

# The Agilist

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*The Agilist* is on a lifelong mission to explore how Agile, Lean and other complementary ways of working can help individuals & organisations sense & respond to a rapidly changing world.



18 October, 2019

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## A Tale of Agile Portfolio and Product Management – Two Critical Capabilities

By *Corey Post*

[solutionsiq.com](http://solutionsiq.com)

Organizations thrive – or perish – on the strength of their products and services. Ironically, few companies have developed the portfolio and product management capabilities required to build products and services that customers actually want, use and love, leaving incumbents vulnerable to disruption.

Agile portfolio management<sup>1</sup> is critical to decision-making, because all organizations have limited funds with which to finance all the work they do (i.e., what they invest in). Unfortunately, leaders often make these decisions:

- In isolation without the context of all potential and existing work
- Using problematic approaches, such as LVD (loudest voice dominates) and HiPPO (highest paid person's opinion)

<sup>1</sup> [bit.ly/agile-portfolio-management](http://bit.ly/agile-portfolio-management)

- With little understanding of capacity and limited connection to strategy.

And what passes for some as Agile product management often isn't Agile at all, because understanding of the voice of the customer is limited and because businesses typically don't have the ability to test assumptions, prototype, experiment and adapt.

Portfolio and product management are about "funding the right things" and "building the right things," respectively. These days, organizations focus primarily on "building the things right" (i.e. execution). Execution is imperative to success, of course: if you can't execute, you can't create, deliver and capture value. However, if your focus is only on execution, your ability to identify value may be stunted, eventually leaving little value to deliver. And even less to capture.

Essentially, excellence in execution with subpar portfolio and product capabilities leaves your organization vulnerable to competitors who understand and target your current customers' needs and, eventually, earn their dollars and your market share.

## An Unfortunate Tale of Funding and Product Management

Imagine the following scenario, which is not uncommon. Senior management at (fictional) company Zeta-Alpha Industries has 15 critical initiatives that it wants to complete over the next three quarters, beginning in Q1. Each of the 15 initiatives is considered of equal importance, which means there is no clear ability to distinguish which initiative(s) should get funding and development capacity.

Further, the SVP of technology has declared that five of the initiatives, each of which is relatively large, must be built within two quarters. The SVP of marketing, on the other hand, is adamant that a different set of five large initiatives must be built right away.

The SVP of technology and the SVP of marketing have not met about this. The SVPs occasionally see each other in monthly senior leadership meetings, but it's more of a status than alignment meeting. They sit on opposite ends of the building, on different floors, and have their own teams with their own priorities. There's little or no alignment or shared understanding of strategy and objectives. So, lacking cross-functional communication and an agreed-upon economic prioritization model, the portfolio management team funds and equally prioritizes both sets of initiatives.

Unfortunately, the portfolio management team is not aware that its business unit only has the resources to complete three medium initiatives or two large initiatives over the next three quarters. The result? WIP is huge as Product struggles to finish all ten large initiatives simultaneously. Developers work overtime. Creativity and quality are low. Burnout and turnover rates are high. Talent leaves, migrating to the competition, further curbing capacity and increasing lead time.

By the end of the second quarter, 7% of the work is done and no new code has been released to production. Little value has been created, delivered and captured. Customers are frustrated and look elsewhere for solutions.

And, with almost no time to speak to users, Product moves into robotic order-taking mode, not learning and missing the opportunity to provide valuable knowledge to the portfolio team with which to make pivot, persevere or kill decisions. With limited guidance, delivery groups keep on building into Q3 as management has already invested millions of dollars into these initiatives and is unable, or unwilling, to shift or modify funding. In this reality, sunk costs matter and communication isn't flowing.

An inability to prioritize spreads people too thin and results in starting more work than can be finished, inhibiting any value creation. And a lack of understanding of true capacity often results in overcommitment and overworked teams as executives vie to jump their respective initiatives to the front of the line. Poor funding choices can result in products and services that aren't aligned with an organization's strategy.

## A Different Way

Understanding capacity (an organization's ability to build and deliver over a specified timeframe), comparative value (a force-ranked prioritization of initiatives), and the ability to match the two is imperative. The above scenario, while common, could have played out differently using Agile portfolio and product management, which leverage a set of powerful tools, including:

- Economic prioritization/cost of delay
- Capacity estimation
- Shorter funding cycles

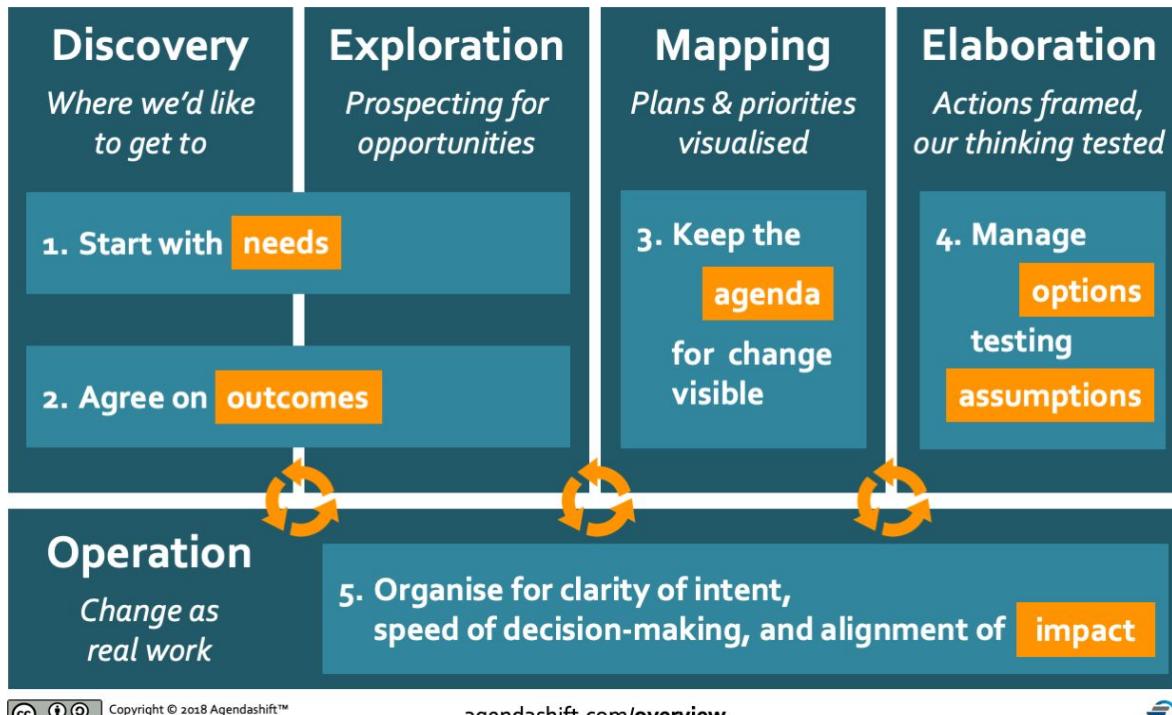
- Closed feedback loops
- Hypothesis-driven development and experimentation

Had Zeta-Alpha Industries leveraged economics to align and prioritize on value, used the history of its delivery groups to create a realistic development and delivery plan, and worked closely with Product to test ideas and make funding decisions using data and leading indicators, it might have created real value for its customers in the form of features, products or services.

In the future, relevant stakeholders from Zeta-Alpha's portfolio management team might meet on a regular cadence – at least monthly – to look at its initiative backlog, review progress, and assess data-driven outcomes from its initiatives. It could use those assessments to learn from its development efforts and adapt when necessary.

You may have worked, or currently work, at "Zeta-Alpha Industries." Whether you are in marketing or business, IT or product, you are part of a large team-of-teams with limited resources and information (most likely competing against other large teams-of-teams with limited resources and information). The way to best position your organization to win – to maintain or grow market share, sales, and customer loyalty – is through agility and the development of Agile portfolio and product management capabilities.

**Corey Post**  
*SolutionsIQ*  
[solutionsiq.com](http://solutionsiq.com)



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[agendashift.com/overview](http://agendashift.com/overview)



## Introducing Agendashift™ (part 2)

by Mike Burrows

[agendashift.com](http://agendashift.com)

This is the concluding part of this introduction to Agendashift will be published in the next issue. Agendashift helps you keep your business vision and transformation strategy aligned with and energised by a culture of meaningful participation - Editor

Recall from last month's issue that the principles guide Agendashift in its design and application:

1. Start with needs
2. Agree on outcomes
3. Keep the agenda for change visible

4. Manage options, testing assumptions
5. Organise for clarity of intent, speed of decision-making, and alignment of impact

The correspondencies between principles and activities are shown in the image above.

The second of those five principles, agree on outcomes, is fundamental. The agreement part can be traced back to Mike's first book *Kanban from the Inside*<sup>2</sup> (Blue Hole Press, 2014), agreement being the eighth of the nine values in the model that gave rise to that book. Agendashift meanwhile could be described as "outcomes all the way down", dealing as it does with high level organisational goals, the impact of small, safe-to-fail experiments, and a whole spectrum of outcomes in between.

<sup>2</sup> [agendashift.com/kfti](http://agendashift.com/kfti)

# Imagine...

Everyone able to work consistently at their best:

- Individuals, teams, between teams, across the organisation
- Right conversations, right people, best possible moment
- Needs anticipated, met at just the right time



[agendashift.com/true-north](http://agendashift.com/true-north)



Outcomes are also the means by which Agendashift integrates models as diverse as Lean, Agile, Clean Language, Cynefin, Kanban, Lean Startup, and A3. For example, take Agendashift's True North<sup>3</sup> statement above (itself describing a kind of outcome)

Whilst consciously minimising the use of their jargon, this statement owes much to Lean and Agile. Using the Clean Language-inspired coaching game 15-minute FOTO<sup>4</sup>, we can contextualise it, participants modelling a landscape of organisational obstacles and outcomes that is meaningful to them. The generated outcomes can be treated as the micro-narratives that Cynefin deals in, which in turn guides the application of the hypothesis-driven techniques of Lean Startup and A3.

Lasting transformation depends on engagement at multiple organisational levels, at different levels of detail, and

over different time horizons. Agendashift models the kind of change its practitioners seek to facilitate, helping organisations discover for themselves what kind of organisations they want to be. The end result: organisations that are more able to the needs of all those who engage with it.

**Mike Burrows**  
*Founder, Coach & Consultant*

## Join the Conversation

For those who support *The Agilist* through their subscription, donations or frequent content contributes, I'd like to invite you to the Slack group.

Email me if you'd like to join the discussion about the themes covered in *The Agilist*.

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<sup>3</sup> [agendashift.com/true-north](http://agendashift.com/true-north)

<sup>4</sup> [agendashift.com/15-minute-foto](http://agendashift.com/15-minute-foto)

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- SW Engineer (Host)
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# Larman's Laws of Organizational Behavior

by *Craig Larman*

[larmanslaws.org](http://larmanslaws.org)

After decades of observation and organizational consulting, here are Larman's Laws of Organizational Behavior. These are observations rather than laws to follow ;)

1. Organizations are implicitly optimized to avoid changing the status quo middle- and first-level manager and "specialist" positions & power structures.
2. As a corollary to (1), any change initiative will be reduced to redefining or overloading the new terminology to mean basically the same as status quo.
3. As a corollary to (1), any change initiative will be derided as "purist", "theoretical", "revolutionary", "religion", and "needing pragmatic customization for local concerns" — which deflects from addressing weaknesses and manager/specialist status quo.
4. As a corollary to (1), if after *changing the change* some managers and single-specialists are still displaced, they become "coaches/trainers" for the change, frequently reinforcing (2) and (3).
5. Culture follows structure.

Or, Culture/behavior/mindset follows system & organizational design. i.e., If

you want to really change culture, you have to start with changing structure, because culture does not really change otherwise. By the way, this is an observation in large-scale; in small start ups, it's the reverse: structure follows culture (org design follows mindset).

And "culture follows structure" (in large scale) is why deep systems of thought such as organizational learning are not very sticky or impactful by themselves in large scale, and why systems such as Scrum (that have a strong focus on structural change at the start) tend to more quickly impact culture — if the structural change implications of Scrum are actually realized.

I discovered that the well-known systems-thinker/advocate John Seddon also observed this: "Attempting to change an organization's culture is a folly, it always fails. Peoples' behavior (the culture) is a product of the system; when you change the system peoples' behavior changes."

**Craig Larman**  
*Co-creator of LeSS*  
[craiglarman.com](http://craiglarman.com)

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## A Survival Guide for Navigating Conflict

by *Tanner Wortham*

[spikesandstories.com](http://spikesandstories.com)

I'm difficult but with purpose.

I've said this about myself on numerous occasions, and I'm sure many of the bosses I've had over the

years had a hell of a time managing me. Then again, like Grace Hopper<sup>5</sup> said:

*“You manage things. You lead people.”*

And it's not that I'm trying to be difficult. ~~I just enjoy debate.~~ No, that's not right. I enjoy understanding what makes others tick, and that can be more easily explored where we disagree. I believe it's this mindset that's helped me with navigating conflict.

In fact, it reminds me of the highest praise I've received as a coach. A few years ago, three team members were talking privately, and I came up. One of them later shared with me the screenshot you see below. My wish is



Paul

I know. I've never had such a good time disagreeing with someone. Like tanner makes me feel better about myself for having different opinions because he seems to always makes it into a learning opportunity



Ashley

yeah i feel like conflict with tanner is productive



Katya

RIGHT? that's a really good way to put it

that all of us receive this kind of feedback at some point in our careers.

## Be Right Or Be Happy

But how? How can we make conflict a positive experience? It starts here:

*“If you're looking to be right, you're not there yet.”*

We should put aside the notion of right or wrong. Walk into the conversation prepared to appreciate the other's perspective, and in turn, we'll usually find they're open to hearing our own. As the saying goes, listen to be heard. Or maybe this tongue in cheek marriage advice sums it up:

*“You can be right. Or you can be happy. Choose wisely.”*

However, this also requires us to possess the emotional intelligence to appreciate our own state of mind. If we're still amped up by whatever occurred, it's wise to postpone the conversation by a few hours or to the next day. Just don't wait too long.

## Questions Over Statements

I should stop giving this advice. It feels as if I touch on this idea in every other post, but it's relevant in so many situations. Have you ever assumed the worst of someone else, leaned into them, and then left the conversation with your foot firmly in your mouth? Tell me I'm not alone. Please. Questions help us avoid this pitfall, and they ensure we maintain a bias toward innocence<sup>6</sup>. Remember though:

*“Questions should come from a place of curiosity and never be a condescending game of trivial pursuit.”*

Want to practice this technique? Try this. Next time you have a

<sup>5</sup> [en.wikipedia.org/wiki/Grace\\_Hopper](https://en.wikipedia.org/wiki/Grace_Hopper)

<sup>6</sup> [bit.ly/qualities-great-coach](https://bit.ly/qualities-great-coach)

conversation, try asking nothing but questions. With every thought that comes to mind, find a way to transform it into a question. I remember mentoring someone some time ago, and I asked him if it was possible to have a conversation with nothing but questions. He didn't believe so, and he maintained this position as I peppered him with questions for five minutes. On the sixth minute, the reality dawned on him that I'd done nothing but ask him questions for the entirety of the conversation.

### **It's Not You, It's Me**

We should pick our pronouns carefully. When we give praise, we should mostly use inclusive language. We. Our. Us. However, when it's time for a tough conversation, shift to first person:

- “I’m worried that...”
- “I was expecting that...”
- “It bothered me that...”

We shouldn’t feel qualified to speak for others so make the conversation about the two people in the room. We should make it clear how we feel and how the situation personally impacted us. Also, put away blame. I’ve found there’s usually enough of that to go around, and it wouldn’t be a weekday if I didn’t muck something up.

Finally, before we go, I’ll give one last piece of advice for navigating conflict. These kinds of things don’t have to be awkward, and there’s a straight forward way to dodge that queasiness associated with difficult conversations, and it’s this:

*“Enter the conversation to understand, not to argue.”*

It’s not about winning. Or being right. It’s also not about ensuring whatever occurred never happens again. It’s about understanding someone a bit more than we did yesterday, and that’s never awkward, right?

Until next time.

**Tanner Wortham**

*Agile Coach & Senior Technical Program Manager at LinkedIn*

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## **NPS is a waste of time.**

### **Use these metrics instead**

*by Jeff Gothelf*

[jeffgothelf.com](http://jeffgothelf.com)

Ask any executive what the top 3 metrics they watch in their company are and you’ll get some combination of revenue and sales metrics and, of course, the company’s NPS. Net Promoter Score, a measure of customer satisfaction and loyalty, is so widespread and common that over two-thirds of the Fortune 1000<sup>7</sup> claim to use it. Its popularity might lead you to believe it was introduced decades ago, forged in years of trial and error and scientifically tuned to become the “one metric to rule them all” in enterprise and startup alike. It turns out it was introduced in 2003 by Fred Reichhold in an HBR article called *The Only Number You Need to Grow*<sup>8</sup>. In that article Reichhold rightfully sees word-of-mouth marketing as a key driver of growth and, in fact, without these “promoters” exponential growth

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<sup>7</sup> [en.wikipedia.org/wiki/Net\\_Promoter](http://en.wikipedia.org/wiki/Net_Promoter)

<sup>8</sup> [bit.ly/only-number](http://bit.ly/only-number)

is nearly impossible. He posited that a short survey with the right questions could predict customer loyalty. And so, the NPS survey was born.

*(I'm working with the assumption that most of you know what NPS is but if not, there is a short overview here<sup>9</sup>.)*

The cult of NPS has grown so quickly that there is almost no service or commercial experience today that doesn't end with a short survey. Often times those survey requests are accompanied with a nudge to rate the company highly. Over the years though, many<sup>10</sup> have raised objections about the validity and supremacy of NPS as the core metric the organisation should work to improve. Along with complaints of organisations pushing for high ratings (gaming the system in essence) you'll find concerns with whether asking consumers to predict future behaviour is accurate, how the scale is laid out and what makes someone a "9" vs "8" or "8" vs "7" — significant differences on the NPS scale — as well as many other critiques of this technique. The cult of loyalty survey scores has gotten so pervasive, annoying and prominent that it's led even Reichhold himself to lament his creation<sup>11</sup>.

So, if we can agree that word-of-mouth marketing and loyalty are critical to company growth and that measuring them with NPS surveys is highly flawed and likely yielding far less value than your organisation thinks it is, what should an organisation measure?

## **The real billion-dollar question**

There's a concept I use when working with organisations on their

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<sup>9</sup> [netpromoter.com/know](http://netpromoter.com/know)

<sup>10</sup> [bit.ly/nps-harmful](http://bit.ly/nps-harmful)

<sup>11</sup> [bit.ly/inventor-survey](http://bit.ly/inventor-survey)

transformations into customer-centric, product-led companies. It's the concept of outcomes — measurable changes in customer behaviour that drive business results. Outcomes are the indicators of future business success. We can apply this concept in search of customer loyalty and satisfaction as well.

Instead of asking your customers some variation of, "Are you satisfied enough right now to do something in the future we find valuable?" ask them nothing, observe their behaviour and pose the following question **to your team**:

*"What do satisfied customers do in our product?"*

The answers your team comes up with will be customer behaviours - outcomes. These are the metrics you should be measuring instead. They are the current behaviours of existing customers. Here are some examples:

Commerce:

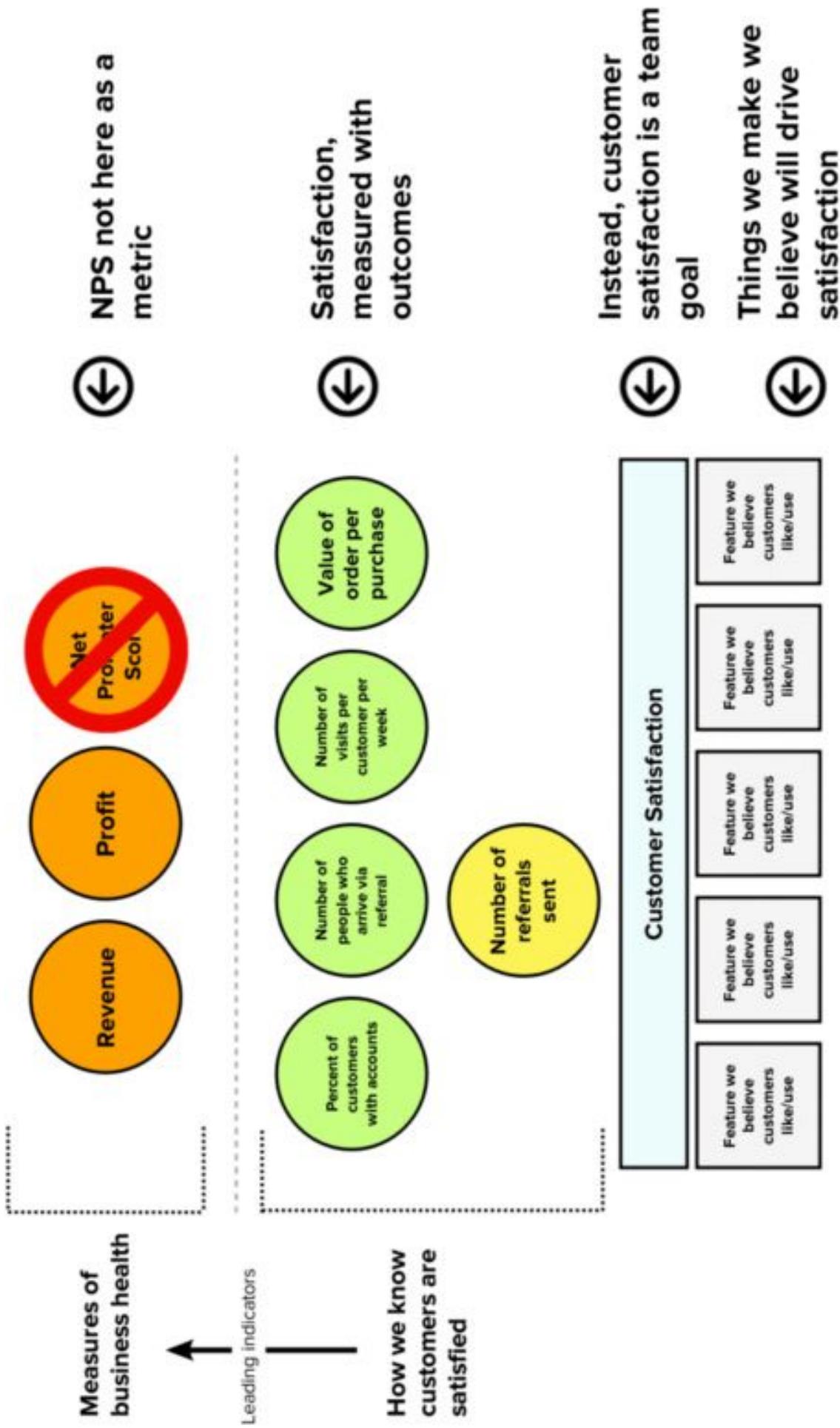
- Number of items purchased per visit
- Number of visits per user per month
- Number of referral codes redeemed

B2B:

- Number of sales leads from current customers
- Number of products sold per customer
- Number of positive reviews in trade publications
- Number of licenses activated

Healthcare:

- Number of family members using the same practice
- Number of transactions handled via your website compared to in-person/telephone



Asking people to predict the future — what the NPS conversation is all about — is highly risky. In the future we always make the best decisions, we never make mistakes and we don't make people feel bad. However, measuring, getting stories about or better yet, observing first-hand, recent behaviour in a particular product or service is far more telling about how well you're meeting customer needs and whether it's enough to retain those customers and attract new ones.

Modern businesses are complex and unpredictable. Your customers are too. Attempting to boil down how well you're meeting customers' needs with one question and one metric is naive and risky. Instead, do the work to understand what success means to your customers and what that looks like in the usage of your service. Measure that behaviour. Optimise your product to promote those outcomes. Remember, regardless of what the surveys say, whether your customers rate you a 7, 8, 9 or 10 doesn't matter if they never act on it.

Thanks so much for being a part of this ongoing conversation.

**Jeff Gothelf**  
*Agile vs Lean vs Design Thinking*

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## **So many Fish in the Ocean - somewhere**

by Bernhard Sterchi

[palladio.net](http://palladio.net)

I am sitting on a beach and watching the ocean. On rare occasions, I can see a fish jump out of the water, not too far away. I imagine all the fish that are under water, just out of sight to me. Some are close together in big swarms, some are alone. And now I imagine being a fisherman, on my tiny little boat, crossing that huge expanse of water. There are definitely lots of fish down there, just under the surface. But in the absence of tech gizmos such as radar, sonar and the like, I don't know where to find the fish. How can I know where the swarms are? How can I know what to do? If I am not catching any fish, is it because there are no fish in this area, or because there is something wrong with my bait?

Now I get lucky, and I catch some fish – quite a few, actually. Now I not only have fish, I have information. The information that what I just did was successful. But what does this mean, how can I make this information useful for my next decision? I have to find a pattern. What if I stay in the area, will I still catch many fish? What if I come back here tomorrow? Should I switch off the motor of my boat, because it shies away the fish, or should I keep it running, because the sound attracts them?

When we face complex situations, we are often just a little fisherman on the ocean. Objectively, there is a lot of information in the system: where the

fish are, how they behave. But we don't have access to the relevant information. All we see is that there is a lot of water, everywhere. Objectively, we have many many options to choose from: go close to that spot three miles out where the cold deepwater current comes up, or go slightly to the left of it, just over the underwater cliff. But since we only see the surface, it actually does not matter which nuance we choose, we don't know what the implications of these nuances are anyway. And that leaves us in fact with very few options indeed: stay where we are, go somewhere else, keep moving, somehow.

To the bureaucratic mind, this feels very uncomfortable.

Only in retrospect do we tend to see everything as a cause to the outcome. When we caught a lot of fish, we conclude that we evidently did make the right decisions. But in truth we have no clue which of these decisions were important, which were of no consequence whatsoever, and which were actually keeping us from an even better result. We still don't understand the intricate interdependencies that existed that day in the ocean, and even if we did understand what happened on that one day, we have no indication whether this course of events will repeat the next day, or not. We are victims to the teleological fallacy, the tendency to retrospectively see everything as a relevant means to the outcome.

The conclusion, for the moment, is humility and hope. If I am not catching any fish here, I move somewhere else, acknowledging my ignorance, accepting the possibility that maybe a big swarm was just coming my way, and I am now steering away from it –

and I will never know. This acceptance of my ignorance is the basis of that little informed action I can take. I do get rid of the bait that has never worked so far. I do come back to a spot that was relatively successful so far, although I have no idea that it has to do with underwater currents and temperature. When I accept that everything I do is a more or less educated guess, I am much more open to adapting my plan. The options at my disposal actually become few, not many, and I consider them as constantly changing. As the economist John Kay noted in his wonderful book *Obliquity*, in complex situations even the most powerful men such as Lincoln or Roosevelt must proceed by choosing opportunistically from a narrow range of options.

**Bernhard Sterchi**  
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## Unlearn Podcast

*Solving Problems Safely with Mary  
and Tom Poppendieck*

[bit.ly/solving-problems-safely](http://bit.ly/solving-problems-safely)

Barry O'Reilly has had many mentors over the years, and among them, Mary and Tom Poppendieck have been some of the most inspirational. They join Barry on his new Unlearn podcast to discuss challenges the Agile community faces, debunk the myths of scaling agility, and finally, Mary and Tom reveal how they have managed to stay relevant for decades as they continue to coach, mentor, and help others.



## Spot the obstacles to business agility

By *Virpi Oinonen*

[businessillustrator.com](http://businessillustrator.com)

Did you spot them all? For some of you this is a very easy exercise, but some of you might scratch their heads a bit. Those of you who are baffled by this picture scroll down for the answers. Those to whom this was easy: what would you add to the picture? (Use comments or tweet me at @vojunen)

Note: an agile organisation here means an organisation that can adapt and learn quickly – not necessarily an organisation that uses Agile methods.

### The organisational chart

It represents traditional, Tayloristic hierarchy. Hierarchy in itself is not necessarily a bad thing (in certain type of work it makes sense), but if you have

to seek permission from (multiple layers of) executives who know very little about your work, it usually slows things down. It has also the tendency to foster office politics and posturing at the expense of the client focus and collaboration.

### “Efficiency sweet efficiency”

This is about the tendency to focus on the efficiency of a system, work practice etc at the expence of EFFECTIVENESS. As Peter Drucker said, “There is nothing worse than doing the wrong thing well.” This is typically the problem of organisations where certain processes have worked well in the past and they are now stuck tweaking them without noticing that the world outside has moved on. Agile work practices focus more on effectiveness than efficiency. Here’s my old cartoon on this topic<sup>12</sup>.

<sup>12</sup> [bit.ly/leadership-v-management](https://bit.ly/leadership-v-management)

## The silver bullet

This refers to the “silver bullet solution”, obviously. It’s incredible how many people seem to think that one method or technology will solve all their woes. Bring in Agile! Bring in the new IT system! An agile organisation embraces change on multiple fronts – it’s a mindset thing, it’s a cultural thing, and it’s a reward thing. It’s not a technology thing.

## The picture of the CEO with other middle aged white men

Lack of diversity (in thinking, in cultural background, in gender) is a real obstacle to creativity and problem solving. If an organisation aspires to be agile it will have to be able to embrace different ways of thinking.

## The CEO himself?!

Yes, could well be... 😊

## The plant?

No, that’s just there for decoration.

**Virpi Oinonen**

*Visual Storyteller at Business Illustrator*  
[businessillustrator.com](http://businessillustrator.com)

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## Idiosyncratic Rater Effect

by *Decision Mechanics*

[decisionmechanics.com](http://decisionmechanics.com)

A colleague of mine cautions that performance ratings say more about the marriage of the person doing the assessing than the performance of the person being assessed.

Turns out she may have a point.

Most people have some experience with performance appraisals. Maybe as part of an annual salary review. Or even just completing a customer satisfaction survey. It’s become a pretty ubiquitous process over the past decade or so.

Unfortunately it’s process that is flawed. Deeply flawed.

It turns out that we’re really bad at rating others. In fact, we’re so bad at it that someone has given the phenomenon a name—the Idiosyncratic Rater Effect.

And it’s well documented.

It was first shown in a study from 1998<sup>13</sup>, published in *Personnel Psychology*. This was followed by a 2000 paper<sup>14</sup> in the *Journal of Applied Psychology*. Then, in 2010, the results were confirmed by yet another paper<sup>15</sup> in *Personnel Psychology*.

Each study found that the idiosyncrasies of the person doing the rating accounted for *over half* of the variations in ratings. The three studies put the number at 71%, 58% and 55%, respectively.

No other factor accounted for more than 20% of the score.

As performance management expert Marcus Buckingham put it in an interview<sup>16</sup>:

*“Most of what is being measured is the unique rating tendency of the rater. Thus ratings always*

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<sup>13</sup> [bit.ly/rater-effect-study](http://bit.ly/rater-effect-study)

<sup>14</sup> [bit.ly/rate-effect-study2](http://bit.ly/rate-effect-study2)

<sup>15</sup> [bit.ly/rater-effect-study3](http://bit.ly/rater-effect-study3)

<sup>16</sup> [youtu.be/2PCODLJbuKg](http://youtu.be/2PCODLJbuKg)

*reveal more about the rater than they do about the ratee.”*

Later in the same interview he highlighted the data quality problem facing organizations who rely on these flawed assessments, saying:

*“We all need to grapple with that problem [the Idiosyncratic Rater Effect] as we move into the big data world of the future. We need to figure out how we put good data in.”*

Once this data ends up in the system, it's sliced, diced and combined with other data to produce a range of derivative conclusions...all based on a false premise—i.e. that one person is able to effectively judge the performance of another.

There has been some suggestion that the Idiosyncratic Rater Effect can be minimized by averaging across many assessments. But this, amongst other things, assumes that the idiosyncrasies exhibited by raters are independent. That's a *big* assumption.

Research on the Idiosyncratic Rater Effect has largely focused on HR. However, the same problems plague customer satisfaction surveys. Developers of iPhone apps have long suffered the vagaries of the App Store review process, for example. In what turns out to be a brutal demonstration of the Idiosyncratic Rater Effect a number of leading iOS app developers made a hilarious video of themselves reading one-star reviews<sup>17</sup> received by their apps.

Business consultant and author Frederick Reichheld has argued for

<sup>17</sup> [vimeo.com/190276434](https://vimeo.com/190276434)

customer feedback to be boiled down to one question—or “The Ultimate Question” as he calls it in his book<sup>18</sup> of the same name. This question is:

*“How likely is it that you would recommend us to a friend or colleague?”*

In his research<sup>19</sup>, satisfaction scores for this question, when compared with those for other questions, consistently showed the strongest correlation with repeat purchases or referrals.

Amazon is the latest company to say it will overhaul its controversial performance assessment rating system<sup>20</sup>. This follows shake-ups<sup>21</sup> at major organizations such as Goldman Sachs, the Pentagon, IBM and GE. Accenture has ditched ratings altogether.

Others have argued in defense of performance evaluations<sup>22</sup>—looking at ways to “minimize” bias. This strikes me as an attempt to push on with something that is fundamentally flawed because no-one has a better solution.

We need to focus on linking individual performance directly and transparently to well-defined organizational goals. This isn't easy. It's been problematic when attempted in the US school system<sup>23</sup>. But, if performance-related management is going to work, and gain credibility, it's going to need a radical overhaul.

**Decision Mechanics**  
[decisionmechanics.com](http://decisionmechanics.com)

<sup>18</sup> [amazon.com/dp/B005E8AKVM](https://amazon.com/dp/B005E8AKVM)

<sup>19</sup> [bit.ly/only-number](https://bit.ly/only-number)

<sup>20</sup> [bit.ly/amazon-performance](https://bit.ly/amazon-performance)

<sup>21</sup> [bit.ly/ge-performance](https://bit.ly/ge-performance)

<sup>22</sup> [bit.ly/not-kill](https://bit.ly/not-kill)

<sup>23</sup> [bit.ly/use-school-performance](https://bit.ly/use-school-performance)