. But that doesn't mean measurement is a lost cause. On the contrary, there are plenty of things that we can measure! [Hubbard, *How to Measure Anything*] We can at least *reduce* our ignorance by using multiple imperfect metrics. For example, there are many competing indices that all claim to measure the happiness of people across countries [Gedmin, "Our Mania for Measuring Well-Being"]. All of these measures have their own intricate methods, variables, and formulas. They're all imperfect, but together they give the best possible picture we can paint of happiness in the world at large. In organizations it should not be any different. It is one reason why Google lets employees measure their progress toward their objectives by using multiple *key results*. [Yarow, "This Is the Internal Grading System Google Uses"]

Just as a human being needs a diversity of measures to assess its health and performance, an organization needs a diversity of measures to assess its health and performance.

Drucker, *Management* loc:1131

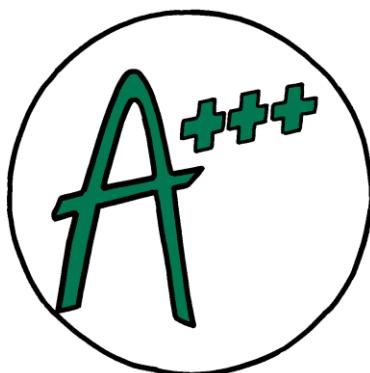
Your job is to find the best possible (combination of) proxies that get as close as possible to the thing you *really* want to know. Your measurements should never lead you to ignore the unknown or give anyone else a false feeling of confidence. Unknowingly relying on an imperfect metric could be even more dangerous than knowingly proceeding without one!

The most important information we need is either unknown or unknowable [Deming, *Out of the Crisis* pag:121], but this is no excuse for not measuring at all. [Hubbard, *How to Measure Anything* pag:27] We have a responsibility to refrain from jumping to conclusions and to keep pushing back the boundary of the unknown.

- Rule 2: Shrink the unknown 

Big Data, Small Progress

We live in an age where having too little information is less often a problem than having too much of it. In many businesses, people have data covering “the number of employees hired, number of training programs implemented, number of help desk calls, number of machines repaired, number of inspections, number of audits, number of invoices processed, number of sales calls, number of clinical trials, number of patent applications, etc.” [Spitzer, *Transforming Performance Measurement* loc:784] **Big data** is all the rage these days. [The Economist, “Data, Data Everywhere”] All this data can make people feel good because it makes it clear that a lot is going on. “Look at us being busy!” And there are always at least *some* numbers going up.



But not all metrics are created equal. For any football (or soccer) team, the statistics reporting percentage ball possession, corner kicks, total fouls, key passes, attempted passes, or top salaries are all very nice and interesting, but the only thing that really counts is whether the team wins! [Brownell, “The Most Important New Advanced Soccer Statistics”] For any organization without a clear goal, it is tempting just to report the numbers that say, “We’re going fast!” Such numbers have been called **vanity metrics** because they make businesses look good. [Ries, *The Lean Startup* pag:143]

I know what I’m talking about! I’ve prided myself on the large number of page views on some of my blog posts, which turned out to be completely irrelevant to my goal of writing books. I’ve been smug and felt pleased because of the high ratings for my workshops, but my real goal was to enable *other* trainers to facilitate my courses successfully. To become happy and healthy as an organization, a bit more is needed than just looking busy and looking good. What you need is a sense of *progress* toward your purpose or

goal. What you want is for your measurements to enable you to learn and improve.

- Rule 3: Seek to improve 

Example: this book

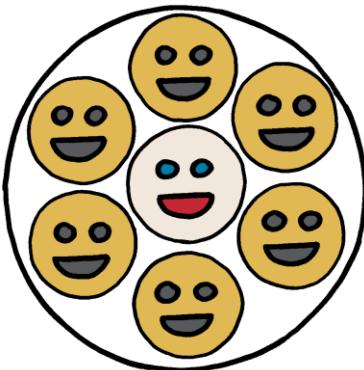
Let's take a moment to consider a concrete example. What is my motivation for writing this book? Well, apart from fame and fortune, my *purpose* for this book is to familiarize people with good practices that can turn organizations into better places to work. But how can I measure that?

One obvious suggestion is to monitor *book sales*. The more often this book is sold, the more people I have reached with my message. However, as I know very well, a book *sold* is not necessarily a book *read*. A better metric might be *book reviews*. Good ratings by readers are an indicator of a message that is well received, which closes the gap with the *unknown*.

But book ratings don't help me write a better book. They are great for marketing, but they don't help me *improve* anything. They are a vanity metric! It's better to measure the effectiveness of my message *while writing* and before the book is ready, for example, by publishing beta versions of the ideas, checking how often people download the PDF files, and asking readers to share their feedback and personal stories with me. That's exactly what I've done. {8-)

Everything Depends on Everything

It's relatively easy to measure the performance of a writer. All mistakes in this book are mine. But how do you measure the performance of those who contribute to a TV program? Or a software product? Or a social media marketing campaign? For a number of decades, the interdependence of work processes has been growing. With more and more people working together in teams, groups, and networks, and with an increased diversity of contributors, it gets harder and harder to measure who contributed how much to which part of the results. Performance measurement of the parts in a network becomes impossible when everything depends on everything else. Is a hospital's rating a measure of its management, or the doctors and nurses, the patients, or the average standard of living in its region? Do school exams measure the performance of the pupils, the school, the exam board, or all three? [Hoverstadt, *The Fractal Organization* pag:102]



The only way to deal with this complexity is to acknowledge that the performance of a part must be evaluated across its dependencies. This means that the efforts and results of one person should not only be evaluated against that person's own purpose, but also against the needs of all of the stakeholders. Yes, a workshop trainer should measure her progress according to her ambitions. But she should also understand the needs of her students, her peers, the training organization, the courseware creator, the venue owner, the government, the trainer's guild, and even her spouse. They are the ones *enabling* her to pursue those ambitions.

A system's performance is the product of the interactions of its parts.

Ackoff, *Re-Creating the Corporation* pag:33

Some authors claim that the only purpose that really counts is to delight the customer, and that performance optimization across all stakeholders is mathematically impossible. [Denning, *The Leader's Guide to Radical Management* loc:1385] I agree with that last part. It is one of the messages of complexity science! There is no way to calculate the global optimum for a system in a complex environment. In fact, we'll never know where that optimum is! All complex adaptive systems seek their best performance possible by continuously repeating an **adaptive walk** across an invisible fitness landscape. [Appelo, *Management 3.0* loc:6604] It is never a straight path. There's no shortcut to an optimized whole and no complex system will ever really be optimal. That's how the brain works. That's how nature works. That's how the economy works. That's how the Internet works.

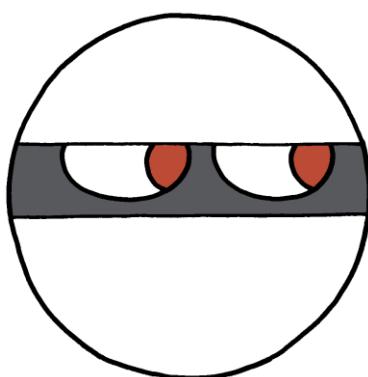
There's no shortcut to an optimized whole and no complex system will ever really be optimal.

It's naive to optimize conditions for one client (the customer, the shareholder, the employee, or any other) *assuming* that what's good for one will automatically be good for all the others. Arguing that optimizing for all clients is "too hard" should not be an excuse. Try raising a family!

- Rule 4: Delight all stakeholders 

Subjectivity and Reflexivity

I once organized a workshop for a company where I discussed a happiness index with its employees. They told me that their management measured happiness in the organization every three months through the use of elaborate forms that had to be filled out electronically by everyone. After a lot of work, management was able to report that happiness in the company had dropped from 3.8 to 3.5. I asked the employees, "How do you feel about this measurement?" Someone from the back of the room said, "I hate it!" and some of the others started nodding their heads. Apparently, the way management measured happiness in that organization was *destroying* people's happiness. It could be that this metric made only the managers very happy!



An alluring aspect of measurements is that people associate them with research and science. Observation is a crucial part of the scientific method, and it's no coincidence that business improvement methods, such as The Lean Startup, Kanban, Scrum, and others, rely heavily on measuring work.

Measurement is considered by many to be an inherently neutral activity that involves analysis, objectivity, and understanding. [Spitzer, *Transforming Performance Measurement* loc:1022] Unfortunately, in a social context, these lofty ideals are hardly ever achieved.

The act of measurement is neither objective nor neutral. It is subjective and, of necessity, biased. It changes both the event and the observer. Events in the social situation acquire value by the fact that they are being singled out for the attention of being measured.

Drucker, *Management* loc:7160

The fact that a person's productivity is being measured causes that person to pay more attention to his work and his productivity goes up. This phenomenon is often referred to as the **Hawthorne Effect**. The introduction of a happiness index can make a team feel good (or bad) about management, which influences the team's happiness. The attempt to estimate the size of a project causes people to add more requirements, which results in the estimate going up. A quality test at the end of a production line can introduce a sense of safety and subsequently more risky behaviors and lower quality among workers. This is referred to as **risk compensation**. A news item about an increase in book sales will further increase the sales of that book. And the announcement that a number of colleagues are stealing office supplies might not be the safest approach to protecting the remaining office supplies since, according to the **broken windows theory**, this could lead to more stealing. In all these examples, the observer influences the system and the system influences the observer. In complexity science we call this **reflexivity**. The only weapon against the **observer effect** is common sense and a skeptical mind toward any "scientific method" in a social setting.

- Rule 5: Distrust all numbers 

Bias

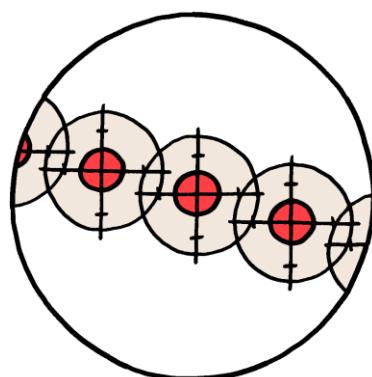
The observer effect is not the only reason you should distrust your numbers. When human beings are involved, you will be certain to encounter a plethora of cognitive biases with any metrics you use.

Most people are overconfident with their estimates (*estimation bias*). Their memories of negative experiences are stronger than those of positive ones (*negativity bias*). They usually only believe data when it supports an opinion they already have (*confirmation bias*). They project their current emotional state onto any expectations for the future (*projection bias*). People overestimate emotional responses to events (*impact bias*). They often think they could have predicted things that are happening today (*hindsight bias*). They believe themselves to be responsible for good results, while bad results are, of course, somebody else's fault (*outcome bias*). In addition, people also suffer from *belief bias*, *distinction bias*, *expectation bias*, *normalcy bias*, *pessimism bias*, *restraint bias*, and many, many more.

Cognitive biases are yet another reason to have a healthy skeptical view of any measurements that involve people. They are also another argument in favor of gaining perspectives from different stakeholders. With a bit of luck, each of them suffers from a different bias.

Management by Objectives

While I was writing this book, I set myself a target to write two chapters per month. I did not always succeed, but I knew I would never achieve my purpose if I didn't force myself to make some progress. I also have a target for sleep (at least 7 hours), calorie intake per day (less than 2,500 kcal), and blog posts per week (at least three). We measure ourselves and give ourselves targets to help us stay on track toward the goals that we've committed to.



Peter Drucker offered his **Management by Objectives (MBO)** method for exactly this purpose: to help managers define the purpose of their organization, set targets *for their own work*, and measure progress toward their

goal. There's nothing wrong with targets, as long as you don't bother anyone else with them. Drucker specifically said that if managers continuously fail to fulfill *their own* commitments and never reach their objectives, they should make room for others. [Drucker, *Management* loc:6032] I agree. I should also find myself another career (or at least write *other* books) if I continuously fail to inspire people to improve their organizations.

There's nothing wrong with targets, as long as you don't bother anyone else with them.

Sadly, MBO has often been misunderstood and badly implemented. Managers set targets for *others* and fire *others* for doing work that is measured incorrectly in order to reach goals that are badly communicated. [Austin, *Measuring and Managing Performance* loc:1899] For example, call center employees are sometimes pressured into reducing the duration of their calls, instead of helping to solve their customer's problems. [Seddon, *Freedom from Command and Control* pag:19] Managers often do this because the wrong metric (call length) is easier to obtain than the right one (happy customers), and it is tempting to measure the things that are easiest to quantify. By adding targets into the mix, the result is that employees do what is counted (reducing call length) instead of doing what counts (helping customers). This perverse style of MBO leads to a decrease in people's motivation and the destruction of the organization which is exactly the opposite of what Drucker intended. [Allan, "3 Deming-Based Alternatives to Management by Objective"]

Targets are dangerous. There is no way to set a perfect target. As soon as you set a target for others, they will pursue the target instead of the original purpose. According to **Goodhart's law**, "When a measure becomes a target, it ceases to be a good measure." The best you can do is to keep targets vague, and keep them to yourself. Instead of single points, work with imprecise targets, ranges of values, or merely a direction. [Hoverstadt, *The Fractal Organization* pag:138] Google has solved this by asking its employees to set multiple *difficult* targets for themselves with the strong suggestion that it should *not* be possible to achieve them all. The effect is that the targets become merely a range and a direction instead of one fixed point. [Yarow, "This Is the Internal Grading System Google Uses"]

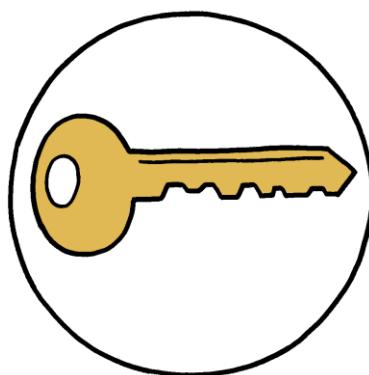
Instead of aiming to sell exactly 10,000 copies of this book, I could aim for an imprecise five-digit sales figure. Other good enough targets for me would be to sleep better, to burn more calories than I consume, and to write more

instead of less. I know it's too hard for me to achieve all of this and I won't make the mistake of imposing any of these targets on you.

- Rule 6: Set imprecise targets 

Judgment and Control

It's a pity managers in American management literature are so often compared to sports coaches and creative networkers are then compared to players and athletes. The metaphor simply doesn't hold when we look at the way results are measured across these domains. The very purpose of professional sports is to be *measured* (by computers, referees, arbiters, or juries) in terms of number of games won, points scored, weights lifted, meters run, or seconds completed, in order to decide who *wins* and who *loses*. They are always **zero-sum games**—only one can win! In many organizations, possibly inspired by the data analytics capabilities of the NBA, the NFL, and FIFA, managers are also seeking better ways to quantify team performance. [Schrage, "Team Chemistry"] However, judging creative networkers based on projects completed on time, lines of code written, tests passed successfully, or new customers acquired is the *last* thing you need in an organization. Creative networkers play a **non-zero-sum game**. *Everyone* can win!



Professional organizations, such as Toyota, don't use measurements as a way for managers to judge the performance of their workers. The metrics are available for people's self-improvement rather than for managerial coercion and control. [Liker, *The Toyota Way to Lean Leadership* loc:4056] At Google it's the same; all workers only set objectives and key results for themselves. [Yarow, "This Is the Internal Grading System Google Uses"] For

organizations that truly desire to be transformational, measurement must be separated as much as possible from judgment. [Spitzer, *Transforming Performance Measurement* loc:1333] As long as metrics are abused as a tool for control, measurements will give rise to power play, fear, and politics. To any manager who is trying to find the “best” performance metrics for measuring teams I say, “Before you try to measure someone else’s performance, please explain how you measure your own.”

Before you try to measure someone else’s performance, please explain how you measure your own.

Judging people is the perfect recipe for **measurement dysfunction**: bad organizational behaviors emerge as a result of metrics and targets. These behaviors then interfere with the stated purpose of the metrics. [Austin, *Measuring and Managing Performance* loc:464] This phenomenon is referred to as **Campbell’s law**: “The more any quantitative social indicator is used for social decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor.” [Lyons, *Social Research and Public Policies* pag:35]

It is easy to see that all metrics should be owned by their users and should only be used by them to judge themselves. [Liker, *The Toyota Way to Lean Leadership* loc:592] It is crucial that creative networkers see measurement as a positive thing, as something that empowers them to improve their work and their outcomes in the areas under their control. For managers it is no different. The objectives of managers are their own objectives. The performance measured by managers across their scope of control is their own performance. Everyone who is held accountable for something needs metrics to improve their own work. The scope of accountability may differ between managers and workers, but the conclusion is the same. We all measure ourselves. [Drucker, *Management* loc:6032]

- Rule 7: Own your metrics 

Rewards and Punishments

My life as a robot was brief and depressing. I was about twelve years old, enjoying a vacation with the family in a tent at a French camping site. The

owners of the camp had invited all the kids to come to the central building dressed in self-made costumes. I had spent an hour or two raiding our tent and my mom's kitchen supplies, pulling a grey garbage bag over my head, cutting buttons out of wine corks—there are always plenty of those available in France—covering my ears in plastic cup holders, and sticking a part of the tent on my head. Robocop, the Terminator, and smartphone operating systems had yet to be invented. I was the ultimate android. My brother and sister happily joined in the merriment with their own (much less cool) costumes, and everything was great until the organizers picked a winner. A winner? Yes, a winner. And it wasn't me. I was very disappointed. The robot outfit quickly disappeared and I went back to solving my Rubik's cube.



I have addressed the issue many times in my books and on my blog, and I will do it here once again: incentives bring problems. Rewards may briefly motivate people who win them, but they also seriously demotivate those who don't. The net result is often more negative than positive. For every person you make "employee of the month" you turn dozens, hundreds, or thousands of colleagues into "losers of the month". A creative work environment should *not* be an Olympic game.

If your parent or teacher or manager is sitting in judgment of what you do, and if that judgment will determine whether good things or bad things happen to you, this cannot help but warp your relationship with that person. You will not be working collaboratively in order to learn or grow; you will be trying to get him or her to approve of what you are doing so you can get the goodies.

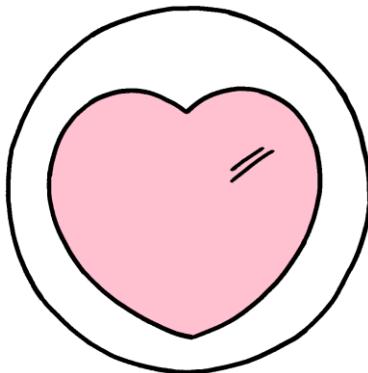
Kohn, *Punished by Rewards* loc:1159

The danger of rewards is that they work! They motivate people to win the rewards. [Kohn, *Punished by Rewards* loc:1343] But what is rewarded (and can be measured) is never exactly the same as the true purpose of the organization (which cannot be truly measured). Google does not use people's objectives and targets as input for promotions. [Yarow, "This Is the Internal Grading System Google Uses"]. This makes perfect sense because, when workers feel the targets and results are of the greatest importance, they lose sight of their original objectives, and each of their decisions will be a little worse than what is really needed for the company. [Austin, *Measuring and Managing Performance* loc:2977] We refer to this as the **Law of unintended consequences**, or the **Law of oops-my-bonus-just-destroyed-the-company**.

- Rule 8: Don't connect metrics to rewards 

Gaming the System

A **pay-for-performance** environment with metrics, targets, and incentives is the perfect place to work for people who like playing games. A system that rewards workers for achieving certain outcomes is an explicit attempt at manipulating their behaviors. We call that gaming. Management is playing a management game with the workers using rules and numbers. But the actual game is different from what the managers expect. A system designed explicitly to manipulate people's behaviors is an open invitation to everyone involved to use that same system for their own advantage. The actual game being played is the game the workers decide to play with that system. If it's OK for management to manipulate workers with a pay-for-performance system, it is also OK for workers to use that same system to manipulate management. Game theory and complexity theory can predict who will win that game. [Hoverstadt, *The Fractal Organization* pag:109]



I've heard of people scheduling emails to be sent late at night, so that they get rewarded for "working late". I've heard of people repeatedly tapping the spacebar on their keyboards during lunch time, because they got paid for "number of keystrokes". I've heard of people traveling to work twice per day, once to "clock in" and once to "clock out", so that the computer registered "eight hours of work". But why should any creative networker do this? How many of us go to work in the morning, looking forward to their daily targets and incentives, wondering, "How can I manipulate the system today?" An *opportunity* to play the game is not enough. People also need a *motive*. [Spitzer *Transforming Performance Measurement* loc:905] I am convinced people are only motivated to act this way when they have no sense of purpose, no values, no integrity, or no sense of community.

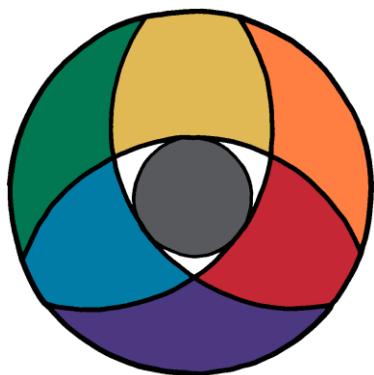
Shared values and transparency can reduce the desire to game the system. Everyone should be aware of each other's integrity and good intentions. That means that everyone has a right to know all the numbers, all the rules, all the metrics, and all purposes. At Google, employees add their objectives and targets into the employee directory and everyone can see each other's results, including those of the top managers. [Yarow, "This Is the Internal Grading System Google Uses"] It makes sense because Google has a grand purpose to organize the world's information and make it accessible and useful for everyone.

Instead of playing dirty games with metrics, targets, and incentives, we should aim for everyone to be internally motivated, and with transparent values and measures, people will have enough self-assessment information to improve their work while playing nicely.

- Rule 9: Promote values and transparency 

Dehumanization

I admit I love numbers, but sometimes, they can be a bit... lifeless. Many managers get their information in the form of figures, which cannot carry any emotional weight. With numbers, someone's hard work becomes merely a statistic. Blood, sweat, and tears are transformed into spreadsheets. Personal passions and tragedies become mundane graphs and tables. Metrics allow us to morph joy and pain into squares and digits, with the help of pivot tables and chart wizards, at the mere touch of a button. The essence of work gets lost with measures. Instead of looking at what is really happening with the employees, management looks at what's happening with the figures.



For every healthy organization, it is imperative that management includes “people management”, “floor management”, and “visual management”. Space in work areas could be set aside for daily meetings, charts, graphs, boards, and color-coded information. When the infrastructure allows it and the people are collocated, the information is placed as close as possible to the people and their work. [Liker, *The Toyota Way to Lean Leadership* loc:3133] Improving the organization with metrics is good, important even, but measurements are even more helpful when you can see, quite literally, what is happening behind the data.

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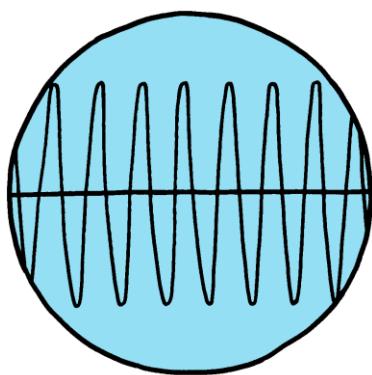
And numbers are often not even needed. Sketches, scribbles, and colors can convey more meaning than digits. People's faces on magnetic buttons have

more visual impact than names on sticky notes. It is precisely for these reasons that nicely designed infographics on the Internet have become a very popular alternative to boring tables and graphs. And have you ever wondered why you like business books much more when they have lots of colorful illustrations in them?

- Rule 10: Visualize and humanize 

Too Little, Too Late

How often should you have a cardio test? How often do you check your watch when trying to catch a flight? How often should you have the tires of your car checked? How often do you check if your spouse is still happy? There is only one good answer to these questions: “Often enough to ensure problems don’t grow too big and risky, and probably more often than you’re doing now.” Don’t delay measurements until symptoms of problems are popping up. If you don’t have regular check-ups, your diagnostics and interventions might be too late.



Agile and Lean communities around the world have learned that it makes sense to measure things more often. Customer needs are evaluated not only at the start of a project; they are discussed every week. Progress on a project is reported not once per month but every day. Quality tests on products are not performed once per yearly quarter; they are done continuously. And the happiness of employees is certainly not measured only once every three months; it should be monitored all the time.

Measuring well usually means measuring more often than you’re doing now. It also means finding leading indicators that precede lagging indicators. A great

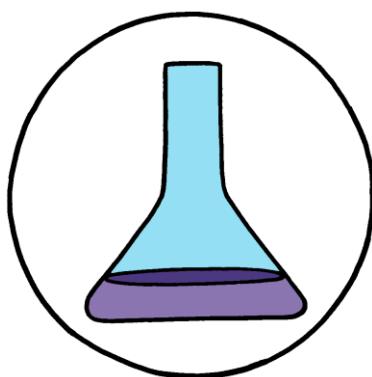
chef doesn't need to sample the food every second (a leading indicator), but he certainly needs to do this *before* serving the outcome to the guests and waiting for their feedback (a lagging indicator)! [Weinberg, *Becoming a Technical Leader* loc:659]

In my experience, this means setting up reminders and triggers for myself because, if I don't, I will forget to measure. Without checklists, alerts, and notifications, I will only do what's urgent, not what is important. That's why I have recurring tasks that remind me to check *total and average problem time* on the Happy Melly task board, *number of licensed workshops per month* for the Management 3.0 brand, and *useful quotes* I read in non-fiction books. I check *cash flow, profits, debtors, and creditors* on a monthly basis; I do the same with *book sales* and *blog statistics*. Each completed book chapter is, for me, a trigger to count the *number of words*, and each business trip with my car is a trigger to make a note of its *mileage*. Oh, and I also have a daily reminder to check if someone should get a *kudo card* or *thank-you note*.

- Rule 11: Measure early and often 

Stagnation and Complacency

So far, we have covered eleven challenges and rules for metrics, which is rather annoying because I don't like the number eleven. I set myself a target of coming up with twelve. Eleven is dumb, twelve is good. It's probably a leftover religious streak in me. Fortunately, I am happy to report that there's one other issue we haven't covered yet with our investigation of measurements. We haven't covered the problem of stagnation.



Many managers are on a never-ending quest to find the “best metrics” for their organizations. They don’t seem to realize that measurement is part of the work we do. Measurement *is* work. Considering the fact that the environment always changes, and our work always changes with it, why shouldn’t the same thing be true for our metrics? They need to change as our business changes. It is useful to see them as tools for **diagnostics**. We measure to understand things *before* and *after* our analysis of symptoms and our attempts at improvement. We can do that a number of times, until the metric isn’t helpful anymore, and then it’s time to use something else. There is no Holy Grail of Measurement.

Nobody should hesitate to try out new measures and experiment with different metrics. [Fowler, “An Appropriate Use of Metrics”] People, teams, and organizations will adapt and get used to their own measurements. That’s when stagnation and atrophy have a chance to creep in. It’s good to try something else after a while. Replacing your metrics not only helps you cover other perspectives and uncover different unknowns, but it also keeps you from being lulled into a false sense of complacency. And for every complex adaptive system that prefers to stay happy and healthy, a regular change in stimuli is a good thing.

- Rule 12: Try something else 

Rules for Measurement

Yay, we did it! We found ourselves twelve rules for good measurement. Let’s review them before turning what we’ve learned into a concrete management practice.

Rule 1: Measure for a purpose

You must always understand why you are measuring. The metric is not a goal in itself. Never forget that it’s just a means to an end. It all starts with *why*.

Rule 2: Shrink the unknown

A metric is just a surrogate for what you *really* want to know. Don’t jump to conclusions. Always try to reduce the size of what is still unknown.

Rule 3: Seek to improve

Don't only measure things that will make you look good. There is plenty of data around, but you must focus on what enables you to do better work.

Rule 4: Delight all stakeholders

Your work depends on others, and others depend on you. Never optimize for just one stakeholder. Instead, measure your work from multiple perspectives.

Rule 5: Distrust all numbers

Observers usually influence their own metrics, and they suffer from all kinds of biases. Have a healthy, skeptical attitude towards any reported numbers.

Rule 6: Set imprecise targets

When people have targets, they have an inclination to focus on the targets instead of the real purpose. Avoid this tendency by keeping your targets vague.

Rule 7: Own your metrics

Everyone is responsible for their own work, and metrics help us improve that work. Therefore, everyone should be responsible for their own metrics.

Rule 8: Don't connect metrics to rewards

Rewards often kill intrinsic motivation and lead to dysfunctional behaviors in organizations. Don't incentivize people to do work they should *like* doing.

Rule 9: Promote values and transparency

Human beings are smart and able to game any system. To prevent gaming, be transparent about values, intentions, and the metrics everyone is using.

Rule 10: Visualize and humanize

Numbers tend to dehumanize everything. Replace digits with colors and pictures, and keep the measurements close to where the actual work is done.

Rule 11: Measure early and often

Most people don't measure often enough. Measure sooner and faster to prevent risks and problems from growing too big for you to handle.

Rule 12: Try something else

It's rarely a good idea to do the same things over and over. The environment changes all the time. The same should apply to how and what you measure.

What about KPIs?

Ah, the famous *Key Performance Indicators*. A term much favored among managers! Well, we've already covered the first two parts of that term. A metric is *key* when it helps us make progress toward our purpose, and it is about *performance* when it helps us to improve our work.

Some writers claim that the word *indicator* means the metric can help you make predictions for the future. [Spool, "KPIs Are Metrics, but Not All Metrics Are KPIs"] I'm not a fan of this particular requirement because I don't believe anyone can predict the future. Metrics are helpful for learning, understanding, and gaining insight for decisions. I gladly leave predictions to those who believe the future is deterministic.

Many other writers simply distinguish KPIs from metrics by suggesting that KPIs involve goals and actions, and they might say that my twelve rules for "good metrics" simply result in what they would call KPIs. Considering that KPIs are usually imposed on workers by managers, I prefer not to use the term in my own work.

Integration and Scaling

Now we arrive at the gates of a huge problem that business consultants and management experts have been struggling with for decades, if not centuries. How does it all come together? How do *your* metrics connect with *mine*? How do we choose metrics as a *team*? And how do we make sure the metrics of multiple teams integrate nicely into a shiny *framework* for the whole organization?

At this point, it's crucial to remember that organizations are complex adaptive systems, like cities and communities. The parts have their own purposes, identities, values, and ambitions, and at the same time, they contribute to the

whole system, which also has its own purpose and identity, just like the system next door. And together, with a few other systems, they form an even bigger whole at the next higher level. And so on, and so on. Everything is interdependent, both horizontally and vertically.

Scaling of metrics fails because people don't understand complexity. The integration of metrics is a lost cause when people treat the organization like a machine. The whole system is not improved when we simply replace or improve all the individual parts. On the other hand, we also cannot just instruct everyone to "improve the whole" instead of the parts, because, there are wholes on many different levels. As a result, nobody will agree on what exactly "the whole" is. These are two different problems, and I should clarify them separately.

We find an example of the first problem (optimizing the parts) in the common use of the famous **balanced scorecard**. [Kaplan and Norton, *The Balanced Scorecard*] The good thing about balanced scorecards is that they require managers to analyze performance from different perspectives with multiple metrics. The bad thing is that descriptions of balanced scorecards have relied on the metaphor of a pilot looking at the dashboard of a cockpit in an airplane; in other words, a manager is operating a machine. [Austin, *Measuring and Managing Performance* loc:750]

This metaphor would only be correct if the parts of the airplane all had minds of their own, and were in a position to control what information to feed back to the pilot and what to hold back. The airplane parts would also need to be able to quit their job and merge with another airplane, all in mid-flight. The wings would report that they were "right on schedule" while trying to make the performance of the jet engines look bad. The engines would be on non-speaking terms with the wheels, and the tail would secretly be planning to split off and start its own skydiving business. Instead of having a dashboard full of objective measurements, the pilot would be looking at a series of green lights while flying straight into a mountain. Obviously, the machine metaphor for metrics is flawed in a social context. (Sadly, the pilot metaphor sells extremely well to traditional managers.)

Examples of the second problem (optimizing the whole) often result from comparing organizations with individual organisms that are trying to survive and thrive as a whole. Checking a person's heart rate, blood pressure, MRI scans, and stool samples can be useful for investigating symptoms and finding problems, and all of this *could* help a person become healthy and happy. But the comparison of organizations with organisms would only be complete if the heart could decide to become a third foot, the left lung had the ambition

to take over from the brain, the two eyes were not motivated to synchronize work with each other, and the sexual organs insisted on working remotely. Optimizing the whole is a great idea, and doctors can obviously contribute to the health and happiness of a whole patient, but in the fuzzy multi-leveled context of an organization, simply giving everyone the instruction to “optimize the whole” is naïve. There is no right mix of metrics that will result in an optimization of the whole; so don’t even try. [Rother, *Toyota Kata* loc:2428]

There is no right mix of metrics that will result in an optimization of the whole; so don’t even try.

Organizations are purposeful systems. The parts have their own purposes and the whole has its purpose. This pattern repeats itself in a fractal way, with individuals being part of (sometimes multiple) teams and communities, which are part of (often multiple) departments, which are part of (or defined across) business units, which are part of companies, which are part of cities and industries, which are part of countries.

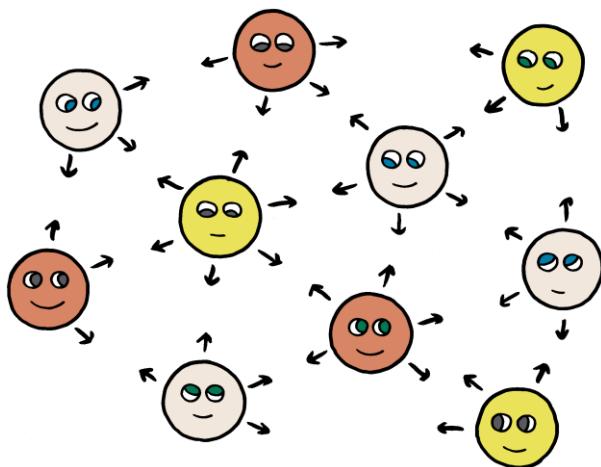
There are purposes and metrics *everywhere*, and they are all conflicting, coordinating, colliding, and cooperating with each other in a never-ending game of competition *and* collaboration. This is not a failure of integration. It is a feature of all complex adaptive systems: they evolve and transform as networks of interdependent parts. Think of a biosphere. Think of the Internet. Think of the gene pool. Treating a business like a machine, and optimizing the parts, is a big mistake because machines don’t evolve by themselves—yet. Treating a business like one organism and attempting to optimize the whole is also a mistake, because one organism usually cannot transform itself. You must treat your organization like a community. The community may have its purpose and metrics, but so do all its members.

Dashboards, Scorecards, and Frameworks

The *last* thing we need in a networked, self-organizing, complex system is a “comprehensive hierarchical organization of measures that fit together according to a logical structure”. [Spitzer, *Transforming Performance Measurement* loc:2081] What is *logical* is science, and science suggests that things should

grow and evolve bottom-up. So let's ignore any suggestions for top-down intelligently-designed measurement frameworks.

We need a philosophy of metrics that can help organizations evolve and transform. Individual metrics between parts and between levels can be both competing and collaborating. They can be in conflict and they can be in harmony. There is no way to create a comprehensive hierarchy of metrics, so we won't even go there.



The solution is for all individuals in the organization to have their own metrics. All workers are given the responsibility to measure whatever is important to them within their own scope of control and given their own purpose (Rule 1). Empowering all workers to create their own information will motivate them to improve their metrics (Rule 2) and improve their work (Rule 3). At the same time, they should measure their work on behalf of their direct clients, covering all interdependencies and their scope of concern (Rule 4). Being responsible for their own metrics should mean people will be more mindful of how they and their clients are influencing the measurements (Rule 5). Maybe some people will even want to set some targets (Rule 6), but neither the metrics nor the targets are created for anyone else but themselves (Rule 7). This also means there are no incentives (Rule 8); and because it is all transparent, everyone can observe each other's intentions and metrics and respond to them (Rule 9). This will help to prevent dehumanization (Rule 10). Finally, when people have full control over their own metrics, it is easier for them to measure as often as they feel is needed (Rule 11) and to change the metrics whenever they feel like it (Rule 12). In other words, what you need to grow is a metrics ecosystem.

Because all metrics are different, with different frequencies of updates and different styles of visualization, it makes little sense for each person to create a scorecard or dashboard of metrics. Why should I put *calories per day* on the same dashboard as *profits per month*? As long as all information is easily available, I don't see the point of designing a framework.

Measurement Examples

I'm sure some of you would like to know what a metrics ecosystem would look like with individuals and teams and bigger structures. Well, it's actually not that difficult. It's just a bit... messy.

A team member might want to have a measure of his own productivity in terms of *number of illustrations drawn*, *tests completed*, *scenes shot*, or *lines produced* (just like I have with my *number of words written* per chapter). And each team member could have a different purpose, and therefore, different metrics. However, the self is only one stakeholder.

Each team member has the whole team as another stakeholder because the team depends on all its members and vice versa. Therefore, all members have the responsibility of measuring things on behalf of the whole team. For example, they could measure *team velocity*, *cycle time*, *team happiness*, or *hours of overtime*. When team members are of the same opinion about certain measures, they can track them together. But they are allowed to disagree! When some prefer *bug count* and others prefer *escaped defects*, why not track both? Remember, there are no perfect measurements, and having different perspectives on the same goal is more often good than bad. Striving for consensus about one "best metric" can kill a team. More important are transparency, decent values, and a healthy dose of skepticism toward all numbers. Having a few dissenting voices can be helpful and healthy.

The team will also have external clients, such as customers (I hope), a few suppliers, some other dependent teams, and their manager. The team may also be part of a business unit as well as a member of a community or business guild. If team members feel a sense of responsibility toward any of these clients (and I sure hope they do), then they should have measurements to represent those clients' perspectives. One might decide to consider *Net Promoter Score*, *inventory size*, or *test coverage*. Again, team members can agree, in which case they measure the same things together, or they can disagree, in which case they will cover different perspectives and unknowns. As I said, it could be a bit messy. But that's OK.

If there is a team manager responsible for one or more teams, she must have some measures of her own. Her teams are stakeholders; therefore, she might want to measure her own performance with *Gallup's 12 Questions*, *employee turnover*, or *impediment resolution time*. But she also has upwards responsibility, and thus, she could keep track of the total productivity within her span of control by using metrics to observe *increased sales*, *failure demand*, or *customer acquisition cost ratio*. For some measures, these could be the same numbers the teams are already measuring on her behalf. For other measures, she will have an opinion of her own regarding what is important; but then, she will have to measure it herself! And of course, the manager has stakeholders, including her own manager and fellow managers of other teams or other departments. And thus, she will keep track of some measures that will represent those stakeholders' needs.

This pattern repeats itself in a fractal way all the way up to the comfortable chair of the CEO, who, like everyone else, has his own purpose, his own clients, and his own opinions of what is important as a metric. Some of these metrics could include *gross margin*, *brand recognition*, *sustainability index*, or *market share*. But like everyone else, the CEO will be responsible only for his own purpose and his own measurements. Yes, the activity of collecting data can be delegated, but they are still *his* measurements. The targets he sets are only targets for him. Judgment of the work of others is only allowed when they're not measuring or not improving.

The CEO will be responsible only for his own purpose and his own measurements.

Measurement is just a way of observing the world. We all need to do that with our own eyes. We can help each other improve observations or show someone new methods of observation, but we cannot just become another person's eyes. We must observe for ourselves and share our findings in an ecosystem of observations. When this ecosystem performs well, people will copy metrics from each other, and they will improve upon each other's work. Measurements will be invented, merged, discussed, criticized, discarded, and replaced, which is all fine. The point is not to optimize certain measurements. The point is to improve the work and enable everyone to achieve their goals in a never-ending game of local optimizations and iterations across interdependencies. Just like in any other complex adaptive system.

Measurement is just a way of observing the world. We all need to do that with our own eyes.

Conclusion

Measuring performance might be one of the most problematic issues in organizations, and not in the least because people's approaches to metrics are so often completely wrongheaded, as in this story, shared by my good friend Lisette:

My job was to collect and analyze the company metrics. Well, I was presenting the metrics in the meeting last Monday morning, and now the CEO wants me to stop because 1) he doesn't see the value (the forecast is grim); and 2) the numbers were depressing the team. Go figure!

Lisette Sutherland, *from email correspondence*

I firmly believe a situation like this could be resolved by taking into account the twelve rules of good measurement. Note that I don't expect you to memorize all twelve of them. That's not the point of this chapter. But I do expect that you will help establish a culture that is conducive to measurement; one in which measurement is seen as a great way to learn and improve towards a purpose, and where everyone participates in evolving the metrics ecosystem. [Austin, *Measuring and Managing Performance* loc:2968]

What Now?

Anyone who has ever performed fitness exercises knows that *measuring yourself* is a crucial part of all workout programs. In organizations, it's no different. Start measuring the right way and then lead by example.

1. Learn about Google's OKRs system for performance measurements and start experimenting with a similar system yourself. [Yarow, "This Is the Internal Grading System Google Uses"]

2. Evaluate the things you measure regularly and see if they help you learn to improve toward your purpose.
3. List all your stakeholders (which includes the teams and groups you belong to) and check if you measure your performance for each of their perspectives.
4. Visualize your metrics in a way that makes them interesting, and keep them close to where the work actually happens.
5. Be transparent about your metrics. Show them to others and ask the same courtesy from them. Discuss it all together, and feel free to collaborate and compete on measures.
6. Now scale this to the whole organization, where everyone maintains responsibility for their own measurements.

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Are You Agile When You're Going Fast?

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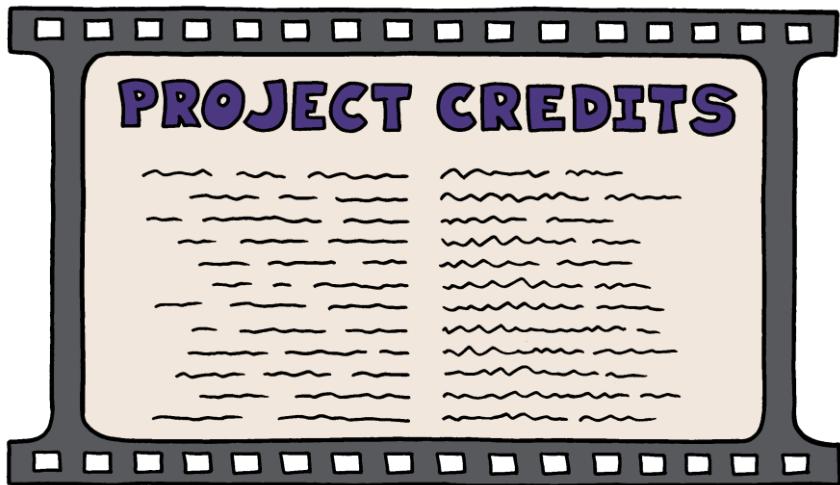
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Are you agile when you're going fast? No. The ultimate test of agility is whether you can keep all your stakeholders happy.

Last year I was in a discussion with the CEO and a dozen top managers of a mobile apps developer in Shanghai, China. The company was very successful and was trying to be more agile, but also struggling with their rapid growth at the same time. The managers told me their interpretation of being agile was to **deliver new software faster to their customers**.



Work Profiles and Project Credits

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*A brand for a company is like a reputation for a person.
You earn reputation by trying to do hard things well.*

Jeff Bezos, CEO of Amazon.com (1964—)

Many creative networkers have experienced problems with traditional job titles and career ladders. But names are necessary for communication and a sense of progress makes people happy. By publishing work profiles and project credits instead of focusing on official titles and office politics, people pay attention to actual services offered and reputations earned.

Have you ever watched the closing credits at the end of a movie? This might be difficult, because, on TV, they are usually cut away in favor of “Don’t miss what’s next on X-Factor!” and, in the movie theatre, your view is most likely obscured by a slowly passing train of giant backsides. But if you were able to see the movie credits, you would surely be confronted with a long list of people, titles, and roles: Acting Coaches, Storyboard Artists, Assistant Directors, Food Stylists, Best Boys, Location Scouts, Set Decorators, Script Writers, Gaffers (what the hell are gaffers?), Stunt Coordinators, Costume Designers, and many more. Actors and Actresses will have their credits further subdivided by listing the specific roles people have played. Depending on the movie you’ve watched, Johnny Depp will be listed as either Captain Jack Sparrow, Edward Scissorhands, Sweeney Todd, Willy Wonka, or Gilbert Grape. And there seems to be no end to the number of movies Dolly Grip has had a part in.

The movie industry is a good metaphor for communities of work and social networks that people are contributing to. Granted, it is said an actor’s loyalty in the Hollywood model only extends as far as the end of the movie project. [Taylor and LaBarre, *Mavericks at Work* loc:3435] That’s why companies need to offer people more than merely a collection of unrelated projects. But as a metaphor for career paths, the movie industry model matches quite well. As a member of the global Agile community, I have played various roles, such as Blog Author, Book Writer, Conference Organizer, Keynote Speaker, Session Facilitator, and Global Bumblebee. We must see companies as communities too. Employees play roles in them, they contribute to them, and they expect value from them. Hopefully, your company can provide people with enough challenging projects that they will want to hang around in your community for a long time, just as the people who work for Pixar Animation Studios want to stay there to work on several movie projects. [Taylor and LaBarre, *Mavericks at Work* loc:3439]

In the 21st century, it is a privilege and an achievement that many of us can now choose which roles we want to play and in which contexts. It hasn’t always been like this. Not long ago, if you were born as the child of a peasant, you would likely *be* a peasant and die as the parent of a peasant. Likewise, if you were born in the house of a lord, you would die in the house of a lord. Regrettably, in some countries, traditional systems of aristocracy, royalty, castes, apartheid, or other forms of social segregation still exist, but the world is making progress! More and more people on earth are enjoying freedom of choice. They have options. Like Johnny Depp and Dolly Grip, they can *choose* the roles they want to play.

Many of us can now choose which roles we want to play and in which contexts.

Reputation Management

The way people develop themselves and the way they integrate life and work have changed significantly in the last few decades. Not long ago, the only enviable position *after* your current job was the chair of your boss. The only way to make a career and move ahead in an organization was to go *up*.

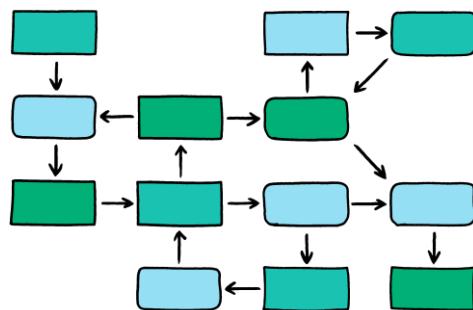
Not anymore.

People are exposed to more options and businesses are exposed to more challenges. Innovation, globalization, democratization, specialization, diversification, and several other “ations” have given creative networkers more opportunities for career development. Technological and economic trends all point to a future where more and more people work either independently or in small project teams. The roles within these project teams will be filled by a combination of dynamic employees, contract workers, and freelancers. Hierarchies and lifetime employees are going the way of lords and peasants. Productivity and performance will depend more and more on a workforce that is diverse in terms of locations, contracts, backgrounds, cultures, and experiences. [Benko and Anderson, *The Corporate Lattice* loc:73] Nontraditional families, networked organizations, emancipation of minorities, younger generations, virtual workplaces, and multicultural workforces are all contributing to a new world of work. In the 21st century, it is much easier to do whatever you want to do and be whoever you want to be.



What this means is that organizations and workers will no longer assume having long-term relationships with each other. Instead of an exclusive dependency that will hopefully never “fail”, the modern creative networker sees her relationship with an organization as something that should last for as long as the collaboration is good for her career and life. Instead of ownership of a human “resource”, the organization should see its relationship with an employee as a valuable partnership that ends when it no longer generates value for its brands. Instead of safety and exclusivity, what organizations and workers will be looking for in each other is **reputation.** 

Instead of safety and exclusivity, what organizations and workers will be looking for in each other is reputation.



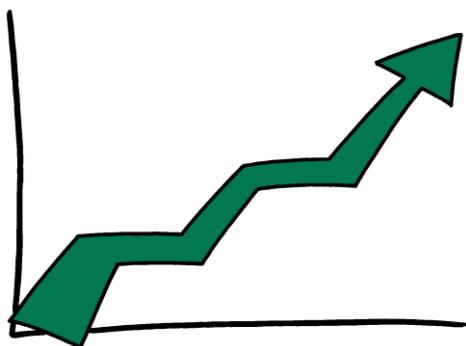
We can also conclude that as a result of these global developments there's an implied assumption that all business partnerships are *temporary*. There may not be an explicit end-date defined for our partnerships as companies and employees, but we do assume our collaboration won't last longer than a small number of years. More and more, we see organization-worker relationships as **tours of duty**. [Hoffman, Casnocha and Yeh, "Tours of Duty"] When partnerships become projects, there must also be *deliverables*.  The result should be a tangible achievement for the organization, and a valuable reference for the creative networker. The employee becomes a corporate brand booster. And the company becomes a personal brand enhancer. The result of their collaboration should be something that both would happily list in the closing credits of the project. Like at the end of a movie.

The Purpose of Names

Traditionally, when people and organizations start a working relationship, they give that relationship a name, often called a job title or project role. This name serves various purposes.

First, a title or role is a useful easy way to help people figure out who does what in an organization, and which person to call when the file system is on fire. [Horowitz, “Titles and Promotions”] Without having job titles and project roles to describe people’s responsibilities, confusion runs rampant, and it takes longer to find the right people and to get things done. [Griffith, “Banish Job Title Hierarchy?”] Titles and roles give people a level of confidence in the abilities of workers they don’t know personally because the names communicate what the work entails. [Sullivan, “Exciting Job Titles”]

Second, titles and roles can communicate the value of a brand to workers and customers. For example, at Apple’s retail stores, the employees working in technical support are called Geniuses. This compelling name not only draws a lot of applicants to these jobs, either because they seek confirmation that they’re geniuses or because they hope to become one, but it also signals that Apple thinks differently. [Sullivan, “Exciting Job Titles”] Unconventional job titles, particularly in the trendy world of start-ups, can serve as a reflection of a company’s brand. [Swallow, “Should Your Job Title Be More Creative?”] It’s no wonder that, in the last decade, we have seen a surge in peculiar job titles with names such as “Jedi”, “Rock Star”, “Guru”, and “Wizard”. (I made the last one up, but I hope it exists!)



Third, titles and roles enable people to earn status and make progress  in their careers. This is usually why they want them to sound as impressive as possible. [Griffith, “Banish Job Title Hierarchy?”] Starbucks understood this by giving all its coffee servers the title of “barista”. Most of them probably

can't tell the difference between a caffè latte and a café au lait, but that doesn't matter, because Starbucks makes only one of them. Recruiters know that many people can easily be convinced to take on a job with low pay as long as the job title is impressive. And for those already in a job, additional qualifiers such as "Senior", "Lead", and "Master" communicate a level of performance that employees feel they deserve. Research says that happiness is achieved when people make progress. [Haidt, *The Happiness Hypothesis* loc:1641] Nice titles help people feel they are making progress and help them feel happy.

Last, but certainly not least, names influence behaviors. Proper job titles and descriptions can reinforce the kind of behavior that is expected from people. A Call Center Agent might only feel responsible for handling phone calls, which is precisely what the job title suggests. The agent can just take one phone call after another, and at five o'clock the job is done for the day. But a Customer Happiness Specialist would sense an expectation to specialize in keeping customers happy. Taking customers' phone calls is then just a means to an end. It might be exactly the same job, but with an entirely different focus.

Job titles and project roles can have a significant impact on the clarity, branding, status, and behavior of employees.

Functional Line Managers and Human Resource Professionals (who might better be called Business System Organizers and Employee Support Agents) must realize that job titles and project roles can have a significant impact on the clarity, branding, status, and behavior of employees. Not thinking carefully about these aspects of names can have serious consequences for the organization, as we will see now.

The Problem(s) with Job Titles

The European Commission has, at the time of writing, a "team" of 28 Commissioners. One of them has the title of President, and no less than eight of the others have been bestowed with the title of Vice-President. (*Eight Vice-Presidents?*) And then, there is the European Parliament with its own President and a European Council also with its own President. It's no wonder the European Union has trouble making decisions. It has as many heads as the Hydra.

Inflation is one of the biggest problems with job titles. Typical bureaucratic organizations are infested with Presidents, Chiefs, Seniors, Executives, Vices, and Directors. Employees in a hierarchy are always comparing themselves with the worst performers on the next higher level. As a result, there is a strong temptation for workers to demand better sounding titles, and for managers to give them. Some say fancy job titles are the easiest way to please employees and they cost nothing. The idea is, “If it makes people feel better, let them feel better.” [Horowitz, “Titles and Promotions”]

Inflation is one of the biggest problems with job titles.

However, I agree with others who say the glamorization of job titles definitely comes with a cost. A ladder of titles reinforces the corporate hierarchy, which can seriously hurt innovation in the long term. [Haden, “Why There Are No Job Titles at My Company”] What you want is for the best ideas to grow from the bottom of the organization, perhaps offered by the Director of First Impressions (or Receptionist), the Underwater Ceramic Technician (or Dishwasher), and the Media Publications Administrator (or Paperboy). [BBC, “25 of Readers’ Inflated Job Titles”]

It hardly needs pointing out that the glamorization of titles can backfire. The reputations of both workers and organizations can be hurt by the devaluation and dilution of titles. (I mean, seriously, *eight* Vice-Presidents among 28 Commissioners?) Creative names can also cause a problem for people’s future careers. Hiring managers and HR professionals usually search for familiar titles. If the official job title of your previous job was “Code Ninja” instead of “Software Developer”, you might find it harder to be discovered by recruiters through applicant tracking systems.

A second problem with job titles is that they have a tendency to pigeon-hole people into narrow job descriptions. In one big organization where I worked, many years ago, it didn’t matter at all that I had talents for writing, speaking, teaching, and organizing. All that mattered to the company was the part of me that could be squeezed neatly into the open position of .NET Software Developer. The large chunks of me that didn’t exactly fit into the available slot begged for attention and cultivation, but were diligently ignored.

The whole notion of a title puts you in a box, and worse, it puts you in a position where you can assume you have authority to command others in the organization.

Hamel, *What Matters Now* loc:3505

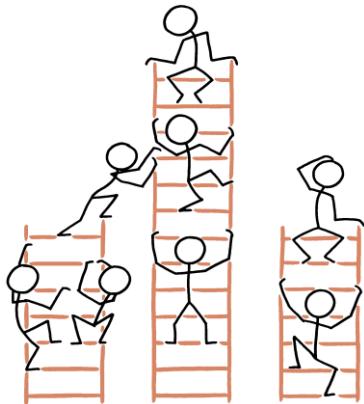
A third problem with job titles is that there is seldom any standardization of what they mean. An interaction designer in one company could be responsible for very different things compared to an interaction designer in another company just around the corner. The CEO of Happy Melly can hardly be compared with the CEO of Google. And, despite the existence of an international Project Management Institute (PMI), an extensive body of knowledge (PMBOK), and an international project management method (PRINCE2), several project managers have told me they have no idea what people with the title of Project Manager are doing in other organizations.

A fourth problem is the prejudice that often goes hand-in-hand with job titles. The CEO is usually male, while the Office Manager is expected to be female. The Receptionist is white and the Janitor is black. The Board Member is old, and the Trainee is young. The Public Speaker is an extrovert, and the Book Writer is an introvert. (The Vice-Presidents in the European Commission are, I suspect, overpaid and over-titled.) Many job titles, or at least the ones that come with assumptions, have a tendency to put people in boxes.

I think it is time we reconsider our use of titles, but not before we've discussed another problem area.

The Problem(s) with Career Ladders

I once had a small disagreement with the HR manager of an organization where I worked. She showed me the suggested career paths that software developers could have in our organization. To my horror, I saw, if I remember correctly, that Software Testers could become Software Developers (the other way around was not expected), Software Developers might become Project Managers (not the other way around), and Project Managers could become Business Unit Managers (again, not the other way around). And, as could be expected from a hierarchically oriented organization, all the roads ultimately led to the Pope in Rome, or, in our case, to one top management position, which was theoretically possible, but practically unavailable.



Management bias is the main problem of traditional career ladders.  The only meaningful opportunity to gain status and earn better wages in many organizations is to be promoted into management. Engaging people, improving work, and delighting clients takes a backseat in people's minds when payment is not related to any of these and is instead tied to the career ladder. In such situations, people's primary concern becomes climbing the corporate ladder instead of doing a great job! For anyone familiar with the movie business, this makes little sense. What could be the next step for Julianne Moore? To be promoted to a position of Lead Actress? Actress Manager? Vice-President of Acting? Certainly, some actors become directors. But most don't. And successful directors have sometimes been unsuccessful actors, and vice versa. Most importantly, whether people want to be an actor or a director is *their own free choice*. They don't wait to get "promoted" to an available position by anyone else. They *choose* their career steps, present themselves as candidates, and get picked for new projects based on their reputation. Or not.

People's primary concern becomes climbing the corporate ladder instead of doing a great job.

The **Peter Principle** is the second problem with traditional career ladders. It says that workers in hierarchies get promoted until they reach a level at which they are no longer competent. And then they stay there, not able to get any further promotions. [Peter and Hull, *The Peter Principle*] The Peter Principle virtually guarantees that the upper levels of hierarchical organizations are full of incompetent people, who are unable to move further up their ladders. (Please note that this is a universal problem; it does not apply only to managers named Peter.)

The third problem with traditional career ladders is that new economic and technological developments scream for more variety in possible career paths. Linearity is out and non-linearity is in. Maybe a project manager wants to try her hand at account management and work mainly from her home. Maybe a recruiter would like to be an HR manager for just a year. Maybe a designer and animator get married and want to share a job and a child. Maybe an office manager wants to work part-time for a while, launching his own web shop for second-hand office supplies. Career paths do not only go up. They can also go sideways, forward, and even backward sometimes. [Peters, “The Brand Called You”] Modern businesses in the 21st century must learn how to accommodate all of this and more.

Finally, I have a vision that one day, far into the future, nobody will ever insult any worker with the infamous words, “I want to talk with your superior.” Because there won’t be any subordinates and superiors. Just people, working together.

Separation of Concerns

It is clear to me what we don’t want or need. What we *don’t* want is job title inflation, ridiculous names, lack of standardization, and prejudice and false assumptions. Neither do we want management bias, the Peter Principle, lack of career path variety, nor an outdated division of superiors versus subordinates.

But we *do* need names for work. Sure, it’s fine for a start-up or small company to ditch all roles and job titles, but this doesn’t scale up. When you’re working with 150 people or more, you’re going to need abstractions. [Griffith, “Banish Job Title Hierarchy?”] We want names, not only because they help people to understand each other’s *responsibilities*, but also because they are a reflection of the *brands* people are representing. We want names that allow people to have a sense of *progress*. And we want names to influence people’s *behaviors* in a positive way.

Can we do this? I think we can, or else I would be a fiction writer, not a business writer.

We can solve these problems with a *separation of concerns*. Organizations have to learn that people are not the same as job titles. And job titles are not the same as project roles. By understanding the triad **Profile – Title – Role**, we can easily separate our expectations, and enjoy the benefits of names, without

suffering from the drawbacks I listed earlier. Well, at least not all of the drawbacks.

We treat employees as people with work profiles that are a reflection of their personal brands.

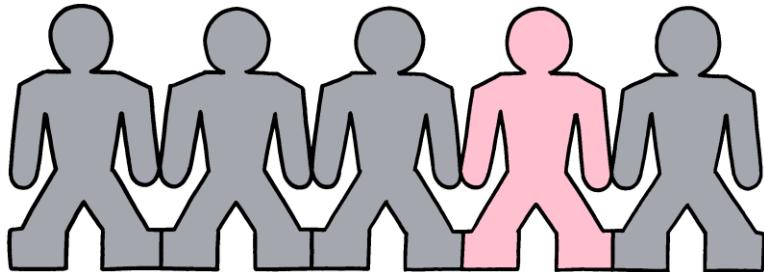
A separation of concerns means that, first of all, we treat employees as people with *work profiles* that are a reflection of their personal brands. Second, we ask these people to adopt *job titles* that add value to their brands while, at the same time, they generate results for the organization. Both within and outside the organization people can then be involved in one or more projects where they are asked to fulfill certain *project roles*, which again should add value to their personal brands. In short, we need to see work relationships from three perspectives. It's a bit like a movie in 3D.

Work Profiles and Personal Brands

I call myself a *Creative Networker*. It is the most accurate and succinct description I could think of that covers all the projects I am involved in. My business cards and personal website explain that I'm a writer, speaker, trainer, entrepreneur, illustrator, manager, blogger, reader, dreamer, leader, and freethinker. (I seem to have forgotten bragger in that list.) We can refer to the total package as a primitive version of my **work profile**. It is a brief description of what I do and what I have to offer, and, similar to the About page on my website, I am the only person who is allowed to update my work profile. Work profiles are the perfect replacement for traditional job descriptions because they move ownership from the human resources department to the employee. [Heathfield, "Forget HR Job Descriptions"] They also enable organizations to grow work around people, instead of force-fitting people into narrow job descriptions. They do this at Cirque du Soleil, the entertainment company in Canada. The company builds its shows around the unique talents of its people rather than slotting them into predefined jobs. [Taylor and LaBarre, *Mavericks at Work* loc:3333]

A person's work profile is a reflection of her personal brand. If I had to summarize my own personal brand  with three words, I would choose *creative, smart, and funny*. But I would readily agree that brands are better

defined by their observers, not by their owners. My readers might prefer to describe me as *weird*, *blunt*, and *smug*. It is all in the eye of the beholder.



Just as commercial brands describe the relationships between people and products or businesses, personal brands describe the relationships between people and... other people. Employers, employees, customers, and other stakeholders develop perceptions, opinions, and feelings about each other. Brands, whether commercial or personal, find themselves somewhere between intention and reception. [Gardner, “The ‘Personal Brand’ Myth”] I can *choose* to be creative (intention), but I can be *perceived* as just weird (reception). The more effort we put into learning how to grow, shape, and communicate our personal brands, the less we leave gray areas for others to fill in. If we don’t develop our own personal brands, others will do it for us. [Suster, “If You Don’t Define Your Personal Brand”] And this is important, because personal brands apply to **the context of a lifetime** and beyond! Your work profile may change from employer to employer, but you always bring your personal brand wherever you go!

Growing a personal brand is crucial if you want some level of control over the development of your career. The way the market perceives you will affect which jobs you get, which work profiles you can write, which projects you will work on, and which opportunities will be passed on to you. Forget about traditional resumes. From now on, you will be judged primarily by what people can find out about you online, the people you are connected to, and the projects and organizations you are associated with. Think Ashton Kutcher. Think Lady Gaga. Social media, including LinkedIn, Facebook, Google+, Twitter, Klout, and your personal blog or site (and in the case of George Clooney: movie end credits and IMDb.com) will be your new resume and business card. Like work profiles, your social media profile will also be a reflection of your personal brand. It will reflect your reputation. You must think of yourself as the CEO of your own company: Me Inc. [Peters, “The Brand Called You”; Schawbel, *Me 2.0*]

A well-communicated personal brand can work like a magnet, attracting similar-minded people and organizations with cultures that fit your personality like a glove. It also attracts Personal Branding Gurus, Social Media Experts, and other nasty parasites. Nobody said work life is without dangers!

Work Profiles and Job Titles

I recommend that employees create their own work profiles, briefly describing what they do and what kind of work they can be asked to do. But how do work profiles relate to job titles?

My job title at Happy Melly is CEO. The title I gave myself at my one-person company is Owner. The first title in my previous job was Development Manager, followed by Chief Information Officer. Before that, I've been a Technical Director, Software Developer, Trainer, and Failed Founder, in no particular order. Sometimes I picked those titles myself, sometimes they were assigned to me by the employer, but I *always* took charge of my work profile at each company.

Using a work profile, a person can briefly describe his *set of services* within **the context of an organization**. We can ask people to create work profiles and adopt job titles that add value to their personal brands. At the same time, people create value for the brands of the organization.

Using a work profile, a person can briefly describe his set of services within the context of an organization.

Ideally, people can pick their job titles themselves and write their own work profiles. In other situations, people will be handed a pre-existing job title, but they should still take responsibility for writing their own work profile!

When offering people job titles, there are several important considerations to take into account:

- 1.** Make official job titles as “wide” as possible. Titles have a tendency to multiply like rabbits. Resist any temptation to end up with a list of titles containing Creative Directors, Front-end Designers, Interaction Designers, Interaction Directors, Lead Creative Designers, etc. Instead, give everyone the title Designer, and allow people to have different roles in different projects to satisfy their desire to

distinguish themselves. Keep job titles general and aim for the titles to be descriptive across all roles—from today until three years from now. This keeps people and the organization flexible. If you can make your job titles so wide that *everyone's* employment contract merely states Creative Networker or Esteemed Employee, all the better.

- 2.** Do *not* inflate official job titles with predicates such as Senior, Head, President, Lead, Director, Vice, and Master. There should be no Senior Vice President of Office Management. As a job title, Office Manager is good enough. It is said that Mark Zuckerberg, CEO of Facebook, intentionally deploys titles that are lower than industry standard without all the useless embellishments. [Horowitz, “Titles and Promotions”] Likewise, instead of Lead Software Architect, the official job title Programmer should do nicely. [Haden, “Why There Are No Job Titles at My Company”] The benefit of this approach is that you attract creative people who are drawn more by the work and the responsibilities than by status.

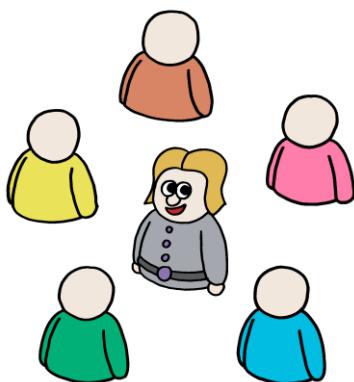
- 3.** Avoid glamorous job titles, such as Eviction Technician (instead of Bouncer) or Transparent-Wall Maintenance Engineer (Window Cleaner) [BBC, “25 of Readers’ Inflated Job Titles”] *unless* you have a compelling reason to do so from the perspective of branding your organization. There’s nothing wrong with the job title Social Media Guru *if* you want your company to be seen as technically pretentious and socially awkward. Stick to standardized titles as much as possible and leave the fancy names for project roles. (We’ll discuss project roles in the next section.)



Some people prefer to get rid of job titles completely. It's an understandable objective, but ultimately, it may not scale up to bigger organizations. Granted, job titles at an Internet start-up of 10 people can easily be ditched (and please do so if you can); however, a business of 100,000 people will probably need job titles, or else people won't be able to find each other.  Listing 100,000 work profiles, without titles, may not be helpful to most colleagues. (Unfortunately, that does *not* mean that the mere existence of job titles and work profiles will magically make people communicate better.)

Project Roles

I am not only the Writer of this book. I am also an Author Coach for several other writers. For the Management 3.0 brand, I am a Courseware Creator and Licensor. At the same time, I am sometimes invited as a Keynote Speaker at conferences, and occasionally, I have the role of Co-Facilitator of Management 3.0 workshops.



Project roles are an entirely different breed.  While titles and work profiles are relatively static, roles can be created and destroyed on-the-fly. Think Meryl Streep (personal brand), working as an Actress (job title), playing the part of Margaret Thatcher (project role). Titles are important for employees because they end up in contracts, but roles are important because they have a significant effect on people's personal brands. Many people in Hollywood call themselves Actors, and they might have a work profile published on their personal website describing the talents they have and the jobs they can do. But only Angelina Jolie was Evelyn Salt, Jane Smith, and Lara Croft. That's what she is recognized and credited for.

You have much more freedom with project roles than with job titles. Roles define responsibilities and desired behaviors of workers, but without the rigidity that so often comes with job titles. We use roles because not only can they help people understand each other's responsibilities within **the context of a project** but also, such names can be a reflection of the brands people and organizations are representing.

The freedom you have with project roles enables you to reduce prejudice and false assumptions that are attached to certain job titles. When a Secretary in your organization is male (which can be a surprise for some people), you could decide to use that official title only in his employment contract, and instead let him be known as the "Management Facilitator" or "Office Master", depending on the context. This project context can be tied to a location, a product, a service, or a customer. Some very creative networkers told me the story of how they printed custom business cards per client. "Does the customer like the name Product Owner? OK, then I will be his Product Owner. Do they prefer Project Managers? Alright, let's print ourselves a Project Manager!"

At Semco, we tell people to put anything they want on their business cards. [...] The function of the card is to give the customers what they want.

Semler, *The Seven-Day Weekend* loc:2480

A project role also allows you to define work around a person instead of force-fitting a person into an available job slot. When we want to focus on individuals and interactions instead of processes and tools, it makes sense to also value personal brands over project roles. Therefore, if one of these two has to adapt to match the other, my choice would be to change the role, not the person.

In real life, human beings aren't plugged into machines, but they're often plugged into roles that don't suit them and jobs that don't fulfill them. Usually, it is the individual who must conform to the institution rather than the other way around.

Hamel, *What Matters Now* loc:2780

By using a combination of (wide) standardized job titles, individually maintained work profiles, and (narrow) flexible project roles, you should be able to dissolve any implied hierarchy. Instead of focusing on their place in a hierarchy, employees will focus on adding value to different projects by assuming a variety of roles. And these roles can easily flip too. In one project, Janet can coordinate the work of Lisa, while in another project, these roles could be reversed. [Haden, “Why There Are No Job Titles at My Company”] If you change people’s perception of the organization’s structure, you change their attitude and behaviors too. And the Peter Principle would fly out the window as if it were Peter Pan himself.

Career Paths

So far, in this chapter, I have been successful at ignoring any form of hierarchy. With the triad of work profiles, job titles, and project roles, people can be anything they want, and they can grow their skills in any direction. This should prevent people from asking, “Does the job Actor come *before* or *after* the role of Director?” and “Should an Associate Producer earn *more* or *less* than the Stunt Coordinator?” Obviously, in the movie industry these questions don’t make much sense. People can earn plenty of money with almost any kind of job, as long as their **reputation** deserves it. Why should it be any different in other industries?

However, I do understand that many workers would like to feel a sense of progress and status in their work. People feel happiest when they feel they’re moving forward, or upward, in terms of competence, capabilities, experiences, and influence. Therefore, I believe the qualifiers Apprentice, Journeyman, and Master (or Junior, Medior, and Senior) can be meaningful to distinguish levels of seniority *per discipline*. These names should be treated like badges of honor, which have to be earned in a measurable way based on reputation. This is similar to the way Klout measures the influence of people on social networks.

When badges of seniority are based on reputation, people can earn them *and* lose them. A person who is a Senior Project Manager in one context could, at the same time, be a Junior Account Manager in another context. An Academy Award-winning Actor would be a novice when trying his hand at being a Director. With a focus on becoming a better Account Manager (learning a new discipline) a person might lose his seniority as a Project Manager (not having time to keep up with his former discipline). How can I become a *Senior Book Writer*? By writing and selling more books than other writers!

A system like this promotes reputation over politics and allows for a rich variety of career paths in many different directions. At the same time, this system gets rid of the traditional superior-subordinate division. At Wooga, a games company in Berlin, I was told that management shares a similar vision. At this company, there are no career paths defined by a sequence of job titles. Career advancement is measured in the form of status and recognition—which games people have worked on, the bigger projects they are asked to contribute to, and the expertise people build over time. Has anyone ever noticed the title Team Leader on a movie's closing credits? I haven't.

What about the career lattice?

Some authors have offered the concept of a *career lattice* as an alternative to the career ladder. [Benko and Anderson, *The Corporate Lattice*] In a career lattice, people not only move up; they can also move sideways or diagonally (usually called lateral moves or job rotations).

To me, it seems that this doesn't solve the real problems of job titles and career ladders, as outlined earlier. Having several ladders stacked side-by-side, so that people can see it as a lattice and move sideways instead of up, doesn't teach people to develop their personal brands. It doesn't help to favor project roles over job titles, and it doesn't imply creating positions for people instead of force-fitting and "latticing" people into available slots. If you want to use a better metaphor than ladder or lattice, I suggest that you refer to a career path as a jungle gym. They are colorful, playful, and they go in all directions. [Sandberg, *Lean In*]

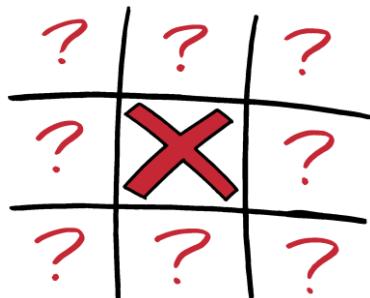
Options over Politics

From now on, you should see all work relationships as *personal brands with temporary assignments*. The new job you are giving someone? Assume it's a tour of duty that will end in two or three years. [Hoffman, Casnocha and Yeh, "Tours of Duty"] The work you're giving someone to do next week? Make sure it's a project that will last for months, not years. Every assignment should have an implied end. For every opening sequence, you will assume there will also be closing credits.

This creates a culture where people favor developing their own personal brands (which is the only thing that will last for decades or more) instead of becoming obsessed with titles and roles. Project roles can give flavor to job titles and work profiles should add value to personal brands. Too much

attention and politics among employees around titles is a clear sign they are neglecting their personal brands. In such cases, it is no wonder people fear loss or devaluation of their titles because they fear losing their reputation. But does anyone really believe that playing the part of J. Edgar Hoover was bad for Leonardo DiCaprio's reputation? Of course not! Reputation *clings* to a person, not to a title or role. Reputation is earned by the *variety* of titles a person has assumed and the *progression* of roles a person has played.

Reputation *clings* to a person, not to a title or role.



It is all about creating **options** for people's careers.  Customization of titles and roles, and the possible paths between them, creates *option value*. People value the option to make their own choices. [Benko and Anderson, *The Corporate Lattice* loc:193] In a world that is increasingly complex, options enable people to defer commitment and embrace uncertainty. [Maassen, Matts and Geary, *Commitment*] Every time a person is credited for a role well played, and a job well done, this adds value to her personal brand, and creates more options for her future career.

People over Titles

It is important to credit people for their contributions on projects. As in the movie industry, people earn their reputations through the actual work they have done and the roles they have played in those projects. This is why I suggest that, from now on, you start publishing **project credits**. These are lists of people who have collaborated on some kind of outcome, with their job titles and organizations (optional), and the roles that they played on the project (mandatory). Consider the following example:

How to Change the World (book)

Jurgen Appelo (*Owner at Jojo Ventures*) Author

Linda Hirzmann (*Art Director at Bravebox*) Cover and Interior Design

Mick Schouten (*Multimedia Designer at Bravebox*) E-Book Development

Leopoldo Simini (*Sr. Technical Director at R/GA*) Spanish translation

Vladimir Livshits (*Agile Coach at Luxoft*) Russian translation

Eduart Kapllani (*Owner at EDTSEN*) Italian translation

André Faria Gomes (*Partner at Bluesoft*) Portuguese (BR) translation

Mikael Boman (*Delivery Manager at Swedavia*) Swedish translation

Michał Parkoła (*Agile Coach at Fluid Circle*) Polish translation

Yannick Grenzinger (*Sr. Software Consultant at Xebia*) French translation

Michiaki Taniguchi (*Managing Director at Agilergo*) Japanese translation

The idea of printing the names of individuals in bold letters is to emphasize that people's personal brands are the most important information. A list of project credits is *a list of people working on the same project and outcome*. Job titles and organizations can be mentioned (if available and relevant) because they help to communicate where to find these people. (If everyone is from the same organization, you can obviously leave that data out.) However, more important than the job titles are the project roles listed in the last column. The roles mentioned here translate to the credits that people earn on their reputation for a job well done. Who cares that Linda Hirzmann is an Art Director (whatever that means)? What's relevant is that she was responsible for the cover and interior design of a successful book. (Mine.)

Where do you publish these project credits? Well, that depends. When you're making a movie together, I suggest you show them at the end. It is a good practice, although it is not always performed very well. [Schwartz, "An Insider's Guide to Movie Credits"] When you're making software or a smartphone app, an *About* item somewhere in the menu sounds like a fine place to display the credits. When it's something less tangible, like a committee you're part of, or a sports team, or a scouting club, make sure the project credits are in any deliverables your team is responsible for, such as a report, a dossier, or your team's intranet or website.

In any case, the project credits should be available for others to refer to on their CVs, on people's personal websites, or on their LinkedIn pages. By focusing on project credits instead of job titles and career ladders, you steer people's behaviors away from corporate politics and the titles they hold,

toward concrete tangible outcomes they have actually contributed to. And who knows? Maybe someday their reputations might reach the eyes of Christopher Nolan, James Cameron, or Quentin Tarantino.

Movie trailer

"My daughter is four years old and really likes to play with the iPad. It's amazing to see what she can do. One day we were playing with iMovie and, with just a little help, she was able to 'produce' movies that looked really professional. Inspired by this, I decided to use this at my workplace.

To celebrate the latest release of our product, and to recognize the teams that contributed to it, I went around the office with my mobile phone and took pictures. With iMovie I put together a short movie trailer by adding the pictures and some informative texts. I played the movie during the release party of our product and the team members felt really proud! They wanted to have their own copies of the movie so they could show it to their family and friends. It was a maximum effect achieved with minimum effort!"

Tomas Rybing, Sweden

What Now?

This is what you can do:

1. Ask every employee to create and publish their own work profile. Think of it as an interface to the outside world. It says, "This is what you can ask of me and this is what I can offer." If possible, allow them to write their own job title above their work profiles.
2. Think of the last few projects you have participated in and the projects you are working on now. They can be anything, from making software to making presentations, from paid office activities to free charity work, from a close-knit team to a bunch of freelancers.
3. Make a list of the people involved in those projects including their personal names, job titles, organizations, and project roles. If you're unsure about titles or role names, ask the people themselves.

4. Find some place to publish this information, preferably online, so that team members can refer to it. If you don't know how/where to publish the credits, ask for suggestions from the others. I am sure they will be happy to help you credit them.
5. Link people's names and job titles on your project credits to the public work profiles that they, hopefully, have published somewhere.

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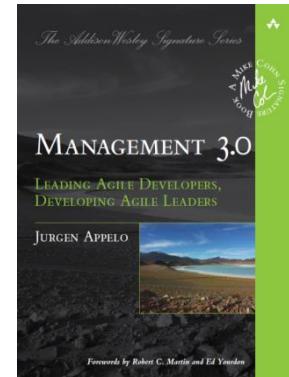
Books

Whoa! You're going fast. There are only five chapters left.

Maybe you can already order one of my previous two books?

That way, when you finish this one, you can move on to the next. {8-)

Agile management is an often overlooked part of Agile. There are at least a hundred books for agile developers and project managers, but very few for agile managers and leaders. However, when organizations adopt agile software development, not only developers and project managers need to learn new practices. Development managers and team leaders must also learn a different approach to leading and managing organizations.

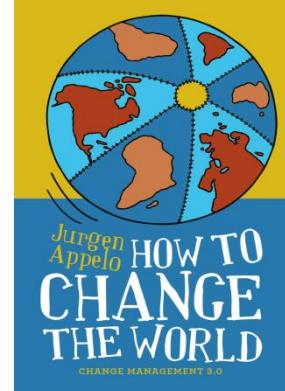


m30.me/m30

It is one of the questions we get most often: How do I deal with my crappy organization? I like my work but I don't like what our management is doing. How do I deal with it? Well, that's easy. You have three options: 1) Ignore it; 2) Quit your job; 3) Or learn about change management.

This booklet for those who choose option 3.

m30.me/hcw



$$S = \left\{ \frac{\sqrt{\frac{\sum_{i=1}^C \frac{(T^i - L)^2}{(A \times P)}}{W}} \times \sqrt{\frac{E \times G^2}{\int_{\pi}^S \frac{t^\alpha dt \times S}{M \times e^K - N}}}}{\sum_{i=0}^{\infty} \left[\frac{e^{\int_{f(E)}^p f(G) dx H}}{f(G) dx T} \right]} \right\}$$

Salary Formula

www.management30.com/salary-formula

No price is too high to pay for the privilege of owning yourself.
Friedrich Nietzsche, German philosopher (1844–1900)

Money is a sensitive topic, therefore, payment of employees must be treated carefully. A good compensation plan is not only fair, but also supports the culture of the organization. A salary formula can help you keep the trust, prevent demotivation, and pave the way to total transparency.

Furious could be the best word to describe how I felt when I discovered that the project managers were being paid, on average, more than the software developers. For years, I had been responsible for the development teams, while project management was somebody else's territory. But after struggling with better software development practices in this particular organization for a while, I successfully argued that we could only achieve real improvement if I could also help transform the project management department. When top management finally extended the scope of my control, one of my first tasks was to look at the compensation plans that were negotiated individually with the project managers. I got the salary list from human resources, and with my master's degree in Microsoft Excel, I compensated for age, years of service, education levels, waist lines, and several other relevant factors to reverse-engineer people's monthly salaries to a small set of baselines and factors for both software developers and project managers. I hoped to arrive at a secret formula that would serve as a guideline in any upcoming salary negotiations. It wouldn't turn lead into gold, but I was sure it would help me turn applicants into employees. To my surprise, I discovered that, everything else being equal, project managers earned, on average, at least 10 percent more than software developers, on average. I was shocked! Even though I assumed the discrepancy that had sneaked its way into the financial pyramid wasn't intentional, I didn't like the idea that nobody, not even top management, seemed to know about this problem. Or was there a problem? Is payment unfair when nobody knows about it and nobody complains?

Compensation is a difficult topic. The term can refer to hourly wages, monthly salaries, commissions, bonuses, stock options, insurance plans, retirement packages, and many other benefits that people earn for their contributions to an organization. The whole shebang is often called an **employee compensation plan**, which is a bit of a misnomer considering that *planning* often has very little to do with the outcomes achieved. Still, I believe it is important to perform just enough planning to ensure there is fairness and consistency in the way people are being paid.

In this chapter, I want to focus on people's salaries. Retirement packages and all those other employee benefits can be very interesting topics, but this chapter is not intended to be a primer for human resource managers or financial planners. Employees and managers are primarily interested in consistently fair monthly salaries. Let's see how we can achieve that. Once we can figure that out, the rest should be easy!

Compensation Plans

Like the discussion with your kid after having picked him up from the police station, the discussion around a compensation plan will probably start with the question, “Why?” You might think that the answer is obvious, but if you really think about it, there seem to be multiple answers to this question. I can list at least five reasons for a well-defined approach to a salary structure:



We want a good compensation plan so that everyone knows *we pay people fairly* for the value they create for the organization.



A good plan enables us to *attract and keep the right people* (and maybe get rid of the wrong ones too).



A compensation strategy can help us navigate the organization through an *uncertain environment*, in good times and bad times.



Money influences motivation; therefore a good compensation plan helps ensure we *don't inadvertently destroy people's joy and productivity*.



With a good plan, we are able to *reinforce a culture of trust*, instead of feeding a dysfunctional one full of distrust.

As you can see, there is quite a bit more involved in compensation plans than merely negotiating a salary that both parties can agree to.

No matter what an organization says about its values and its purpose, how it compensates is a form of “walking the talk.” Nothing saps motivation more quickly than the perception that the compensation system is unfair and rigged.

Mackey and Sisodia, *Conscious Capitalism* loc:1591

We have five requirements for good compensation plans: fairness, recruitment, flexibility, motivation, and trust. I keep calling them *plans*, because money is a sensitive topic, and treating this topic delicately requires some thought, foresight, and organization. We usually call that *planning*.

Money is a sensitive topic, and treating this topic delicately requires some thought, foresight, and organization.

But wait, there is one more requirement we should not forget about!

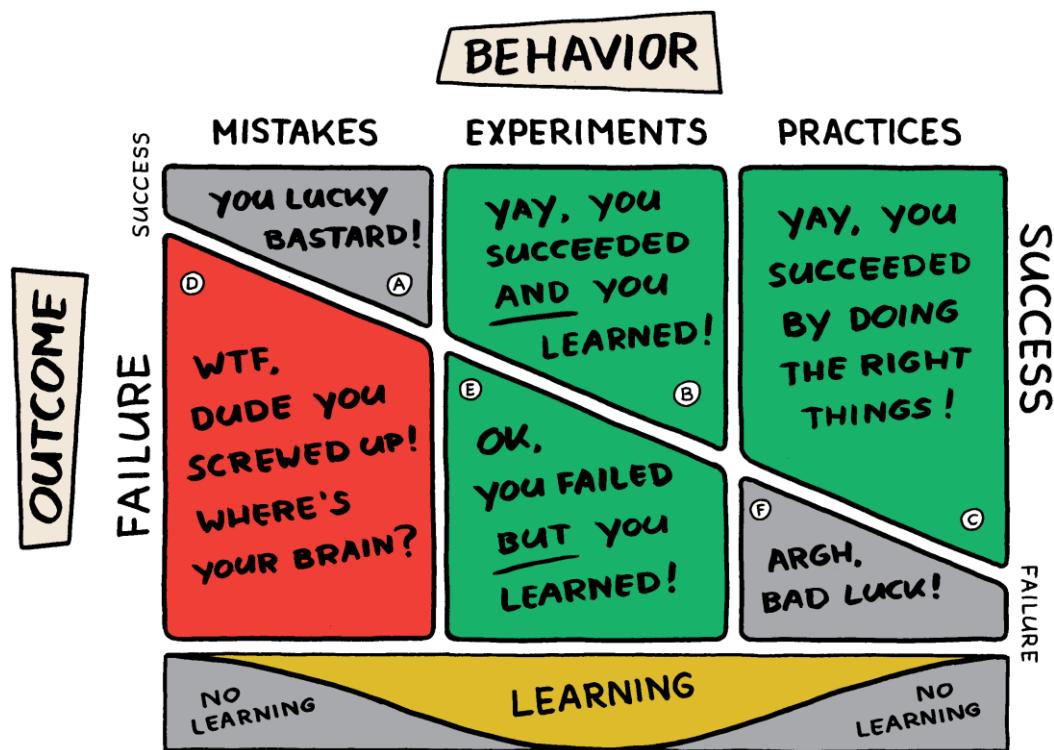
Deliberate Practice

Before we create a compensation plan for our employees, the very first matter to discuss is what our compensation will be based on. We have three options:

- 1.** We can pay people for the *time* they make themselves available, and leave it to their managers and peers to get the most out of their presence.
- 2.** We can pay people for the *results* they generate for the organization, and leave it to managers and peers to provide them with useful input.
- 3.** We can pay people for the *effort* they put into their work, and leave it to managers and peers to turn that effort into successful results.

The first option is the default position in many traditional organizations and for all time-billing consultants. Workers are merely required to show up. It is their employer's duty to squeeze as much productivity as possible out of the available time and to make sure everyone is doing something useful and not simply watching YouTube videos.

The second option is common in results-only work environments and is used by most freelancing creatives. Workers can do whatever they want, but they only get paid when their work has a successful outcome, perhaps bounded by a deadline or a list of requirements. Management is mostly concerned with defining the criteria for success first, and then interpreting them as broadly as possible later.



Unfortunately, both of these options easily lead to dysfunctional behaviors in many organizations. This can be illustrated with the celebration grid diagram.

 Successes are *usually* achieved when people seek and follow good practices (right column); they are *sometimes* achieved when people run experiments (middle column); and they are *rarely* achieved when we make mistakes (left column). However, learning and innovation mostly happen when people run experiments with a good mix of successes and failures (middle column), and little learning takes place when people merely follow

good practices (right column) or just make stupid mistakes (left column). (You can read more about this diagram in the “Yay! Questions and Celebration Board” chapter.)

In summary, organizations need two things: repeatable successes (do more of what already works) as well as learning and innovation (find new things that work). The diagram shows that we need to focus on the green areas: a combination of running experiments with optimal learning and following good practices with repeatable successes. The habit of relentlessly pursuing new things that work *and* intensively repeating things that already work is called **deliberate practice**. [Barr, “Deliberate Practice”]

The problem with a compensation plan based on option one (paying people for their time) is that workers are not pulled toward the right places on the diagram. We all know stories of employees who don’t seem to care at all about either personal learning or organizational successes. This should come as no surprise, because you get what you pay for. With option one you pay people to walk all over the map, while management is expected to keep everyone in the right corner.

The problem with option two (paying people for results) is that it motivates workers to aim for the upper half of the diagram. That means that most will prefer to follow good practices (with guaranteed results) over running experiments (which have unknown outcomes) because only successes lead to paychecks. The result is reduced learning and innovation. There is also some unfairness in this approach because those who are lucky enough to get good results, despite their bad behaviors, get rewarded, while those who are unlucky because of unexpected failures, despite having followed good practices, are not rewarded and they feel they are being punished.

In my opinion, the best approach to a compensation plan is option three (paying people for effort). Unsurprisingly, it is also the hardest one to implement. After all, it is fairly easy to measure people’s contribution in the form of available time. It is harder, but still possible, to measure their contribution in the form of successes. But how can we measure people’s *efforts* at both running experiments and following good practices? The short answer: we can’t. It is simply not possible for a computer, or a manager with a checklist, to measure effort using a scale of one to ten. However, our colleagues are often fine observers of each other’s behaviors! Therefore, we must rely more heavily on social pressure and a culture that favors deliberate practice.

We must rely more heavily on social pressure and a culture that favors deliberate practice.

Never forget that you get what you pay for. Therefore, the final requirement for a compensation plan needs to focus on a culture of good behaviors.



A good compensation plan helps everyone to focus on experimental learning and deliberate practice.

Job Categories

Now that we've established six requirements for our compensation plan, we can start working on its construction. Most literature offered by human resource experts suggests starting with a *job analysis*, which is a thorough investigation into the work of all employees. This exploration should result in the classification of the type of work done by employees and, preferably, a job description for each person in the organization. The job description will include an employee's job title, an overview of the tasks and responsibilities for that position, a description of the context of the work, and a list of required skills and competences. [Burke, "Designing a Pay Structure"]

I disagree.

A compensation plan requiring all jobs in an organization to be described in detail is unsustainable in a business world that is more complex and volatile than ever. When anyone thinks he has a complete picture of what is going on and what part is doing what in the system, he is probably under the illusion that he is operating a forklift truck instead of caring for a community. You would be wise *not* to let such people mess with money, the lifeblood of the organization.

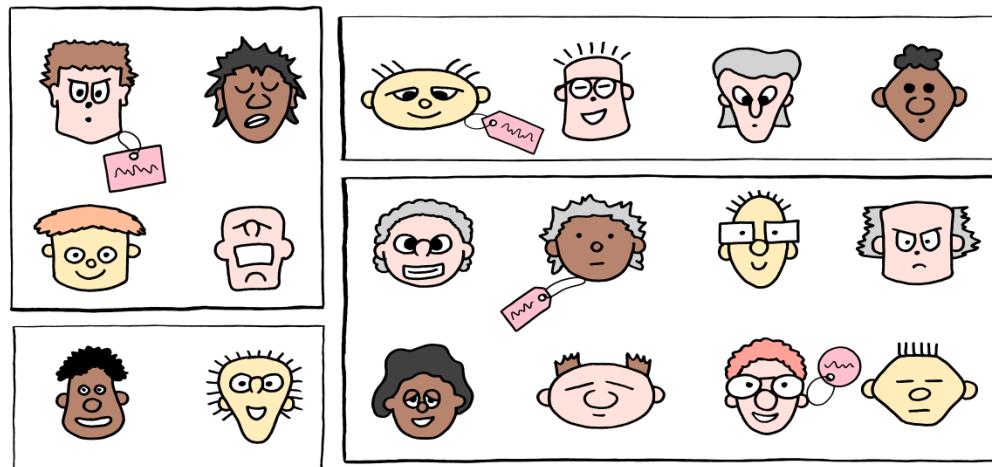
It is virtually impossible to delineate roles and responsibilities in the dynamic growth environment that startups [and most other organizations] operate in. Moreover, the last thing you want to encourage in a startup [or in other organizations] is for employees to restrict themselves to a set of narrowly defined tasks.

Deshpande, "Here's a Powerful Tool for Startups"

Paying everyone the same salary is not an option for most organizations. Some differentiation is needed, and one area to differentiate between employees is their primary position in the company's business model. Some people are *founders* of the startup, but most people are not. Some employees mainly *create* things, while other employees mainly *manage* things. Some workers *sell* stuff and others *procure* stuff. Listing tasks and responsibilities for everyone is next to impossible, but it's not that hard to identify, in broad terms, the areas of an organization's business model where the employees contribute the most.

When I was Chief Information Officer, I had so many things on my plate that I couldn't even enumerate my own tasks and responsibilities, not to mention the skills and competences required to perform them. (I'm sure some of the other employees also wondered what the #\$\$&@ I was doing.) A detailed description of my job was impossible. There was basically only one thing that everyone could agree on: I was a member of the *management team*. Aha, a subgroup! That gives us something concrete and stable to work with.

The first step toward a compensation plan is to broadly identify groups of people. Or better, we should define **categories** and **tags** for all jobs in such a way that there are *as few as possible* and that those are only based on their strategic value for the organization.  For example, creating separate categories for developers and designers makes no sense when they more or less get the same salaries and make similar contributions to the business model. In that case, it's best to create one category called *creative*. This also enables you to include writers or sculptors in the creative category when the environment calls for a change in the type of products the organization makes.



Strategic value to the business model should be the primary factor in any distinction between jobs. In a top-rated design firm, the design aspect of the work is obviously of strategic importance. It makes sense to distinguish between designers and developers and therefore add more weight to design. Obviously, in a top-rated software development firm, it could be exactly the other way around!

Strategic value to the business model should be the primary factor in any distinction between jobs.

Employees should belong to exactly one category. They either (primarily) do marketing or they (primarily) do network administration. They probably don't do both. But workers can have any number of additional tasks, memberships, or responsibilities in parallel to their regular job. That's what tags are for. Management team members, company founders, team leaders, and union or works council members can be given an extra tag because they have some additional responsibilities *besides* the regular work that they do. Notice the difference between categories and tags: each worker is in one category and has zero or more tags.

Job Levels

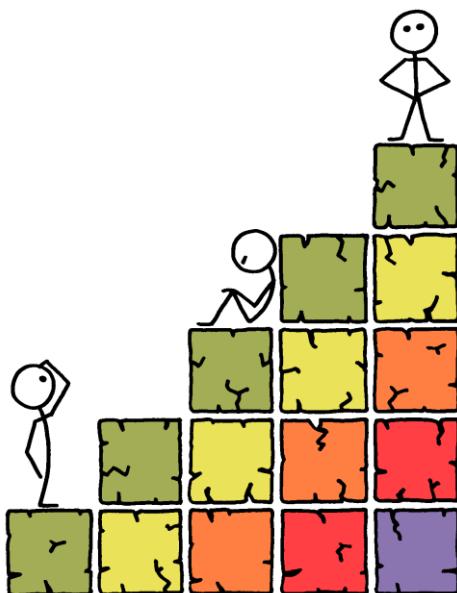
The second step often suggested in human resources literature is *job evaluation*. This step involves judging the relative value of all jobs in an organization and

ranking them in a hierarchy. The purpose of the evaluation and ranking is to build a payment structure that the employees will consider fair. [Burke, “Designing a Pay Structure”]

Again, I see things differently.

When we have a good set of job categories and tags, we will obviously need to assign different weights to them, but that doesn’t imply the need for a hierarchy. Nobody disagrees with the notion that the weight of the tag *founder* will usually be higher than the weight of the tag *team leader*. And if your organization is in the business of making animated videos, it makes sense for the *animation* category to be valued higher than the *catering* category. But stacking jobs to build a pyramid? I see no reason why this needs to be done.

I’ve seen some successful compensation plans address people’s desire for ranking in a different way. It makes a lot more sense to me to rank employees *within each job category*. One of the few good decisions I ever made as a CIO was to get rid of the implied hierarchy of jobs where software developers were perceived by some to be at a “lower” level than project managers. Instead, I introduced five **levels**, called *Trainee, Junior, Medior, Senior, and Master*, and each employee was assigned one of these levels within their own category. 📊 Both the software developers and the project managers adopted this ranking.



Explanation of job levels

I find it is common to have four or five levels per job category. In our case, the **trainee** level was reserved for interns. The **junior** level was for young employees, fresh from college or university. The **medior** level was what everyone automatically achieved if we didn't fire them within a year. The **senior** level was reserved for employees who had built up a track record and who had proven to need little or no supervision or coaching. The **master** level was reserved for superheroes. Sadly, we never hired a person like that.

A distinction between job levels is best done within each job category and tag. For example, you can have junior, medior, and senior account managers in parallel to junior, medior, and senior business consultants. This arrangement allows for the most flexibility in the design of your compensation plan. There is no need to create a hierarchy in your salary structure. The combination of categories, tags, and levels gives you all the options you need for a wide variety of salary formulas.

There is no need to create a hierarchy in your salary structure.

Average Salaries

Now that we have job categories, tags, and levels, we need some example data to arrive at sensible values for people's salaries. *Pay survey analysis* is the process of gathering data from other employers in a labor market to see how much they pay their employees. Human resource experts consider this step essential to keep an organization's salaries competitive within its industry. [Burke, "Designing a Pay Structure"]

Will it surprise you when I say I disagree?

There are three things fundamentally wrong with the assumption that a company should match salaries paid by its competitors. The first problem is that of treating people like replaceable cogs in a machine. A video artist in one animation studio is not simply replaceable with a video artist from the studio next door. As a writer, I know perfectly well that I cannot simply drop my keyboard at this point and have someone else finish this chapter. Yes, it is useful to know how much a competitor's employees earn. But that's not the

same as using their salaries as a baseline for your own. Your employees are, in all likelihood, different people with different jobs and different projects, despite the similarity in job titles.

The second problem is the fear that people will apply for a job at another company for a mere 10% salary increase. When this fear is justified at your organization, you apparently have a bigger problem than just an uncompetitive compensation plan. Research confirms that creative networkers are motivated in the first place by their work, their peers, and their employer's purpose. If you pay them enough, the money becomes only a minor concern. [Pink, *Drive* loc:1054] You can tweak salary baselines until your fingers turn blue, but no compensation plan will compensate for the lack of a compelling culture and meaningful work.

You can tweak salary baselines until your fingers turn blue, but no compensation plan will compensate for the lack of a compelling culture and meaningful work.

The third problem is the idea that one can calculate the average salary for any kind of job. In the creative economy, the pay scales of creative people often do not conform to a standard bell curve with a nice big blob in the middle and a tail on either side. There is no meaningful average income for Hollywood actors. Most actors earn very little, while a few of them make millions. The average doesn't make sense as a comparative figure. Likewise, there is no minimum, midpoint, or maximum income for a writer or a football (soccer) player. Averages make sense for people whose jobs are commodities. Do you want the work in your organization to be a commodity? Or do you want the people in your organization to be special?

Despite these issues, I agree it is useful to know how much others are getting paid. It gives you something to compare yourself with, but I suggest you do things your own way. As a public speaker, I find it very interesting to know how much other speakers earn, so I know where I stand with my own pricing. But I won't price my services at the "competitive" midpoint between Bill Clinton and my aunt Betty.

Compensation Calculation

It was years ago that I created my salary formula to pursue fair compensation for software developers and project managers. At that time, I had to work backwards from their actual salaries to find a reasonable set of variables, constants, and multipliers that would forecast salaries for new employees. Unsurprisingly, I did this all in an environment that called for confidentiality and secrecy.

Nowadays I'm glad to see that fair calculation of salaries is heralded as the next big thing for management and human resources. Of course, it now works the other way around. Instead of negotiating individual salaries and then working *backwards* to check if they made any sense, it seems like a good idea to *start* with a set of variables, constants, and multipliers, and to calculate forward and settle on salaries that everyone can agree on.

We already have three variables: job categories (**C**), job tags (**T**), and job levels (**L**). The categories and tags represent what some people would call strategic role or job type. [Gascoigne, "Open Salaries at Buffer"; Spolsky, "Fog Creek Compensation"] And the job level is sometimes referred to as maturity, seniority, or competence. [Deshpande, "Here's a Powerful Tool for Startups"; Elmer, "After Disclosing Employee Salaries"] The semantics don't matter much. You can use the term that suits you best, as long as you don't go overboard with hundreds of categories and tags. Only distinguish categories and tags that are necessary to differentiate compensation levels of (large) groups of workers.

A second set of variables can be identified when you take into account an employee's age (**A**), the period of time you have employed her (**P**), the years of work experience she had before you hired her (**W**), and the years of relevant education (**E**). These variables are all optional. Whether or not you want to use them depends on the kind of organization you have and the culture you want to support with your salary formula. A startup business might value education and young creative minds, while a mature organization might put more emphasis on the wisdom that is implied with a higher age or longer employment. It's your business, so it's your call.

But wait! We're not there yet. Keep in mind that salaries fluctuate, depending on the geographical areas where people live. Employees working in Sweden require higher pay than those in Spain, for the obvious reason that life in Northern Europe is more expensive (and less exciting) than in Southern Europe. But even within one country, you might want to keep an eye on the differences in cost of living between regions. [Spolsky, "Fog Creek

Compensation”] This could give you an extra variable representing location or geographic area (**G**).

Finally, you can make adjustments to take into account whether employees prefer to have part of their monthly income replaced with stock options (**O**) [Gascoigne, “Open Salaries at Buffer”]; whether they participate in a bonus or merits system (**M**); and whether you wish to give special consideration to superstars, such as Nobel-prize winners or writers of management books (**N**). You could even consider a public metric, such as a Klout score (**K**), which indicates how well connected a person is on social networks. After all, when we value creative networkers for their creative skills, education, and work experience, why not compensate them for their social skills and networking abilities?

Do not include a performance metric!

Some experts suggest that you should include an individual performance metric into the set of variables of your salary formula, but I am strongly opposed to this idea! [Case, “When Salaries Aren’t Secret”; Cheng, “The Salary Dilemma”]

Scientific literature on worker motivation is virtually unanimous on the effects of individual performance targets when tied to rewards. The verdict in one word: disastrous. It almost *always* leads to dysfunctional behaviors. [Kohn, *Punished by Rewards*] It doesn’t matter whether the performance metric covers time, results, or effort. People will try to game the system instead of focusing on their work (also see the chapter “Metrics Ecosystem”).

There are better ways to compensate employees for their contributions (efforts and results) to the organization’s total performance. This is covered by the Merit Money workout practice (see next chapter). This chapter is focused specifically on people’s steady monthly income, and our salary formula should only include variables that cannot be easily gamed on a month-by-month basis. For most people, it is hard to grow several years older in just one month.

With a good set of variables, you should now be able to play with a spreadsheet and create your own formula. Money is such a sensitive topic for many people that I’ve decided not to give you any serious examples in this text. $S=(C\times T\times L+A+P+W+E)\times G+O+M+N+K$ From experience, I know what will happen: people will start analyzing, discussing, and criticizing the examples, instead of

thinking deeply about their own context and performing their own calculations. So let's not go there.

$$S = (C \times T \times L + A + P + W + E) \times G + O + M + N + K$$

One thing I want to emphasize is that there's *no* one best salary formula. You *must* make sure to experiment with calculations and keep the formula easily adaptable, with small iterations. [Heaps, "Ten Steps for Building a Salary Structure"] Expect that some people *will* try to game the system. Their behaviors are complex, while your formula can only be complicated. No spreadsheet can withstand human ingenuity when it comes to influencing results. Therefore, focus on a culture of trust and allow the formula to evolve together with people's behaviors. You should also have a clear policy that addresses people's current salaries whenever the formula changes. At the same time, before introducing any new salary formula, don't forget to make financial projections and compare them with your internal budget constraints. [Heaps, "Ten Steps for Building a Salary Structure"]

A salary formula, which everyone understands and gets to learn about before accepting a job, is a great step toward a compensation plan that pays people fairly for the value they create in the organization. Quite coincidentally, this happens to be our *first requirement* 1 for a good compensation plan.

No variables for gender or race

When people discuss salaries, one topic that pops up again and again is the discrimination against women and, a bit less often, minorities of a certain color, heritage, or other background. In other words, **equal pay**. [Coy and Dwoskin, "Shortchanged: Why Women Get Paid Less than Men"] Experts commonly end up in endless discussions about whether this discrimination is actually common practice or not. [Tobak, "The Gender Pay Gap Is a Myth"].

In my opinion, it's easier to simply circumvent the whole debate. When you work with a salary formula, the potential for discrimination and unequal pay should vanish like Dutch customers at the end of a free trial period. None of the variables I listed previously are about gender, race, or any other physical or mental attribute. And that's how it should be!

Compensation Levels

Comparing your salaries with what is offered in the outside world is one aspect in the creation of a compensation plan. As I said before, many jobs do not allow for an easy comparison of averages, but it's still useful to know the range of salaries at other companies, and the values around which most of them are clustered. It is then up to you to decide how you want to position your business against the competition. Remember that job candidates *will* have a look at salaries before they get to know about your amazing company culture, your awesome products, and your high-tech lounge chairs. Deciding whether an organization wants to lead, lag, or meet market standards is called *pay policy identification*. [Burke, "Designing a Pay Structure"]

However, determining compensation levels is not just about evaluating market standards. On the contrary, an explicit decision *not* to have your salaries be dictated by the market could be an expression of your company culture. For example, it is well known that movie director Woody Allen pays his actors only modest fees, even when they are the biggest stars. Maybe you can pull a Woody Allen too? Any compensation policy will select the kind of employees (or actors) who like that policy, and it will deter the kind of people who don't appreciate it. There's nothing wrong with that, as long as you make this part of your strategy. Attracting and keeping the right people—and getting rid of the wrong ones—happens to be our *second requirement* **2** for a good compensation plan.

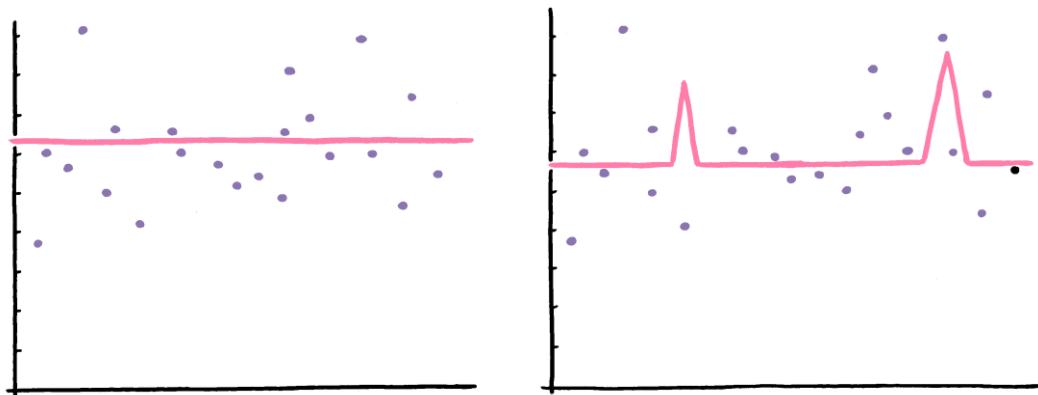
We want [employees] to be comfortable enough and not worry about money. I would hope that salary is not the highest, the key thing for people. In a way if they got a higher offer and that was something that swayed them, I would be happy to say good luck and thank you.

Elmer, "After Disclosing Employee Salaries"

According to our *third requirement* **3** for good compensation plans, our salary structure should help us steer the organization through good times *and* through bad times.

Paying all employees a fixed salary slightly above market—if there is such a thing—sounds like a great thing, if your internal budget can bear it.  But it could become a major problem when the environment changes and

your budget becomes a bit tighter. An employee can be quite happy with a safe and steady monthly income, just above market. But from the perspective of complexity thinking, such income is more vulnerable to large shocks that could make the employee's income suddenly drop to zero, "plus some unemployment benefits if he resides in one of the few welfare states." [Taleb, *Antifragile* loc:1672]



A little *above* market (left) and a little *below* market, with spikes (right)

In my opinion, employers and creative networkers are wise to follow the income strategy of artisans (carpenters, musicians, tailors, etc.), whose incomes are more volatile, but are also more able to handle unexpected bad events that would cause regular employees to lose their jobs, or their employers to go out of business.

Employees' risks are hidden. Thanks to variability, these artisanal careers harbor a bit of antifragility: small variations make them adapt and change continuously by learning from the environment and being, sort of, continuously under pressure to be fit.

Taleb, *Antifragile* loc:1659

Try to be conservative with your monthly salaries and convince your peers to participate in a merit money plan (see the next chapter). Monthly salaries should be paid for people's efforts, including learning, innovation, and following good practices. The merit money plan could kick in to share in any successes your joint efforts are able to generate.

Compensation Ranges

The final step in the formation of a compensation plan is called *pay structure creation*. The suggestion in human resources literature is usually to turn your findings (internal metrics and external market rates) into a complicated structure of pay grades, pay steps, pay ranges, pay scales, and pay whatevers. [Burke, “Designing a Pay Structure”] This can involve discussions about bottom rates, top rates, market medians, overlap of classifications, allowable pay raise percentages, broadbanding, and percentage midpoint progression. [Ojimba, “Pay Structures”] The resulting structure is then used to plot people neatly onto a financial grid which, supposedly, reduces salary negotiations and, supposedly, makes the playing field “fair”.

I disagree.

Maybe you guessed that already?

One big problem with pay grades and pay ranges is that once people are assigned their (often arbitrary) starting position on the scales, it is extremely hard for them to ascend the payment pyramid more quickly than others. Holding onto a financial growth norm for everyone (for example, no advancement of more than two pay steps at a time, and no raise of more than 5 percent per year) with the argument that otherwise “things would not be fair” is the most effective way to send your best people elsewhere.

A salary formula is what it is. When you insert someone’s input variables, and the formula calculates her payment, then that’s what you pay her. No discussion, no arguments, no negotiations, and no normalization to grades, steps, and ranges. You pay the salary the formula tells you to pay and you get back to work so you can deal with more interesting problems.

You pay the salary the formula tells you to pay and you get back to work.

My interpretation of *fair* is not requiring that people negotiate individually with their managers about pay steps and pay raises (a ritual that always favors the more socially savvy employees). My view on *fair* is that all employees can see what the formula is; everyone can calculate what they get, given their history and circumstances; and everyone knows what to do to earn more. Psychologist Frederick Herzberg famously observed that money is rarely a motivator. But it acts as a demotivator when someone believes she is not being treated fairly, for example, because of gender bias. A salary formula

takes away the pain from negotiations, discrimination, and the pay scale race. It also reduces the chance that employees will feel underpaid compared to their co-workers. And not demotivating people is our *fourth requirement* 4 for good compensation plans.

Compensation Transparency

If only things were always transparent! It took me years of building a reputation as a technical leader and a track record as a development manager before I was allowed to take over responsibility for the project management department, only to discover that during all that time, the project managers had been paid more than the software developers.

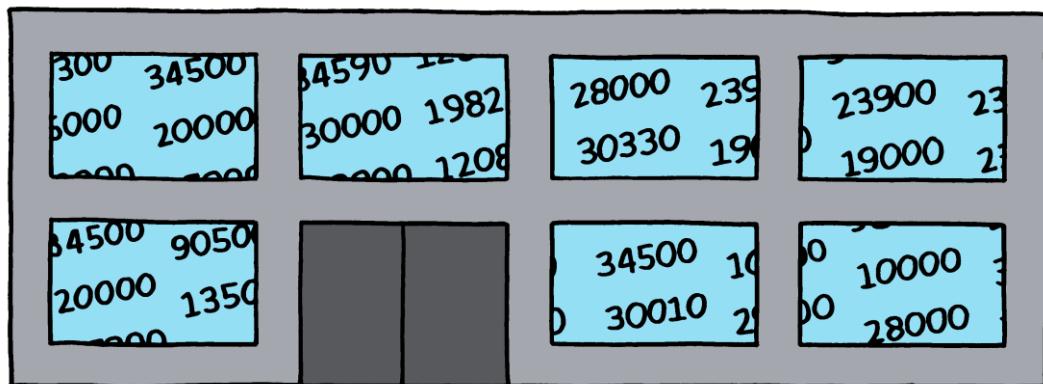
While researching literature on the topics of compensation plans and salary structures, I came across one article that contained strong advice for human resource managers to “keep the salary ranges in the strictest confidence”. Yes, that makes total sense if you don’t want anyone to find out they’re being screwed! Fortunately, not all companies follow this advice. In fact, depending on where you live, demanding confidentiality probably isn’t even legal. [Meyer, “Appeals Court Says Employees Can Openly Discuss Wages”]

In the interest of fairness, Fog Creek’s compensation policy is open, public, simple, and accountable. Many companies try to obfuscate the rules they use for determining compensation in hopes that they won’t get caught paying some people too much and others too little.

Spolsky, “Fog Creek Compensation”

We live in a different age now. With the rise of the Internet and social networks, more and more people have become accustomed to the idea of sharing (almost) everything about themselves. On Twitter, we let people know where we are; on Instagram, we show what we eat; on Amazon, we publish what we read; and with AirBNB, we even rent out our homes to complete strangers. Why should we make a fuss about people finding out how much we earn? [Gascoigne, “Open Salaries at Buffer”]

Why should we make a fuss about people finding out how much we earn?



I see more and more companies switching to transparency of finances and publication of their compensation plans. Research confirms that pay secrecy only hurts a company's culture and results in negative morale, decreased performance, and higher turnover. [Belogolovsky and Bamberger, "Secret Salaries Hurt Worker Performance"] Therefore, defaulting to transparency and making everything publicly available, perhaps even to outsiders, can be a smart move. Yes, everyone will be able to figure out what everyone else earns. Why is that a problem? A transparency policy is a good thing because it forces management to be fair to everyone. [Griswold, "At Whole Foods, Employees Can Look Up Other Employees' Salaries"] When a few employees don't like that, the problem resides more likely with personal attitudes or with unfair salaries than with the transparency policy itself. A ban on secrecy has a tendency to scare away people with a bad attitude toward trust and fairness which helps to reinforce a good culture instead of feeding a poisonous one. [Elmer, "After Disclosing Employee Salaries"] And that is our *fifth requirement* 5 for a compensation plan.

Will there be discussions when you open the books on salaries? Of course there will! [Nisen, "Why You Should Reveal Everyone's Salaries"; Silverman, "This Is What Your Co-Worker Is Paid"] But these discussions will reveal the problems that are already in the system; and by dealing with them, you stop them from festering and poisoning your company's culture. Of course, it requires that you have a fair compensation plan in place that is able to *explain* what everyone's salary is. When nobody can easily explain it, that's a good reason not to show it!

The executive looked at me with alarm. "We could get over a lot of things here—insider trading, financial scandals, and the like—but if everyone knew everyone else's salary, it would be a true catastrophe. All but the highest-paid individual would feel underpaid—and I wouldn't be surprised if they went out and looked for another job."

Ariely, *Predictably Irrational* loc:395

When you announce your plan for a transparency policy and people respond with alarm and even threaten to quit their jobs, I would just let them go. I would even open the doors for them. Thank you and goodbye! At the same time, I would leave the doors open for the many people outside who learn about the new policy and want to get in.

Buffer received 2,886 applications for job openings in the month since the Dec.19 news of its salary transparency showed up on its blog, compared to 1,263 in the 30 days beforehand.

Elmer, "After Disclosing Employee Salaries"

The move toward transparent compensation plans is a global trend. Some even say companies don't really have a choice. [Silverman, "This Is What Your Co-Worker Is Paid"] Obviously, I don't mean to say that you should start posting everyone's individual salaries on your company's public website tomorrow. Experiment, take small steps, and think about where you want to go. Use your compensation plan to reward people for the right behaviors. That means no politics, no secrecy, and no hidden agendas. Instead, have experimental learning and deliberate practice, which is our *sixth and final requirement* 6 for a good compensation plan.

Why not let employees set their own salaries?

Indeed, why not? In some (rare) organizations people set their own fees, which they may negotiate with their peers. [Semler, *The Seven-Day Weekend*] That sounds great! After all, I also define my own fees for workshops and public speaking.

However, it is very useful to have a formula that calculates an indication of what is a reasonable fee. Yes, I also have a formula to calculate my own fees! I've noticed it is very hard to just pluck a magic number out of the air. And a fair formula reduces people's urge to negotiate, which (in my opinion) is a waste of my time. For organizations it's no different.

When you've already established fairness of compensation, a salary formula covering everyone in the organization, and transparency of finances, then allowing employees to self-organize with regard to their salaries could be the final logical step toward an empowered workforce.

Too late

"When I first joined the last company, the recruiter asked me about my salary expectations. I told her that I didn't want to earn more or less than anyone else in the same role. It was meant as an honest statement.

After four months, I discovered that some colleagues (in the same role) earned quite a lot more than I did. Apparently, the company hadn't been honest with me since day one. After six months on the job, and after having been praised constantly for my good work, I received a job offer from a rival company. During all that time I had not received any salary revisions. When I saw that the job offer was far superior (in terms of both salary and role) I decided to quit my job. My employer immediately wanted to match the rival company's offer, but I told them I was not negotiating and I was leaving regardless of any money they offered me to stay.

They lost a good employee because they were not in a hurry to pay me in a fair manner. When they woke up, it was too late."

Pedro Gustavo Torres, Portugal

What Now?

Changing the salary structure in a business is not easy, but you have to start somewhere. As with many other workout exercises, it's probably best if you start easy and make it as painless as possible. This is what you can do:

- 1.** Make a set of job categories and tags that represent all people's jobs in the organization.
- 2.** Add any optional variables, for age, tenure, education, or other things that are valued in your organization's culture.

3. Look up what your employees currently earn.
4. Keep an eye on what employees earn at other companies with comparable business models.
5. Create a salary formula that approximately calculates people's current salaries from the variables you identified. Keep improving the formula until the only differences with people's actual salaries are either minor and unimportant, or big and inexplicable.
6. Start planning to erase the differences between what the formula says people *should* earn, and what they actually earn now.
7. When you have a plan to get people's salaries back on track, in line with your salary formula, it will be time to start planning for transparency.

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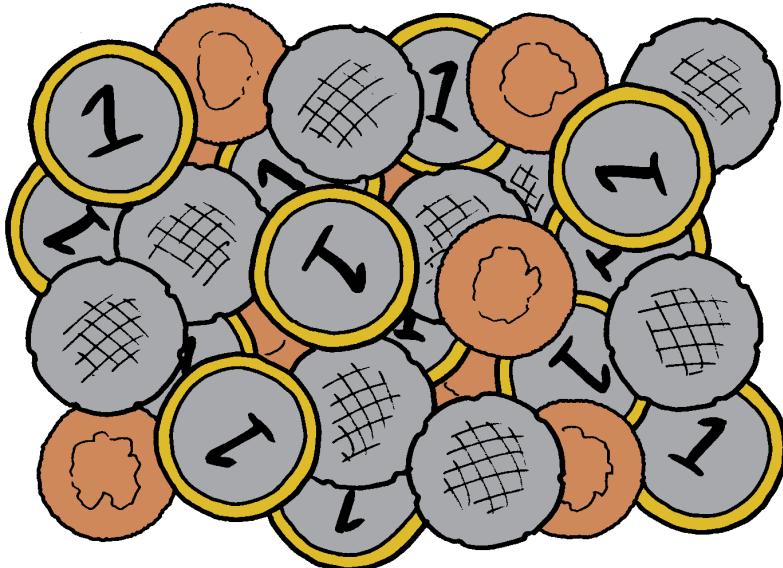
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Merit Money

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Money can't buy happiness, but it can make you awfully comfortable while you're being miserable.

Clare Boothe Luce, American author (1903–1987)

Paying people for work, without destroying their motivation, is one of the most difficult challenges for management. Regrettably, most compensation systems are considered unfair by employees and unscientific by experts. That's why it would be wise to consider some lesser-known alternatives that are based on real merits instead of imagined performance.

Jojo runs a business. His revenues are good, but the income varies significantly. One month he wonders if he will be able to survive the slowness of summer; another month he wonders if his bank account can survive the next stampede of customers. And yet, Jojo pays himself the same somewhat conservative salary every month. It's enough to pay for his food, mortgage, and novels, but not enough for that vintage Eames lounge chair he has always wanted.

However, today he wants to allow himself something extra. The exports to Norway last month earned him twice the amount he makes in Germany. His Chinese customer *finally* paid the invoice he had already written off. And hurray! After two years of ignoring his marketing, the Americans have now discovered his services too. Jojo thinks this all calls for a little celebration, and a pat on the back. After all, *he* did all the work, didn't he? He considers a transfer of a little *extra* money to his private account, just for once. Maybe he can read his next novel in a new chair.

Why not? He earned it.

Earning Money

What if Jojo is not a one-person company but a bigger organization? Should it be any different? In many organizations, employees get a steady monthly salary which is conservative enough for the organization to survive and enough for people to pay their bills. (See the chapter "Salary Formula")

But what if the business climate is favorable and there's some *extra* money available? Increasing everyone's salary is often not an option. You should only do that when you know it is sustainable. Spending the money on improvements in the office is fine, but usually this benefits some workers more than others. And keeping the money in the organization's bank account is virtually the same as giving it to the business owners.

I believe that creative networkers should be given what they *earn*. It is not enough to say that workers aren't primarily motivated by money (which is true) and that they prefer to pursue a greater purpose (which is also true). "Money doesn't motivate people" is not a useful answer to the question "How do we pay employees fairly for their work?" Whatever purpose they pursue, there is probably still money involved in making things happen. Making money is good; making a difference is better; but making money while making a difference beats all.

Making money is good; making a difference is better; but making money while making a difference beats all.

What people earn is a result of an organization's interaction with its environment. An organization's income cannot be fully predicted; therefore, what people earn should be the sum of their (predictable) salaries and any (unpredictable) extras the organization can afford to hand out.

$$\text{Earnings} = \text{salaries} + \text{extras}$$

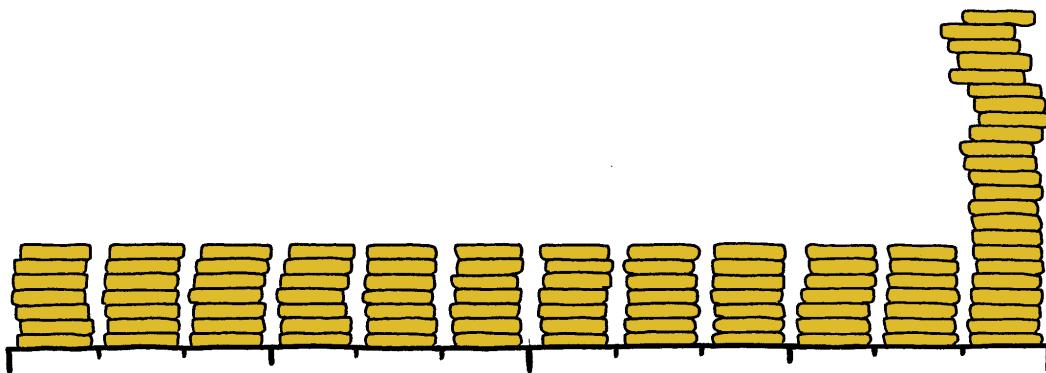
In the chapter “Salary Formula”, we saw how to deal with the first part of this equation. The question now is: How do we determine the extras?

Bonus Systems

A practice that has infiltrated the business world like a pestilence in a shantytown is the **annual bonus system**.  (Also see chapter “Kudo Box and Kudo Cards”) The idea of this practice is that managers give workers targets, and calculate annual bonuses that usually depend on people’s performance ratings, job position, salary, overtime, age, shoe size, and a host of other variables. The common rationale behind the bonus system is to incentivize performance. But actually, it stinks.

We recruit a person into what we proudly claim to be a knowledge organization boiling over with interesting tasks and challenges. We offer a fair base salary, but then add that “We really do not expect you to do your best. The tasks and the environment we can offer is probably not motivating enough. We will therefore put you on a bonus system. Only then do we expect you to go that extra mile.” Unintentionally, this kind of message says quite a lot about the company and our new colleagues.

Bogsnes, *Implementing Beyond Budgeting* loc:737



Traditional bonus systems rarely have a positive effect on people's performance.

Decades of research has confirmed, again and again, that traditional bonus systems rarely have a positive effect on people's performance when they are involved in creative knowledge work. [Kohn, *Punished By Rewards*; Pink, *Drive*] On the contrary, the effect is just as likely to be negative. [Fleming, "The Bonus Myth"; Spolsky, "Incentive Pay Considered Harmful"] There is so much wrong with traditional incentive programs that it is impossible to list all the problems. But I feel incentivized to give you the most important ones here. [Fleming, "The Bonus Myth"; Kohn, *Punished By Rewards*; Pink, *Drive*]

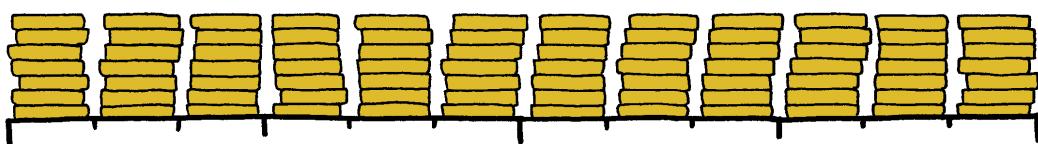
- 1.** People get addicted to regular rewards, and if they don't get their anticipated reward, they will feel disappointed or punished. This ultimately destroys motivation and thus performance. (See chapter "Kudo Box and Kudo Cards")
- 2.** Individual rewards disrupt collaboration which is crucial in creative knowledge work. Individual rewards stimulate competition and cheating, which destroys the relationships between workers, and also between workers and their managers.
- 3.** Traditional bonus systems rely on objective measures, but reality is far too complex to capture in numbers. The metrics often ignore the soft side of good performance, including teamwork and collaboration. (See chapter "Metrics Ecosystem")
- 4.** Research shows that rewards distract people from complex work, disrupt creative thinking, and increase people's stress levels. This causes them to play safe and prefer easy tasks, while innovation requires the opposite: taking risks and doing complex tasks.

5. The research also shows that bonuses undermine intrinsic motivation and altruism. As soon as rewards are handed out, people start to think, “They pay me extra for this work; thus, it cannot be fun, interesting, or good.”

It should also be noted that bonus systems are usually based on company profits. But creative networkers cannot directly relate their work to their company’s profits, because most of what influences profits—a combination of systemic effects and environmental factors—is beyond their immediate control. [Bomann, “Bonus Schemes Should Be Handled with Care”]

Flat Systems

Some people argue that organizations should get rid of their bonus systems entirely. They say most of an organization’s performance is in the system, not in the people, and therefore, it’s best not to differentiate between employees. Everyone should get a steady salary and (maybe) an incidental bonus that is the same for everyone. Some even go as far as to suggest that there shouldn’t be any incidental bonuses at all. Only Christmas bonuses seem to be appreciated, but those count as anticipated (and therefore promised) bonuses; they are not intended to redistribute unexpected extra income of the organization. In other words, these people are all in favor of a **flat system**, without any unanticipated extras.

I believe a flat compensation system doesn’t address the challenge of paying employees what they really *earned*. First of all, there is the problem that roughly 80% of all people think they perform better than average [Haidt, *The Happiness Hypothesis* pag:67], and thus, when everyone gets paid the same as everyone else, 80% of workers will feel underpaid. (It won’t be true, but you can’t argue about feelings without real data.) Second, while bad fortune in business is usually absorbed with conservative salaries and incidental layoffs, good fortune should likewise be enjoyed through extra payouts and by hiring new people. When you don’t pay any extras to workers, the workers share the

burden of setbacks, while only the business owners reap the benefits of success. This is probably not motivating to most people. It has certainly never motivated me.

A flat compensation system doesn't address the challenge of paying employees what they really *earned*.

Merit Systems

In an organization that is operating in an uncertain environment, I believe workers should have a steady salary that is predictable and slightly conservative. On the other hand, they should also get extras depending on the unpredictable part of the environment. Both salaries and extras should be brutally fair and based on merits, not equality.  This has led me to suggest the following practical constraints for better compensation systems based on the five problems listed earlier:

1. Salaries should be expected, but bonuses should not.

Always keep bonuses a surprise. When bonuses become frequent and anticipated, they ought to be converted to regular salaries.

2. Earnings should be based on collaboration, not competition.

When determining how much people should earn, the main criteria should be their collaborative work toward a common goal.

3. Peer feedback is the main performance measurement.

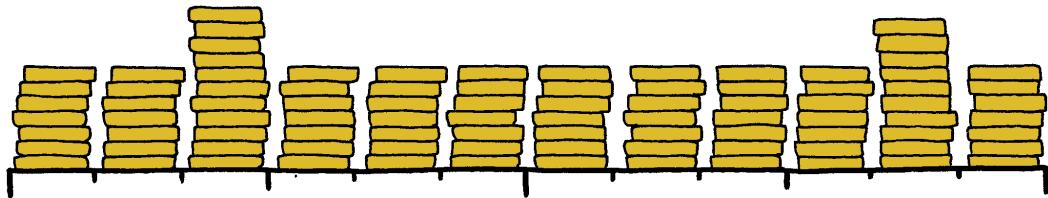
Contributions to a shared purpose are best detected and evaluated by peers, not by managers. Only the whole system knows all the details.

4. Use creative thinking to grow the compensation system.

Expect that people can (and will) game any system, and tap into that creativity by inviting and supporting it, instead of driving it out.

5. Use compensation to nurture their intrinsic motivation.

Make money a reflection of people's curiosity, honor, acceptance, mastery, and all other intrinsic motivators.

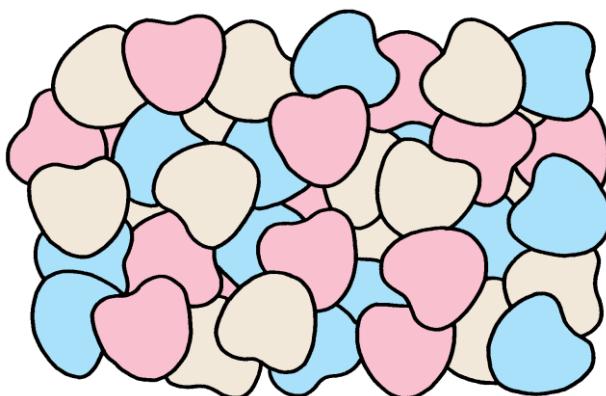


Of course, implementing these suggestions for a compensation system is not a trivial thing, but I have discovered different ideas that seem to work rather well for various creative organizations. These ideas also turn out to be quite compatible with each other as well as with the science of behavioral economics. [Ariely, *Predictably Irrational*]

Virtual Currencies

Any manager can start a merits-based earning system in her organization—covering people's extra income, not their regular salaries—and for the remainder of this chapter I will assume you are a manager. (As an individual employee you could do this as well, but when your span of control covers just your own money, it makes little sense to redistribute your bonus to yourself.) The distribution of money is a sensitive topic; therefore, you have to treat this workout practice with proper care.

The first thing you do is set up a *safe-to-fail environment*. You can consider reserving just 10% of the current annual bonuses for the new system. It is not necessary to ignite a company-wide revolution either by yourself or by disgruntled employees. Take it easy. Start in a way that allows you to fail and learn.



The second thing you do is create a **virtual currency** to represent the merits that people can accumulate over time.  You can use *credits, points, coins, hugs, beans, candies, bananas*, or anything else to represent recognition of people's contributions to the network. It is important not to use real money because the monetary value of the virtual currency is *zero* until management decides there is a good reason to convert the virtual money into real money. For virtual coins, I will use the term *hugs* in this chapter because a hug clearly has no monetary value, and we generally give hugs to others, not to ourselves. (I tend to hug myself when I'm sleeping, not when I'm working.) The exchange rate of a *bug* to a euro, dollar, yuan, or other official coinage is 1 to zero.

The third thing you do is decide which organizational units can collectively receive *hugs* besides getting them individually. Within a self-organizing team, recognition of merits is a relatively easy thing. People all know each other personally, and they have a good sense about who contributed what to the team's collaborative work. I have a good idea which of my team members helped me get an article published before a deadline. I know who paid for coffee last time. (It certainly wasn't me.) And I know who stole my socks. (Yes, I know where they are!!) On the other hand, I get good service from my accountant, but I don't know if it's really him or the team behind him doing all the work. More generally, when organizational units work with representatives, others in the organization usually cannot distinguish between the work of the representative and the work of the entire unit. As a manager, you should therefore decide whether entire units could also be the beneficiaries of *hugs*.

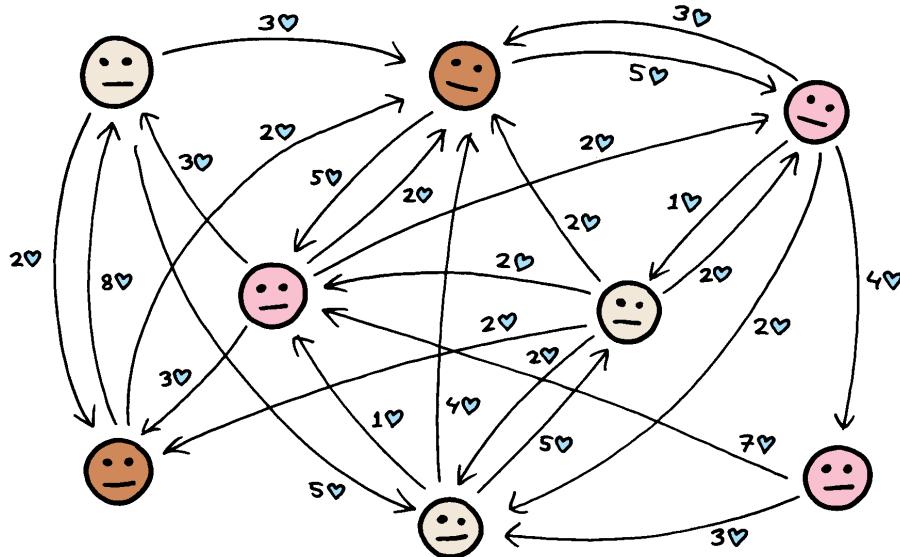
Peer Recognition

Now we get to the core of the merit system. The next step is for you to define the total amount of *hugs* available, and how often they will be passed out. My suggestion would be to do this once per month, but I'm sure other frequencies (weekly or quarterly) are possible too.

And then the fun starts.

The single most crucial aspect of a merit system is that every individual can only recognize the contributions of other people, and that the opinions of all individuals have equal weight. Therefore, everyone in the organization gets an equal share of the *hugs*, but **every employee must give away his *hugs* to**

others. [Boyd, “At IGN, Employees Use a ‘Viral Pay’ System”; Culbert and Silva, “What If Your Peers Decided Your Bonus?”] 



You have just created a market for merits, and, like any other market, you can expect to witness unpredictable and amazing creativity. One worker may decide to share her *hugs* equally among all her team members. Another worker can use a personal metric, such as compliments received or productivity observed, for the distribution of his *hugs* to his peers. Another worker can give half of her *hugs* to one colleague who helped her out when she was feeling depressed and on the verge of quitting her job. Workers are also allowed to give away *hugs* to people or units outside their own team. After all, good working relationships don't limit themselves to formal organizational boundaries.

Nobody can claim to have the best definition of what performance is and what collaboration means. We should, therefore, use *everyone's* opinion equally.

The central idea of the merit system is that nobody can claim to have the best definition of what performance is and what collaboration means. We should, therefore, use *everyone's* opinion equally. This can be viewed as the **wisdom of the crowd**. [Surowiecki, *The Wisdom of Crowds*] Instead of *claiming* rewards, which is usually the case in salary negotiations and annual bonus systems, all

merits have to be *earned*. After all, social science says human beings are keen observers of other people's behaviors, but very poor at evaluating their own. [Haidt, *The Happiness Hypothesis* pag:66] Therefore, the *claimed hugs* (everyone claiming an equal share) only become meaningful by converting them to *earned hugs* (through peer feedback and recognition by others).

What happens to people who get less than expected?

It is said that 80% of all people believe they perform better than average. However, depending on the distribution of *hugs*, roughly 50% of the workers will get more *hugs* than the average. This means that an estimated 30% of the workers could feel disappointed that their work is not recognized by their colleagues, or at least not as much as they had expected. These people have a choice. They can either learn how to do better, accept the fact that not everyone can win gold in the Olympics, or else find another place where they believe their contributions will be better appreciated.

The criteria for passing out *hugs* should be related to a shared purpose as well as values and principles that inspire people. For example, the question that people could ask themselves is:

What did others do that helped us to engage people, improve work, and delight clients? Did someone get us a step closer to achieving our purpose?



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Given the fact that a healthy organization will have a mixture of individual goals, team goals, and organizational goals, it will be up to the individuals to find a healthy balance between the needs of employees and units. No written policy or procedure can calibrate intrinsic desires in an organizational network. That task is better left to the most complex device in the known universe: the human brain. All available brains, in fact.



Working more than 100%

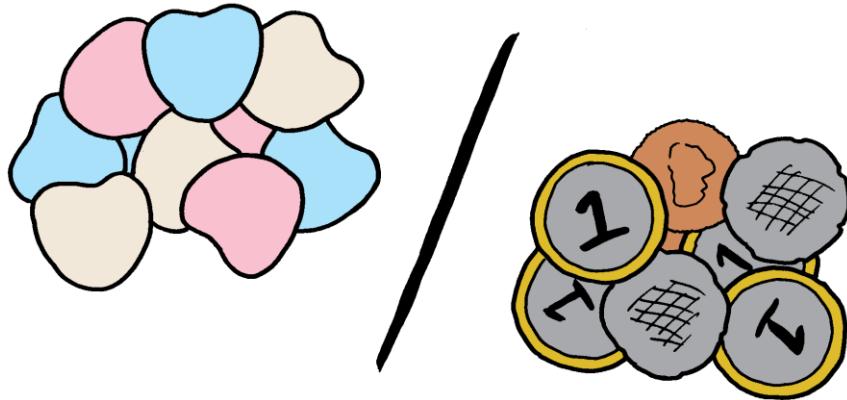
Many companies use financial bonuses to “make people perform” and to get “more than 100%” from their employees. The result is often that employees’ personal time suffers from putting in extra work hours so that they don’t lose out in the bonus rat race. Some say a merit money system will not work in such an environment. Indeed, I agree.

Your company might need more than just a switch to another rewards system. For example, you will need an inspiring purpose and a healthy organizational culture (see chapters “Work Expo” and “Value Stories and Culture Books”). You will probably need to get rid of traditional performance evaluations and individually negotiated salaries (see chapters “Feedback Wrap” and “Salary Formula”). And people might need better performance transparency and more control over their own work definitions (see chapters “Metrics Ecosystem” and “Work Profiles and Project Credits”).

The suggestion that people feel pressured to work “more than 100%” is a clear sign of a traditional business culture. There is no such thing as 100% in a community of happy workers. People should work as much as makes sense to them and earns them respect among peers, given an inspiring purpose, healthy values, transparent metrics, and a steady income. Creating this environment is a responsibility of management.

Cashing Earnings

After a number of iterations and people’s *earned hugs* have accumulated over time, there will (hopefully) come a time for *hugs* to be cashed in, using a certain exchange rate.  There are different ways for doing this.



Every month, management could set aside a bonus, with a total value depending on business profits. They could then ask the newest employee (or someone else who has the least to gain from a possible payout) to roll two dice. Management will only allow *hugs* to be cashed when the number rolled is four (or some other favorite number). If any other number comes up, the bonus will simply roll over to the next month. This means the bonus money becomes available only once per year on average, accumulating each month, but paid out at random intervals. This would make people feel less stressed about anticipated bonuses. Less stress is important for creative thinking.

The financial value of *hugs* can be published like shares on a stock market. It will depend on the bonus money available and the number of outstanding *hugs*. When the *hugs* become cashable, people could have a choice. Either they convert their *hugs* to real money now, or they save their *hugs* for the next round, in the hope that the value will go up. (An additional idea is to have an expiration date on earned *hugs*, similar to frequent flyer miles with airlines. Another idea is to limit the total number of *hugs* people can save; similar to upper limits for unused vacation days.)

Several alternative programs can be conceived, depending on the culture of the organization, the kind of business it is in, and the bonus money available. But whatever specific implementation an organization comes up with, merit systems in general are much more likely to help people focus on shared purpose and collaboration than traditional programs with numerical targets and annual bonuses.

Six Rules for Rewards

The merits-based system as described here satisfies the five constraints I listed earlier. The system keeps any big rewards unexpected; it emphasizes

collaboration instead of competition; it relies on peer feedback; it invites rather than destroys creative thinking; and it aligns rewards with various intrinsic motivators such as honor, acceptance, mastery, freedom, relatedness and goal (see chapter “Champfrogs Checklist”).

Depending on how you implement a merit system, you could also satisfy the six rules for rewards that were outlined in the chapter “Kudo Box and Kudo Cards”:

1. Don’t promise rewards in advance.

People know what salary they get every month, but (in the ideal version of this practice) they don’t know *if* and *when* there will be something extra. Bonuses should depend on the environment, not on a calendar.

2. Keep anticipated rewards small.

Monthly salaries are anticipated, of course. However, since workers receive their salaries whether they achieve good results or not, this anticipation will not interfere with their stress levels and performance.

3. Reward continuously, not once.

The merit system has a regular cadence because workers reward each other frequently. Feedback is not put off until the end of the year; therefore, the chance of forgetting things is small.

4. Reward publicly, not privately.

In the ideal version of this practice, the *hugs* are earned publicly. Transparency makes sure that everyone knows what is going on, and what is appreciated by others, so they can adapt accordingly.

5. Reward behavior, not outcome.

People will give *hugs* for the things that they did for each other and for the organization. This rewards behaviors. The final outcome will depend on the environment, and people cannot be made responsible for that.

6. Reward peers, not subordinates

Management switches focus from managing the earnings of people to managing the constraints of the system. The recognition that people get is from peers, not from management.

Like any useful recipe, the rules for rewards should be considered as guidelines, not laws set in stone. Nevertheless, it is encouraging to see that our merit system is in line with these guidelines. Particularly, since they were derived from motivational literature.

But... thinking about money is distracting!

Correct, but *someone* has to do it. Not paying workers any money is not an option. They are creative networkers, not unpaid volunteers. Paying everyone the same amount all the time is also not an option for various economic reasons. A moderate level of income fluctuation is necessary to keep the system anti-fragile. So, who will decide *how* the money flow in the system will fluctuate?

Simply thinking about money has an influence on people's behaviors. [Kahneman, *Thinking, Fast and Slow* pag:55] Therefore, it is tempting to leave this dreaded responsibility to one manager so that everyone else can "just focus on the work". Of course, what usually happens is that, besides focusing on their work, people are complaining about their compensation and how badly the manager is doing his job. After all, everyone feels entitled to more!

Shifting responsibility for the money flow to the workers, through the use of a peer recognition system is similar to introducing capitalist democracy. We can discuss all the risks and dangers of this system and how to improve it, but there's one thing we can agree on: it will probably work better than getting paid as if through a dictatorship.

Experiment and Customize

The system described in this chapter is a generic practice for earnings based on merits. It can (and should) be customized in many different ways. For example, instead of *bugs* or *beans*, the creatively challenged organizations may prefer a term such as *credits* or *points*. And instead of a fully open process, the transparently challenged organizations may want to keep part of the process anonymous and reveal only a small part of the results to the participants (such as the "top 10 recognized people in the organization"). The system can also be introduced gradually. At first, you could do this for a small part of the traditional bonus. Later, with more experience and more buy-in from employees, you can increase the percentage and the impact of the system.

What if...?

In various discussions I have had about the merit system, people are always positively interested, while at the same time being genuinely concerned about several variants of the "What if" question:

"What if two people decide to give each other all their *hugs*?"

"What if people demand *hugs* in return for good behavior?"

"What if extroverts get more *hugs* than introverts?"

"What if people are just pretending to be interested in collaboration?"

"What if intrinsic motivation is destroyed when someone gets no *hugs*?"

I don't have ready-made answers to all these questions. The way I see it is that any merit system has flaws that will surely come to the surface; nevertheless, it will always be better than the dysfunctional financial reward systems most organizations have institutionalized now. Why worry too much if a new system might demotivate 10% of the people, when the current system demotivates 90% of them?

With simple rules, fair governance, and sufficient transparency, people will be able to adapt to each other's behaviors (both the good ones and the bad ones). Ultimately, the only remedy to self-organized misconduct and emergent unfairness will be the positive creativity of peers, not the addition of extra rules and procedures. The best way to deal with problems is to turn the financial stuff into a real complex adaptive system.

Money and emotions are tricky things; therefore, any system that involves both will have to be set up in a way that is safe-to-fail. With small increments (such as weekly or monthly experiments instead of quarterly or annual outcomes), the feedback cycle is shorter and people will learn faster how to improve the system. The use of a valueless virtual currency instead of real money will allow people to experiment more comfortably; it will be easier for them to decide that a chosen path is not working and change direction, or start from scratch. We must also realize that creative people *will* game the system. The trick is to exploit this creativity to make the system more resilient. The short iterations and valueless currency should help people to adapt to each other's strategies, and allow management to tweak the constraints, all in favor of increasing collaboration and working towards a common purpose.

Creative people *will* game the system. The trick is to exploit this creativity to make the system more resilient.

When central authority is replaced with distributed decision-making, things can and will go wrong. One only needs to consider the countries where a dictatorship has been replaced with a democracy. This is rarely a straightforward process. Likewise, switching from a traditional bonus system to a merit-based bonus system will probably involve the need to address a number of problems. I received some reports about employees making deals with each other, about cheating leading to more cheating, and about rewards being given for unhealthy behaviors. If you ask me how to *prevent* these problems, I will tell you that you can't. I can only suggest that you set up a system that is safe-to-fail, and that you learn what other organizations do to make things better. This is similar to the way democracies learn from each other how to have better elections and better institutions. After all, the only alternative is either dictatorship or anarchy.

Finally, it is hoped that the merits market described here will grow into a more collaborative culture within the organization. But one thing is certain; when recognition of merits (and allocation of money) is transferred from management to workers, it absolves management of performance reviews and bonus calculations. This means that managers can start leading and servicing people, instead of managing everyone's money. [Markowitz, "3 Weird, Game-Changing Ways to Make Employees Happy"]

A crazy idea that works

"I am the CEO at Fonte Medicina Diagnóstica, a molecular pathology center that deals with cancer tests. One of the problems I ran into as a new CEO was our salary system. In my opinion, the people that made the most effort should be entitled to some extra money, but I had no idea how to measure employee performance. One of the company's key values is collaboration and I wanted this to play an important role in our compensation system."

For a while we had a bonus system based on 360-degree evaluations, but that process took way too long. We then decided to implement a merit money system. Every month everyone at the company receives the same bonus with a fictional currency. There's just one rule: you can't keep the money for yourself. You can give it all to the same person or you can distribute it in small amounts. Can't think of someone? Just give it away next month. As a manager, I can only see part of how people are performing. But with this system, employees decide for themselves whether their peers do their jobs well. We also have a trade market with a conversion rate. People can choose to exchange their fictional currency or keep their money and wait for a better rate.

I now have far fewer things to deal with. All kinds of arguments and other things that I needed to handle have now appeared to solve themselves. People just know good behavior will pay off. Dysfunctional behavior will be dealt with: you won't get any extra money. The best part is, I explained it to the people in 30 minutes and it worked right from the start!" (adapted from Happy Melly, "Merit Money: A Crazy Idea That Works")

Cláudio Pires, Brazil

It couldn't possibly work

"I didn't like the idea at first. I actually wrote downright hate mails about it to my boyfriend, complaining about how it couldn't possibly work. Since I can't judge everyone's input, I thought it wouldn't be a fair way to judge the team. For instance, I don't know whether my team member Sergey writes good code because I'm not a programmer myself. But after giving it a try, I changed my mind.

Now I actually like the system very much. It really works because we complement each other: we rate each other on different aspects of our work. Plus, I am more motivated to communicate about what I'm doing with my team. And although I don't know if Sergey's code is good, I can judge Sergey on whether he's a good team member—for me that's enough. Someone else can judge the code if he wants to." [Happy Melly, "Merit Money: How to Make Your Employees Define Their Own Compensation"]

Lisette Sutherland, The Netherlands

Cashing stars

"I've seen a practice similar to Merit Money at a client's business in Romania. They have two visual boards: on one board there are the pictures of all company members (roughly 20). On the other board they have a catalog that lists various physical items, starting with a pack of beer and going all the way up to a PlayStation. Other artifacts include books, monitors, or fancy office chairs. Each physical item has a price in stars: 1 star for the pack of beer up to 100 stars for the PlayStation.

During each project, whenever a team member feels a colleague helped him, he is free to award a star to that colleague. There's no limit imposed by management on the number of stars you can award. At any time, the team members can 'cash in' their stars by asking management to purchase the desired physical item for which they have enough stars. The CEO told me that, initially, he was afraid people might exploit this system unfairly, but in fact nothing like that happened. Nobody abused the system and everybody acted like a trustworthy adult."

Flavius řtef, Romania

A justice system

"At Cocoon Projects each governance task has a value in credits, which is estimated by all the participants of that activity and averaged by our software system. After task completion and acceptance, all the participants evaluate how much value (not time or effort) each person has contributed to the final result. The system averages the results for each participant and the credits earned are directly converted into financial compensation. The system then returns two transparent values: the final averaged shares percentage of that activity for that participant and the distance between this value and the percentage the participant evaluated for herself.

Surprisingly, in the years we've been using this system, we have observed an amazing sense of 'justice' triggered by it. People know very well how much they contributed in the creation of value. The rest of the job is done by the transparency and reputation dynamics and, ultimately, by the common culture that such a system fosters."

Jacopo Romei, Italy

What Now?

Let's see if your organization is ready to introduce its own merit system.

- 1.** With this practice, it is very important that you first create a safe-to-fail environment. For example, announce the new program by saying that you will first want to gain experience through a trial period of a couple of iterations, and that you will surely do a reset of the whole system after that period.
- 2.** Think of the logistics, such as the name of the virtual currency and how it will be awarded. Will it be introduced physically or electronically? Can people reward entire teams and business units? How much of the system will be transparent?
- 3.** Get commitment from key leaders in the organization. Allow people to get involved voluntarily, so that they can first watch the effects on other people and on the business as a whole.
- 4.** Evaluate the trial period with all stakeholders before doing a real introduction.

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A grid of company logos from various industries, including Adobe, Cegeka, Comma Soft, Ericsson, GCHQ, Haier, IMPROVE, ISDC, Level Up, Nationwide, Nordea, NXP, ORDINA, Babobank, SecondFloor, SIGS DATA COMM, SOGETI, spilgames, Swedbank, Sybil, Tetra Pak, Everest, UNIT4, and WorldPay. Overlaid on the grid are several speech bubbles containing positive evaluations:

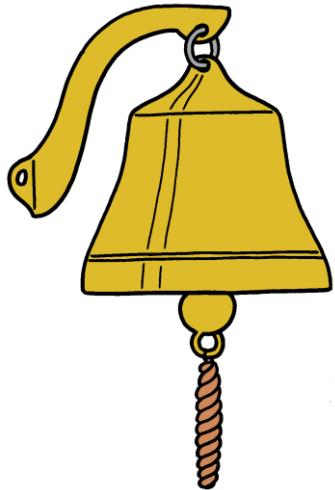
- "Very creative examples and good content."
- "Excellent. No wonder this guy is one of the top 10 speakers on Agile."
- "Superb Presentation. Very important content."
- "Very useful best practices. Good food for thought."
- "Great session on management. Learned a lot about building teams."

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It's important that someone celebrate our existence... People are the only mirror we have to see ourselves in. The domain of all meaning. All virtue, all evil, are contained only in people. There is none in the universe at large.

Lois McMaster Bujold, American author (1949–)

Does your organization appreciate the things you've learned? Do you applaud colleagues who do their jobs well? All too often, organizations live day by day, from one crisis to another, and they forget to take note of the good things that happened. By asking two important questions, and drawing a celebration grid, you can look for things to treasure.

A few years ago, I discussed some organizational challenges with my former CEO. I noted that the employees in our company rarely took time to enjoy their successes. People were always working hard and they never seemed to celebrate the things that went well. I suggested that maybe we should have a big bell in the office, so that we could ring it whenever there was something to celebrate. The idea of a bell came to my mind because I wanted something that would be visible, inviting, and impossible to ignore when used.

One week later, to my surprise, the CEO brought me a copper ship's bell and said, "Here's your bell. Now do something useful with it."  I convinced the office manager to hang it in the middle of our big open office space and I let everyone in the company know that every employee was allowed to ring the bell if they had something to celebrate. (I later heard of a similar practice with a cow bell instead of a ship's bell, in other organizations. [Robin and Burchell, *No Excuses* loc:589])



© 2012 Jurgen Appelo

Every employee was allowed to ring the bell if they had something to celebrate.

From that moment, every few weeks or so, someone would enthusiastically yank on the rope. The bell would be rung for signing a government contract,

for deploying a web application, or for doing something less strenuous, such as running a marathon or giving birth to a baby. Any reason was valid. (I once rang the bell for having more visitors on my blog than the company had on its website. It was just an excuse to enjoy another celebration.)

When the sound of the ship's bell chimed through the office, all employees immediately got together for a ten-minute celebration. Our people knew that the bell was often a signal for free cake or cookies, which probably contributed to the quick gathering of the entire work force around the coffee machine. The person who rang the bell then usually took a few minutes to explain what was being celebrated, followed by enthusiastic applause. Yay! And then the eating started. The last time I heard the bell was when the CEO announced that I was quitting my job.

Success or Failure

Before we turn to a deeper discussion about good reasons for celebrations, I think it's necessary to consider the relevance of success and failure.

The first (and last) time I organized a school party, together with a fellow pupil, it was a terrible disaster. The kids in my class unanimously agreed that it was boring and they all left early. We call that a **failure**. The outcome was not what we had intended. In my defense, I can only say I had never organized a school party before and that we learned a great deal. For example, I learned that 30 kids will *not* dance to the shrieks of Barbra Streisand when played from one flimsy cassette recorder.

The first (and hopefully last) time I organized a wedding, together with my spouse, the results were positively memorable. People called it a great **success**. The two astounding wedding locations, and the three different outfits we appeared in, are fixed forever in everyone's memories.  Again, I had never done this before, and we learned many things. For example, I learned that 100 guests *would* dance if you included at least one song by the Village People, played on professional equipment, and supported by swirling balloons, soap bubbles, and laser lights.



(c) 2011 Karel Giesen

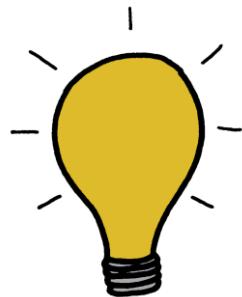
If we organized another wedding (which we won't), we would probably repeat many of the things we did the first time. Basically, we would follow a "recipe for success" or, in other words, a number of **good practices** that we have discovered. Obviously, no matter what you do, there is never a *guarantee* for success. You just use recipes and practices to increase your *chances* of success.

If I organized another school party (even less likely than another wedding) and I applied the same approach as I did the first time, it would be a big **mistake** or a "recipe for disaster". A mistake is something you do despite knowing that it will probably not work. When you make a mistake, you learn nothing. [Godin, "The Difference between a Failure and a Mistake"] OK, that may not be entirely true. You *might* learn that you're an idiot because you wasted time validating that, just like last time, your approach still doesn't work.

Experimental Learning

Some writers claim that "we only learn from failure" or that we should "allow ourselves to fail". [Fast Company, "Celebrate Failure"] Some say we should celebrate mistakes because they help us to be more creative and innovative. [Kjerulf, "Top 5 Reasons to Celebrate Mistakes at Work"] There are even congregations of people with the sole purpose of applauding each other's mistakes and failures. [Buchanan, "Welcome to the Church of Fail"] Interestingly enough, other writers claim that we should "focus on successes"

and that “success breeds success”. [Fried, “Failure Is Overrated”] This raises the question whether we should celebrate successes *and* failures—in other words, celebrate everything. The truth is, quite literally, right in the middle.



Information theorists have discovered that systems learn most when failure rates are around 50 percent. [Reinertsen, *Principles of Product Development Flow* loc:1512] In other words, when your experiments have a good chance of succeeding *and* a good chance of failing, they generate the most information for you to learn from.💡

Either excessive or insufficient probability of failure reduces the efficiency with which we generate information. [...] Avoid oversimplifications, like “eliminate failures” or “celebrate failures.” There is an optimum failure rate.

Reinertsen, *Principles of Product Development Flow* loc:1512

We learn the most when we can’t predict whether our experiments will lead to good or bad outcomes. Apparently, failure and success are both needed for learning. What we learn from the most are the experiences we’ve never had before, such as (in my case) organizing a school party or a wedding. When all we do is repeat established practices, it is hard to know if we could do any better. Likewise, if all we do is make the same mistakes, then we’re not learning much either. Optimal learning happens somewhere in the middle; it happens when you frequently think, “I didn’t know this but I’m glad I found out because now I can do better!”

No amount of examples of successes or failures is indicative of one's potential performance. It all depends on your own effort and understanding of your own problems.

Deming, *Out of the Crisis* pag:128

A learning organization should not aim to minimize the amount of failure. Reducing failure would reduce learning. Of course, maximizing failure also makes no sense. What we should maximize is the *understanding* of our problems. This understanding happens by experiencing both successes *and* failures. There is an optimal learning rate when you think "Wow, I'm brilliant!" and "My God, I'm such an idiot!" roughly in equal measure. Therefore, we should celebrate learning, not successes or failures.

We should celebrate learning, not successes or failures.

Good Practices

In many working environments, people usually focus on fixing problems. This makes sense because continuous improvement allows organizations to survive and thrive. However, a focus on things that could be improved usually comes down to a focus on failures and mistakes, and this mindset can have some serious side effects. Being a perfectionist, I have sometimes been guilty of this myself. I have "raised the bar" for me and for others until the bar was so high that Godzilla could do a limbo dance underneath it while carrying a space shuttle.



However, I noticed a strange thing when I urged people to stop screwing up. I found this didn't motivate them at all! I realized getting better isn't just about reducing what goes *wrong* (making mistakes). It's also about increasing what goes *right* (using good practices). And every now and then, people need a reminder that they're doing just fine. 

It's no wonder the culture in many organizations feels negative when the focus of discussions is mainly on mistakes and problems. Workers feel they are held accountable for not being perfect. Instead of having a constructive view of improvement, people end up with a defensive frame of mind. They avoid taking responsibility, and, for every perceived problem they point at others who must have caused it. Because people's minds are focused on self-defense instead of improvement, things will not get any better and the organization will just make more mistakes.

I believe we should emphasize the good practices over the mistakes because you get more of what you focus on. [Alberg, "How to Celebrate Success throughout Your Projects"; Eckel, "You Get What You Measure"] If you focus on mistakes, people will make more mistakes. If you focus on good practices, people will invent more good practices.

By emphasizing good practices, and even ritualizing them, you also make it possible to free up people's mental power so they have more time for the more complex and uncertain aspects of their work. For example, quality checklists often have beneficial effects for creative networkers, not only because they help to keep the quality of products and services high, but also because they enable workers to think of more interesting problems to solve and experiments to run. [Gawande, *Checklist Manifesto*]

It seems evident to me that we should emphasize the good behaviors, not the bad ones. We should celebrate good practices, not punish mistakes.

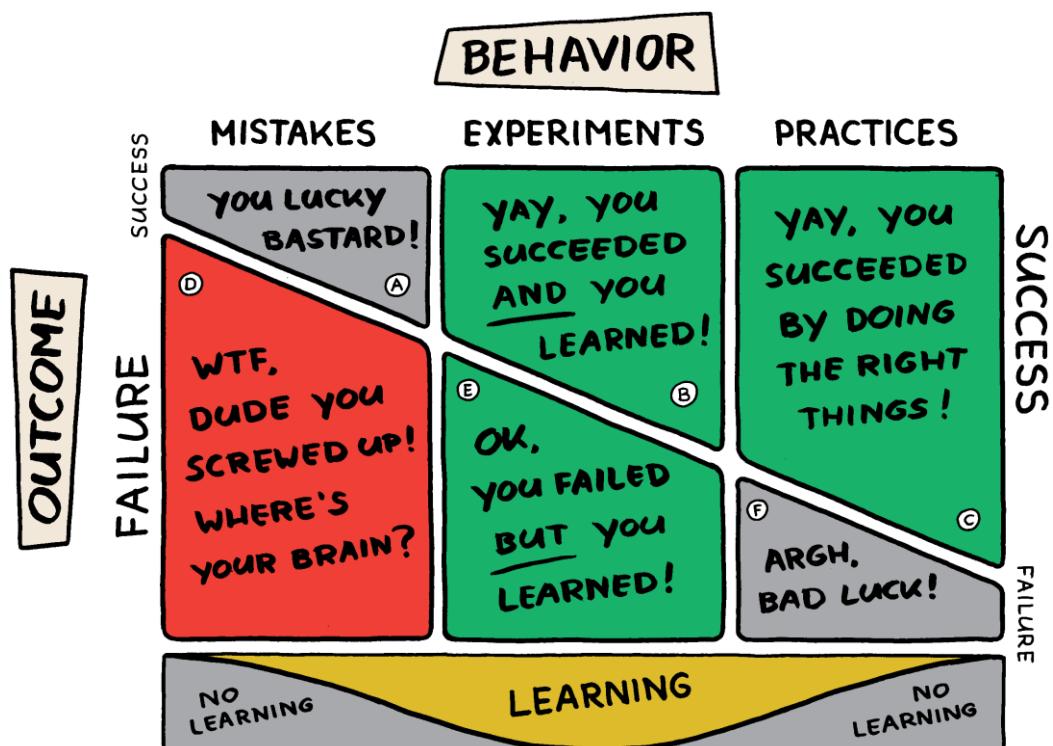
We should celebrate good practices, not punish mistakes.

Am I allowed to offer people some criticism?

Yes, you are! Constructive criticism can be quite useful (see the chapter “Feedback Wrap”); though, research has shown that negative feedback is more effective for experts than for novices. [Grant Halvorson, “Sometimes Negative Feedback Is Best”] It’s OK to let novices know when they made a mistake, but their performance will increase much faster when you focus on their good behaviors. It appears that experts will usually have more appreciation for knowing where they went wrong, but they welcome a pat on the back every now and then as well.

Two Questions

We’ve now seen that there are two possible reasons for celebrations. We can celebrate when we have *learned* something, regardless of whether the outcome was a success or a failure, and we can celebrate when we repeat *good practices*, probably resulting in a predictably good outcome. I call the accompanying illustration a **celebration grid** (also see chapter “Salary Formula”). 🎉 In this diagram, the areas of potential celebrations are colored green (regions B, C and E). This area is called the *celebration zone*.



As a great management workout exercise, you can help people to focus on the proper areas in the celebration grid by asking them these two “yay!” questions:

1. What did we do well? (by following practices)

2. What did we learn? (by running experiments)

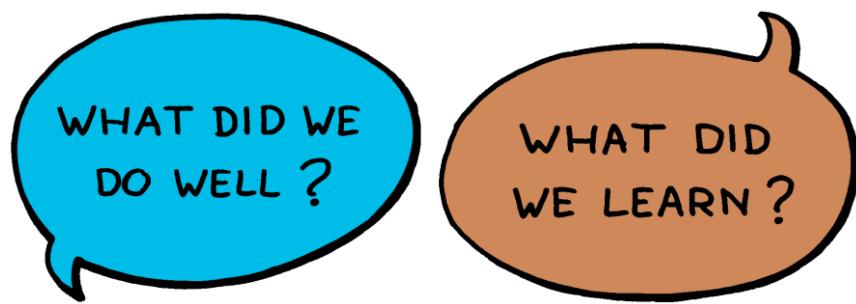
Instead of questioning things that went wrong, it's often better to ask what worked well. [McCrimmon, “Celebrating Success at Work”] This emphasizes that you want to share good recipes, not mistakes. It's OK for people to discuss practices that are already widely known. Reinforcing good recipes makes it more likely that others will apply them too (region C). Even when, despite people's best efforts, the outcome of a good practice was a failure, you may still consider celebrating that at least they did their best (region F).

The second question [WHAT DID WE LEARN?] is about the tests and experiments that people performed where they couldn't easily predict the outcome. It is important that both successes and failures are discussed in equal measure because, while it is true that you can learn much from failure, it's also true that you learn a lot from success. That's why your attention should be divided equally between both (regions B and E).

The two questions are both reasons to celebrate. You celebrate to reinforce good behaviors and you celebrate to reinforce learning. Both are necessary when your aim is to engage people, improve work, and delight clients.

Actually, this all sounds quite familiar!

Indeed, the same questions exist in other contexts too. For example, change management experts know that one of the first questions to ask in any change program is, “Where are things going well?” closely followed by “How do we get feedback?” [Appelo, *How to Change the World*] They are very similar questions, but in a different format. Another example is the *Perfection Game*, a useful feedback technique for trainers and facilitators. It asks people “How well do you like what we did?” followed by “If it's not perfect, how can we do even better?” [McCarthy, *Software for your Head*; Van Cauwenbergh, “We Expect Nothing Less Than Perfection”] Again, they are two similar questions but with a slightly different angle.



When you have regular meetings with colleagues, such as one-on-ones, stand-up meetings, retrospectives, or weekly Skype calls, I suggest you make it a habit of starting with these two “yay!” questions.

Starting conversations with these questions has several benefits. First, it gives people permission to brag a little about their good work and what they learned. This helps them to feel good about themselves. By emphasizing positive things, the atmosphere will improve, and people will feel more at ease, so they can talk about some of their failures and mistakes later on.

Second, it motivates people to be mindful about the good recipes they applied and the things they learned, so they have something to share in the next conversation. Everyone should understand that their job is not just to reduce mistakes and failures. It’s also to learn good practices and share them with their colleagues.

Celebrate Work

Any answers to these two questions could be a trigger for a celebration. 🎉 Has the new employee correctly inserted the foobar into the goobase? Celebrate! Did a team member’s daring experiment result in a great insight? Yay! Applaud the one who valiantly helped a customer with an important software workaround that saved her data, even though it regrettably got fifty other customers disconnected. Perhaps you even want to ring the bell for the person who stupidly deleted all the invoices because it enabled the network administrators to improve their backup procedures.



In some environments, when you start asking these two questions, positive events are harder to find than a Cobol programmer participating in a Miss Universe contest. Maybe that's because there isn't that much good news to share in the first place, or maybe it's because people don't consider their good behaviors and learning outcomes to be worth celebrating. I suggest you don't take what people do for granted. Make every small step worth mentioning.

Don't take what people do for granted. Make every small step worth mentioning.

When you celebrate things, keep the following suggestions in mind:

- 1. Celebrate frequently.** Every day can be a day to ask these two questions. Every day can be a reason to celebrate. Don't just drool all over the big achievements. Pay attention to the small things too. When everyone is on time for a meeting, celebrate! When the CEO published her first blog post, "Yay!" When Juanita didn't swear for a whole week, "Woohoo!"
- 2. Celebrate noticeably.** Make sure celebrations are visible (or loud), so that everyone can see (or hear) what is being celebrated and why. Turn your celebrations into information radiators. With a bit of luck, other parts of the organization will follow your good example. It is hard not to go with the flow when a good vibe washes all over you.
- 3. Celebrate remarkably.** Target multiple senses with your celebrations. Be remarkable by introducing your own unique rituals. You can ring a bell, throw confetti, launch balloons, share chocolates, or flash some disco lights, and play a song by the Village People. By turning celebrations into little rituals, they will become part of the organizational culture.

When I wrote the first draft of this chapter I scheduled a visit to my former employer's office. The bell was still there. I was glad to learn that they had rung it just a week earlier to celebrate an important product release and the five-year anniversaries of several employees who, unlike me, did *not* leave the company.

From done to celebrate

"We have a Kanban board that visualizes our workflow and periodically our tasks move from *In Work* to *Done*. Sometimes we celebrate getting tasks to *Done* with a "hurray" and then we move the sticky notes to a big *Done* area on the whiteboard. But now I am thinking I can draw your celebration grid on the whiteboard in the *Done* area. When stickies move to *Done*, we put them into the appropriate region of the celebration grid and let learning and celebration commence."

Geoffrey Lowney, United States

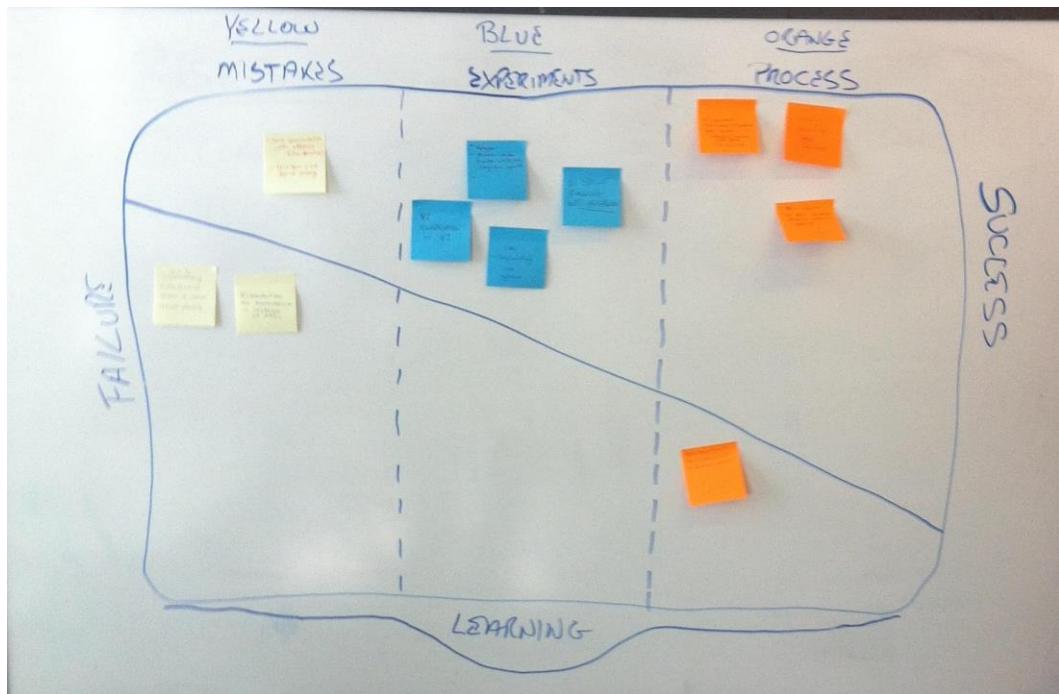
Better retrospectives

"I thought that it might be a great idea to use the celebration grid as a framework for organizing team retrospectives. So, I tried it out with a Scrum team with which I had been working by drawing the diagram on a white board and discussing the concept of how most learning occurs through experiments. I suggested that we could use the diagram as a way to structure the retrospective to get us in a mode of thinking about what we are actually learning. The team agreed that it looked like a promising approach.

I asked the team to take ten minutes to write on sticky notes the mistakes, experiments, and good practices they had identified. When time was up, the team members placed the stickies on the grid in the appropriate locations and we had a conversation on our findings and new ideas. During the team conversation, we identified additional experiments to put on the board and the team committed to several process improvements.

The retrospective went extremely well. The feedback from the team was very positive. Every person thought it was the best retrospective that they had attended. For me, it was by far the best that I had facilitated. We think the celebration grid provided a great visual framework, and the concepts of experimenting, learning, and celebrating gave real direction, meaning, and purpose to the retrospective."

Robie Wood, United States

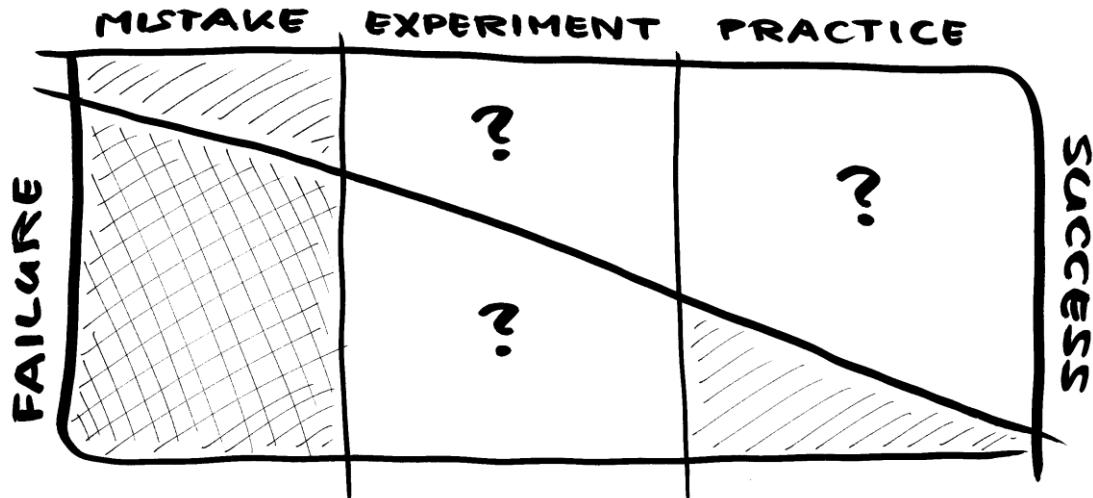


(c) 2013 Robie Wood

What Now?

Try this when you want to get started celebrating things:

1. Draw the celebration grid on a whiteboard  and discuss it.
2. For each of the regions, ask people for a few concrete examples so that you might learn from all mistakes, experiments, and practices, no matter whether you failed or succeeded.
3. At the start or at the end of your meetings, try asking the two questions, “What did we do well?” and “What did we learn?”
4. Decide how you’re going to celebrate what you learned and what you practiced, in a way that is noticeable, remarkable, and fun.



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Contact

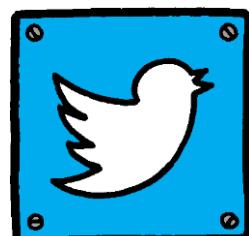


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It takes tremendous discipline to control the influence, the power you have over other people's lives.

Clint Eastwood, American actor (1930–)

Transformational businesses thrive in changing environments, and, in order to thrive, professionals must become business transformers. This requires understanding how to move their focus from facts to feelings and how to target people's intrinsic motivation. The Champfrogs checklist helps you with this.

I'm glad I'm just a simple writer and speaker and not an airline executive. I cannot imagine the stress of having to deal with an economic crisis, fuel price instability, low-cost carriers, mergers and bankruptcies, post-9/11 security measures, CO₂ emission targets, code sharing, bigger airplanes, faster airplanes, fuel-efficient airplanes, and much more. Not to mention horrible customers such as yours truly, who keep asking, "Where is my free onboard Wi-Fi?" and "Why am I expected to sleep almost vertically, as if I'm a whale?"

I know. It's not easy managing a business. The world is a complex adaptive system and the future is largely unknowable. Whether we like it or not, our businesses are exposed to a number of external influences, and complex systems are, by their nature, unpredictable. Unfortunately, most of our business processes are not built for adaptability. We usually create our businesses for efficiency. To deal with change, our organizations will have to add *adaptability DNA* to our already existing *efficiency DNA*. We need both. [Hamel, *What Matters Now* loc:2508]

We can even go a step further! We can move from adaptation to **transformation**. An adaptable organization only *responds* to changes, while a transformational organization *thrives* on changes.

An adaptable organization only *responds* to changes, while a transformational organization *thrives* on changes.

A transformational business captures more opportunities than its competitors. It easily shrugs off its failed business models and always redefines its business processes, exploring new ways to profit while giving me free onboard Wi-Fi in my 180-degree reclining chair.

Business Transformers

I firmly believe that to be transformational as a business, we must be *transformers* as people. We must become good at changing the ideas, behaviors, work, and practices of *ourselves* and *others* all the time. In the introductory chapter of this book, we saw that many people seek ways to change the culture of their organization. But I believe that you cannot simply decide to change an organization's culture. What you can change, however, are your own behaviors and your influence on people.

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It is said that people spend, on average, 40 percent of their time at work engaged in persuading, influencing, and convincing others. This means that we devote twenty-five minutes of every hour trying to motivate others to do or not do something. [Pink, *To Sell Is Human* loc:287]

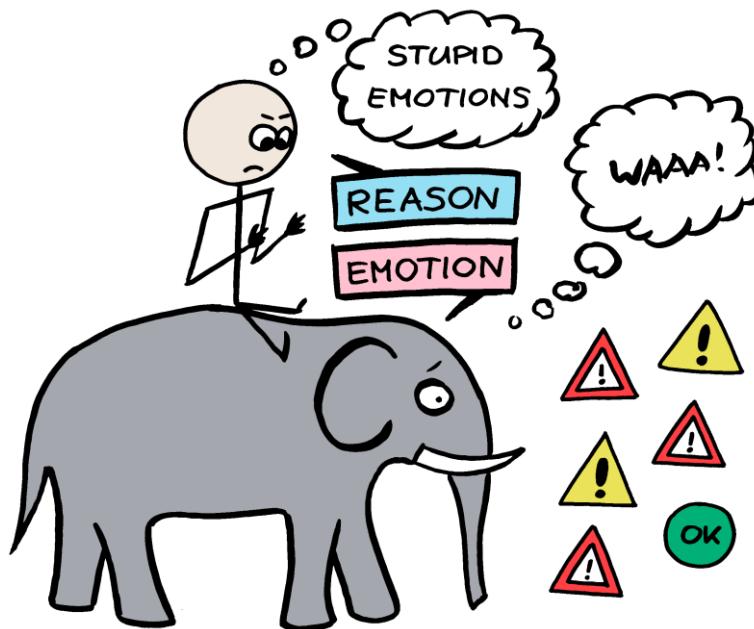
For example, on any random working day, I could be trying to get people to read my books, follow me on Twitter, pay my invoices, be agile instead of fragile, send me emails instead of voice mails, stop using Apple phones and start using Android, stop talking at me and start listening to me, to start saying “I wrote a blog *post*” instead of “I wrote a blog” (God, I hate that one). Or, I could be developing my skills at getting others to buy me a good cup of coffee.

We now live in a super-connected world. Twenty years ago, I could write an entire software application by myself. I would save the program to disk, put a self-made sticker on it, and even sell it once or twice after placing a self-designed ad in a magazine. I also had full control over the invoices I formatted in Microsoft Word 95, before sending them to the only five customers I had.

Nowadays, most software is created in teams, uploaded to the cloud, and marketed on half a dozen social networks. And because it has become so much cheaper to use a specialized invoicing app, I now have to convince its developers to improve its formatting and export features, instead of just implementing the changes myself as I would have done twenty years ago. Everything we do these days is somehow connected to everything else. Therefore, the most successful people are those who are good at getting other people to do what they want.

Elephant and Rider

Unfortunately, changing people's minds and behaviors is hard. Have you ever, in a rational way, successfully changed the attitude of a psychopathic team member who hasn't contributed anything useful since 1972? I thought so. To assume that change in organizations can be rational is, in itself, irrational. [Burke, *Organization Change* pag:156]



Some experts use the metaphor of an elephant and a rider. [Haidt, *The Happiness Hypothesis*; Heath and Heath, *Switch*] 🐘 The elephant is the emotional part of our brain, while the rider is the rational part. The elephant sees many things as bad and only a few things as good. It responds more strongly to threats and loss than to opportunities and wins, a phenomenon also called **negativity bias**. For example, in finance and gambling, the pain of losing an amount of money feels bigger than the pleasure of winning exactly the same amount. [Haidt, *The Happiness Hypothesis* loc:680] We often love things only because we have so much invested in them, and the more something has cost us in the past, the more we will love it now. (This is good news for your spouse, by the way.) [Ariely, *Predictably Irrational* loc:1932]

To change ideas and behaviors, reason and emotion must work together, but emotion does most of the work.

The rational rider can do very little about this. The rider cannot just decide to make a change and order the elephant to go along. The elephant is not that easily swayed. It fears the unknown and loves what it already has. To change ideas and behaviors, reason and emotion must work together, but emotion does most of the work. [Haidt, *The Happiness Hypothesis* loc:397] In fact, people usually form opinions and make decisions based on their emotions, and then, *afterwards*, they cherry-pick any rational evidence that supports the irrational choices they have already made. [James, “How to Change Someone’s Mind”]

Now that we know why changing a person's mind is so hard, we can drop the rational approaches and take a more emotionally sophisticated approach. Information alone rarely sways people, but feelings do. Rather than focusing on facts, we need to focus on feelings.

Intrinsic Motivation

Surprise, surprise, I have exactly what you need!

Creatively borrowed from several sources, I have produced a list of intrinsic motivators that can move the elephant to action: [Deci and Ryan, *Self-Determination Research*; Pink, *Drive*; Reiss, *Who Am I?*]

- Acceptance / Approval
- Curiosity / Thinking
- Food / Eating / Drinking
- Family / Children
- Freedom / Independence / Autonomy
- Goal / Idealism / Purpose
- Honor / Loyalty / Integrity
- Mastery / Competence
- Order / Stability / Certainty
- Physical Activity / Exercise
- Power / Influence
- Relatedness / Social Contact / Friends
- Romance / Love / Sex
- Saving / Collecting / Property
- Status / Social Standing
- Safety / Tranquility
- Fairness / Vengeance

Considering that my focus is on organizations, I have decided to remove a few intrinsic motivators from the list because they seem not applicable in a business context. For example, I usually don't try to convince event organizers to book a hotel room for me by using the motivators of romance or vengeance. I prefer to ignore the motivators that could be of great use in your marriage, or in your political party, but less so in a business context. It also makes the list more manageable, memorable, and mnemonicable. This is the condensed and improved list:

- **C**uriosity / Thinking
- **H**onor / Loyalty / Integrity
- **A**cceptance / Approval
- **M**astery / Competence
- **P**ower / Influence
- **F**reedom / Independence / Autonomy
- **R**elatedness / Social Contact / Friends
- **O**rder / Stability / Certainty
- **G**oal / Idealism / Purpose
- **S**tatus / Social Standing

CHAMPFROGS is my mnemonic for the ten intrinsic motivators in business. We are business transformers, transforming both ourselves *and* others; therefore, each of these ten motivators can be applied in two ways. We will look at each of these intrinsic desires in turn, both from an inward-looking perspective and from an outward-looking perspective.

Are you ready? Here we go!

What about the other motivators?

Sometimes people ask me, "Why did you leave out Safety?" "Why did you remove Food?" or "Why do you ignore Property?"

Well, all models are wrong, but some are useful. The more items I have on the motivators list, the less useful it will be (with too many words to remember). On the other hand, the fewer items I include, the more the list will become simplistic and wrong. Ten items are a good enough number to work with, and this number enabled me to create the word Champfrogs.

Our Curiosity

Not long ago, in collaboration with my colleagues at Happy Melly, I started organizing online meetings with Hangouts on Air. It's a relatively new technology by Google that allows people to have face-to-face meetings across the world and to have the meetings streamed live on YouTube. We ask customers, suppliers, business owners, and other clients what motivates them, what they desire most, and how they are trying to do better work. (We also usually ask them to sit straight, speak clearly, and hide the baby under a blanket. It's a live stream, after all.) For us, the hangouts are a great way to get quality feedback from the people who are involved in or impacted by our business.

I'm also very interested in what people are actually *doing* versus what they are *saying*, and what they *need* versus what they *want*. That's why I not only enjoy asking and listening: I also intensely enjoy reading, watching, and thinking.

I strongly believe this is what every business transformer should be doing: seeking and absorbing quality feedback (in a reasonably short time) from and about their stakeholders in an effort to understand the way they experience the world. Some consultants might call this Scrum, Design Thinking, or Lean Startup. I might say it's pure LUF: Learning and Understanding Fast.

Scientific research confirms that the ability to take the perspective of other people helps to produce better outcomes. [Pink, *To Sell Is Human* loc:910] And people who express *curiosity* by asking themselves “*Will I* be able to do this?” are, on average, better problem solvers than those who express *resolve* by telling themselves “*I will* be able to do this.” [Pink, *To Sell Is Human* loc:1243] Great business transformers ditch their own perspective and aim to completely understand the way their target audience experiences the organization. They don't tell themselves, “I will *show* them how it's done by explaining my idea better.” Instead, they wonder, “Will I *discover* what they see, believe, and feel when confronted with my idea?”

As great business transformers, we are *curious* and we ask ourselves:

How Can I Learn and Understand?

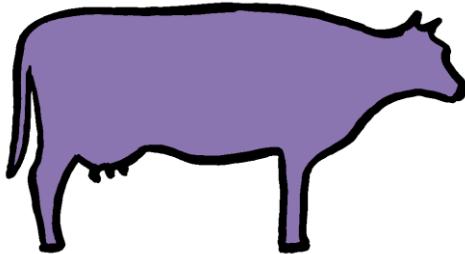
Their Curiosity

A few years ago, after our wedding, my partner and I jumped onto the Trans-Siberian Express from Moscow to Beijing. I'm very sure that few people can claim they spent their honeymoon sleeping in a yurt (a Mongolian tent), sitting on a horse three sizes too small, waiting for the river water to evaporate from the engine of a 4WD, or squatting with their pants down over a hole in the ground while enjoying a great view of the vast Mongolian steppe. (Don't worry; I won't visualize everything from that story.) 



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Some of our friends were envious. Why? Because it was *different*. Drinking fermented horse milk, instead of champagne on your honeymoon is... remarkable. The experts call this the **contrast principle**, differentiation, or being a *purple cow*. [Godin, Purple Cow] 🐄 I thought we were just out of our minds.



According to the researchers, contrast amplifies influence. [Pink, *To Sell Is Human* loc:1621] When you want to get people interested in your idea, it has to feel like something they are already aware of, and yet something about your idea must be different enough to be noticed. My horse was just another horse but it came with the extra feature of being able to stop it by planting my feet on the ground. Happy Melly is just another business, but it has a funny logo, an uncommon organizational structure, and wonderful animated videos. Familiar, and yet remarkable. [Brogan and Smith, *The Impact Equation* loc:162]

One nice example I heard about in The Netherlands was of a government department where a team dressed in white laboratory coats to signal to the rest of the organization that they were running an experiment with a new development process. Everyone realized the team was doing something remarkable. The manager became so curious that he felt motivated to attend the team's presentations about their progress. [Happy Melly, "I've Been Working Here for 25 Years"] Note that this team spent most of its time *working*, not *persuading*. Each minute you spend convincing others that your idea is remarkable is one minute less spent actually making it remarkable.

Each minute you spend convincing others that your idea is remarkable is one minute less actually making it remarkable.

People take great pleasure in being confronted with something novel and intriguing. [Klaff, *Pitch Anything* loc:703] As successful business transformers, we show our fellow workers that our ideas are remarkable but not *too* weird to try out. We intentionally create a sense of wonder and surprise. [Berger, *Contagious* loc:1422] We invite *curiosity* by asking ourselves:

Is Our Idea Remarkable?

Our Honor

I am the CEO of Happy Melly. It is a strange company because it has a Constitution. Our Constitution says that, in theory, a representation of business owners, employees, customers, *and* suppliers can get together, on Skype or something, and vote me out. This could happen any day for any reason. They could fire me because they don't like how I represent their interests or because they don't like the color of my socks.

In practice, I try to make sure this won't happen. I call myself the *Chief Ecosystem Officer*. My goal is to keep the trust in the ecosystem, every single day. I have to, or else they'll throw me out! That's why I try to communicate with clients all the time—and my socks have all the colors of the rainbow.

I wrote that Constitution myself by the way, not because I'm such a philanthropist—far from it. I did it because I strongly believe there is a huge return on investment (ROI) on trust. Only trust can keep me in my job. Maybe Steve Ballmer of Microsoft should have written himself a Constitution too.

I answer every email within 24 hours (except when they annoy me). I pay my suppliers within 14 days (except when I'm broke). I lower my price level to my customers' purchasing power (except when their level is at ground zero). And people can download and use most of my work for free (except when my publisher refuses to allow it). I also find it quite honorable that I tell people honestly when my productivity is suffering from their incompetence.

Consistency, reliability, honesty, integrity... They are all aspects of working with *honor*. Those who act honorably create trust. [Cialdini, *Influence* loc:1011] Successful business transformers act with honor because this helps them grow trust among their colleagues and because they want a high ROI for their efforts to change the world. [Kawasaki, *Enchantment* loc:749] That's why they ask themselves:

How Do We Grow Trust?

Their Honor

Even more than a CEO, I call myself a writer. I publish most of my work for free. The book you're reading now? You can download each chapter at no cost to you. It's called the freemium model. You give away things for free, and then lure people in with extra services. The software industry knows all about

it. It is based on the insight that most people have a desire to pay back their debts.

Have any of you ever declined an offer for a free drink from a stranger, or a free sample of cheese in a supermarket, or free access to yet another productivity tool because accepting the offer would make you feel uncomfortable? Exactly! We decline because we don't want to be in a state of obligation. People usually feel obligated to repay favors, gifts, and invitations. It is the *honorable* thing. [Cialdini, *Influence* loc:351]

Another insight from social research is that people desire to be consistent. When I can get your commitment on something very small, I set the stage for your almost automatic commitment on anything else that follows. Once you have agreed to a small request, there's a good chance you will also agree to a bigger request later. People hate to be seen as flip-floppers. They will do a lot just to be consistent in their behavior. Again, it is the honorable thing. [Cialdini, *Influence* loc:1139]

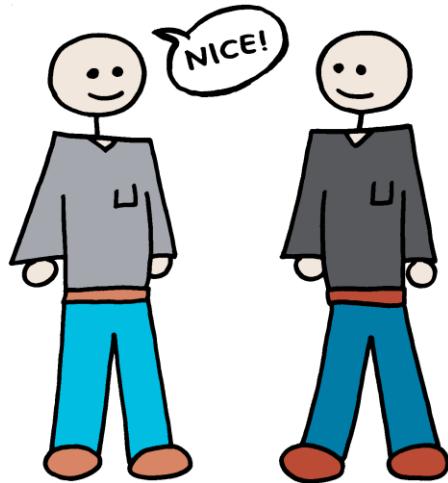
Repayment and consistency can be used effectively to gain compliance from your fellow workers. You can get a positive response to a request that normally would have been refused due to the desire of not owing you or not flip-flopping. You can even get a "yes" from people who don't like you! First, you should do them a small favor that has a good chance of being accepted. Second, you ask them for a very small favor in return (repayment). Third, you subsequently ask them for a slightly bigger favor (consistency). Et voilà, now they're hooked on you!

As great business transformers, we ask ourselves:

What Small Things Do We Give and Ask?

Our Acceptance

Not long ago, the organizers of an event told me the dress code would be *smart casual*. I had to look this term up on Wikipedia, and it appeared it can cover anything from wearing a business suit to being naked. I found this important because **strategic mimicry** can be very effective.  Plenty of research confirms that people who mimic the behaviors and mannerisms of others are more likely to be *accepted*. Salesmen who mimic customers get them to buy more. Customers who mimic salesmen get bigger discounts. Employees who mimic their boss get better salaries. And bosses who mimic their employees probably get better project status updates.



We like those who are similar to us. It doesn't matter if the similarity is in the area of opinion, body posture, mood, verbal style, personality traits, background, life-style, or dress. As a great business transformer you should take care to ensure that you are accepted by your coworkers in order to increase the chances that they will do what you want. You can do this by appearing similar to them in a number of ways. [Cialdini, *Influence* loc:2800]

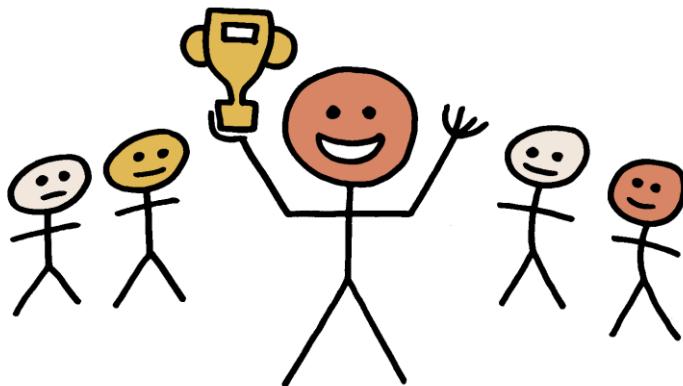
At the conference I just mentioned, I made sure to wear a good mix of clothes: from fashionable jeans to a fabulous jacket, from an expensive shirt to a pair of eclectic shoes. There was something for all audience members to recognize themselves in. However, it was hard to say if they accepted me and my message because everyone was talking about the hilarious videos of monkeys that another speaker had shown them the day before. Apparently, people recognize themselves even more in quarreling primates.

Great business transformers (and speakers) ask themselves the question:

How Are We Just Like Them?

Their Acceptance

Another weapon you can use as a business transformer is the **association principle**. It says people are eager to associate themselves with the successes of others. When people feel connected with other people's achievements, even if it's in a superficial way, they think their public image is strengthened, and they feel more *accepted* by the group. [Cialdini, *Influence* loc:3224]



I attended a class reunion a year or two ago, and I was talking with a lady who had been in my class more than 30 years ago. She was one of the most intelligent pupils at the time, and I'm sure she's still quite bright. At the reunion, she told me, "This is very silly. When I found out your book is on Amazon, I felt proud, because you were in *my* class long ago. Isn't that stupid?" Me, being Dutch, I probably replied in an honest and fair manner, along the lines of, "Yes, that's ridiculous. *I* wrote the book, not *you*."

That's how people are. When our favorite team wins the championship, we celebrate—"We are the champions!" —while *we* did nothing except drink a lot of beer and make a lot of noise. But when our team loses, most of the fans say "*They* lost", not "*We* lost". Even worse, supporters can give voice to pure brain-twisters such as, "*We* could have won the championship if *they* had not screwed up the game!"

As smart business transformers, we use this. We allow people to enjoy other people's successes, so they can hope a little bit rubs off on them and they can feel accepted. [Cialdini, *Influence* loc:3262] That's why we ask ourselves:

Where Is the Smell of Success?

Our Mastery

A creative networker complaining that colleagues won't adopt an idea or behavior is like an entrepreneur complaining that the money won't flow in his direction. Are you only complaining? Or are you trying to become a master at diverting the flows of ideas and behaviors (and maybe also money)?

A creative networker complaining that colleagues won't adopt an idea or behavior is like an entrepreneur complaining that the money won't flow in his direction.

Every year, I read around fifty business books. Before writing this chapter, I read ten books about influence and persuasion. They enabled me to develop a new presentation and to write about the Champfrogs checklist. Besides reading a lot of books, I also scan the posts and articles of around fifty blogs and magazines on an almost daily basis. I consider this to be important.

Don't get me wrong. My message is not that *you* should read a lot of books, blogs, and magazines. *I* happen to like reading. You could do *other* things to acknowledge that business transformation is a craft, as long as you make a sincere attempt to grow beyond the level of novice to the level of master. (I am quite sure that *I* am not even halfway there!)



I don't care if you use books, websites, podcasts, courses, conferences, or workout videos on VHS tapes. 🎹 When you're serious about influencing people and changing a tiny part of the world, you will have to grow your skills by accumulating knowledge. And that's just half of the effort.

The other half is about gaining experience. From annual yearbook committees to pan-European Agile communities, from naked bike rides to Scrum transformations, from courseware licensing to conference organization, I have always been active in trying to motivate people to do things. Sometimes I was successful, sometimes I wasn't. But I always gained experience.

Only a very few people are born as natural business transformers. The rest of us will just have to achieve *mastery* through knowledge and experience. We must ask ourselves the question:

How Do We Grow?

Their Mastery

I'm sure you know about Instagram. It's a smartphone app that enables people to take photos and post them on the social networks. The app was acquired by Facebook for nearly a billion dollars. I think Instagram is a fantastic idea, because it enables anyone with a smartphone and one finger to pretend that they can create and discuss art as if they're a reincarnation of Andy Warhol. Instagram made people *feel* like they make great pictures. They don't, but that doesn't matter. They *look* competent.

Have you ever ordered a *macchiato*? You have? I'm sorry, but that makes you look a bit incompetent, in the eyes of the Italians. You see, *macchiato* means "stained". A *caffè macchiato* is espresso stained with a bit of milk. A *latte macchiato* is milk stained with a bit of coffee. When you order just a *macchiato*, you are asking for a stained nothing. A competent barista should look puzzled and ask you, "What do you mean? A latte macchiato, or a caffè macchiato?" To add to the confusion, in northern Europe, the default *macchiato* is often a latte macchiato, but in southern Europe it is usually a caffè macchiato. Knowing what you will get is important, because they are each other's opposites. When a menu in a coffee bar just says *macchiato*, I take pleasure in asking them, "Well, which one is it?" and then watching them struggle.

I have no good reason for telling you this story, other than to make me look competent. People seem to think I'm a coffee connoisseur. I like that. In truth, I spent only five minutes comparing some Wikipedia entries. (Did you know that a *caffè latte* is *not* the same as a *café au lait*? Oh, and notice the spelling.)

So, what can you do as a business transformer when you want to motivate people? Easy! Get them to believe they can become a master at something without putting in more than a few minutes of effort. People love showing others which books are the best, how to save money, where to find the best restaurants, and how to properly order coffee. They spread the word, and their arty farty photos, because it makes them look as if they have achieved *mastery*. [Berger, *Contagious* loc:375]

That's why you should ask yourself:

How Can We Make Them Look Competent?

Our Power

As a public speaker, I have learned to enforce a few rules for organizers of events. There will be no jury evaluating the “quality” of my presentations by simply counting the number of slides. I will not use the organizers’ computer, which usually has a PowerPoint version that was installed from floppy disks fifteen years ago and includes a set of fonts that extends no further than Courier New and Comic Sans. And I will not apply a standard template with conference logos, slogans, and banners to my presentation. It is not the Las Vegas Strip.

The experts call this **situational power**. As a business transformer, you sometimes have to tell people, in a subtle but firm way, “*No*, thank you. In this small pocket of the universe, *I* am the authority. In this tiny area, *I* make the rules. You can do anything you want everywhere else, but the stage and the screen are *mine*.”

There are two reasons for this. First, when you abide by another person’s silly power rituals, you reinforce his authority over you. That means your power to influence him will crumble. [Klaff, *Pitch Anything* loc:435] Second, when other professionals notice that you’re using inferior tools and practices, your status among peers goes down the drain as well.

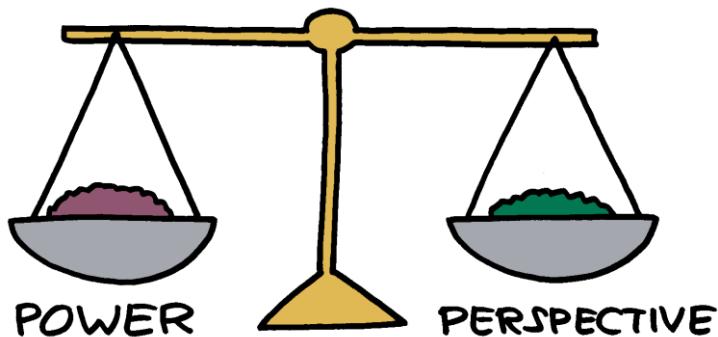
As a business transformer, you don’t claim situational power to be arrogant or to offend people. (I must admit that in one or two cases, I did enjoy these side-effects.) You use *power* primarily because you’re a professional. When the conversation is about *your* topic, *you* must have the authority. This helps you to be an influencer because people are trained from birth to listen to authority. And it helps you to be valued by your peers because all professionals appreciate taking a stand against crappy work. That’s why we ask ourselves:

How Do We Express Authority?

Their Power

However... There *is* another side of the coin.

I am writing this while the world is divided over sanctions against Syria. It is clear to many independent observers that President Assad is responsible for the deaths of thousands of innocent civilians. And yet, he firmly holds on to his power. It wouldn't surprise me if Assad actually believes *he* is the good guy, and that half of the Syrian population just refuses to acknowledge his great contributions and vision for the country.



Research confirms that powerful people focus too heavily on their own point of view and don't sufficiently take into account other people's perspectives. [Pink, *To Sell Is Human* loc:882] There is an inverse relationship between *power* and *perspective-taking*.  People with authority are blind to important signals because their brains get intoxicated with authority. Subsequently, messages that are perfectly clear to others become distorted. [Robertson, "Power Is the Ultimate High"] For anyone who has ever had to deal with members of the government, this is so obvious that it doesn't even need explaining.

What do successful business transformers do, after they have claimed situational power? They lend it out. They delegate. For example, I run a lot of classes and workshops about management and leadership, but I often let the participants choose the topics they want to discuss. Sometimes they change the time slots. Sometimes they reorganize the classroom. I don't mind. When they feel powerful, they are better able to share their thoughts with me, and then, I am better able to tweak my message and influence them.

What do successful business transformers do, after they have claimed situational power?
They lend it out.

I'm sure it's only a matter of time before Assad is removed from his position due to lack of influence. Power is like a black hole. People have a tendency to accumulate more and more, but ultimately that power just erodes and its influence seeps away. Great business transformers gain and keep influence by *sharing* the power they have. They ask themselves:

How Do We Lend Them Our Authority?

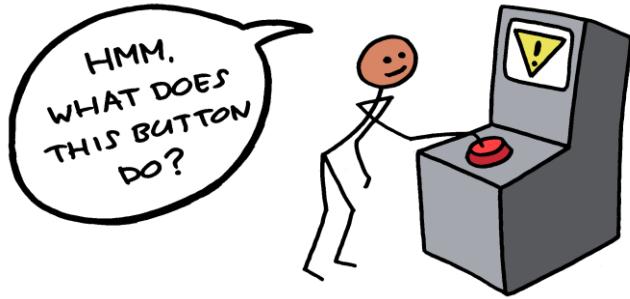
Our Freedom

I enjoyed one of my first business successes when I redesigned the courseware of a training company. I didn't ask the CEO if he wanted a new design. And I didn't ask the courseware department for their permission. I just did it. When I showed them the redesign, it was easy to see why they needed it badly. I'm sure I would have met resistance if I had only *suggested* changing the training materials and asked them for permission. And so I skipped those steps. It was the first time I made a lot of money with a design.

I am convinced that people who desire the *freedom* to make their own decisions, who believe they have a good chance of improving things, and who ask forgiveness rather than permission are the ones with the best chance of actually changing the world.

Many people don't feel free to act because something that happened in the past is constraining them now. They follow procedures, policies, and rituals that have always been there, and they never question the real boundaries of their territory. This often prevents people from making things happen because they *think* they can't. The experts call it **learned helplessness**. People learn not to act and not to take matters into their own hands.

Successful business transformers rarely suffer from this unfortunate condition. They are more like entrepreneurs. They are naïvely positive about what they can achieve and blissfully ignorant of the rules that are supposed to apply. They feel free where other people don't. And that makes all the difference.



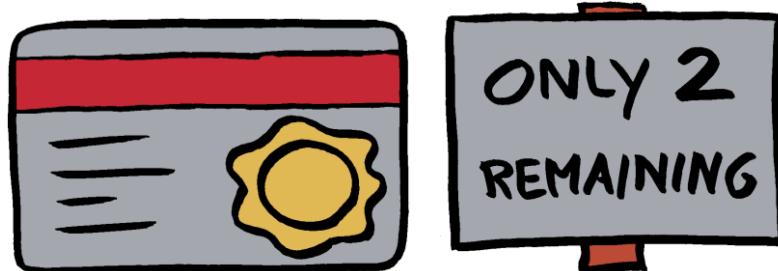
Normal workers might think, “Hmm, what would this button do?”  Great business transformers actually press it! That’s why I believe we should always ask ourselves:

Are We Really Doing What We Can?

Their Freedom

I recently applied for Privium membership at Schiphol airport, which allows me to skip the queues by using an eye scanner. Why? Well, it’s not because I thought it would make travelling a whole lot more efficient. The real reason was that I couldn’t stand the sight of other travelers passing swiftly through customs and security while I had to wait in the regular queues. I sensed my *freedom of choice* was lacking.

Loss aversion is the term experts use to describe our preference for not losing things. We don’t want to lose our valuables, we don’t want to lose the opportunity of obtaining something, and we don’t want to be entitled to less than others are. As available opportunities are limited, we feel we lack freedom of choice. People hate losing and lacking freedom.



Many marketers apply the principle of loss aversion with the concept of *exclusivity*.  When something can only be obtained by those with a certain status, then many of us want that status. Other businesses apply the same principle with the concept of *scarcity*.  By sending the message that there is only a limited amount of something available, people are prepared to pay more and do more in order to obtain it.

The science of motivation shows that people are motivated more by the thought of losing something than by the thought of gaining something of equal value. [Cialdini, *Influence* loc:3828] By applying exclusivity and scarcity, you can change thoughts about merely adopting or obtaining something into the feeling of losing a fundamental right to have it. And thus it can be very effective to ask ourselves:

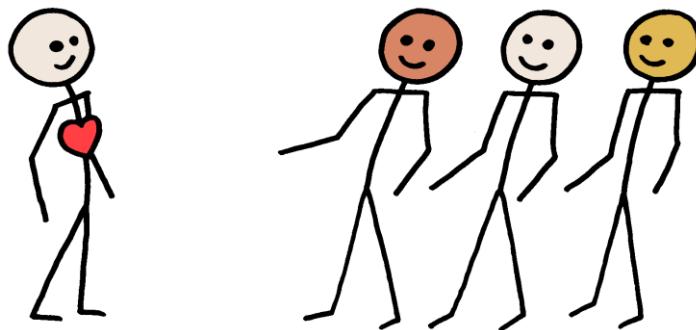
Is There Limited Availability?

Our Relatedness

My teenage years were the most difficult time of my life. In high school, I was, fortunately, not at the bottom of the pecking order. I was merely the third loser, counting up from the bottom. I only had to suffer mild name calling and pranks, such as the time when the kids threw my schoolbag across the street. The carton of chocolate milk inside my bag burst and I spent the rest of the morning wiping chocolate milk from my school books. I think I may have accidentally invented the well-known practice of *brown bag lunches*.

I had no friends at all. My evenings were spent at home, alone in my room, playing and experimenting with my Commodore 64 computer. And I remember lying in my bed, crying softly so my family wouldn't hear. I was convinced I was weird and that nobody would *ever* like me. Thirty years later, I can say that the first part was true and the second part wasn't.

Things changed when I became a university student. My minor skills at drawing, writing, and organizing got noticed, and I was invited to join all kinds of committees. I ultimately ended up on the board of the students' society. It seemed that some people actually liked it when I was around. For the first time in years, life was smiling down on me. What had changed? *I had changed.*



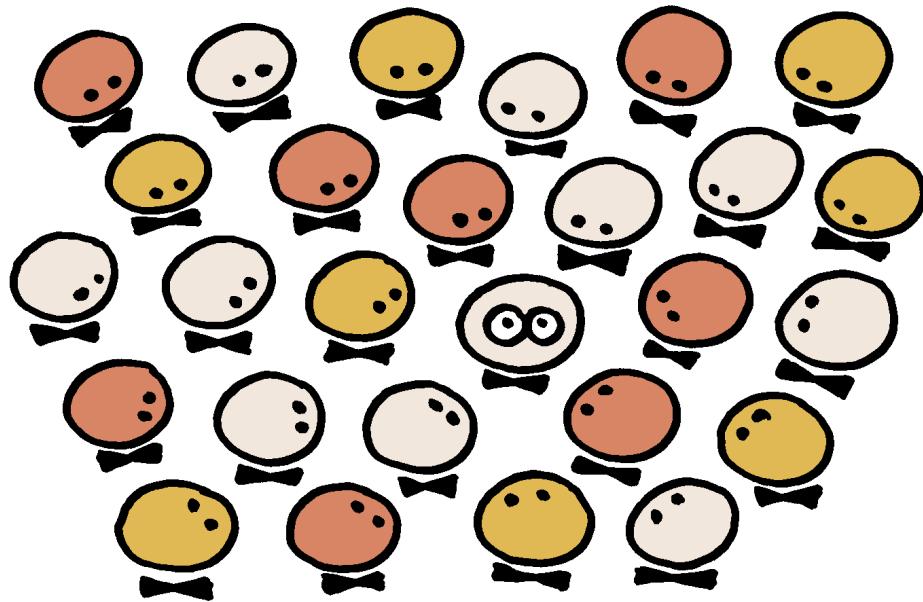
When we want a chance to influence our fellow workers, we have to open up.

It was only when I started opening up and sharing my vulnerability that people started caring about me.  It turns out that people feel more connected when they get personal about themselves. (This might be happening right now.) We relate better to people when we are opening up ourselves. And better *relatedness* means more influence. Therefore, as business transformers, when we want a chance to influence our fellow workers, we have to open up. We ask ourselves:

How Are We Being Personal?

Their Relatedness

There is a story about Steve Jobs and his team trying to figure out how to position the Apple logo on the earliest MacBooks. When positioned facing the user, the logo is upside down when the user opens the laptop. But when the logo is facing away from the user, it looks correct for anyone watching from a distance. For Steve Jobs, it was clear: the user already knows the MacBook is cool, but her friends still need to be convinced. For the same reason, Apple decided on white cables and earplugs for the iPod instead of the more common black ones. The user himself can't see the earplugs while wearing them, but other people can!



This is called the principle of **social proof**. It says that when people feel uncertain, they do whatever they see other people doing.  They copy each other's behaviors, relying on their *relatedness* to each other. People are willing to place a lot of trust in the wisdom of the crowd. It is the mechanism that enables fashion, hype, and mass hysteria.

As business transformers, you can convince your coworkers to do something by making it seem that many others are already doing it. You increase your chance of success by increasing the visibility of your change. Making things more observable makes them easier to imitate, which makes them more likely to be copied. When your idea is built to show, it is built to grow. [Berger, *Contagious* loc:1774]

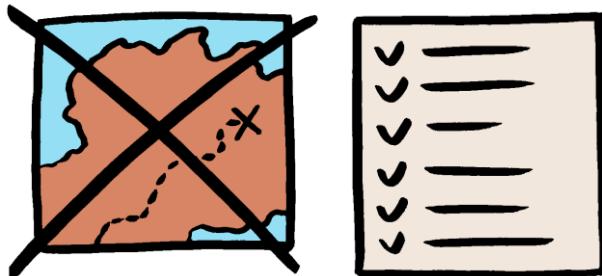
This is why many bartenders seed their own tip jar by dropping in a handful of coins or bills at the start of their shift. It is why some book authors purchase their own books in the first week after release, generating sales to show to other potential buyers. And it is why event organizers always claim that there are “only a few seats left”, hoping that others will follow the imagined herd. As great business transformers, we must ask ourselves:

Where Is the Social Proof?

Our Order

The 8th letter of the Champfrogs checklist is about people's need for certainty, stability, and predictability. This is a bit of a problem because we live in a complex adaptive world. Nothing is certain. Nothing is predictable. This also applies to how people respond to our efforts to change their beliefs and behaviors. Unfortunately, the message "Sorry, change is a mess" doesn't go down well with most coworkers. A feeling of helplessness is not at all what we're after.

So, what can we do? How can we give ourselves a sense of *order*? How can we make it feel *as if* there is a methodical approach to change management?



The least we can do to make our own work easier is to use decent tools and practices that will give us a chance to be more successful in the messy world around us. This is exactly why I wrote the little book *How to Change the World*. It is also what I believe I have achieved with the Champfrogs model. Of course it is flawed. All models are wrong, but some are useful.

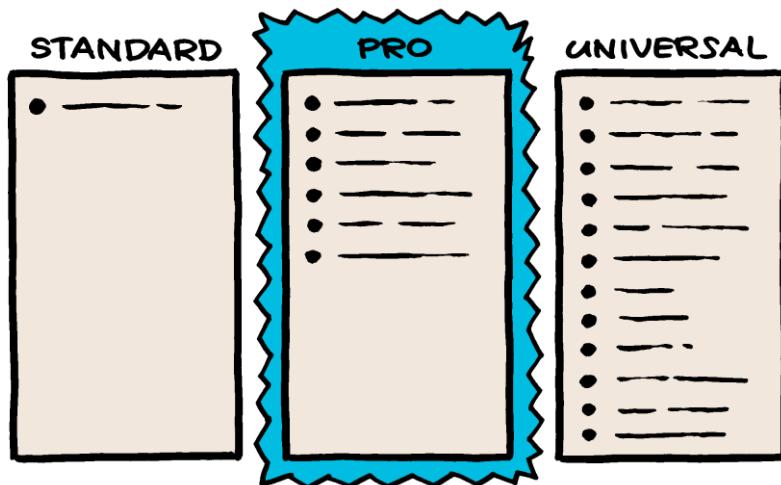
The Champfrogs model is useful as a travel checklist.

The model in this chapter is not intended as a travel map or itinerary. ✗ It doesn't tell you where to go, what to do, at what time, and in which situation. The Champfrogs model is useful as a travel checklist. ☑ It is a reminder of things to consider when you venture out into unknown territory. You probably won't need all the items on the checklist. But ignore them at your own peril! And thus we ask ourselves:

Are We Using the Checklist?

Their Order

What I have noticed on many websites that sell software is that they usually show customers three options.  The package on the left says “Standard” and offers only features for one user in Tonga who is catatonic and uses a piece of tree bark as a tablet computer. In the middle is a package called “Pro” which offers a decent amount of features for the average user. And on the right, we find a package called something like “Universal” which offers the whole world—with wings, in a gold frame, and a cherry on top. The one in the middle, the Pro package, is usually highlighted, and has a banner saying “favorite choice”. It also happens to be the package that is the most profitable for the website selling the software.



This is exactly what users need. People want simplicity, clarity, and not too many options to choose from. Research has confirmed that people may flock to someone who sells a thousand variants of a product. But the seller who offers only a few variants actually sells *more*.

Another thing that researchers uncovered is that you can sell more products when you list all the positives while adding one or two mild negatives. When you are honest about the existence of a small blemish, you actually *increase* the chance that people are swayed by its other fine qualities. [Pink, *To Sell Is Human* loc:1693]

As business transformers, we help people choose by restricting their options and by being transparent about all aspects of the choices. This allows us to create a bit of *order* and certainty. That's why we ask ourselves:

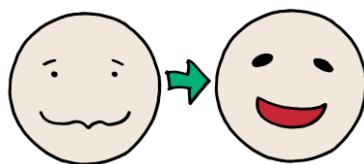
Are We Clear Enough?

Our Goal

What is the *goal* of business transformers? Easy, we want to change the world! Or at least, we want to change a tiny part of it that extends from ourselves to the outer office walls. Or maybe just our own floor. Or maybe just our manager's desk.

Is that possible, changing the world? Of course it is. It has to be! Otherwise, why bother? Yes, we sometimes stumble and fall. But hey, that's life. We simply shake off the dirt, ignore the pain, and try again. At least we will have learned which steps to avoid next time.

In research performed among salespeople, it was found that those with an optimistic explanatory style, who saw failure as temporary rather than permanent, sold more and survived longer in their jobs. [Pink, *To Sell Is Human* loc:1372] It seems there's a good reason to be an optimist! And it gets even better. Other researchers found that those who *fake* their smiles, who just pretend to be optimists, are able to influence and change their own behaviors in a positive way. 😊➡😊 As a result, they also achieve more. They make it because they fake it. [Cuddy, “Your Body Language Shapes Who You Are”]



Optimism works because it improves your own behavior and efforts. By changing your own attitude, and by saying “I can do this”, you actually increase the chance of achieving your goals. As business transformers, we fake it until we make it. And thus we ask:

Are We Being Optimistic?

Their Goal

It is said that men have only one thing on their minds, which is a bit of an exaggeration. It is more accurate to say they have two things on their mind. I do not only think about my work. I also care a lot about my garden.

This insight was used not too long ago in a creative way by Gillette, the razor blade company. Gillette wants men to shave anything they can, as often as they can, with as many blades as possible. So, they thought, “What arguments can we use to convince men to trim the... ehm... private area? Should we argue in favor of personal hygiene?”

Bah! That argument may work on women. I’m a man!

“Maybe we should refer to esthetics?”

Double bah! That argument only works when we talk about my *other* masculine symbol, my car.

Instead, Gillette came up with a much more convincing argument: On their videos and on their website they said, “Trimming the bush makes the tree look taller!” Genius! And they added, “Use a fresh blade every day, to avoid cutting the tree.” Brilliant! Gillette understands how to tap into a man’s passion (and fear). They know how to align their own objective (selling more razor blades) with their customers’ *goal* (an impressive garden). Hoping the effects are cumulative, I ordered a lifetime supply of Gillette blades.

People can be passionate enough to do the silliest things. All your fellow workers are passionate about something. [Kawasaki, *Enchantment* loc:553] As business transformers, it’s our job to find out what it is, and so we ask:

What Is On Their Minds?

Our Status

I feel fortunate that I was chosen some time ago as a top influencer in the global Agile community. [Dolman-Darrall, “Top 20 Most Influential People in Agile”] I was very happy about that announcement. It was probably total nonsense, but I didn’t care. I’ve used this valuable piece of recognition anytime I could.

As a business transformer, the more you can position yourself to be a respected person, the more credibility your ideas will earn as well, and the more you *make* it true. [Brogan and Smith, *The Impact Equation* loc:2338]

Credibility means that whatever you say is somehow backed up by something else that says, “Listen to him, because he makes sense!” This increases your *status* and it increases your influence.

Those with high social status in a group are trusted and followed, often without question. When you are pitching your idea from a low level of social status, your ability to persuade others is small, and your pitch will be very difficult. But if you hold a high level of social status, even when it’s temporary, your power to convince others will be stronger. [Klaff, *Pitch Anything* loc:904]



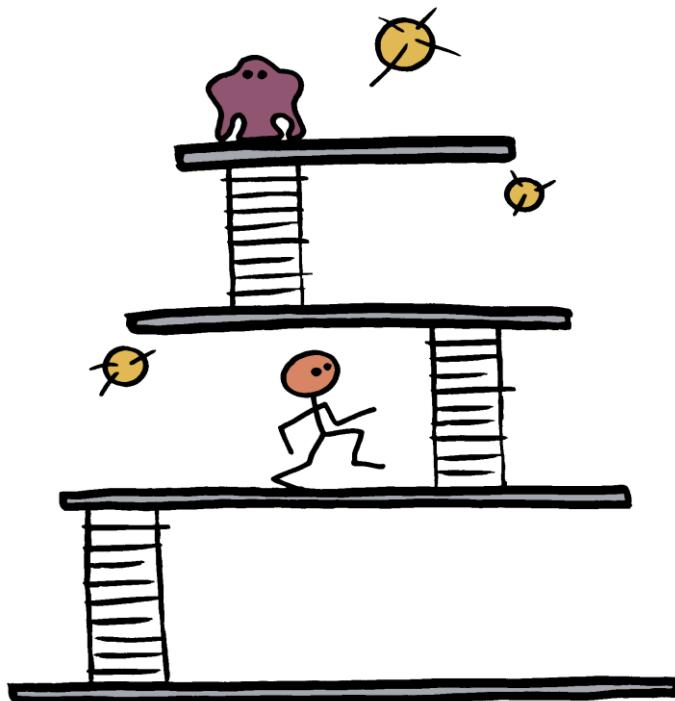
As business transformers, we try to elevate our social status, with titles, awards, certificates, references, and accreditations, even if they are only remotely related. [Klaff, *Pitch Anything* loc:1117] Did you know I won the title of *Entrepreneur of the Year* in 1999? It doesn’t matter that it was only in The Netherlands, that it was 15 years ago, and that my startup was a complete disaster. I have the title! And I use it because it helps. And thus we wonder:

What Makes Us Credible?

Their Status

Now we’re nearly at the end. It feels good, doesn’t it, ticking off all the items on a checklist? It gives us a sense of progress, a sense of completion. Maybe we can earn a status upgrade when we turn in a fully stamped card!

This is what this last topic is all about: giving people a sense of moving forward or upward, a sense of gaining *status*. We call it **social currency**. People like playing games that earn them more status among others. [Berger, *Contagious* loc:480] They use social currency to achieve a positive impression among their family, friends, and coworkers.



To get people talking about our ideas, and spreading our message, we need to mint social currency. We should allow people to earn credits while they are promoting our ideas along the way. One way of doing this is to use game mechanics and provide visible symbols of earned status that people can show to others. It is called **gamification** and it's all the rage these days.  You can see it applied publicly on social networks (with likes, friends, and followers), on Q&A websites (such as Quora and StackOverflow), and on the mother of all personal ranking websites: Klout.

Another way to implement social currency is a bit more private, and a bit more subtle, but effective nevertheless. I enjoy every moment I see my friends' eyes glance with envy at the silver and golden luggage tags of the various frequent flyer programs I have dangling on my suitcases. I know the airlines have successfully answered the question:

What Is the Social Currency?

Influence or Manipulation

Someone asked me once, “Isn’t everything you’re describing with the Champfrogs checklist just *manipulation* of people?” What a great question! I think there’s a big difference between influencing people and manipulating them. It totally depends on what you’re convincing them to do. When you persuade people to do good things, we usually call it influence. When you persuade them to do bad things, we call it manipulation. When I convince someone to buy me a mojito because it’s the best cocktail ever, I’m an influencer. When I convince her *not* to have a mojito herself because it’s bad for her health, I’m a manipulator. See the difference?

Influence, manipulation, persuasion, marketing, and politics are all different words for our attempts at convincing people to adopt or discard certain ideas and behaviors. It is also an essential skill for anyone with the ambition to succeed in organizational transformation.

The number one issue that employees in many businesses struggle with is organizational culture. The biggest challenge that managers of many organizations struggle with is change management. I believe that employees and managers are all in need of the same skill. They need to be better business transformers. The best businesses thrive on changing environments, and they do this by being transformational. This means business transformers must learn to explicitly target the emotional side of change. The rational part is important, but the rider only ends up where he wants when he knows how to influence the elephant.

The rider only ends up where he wants when he knows how to influence the elephant.

Checklist Questions

Here is the summary of the ten intrinsic motivators with two questions each. The first question is about our own change; the second question is about the change in others.

Curiosity

- **Us:** How Can I Learn and Understand?
- **Them:** Is Our Idea Remarkable?

Honor

- **Us:** How Do We Grow Trust?
- **Them:** What Small Things Do We Give and Ask?

Acceptance

- **Us:** How Are We Just Like Them?
- **Them:** Where Is the Smell of Success?

Mastery

- **Us:** How Do We Grow?
- **Them:** Can We Make Them Look Competent?

Power

- **Us:** How Do We Express Authority?
- **Them:** How Do We Lend Them Our Authority?

Freedom

- **Us:** Are We Really Doing What We Can?
- **Them:** Is There Limited Availability?

Relatedness

- **Us:** How Are We Being Personal?
- **Them:** Where Is the Social Proof?

Order

- **Us:** Are We Using the Checklist?
- **Them:** Are We Clear Enough?

Goal

- **Us:** Are We Being Optimistic?
- **Them:** What Is On Their Minds?

Status

- **Us:** What Makes Us Credible?
- **Them:** What Is the Social Currency?

I can give you a good example of being an influencer by describing one of the most popular management exercises I have ever created. It's called **Moving Motivators**. [Appelo, "Moving Motivators"] The exercise is performed using the ten Champfrogs motivators printed as separate cards with colorful illustrations. The first step is for the player to place the cards in order of importance (from a personal perspective). In the second step, the player imagines a certain change in her work life, and she moves the cards up or down, depending on the positive or negative impact of the change on her intrinsic motivation. The exercise can be performed alone, with an observer, or with a team.

Many players have reported that the exercise is a great reflection tool and helps create interesting insights into people's personal work-life situations. It can also help a business transformer understand which of the ten motivators are the most promising triggers for personal and organizational change. Even more encouraging, I have seen teams in different parts of the world experiment with the playing cards, inventing new ways of playing the game and trying out creative ways of visualizing the results. [Happy Melly. "Working for the Boss or Working Together?"] Believe it or not, I have received reports of people making crucial work-life decisions (including whether to have a baby) with the help of the simple Moving Motivators exercise. Apparently, I have been an influencer!

- Change = Idea * Passion * Behavior * Influence

Organizational change is a function of ideas, passion, behavior, and influence. In this chapter, I assumed that you already have some good ideas. Maybe some of your ideas are based on the practices you've learned about while reading this book. I also assumed that you are passionate to make things happen. Otherwise, you probably wouldn't have made it this far in the book. Ideas and passion, however, are not enough to change an organization's culture. What you need now is to change your behaviors and increase your influence. This all starts by learning what motivates people and what triggers their intrinsic desires.

Radar graph

"I have applied the Moving Motivators game to map which intrinsic desires were more relevant for our team. We visualized the results with a radar graph. We used this graph in various decision-making moments, always trying to choose an option that was optimal considering the impact on people's intrinsic motivators.

This practice helped us to understand how some decisions can affect our motivation and how we can make better decisions to maintain happiness in our workplace. We have repeated the exercise every three months to update the data and the graph, and the map is fixed on our task board so that we can show the team's values to everybody."

Eduardo Scudeler, *Brazil*

Job interviews

"When interviewing juniors for consulting job opportunities, I tried to figure out what their ideal working day would look like. This works well with people who know the business, but it is difficult with college graduates. And some of our consulting disciplines require a passion different from what is considered mainstream.

So I started to play Moving Motivators with our junior applicants, usually at the end of the job interview. The feedback from these 15 to 30 minute exercises changed my gut feeling about an applicant more than once. And for all of those we finally hired, I can claim those hires were a success for all involved."

Dirk Schwammkrug, *Switzerland*



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What Now?

There are two things you can do to experiment with the Champfrogs motivators.

1. Download the Moving Motivators game and play it individually and with fellow workers. Notice how people are intrinsically motivated in different ways, and think on how to tweak organizational changes to nudge people's elephants in the desired direction.
2. Print the checklist questions and continuously use it as your organizational change checklist and reflection tool so that you can hone and improve your skills as a business transformer.

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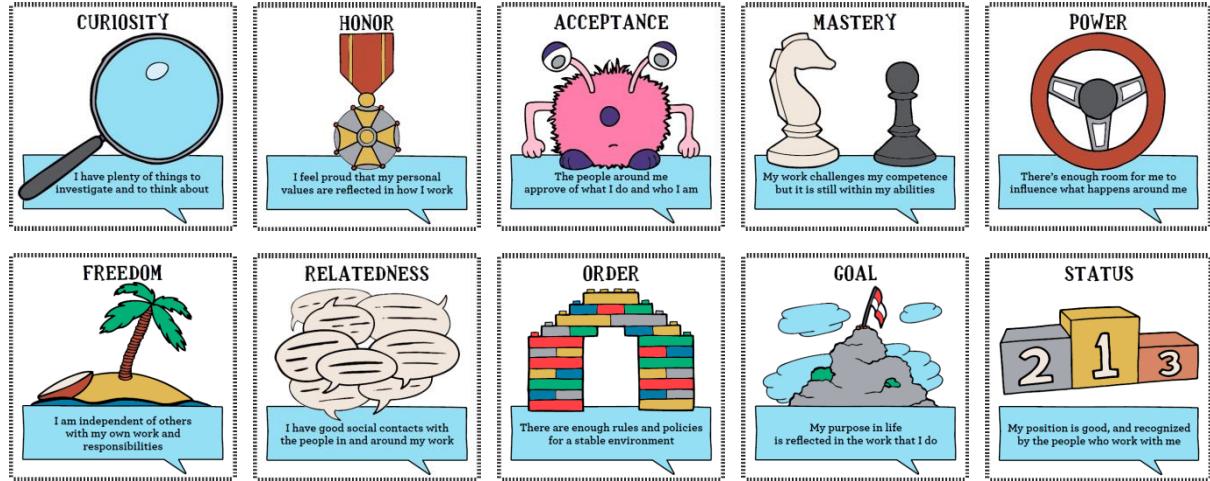
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Moving Motivators

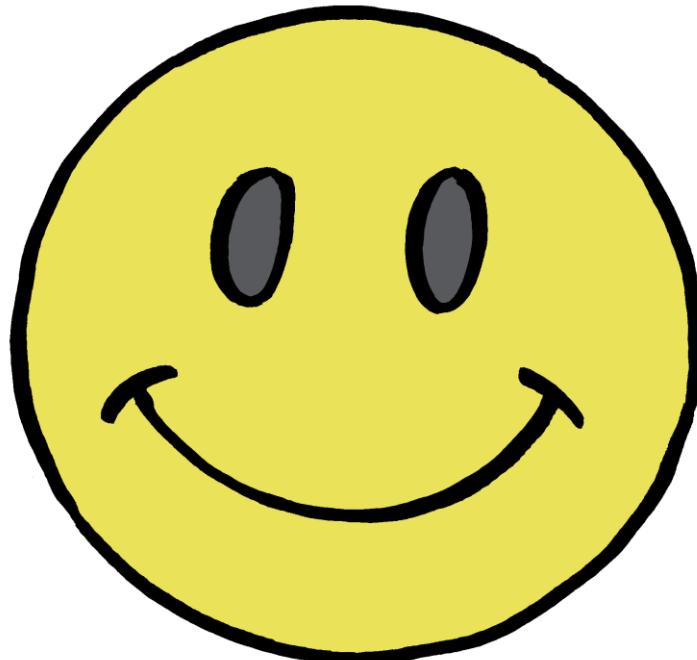
Need to make a decision but unsure about the effects on your motivation? Want to know what motivates your colleagues? Hiring a new team member and need to know what makes her tick? Play Moving Motivators!

Download the cards for free, or purchase the high-quality card boxes!



m30.me/motivators





Conclusion

I feel very strongly that change is good because it stirs up the system.

Ann Richards, American politician (1933–2006)

I have collected ideas from many sources and offered them as concrete practices. But copying games and exercises is not enough to change organizations. You must adapt practices to your needs, and keep in mind the principles of engaging people, improving the system, and delighting all clients.

We've reached the end of the book, and this makes me feel both happy and sad. I feel happy because you wouldn't believe the amount of work it takes to produce a book like this. It's not just the effort of jamming a hundred thousand words into a text editor. The main challenge is putting them in a sensible order! And then there's the research (fun!), the illustrations (I make them all myself), the formatting (delegated with pleasure), the marketing (*never delegate this!*), and the reviewing, rereading, rewriting, restyling, redrawing, redacting, referring, recycling, and (thank heavens!) also some reclining and rejoicing. And the emails. My God, the emails! I could bury a pair of horses, with carriage, under the amount of emails I get each day. But, to be honest, it's the emails that keep me going. The encouragement from readers always makes me happy. However, reaching the end of a big project delights me even more! As I wrote long ago on my blog, I can only enjoy my work when I know it will come to an end. [Appelo, "Where's the End?"]

The end of this book also makes me feel sad because there's still so much I want to discuss with you! We didn't cover collaborative hiring, A3 problem solving, the happiness index, impediment doors, competence grids, and many other topics. I haven't told you that story of the boss who woke up in a meeting room with a binder full of performance appraisals wedged in his trousers. It would take an additional book of similar size just to cover the things I had to leave out of this one! Well, who knows? Maybe I'll write it some other day.

In any case, what I hope I have achieved with the chapters I *did* write is that you believe, as I do, that *everyone* is responsible for management. You shouldn't wait for full-time managers to innovate the way you organize your work. Good management practices are about engaging the workers, improving the system, and delighting the stakeholders. Anyone can do that.

The work of managing can be done by just about anyone if they have the right information, incentives, tools, and accountabilities.

Hamel, *What Matters Now* loc.4123

The Idea Farmer

Almost everything in this book emerged because I read a lot of books, blogs, websites, and magazines. (And I travel a lot.) I read because I love collecting other people's good ideas. As I often say, "steal and tweak" is the best recipe

for innovation. Everything I say is stolen and tweaked, even the concept of “steal and tweak” itself.

In my search for good ideas, you may have noticed that I don’t limit myself to reading the timeless classics of famous gurus. I also refer to many lesser-known books and articles that only a few people have read. The thinking behind this approach is that if you aim to reach as high as possible, don’t limit yourself to the giants. Find the small ones who are standing on their shoulders!

If you aim to reach as high as possible, don’t limit yourself to the giants. Find the small ones who are standing on their shoulders!

I nurture all the big and small ideas that I find. I water them with my attention, and I feed them with my thoughts. After a bit of time and energy, the ideas often start sprouting offspring.  I allow them to mix and mingle with each other; I let them connect, compete, cooperate, and copulate in the weirdest ways. Sometimes they make me blush. But the offspring are worth the trouble. I care for these new ideas and I try to make them healthy and strong.



I’m an **idea farmer**. I grow new ideas from old ones. When the new ideas are fully grown, I sell them. Or when they’re still young and small, I often just give them away for free because that helps them to become better and more experienced.

You've almost finished reading a book full of ideas about concrete management practices that people can implement next Monday morning—not only managers, but *everyone* who is concerned about the management of an organization. Management is too important to leave to the managers! However, just copying ideas and practices from other sources is not enough to change an organization.

Stories of success and failure consistently exaggerate the impact of leadership style and management practices on firm outcomes, and thus their message is rarely useful.

Kahneman, *Thinking Fast and Slow* loc:3473

Never forget that better *principles*, not better *practices*, are what organizations really need.

Never forget that better *principles*, not better *practices*, are what organizations really need. It is far too easy for organizations to let newly adopted good practices evolve into bad principles! [Highsmith, “Agile Bureaucracy”] Most workers, however, don’t know how to pursue abstract principles without concrete practices. Creative networkers usually appreciate actionable advice. People tell me that they want to experiment with Delegation Boards, Moving Motivators, Salary Formulas, Merit Money, and much more. With this book, I have tried to give you exactly that—much more. But the workout practices are just the start. Your goal should not be to merely implement the practices I gave you because this is unlikely to change any outcomes. Your goal is to teach the organization the new principles.

The world is too complex to give you merely a list of practices to follow. What managers in the 21st century need most is insight so that they can develop their own prescriptions for their own particular needs.

Mintzberg, *Managers, Not MBAs* pag:252

But... We're Different!

Almost every time I'm in another country (did I tell you I travel a lot?) people ask me, "Is management different elsewhere?"

"Are better management practices more difficult in China?"

"Are problems in Eastern Europe different from those in the West?"

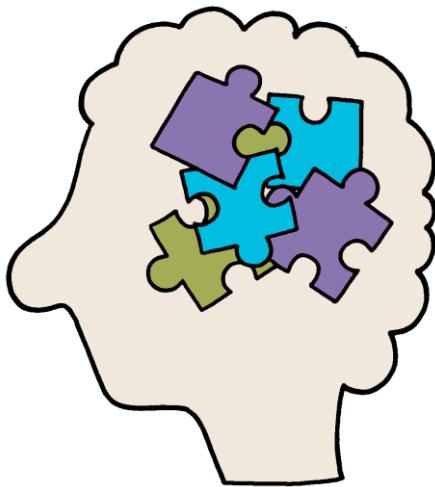
"Is it easier to be agile in Scandinavia than in the United States?"

"How does business culture in Holland compare with The Netherlands?"

My answer is always, "Yes, things are a bit different". But, this difference is a lot less than people seem to expect. No matter where I go, people have the same problems with management and leadership; they notice the same challenges with self-organizing teams; and they report the same findings about business transformation and organizational culture. Certainly, some (generalized) cultural differences between countries are real. The Germans are straightforward and the French are sensitive. The British are polite and the Dutch are blunt. But you'd be an idiot—remember, I'm Dutch—to see this as an obstacle.

Business culture trumps geographical culture—always. In my experience as a manager, I noticed that the differences between developers in The Netherlands and developers in Ukraine were insignificant when compared to the differences between *developers* in The Netherlands and *account managers* in The Netherlands. Likewise, the cultural differences between our two offices in The Netherlands and Ukraine were nothing when compared to the differences between our web development company and... oh, let's say an investment bank, a beer manufacturer, or, God help us, a government institute *in our own country!* I've noticed, again and again, that cultural differences between geographical areas pale in comparison to the cultural differences between industries, between job types, and between companies.

Don't get me wrong. I don't mean that we can safely ignore regional cultures. I just mean that, when people are always focusing on the differences between countries, they tend to overlook the much richer diversity in their own backyard. They also overlook the many ways in which different workplaces around the world are actually quite similar. Perhaps we should stop focusing on how people in other countries are different. We can solve more problems  when we realize how much we are actually the same, and how much we can learn from what others are doing on the other side of the world.



But... It Doesn't Work!

Be aware that “learning what others are doing” is not the same as “doing exactly what others are doing”. What if a cook uses a recipe she found on the Internet, decides to follow it to the letter, and finds out that the apple pie she baked is not what she expected? Can she say that the recipe “failed”? What if she says, “Apple pies don’t work around here. We tried. Nobody liked them.” Would that make sense?

You may remember the story of my horse ride in the Andean mountains of Chile, which I shared with you in the chapter on Delegation Boards. The ride started with a four-hour trip. It had been raining all day, and everything was wet, and I had scraped my leg against a rock, and we were tired and cold and grumpy, and my horse was trying to bite the other horses, and basically, everyone in the group was feeling miserable, horses included. That is, until we arrived at our destination, a cabin deep in the forest. The place was lovely, warm, and cozy. And Jane, the American tourist who had arrived a day earlier, had baked an apple pie for everyone. It was deeeeeelicioussss. Jane felt a bit unsure because she had to adapt her recipe due to not having some of her favorite ingredients, having a strange kind of apple to work with, and having to use a simple wood oven that didn’t have CoolTouch, FanGrill, or PyroTech features. But she had adapted remarkably well. Her apple pie was the best thing that could have happened to us after four hours of Andean suffering.

A recipe is just a sequence of suggestions, nothing more. A cook cannot say, “The recipe doesn’t work”, because the recipe doesn’t *do* anything. The one who does all the work is *the cook*. If she doesn’t get what she hoped for, my guess is that she’s just inexperienced in the current environment and needs

some time to learn how to *adapt* the recipe. Maybe she didn't compensate for the bigger-than-average eggs that she used, or the hotter-than-intended oven, or the different brand of flour, or the bland taste of the cheap spices she purchased in the convenience store, or the various culinary preferences of her guests. "The recipe doesn't work" is shorthand for "I haven't yet worked out how to adapt the instructions to local circumstances and *make* a version of the recipe that works."

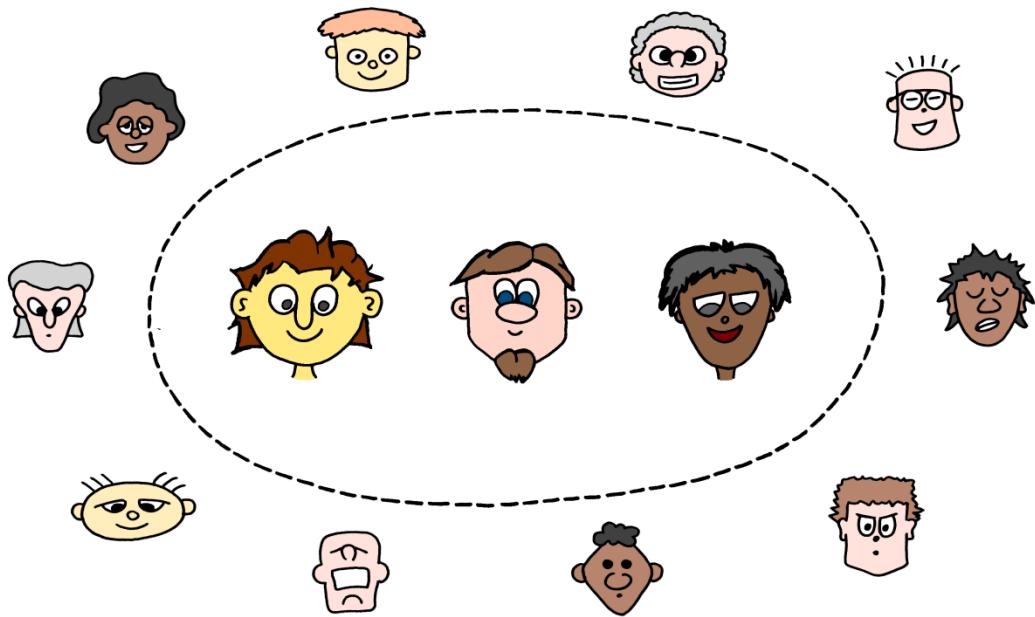
It's the same for any other useful practice, whether it's a recipe for cooking, a management practice, or a workout exercise. *Of course*, things often don't work exactly as prescribed somewhere else in the world. You have to make an effort to *make* things work. Be like Jane, work with what you have, and learn to be great. Apply the practices in your own unique way.

Great workplaces become great due to their own unique approach. Assuming that there is "one best way" can slip you into an external locus of control pretty quickly.

Robin and Burchell, *No Excuses* loc:702

Value Networks

You may have noticed that many practices described in this book refer to *clients* and *stakeholders*, not *customers*. That's because I believe an organization is a network of clients and stakeholders who collaborate to produce value for everyone involved. Shareholders supply capital and advice because they hope to get a return on their investment at some time in the future. Employees supply labor and brains so that they get a salary and a fulfilling job in return. Suppliers bring in goods and services in exchange for a proper fee. Customers bring in cash so that they get the goods or services they find valuable. And the local community should supply the business with a healthy, stable environment and moderate taxes, so that the region benefits from employment and economic growth. There might be some founders among the stakeholders as well, possibly hoping for fame and fortune.



Some writers and consultants portray businesses as factories around a “value stream”, but I find this problematic. There is no “stream of value” flowing through a business in one direction. The metaphor is misleading. A business is a network of stakeholders all creating value with and for each other.  All parties involved (shareholders, employees, customers, suppliers, communities, founders, banks, guilds, unions, competitors, and more) are trying to generate value for themselves from their collaboration with others. The business is not a value stream; it is a **value network**.

The aim proposed here for any organization is for everybody to gain – stockholders, employees, suppliers, customers, community, the environment – over the long term.

Deming, *The New Economics* pag:51

Nowadays we are increasingly faced with books and articles on the topic of customer value. They usually tell us that the primary goal of a business is to deliver value to its customers. The proponents of this principle often reason as follows: If you optimize the delivery of value to your customers, then you *must* take good care of your employees as well. And when employees and customers are both happy, the happiness of shareholders, suppliers, and everyone else will follow automatically and, magically, all will be well. Hurray!

Unfortunately, the customer-value principle is almost as misguided as its predecessor, the shareholder-value principle. Instead of optimization in favor of the shareholder, it preaches optimization favoring the customer. This is equally bad because many customers don't care if products are made by seven-year old children in sweatshops. Many customers don't care that toxic waste is dumped in Africa. Many customers don't care when suppliers are squeezed to near bankruptcy. Many customers don't care when shareholders are left empty-handed. And when you replace "don't care" with "don't know", you immediately see the strong incentive for managers to keep the harsh truths of business away from their customers for as long as possible. Plenty of consumers actually value the comfort of ignorance over the burden of knowledge. Not knowing what is going on elsewhere is less strenuous for a person's conscience and for her wallet.

Not knowing what is going on elsewhere is less strenuous for a person's conscience and for her wallet.

An exclusive focus on customer value (or the value of any other single client or stakeholder for that matter) is a clear case of sub-optimization. When I talk about this, people often give me one of two replies:

Yes, but a focus on customer value requires respecting people!

This is the same longstanding argument of the shareholder-value movement which, apparently, didn't work out too well. It is clearly possible to optimize for shareholder value (in the short term) and to ignore the other stakeholders. Ultimately, I believe this strategy always fails in the long term because it is unsustainable. I don't believe for one moment that this strategy is going to work for businesses that focus purely on customer value. Customers might be delighted for a while, but other stakeholders will suffer and pull out.

Yes, but stakeholders can organize themselves and keep pressure on management!

This is like saying it's OK to ignore or even abuse other stakeholders until they make the effort to organize and become powerful enough to convince managers that it's not OK to ignore or abuse them. It's OK to sub-optimize until someone convinces managers not to sub-optimize. It's OK to be unethical until someone convinces managers not to be unethical. Does that sound like a good strategy? Why improve the whole system *later* if you can do that *now*?

I believe the whole system is a social network of people generating value for each other. A business is a value network. It is sustainable only when all clients and stakeholders are treated well. This requires compromises. By all means, draw a value stream map to optimize value delivery for your customers. But you might have to do the same for shareholders (are they getting a return on their investment?), and for employees (are their jobs bringing them money and fulfillment?), and for suppliers (are they getting what they need?), and for local communities (are they happy with your business being there?) Customer value is a great idea if, and only if, it is properly balanced with shareholder value, employee value, supplier value, community value, and many more. Your business generates value in *all* directions.

A corporation that fails to see itself as an instrument of [all] its stakeholders will not survive.

Ackoff, *Re-Creating the Corporation* pag:289

Of course, managing multiple stakeholders is hard! It is difficult to satisfy everyone's needs. I never promised anyone management is easy. Sorry! Sadly, because it's difficult, naïve people tend to pick one client as the primary stakeholder, and treat all others as secondary.

How to optimize the whole

Again and again I have come across suggestions to "optimize the whole value stream". The assumption is that the customer's view on a business is one that covers the whole system, and therefore a relentless focus on customer value delivery will "optimize the whole".

It is as deceptively simple as it is false.

In a complex adaptive system, no observer has a view on the whole. Ideas and movements such as **shared value** [Porter and Kramer, "Creating Shared Value"], **delivering happiness** [Hsieh, *Delivering Happiness*], and **conscious capitalism** [Mackey and Sisodia, *Conscious Capitalism*] all attempt to reconcile multiple views of businesses, not only the customer's perspective. We cannot "optimize the whole" by focusing on one perspective. The best we can do is to sub-optimize everywhere, and compete, collaborate, and re-optimize in an ecosystem full of value dependencies. All the parts try to optimize for themselves, and thanks to many interdependencies, the whole system tends to evolve to an optimum.

Blaming the System

Remember that I told you in the Introduction that most questions I receive from people around the world are about changing other people's behaviors. Now that we know we should manage the system, and not the people, we run the risk that dissatisfied workers will move from blaming other people to blaming the system. I've noticed this tendency among coaches, consultants, and systems thinkers.

"It's not the people who perform badly; it's the system that doesn't enable people to perform."

"It's not the employees' decisions that are wrong; it's the system's rules and procedures we should get rid of."

"It's not the individuals who screw up; it's the organization that drives everyone to failure."

Oh, really?

Who created that bad "system", I wonder? Did some alien life form impose it on everyone, or are the workers themselves responsible for it? What are those rules and procedures, actually? Do they exist to program and steer human beings as if they were computers, or are creative networkers smart enough to think for themselves? What is the "organization", really? Can we point to it, somewhere? Or can we only point to people?

Seriously, I don't see the difference between blaming the system and blaming other people. It seems to me it's all the same, as long as workers are not blaming themselves!

How convenient.

One of my best friends has hated her job for years, and, knowing the organization, I'm sure many of her 4,000 colleagues feel the same. But even after years of not liking her job, she still hasn't moved to another employer, and she has not introduced any of the practices described in this book. She's a bit like Melly Shum, who has hated her job for 25 years. Does it help either of them to switch from blaming their colleagues to blaming the system? I'd say, "Blame yourself!" The "system" is 4,000 colleagues, made up of people just like my friend, who make each other's lives miserable every day. The "rules and procedures" are people's own behaviors that they inflict upon each other. And their "bad culture" only exists because 4,000 people have collectively decided not to take responsibility for management.

If you want a bad system to go away, you should stop helping abstract things such as systems, rules, and procedures to be turned into a horrible reality. Only people have that power. Stop blaming the system. Blame yourself.

Management Habits

This book is full of suggestions for better management, and I'm sure it's just the tip of the iceberg. Many other people have great ideas for concrete practices that can help you to engage people, improve work, and delight clients. In fact, there is no shortage of ideas. There is a shortage of commitment to making them happen.

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The world is too complex to merely give you a list of practices to follow. This is why I started this book describing the principles of Management 3.0. Just giving people a few principles, however, is not enough to improve behaviors. Most people may understand principles intellectually by hearing about them, but they only truly grasp their significance by experiencing them. It's the experience that follows from adopting good practices.

Trying to copy or reproduce another company's tools, techniques, or principles does little to change an organization's culture, its way of doing things. For example, how do you get people to actually live principles? On the other hand, focusing on developing daily behavior patterns is a leverage point because, as the field of psychology shows us, with practice, behavior patterns are changeable, learnable, and reproducible.

Rother, *Toyota Kata* loc:171

Now it's up to you!

It's your turn to make things happen by implementing practices and experiencing principles. With some workout exercises, this may involve convincing a manager to make time, space, or money available for your experiments. Convincing managers of the benefits of new ideas is best done by delivering on commitment in order to create trust, always trying to solve your manager's problem first, and experimenting with new ideas in safe-to-fail environments. [Berkun, "How to Convince Your Boss to Try New Things"]

With other workout exercises, you don't need anyone's cooperation and you can just start right away. Usually, the main challenge here is to keep exercising regularly. The benefits of new practices may take a while to reveal themselves. Your efforts should focus on finding the right triggers that make it easy to initiate good behaviors, and finding short feedback loops that reward you and enable you to turn the practices into habits. [Duhigg, *The Power of Habit*]

For all workout exercises, I can say they have already proved their benefits for other businesses, but you must try them for yourself and make them your own.

A project wizard

If I have to say one thing about your work, it is complexity theory and systems thinking that I have been able to use the most. Knowing that it is all about how the entire system acts on individuals, and how individuals act on the entire system, has made me more confident and systematic as a project manager and as a change manager.

I know that what I need to do is to locally construct just enough boundaries and feedback mechanisms to get going and improve from there. My managers are impressed and I enjoy my work. An identity as "The Project Wizard" has stayed with me, inspired by your project credits workout. I also started a project management network at my consultancy firm inspired by your business guild workout.

Johan Dahlbäck, Sweden

I Love Management

I remember well that I hated management many years ago. I hated checking whether people had done what I told them to do. I hated doing performance appraisals. I hated negotiating individual salaries and bonuses. I hated aligning teams with top management's business-strategy-of-the-week. And I hated wearing a suit and tie while all the nice people were wearing jeans and sweaters.

It took me a while to understand why, but now I know.

It was *bad* management I hated.

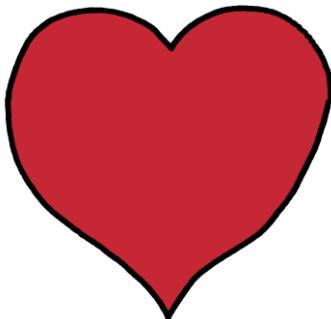
MANAGEMENT 3.0

CHANGE AND INNOVATION PRACTICES

It's different now. These days I love giving direction to the Management 3.0 licensing program. MANAGEMENT 3.0
CHANGE AND INNOVATION PRACTICES I love discovering the intrinsic motivation of people, inspiring them with storytelling, and discussing constraints with self-organizing teams and facilitators. I love leading workshops and measuring my progress when writing or speaking. I love being one of the founders of both the Agile Lean Europe network and the Stoos movement, and I love developing and nurturing our Happy Melly business. Oh, and I love wearing jeans and sweaters.

Now it's easy to understand why.

I love *good* management, and it seems I'm one of the few people in the world who actually loves his job. ❤ Yes, I was an unhappy Melly in the past, like many others. But now I'm a happy Melly!



Life is too short to spend in jobs we don't love

I was in the middle of designing a complex 360-degree evaluation system when I heard about Management 3.0 for the first time. One of my friends told me about a course in Turkey and I decided to take this opportunity. After the course, I returned to work with several ideas, including the Merit Money practice. It was a much simpler method than the system I originally had in mind. We started it with twenty people in three teams. Nobody argued about its fairness. It was entertaining; it caused many fun discussions among teams; and it gave me a simple metric that was not based on my own subjective opinion.

There was also a little book in my bag called *How to Change the World* that I had received at the course in Turkey. The book started with a simple argument: "If you are not happy with your job, you have three options: ignore it, quit your job, or try to change the organization." It was like hitting a switch and turning on the light! I did my best to convince my boss and the board about the problems people had with their management style. I was sure that something would change: either management would improve or I would leave.

And indeed, things changed! I left the company along with several people from our teams. We created our own workplace, in the way we wanted, and without burning somebody else's money. ;-). Now we are not employees but initiators. We realized that life is too short to spend our lives in a workplace we don't love.

Alix Moghadam, Iran

When I started writing this final chapter of my book, I received the following message from a reader:

I find your work not just interesting, but also important, helping people and organizations to cope with the challenges at work every day. I also find that it is very important in efforts to innovate the way we are organizing work today.

Lazar Todorov, a kind reader from Germany

I often maintain a healthy skeptical attitude toward any claims and praise in the emails that I receive, but for messages like these, I gladly make an exception. ;-)

Hopefully, I have given you enough inspiration to introduce better management, perhaps even with fewer managers. With this book, you now have serious games to help improve organizational culture, simple practices that increase employee engagement, creative stories that inspire teamwork and collaboration, new ways to achieve team accountability and responsibility, concrete steps toward more creativity and innovation, easy workout exercises to make the business more agile, and modern tools that enable people to enjoy a happy Monday.

Now you can change your organization's culture, step-by-step, by engaging your people, improving your work, and delighting your clients.

Have fun!

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The law of writing says that **reviews sell books**.

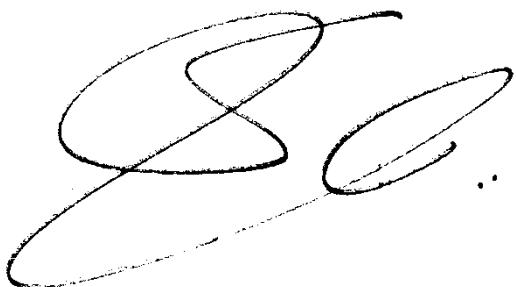
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Thanks!

A large, handwritten signature in black ink, appearing to read "Jurgen". It is written in a cursive style with a thick brush.

Jurgen

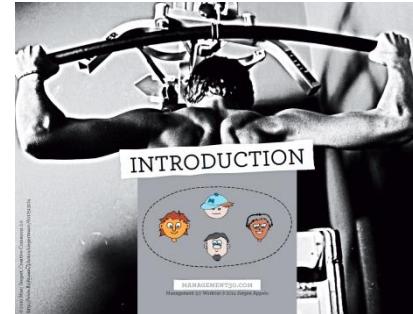


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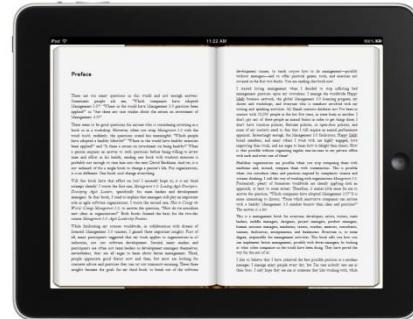
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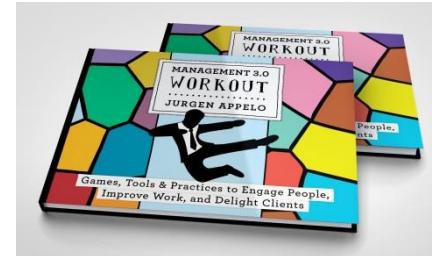
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