Rev: NR

Progressive Management

A White Paper

10 March 2011

Charles W. Doty

Contents

1. Abstract

Progressive Management is a management system that enables effectiveness, efficiency, and agility through the use of best management practices. An understanding and application of the techniques used in Progressive Management will result in an improved ability to plan, organize, and manage your resources in a way that will optimize your ability to meet company goals and objectives. These techniques are particularly valuable in navigating the business transitions that are so important in the rapidly evolving global economy.

2. Background

In the 1980's many American companies began to focus on the principles espoused by W. Edwards Deming, one of the leaders of the quality revolution in Japan that led to the Toyota Production System. This focus often manifested itself in Six Sigma programs and competition for the Malcolm Baldrige National Quality Award. Deming was known as a statistical quality control expert, and indeed he was, but the principles that drove his teachings have now proven effective in a far broader range of activities. Progressive Management evolved from the early teachings of Deming, with a few new twists along the way. Below are four of Deming's fourteen points that are as important today as they were when published in 1982.

1. "Create constancy of purpose towards improvement". Replace short-term reaction with long-term planning.

4. End the practice of awarding business on the basis of price tag. Instead, minimize total cost. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.

5. Improve constantly and forever the system of production and service, to improve quality and productivity, and thus constantly decrease costs.

9. Break down barriers between departments. People in research, design, sales, and production must work as a team, to foresee problems of production and in use that may be encountered with the product or service.

For most companies embracing these four points, the aforementioned programs were the beginning of the end of the vertical integration era. One CEO of a major semiconductor company coined the phrase, “from sand to systems”, and that was a boast that referenced the dying era of American production, when vertical integration was a competitive advantage. Only a few years after he quit making that boast, vertical integration was no longer competitive in the new world environment where flexibility and agility to address markets and react to competition is critical to success, so companies began to adopt new and more effective ways to do business.

There was much talk about “virtual companies” and “lean strategies” by the early 1990’s. This focus was the natural result of applying the Deming management principles on a wider scale. Legacy functional organizations, including purchasing, engineering, legal, and manufacturing, resisted this change, demonstrating the tendency of old cultures to change with great reluctance. Those who embraced the progressive new approaches have now demonstrated many times over that the management principles that Deming developed are general in nature, and when properly applied to any management problem, they result in success.

3. Introduction

Progressive Management can help you succeed in a global economy that rewards agility and fiscal efficiency. It will guide you through an understanding of how to interpret and use these principles.

Project Management is management that focuses on specific project goals and objectives to be achieved over a predetermined period of time. General management may include many projects and ongoing activities over an indeterminate length of time, often referred to as “operations”. We will open with a discussion of Project Management and leverage that discussion to the broader topic of general management.

Traditional Project Management

Traditional project management was formalized in the 1950’s primarily by those working in the fields of engineering, defense, and construction. The primary tools were originally Gantt schedule charts, but the mathematical scheduling techniques known as the Critical Path Method (CPM) and Project Evaluation and Review Technique (PERT) quickly became predominate for the large complex projects where project management was critical to success. Large complex projects are still where traditional project management is most valuable.

Projects are constrained by scope, schedule, and cost. A successful project achieves the objectives (scope) within the budget (cost), by the date specified by the schedule. Unfortunately, for virtually any given project in the real world the scope changes continuously as the project progresses, and therein lies many of the difficulties encountered when managing such a project. According to the principles of project management, any time the scope changes, one or both of the other two constraints much change also. In an environment of constant change then, how does one manage a project using the traditional techniques?

The first purpose of project management is to provide a Guiding Vision for all project stakeholders. The scope is broken down into tasks, the length of each task is estimated, the relationship of the tasks are determined. There are some inherent assumptions that are associated with the traditional project management method that may be questionable for many projects.

Questionable Assumptions

- Rigid procedures are needed to regulate change
- Hierarchical organizational structures are a means of establishing order
- Increased control results in increased order
- Organizations must be rigid, static hierarchies
- Employees are interchangeable “parts” in the organizational “machine”
- Problems are solved primarily through reductionist task breakdown and allocation
- Projects and risks are adequately predictable to be managed through complex up-front planning

As you consider the projects in which you are involved, you may understand some of the difficulties inherent in managing such projects using the traditional method. However, despite the problems, traditional project management may add value simply because there has been no well understood alternative.

The Need for Agility

Success in the current global environment often hinges on agility. Agility is the ability to react quickly to changes in the market environment. Market windows open and market windows close. If you try to take advantage of market opportunities that dissipate before you are ready, you typically do not get a second chance. Traditional Project Management is not well suited to agile execution.

New market opportunities frequently require business transitions. The transitions may include a development program for a new product or product line, the introduction of a new technology or a variation of existing technology, a new customer, a new contract, or any of many other transition driving opportunities. Every opportunity has a market window, and unlimited funds are never available. You need project management, but it just does not work well in transition scenarios, because the hidden assumptions limit agility.

Agile Project Management

Software developers came up with an alternative method for managing software development projects, and they call it Agile Programming. Agile project management, similar to Agile Programming, refers to a method for managing complex and/or uncertain projects. This approach to project management differs from traditional project management mainly in its open, elastic, and non-deterministic approach. The main focus is on the human side of project management (e.g. managing project stakeholders), rather than on intricate scheduling techniques and heavy formalism. Agile Management values are Simplicity, Feedback, Communication, Respect, and Courage. These values, when practiced effectively using some pretty simple rules, work very well. However, many software developers are drawn to this method because they are not burdened by the rules and formalism of the traditional method, and they assume it will produce good results even if they follow only the rules that they are comfortable with, which usually require them to do what they have already been doing. It is poor management, and it produces poor results.

One of my clients, a Vice President of Development at a software company, told me his development team was practicing Agile Project Management with respect to software development, and he had his development manager in the room to back him up. So I started asking for details based on the Agile Model they said they were using. I asked the questions I was pretty sure would draw an affirmative response first to set the stage: small releases, one team, refactoring, simple design, continuous integration, acceptance tests, iterations…they all got relatively honest affirmatives. Then things started getting shaky. On-site customer - no, test driven development – not exactly driven, pair programming – the programmers just did not see the value in that, retrospective – not really. What they did was rely on tribal knowledge when they invariably got in trouble.

The developer claimed to have met all schedules, but it turns out that all schedules were revised outward as the release slipped which guaranteed that the release always met the latest schedule. The software problems that were not uncovered through the lack of pair programming were found in prerelease testing and rework under severe time pressure. The customer requirements that would have been managed by an on-site customer were covered in .nnn rereleases. There were crises near the end of every release, and the Tribal Heroes were always called in to save the day. Only the Heroes could save the day because they did not share their tribal knowledge outside of their closed group. The Heroes were always rewarded, and good programmers left the company in disgust. The VP was surprised when my detailed questioning revealed that they were not really doing Agile Management. The development manager had been instructed to use Agile Management, she told her VP she was using it, he accepted her statement, and he was too close to the problem to see what was really happening. The VP is no longer with that company, and a few Tribal Heroes are also missing.

Agile Project Management, when used on appropriate projects, works. But Agile Project Management has rules too. When these rules are selectively ignored the result is over-schedule over-budget efforts that are rarely different than projects managed using the traditional method. It is a manager’s job to assure that the chosen method is followed, and to do that he or she must have a clear understanding of the rules, how to use them, and when and how to make exceptions. It also takes Courage, one of the key values. So, by all means, if Agile Project Management is appropriate, and if you understand it, use it. Make it work.

4. Progressive Management

Progressive Management is good management. It most often contains elements of both Traditional and Agile Project Management, but it is bigger than both; it is a fusion keyed to the circumstances and the times. From the Traditional structure we include the three constraints: scope, schedule, and cost. However, we recognize a fourth factor: risk. From the Agile playbook we include all of the values: Communications, Simplicity, Feedback, Courage, and Respect. We will add elements of Focus, which includes a Guiding Vision, Teamwork and Collaboration, Simple Rules, Open Information, Light Touch, and Agile Vigilance; we also include and emphasize the Stakeholders. Ultimately, Progressive Project Management is about using methods that improve the predictability of outcomes and reduce risk while being flexible with respect to changing scope and requirements. It is less about the methods than about the results against an agreed to set of criteria – both project, market, and organization related.

Choosing Managers

Sometimes Management is confused with Management tools. If you want good results, assign a Manager who has proven skills in *management*. Being skilled in the use of Primavera or Microsoft Project might be important, but it is not sufficient.

Current Environment

The global business environment, in which we all compete, places a high value on agility. Agility is now a requirement rather than just an advantage; it is especially important for small and midsize companies, who lack an established base supported by large capital, cash, or market inertia. Your management approach must enable and feature agility to be successful, but agility is not a capability that can be added. It is one of the outcomes of Progressive Management.

Alliances

Successful companies have a core expertise and focus that gives them an advantage in one or more markets. In the days of vertical integration large companies surrounded their core competency with support groups in order to improve their control over these functions. There was a time when that worked well for large companies, although it was never much of a factor in small companies who did not have the available capital to finance this approach.

The down side to vertical integration was that it was not efficient, primarily because internal support groups were isolated from market forces. Core competency groups were directed by management to use internal support groups, and the cost of higher prices, delayed schedules, and incompetency were absorbed by the core groups, making them less competitive in the marketplace. As long as the industry competitors were also subject to the inefficiency of vertical integration, the problem was not apparent, but when global competition became more active, domestic vertically integrated companies were less cost competitive in their industry.

Nobody really did “sand to systems”, so products and services that were not produced internally were “purchased”. The purchasing paradigm was typically adapted from the military model. A requirement document that described the product or service was produced and sent to a minimum of three “vendors”. The business was awarded to the lowest bidder who promised to meet the requirements. “Vendor” metrics were often limited to cost and original delivery data. Quality performance, ability to adjust to changing requirements, and other key factors were seldom considered until a catastrophe occurred. There were few long term business relationships, what we now call alliances, because previous total cost performance was seldom measured or considered during the bidding process. New contracts were awarded to the supplier who had the lowest unit cost bid and promised to meet performance and delivery requirements.

A second factor also came into play, agility. Vertically integrated companies were inherently less agile than their outsourcing competition. As the global market matured, agility became just as important as efficiency. Vertical integration and traditional purchasing processes were simply not competitive in the global market.

Outsourcing

National media and politicians often talk about outsourcing as if it were a dirty word. Most of them do not even know what it means or how it works. Outsourcing does not mean sending American jobs to China. Outsourcing, when done properly, means focusing on your own core strengths and creating alliances with other companies on a long term basis to supply other (non-core) goods and services.

The location of the ally should only be considered with respect to its impact on total cost. If you have a mature manufactured product with firm, clear requirements, and infrequent updates, a Chinese manufacturing ally may indeed be the best solution. If you have a new product that is not well defined and requires frequent updates and changes, it is probably advantageous to have a local or at least domestic ally who speaks your language.

These alliances should *not* be based on unit cost low bids. Alliances should be, to use an over-used term, win-win. It is in your best interest to choose alliance partners who will benefit from an ongoing relationship with your company. For instance, when you wish to reduce the price of a good or service you should work with your ally to reduce cost; you should not unilaterally seek a reduction in margin for your ally. A good ally will not be coy about the fact that a competitive margin is necessary for his or her success. You want successful allies, allies that will be there when you need them.

Alliances make you more efficient. Choose allies who are providing goods or services that are within their core competency. A good ally produces when you need production and does not cost you money when you do not need production.

Consulting and Contracting

Consulting and contracting work best when they are treated like alliances, even though each event may end up being a one-time need. The costs of consulting and contracting are temporary expenses associated with a temporary need. Therefore, even though the unit cost (hourly or daily rate) may be higher than the unit cost of permanent employees, the total cost for the service needed is almost always lower. A consultant with experience and skills that you will need for only a few weeks or months will get that work done much more efficiently than an on-staff assignment who will either neglect his or her regular assignment or, more likely, relegate his temporary assignment to the lowest priority. If the nature or your needs are periodic and temporary rather than unique one-time events, it will be advantageous to form an alliance with a consulting firm. Your ally will learn your capabilities and needs so that each response if even more efficient.

Process Analysis

Progressive Management requires that managers understand how their business works. Although most managers *think* they understand the way their business works, our experience suggests that this is often not the case. An independent process analysis will often reveal that the actual processes being used are either not documented or are not being performed as documented. Because of internal assumptions and politics it is often very difficult to accurately map the total business processes from within. Decisions based on incorrect process assumptions do not have the desired effect, and the resulting issues are frequently blamed on individual job performance which compounds and escalates the problem.

Organizational Analysis

Companies gain value through growth, and growth requires that the organization be updated. Often companies have periods of relative stability separated by growth transition events. When your company wins a new contract, develops a new product, engages with a new customer, or enters a new market, you have two major challenges. The first challenge is to meet your customer commitments efficiently and effectively, satisfying your customer's requirements with special emphasis on delivery dates. The second challenge is to grow your company to enable you to perform at the higher level of business you anticipate because of the new activity, without sabotaging the first challenge.

During a **growth event** your organization will undergo changes to adjust to the new situation you are moving toward. To make the transition successfully you should understand your pre-event and current organizational state thoroughly as well as the organizational needs of your future state so that the transitional organization will produce the desired long-term organization with minimal disruption. You should assess your organizational mission, strategy, structure, process, and culture alignment with business objectives. Complete the current and future missions, structure, and process map; identify future positions, create a future org chart, create job descriptions for each position, assess your current workforce against future positions, identify future positions for current workers, and finally identify positions to be filled by recruits. The recruiting process itself should be made as non-invasive as possible. If you give your operational and development organizations too much recruiting responsibility, one of two things are likely: either the recruiting will be given a low priority and delayed or done poorly, or the recruiting work will interfere with important development or operational tasks.

Business Transitions

As mentioned above, growth events are business transitions, but there are other business transitions that bear consideration.

Turnarounds are transitions during which an attempt is made to revive a declining or failing business. When facing a turnaround situation, it is a given that many things need to change, and your work force will naturally resist that change. A focused approach will greatly improve your prospects for success by identifying and addressing the areas that could benefit the most from improvement.

Areas of Focus for a Turnaround

- Process Improvements
  - Lean Processes
  - Progressive Management Techniques
  - Development Focus
  - Production Alignment
- Customer Focus
  - Meet Requirements
  - On-Time Delivery
- Emphasize Communications
  - Visibility of success
  - Consistent messaging
  - Getting the focus needed to make change happen
  - Sharing success stories
  - Information sharing
- Leveraging best practices
- Common rewards and incentive plans

It is important to involve stakeholders in the turnaround process in order to obtain buy-in and to prevent the loss of valuable people. Effective over-communication should be practiced religiously.

An **acquisition or merger** requires a transition period to produce an environment in which two usually different cultures are able to work together under a common strategy. The lead company may wish to preserve the following company's culture, or it may choose to create a common culture that embraces the strengths of both companies. The transition period is stressful for the people of both companies, and there may be a tendency for individuals to act more in their personal interest rather than the company interest. This tendency is a part of human nature and best results are achieved when it is managed by an objective third party rather than ignored or denied. The period after the acquisition or merger is when most acquired or following companies lose their value because of a failure to properly manage the value that was acquired.

For every successful **start-up** company, there comes a time when you must start producing. Your investors have just given you a new round of funding, and there is a set of expectations associated with that funding that involve starting delivery of the product or service that your company will produce. This is known as the commercialization transition. If you do not meet the investors' expectations, some very negative things can happen, including the introduction of a new management team. This transition period is one of the inflection points where failure is most likely for a start-up. The team strengths that got you that far are often not sufficient or not the right mix to successfully navigate the transition. The commercialization transition is at its core a growth transition, and all of the progressive management discussion in the growth event paragraph applies here.

Focus

Progressive Management requires focus. The areas of focus we emphasize are as follows:

> Guiding Vision – One of the most important functions of management is a leadership function to provide and communicate a guiding vision.
>
> Teamwork and Collaboration – Synergism is important and valuable, and teamwork and collaboration generate synergism.
>
> Simple Rules – Complicated rules are seldom followed, and they seldom work when they are followed. Simple rules encourage participation.
>
> Open Information – Confidentiality or protected information creates resentment and discourages trust and participation. Information should be open and over-communicated.
>
> Light Touch – Stakeholders should be required to do only work that is necessary and valuable. The progressive manager relies on leadership rather than structure and micromanagement.
>
> Agile Vigilance – The requirements are likely to change frequently or constantly. Course corrections should be an expected and regular part of management.

A progressive manager must understand the business opportunity being addressed, set the proper objectives, manage the inherent risk, measure progress toward objectives, and adjust course as needed until the objectives are achieved.

Ambiguity

Perhaps the greatest cause of business transition failure is ambiguity. Ambiguity results in scope creep, missed deadlines, runaway costs, under or over utilization of resources, and other issues. It is the job of the progressive manager to identify and eliminate ambiguities.

Risk and Change Management

Earlier we mentioned that we would discuss the three constraints: scope, schedule, and cost and a fourth factor: risk. When a project is properly estimated and planned, increasing the scope of the project will have one or more of three effects:

1. Increase the schedule
2. Increase the cost
3. Increase the risk

The most common issue concerning change management is so common that it has name: scope creep. You may have experience where a customer gradually increases scope over the course of a project but insists that the schedule and price should not be increased. If scope is increased and schedule and budget are not adjusted, risk will invariably increase. Similarly, if schedule or the budget are decreased, risk increases. In the original well planned project, a level of risk acceptable to the stakeholders is a part of the plan, but we all know that scope and schedule are fluid as customers and stakeholder requirements change as the project progresses. If proactive and constant change management is not a part of the original plan, and it often is not, risk tends to increase as the project progresses. This Scope creep occurs due to poor or no change management.

4. Conclusion

Progressive Management has evolved from Deming's fourteen points because it is an effective way to compete in a global environment that values agility and efficiency. Agility is not a capability that can be added. It is one of the outcomes of Progressive Management.

Alliances and outsourcing will enable you to focus on your own core strengths as you navigate the Business Transitions that are necessary for growth. Business Transitions are both necessary and temporary, and Progressive Management is a proven way to navigate those transitions quickly and effectively, keeping your customers satisfied and your employees on board.

Ambiguity results in scope creep, missed deadlines, runaway costs, under or over utilization of resources, and other issues. Progressive Management enables you to identify and eliminate ambiguities.

Change management planning and execution is necessary to manage risk.

Appendices

Appendix A – Author

Charles W. Doty was born in Oklahoma but has lived in Texas since moving to Dallas in 1969 to help Texas Instruments introduce TI handheld calculators to the consumer market. The first calculator he designed was the TI-2550, ($159.95) and the last was the TI-1000 ($9.95). Other efforts that he participated in at TI include Loran-C Navigators, GPS Surveyors & Navigators, the TI Home Computer, DLP video and printer products, and, during the cold war, stealth cruise missiles. During the 1980's and early 1990's he served on the steering team that led the Texas Instruments Defense Systems & Electronics Group to improve quality through a team-based approach, which resulted in that organization winning the Malcolm Baldrige National Quality Award in 1992. His management specialty became lean strategies as applied to multi-company collaboration, including supply chains and outsourced production.

Since leaving Texas Instruments Charles has been involved with mass transit communications and lighting systems, digital film processors, cell phone RF front-ends and antennas, solar panel production, urban redevelopment, and management consulting. He served as Vice President of Operations at two Austin start-ups, Applied Science Fiction (ASF) and GigaCircuits, and has prepared and given start-up presentations to several tier-one venture capitalist firms in Austin and Silicon Valley.

He is currently President of BlueShift Consulting in Austin, Texas, focusing on Progressive Management for companies in a variety of industries. He is a member of the Gerson Lehrman Group Technology Council and the Austin Downtown Rotary Club

Charles has a BS in engineering from Texas Tech University and an MBA from the University of Dallas.

Appendix B – BlueShift

Progressive Management with

BlueShift Consulting

BlueShift Consulting guides clients in navigating critical Business Transitions necessary for growth. The benefits of transitions are always on the other side. We can help you get there faster. If you have an interest, please contact us for further discussion concerning how we may be able to contribute to your success. Contact Charles W. Doty at cdoty@BlueShiftConsulting.com or call 512.694.3189.