



I'm afraid that some leaders do actually think they are God

Arne Roock asks Stephen Bungay about modern management, the Prussian Army, and the Spice Girls

Stephen, you have studied linguistics, written a doctoral thesis about Hegel and published books about military history. And you work as a strategy consultant. How does all of this go together?

(laughs) I got interested in strategy as a child. Like most children, I used to play with toy soldiers. Later I got more and more interested in how generals operated in wars and replayed historical battles. But this was just my hobby. I studied linguistics, because I simply had fun studying it. I was interested in philosophy too, so that's why I wrote my thesis on Hegel. At the same time I got increasingly interested in economics, but I did not want to start a business degree too. I had already spent enough time at the university. So I looked for a job and became aware of a

company that called itself a strategy-consulting firm. For me this was fascinating, because until then I had thought that strategy is only used in war. I did not know that this is also important for businesses. I started to work for this company, The Boston Consulting Group, so I could devote myself to my old passion: strategy. From that moment on, I always looked at both sides, the historical and the economic side, and paid attention to the similarities.

We met at the conference Lean Kanban Central Europe 2011 in Munich, where you gave a keynote speech. The one sentence that got stuck in my head since then is: „Modern Management thinking is a disease.“ What do you mean by that?

(laughs) I think you might be mixing things up. I referred to the history of management thinking as being one of the greatest intellectual disasters of the 20th century. And the inability of organizations to turn their strategies into action, is a disease – in fact, it is an international pandemic that has infected almost every company I've come across. And between these two phenomena, there is a connection, which goes back to an organizational model. This model was made for companies that were around during the industrial revolution. At that time, machines were at the heart of organizations. This view of business organizations as machines, and of management as a science, became an accepted doctrine at the beginning of the 20th century, particularly through the writings of Frederick Winslow Taylor. Taylor's principles helped companies to work very efficiently, as long as the environment remained stable and they were able to keep on doing the same things. But nowadays, we have to deal with an environment that is constantly changing, so that results are not predictable. Mass production is only one part of success, and efficiency alone is no longer enough to be competitive. You need to be effective as well.

The history of management thinking as being one of the largest intellectual disasters of the 20th century

I think there's a different model which is much more helpful. In this model, organizations are viewed as organisms that are being managed holistically. The Taylor model assumes that if we optimize all the parts individually, then we optimize the whole thing. Quite the contrary, we worsen the whole thing! In the model I fa-

vour, people are not seen as robots that simply act on rules invented by some clever designers. Instead, it is crucial to align people with the outcomes you want to have and give them freedom of action so that they can do the right thing. This model I am speaking of was developed in the Prussian army by Clausewitz, Scharnhorst and Moltke. Moltke systematized this model and created techniques that can be used and transferred to businesses easily. My statement, that the history of management thinking is an intellectual disaster, is meant to be a little bit provocative but it doesn't mean that everything about management is bad. More specifically, the history of management theories is a story of half-truths, each of which had some use to help businesses, but the inventors incorrectly thought that these were the only truths.

You state that in most organizations there's a lot of activity but very little action. What does this mean?

Activity is something that keeps people busy. Action, however, is something that moves the organization as a whole in a certain direction. In many organizations I've worked for, the employees were rushing around and doing a lot of stuff 12 hours a day until they burned out. But the organizations were completely static because the activities were not following a coherent path that leads in a certain direction, and that leads a company out of a mess. It is crucial that you are able to set a clear direction and then to communicate it, too. Doing so is actually a skill that involves the top people making some clear choices and saying: "Yes, I know that there is plenty to do. But we will not tackle everything at once. We have to follow a certain path, and now what matters first is this, and then that". This is how you turn activity into action. The second reason why there is so much activity is that ►

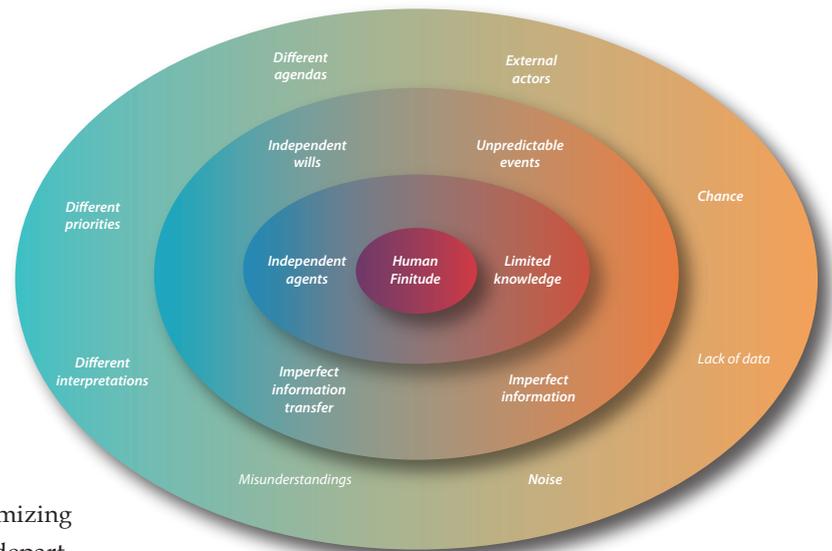


Figure 1: The world is full of friction, which makes it impossible to come up with perfect plans.

people still try to manage organizations by optimizing the parts. Doing that, you just create individual departments that all have their own agenda. But you only need one strategy – the strategy for the business! The departments should try as much as possible to help ensure that this overall strategy is implemented.

The concept of friction seems to be at the heart of your thinking. Could you please explain what it means?

The concept of friction comes from Clausewitz. He was active in the first decades of the 19th Century and had this realization: „Everything in war is simple, but the simplest thing is difficult. The difficulties accumulate and end by producing a kind of friction that is inconceivable unless one has experienced war.“

His analysis of this is very insightful and expressed in terms that almost everyone can understand. At its heart is the observation that we are finite beings, our knowledge is limited, and our will is limited. The only creature that is not limited is God. The first lesson to take away from friction is that thinking you are going to overcome it and that it doesn't apply to you is a dangerous delusion that will lead you to think you are god. And I'm afraid that some leaders do actually think they are God. And the result is almost invariably a disaster. The implications of Clausewitz's thinking are that we cannot make perfect plans, because the future is inherently unknown.

In addition, we must pay close attention to how we communicate with each other in an organization if we want to achieve a collective goal. We have to try to eliminate all the noise that is around us – and there is a lot! – and focus on the important messages. And we need to be aware that managers are not blessed with all the knowledge that is needed to successfully implement a strategy. That has to

be achieved by the organization as a whole, and we need to give people freedom of action, right the way down the organization. Of course, there are limits, which should be respected. It always has to do with friction: when the environment changes rapidly, when one never can know all the things that you might like to know; when other people act in the same environment as we do, and we cannot determine their actions. This is not simply a matter of our competitors who want to make our lives difficult. They are also regulators, governments, suppliers, and customers. Customers also do not always do what we want from them. You think you've got this fantastic product out there, but your customers don't think so. You've got to be ready to accept the fact that even if you carry out all the actions specified by your plan, it doesn't necessarily mean you are going to achieve the outcomes you want. If we choose what results we want to achieve, we need people across the organization who understand these results and truly understand the further role they play in helping to achieve these results. Everybody will be acting toward one particular end, but not everyone can do everything. So you have to divide up the various tasks that must be done by the individual employee. And the employee must take initiative and react to any obstacles that arise along the way. Friction lays out the conditions that have to be fulfilled by any organization in order to be successful in an environment that changes rapidly and is unpredictable. The business environment today is full of friction. One cannot get rid of friction, but you can deal with it better

than others. It's interesting how different organizations deal with the unexpected: Some see this as a problem and try to reduce the uncertainty, for example, with risk management. Other organizations, however, see uncertainty as a source of opportunities. And increasingly, advantages go to those who can see unexpected opportunities along the way rather than ignoring them and trying to follow a path that they planned in advance. You can plan to get to a certain place in advance, you can plan a destination, but the path will always be one that will be moving around off the main path, in ways you cannot predict.

Friction creates three critical gaps. What are these gaps, and why are they so important?

What are we trying to achieve with a strategy? We're making some plans and we take actions to achieve certain results. If we were God, or if our environment were completely stable, or if we could know everything we would like to know, then there would be no gaps. Then we could specify actions that would achieve an outcome. But in reality, there are always gaps. There is a gap between the outcomes and the plans, which I call the knowledge gap. We never know what we would like to be able to know. Then there's a gap between plans and actions. People do not always do what you want them to do, or what the planners want them to do. I call that the alignment gap. And finally, there is a gap between the actions and the outcomes - the effects gap. We cannot predict if the actions we take will realise the outcomes, because there are always external actors in the environment whose actions we cannot control. So the issue of executing a strategy effectively or running a business effectively in the 21st century, is about overcoming those three gaps.

But how do you overcome those three gaps?

Scharnhorst and Moltke developed the organizational model as a way to solve all these problems. One famous quote of Moltke is: „No plans survive first contact with the enemy's main body.“ The way to deal with this is not to plan beyond the circumstances you can foresee, but to be very clear about what you want to achieve - what your intentions are. Moltke stressed again and again that you have to resist the temptation to specify things in great detail. Detail is the enemy of clarity! You get clarity by making choices and not by going into a lot of details. But that's what most people do. So, here, we find the answer to the knowledge gap.

Detail is the enemy of clarity!

To overcome the alignment gap, you have to pass on any important information about what to achieve, for what reason, and what the boundary conditions are. And you have to make sure that this message is passed down to the people one level below that report to you, which they then pass on down and so on. It is crucial that this message is understood. And the only way you can really know that the message is understood is if somebody tells you about the steps he is going to do to achieve the desired result. It is not enough if you just ask if the message is understood. Then people nod and say, „Yes, of course. All right.“ But more than half of the time, you will find that they haven't actually understood. Or we didn't really ask them what we really wanted to know, because we were a little confused ourselves. Moltke used a technique that I call briefing and back-briefing. This technique was so important to him that he has invented a new vocabulary. He spoke ►

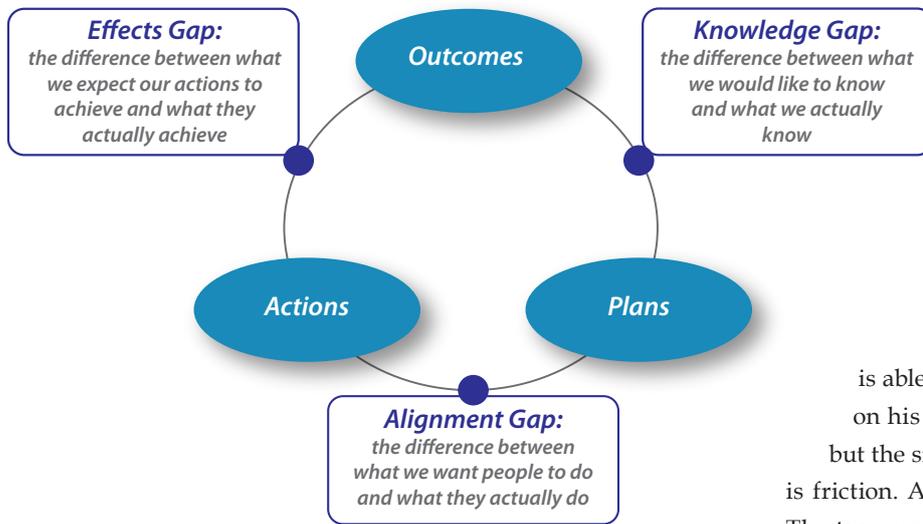


Figure 2: Friction creates three critical gaps that must be dealt with.

no more of a „command“, instead he spoke of a „directive“. A traditional command determines what you have to do, and how. A directive determines what you have to achieve, and why. This new communication process demanded new discipline on both sides. The manager had to stop himself before constricting the freedom of action of subordinates. „We can set the rule“ Moltke wrote in 1868, „that the disposition should only contain the information a subordinate cannot find out by himself to accomplish a specific goal.“ Later, in so-called „Exerzier-Reglements“, between 1888 and 1906, senior officers were not allowed to go into detail!

we must be willing to forgive mistakes

As a subordinate you must understand the intent of your superiors and your own intent. An intent consists of a task and a purpose. So a subordinate has to think about how to execute his intent and then return to his superior and tell him: „My understanding is that you expect this and that from me. So I would do this to accomplish that. For that, I need these resources, and I will adhere to the following conditions, which should not be changed. Is this ok?“ Now you can have a valuable discussion with your superior. Usually this does not work perfectly the first time, but maybe the second or third time. And then the subordinate

is able to execute his task and to make decisions on his own. The mission then remains constant, but the situation changes constantly, because there is friction. And this is how you solve the effects gap: The two parts of the mission (task and purpose) give me the freedom to change my tasks to fulfil my constant intention. If the intention is not satisfiable anymore, then I'll talk to my supervisor. Otherwise, I act independently. Now we don't need to fear friction any longer, because we know how the reality looks and because we can prepare ourselves. This is how we are able to achieve results that make up the organization's strategy. This process is very simple, but to execute it is difficult and you need certain skills and training. This implies that leadership is needed at all levels within the organization. Middle management plays a key role. Furthermore, we must be willing to forgive mistakes. Moltke said: „Obedience is a principle, but the man comes before the principle“ He was hard on people who were passive and did nothing, but treated those with respect who tried to do the right things, but made mistakes. We use the do-and-adapt model for realizing our strategy. You need people who are willing to take responsibility for achieving a common goal for that and not just people who only want instructions. But real business managers need to be the sort of people who say: „I think this is the right thing to do, and I accept the responsibility which comes with doing it.“ In my experience, most managers are like that and a few are different.

In the agile and lean communities, there's a lot of talk about complex adaptive systems and how to deal with them. When I read your book, I came to the conclusion that this problem was already solved 140 years ago by the Prussian army. Would you agree?

Yes, to put it simply. If we look at Clausewitz and all the stuff about friction and read all the little stories that he told – for example, a traveller who is going on a journey and finds that there are certain things going wrong, is actually a description what it's like to be in a complex adaptive system. He didn't conceptualize it in any way, he didn't know anything about Chaos Theory, there weren't mathematical formulae that we now have. We know and understand more about complex adaptive systems than people did 200 years ago. But Clausewitz's description of what it's like to be in one is very accurate. And I have found that it is very easy to explain this concept to managers, because it corresponds exactly to their own experiences. For Clausewitz and Moltke, it was important how to be successful in a semi-chaotic environment like war can be. And for that, they have actually found a solution. It may not be the perfect solution, but it's better than anything else we know. I suggest we adopt it and don't try to reinvent the wheel.

The Spice Girls ask the critical question that everybody needs to ask their manager

What I find interesting, is that for being successful in such an environment, you need alignment and autonomy. The first problem is that most people see autonomy and alignment as alternatives – as two ends of a single spectrum. And then you have to choose between them. They tend to centralize to get alignment or decentralize to get autonomy. I think one of the most valuable insights that Moltke had, is that you don't have to make a compromise between them. There is no choice to make. He wanted a high degree of autonomy and high alignment at the same time.

The ultimate tool for people to align themselves with the common goals is the briefing technique. For that, you need people in higher management who have the courage to make some choices. They must be able to understand complex situations, and grasp the essence of them. People tend to take complexity, make it a little more complicated and pass it down the line so that nobody has a clue what to do. Reality is always shades of grey, but actions are always black and white: You either do A or B. There may be good reasons for A and good reasons for B, but we have to choose one of them. Therefore you need the moral courage and the intellectual horsepower to say: „At this point, the important thing is that we do A.“ And that message has to be passed on so that people get it. There are a series of conversations that have to take place until you get people aligned enough for the organization, to be able to move and to turn activity into action. ▶

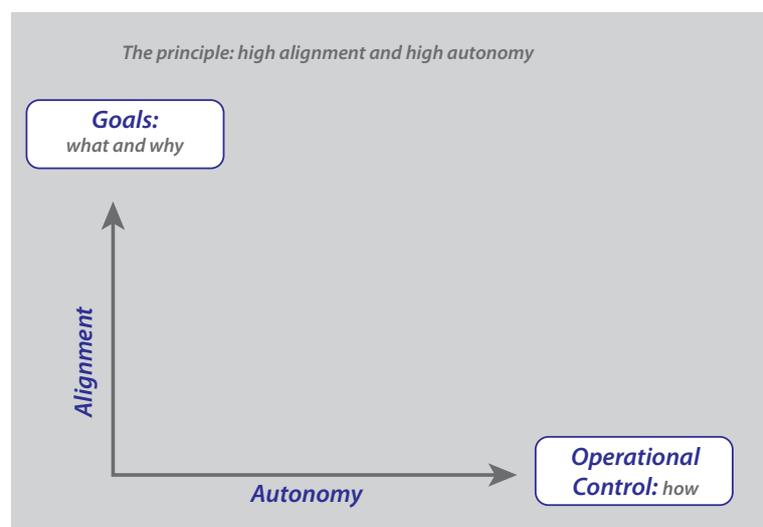


Figure 3: Autonomy and Alignment are not two ends of a continuum, but two different dimensions. Organizations need both in order to be successful.

We talked about different things like friction and the three gaps. All of this is bundled together in your concept you call Directed Opportunism. Can you summarize this concept?

It's deciding what you want people to achieve and why, and then giving them space within boundaries to achieve it.

At the end of this interview, I need to ask one more thing. In your keynote you said, the Spice Girls were among the most brilliant thinkers of the 21st management Century. Why?

The Spice Girls ask the critical question that everybody needs to ask their manager: „Tell me what you want. What you really, really want“. And that's what I would advise everyone to do. And keep asking until you get a clear answer.

I think those are really great last words! Thank your very much for your time!

Thank you, Arne. ■

Meet Stephen Bungay!

Don't miss his keynote

„Beyond the Cult of Leadership“

Lean Kanban Central Europe 2013

Nov 4-5 2013 in Hamburg

www.leankanban.eu



STEPHEN BUNGAY

www.stephenbungay.com

Stephen Bungay is a Director of the Ashridge Strategic Management Centre and Programme Director of Strategic Decisions and Making Strategy Happen. Stephen's teaching and consulting work focuses on strategy, organisation and leadership. His recent work has been on strategy execution. His current research is about the role of chance and serendipity in strategy.

Stephen worked in the London and Munich offices of The Boston Consulting Group for a total of seventeen years. On leaving BCG, he became CEO of the Commercial Division of a Lloyds-based insurance company, before leaving to concentrate on writing and teaching.

