

Module One | Classes Five, Seven, Eight

Self-Leadership



MOD1

Leadership Review D1

CLASS INTRO



You have your way, I have my way; as for the right way, the correct way, and the only way...

it does not exist.

- Nietzsche

Hospitality Enterprise Leadership

Please be aware that this is an Authentic Leadership Development course. And as such, this course will entail a certain level of personal development. For when we speak of Authenticity, we are also speaking of transparency and vulnerability.

The purpose of Authentic Leadership Development (ALD) is to enable students to prepare themselves to become leaders of organizations and to embark on paths of personal leadership development.

ALD requires personal curiosity and reflection from students as well as personal openness and sharing in class discussions, in anonymous online social situations (private), and one-on-one sessions with the professor.

Leadership development concepts used in the course will be immediately applicable for students and useful for the rest of their lives.

-
- To enable students to understand their leadership journeys and their crucibles by reflecting upon and framing their life stories and experiences to date.
 - To participate fully in open, class discussions about the reflective exercises they have completed on their own.
 - To understand why leaders lose their way and the self-awareness needed to avoid derailment.

- To gain clarity about their leadership principles, values, and ethical boundaries, and how they will respond under pressure when challenged.
- To understand what is motivating them, both extrinsically and intrinsically, and to find leadership paths that will enable them to utilize their motivated capabilities.
- To explore how to build support teams and lead an integrated life.
- To understand the purpose of their leadership and empower other leaders, while they are optimizing their leadership effectiveness.
- To create Personal Leadership Development Plans to guide them throughout their lives.

The premise of ALD is that leaders who know themselves well and consciously develop their leadership abilities throughout their lifetimes will be more effective and more successful leaders and will lead more satisfying and fulfilling lives. To do so, leaders must take responsibility for their own development, rather than relying entirely on their organizations for leadership development.

ALD will provide students with ideas, techniques, and tools to assist them in their leadership development journeys, exploring concepts such as lifelong leadership development, the power of your life story, the impact of your crucibles, discovering your authentic self, knowing your values, leadership principles, and ethical boundaries; understanding your motivated capabilities, building support teams, leading an integrated life, purpose-driven, empowering leadership, and improving leadership effectiveness through your style and use of power.

ALD is designed for students desirous of becoming effective authentic leaders, committed to developing themselves, who want to understand their motivations and the purpose of their leadership.

Students must be open to sharing personal insights, experiences, ambitions, and fears.

Each student will be required to participate in the three streams of learning. There is an independent online learning stream. There is the classroom discussion and debate of case study stream (with various supporting materials). And there is the guided lab-work sessions where students are put into small collaborative groups (learning development groups) while working within the entire class project (a learning organization).

The learning development groups (LDGs) are a crucial element of the course and represent the third class meeting of the week. These groups enable students to discuss personal materials in a more intimate group setting and to encourage a higher level of openness and reflection than may be possible in the classroom setting. Specific assignments for each week's group meeting will have the same theme as the classes but different preparation materials.

In other words, each class day is based upon the multimedia 'textbook' you are now reading. So these materials must be reflected upon BEFORE the class begins. Then the professor will show the pictorial summary of the module (two times) five minutes before class begins. Then the professor will give a short introduction to the day's lessons, while personally greeting each student with a dynamic and diverse methodology.

Following the introductory greeting, the professor will typically show 5-20 minutes of pertinent video, then begin a challenging class session involving the subject matter found within the case studies. And there will typically be two case studies per week, with some variance due to the Professor's preferences, as well as his or her personal experiences.

Finally, there are different educational materials being presented throughout this class. This is not a regimented system. This is an enlightened framework designed to be both flexible and strong. To that end, a certain level of chaos must be embraced so as to allow room for the natural ebb and flow of life. This means that each and every student must be 'on their toes' if they are going to get the coveted A+ from the professor.

But please be aware, the professor doesn't just want you to work hard. The professor wants you to work both hard and smart, while demonstrating compassion and humility in everything you do. Meaning, the A+ is a grade no one may ever receive. For our cultural transmissions have corrupted our innate empathy. And empathy is the golden chalice!

9 PERSONAL CAPACITIES OF AUTHENTIC LEADERS



BEING PRESENT

Being Present means being fully aware and awake in the present moment - physically, mentally, emotionally and spiritually. This includes connecting to others, the environment around you and current reality.



SUSPENSION & LETTING GO

Suspension and Letting Go is the ability to actively experience and observe a thought, assumption, judgment, habitual pattern, emotion or sensation like fear, confusion, conflict or desire, and then refraining from immediately reacting or responding to the situation.



INTENTION ALIGNED WITH HIGHER PURPOSE

Intention Aligned with Higher Purpose is the alignment of one's authentic nature with one's internal resonance with manifested actions in the world. This alignment trickles down to all facets of life including one's personal, professional and spiritual dimensions. "Where your deepest personal passion and the world's greatest needs align, there is opportunity" (Peter Senge).



WHOLE SYSTEM AWARENESS

Whole System Awareness is the capacity to quickly switch between different perspectives, scales and worldviews to see the big picture, interconnections within the system, and being able to scale down to small details. Whole System Awareness is not just cognitive - you 'sense' the system. It is the understanding that everything is interconnected within a system.



COMPASSION

Compassion is having unconditional acceptance and kindness toward all the dimensions of oneself and others, regardless of circumstance. Compassion involves the ability to reflect upon oneself and others without judgment, but with recognition and trust that others are doing the best they can in any given situation.



WHOLE SELF-AWARENESS

Whole Self-Awareness is the continual, lifelong process of paying attention to knowing one's self; it involves consciously and intentionally observing various dimensions of the self (including the physical, mental, shadow, emotional and spiritual realms). It is the capacity to observe how one is thinking, relating, feeling, sensing, and judging. Whole Self-Awareness includes perceptions beyond the rational mind, such as intuition.



PERSONAL POWER

Personal Power is the ability to use energy and drive to manifest wise actions in the world for the greater good, while being aware of one's influences on a situation.



DEALING WITH DUALITIES & PARADOXES

Dealing with Dualities and Paradoxes is the capacity to sit with ambiguity in a facilitation session, manage polarities, and hold multiple perspectives.



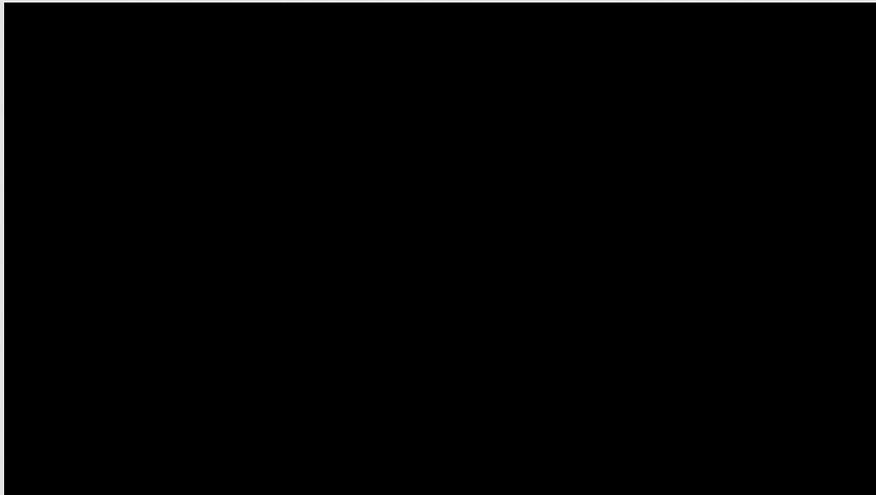
SENSE OF HUMOR

A Sense of Humor, or 'light-heartedness', is the universal experience of simultaneous amusement, laughter and joy culminating from an experience, thought or sensation.

(i) inspired by The Lotus: a practice guide for authentic leadership toward sustainability

@venessamiemis

Movie 1.1 New Leadership



Harvard Business School Professor Bill George discusses the dramatic change to leadership in the 21st century

MOD1

Self-Leadership D5

CLASS DAY FIVE



Maverick is a word
which appeals to me
more than misfit.

Maverick is active,
misfit is passive.

- Alan Rickman

Misfit Entrepreneurs

by Dan Pallotta

Imagine Walt Disney at the age of nineteen. His uncle asks him what he plans to do with his life, and he pulls out a drawing of a mouse and says, “I think this has a lot of potential.”

Or Springsteen. In a concert he once told the story of how he and his dad used to go at it — how his father hated his guitar. Late one night, Springsteen came home to find his father waiting up for him in the kitchen. His father asked him what he thought he was doing with himself. “And the worst part about it,” Springsteen says, “was I never knew how to explain it to him.” How does he tell his father, “I’m going to be Bruce Springsteen?”

Someone interviewed me a few months back for an entrepreneurship project, and he mentioned that in his conversations the thing that stood out most was the willingness of great entrepreneurs to be vulnerable. It’s not the first association you’d make with an entrepreneur. Words like “driven,” “ambitious,” and “persistent” usually come to mind. But the moment he said it I knew he’d hit the nail on the head.

Vulnerability. It is the most poignant quality in every entrepreneur I know.

There’s a misfit in each of us, and it’s the most delicate, precious thing that we have. Sadly, most people make it their life’s mission to hide it, to cover it over in the same clothes, the same work, the same “regurgitations,” as Thomas Merton wrote, as everyone else. This virus of homogenization has infected the landscape. Our backdrop in real life now mimics

the scenery repetition you'd see in a Fred Flintstone cartoon as he drove down the street. But now it's Home Depot-Walmart-McDonalds-Starbucks; Home Depot-Walmart-McDonalds-Starbucks; Home Depot-Walmart-McDonalds-Starbucks.

Ironic that all those enterprises were begun by entrepreneurs trying to do something different. And poignant that in the absence of Walt Disney himself, the Walt Disney Company just keeps building more Disneylands.

I used to visit the merry-go-round in Griffith Park in Los Angeles where Disney once took his daughters, asking himself, "Is this all there is? There has to be a better place to take my children." And the rest is history. The great entrepreneur — the entrepreneur who really changes things — is the one who, in 2010, goes to Disneyland and asks the same question: "Is this all there is?" And the new world she or he will create as a result of that audacious inquiry is one that cannot possibly be conceived by people busy trying to fit into the world as it is.

To question the hegemony of merry-go-rounds — to actually care that there should be something more magnificent than a merry-go-round — is to be a misfit. I mean, who worries about these things? It reminds me of that scene in Annie Hall where the mother of a young Woody Allen takes him to a shrink and he says to the therapist, "How can I relax when the universe is expanding?" And his mother says, "You live in Brooklyn! Brooklyn isn't expanding!" Talk about a misfit, right?

To embrace the misfit in oneself is to be vulnerable. It is to forsake the easy acceptance that comes with fitting in and to instead be fortified by a kind of love, really. A love of life, a love of wonder, and, ultimately, a sustaining love for oneself. Far from egoism, that love for oneself is a measure of one's love for others, for humanity. And it is only from love that great ideas can be born.

This kind of love cannot be taught in business school. It has to be felt. It has to be given sanctuary away from the noise and relentless assault of information. And then it has to be nurtured. It must be embraced, in the light of day, for all to see, for people to ridicule, to criticize, to laugh at. And the entrepreneur has to be willing to feel the pain of that ridicule and suffer the risk of the dream being stolen, or crushed by the meanness of this world.

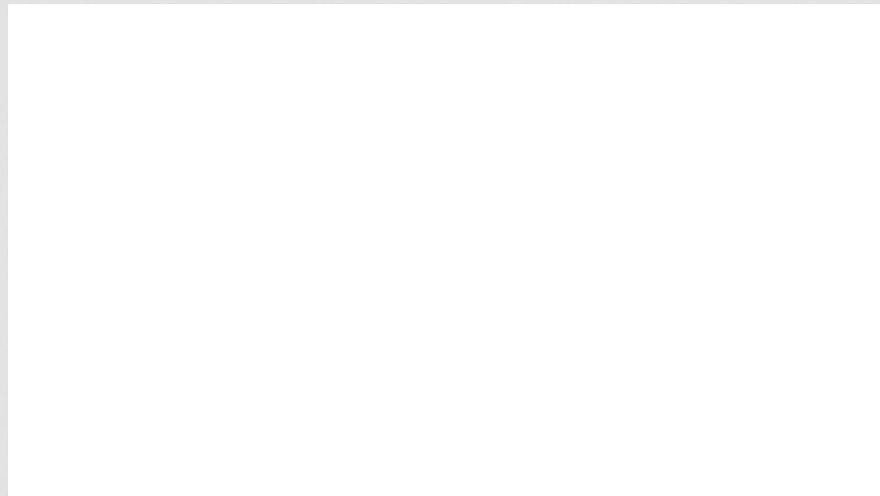
But the misfit doesn't worry about that. The misfit has a higher calling: to bring the unmanifest into being, no matter who is saying what.

Vulnerability is the absence of cynicism. And the absence of cynicism is love.

As that interviewer uttered the word "vulnerability," I thought of some of my entrepreneur friends: Peter Diamandis who founded X Prize, Wayne Elsey who founded Souls4Soles, Billy Shore who created Share Our Strength, Brian Menzies who founded 1-800-CharityCars, Dennis Whittle who created Global Giving, Torie Osborn, who brought the L.A. Gay & Lesbian Center into the twenty-first century.

*And I realized that what separates them from others is their abject lack of cynicism. Their willingness to be vulnerable. **Their love.***

Movie 2.1 Getting Past Status Anxiety



Writer Alain De Botton says that status anxiety is more pernicious and destructive than most of us can imagine, and recommends getting out of the game altogether.

Corporate entrepreneurship is, however, a risky proposition. New ventures set up by existing companies face innumerable barriers, and research shows that most of them fail. Emerging businesses seldom mesh smoothly with well-established systems, processes, and cultures. Yet success requires a blend of old and new organizational traits, a subtle mix of characteristics achieved through what we call balancing acts. Unless companies keep those opposing forces in equilibrium, emerging businesses will flounder.

In this article, we first describe the management issues facing companies that pursue new-business creation, as well as the usual problematic responses. We then explore a number of the most critical balancing acts companies must perform, the choices they entail, and the risks corporations face when they fail to get the balance right.

We conclude with a look at the hybrid systems that are often needed to support these balancing acts, focusing in particular on IBM's Emerging Business Opportunity management system because of its success in mastering several of them simultaneously.

The Two-Cultures Problem

It's no secret that corporations are designed to ensure the success of their established businesses. Existing operations, after all, account for the bulk of their revenues. Finely tuned organizational systems support current customers and technologies. The operating environments are predictable, and executives' goals are stability, efficiency, and making the most of incremental growth.

New businesses are quite different, with cultures all their own. Many are born on the periphery of companies' established divisions; at times, they exist in the spaces in between. Their financial and operating models are seldom the same as those of existing businesses. In fact, most new business models aren't fully defined in the beginning; they become clearer as executives try new strategies, develop new applications, and pursue new customers. Because of the high levels of uncertainty associated with new ventures, they need adaptive organizational environments to succeed.

The distinctive features of new businesses present three challenges. First, emerging businesses usually lack hard data. That's particularly true when they offer cutting-

edge products or when their technologies aren't widely diffused in the marketplace. The difficulty, as one technology strategist told us, is that "it's hard to find marketplace insights for markets that don't exist." Financial forecasts are also undependable. Large errors are common, a fact that led one printing and publishing company to call its early-stage financial numbers SWAGs, short for "scientific wild-assed guesses."

Second, new businesses require innovation, innovation requires fresh ideas, and fresh ideas require mavericks. We've heard too many stories of leaders trapped by conventional thinking: Microsoft's wariness of open-source software, Polaroid's grudging move into digital cameras, GM's and Ford's reluctance to embrace hybrid cars, media companies' distaste for blogs, and so on. Some degree of unconventional thinking is essential for new businesses to take hold, but many radical ideas are foolish or unfounded. Most mavericks, sadly, can't tell the difference between good and bad ideas. They persist in defending pet themes, demand repeated hearings, and refuse to take no for an answer. The dilemma, says Home Depot CEO Robert Nardelli, is that "there's only a fine line between entrepreneurship and insubordination."

The dilemma, says Home Depot CEO Robert Nardelli, is that "there's only a fine line between entrepreneurship and insubordination."

The third challenge is the poor fit between new businesses and old systems. That's particularly true of systems for budgeting and for human resource management. Corporate budgeting systems favor established businesses because incremental dollars usually provide higher financial returns when invested in known markets rather than unknown ones. New businesses are therefore difficult to finance for long periods, and in times of austerity, they are the first to face funding cuts. In a similar spirit, companies design HR systems to develop executives whose operational skills match the needs of mature businesses—not the strategic, conceptual, and entrepreneurial skills that start-ups require. In both cases, the answer isn't to proceed haphazardly but, as we shall explain later in this article, to modify systems so they are less biased against new businesses.

Why Traditional Responses Fail

Faced with these challenges, corporations respond with one of two approaches. Some disperse the task of new-business creation, assigning it to existing divisions,

while others centralize it, lodging it in special-purpose divisions or venture groups. Both approaches have delivered mixed results.

Diffused responsibility fizzles out.

In an organization where every executive shares responsibility for new-business creation, the CEO expects employees to be as committed to turning new ideas into new businesses as they are to expanding mature ones. Some companies impose aggressive targets to motivate managers—at 3M, the poster child for this approach, 30% of sales must come from products developed in the last four years—and they link the achievement of those targets to every employee's compensation.

The main drawback of this approach is that it's easy for traditional businesses to dominate new ones. Veteran employees often choose to ignore incentives and suppress new ideas, especially those that render existing skills obsolete or require new ways of working. RR Donnelley, the U.S. printing giant, failed in its first attempt to make digital printing popular, largely because of internal resistance. Its sales managers were accustomed to selling long-term contracts to customers' purchasing managers on the basis of personal relation-

ships and the price per page. They were uncomfortable selling solutions to senior managers, which the digital business demanded, and wouldn't share expertise with the digital-printing division or send orders its way. Since they were able to make their numbers the old-fashioned way, no one could point a finger at them. As one Donnelley executive observed, resistance to the new business often took the form of the "Donnelley nod"—an apparently supportive shaking of the head but, in truth, a signal of lack of commitment.

For related reasons, a new business that doesn't fit with the company's existing product lines or markets frequently has trouble finding an organizational home. Few general managers are willing to assume responsibility for projects they privately view as diversions. In some cases—as with Home Depot's Floor Store, which the retailer launched in July 2000 to sell flooring and carpeting products—the fledgling business is shunted from district manager to district manager and from division to division, which doesn't allow it to establish a foothold. The new venture fails to attract influential sponsors and so won't receive sufficient resources or attention to survive.

In other cases, the pressure to create new businesses becomes so dominating that it overwhelms the organization. A cowboy culture results; in its wake comes a loss of financial and operating discipline. The classic example of this problem was Enron in the late 1990s, which rewarded executives for their ability to launch new trading businesses in the mold of its successful natural gas business. The result: an outpouring of trading businesses—coal, water, pulp and paper, broadband, and (later) media services, freight services, data storage, and semiconductors—that made less and less strategic and financial sense. Very few of Enron’s second- and third-generation businesses became profitable, which paved the way for the company’s downfall.

Centralization Isolates.

Concerned by their poor track records of new-business creation, many companies decided that the wisest course was to completely separate new ventures from existing divisions. In the 1970s and 1980s, these efforts took the form of internal corporate venture divisions, special-purpose groups that companies charged with launching and nurturing the lion’s share of new businesses. In the 1990s, many businesses launched corporate venture capital groups that mimicked the operation of ven-

ture capitalists by providing new businesses with arm’s-length funding, disciplined oversight, and advice. Boeing, DuPont, and Exxon were among those that established corporate venture divisions, while companies like Intel, Lucent, and Xerox set up corporate venture capital groups.

Both approaches focus on nurturing new businesses in their formative stages. However, the challenges come later, when it’s necessary to integrate fledgling businesses with the mainstream. Because centralized new-venture groups magnify the clash between the old and the new cultures, suspicion and fractious relationships are common, as are power struggles between new-business managers and division leaders. Over time, integration becomes more problematic, and companies must either spin off the new businesses or shut them down. The result, as Norman D. Fast wrote in *The Rise and Fall of Corporate New Venture Divisions*, is that centralized groups typically have “a long-term mission but a short-term life span.” In fact, corporate venture groups in the United States last, on average, only between four and five years, according to Paul Gompers and Josh Lerner in *The Venture Capital Cycle*.

Balancing Acts

Companies should avoid either-or approaches to corporate entrepreneurship because they place the old and new cultures in conflict with each other. A new approach is called for, one that melds those cultures while avoiding extreme behavior. Lean too much in one direction, and the process drifts out of equilibrium; get the balance right, and corporate entrepreneurship will flourish. With apologies to F. Scott Fitzgerald, the test of a first-rate company may well be its ability to hold two opposing ideas at the same time and still function.

Corporations must perform balancing acts in three areas: strategy, operations, and organization.

Develop strategy by trial and error.

New businesses operate in highly ambiguous environments. Ambiguity isn't the same as uncertainty, as executives are realizing (see, for instance, Nitin Nohria and Thomas A. Stewart, "Risk, Uncertainty, and Doubt," HBR February 2006). In uncertain environments, the options are reasonably clear, and the likelihood of different outcomes can be assessed. In ambiguous environments, the full range of alternatives and outcomes isn't known, leading to

many possible directions and evolutionary paths. The high levels of ambiguity in new businesses imply that corporate entrepreneurs won't get it right the first time. Because hard numbers are difficult to come by and strategic options are difficult to identify, past practices, too, offer little guidance. Experimentation is essential. Managers must begin with hypotheses about what will work and what won't; then, they should search for ways of validating or invalidating their preconceptions, knowing that first-cut strategies will change over time.

When taken to extremes, however, this approach can be counterproductive. Countless studies have shown that technologies in search of a market rarely succeed. In fact, many new businesses struggle for years because top management, hoping that one more trial will lead to success, is unwilling to close them down.

Overcoming these problems requires a balancing act that combines open-minded opportunism ("Let's try it and see how customers react; we'll make changes based on what we hear and keep at it until we get it right") with disciplined planning ("Let's think systematically about the market and the proposed technology, formulate a hypothesis about customer needs, design ex-

periments to test our hypothesis, and repeat the process until we're sure we've got the right product, technology, and business model"). Here are five ways in which executives can couple trial and error with rigor and discipline.

Narrow the playing field.

Unguided searching is an inefficient way of finding new ideas. Companies need some criteria to narrow the range of potential choices and to judge whether a technology or market presents a desirable opportunity. The goal isn't to be definitive but to scope out certain areas of promise. Smart companies identify sectors that may be worth pursuing, first by applying screens based on the attractiveness of markets and technologies, and later by combining them with executives' best judgments about promising industry trends. GE evaluates new business ideas with an eye toward increasing the scope of its operations: All new businesses must take the company into new territory—a new line of business, region or country, or customer base—and also have the potential to generate at least \$100 million in incremental sales in three years' time.

The most effective companies combine brainstorming, usually at the divisional

level, with corporate criteria for reducing the list of ideas. In the early 2000s, Henkel, the German consumer and commercial products company, asked employees what consumer needs they had identified when using its laundry and home care products and if those needs suggested any new business ideas. Within 48 hours, top management received more than 1,000 proposals by e-mail. It then set up a ten-person "invent team," which rated each idea on a ten-point scale based on assessments of market size, whether Henkel had the necessary technical knowledge in-house, whether the proposal fit the brand, and whether a launch was feasible within a year. Over one weekend, the team managed to shrink the list to just 50 high-potential ideas.

Learn from small samples, closely observed.

In ambiguous environments, the deepest learning comes from interaction with a small number of customers, not from surveys of many potential users. The latter have great statistical power but seldom provide the formative insights that executives gain from ethnographic approaches. That's the tack that P&G has taken under CEO A.G. Lafley, who insists that managers stop worrying about focus groups and

spend time in consumers' homes, watching them cook and clean, before launching new products. In 2000, the typical P&G marketer spent less than four hours a month with consumers; by 2004, that number had tripled. Intuit, which makes tax-preparation software, relies on a process it calls "Follow Me Home." The company sends employees to watch customers carry out accounting and tax-preparation tasks in their homes and offices, which helps uncover pain points that can lead to new opportunities. Starbucks periodically takes product development teams on "inspiration" trips to meet customers on their home turf. For example, in early 2006, one team visited many Starbucks outlets and other restaurants in Paris, London, and Düsseldorf, Germany, to get a better sense of local cultures, behaviors, and trends. Nokia used the same approach in China, India, and Nepal, to study how people with low incomes would use cellular telephones. Based on the research, the company's developers created an icon-based menu—consisting of pictures rather than letters and numbers—that allows semiliterate villagers to use cell phones.

Use prototypes to test business models.

Without some tangible basis for discussion, most people find it difficult to evalu-

ate new ideas. Prototypes are invaluable: They give life to emerging products and provide a basis for informed responses from potential users. They should be detailed enough for users to evaluate form, content, and desirability, and companies should couple them with forums for consumer debriefings, discussions, and reviews. Prototypes are particularly useful for testing assumptions about customer needs. UPS experimented with a grocery delivery business partly to determine whether it could tie that in with residential delivery of other goods such as consumer electronics products. Because the prototype locations showed that even loyal users ordered groceries only once every ten to 14 days—a frequency that didn't justify a larger residential delivery infrastructure—UPS quickly dropped the idea. more

Track progress through nonfinancial measures.

Trial-and-error strategy formulation shouldn't be entirely unguided—that would make it little more than guesswork. Concrete goals are essential, but in ambiguous environments, goals must take the form of project-based milestones, such as "We will conduct five customer trials in these two industries in the next three months." At times, companies can assess new busi-

nesses' progress by using leading indicators such as publicity or incorporation of product specifications into industry standards. The targets must be measurable: "We will receive three positive mentions in trade journals and three favorable comments from industry analysts in the next two months."

Suspend judgment, but not indefinitely.

The biggest risk when companies develop strategies through trial and error is that the process will continue for too long. Failures are common in new-business creation, and corporations need to be clear on when—and how—they will decide to pull the plug. New venture teams and top management must agree about the standards that will be applied to a project, the length of time it will be allowed to continue, and who decides whether to shut it down. There are many criteria for making the call—time elapsed, dollars spent, pace of technological progress, customer enthusiasm, confirmed orders, financial performance, competitors' success, and so on—but most critical is senior managers' willingness to make timely go or no-go decisions. Kodak's corporate entrepreneurship program failed in the 1990s largely because of senior managers' unwillingness to close several poorly performing new ven-

tures, such as a copier services business, a floppy disks business, and a bioscience and pharmaceuticals business. That wasted resources and destroyed the program's credibility.

Operate with something old, something new.

Existing companies will enjoy an advantage in new-business creation only if they build on their strengths; otherwise, they will be no better off than start-ups that must begin with a clean slate. Novelty for novelty's sake is seldom a source of competitive advantage. At the same time, if new businesses make operating choices only by drawing on their parents' strengths, reusability and efficiency become the driving values, and time-tested but inappropriate people, processes, and systems will be the result. How do executives avoid these unhealthy extremes?

Existing companies will enjoy an advantage in new-business creation only if they build on their strengths; otherwise, they will be no better off than start-ups that must begin with a clean slate.

In most cases, the best combination of the old and the new entails a blend of experience and invention. Selling to preexisting customers, staffing with seasoned person-

nel, drawing on established distribution channels, and working with proven processes will improve the odds of creating profitable and sustainable operations. Differentiation, however, requires fresh thinking and innovative approaches to operations. To get the best of both worlds, companies should do the following:

Staff new ventures with “mature turks.”

Companies often put young, hard-charging mavericks in command of start-up ventures. Frequently, those executives are new to the company or haven't grown up in the business. Such people, runs the argument, are less constrained by companies' current ways of working. Unfortunately, they're also less likely to know which corporate resources are available or have the credibility to draw upon them. A better strategy, common at GE and 3M, is to put “mature turks”—managers who are already successful at running larger businesses but are also known for their willingness to challenge convention—in charge of new businesses. An observer described one such executive as “a 60-year-old with beads and a ponytail—a maverick but a through-and-through Xerox person with the credibility to get new businesses off the ground.”

At times, top management must handpick leaders from a list of high-potential executives; at other times, it can find candidates by looking at annual personnel evaluations and identifying managers with high scores on entrepreneurship, innovativeness, and risk taking. In 1999, when L.L. Bean launched Freeport Studio, a brand of women's clothing, it selected employees for the new business from within the organization partly on the basis of how they answered one question: “How did you feel when you took a risk?”

Change veterans' thinking.

Employees will seldom embrace a new business unless companies presell them the idea. Smart companies place division chiefs and group heads on the oversight committees or boards of promising start-up efforts. They expect familiarity to lead to understanding, and understanding to breed acceptance. Companies can also foster shared understanding by getting executives to envisage the future through exercises such as scenario planning. For years, Bill Gates took Microsoft's senior team on weeklong retreats, where discussion revolved around emerging technological trends and competitive threats. To reinforce the message, companies may sometimes need to alter incentives and promo-

tion criteria, particularly when existing values are deeply rooted in organizations.

Develop some capabilities, but acquire others.

Leaders of new businesses often feel that they must build every capability from the ground up. Not all skills are best developed from scratch, though; some can be purchased. The make-or-buy decision hinges on the availability of skills in the open market, the time needed for internal development, and the ease with which outside capabilities can be integrated into the organization. UPS preferred to make acquisitions when it needed specialized skills, as it did in 2000 with its purchase of Livingston, a Canadian logistics firm specializing in the unique documentation and technology systems required for the delivery of health care products, and its sister company Livingston Healthcare Services, in the United States. It also acquired companies when they had built relationships that would take UPS years to cultivate; that's why, in 2004, UPS bought Menlo, a freight forwarder that had 20-year ties with both customers and representatives of multimodal transportation services. In contrast, internal development was UPS's approach to developing mission-critical, customer-facing capabilities such as tracking and

shipping systems, especially when the skills touched many parts of the business, involved legacy systems, and presented integration challenges. more

Share responsibility for operating decisions.

New businesses prefer complete control over their destinies. However, it's easy to lose perspective. Stanford's Robert Burgelman, in *Strategy Is Destiny*, quotes the head of one of Intel's start-up businesses as saying: "We created a very entrepreneurial culture that prided itself on being different from the rest of Intel. Some of this was justified. We have a different business model....However, when we really looked at it, we found that we were being different for difference's sake."

When corporations force new and old businesses to share responsibility for critical choices, the former become more accepting of established practices and more successful at leveraging existing strengths. For many years, Expo Design Center operated independently of parent Home Depot, although the two businesses sold related products and could realize synergies in merchandising and procurement. Their buyers were brought together to improve efficiency when Robert Nardelli became CEO;

they now sit on the same floor of an office building, at adjacent desks, and jointly make decisions on common purchases. That has led to large savings from the 25% of vendors that Home Depot and Expo Design share.

Integrate with autonomy.

A new business needs help from the parent company as it strives to develop an independent identity. That assistance usually takes the form of protection, sponsorship, and other types of support from the corporation's senior-most executives. Organizationally, the company gives the new business a direct reporting line to a respected leader, who becomes responsible for providing oversight, allocating resources, offering strategic guidance, and ensuring that its managers aren't hog-tied by the parent's rules. The leader treats the new business as an exception, free from the usual controls, performance standards, and review processes demanded of the company's mature businesses.

This approach works well—until it becomes necessary to hand the new business, which has outgrown the leader's ability to manage it as an exception, over to an existing business group. That's when resistance sets in and battles break out.

Some conflict is predictable—there may be a knee-jerk “not nurtured here” response from existing businesses. Yet it does reflect some legitimate concerns. New businesses are rarely designed in ways that ensure a comfortable transition to the established organization, and the division managers who inherit them are not schooled in the requirements for successful handoffs. Those managers have good reason to worry that the infant businesses will fail and that top management will hold them responsible.

Too much independence leads to a related problem: a lack of organizational learning. At times, new businesses develop strategic and operational innovations that, should they succeed, are expected to be passed on to other parts of the company. That's why these businesses need considerable independence and protection in their youth. But if they are held too far apart from the mainstream or are regarded as threats to the existing order, the new ideas they embody will never take hold in the company. GM launched Saturn in 1990 to be a “different kind of car company,” with innovative advertising, labor practices, operational processes, and sales strategies that were meant to serve as models for the rest of the organization. However, by 2004, GM had reannexed Sat-

urn, tightly linking the business to its established factories, marketing programs, and labor contracts, partly because the company's other divisions had no desire to be "Saturn-ized."

For these reasons, we find, integration works best when it begins early in the life of a new business. Managers are more amenable to inheriting organizations that they have had a hand in shaping from infancy. The challenge is to get the balance right between identity and integration, and to make the shift at the proper time. Too much integration in the early days or a rushed handoff, and the new business will never differentiate itself. Too much early independence or corporate dominance, and established divisions will resist the integration of the new business. Companies can achieve the proper balance if they follow a few simple principles.

Assign corporate operating sponsors.

Corporate sponsors, who can be either line or staff executives, bring credibility and clout to new ventures, while operating sponsors, who are drawn from particular businesses, divisions, or groups, contribute organizational savvy and foster acceptance. Together, they are likely to give the right mix of freedom and discipline to new

businesses, and to balance identity with integration. In 2006, Staples launched ten prototype rural stores. Each store reported simultaneously to the local district manager and to the company's vice president for strategic markets, who was responsible for the initiative. Such dual sponsorship helps overcome the problem of long and uncertain gestation periods. Few employees will sign up for a new business if they believe that resources will disappear when it becomes an independent business or if they sense that senior leaders are displaying on-again, off-again enthusiasm. With dual sponsorship, companies signal that the new business is a long-term commitment and that they have already given thought to its transition to maturity.

Establish criteria for handoffs.

Unless there are preestablished standards for handoffs from corporate oversight to divisional ownership, companies will make those shifts very slowly. Most new businesses prefer to stay under the protective corporate umbrella, where they enjoy privileged treatment and special status, controls are frequently looser, and resources are easier to obtain. The criteria for handoffs can be quantitative (revenue or size thresholds, number of customers, market share targets) or qualitative (clarity of strat-

egy, stability and experience of the leadership team, competitive superiority), but everyone in the company must know and agree to them in advance. more

Employ hybrid organizational forms.

Companies must also balance identity and integration by using innovative organizational structures. Such structures often consist of creative combinations of dotted-line and solid-line reporting relationships that mix formal authority with informal oversight. Councils and oversight committees are particularly useful.

To support its shift from the commodity chemical business to specialty chemicals, Ashland Chemical created its Strategic Expansion Project Board, consisting of the CEO and all the group vice presidents. The board identified and funded projects that had significant commercial potential but cut across traditional business boundaries.

The composition of the board ensured that representatives from multiple functions, businesses, and staff and line groups sat down together, combined perspectives, and worked out differences. Once projects became operational, they moved to the Commercial Development Group, whose head reported directly to the CEO.

How IBM Strikes a Balance

One company that has applied these principles is IBM. The starting point was September 12, 1999, when then-CEO Lou Gerstner learned that division managers had killed a promising project that focused on the explosive growth in biotechnology and life sciences computing. He fired off a scathing memo to his senior team, demanding to know why IBM kept missing the emergence of new industries. Executives quickly formed a task force to gather information by interviewing members of several struggling or unsuccessful startups within IBM, reviewing the academic literature on innovation and business creation, and benchmarking IBM's new-business development efforts against those of Cisco, Intel, Microsoft, and other large companies, as well as those of venture capitalists and entrepreneurs.

The team concluded that IBM's difficulties in starting new businesses could be traced to six root causes: a management system that rewarded execution and short-term results rather than strategic business building; a preoccupation with IBM's current markets and existing offerings; a business model that emphasized sustained profits and improvement in earnings per share rather than actions to drive higher price-

earnings ratios; a financial, data driven approach to gathering and using market insights that was inadequate for embryonic markets; an absence of processes suitable for selecting, developing, funding, and terminating new growth businesses; and a lack of entrepreneurial skills. In essence, the team discovered that IBM, like many other companies, suffered from the two-cultures problem that we described earlier.

To overcome these obstacles, the task force recommended that IBM's senior executives devote more time and attention to developing emerging businesses; that the company identify and support promising opportunities; and that every business group and division develop its own sets of new businesses. Most important, executives recommended that IBM build a distinct Emerging Business Opportunity (EBO) management system to complement its existing systems.¹

After several months, Gerstner remained concerned about the extent of the organization's acceptance of the task force's recommendations; the ability of IBM's existing processes to catch problems as new businesses grew; and the possibility that division managers might game the system. As one senior executive recalled, that led Gerstner to observe at one of the team

meetings devoted to the topic: "Somebody around this table has to shepherd these efforts forward, someone who knows the culture well enough to kick the system. It can't be just some staff guy. It has to be someone with really big shoes." On July 24, 2000, Gerstner announced that he was promoting John Thompson, leader of the software group, to vice chairman and putting him in charge of the new-business effort. Thompson, a 34-year IBM veteran, had managed several product groups and had also led many cross-business initiatives, such as the pervasive-computing and life sciences programs. The appointment had an immediate impact. As one task force member put it: "When Gerstner made Thompson, the most respected group executive, vice chairman, the program got huge credibility. We knew then that Gerstner was serious."

Thompson moved immediately on several fronts. Initially, he told us, he saw his role as that of an evangelist, selling the company's commitment to emerging businesses "by preaching the story and occasionally making an example by putting someone in the doghouse." At the same time, he consolidated responsibility, bringing in the corporate strategy and technology groups for staff support. He insisted, as one of the conditions for taking the job,

that he control a pool of funds to support EBOs, and IBM set aside \$100 million for the purpose. Most important, Thompson started creating the development, oversight, and review processes that would form the core of IBM's Emerging Business Opportunity management system. In the process, Thompson and his successor, Bruce Harreld, artfully managed a series of balancing acts.

Leadership.

Because many EBOs were in danger of falling between the cracks of established businesses, success hinged on their leaders' ability to navigate IBM's complex matrix organization to secure cooperation and support. The typical EBO leader had only four or five direct reports and otherwise relied on part-time assistance from other parts of the company, so each had to find ways to manage the activities of dozens or, occasionally, hundreds of IBM employees in different countries and business groups. Thompson therefore decided to choose EBO leaders for their experience and skill in working the system, as well as for their entrepreneurial, business-building, and creative talents.

Not surprisingly, many experienced managers had doubts about becoming EBO lead-

ers. They perceived the move to be a step down; it was like, one of them said, "being asked to join a minor-league team after being a player in the major leagues." For this reason, and because the competencies they needed were difficult to find, IBM's senior-most executives handpicked the first EBO leaders. The top brass was involved in the process, Thompson pointed out, partly because "the line really didn't want to give those people up." more

EBO leaders reported to the relevant business group heads, who also assumed primary responsibility for their performance reviews. However, IBM's mature turks also had a strong dotted-line relationship with Thompson and Harreld, who took over as IBM's EBO czar after Thompson retired in September 2002.

Strategy development.

Thompson charged EBO leaders with arriving at "strategic clarity"—which, at IBM, means having a deep understanding of the new business's marketplace, set of customers to be pursued, value proposition, existing and needed capabilities, and steps to be taken next. Unlike IBM's traditional planning processes, the EBOs' development process was exploratory, with frequent changes in direction. According to

Thompson: “Sometimes it would take a year to a year and a half to get to a strategy we were happy with. You just kept iterating and iterating and iterating.”

To resolve strategy issues, IBM encouraged EBO teams to engage with the marketplace. In the earliest days of a new business, when product designs and industry standards were still in flux, that often required selling a point of view to the outside world. Public relations and media communications were essential tasks, and EBO teams often worked directly with analysts, thought leaders, and technical columnists to gain positive coverage in the press. Eventually, however, mind share had to translate into market share. To that end, IBM expected teams to work with customers on in-market experiments, where they executed some elements of their business plans. The first step was to test the proposed product as a pilot or to persuade a few customers to allow IBM to incorporate the product or service into a new design (called a design-in). The EBO teams had to set targets that they hoped to achieve through the experiments, partly to acknowledge to themselves that failure was a distinct possibility.

As the results of the experiments came in, EBOs had to revise their strategies and

business designs. Much of that work took place in monthly review meetings that included the EBO leader, the overseeing IBM business group or division head, representatives from finance and research, and the EBOs’ czar (Thompson, then Harreld). At these meetings, Thompson and Harreld took care to establish ownership of the business development process: They set the agenda, asked the tough questions, and even held these meetings in their own offices. The reviews were rigorous and lasted several hours; one participant described them to us as “root canals.” They were fundamentally different from IBM’s traditional business reviews, which focused on financial performance versus plan targets. EBO reviews were much more developmental; they were designed to refine business plans rather than review the numbers.

Many EBO teams needed help defining their strategic intent; they found it difficult to set boundaries around what they wanted to accomplish. Assumptions about market needs and the business’s ability to deliver were often wildly optimistic. Many teams had trouble identifying opportunities, sources of value, target customers, and the bases of sustainable competitive advantage. They had little experience with poorly defined marketplaces and had to

learn the rudiments of strategic analysis. Because collaborative brainstorming and joint problem solving were the primary goals of these meetings, the process was contentious by design. A crisp presentation didn't matter. In fact, Harreld pointed out, most EBO leaders had to learn a new set of behaviors. "They were trained to answer every question and to have everything under control. I told them, 'Put it aside. The worse you look, the better this meeting is going to go.'"

Monitoring.

Along with IBM's finance and corporate strategy staffs, Thompson and Harreld periodically evaluated each EBO using three parameters: project-based milestones, financials, and assessments of business maturity. Together, those metrics satisfied IBM's numbers-oriented executives even as they encouraged the EBOs to innovate and grow.

The project-based milestones were the primary basis on which EBOs were evaluated. IBM used many kinds of milestones: marketplace acceptance (for instance, number of customer pilots, customer references, and design-ins), external perception (IBM's public image versus the competition's, mentions by key technology colum-

nists, presentations at industry conferences), ecosystem development (number of software vendor partnerships and technology alliances), internal execution (significant product development checkpoints and announcements), and resource building (additions of solution and brand specialists to the staff, creation of an advisory committee, outreach to other parts of the organization). As one participant observed, IBM's executives expected milestones to indicate progress toward a goal: "They had to be more than just [any] nonfinancial measures that were easy to count."

The EBOs were not, however, completely free from financial scrutiny. Once a new business was up and running, IBM's finance group calculated its revenues and direct expenses. The reports provided the basis for monthly reviews that the finance group conducted with each EBO's executives. Meetings were often brief, but they served a dual purpose. They prepared emerging businesses for the financial reviews that would be required of them as they matured. In addition, they provided a check: If the expenses of an EBO were below budget but it wasn't meeting its milestones, that often meant that the IBM division funding the new venture was cutting back on investments. "That's a foul," an IBM corporate finance executive told us.

“And you can only find it by looking at expenses and milestones in the same meeting.” more

Finally, to track how well all the EBOs were progressing, IBM’s corporate strategy department developed a color-coded scoring system. It rated each EBO in three areas: developing a clear strategy, defining an executable model, and winning in the marketplace. Red identified concerns or problems, yellow signaled limited progress and unresolved issues, and green indicated sustained success. The strategy team summarized the results of these assessments in monthly and quarterly reports to senior management. These ratings also helped executives determine when the new businesses were ready to be transferred out of the EBO management system.

The true measure of any system is its results. Of the 25 business bets that IBM has made in the past five years, three have failed, and the remainder are a mix of evolving and successful businesses. In 2002, these businesses contributed more than \$6 billion in additional revenues; in 2003, more than \$10 billion; and in 2004, \$15 billion.

Most of the new businesses are now in the hands of IBM’s business groups. That tran-

sition occurred quite suddenly. Gerstner’s successor, Sam Palmisano, triggered the shift when he suggested to Harreld in August 2003 that “maybe we’re hugging the EBOs too closely.” Harreld responded by deciding, almost overnight, to move 14 EBOs out of the corporate system and into IBM’s business groups. In each case, he based his decision on two simple tests of sustainability: Did the business have clear leadership? And did it have a clear strategy? Any operational issues, he felt, were better addressed by the business group leaders than by the corporate strategy department.

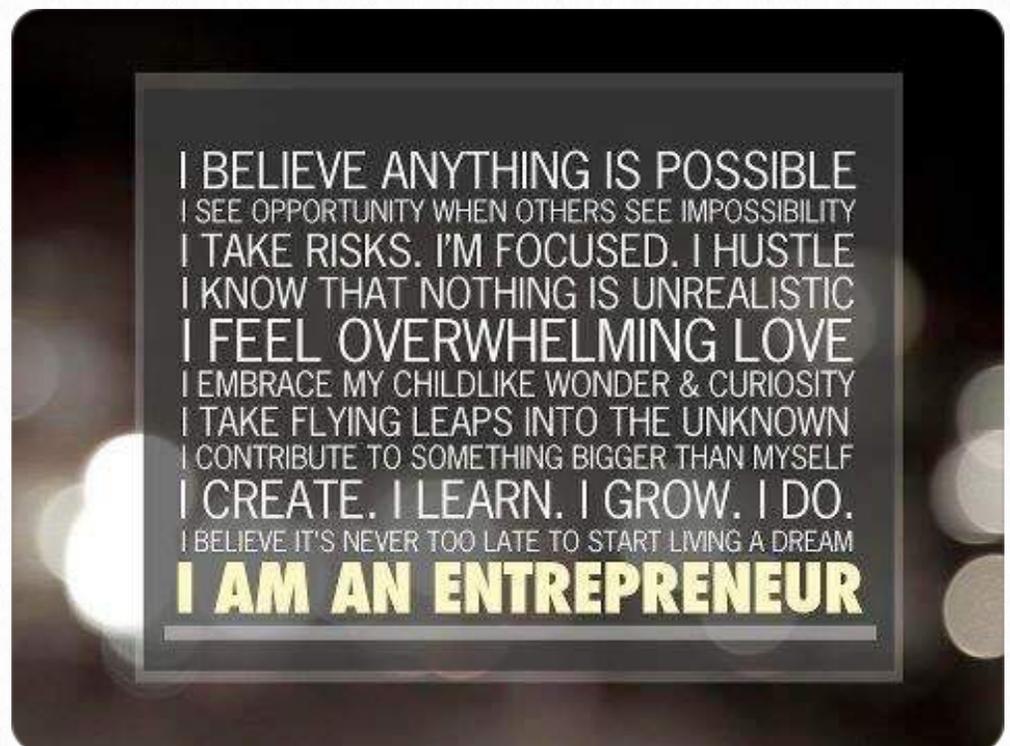
The handoffs were accompanied by tightened monitoring and reporting. IBM made the business groups’ quarterly reviews more rigorous, with corporate strategy executives attending to monitor the progress of the EBOs. Each group’s monthly letter to the chairman had to describe the status of its EBOs. In addition, Harreld met twice a year with every business group head to review the EBOs’ progress and to ensure that IBM’s traditional culture wasn’t choking their performance. . . .

For companies that wish to succeed with corporate entrepreneurship, the lesson is simple: Success is not an either-or proposition. New businesses should be nurtured

I have not failed. I've just found 10,000 ways that won't work.

- Thomas Edison

through a series of balancing acts that combine entrepreneurship and disciplined management, short- and long-term thinking, and established and new processes. As IBM's EBO management system shows, when companies must choose between black and white, the best response is often gray.



Becoming an Entrepreneur

by Anna Vital

Look Ahead

Try to see the future even though you are looking at the present. Get your own understanding of how the industry will develop. Do not worry about being wrong.

Tell People and Demo

You will be surprised how many people will want to work with you, once you start doing things

Use Your Gut Feeling

You know your business better than anyone else. Most importantly, you know yourself, so trust yourself.

Do the Leg Work

Walk the walk, not just talk the talk.

Build Your Product

Find Co-Founder

Find Advisors

Find Capital



- no longer need this to enjoy life

I'm unscared.



Think of a Problem

Find a really specific small problem. Talk to 1000 people about how to solve it. Then just decide on one solution. Once you decide, just execute.

Follow Your Passion

If you don't see yourself working 80 hours a week on it - it's not your passion. Find your real passion. It is the kind of thing you do really well, even when you are overworked, angry, and starved.

Make a Prototype

Whether you code or not, you can build a simple 2-5 screen prototype.

The equipment you will need



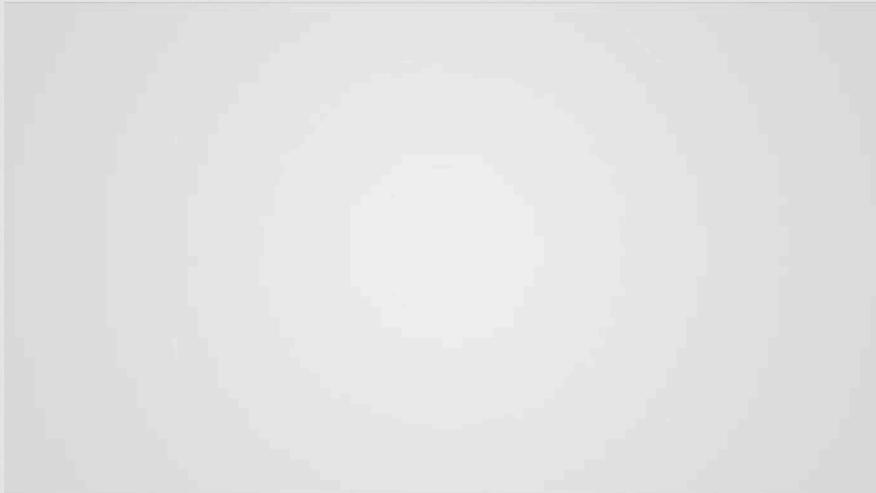
Block the doubters

You will hear a lot of No's, just keep going because YOU know best, not them.



fundersandfounders.com

Movie 2.2 Last Week Tonight with John Oliver: Patents



For inventors, patents are an essential protection against theft. But when patent trolls abuse the system by stockpiling patents and threatening lawsuits, businesses are forced to shell out tons of money.

Foster Flow



Create a Work Environment That Fosters Flow

by Steven Kotler

Everywhere we look in business, timetables once measured by calendars can now be clocked by egg timers. So how can we keep up? In a word — and according to an ever-increasing pile of evidence — “flow.” Technically defined as an “optimal state of consciousness where we feel our best and perform our best,” the term takes its name from the sensation it confers. In flow, every action, every decision, arises seamlessly from the last. In this state, we are so focused on the task at hand that all else falls away. Action and

awareness merge. Our sense of self vanishes. Our sense of time distorts. And performance goes through the roof.

In my book, *The Rise of Superman*, I examine how extreme athletes — surfers, snowboarders, skydivers, and others — have used flow to lift athletic performance to levels unlike anything we've ever seen before, but the much more important point is that anyone can tap this state. It's ubiquitous. It shows up anywhere, provided certain initial conditions are met — and that includes the world of business.

In a 10-year study conducted by McKinsey, top executives reported being five times more productive in flow. Think about that for a moment. This means, if you can spend Monday in flow, you'll get as much done as your steady-state peers do in a week. In fact, according to these same McKinsey researchers, if we could increase the time we spend in flow by 15-20%, overall workplace productivity would almost double.

At the heart of this doubling sits a complicated cascade of five neurochemicals which, when combined, accomplish intrinsically what most organizations fail to achieve by fiat. In flow, the brain releases norepinephrine, dopamine, endorphins, an-

andamide, and serotonin. All five affect performance. Norepinephrine and dopamine tighten focus, helping us shut out the persistent distractions of our multi-tasked lives. Endorphins block pain, letting us burn the candle at both ends without burning out altogether. Anandamide prompts lateral connections and generates gestalt insights far more than most brainstorming sessions. And serotonin, that feel-good chemical at the heart of the Prozac revolution, bonds teams together more powerfully than the best-intentioned offsite.

But really understanding what makes these chemicals so powerful requires diving deeper into their impact on motivation, learning, and creativity. Let's take them one at a time.

Motivationally, these five chemicals are the biggest rewards the brain can produce, and flow is one of the only times the brain produces all five simultaneously. This makes the state one of the most pleasurable, meaningful and — literally — addictive experiences available.

And we've all seen this in action. When coders stay up three days straight to launch a new app, flow, even more than caffeine and cold pizza, is what gets them to the finish line. "Researchers describe

flow as the source code of intrinsic motivation,” says Jamie Wheal, Executive Director of the Flow Genome Project (where I am Director of Research). “Once an experience produces the state, we will go to extraordinary lengths to get more of it.”

Equally critical in an environment of rapid change is our ability to learn faster. Here too, flow can help. The more neurochemicals that show up during an experience, the greater the chance that experience moves from short-term holding into long-term storage. As flow produces one of the most potent neurochemical cocktails around, the state has a massive impact on our ability to acquire new skills and knowledge. DARPA, for example, found that military snipers trained in a state of flow learned 230 percent faster than normal. Scientists at Advanced Brain Monitoring in Carlsbad, California, ran a parallel civilian study and found that flow cut in half the amount of time it took to train novice marksmen up to the expert level.

“In all our studies of extreme performance improvement,” says John Hagel, co-founder of Deloitte’s Center for the Edge, “the people and organizations who covered the most distance in the shortest time were always the ones who were tapping into passion and finding flow.”

Flow’s impact on creativity may be its most important role in today’s accelerated climate. “The major complaint you hear from people today is they’re overwhelmed by the amount of information coming at them,” continues Hagel. “Flow allows you to absorb that information, synthesize it, and integrate it. This drives the creative process. So while everyone else is driven to distraction, people in flow are adapting — they’re using the state to take performance to the next level.”

This happens because creativity is recombinatory — the product of novel ideas bumping into old thoughts and birthing something utterly new. In flow, norepinephrine and dopamine help us shut out distraction and gather more information (i.e. novel ideas). But these same chemicals also enhance pattern recognition, allowing us to make faster connections between ideas. Anandamide, meanwhile, augments lateral thinking, producing connections between much farther-flung ideas.

By turbo-boosting learning, motivation and creativity, flow is amplifying the three core competencies required to keep pace with radical change. Yet these dividends don’t come without serious investment. Restructuring businesses around flow means radically altering their DNA, shifting emphasis

from mechanistic efficiencies to deep human engagement. Not many companies are up for this challenge. But in an era of relentless progress, making a present tense commitment to flow may be the only way to stay ahead of a breakneck future.

So how can we produce more flow in our lives and organizations? Flow states have triggers — pre-conditions that lead to more flow. Some are psychological, while others are environmental, social or creative. But since flow is a state of total absorption, all are ways of heightening and tightening attention, driving focus into the present moment.

Take high consequences, one of the environmental triggers. The idea here is straightforward: flow follows focus, and consequences always catch our attention.

For the extreme athletes I studied, these were often physical risks, but the science shows that other risks — emotional, intellectual, creative, social — work just as well. Moreover, all risk is relative. Sure, a professional surfer may need to paddle into a 50 foot wave to pull this trigger, but if you're shy and quiet, then simply speaking up during an important meeting is enough to do the same.

These facts also tell us that those Silicon Valley companies with “fail forward” as their de-facto motto have an incredible advantage. If employees don't have the space to fail, then they don't have the ability to take risks. And if you're not incentivizing risk, you're denying access to flow.

One of the psychological triggers is the challenge/skills ratio. Our attention is most engaged when there's a very specific relationship between the difficulty of a task and our ability to perform that task. If the challenge is too great, fear swamps the system. If the challenge is too easy, we stop paying attention. Flow appears near the emotional midpoint between boredom and anxiety, in what scientists call the “flow channel” — the spot where the task is hard enough to make us stretch; not hard enough to make us snap.

This sweet spot keeps attention locked in the present. When the challenge is firmly within the boundaries of known skills — meaning I've done it before and am fairly certain I can so again — the outcome is predetermined. We're interested, not riveted. But when we don't know what's going to happen next, we pay more attention to the next. In other words, just like with the high consequences trigger, uncertainty is our rocket ride into the present moment.

It was 'even-odds'...

The thing I was most afraid of...

Didn't actually exist, at all.

- Steven Kotler

So how hard do we have to push exactly? While the answer varies between individuals, 4% appears to be a loose rule of thumb. The challenge must be 4% greater than the skills one brings to it. And here's where many get it wrong. A high performer will blow by 4% without noticing. They'll go for challenges far harder and miss the sweet spot and, without the motivational reward of flow (to say nothing of its performance boost), they'll burn out. Underachievers miss because 4% is the point where one gets seriously uncomfortable. So while high performers must learn slow and steady wins this race, underachievers must learn the opposite: that being uncomfortable is a sign of progress, not a reason to run away.

These two triggers are only the beginning, but two other points are worth remembering. First, when people tend to think about action and adventure sports, the danger involved tends to blind many to the obvious. Certainly, the abundance of physical risk in these environments drives flow, but these athletes also rely upon 15 other triggers — none of which require any physical risk. They range from uninterrupted concentration (sorry, open office plans), to clear goals, to immediate feedback.

Second, flow science is already being applied in business. Some companies (Facebook, Google) are focused on individual triggers, while others (Toyota, Patagonia) have already made flow a fundamental part of their core philosophy. Thus, it's not just that tapping into flow can help an organization keep pace with an exponential world, it's that there's a good chance that your competition is already applying these principles and soon — because of the state's significant amplification of performance and productivity — there may be no other way to keep up.

Movie 2.3 How to Cultivate a State of Bliss



Steven Kotler and Jamie Wheal, the co-founders of Flow Genome Project, have been at the forefront of discovering the triggers in order to unlock and harness these "flow states."

According to Wheal, "Flow Genome Project is an interdisciplinary organization dedicated to mapping the deep science of ultimate human performance." Kotler adds, "Flow states are defined as optimal states of consciousness. These are states where you feel your best and you perform your best."

Find Flow



Help Your Employees Find Flow

by Terri Griffith

Holacracy. Results-Only Work Environments. These new, more flexible ways of working may be a step too far for many organizations. Still, greater employee freedom can create a better sense of “flow,” which enhances engagement, retention, and performance.

This can be achieved by loosening your grip on work practices — but you don’t have to let go completely: remove obstacles, set boundaries and meaningful goals, then let work take its course.

Stefan Groschupf, founder and CEO of Datableer, a big data analytics company, talked with me about how he tries to reduce negative interruptions and increase “flow.” His industry is one of the most pressured to recruit and retain top talent. He’s finding that the organization is more productive (e.g., has more leads generated in marketing or has engineers moving through projects more quickly) with active management of interruptions and engagement to enhance flow.

Mihaly Csikszentmihalyi, author of the landmark *Finding Flow*, describes the feeling of flow this way:

Imagine that you are skiing down a slope and your full attention is focused on the movements of your body, the position of the skis, the air whistling past your face, and the snow-shrouded trees running by. There is no room in your awareness for conflicts or contradictions; you know that a distracting thought or emotion might get you buried face down in the snow. The run is so perfect that you want it to last forever.

Flow has been tied to performance by improving concentration and motivation. But when you’re constantly interrupted, it’s hard to find a state of flow. One workplace study found an average of almost 87 inter-

rptions per day (an average of 22 external interruptions and 65 triggered by the person himself). Then, on average, it takes over 23 minutes to get back on task after an interruption, but 18% percent of the time the interrupted task isn’t revisited that day. For some, interruptions “form the genesis of the work,” so it’s hard to say that all interruptions are bad — but work design and management needs to offer the opportunity and knowledge to manage interruptions.

Groschupf’s techniques for combating interruptions and fostering flow are straightforward: allowing people to switch off email, fewer meetings, and focusing on smaller chunks of work. These strategies, however, wouldn’t be as effective if just one person made these changes to his or her individual work. The key is that the whole organization is on board. Groschupf says that they have clear organizational goals — and that all employees know engagement and flow are important to reach those goals.

And yet the CEO is skeptical of the hype around gamification — the latest engagement fad. “What’s behind gamification? It’s flow.” He believes that if management can create an environment where employees love the experience and feel fulfilled in

their jobs, then engagement, retention, and performance will follow.

He's learned that turnover is usually not about the money. "It's about achievement." Games and flow are characterized by relatively short challenge-and-reward cycles. This approach is similar to the recommendations in Teresa Amabile and Steven Kramer's recent book, *The Progress Principle*, where they demonstrate that even small wins fuel motivation. Groschupf works to build those powerful little wins into the business. He's not controlling the work, but he is setting the rules for making the work more engaging.

As a data-driven business, Datameer is always tracking results, so people can see their progress and how it fits into the rest of the organization's work. Groschupf notes that it's helpful being a young company – Datameer has been able to build measurable processes as it goes. He acknowledges that it would be harder to add these tools on to legacy systems. But I'll offer that practices enabled with collaborative goal-setting tools like Work.com are one way to add some of this capability to an existing system.

The approach at Datameer is not just tool-and-metric-based. There is also a human

dimension to their practice. Groschupf says, "It's a learning process. You can't just go to someone and say that the way we run this company is data driven. There is a human element. As you get new folks that might not be knowledgeable, it's important to socialize them and help them understand."

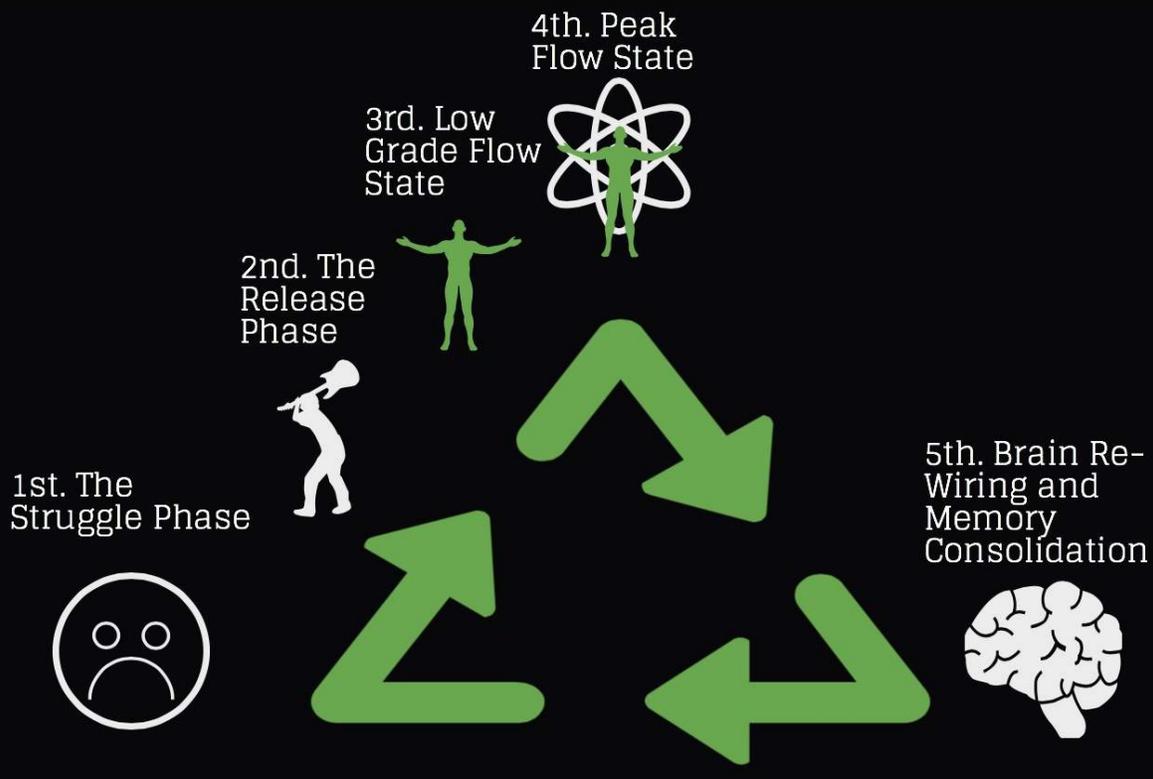
Loosen your grip on tactics like meetings and email, and focus on reducing interruptions and increasing engagement. Create shorter and more visible challenge-and-reward cycles and let employees go with the flow.

17 FLOW TRIGGERS

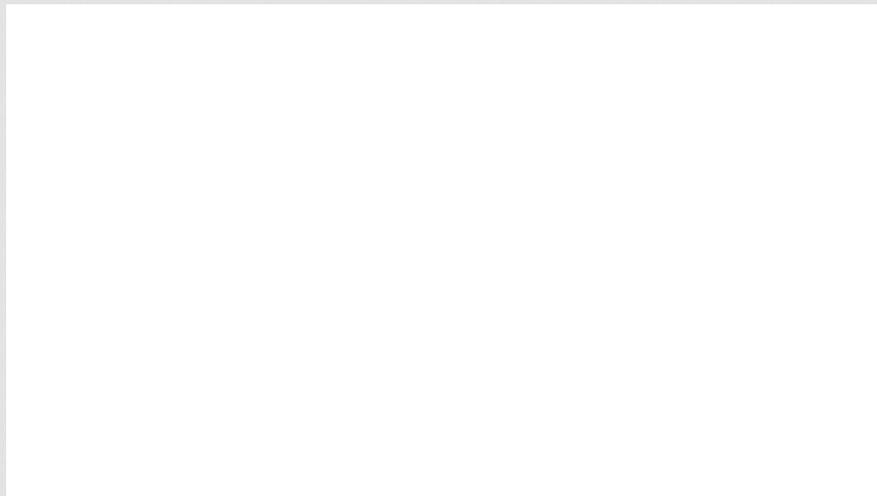
| | |
|-----------------------------|---------------------------------------|
| Intensely Focused Attention | Good Communication |
| Clear Goals | Familiarity |
| Immediate Feedback | Equal Participation (and Skill Level) |
| The Challenge/Skills Ratio | Risk |
| High Consequences | Sense of Control |
| Rich Environment | Close Listening |
| Deep Embodiment | Always Say Yes |
| Serious Concentration | Creativity |
| Shared, Clear Goals | |

THE 5 STATES OF FLOW

Get there consistently



Movie 2.4 Introduction to the Optimized Brain



Flow is technically defined as an optimal state of consciousness where we feel our best and we perform our best.

Steven Kotler runs through the neuroanatomic shifts that make it possible. If your guess is that the brain somehow works harder or faster during flow states, you may be surprised to learn that everything actually slows down thanks to what's called transient hypofrontality.



How (and Why) to Stop Multitasking

by Peter Bregman

Most of the time multitasking is an illusion.

You think you are multitasking, but in reality you're actually wasting time switching from one task to another.

- Bosco Tjan

During a conference call with the executive committee of a nonprofit board on which I sit, I decided to send an email to a client.

I know, I know. You'd think I'd have learned.

Last week I wrote about the dangers of using a cell phone while driving. Multitasking is dangerous. And so I proposed a way to stop.

But when I sent that email, I wasn't in a car. I was safe at my desk. What could go wrong?

Well, I sent the client the message. Then I had to send him another one, this time with the attachment I had forgotten to append. Finally, my third email to him explained why that attachment wasn't what he was expecting. When I eventually refocused on the call, I realized I hadn't heard a question the Chair of the Board had asked me.

I swear I wasn't smoking anything. But I might as well have been. A study showed that people distracted by incoming email and phone calls saw a 10-point fall in their IQs. What's the impact of a 10-point drop? The same as losing a night of sleep. More than twice the effect of smoking marijuana.

Doing several things at once is a trick we play on ourselves, thinking we're getting more done. In reality, our productivity goes down by as much as 40%. We don't actually multitask. We switch-task, rapidly shifting from one thing to another, interrupting ourselves unproductively, and losing time in the process.

You might think you're different, that you've done it so much you've become good at it. Practice makes perfect and all that.

But you'd be wrong. Research shows that heavy multitaskers are less competent at

doing several things at once than light multitaskers. In other words, in contrast to almost everything else in your life, the more you multitask, the worse you are at it. Practice, in this case, works against you.

I decided to do an experiment. For one week I would do no multitasking and see what happened. What techniques would help? Could I sustain a focus on one thing at a time for that long?

For the most part, I succeeded. If I was on the phone, all I did was talk or listen on the phone. In a meeting I did nothing but focus on the meeting. Any interruptions — email, a knock on the door — I held off until I finished what I was working on.

During the week I discovered six things:

First, it was delightful. I noticed this most dramatically when I was with my children. I shut my cell phone off and found myself much more deeply engaged and present with them. I never realized how significantly a short moment of checking my email disengaged me from the people and things right there in front of me. Don't laugh, but I actually — for the first time in a while — noticed the beauty of leaves blowing in the wind.

Second, I made significant progress on challenging projects, the kind that — like writing or strategizing — require thought and persistence. The kind I usually try to distract myself from. I stayed with each project when it got hard, and experienced a number of breakthroughs.

Third, my stress dropped dramatically. Research shows that multitasking isn't just inefficient, it's stressful. And I found that to be true. It was a relief to do only one thing at a time. I felt liberated from the strain of keeping so many balls in the air at each moment. It felt reassuring to finish one thing before going to the next.

Fourth, I lost all patience for things I felt were not a good use of my time. An hour-long meeting seemed interminably long. A meandering pointless conversation was excruciating. I became laser-focused on getting things done. Since I wasn't doing anything else, I got bored much more quickly. I had no tolerance for wasted time.

Fifth, I had tremendous patience for things I felt were useful and enjoyable. When I listened to my wife Eleanor, I was in no rush. When I was brainstorming about a difficult problem, I stuck with it. Nothing else was competing for my attention so I was able to settle into the one thing I was doing.

Sixth, there was no downside. I lost nothing by not multitasking. No projects were left unfinished. No one became frustrated with me for not answering a call or failing to return an email the second I received it.

That's why it's so surprising that multitasking is so hard to resist. If there's no downside to stopping, why don't we all just stop?

I think it's because our minds move considerably faster than the outside world. You can hear far more words a minute than someone else can speak. We have so much to do, why waste any time? So, while you're on the phone listening to someone, why not use that extra brain power to book a trip to Florence?

What we neglect to realize is that we're already using that brain power to pick up nuance, think about what we're hearing, access our creativity, and stay connected to what's happening around us. It's not really extra brain power. And diverting it has negative consequences.

So how do we resist the temptation?

First, the obvious: the best way to avoid interruptions is to turn them off. Often I write at 6 am when there's nothing to distract me, I disconnect my computer from its wireless connection and turn my phone off. In my car, I leave my phone in the trunk. Drastic? Maybe. But most of us shouldn't trust ourselves.

Second, the less obvious: Use your loss of patience to your advantage. Create unrealistically short deadlines. Cut all meetings in half. Give yourself a third of the time you think you need to accomplish something.

There's nothing like a deadline to keep things moving. And when things are moving fast, we can't help but focus on them. How many people run a race while texting? If you really only have 30 minutes to finish a presentation you thought would take an hour, are you really going to answer an interrupting call?

Interestingly, because multitasking is so stressful, single-tasking to meet a tight deadline will actually reduce your stress. In other words, giving yourself less time to do things could make you more productive and relaxed.

Finally, it's good to remember that we're not perfect. Every once in a while it might be OK to allow for a little multitasking. As I was writing this, Daniel, my two-year-old son, walked into my office, climbed on my lap, and said "Monsters, Inc. movie please."

So, here we are, I'm finishing this piece on the left side of my computer screen while Daniel is on my lap watching a movie on the right side of my computer screen. Sometimes, it is simply impossible to resist a little multitasking...



Movie 2.5 Brene Brown on Blame



You are probably a bit of a blamer - most of us are. But why should we give it up? In this witty sequel to our most watched RSA Short, inspirational thinker Brené Brown considers why we blame others, how it sabotages our relationships, and why we desperately need to move beyond this toxic behaviour.

Gamification



Gamification Can Help People Use Analytics

by Lori Sherer

If you're trying to use advanced analytics to improve your organization's decisions, join the club. Most of the companies I talk to are embarked on just such a quest. But it's a rocky one.

The technological challenge is hard enough. You have to identify the right data and develop useful tools, such as predictive algorithms. But then comes an even tougher task: getting people to actually use the new tools.

Why is the people factor so important? It's easy enough to automate routine decisions, such as identifying likely buyers for a product upgrade. But many decisions in today's knowledge economy depend on expertise and experience. Think of bankers deciding on business loans, product developers determining tradeoffs between features and cost, or B2B sales reps figuring out which prospects to target. Analytics can help codify the logic of the best decision makers, but it can't replace human judgment.

Moreover, the tools developed for contexts like these can be complex, often involving a steep learning curve. If decision makers aren't willing to experiment with the tool and improve their outcomes over time, then your investment in the technology is wasted.

Right here, some say, is where a company could use gamification to encourage people to invest the time and learn how to use the new tools.

Gamification means using motivational techniques like those the videogame industry has put to such effective use. Anyone with teenagers in the house knows that they will spend long hours on their own, trying to get to the next level of their favorite

game. Motivation experts like Dan Pink would say that the games are tapping into some basic human drives: for autonomy (you control your own pace), for mastery (you get better over time), and for a sense of purpose (you're aiming at a well-defined goal). The social factor is important, too. Gamers love to match their skills against others and to compare notes on how they're doing.

Can these motivational concepts and techniques encourage decision makers to use new analytical tools and collaborate with each other — both to improve the tools and to better their ability to make more informed decisions? We don't yet have much evidence to answer that question. But early signs indicate that it might work.

A large property and casualty insurance company, for instance, invested several million dollars to create a new analytical tool for underwriting decisions. The tool allows underwriters to run a prospective insured's properties (including office buildings, warehouses, and manufacturing plants in many different countries) through sophisticated risk models. The models help assess the potential for losses due to natural catastrophes such as earthquake or flood. They produce complex spreadsheets that list the properties, score the various risks, and

flag instances where underwriters might want to seek additional information.

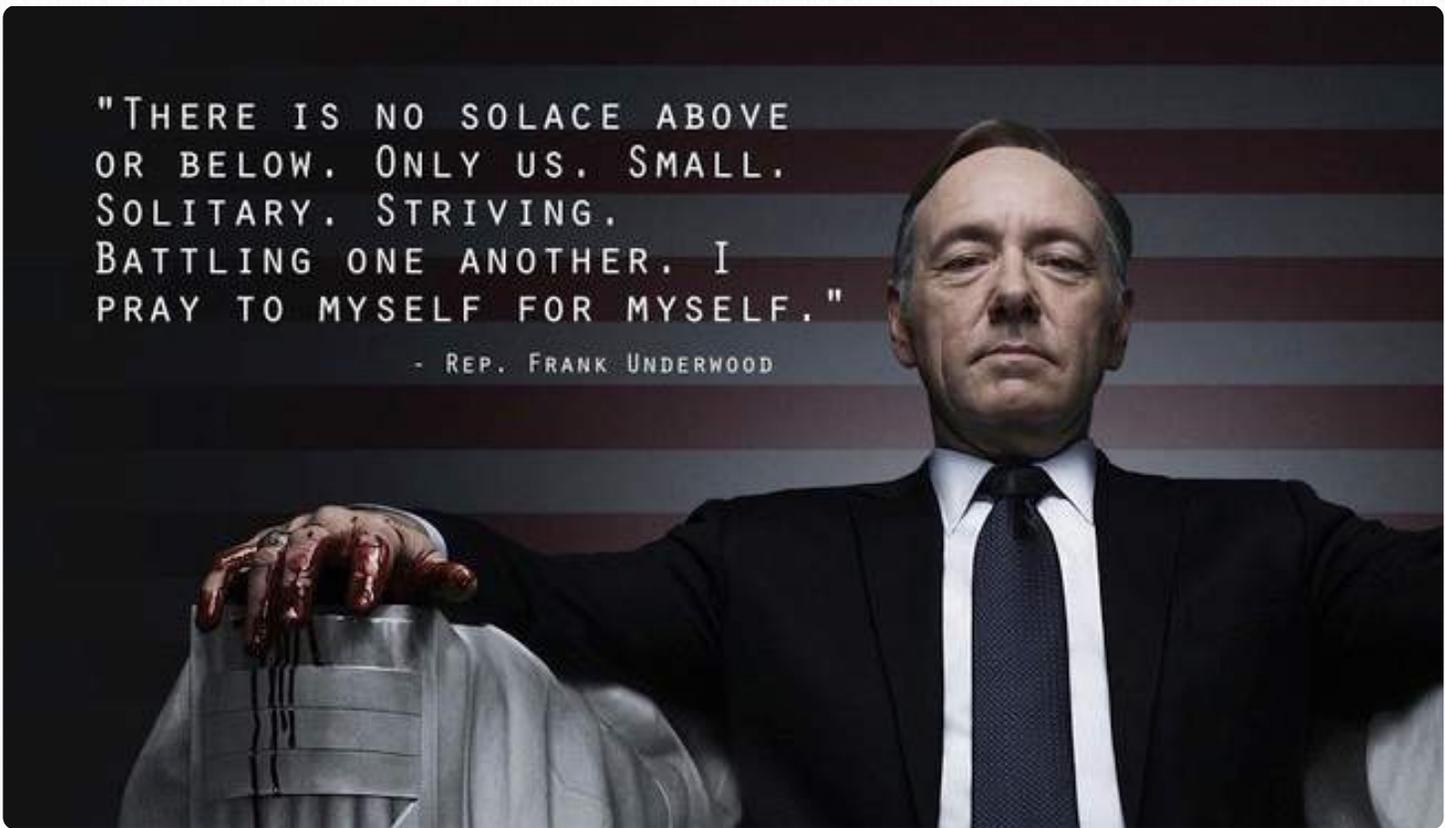
A year after introducing the tool, the company's chief underwriting officer suspected that not everyone was using it. She wondered whether all the underwriters knew how to interpret the results and whether they bothered to seek additional information. Her solution was to engage them in a game. The company gave the tool's output from five different example companies plus some additional information to four teams of underwriters. Team members worked together to assess the risk. They were told that more information on certain accounts was available, but they had to recognize when this was the case and specifically ask for it. Meanwhile, members of the team that had developed the tool listened in on participants' deliberations.

In the end, the teams' decisions were rated by their peers and by independent judges. Teams that not only interpreted the results correctly but also identified a need for additional information and incorporated it into their analyses earned extra points. To me, the whole exercise felt much like the teenagers' collaborative learning of online games. It had similar elements of engagement, excitement, and the thrill of

“mastery” as team members worked together to earn points in the game.

Of course, not every approach to gamification is likely to work. Employees may feel that the typical game's points and badges trivialize their work — or, worse, that the company is somehow creating a Big Brother system that expects everyone to act like clones. One trick is to pilot a game with a small, diverse set of users and involve them in co-creating the game's rules and rewards. These “power users” can help others as the game is rolled out to the rest of the team.

Done right, gamification seems to hold a lot of potential. But the proof will lie in experience. Can models and decision support tools be rolled out using a gamification format with rewards and explicit levels of “mastery”? I haven't seen it yet, but I'd love to hear from others about successful (or not so successful) examples.



There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success...

Than to take the lead in the introduction of a new order of things.

- Niccolo Machiavelli

Machiavellian Perspective

- *Realism, Pragmatism, Humor*

by Angeli Machiavelli

Niccolò Machiavelli was not a villain. He wrote comedies. He believed (as he makes clear in his major book 'Discourses on the First Decade of Titus Livius') that a republic is superior to a dictatorship, or as he called it 'a principality'.

His beliefs about how political leaders (such as a prince or a king) were obliged to act were no different from those of his peers. Political leaders of his day, as they do in our day, acted according to the principles that Niccolò Machiavelli described in his book titled 'The Prince'.

Machiavelli's evil reputation rests on two facts:

1. In 1559, the Pope placed Machiavelli's works on the Index of Prohibited Books; a list that was also to contain the works of Galileo and Darwin, among other supposed villains.
2. In 'The Prince', under the guise of writing a book of advice to a prince, Machiavelli told the truth about power. He made it clear that a powerful leader (and especially a dictator) must act in ways that are personally reprehensible. It follows that all leaders, especially powerful leaders, do things that are reprehensible. For this, the power-elite could not forgive him.

Niccolò's views are still unusual because of the attractiveness and prevalence of wishful thinking. For many people prefer pleasant ideology to unpleasant reality and they have been at pains, since 1513, to show that Machiavelli was wrong and that even dictators are basically nice guys with whom we could get along if only we would talk sincerely and at sufficient length.

Nonetheless, Machiavelli's perspective remains important and relevant for two main reasons.

- Human nature has not changed. Hence, his insights about politics are still valid.
- Business is an important part of our modern life and businesses are essentially autocratic institutions that operate much like the Renaissance principalities that he wrote about in *The Prince*.

Machiavelli's perspective is different from most because it is realistic, not idealistic.

Most discussions of current events engage the issues at the surface, at the level of rhetoric. Policy debates concern what and who is right or wrong. Unfortunately, both sides get to make up their own moral standards and while everyone agrees that no one is perfect, it always seems that on the speaker's side the sins are venial and on the other side the sins are mortal.

The news media portrays politics as a clash of ideologies. They report on news: press releases, speeches, and events, many of which are designed to attract media attention.

The public relations contest helps the media perform its public purpose, and also helps it more easily fulfill its economic function.

The ideological rhetoric fills endless column inches and air time; the more so if the parties are arguing at cross purposes. However, the stream of words does not (and is not intended to) produce understanding.

Most discussions conclude by recommending ideological solutions. Like the Pope's annual Christmas appeal for world peace, most discussions conclude that people should simply do the right thing, which usually means that other people should behave in a way that is altruistic or otherwise contrary to human nature.

It is supposed to follow that if people do what is right; the outcome is bound to be good. For example, the Catholic Church tells us that birth control is wrong. However, ineffective birth control especially in poor areas, leads to unwanted children, over population, inadequate education, poverty, crime, and misery.

However, no law of nature dictates that good actions automatically produce good results. The means do not justify the ends.

One important tenant of the Machiavellian perspective is that most policy discussions (in government or business) are best regarded as sales talk: education and persuasion at best, deception and propaganda at worst.

Political discussions among Republicans and Democrats are like children discussing whose breakfast cereal is best. It does not follow that all breakfast cereal is the same or equally good for you. However, it does follow that both sides are selling a product.

The real question is who is selling what to whom and why.

Machiavellian solutions also differ from the norm. Whereas most discussions concern what is right versus wrong, Machiavelli considered what was good versus bad, and advocated choosing the course of least evil. He did not claim that the ends justify the means, but he did claim that a leader was sometimes obliged to use bad means to avoid more evil ends. In these cases, he claimed that the ends excused (or mitigated) the means.

The Machiavellian perspective has two main features:

Logical Approach to Strategic Analysis

Machiavelli focuses, not on surface rhetoric, but on more basic considerations. His approach nearly always starts with a case by case analysis. He considers the participants, the logically possible actions, and the players interests in the outcomes.

Entrepreneurs are simply those who understand that there is little difference between obstacle and opportunity...

And are able to turn both to their advantage.

- Niccolo Machiavelli

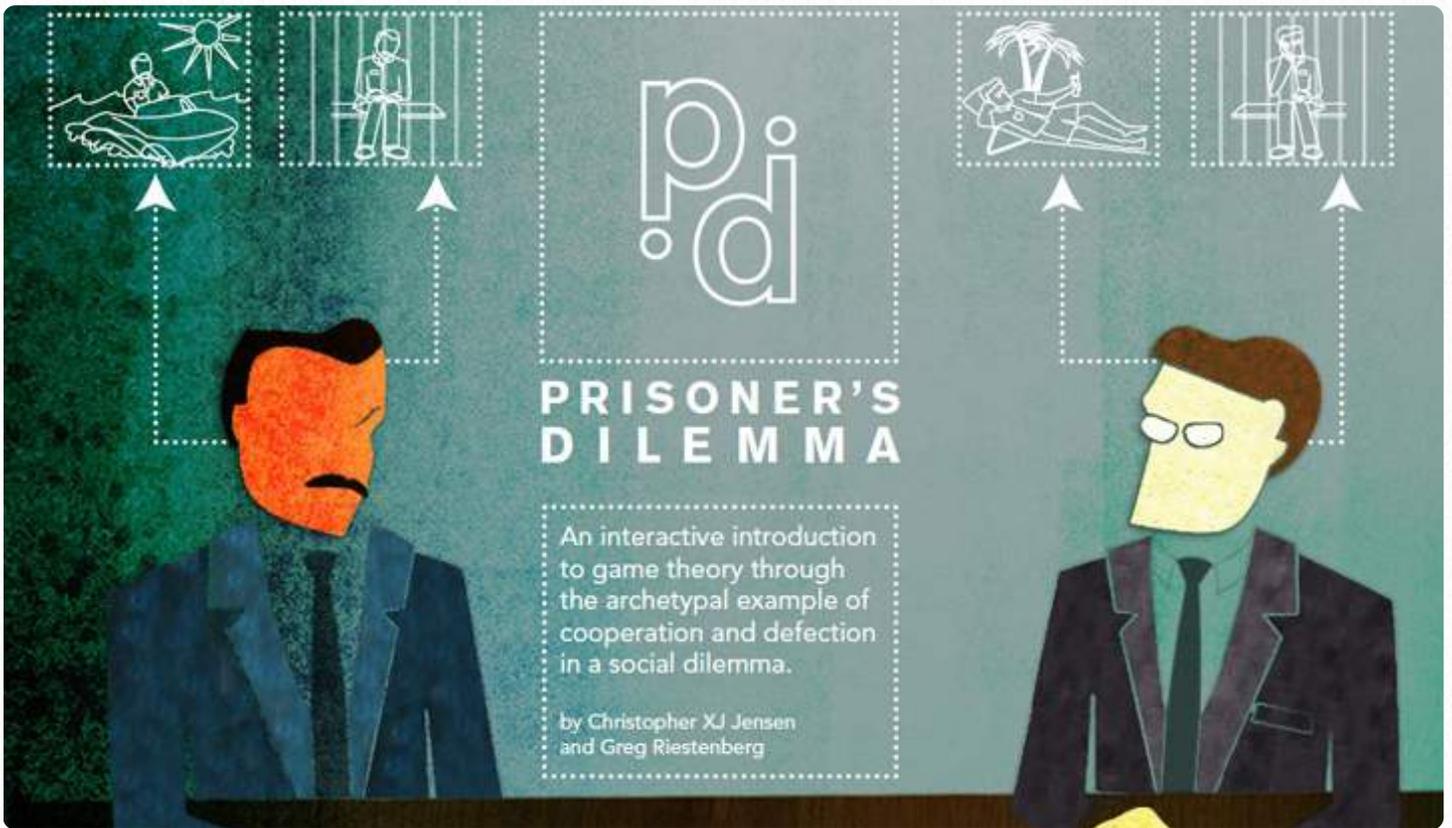
His point of departure is much like that of the modern discipline of Game Theory, which we must consider one of the two pillars of the modern Machiavellian perspective.

A Realistic Understanding of Human Nature

His analysis and proposed solutions were based on a realistic understanding of human nature. We are fortunate in this respect because we have access to critical ideas that Machiavelli did not have: the modern theories of inheritance by DNA and the theory of evolution by natural selection.

The new discipline of Evolutionary Psychology applies these theories to human behavior and has made a convincing start at defining and explaining human nature in terms of evolution. Thus Evolutionary Psychology is the other main pillar of the modern Machiavellian perspective





How we live is so different from how we ought to live that he who studies what ought to be done, rather than what is done... will learn the way to his downfall, rather than to his preservation.

- Niccolo Machiavelli

Strategic Decision Making

Game theory is the study of strategic decision making. The name is appropriate, because game theory uses simple models that view strategic interactions much like parlor games.

The essential feature of strategic decision making is that it involves a system of interdependent decisions. Each decision maker (or player) in the decision making process has a menu of strategies.

However, the outcome of the process depends; not just on the strategy selected by a single player, but also on the strategies selected by all the other players. Furthermore, players have different preferences (get different payoffs) for each possible

outcome. Therefore, any player, let us call her Ann, cannot select her best course of action without forming beliefs about the likely actions of the other players. And the same holds true for the other decision makers.

In coming to her decision, Ann can emulate the other players' decision making processes and can try to anticipate their strategy choices. However, to arrive at their best decisions the other players must also emulate Ann's decision making process. Therefore, Ann must not only anticipate the other players' choices but take into account that their choices will be conditioned by their anticipation of her choice. Strategic thinking is complex and quintessentially human.

The term strategy comes from the Greek word (strategos) for a military commander or general. A Greek military campaign (fought by coalitions of allied contingents) provides a prototype example of a strategic situation and generalship provides a prototype example of the process of strategic decision making. In a war, the possible outcomes depend on the independent decisions of the allied and opposing forces and there are certainly conflicts of interests between opposing sides but there may also be conflicts of interest among allies.

For example, in ancient combat it was common practice for allies to give one another hostages to ensure that they would fulfill their obligations, e.g. to raise a specific number of troops, bring them to fight at a particular place and time, and not to make a separate peace with the enemy.

The wisdom of hostage exchange testifies to the seriousness of conflicts of interests even among allies. Another common practice in classical combat illustrates a related idea. Most battles ended with a truce to bury the dead. It was critically important to both sides that their dead have a proper burial and it was in their interests of the victor to grant the loser a burial truce in order to ensure reciprocity in a future battle in which they might be the loser.

The general point is that in strategic interactions, most of the players have both cooperative and conflicting interests with most of the other players. We must always cooperate

with some people to compete with others. There are typically conflicts of interest even among allies and common interests even among adversaries.

Strategic situations are interesting because interdependent decisions can lead to complex and sometimes surprising strategic interaction effects.

Here are some examples:

Oligopoly: Game theory provides an alternative to the “free market” view of economics. In a competitive market, there are many suppliers, none of them has any pricing power, and they all make their production, pricing and investment decisions independently. Strategic thinking does not come into play. However, in an oligopoly, there are few suppliers; they have some pricing power, but in making their decisions, they must consider the possible responses (strategies) of the other firms. In oligopolies strategic thinking is critical and most real markets are oligopolies.

Commitment and Deterrence: Paradoxically, in an oligopoly a firm can benefit by making a commitment that reduces its freedom of action, i.e. the choices available to it later in the game. This can happen because the firm’s commitment can change his opponents’ beliefs and their subsequent behavior in a way that benefits the firm making the commitment. Consider a commitment on the part of Tata to build an obviously expensive new mini-compact car plant. The commitment reduces Tata’s options, but it can also deter other car makers, e.g., Chrysler, from entering the mini-compact car market. Chrysler might calculate that if it too entered the market, the market would then have profit destroying over capacity. However, Chrysler’s decision benefits Tata because it allows Tata to have the mini-compact market to itself and to produce the monopoly quantity and charge the monopoly price. The logic of commitments and deterrence applies not just to oligopolies but to all forms of strategic interaction where communication can influence the players’ beliefs about other players’ strategy choices.

Strategic Voting: In truthful voting, you simply vote for the candidate or bill that you like best. In strategic voting, you consider the possible actions of other voters. For example, you might cross over and vote for the weakest opposition candidate in the primary, be-

cause you think that other voters will be more likely to vote against him in the general election.

Trust: In strategic interactions where players can do well by cooperating, can do best by cheating, but fair worst by being cheated, rational players may miss the cooperative opportunity. They will instead choose to cheat or choose a defensive strategy that protects them from being cheated. As the example of the Prisoners' Dilemma (discussed below) makes clear, beneficial cooperation is not automatic, even if it is best for everyone in the long run.

Game Theory Framework

Game theorists have developed a framework for constructing models (games) that represent strategic interactions. The framework calls for models (games) to have 3 components: *Players, Strategies, and Preferences*.

Players: In the game theory model, players behave like robots, but very smart robots. Their actions are rational in the limited sense that they behave so as to promote their preferences. In particular, they will attempt to select a strategy that results in their most preferred outcome. Furthermore, the framework assumes that players can do strategic thinking, i.e. they can form a belief about the likely actions of the other players, and as part of that process players can emulate the strategic thinking of other players.

Strategies: Each player is assumed to have at his disposal a list of strategies. A strategy is the robot players program for playing the game. Each strategy must give a complete prescription for every logically possible combination of actions at each logically possible decision point in the game. Note that if there are sub-games within the game. The strategy for the game also prescribes a strategy for each sub-game.

When each player has picked his strategy the actual play of the game is completely predictable, because each robot player will act out his program. Game theorists call a list of strategies, one for each player, a strategy profile. Each strategy profile defines a possible outcome for the game. For example if there are 2 players and each player has 2 strategies, there are 4 possible strategy profiles and 4 possible outcomes. If there are 3 players and each player has 3 strategies, there are 27 possible outcomes, etc.

When one player changes his strategy it can change the outcome of the game for all the other players. In practice, it may turn out that different strategy profiles lead to the same outcomes, but that is a coincidence of the particular game.

Preferences (or Payoffs): For a given strategy profile (or possible play of the game), all the players will experience the same outcome. However, they may have different preferences for that outcome relative to other possible outcomes (and strategy profiles) and these different preferences may introduce conflicts or possibilities for cooperation.

The framework assumes that each player can express his preferences for various possible outcomes on a numerical scale, similar to the numerical ratings that we assign to temperature. That is, the intervals make sense but the zero point and the size of the unit are arbitrary. The rating is called a payoff.

The framework does not assume that different players use the same preference measuring scale. Preferences come into play only to guide the strategy selections of each individual player. Specifically, game theory does not assume that all players can always express their preferences in terms of money.

Money: It is important to note that money is an outcome not a payoff (or preference). Money is a poor gauge of preferences, for several reasons. Money is of derivative not fundamental importance. Money has value only if the state has stability and sound monetary policy. In addition, people's preference for a particular quantity of money depends profoundly on the amount of money that they have.

Most importantly, money has not been around long enough for it to be a significant factor in evolution. Money is not connected directly with fundamental human motivations, which are programmed by evolution. Therefore, one finds that people will readily spend money to acquire things of no practical (or utilitarian) value but that are central to fundamental motivations, especially status seeking, and lust.

People spend vast sums acquiring luxury goods, status symbols, whose primary purpose is display, and to take another example of status seeking, a successful businessman will spend millions of his own money to run for the U.S. Senate. Lust is the stuff of comedy. People spend vast amounts of money on preparations for sex (clothing, gym memberships, dating) on investing in relationships whose primary purpose is sex, on sex for pay, and on pornography.

Game Theory Assumptions

Game theorists make some simplifying assumptions in order to be able to draw logical and mathematical conclusions about games. These assumptions make the game models easier to manipulate but less realistic.

Here are some of the most important assumptions:

Rationality

Players are assumed to be perfectly rational (robot like), but only in a very limited sense that they have a consistent set of preferences and they always make decisions to optimize those preferences.

Again, we have to emphasize that in the model rationality is a matter of consistency, not a matter of wisdom. A player can be rational and foolish. Players' means are rational but their goals (preferences) are not rational in a utilitarian sense. Their preferences include the Seven Deadly Sins and the whole catalog of human folly.

Common Knowledge

Players are assumed to share some common knowledge about other players. *In particular:*

1. Players are assumed to know other players' available strategies and their preferences for various outcomes.
2. All the players can rely on all the other players being rational.
3. They all know that they all know the above two things, and they all know that they know that they know, etc.

Applying Game Theory

Game Theory tells us how two rational robots would play in some model strategic situation. If people do not play as robots would play in an experimental or historical setting, it may be because (A) the actual situation may be more complex (in some important way) or (B) the players may lack common knowledge or (C) the actual players may be less capable of rational thought than robots.

For example, players may not be individuals but organizations, and may therefore not have perfect recall, or the human players may lack the ability to revise probabilities properly. The point is that if a particular model fails, it tells us something interesting either about the complexity of the situation or about the limitations of human nature.

Even with its possible limitations, the game theory approach is a useful starting point for the analysis of real strategic situations. There are three critical questions.

1. Who are the players?
2. What are the player's strategy choices and the possible outcomes?
3. What are the players' preferences for those outcomes?

Strategic Thinking (Solving a Game)

The essence of strategic thinking is to select your strategy by considering the thinking process by which other players select their strategy.

This is a two step process:

1. Form a belief (probability) about the strategies that the other players will select.
2. Select the optimal strategy based on that belief.

Let us consider an example, suppose the strategic situation is as follows. There are two players Moe and Joe. Moe has invited Joe for dinner with the intention of poisoning him. Joe suspects Moe's intention and intends to turn the tables on him.

Moe offers Joe a drink. Joe is on his guard, but accepts. In a gesture worthy of a Shakespeare play, Joe brings out two jewel encrusted goblets, one of which contains an undetectable but lethal quantity of poison. Moe offers one goblet to Joe and keeps the other one. Now at the critical Shakespearian moment, Moe turns his head, which gives Joe an opportunity to switch the goblets.

This being a game theory example, where the players have common knowledge, Moe knows that Joe may switch the goblets, and Joe knows that Moe knows, etc.

Moe's strategy choices are to put the poison in the goblet that he offers (O), or in the one that he keeps (K). Joe's strategy choices are to switch the goblets (S) or not (N).

- Moe poisons the goblet that he offers but Joe, forming the correct belief about Moe's strategy choice, switches the goblets. Moe dies.
- Moe poisons the goblet that he offers but believing that Joe would never be so stupid as to offer him the poisoned goblet, drinks it. Joe dies.

- Moe poisons the goblet that he keeps, but Joe forming an incorrect belief about Moe's strategy choice (thinking that Joe has offered him the poisoned goblet) switches the goblets. Joe dies.
- Moe poisons the goblet that he keeps, and Joe forming a correct belief about Moe's strategy choice drinks it with no ill effects. Moe dies.

Let us assume that each player prefers to live rather than die, so that we can assign a payoff of 1 to an outcome where the player lives and a payoff of 0 to an outcome where the player dies. Suppose that we write the payoffs for Moe and Joe as an ordered pair of numbers, where we give Moe's (the row player's) payoff first. Then we can represent the entire game (players, strategies, and payoffs) in a tabular form, which is called the matrix representation of the game.

For reasons that will become clear presently, it is easier to start our explanation of the process of strategic thinking with the second step in the process.

Step 2: Optimizing

Given a matrix representation of a game and the results of Step 1, Step 2 is easy. Once you have settled on your best guess as to what strategies the other players will choose, you know the payoffs that will follow from each of your strategy choices. That is, the strategy profile is determined, except for your choice of a strategy. You simply select the option that gives you the highest payoff (i.e. has the highest preference value).

The table shows that if Moe believes that Joe will play his S strategy, Moe should select his K strategy, which will give Moe his most preferred payoff of 1 (life) and will give Joe his least favorite payoff of 0 (death). If Moe thinks that Joe will choose N, Moe should choose 0. Joe can reason in an analogous way. Thus once Moe has done step 1 (i.e. formed a belief about Joe's strategy) his choice, in step 2 is easy.

Step 1: *Forming a Belief about the other players' strategy choices*

Forming a correct belief about the other players' strategy choices, is the crux of the matter. We can attempt Step 1 by emulating the thinking of the other players. That is, we consider what-if scenarios about the other players' strategy choices and then consider for each possibility what strategy Step 2 would yield. However, as we will see below, the what-if process does not always lead to a simple answer. The third assumption of common knowledge can lead to an infinite regress.

As this example shows, forming a belief about other players' strategy choices by emulating their thought process does not work all the time. We do not always come up with a single strategy answer for each player. Sometimes the best we can do is say that a player is likely to choose one of several strategies. Therefore, in general, we have to consider beliefs to be a statement about the probability that the other players will make certain strategy selections. In particular, game theorists consider a belief to be a probability distribution over the other players' strategies. Such a probability distribution is just a table that lists all the other player's strategies and assigns to each one a probability number (between 0 and 1) but the list has the special property that the sum of all the probabilities is 1.

When a player must form a probabilistic belief about what strategies the other players will choose, he may want to hedge his own bets. He may want to play what is called a mixed strategy. In a mixed strategy a player chooses his strategy according to a probability distribution over his own strategies.

Now, in ordinary life people do not really assign probabilities and are not particularly good at it when they do. If this were the end of the story, game theory would not be very interesting as a tool for analyzing everyday political and economic situations. However, there are special games for which one can arrive at a belief about the other players' individual strategy selections. These special cases are fascinating models of real situations. The key point is that these special strategic situations have been around for all of evolutionary time and it is reasonable to suppose that social animals, including humans, have adaptations to help them recognize and cope with them.

These cases are also so well studied that they have well known names. In what follows, we will consider the best known, most extensively studied, and probably the most important special case, which is known as The Prisoners' Dilemma.

The Prisoners' Dilemma

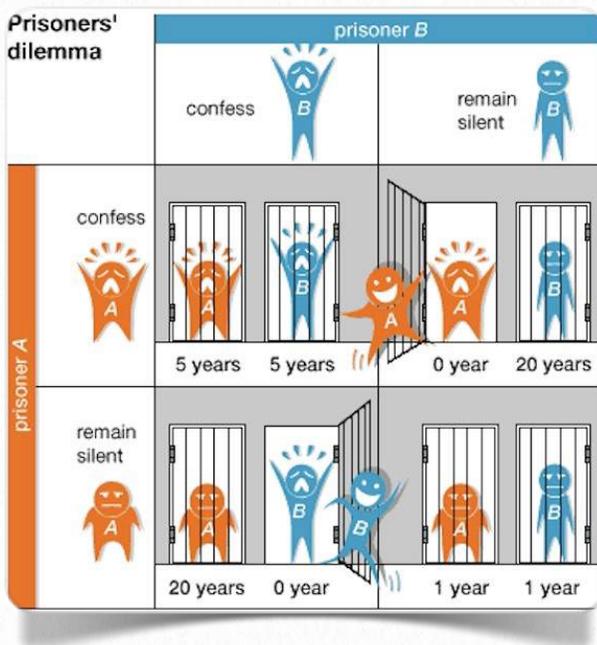
The Prisoners' Dilemma is a model of a situation in which there are two players: Player 1 (P1) and Player 2 (P2) who have an opportunity for beneficial cooperation. In other words, the players have made (or could make) a bargain that generates some surplus value in which both parties can share. In the Prisoners' Dilemma game both players must simultaneously (independently) choose one of two strategies: to fulfill the terms of the agreement (F) or to default (D). The defining feature of a Prisoners' Dilemma situation is that payoffs (players' preferences) are distributed over the outcomes so that the following conditions hold.

- ***Cheating is best.*** That is, the strategy profile where the other player fulfills and you default is the preferred outcome for both players.
- ***Cooperating is good.*** That is, the strategy profile where you and the other player fulfill your agreement is preferable to the other outcomes, except the one where the other player fulfills and you default.
- ***Failing to cooperate is bad.*** That is, both you and the other player prefer the strategy profile where you cooperate to the one where you both default.
- ***Being played for a sucker is worst.*** That is, the strategy profile where you fulfill and the other player defaults is the least preferred outcome for both players.

Prisoners' Dilemma games are interesting because (as we will see below) rational players will miss the opportunity to get the good outcome and choose strategies that lead to the bad outcome.

Prisoners' Dilemma situations are ubiquitous and the model can apply to most situations where there is an explicit or implicit bargain (or expectation of reciprocity) between two people. For example, any exchange-of-favors bargain meets the conditions to be a Prisoners' Dilemma. Suppose that both players have an agreement to invest \$2 to do the other player a favor that is worth \$3 to him, but neither party can verify that the other party has fulfilled their agreement. The inability to verify is critical, because in the model we assume that both players choose their strategy simultaneously, i.e. without knowing the other player's strategy choice.

In this example, it makes sense to assume that the player's preferences are the same as the monetary outcomes. We can then represent the game's players, strategies, and pay-offs.



The Prisoners' Dilemma has interesting, surprising, and frustrating features.

Because cheating pays better than cooperating, each player has an incentive (temptation) to cheat. The strategy of defaulting (D) is defensive in that it keeps you from being cheated. The fulfillment strategy (F) is risky, because it exposes you to the possibility of being cheated. The risk is worth taking only if you believe that the other player will be irrationally trusting. If all players were irrationally trusting (like family members, or religious zealots) they would be better off. Both players being rational will play D, but the strategy

profile DD is worse than the profile FF. Furthermore it is worse in a very specific way. FF is more Pareto efficient than DD.

Game theorists and economists call an outcome more Pareto efficient than another if switching to that outcome would make one player better off without making any other player worse off. In this case, switching to FF makes everyone better off (i.e. both players get the good outcome rather than the bad one).

The situation is a dilemma because the players are forced to choose between fulfilling their agreement (which requires trust) and a more tempting strategy of defaulting. No one would play a Prisoners' Dilemma game unless forced to do so. Because both players can reason from the way the payoffs are distributed that they will both default on their agreement. Hence there is no reason for them to make such a bargain in the first place. That is, the players would play the game only if they were in some sense prisoners who were forced to play. In most real cases, the players would simply fail to reach an agreement that would benefit them both.

Communication does not help to resolve the Prisoners' Dilemma so that players can get the good outcome. The central issue is one of trust and no promise can make the parties believe one another because their promises would not be credible. In a Prisoners' Dilemma situation you can avoid the bad (inefficient) outcome (D, D) or no deal by the following game-changing measures:

1. Repeated play, which opens the possibility of future payoffs and negative retaliation for cheating (i.e. the other party may stop cooperating).
2. Enforceable Contracts (assuming that the provisions are verifiable and that there is an enforcement mechanism, such as a government with a court system) contracts can decrease the payoff for cheating.
3. A credible threat of positive retaliation (i.e., the other party may be able to beat you senseless). This also decreases the payoff for cheating, but does not require a third party.

Masters OF THE EARTH

At the beginning of the 19th century:
The human population was

ONE BILLION



**HUMANS
OCCUPY
75%**
OF AVAILABLE LAND



Movie 2.6 Political Theory and Niccolò Machiavelli

POLITICAL THEORY

Machiavelli's name is a byword for immorality and political scheming. But that's deeply unfair. This was simply a political theorist interested in the survival and flourishing of the state.

Tackle Complexity



How to Tackle a Complex Issue in 90 Minutes

by Max Klau

When the world around us is as complex as it is, the most powerful response to this complexity in the outer world is the ability to achieve greater clarity in our own inner world.

But when we turn our attention inwards, we find ourselves struggling to avoid living in a constant state of being overwhelmed, distracted, or simply lost and bewildered amidst the tidal wave of information we must all navigate daily.

At some point, we must recognize...

That none of us can truly understand, or control...

The full complexity of the world around us.

- Max Klau

So we must ask ourselves: How can we cultivate stronger connections within ourselves, to each other, and to the wider environment in which we work?

At City Year, we've taken an innovative approach to leadership development that we think addresses this question.

Prioritizing to Manage Complexity

As an education-driven nonprofit focused on a large-scale effort to address the high school dropout crisis, City Year engages nearly 3,000 young adults of all backgrounds and 800 support staff in full-time service in 26 cities across the U.S. We are tackling the complex task of keeping high-need students in school and on track to graduate from high school.

When confronted with outer complexity, our initial response may be to strive to understand and control all that complexity by working ever harder, expanding our network, and reading everything we can. But at some point we must recognize that none of us can truly understand or control the full complexity of the world around us.

The challenge, then, is to turn our attention inwards, sift through all our questions, ideas, instincts, and intuitions, and get clearer within ourselves about what matters most.

Once we've done the often-difficult work of achieving greater inner clarity, we find our ability to navigate the complexity of the world outside of ourselves to be greatly enhanced.

How to Achieve Inner Clarity

At City Year we've created an exercise designed to intentionally and systematically build our individual and organization capacity to cultivate that inner clarity. Here's how it works:

A small group of six to 18 individuals is given a consistent opportunity to come together for the sole purpose of stepping away from their work to reflect deeply on their experiences. Intentionally cross-departmental groups have the opportunity to meet for 90 minutes once a month. It's a rare space in which Mary from IT, Sean from Marketing, and Nicky from Development get to sit down together and have a substantive discussion despite the fact that they are not working on any shared projects.

Within this space, the group engages in two types of reflection: personal, and practice. The personal reflection involves exploring questions like "What is your Personal Leadership Mission?" "What are your core values?" and "What are your own personal goals for the year ahead?" The group has a chance to connect with these personal sources of meaning and purpose and then think together about the

challenges of engaging in that kind of inner work.

Practice reflection works like this: Prior to each session, one member of the group goes through a "Question Finding Process" that involves identifying and distilling the essence of a work-related question that he or she finds personally compelling. The individual presents that carefully crafted question to the group, which then spends a substantial amount of time thinking deeply about a work-related question that has been identified and brought to the group by one of its own.

This is not a working group, a task force, or an ad-hoc committee. It is not responsible for generating any solutions, producing any deliverables, or meeting any deadlines. It is a space that is unconcerned with efficiency, accountability, or execution. The sole purpose here is for the group to experience consistent opportunities to step away from their work, pause, breathe, and deepen their connection to what is happening within themselves, within the organization, and within the environment in which we are working.

The results are exciting. According to our evaluation data, participants overwhelmingly agree that this process helps them to

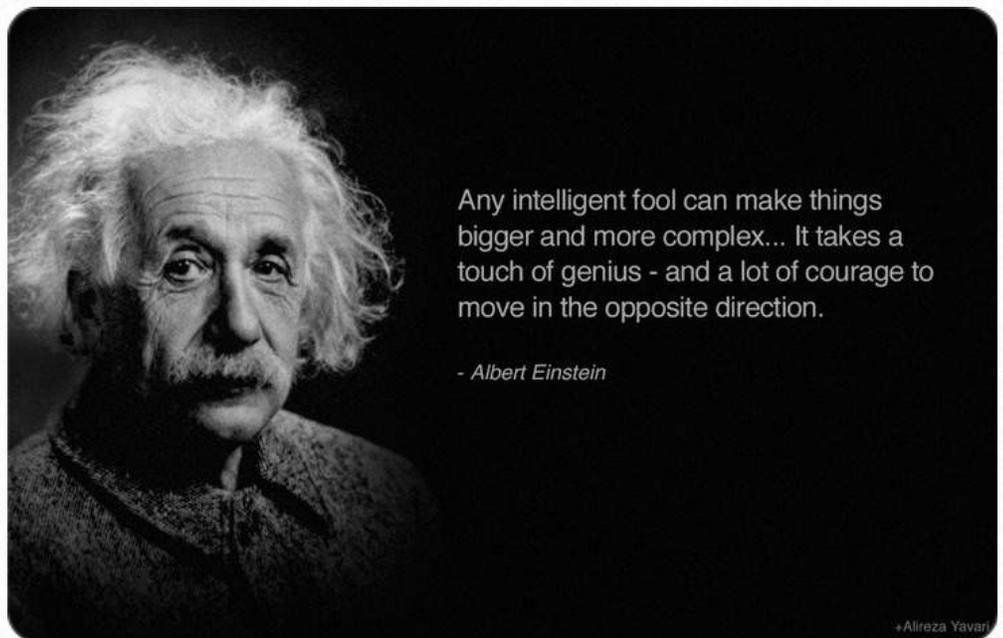
Growth creates complexity, which requires simplicity.

- Andy Stanley

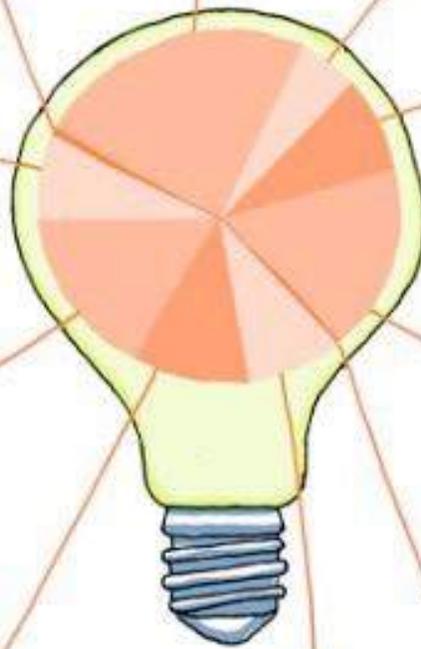
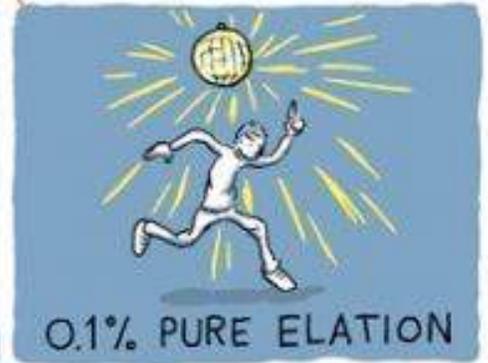
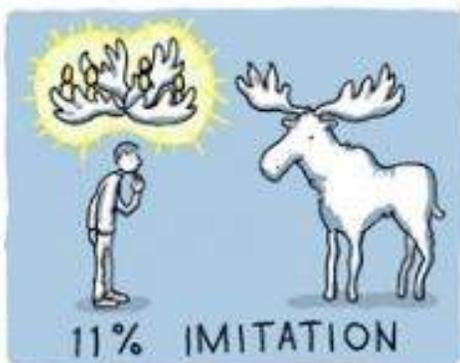
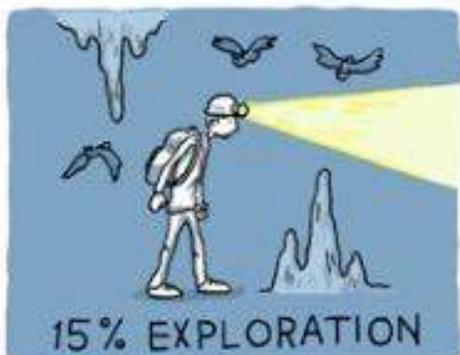
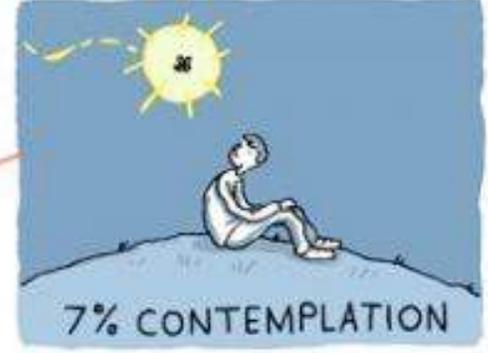
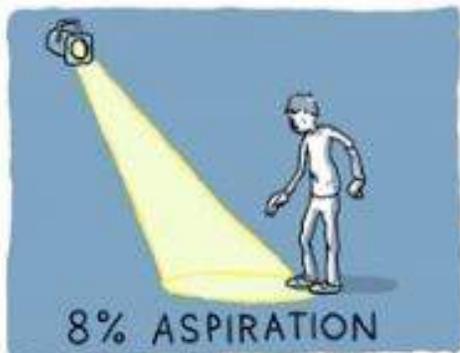
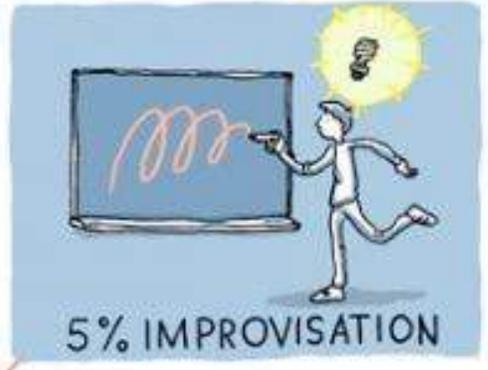
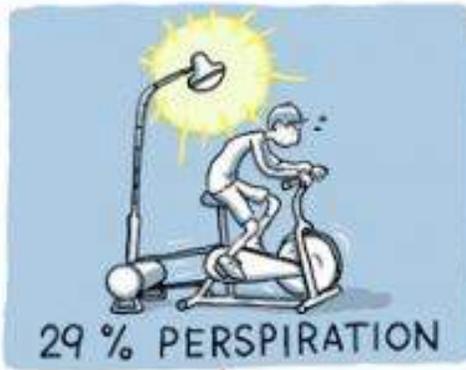
think deeply about both their own development as leaders and the challenges that we encounter every day in our work.

It helps them to stay focused on the bigger picture beyond their daily responsibilities, learn from their peers, feel more connected to colleagues, feel more connected to their own sense of purpose, and feel more supported by the organization.

It's an innovative approach with the potential to respond to several of the greatest challenges that organizations are struggling to confront today.



GENIUS IS ...



A COMIC FOR RED LEMON CLUB BY GRANT SNIDER

Movie 2.7 The Common Character Trait of Geniuses



Geniuses like Isaac Newton and Richard Feynman both had the ability to concentrate with a sort of intensity that is hard for mortals to grasp.

MOD1

Self-Leadership D7

CLASS DAY SEVEN



Ten Rules for Entrepreneurs to Live By

by Kaihan Krippendorff

My mind is buzzing with thoughts of a book I just finished reading: *The Intelligent Entrepreneur* by Bill Murphy, Jr. The author follows the inspiring stories of three entrepreneurs who turn their backs on traditional careers after business school, launch businesses, and make millions.

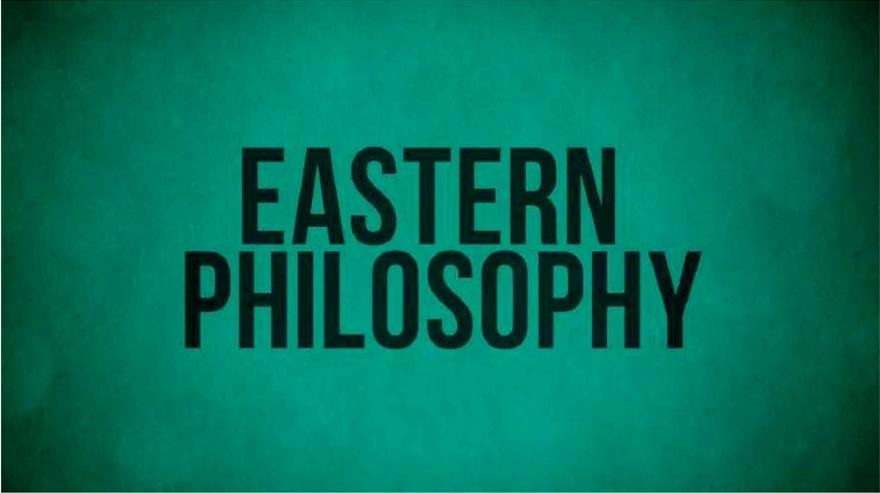
Murphy offers 10 rules to follow if you want to succeed as an entrepreneur. As much for me to remember as for you to get the goods quickly, here are the rules with my interpretations.

1. ***Make the commitment.*** You need to decide to be an entrepreneur and leave the traditional path behind. A good friend of mine, who has built a \$400M company, once told me that choosing to be an entrepreneur, deciding to give up the seemingly safe employer-employee world, is like disengaging from the matrix. Once you have experienced reality, you never want to go back.
2. ***Find a problem, then solve it.*** There are two types of businesses — "pain" and "pleasure." "Pain" businesses have a higher success rate because they address more urgent problems. Venture out to address a problem that is personal, that you care about, that you would love to solve.
3. ***Think big.*** You can never build what you cannot imagine, so to build a business that has big impact, you have to believe you can do it from the start. You come at the problem with a calm confidence. There is no reason to scream "We can do it!" because you just know it; it's inevitable. Whatever is stopping you for really believing you can do what your business plan says you can do, dissect it, extract it, and throw it away.
4. ***You can't do it alone.*** There are two types of people: big-idea people and get-it-done people. Very few of us can do both. Be honest with yourself, decide which type you are, then find (hire or partner with) someone who complements you.

5. ***You must do it alone.*** Entrepreneurial journeys are lonely. When I launched my consulting business I spent every day for three weeks alone at my computer, working an Excel database I had built of 300 prospective clients, sending 100 emails a day, trying to get my first project. Even after you've gotten your business going and have built a team, you will find yourself alone. Leadership, after all, is having no one else to ask.
6. ***Manage risk.*** Most ventures fail because they run out of money. So never forget "DROOM" —Don't Run Out of Money. Live by that motto. Calculate what you will need in the worst-case scenario and make sure you have enough. I do this every week now for my business, and I have not hit a cash crunch since.
7. ***Learn to lead.*** You will reach a point at which you must shift from managing to leading. This means setting a vision and communicating it. It means making promises ("We will get there") and keeping them.
8. ***Learn to sell.*** This is my favorite. All innovators are sales people. They are selling every day—to investors, to employees, to suppliers, to customers. By convincing everyone that the iPod will change the world, Steve Jobs makes it so. Yet no business school I know of teaches sales! Study the sales process by reading books like SPIN Selling. Get practice by, for example, volunteering to raise funds for your favorite cause. But most importantly, find your passion. If you really believe your product and company and you share it passionately, you will become a magnet.
9. ***Persist.*** If you are willing to persist through the tough times, you have a much better chance of succeeding. Develop stubbornness.
10. ***Play the game for life.*** Don't just do this for the money; do it to realize who you are, to create the life you are here to live. One of my favorite quotes from the book reads "Entrepreneurship...isn't just about solving a problem, building a venture, managing risk, or making money. It's about having a positive impact on the world, making the most of the gifts you've been given, and realizing your full potential as a human being."

I'm pasting these rules on the wall next to my desk. Thank you, Bill Murphy.

Movie 3.1 Eastern Philosophy and Lao Tzu



**EASTERN
PHILOSOPHY**

Lao Tzu, the founder of Taoism.

Archetypal Leadership



The Eight Archetypes of Leadership

by Manfred F. R. Kets de Vries

Although the ghost of the Great Man still haunts leadership studies, most of us have recognized by now that successful organizations are the product of distributive, collective, and complementary leadership. The first step in putting together such a team is to identify each member of the team's personality makeup and leadership style, so that strengths and competences can be matched to particular roles and challenges. Getting this match wrong can bring misery to all concerned and cause considerable damage.

I was once asked to facilitate in a group coaching intervention for the leadership team at the subsidiary of a large chemical company. A year before Kate (not her real name, the head of the subsidiary) had been moved from head office to take charge. At head office she had always been viewed as a person extremely insightful about personnel decisions. Given her talents in HR, she was seen a good candidate to sort out the mess in that particular subsidiary. It was a big leap in terms of promotion but Kate was given a chance.

Unfortunately, I quickly realized that her tenure had been a disaster. She may have been a good coach but didn't have what it takes to create greater strategic focus and execute a turnaround. A great amount of money had been spent on consultants and on training a workforce that had no clearer idea at the end of 12 months what they were doing or why. What had dazzled the people at head office had been Kate's coaching and communication skills. She was at sea, however, in a more operational role.

What can be done to prevent a situation like the one with Kate? There are a number of serious leadership questionnaires that are worlds away from the enneagrams and compatibility tests that litter the coaching

circuit. Some of these try to identify certain recurring behavior patterns considered more or less effective in a leadership context. We have also tests to discover whether executives are people or task oriented, autocratic or democratic, transactional or transformational, and variations on all of these. These sorts of questionnaire may be a bit simplistic, but they can help point someone in the right direction on a career or organizational path.

My own approach to leadership assessment is based on observational studies of real leaders, mostly at the strategic apex of their organizations. My aim is to help them see and understand that their attitudes and interactions with people are the result of a complex confluence of their inner theater (including relationships with authority figures early in life), significant life experiences, examples set by other executives, and formal leadership training.

As these influences play out over time, one typically sees a number of recurring patterns of behavior that influence an individual's effectiveness within an organization. I think of these patterns as leadership "archetypes," reflecting the various roles executives can play in organizations and it is a lack of fit between a leader's archetype and the context in which he or she oper-

ates is a main cause of team and organizational dysfunctionality and executive failure.

The eight archetypes I have found to be most prominent are:

1. The strategist: leadership as a game of chess. These people are good at dealing with developments in the organization's environment. They provide vision, strategic direction and outside-the-box thinking to create new organizational forms and generate future growth.
2. The change-catalyst: leadership as a turnaround activity. These executives love messy situations. They are masters at re-engineering and creating new organizational "blueprints."
3. The transactor: leadership as deal making. These executives are great deal-makers. Skilled at identifying and tackling new opportunities, they thrive on negotiations.
4. The builder: leadership as an entrepreneurial activity. These executives dream of creating something and have the talent and determination to make their dream come true.
5. The innovator: leadership as creative idea generation. These people are focused on the new. They possess a great capacity to solve extremely difficult problems.
6. The processor: leadership as an exercise in efficiency. These executives like organizations to be smoothly running, well-oiled machines. They are very effective at setting up the structures and systems needed to support an organization's objectives.
7. The coach: leadership as a form of people development. These executives know how to get the best out of people, thus creating high performance cultures.
8. The communicator: leadership as stage management. These executives are great influencers, and have a considerable impact on their surroundings.

Working out which types of leaders you have on your team can work wonders for your effectiveness as a group. It helps you to recognize how you and your colleagues can individually make their best contributions. This will in turn create a culture of mutual support and trust, reduce team stress and conflict, and make for more creative problem solving. It also informs

One does not become enlightened by imagining figures of light...

One does so by making the darkness conscious.

- Carl Jung

your search for new additions to the team: what kinds of personality and skills are you missing?

Kate's story had a happy ending. The group coaching session made it clear that the problem was not so much Kate's lack of ability but rather that team lacked specific leadership qualities. If the team incorporated an executive with a strategic outlook and who had turnaround skills and experience then Kate's skills as a communicator and coach would be more effectively leveraged to resolve the subsidiary's crisis. After talking to the head of talent management at head office we were able to identify exactly such a person, creating a more rounded team and helping Kate to fulfill her mandate.

JUNGIAN ARCHETYPES

An archetype is an ideal model upon which characters in stories are often based. The famous psychologist Carl Jung (1875-1961) gave these archetypes names and they can easily be recognized in modern movies and TV shows, particularly in fantasy and science fiction.

| Fantasy | | SCIENCE FICTION | |
|---------|--|-----------------|--|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

All images used under the doctrine of fair use USEFULCHARTS.COM

Wasted Time



Seventy Percent of Your Time is Wasted at Work - How to Change That

by Bill Trenchard

The average tech CEO works about 300 days a year, 14 hours a day. That's 4,200 hours a year.

The stats for most other tech leaders and startup employees aren't too far off. It sounds like a lot of time, but for most, it's not enough. Nearly 30% of that time gets sunk into email. Another third gets spent in meetings—and studies show that half of those hours are completely wasted.

Looking at the schedule of a typical CEO, a full 70% of that time is sub-optimal, and I'll back that up with my own experience. Prior to joining First Round as a partner, I served as cofounder and CEO for three companies, including LiveOps. Today, I meet with dozens of founders every week, helping them grow their teams and get more productivity out of themselves and the people they work with. They know they should be using every hour to move their companies forward, create great products, close deals and hire the best candidates. Many just can't find the time. So, how do we get better?

This year, I spent several weeks leading up to our annual CEO Summit catching up with people I know who do a superhuman job at managing their time. My goal was to capture the tools, tips and hacks they use to make every work hour count. Below, I share eight strategies that have worked for them and for me, so we can all stop wasting time and missing out on opportunities.

1. SAY NO

As your company becomes more prominent, you're only going to get more of everything. More people reaching out through LinkedIn, email, invitations to connect, to

go to coffee, to ask for a favor. It's death by paper cuts. Inevitably, a childhood acquaintance from 20 years ago who you can barely remember will ask you for introductions to all your influential friends at Facebook. This is when you have to say, "No."

Saying no is so hard. It's hard because you want to pay it forward. So many people have helped you. You want to do the same. But you have to draw the line somewhere, and there are ways to make it easier.

Try "No" templates—canned responses for all the common situations where you find yourself saying no. I first heard about the idea from entrepreneur and investor Mark Suster, and it's saved me immeasurable time and anxiety.

Here's an example:

Hi Bill,

Great to hear from you. I hope all is well. Fortunately, my company is starting to take off, and I'm under extreme pressure to deliver against some ambitious goals. I go to a lot of social events, but unfortunately I won't be able to connect right now.

Best, Josh

This lets you put the time and attention you want into crafting a response. You just don't have to do it every time. The most important thing is that you close the door to further communication. Do it nicely in a way that truthfully explains the situation, but don't leave things open-ended.

When you have your batch of templates, you can say no to salespeople. Say no to investor meetings when you're not raising money. Investors make a lot of introductions. You don't have to take

all of them. Board members make random requests. You don't have to agree to all of them. Write a template for each of these cases, including messages on LinkedIn. Even that email from your long-lost friend looking for a meeting. Eventually, you'll need it.

2. BE AN EMAIL NINJA

For those of you who haven't seen Sane-Box, I'm a huge fan—it's so simple. It's like Google Priority Mailbox, supercharged and works well with your iPhone. It sets up a bulk folder that takes all bulk email out of your inbox. Anything that you don't need to read personally, you never see it. It's accurate and it saves a ton of time.

Most of the CEOs I know who are very productive make a priority to get to inbox zero. Just think about postal mail for a second. Do you pick your letters up, look at each one and then put them back down only to pick them up and put them down again and again? This is the definition of insanity. Yet that's exactly what most of us do with our email. There are three methods that I've observed email ninjas use:

All day. Your inbox is always open and you process things as they come in. You're extremely responsive but it's hard to focus on projects that require deep thought.

Batch. You look at your email two to four times a day and run through everything then.

Assistance. You retain the help of a full-time or virtual assistant who can help sort through your email to flag what's actually important, what requires action and what doesn't. You'll need to set up a private inbox, of course, but this can turbo-charge your whole life.

If you don't have an assistant, I recommend the batch route. It lets you focus on email when you need to, and give other tasks the attention they deserve. Constant context-switching makes you mediocre at everything.

Another way to take your email skills to the next level is to install a suite of plug-ins. Task managers like Asana often have them, allowing you to move emails in and out of your task manager. It's a quick way to get things out of your inbox but not off your radar.

Rule of thumb:

If you can respond to or act on any email in under two minutes, just do it immediately. If it's going to require more than two minutes, move it into your task manager to process later. When you do this, you have the ability to prioritize tasks and emails in relation to each other, and your inbox no longer owns your time.

I've heard from a number of people that learning the keyboard shortcuts in Gmail can save up to 30% of your time. Gmail also offers a setting that lets you archive emails as soon as you click send, leaving you with a more pristine inbox at the end of the day.

Finally, and perhaps the most useful thing you can do is use TextExpander or another shortcut utility. It allows you to type shorthand and have it magically fill out an email with prepared phrases with just a few quick keystrokes.

3. **MANAGE YOUR ENERGY**

Not too long ago, the average human used to walk 12 miles a day. Now we sit. We sit a lot. We sit so much. It's so bad for us that Harvard Business Review has called it the smoking of our generation. If you work in tech, you average 9.3 hours sitting every day. This is more than you sleep. As people, we're meant to move. It's vital to our health, but also our ability to be effective. Here are three quick hacks in this department:

The seven-minute workout. It's scientifically proven. The New York Times has spoken. You do 12 exercises in seven minutes and it works.

TAKE WALKING MEETINGS

Almost everyone has one-on-one meetings. Suggest taking a walk instead of sitting in a conference room or a coffee shop.

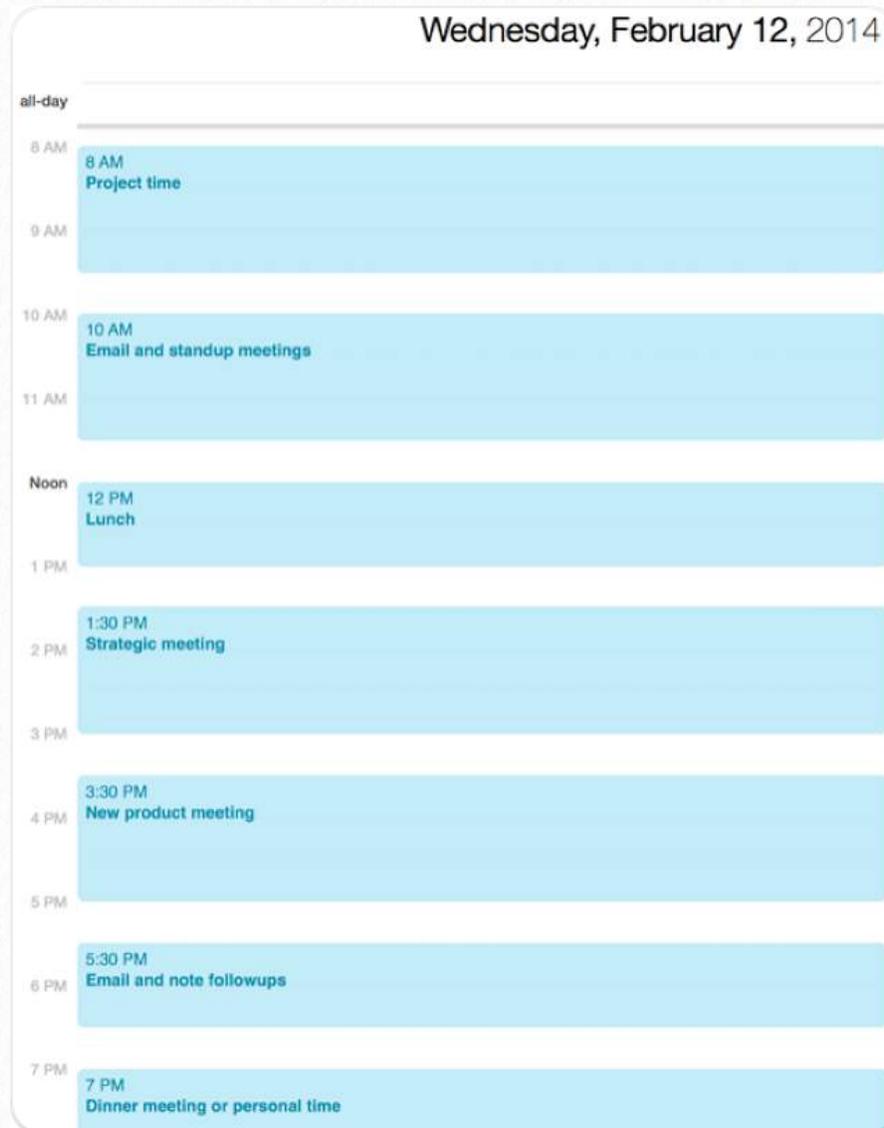
ASK FOR A STANDING DESK

Most offices now accommodate these requests. They've been proven to reduce risks of heart disease and cancer and boost mood and alertness. And if you're really committed to daily movement, try a walking desk.

Managing your energy isn't just about physicality. It's about understanding your mental rhythms too. We all know about sleep rhythms, the importance of deep sleep and a healthy REM cycle. But we don't pay attention to how these rhythms continue throughout our day too. To take advantage of upcycles, you need to build your schedule like a sprinter. Block off an hour to two hours when you are at your most alert and use them to work against your three top priorities.

Here's an example of a CEO's calendar:

They set up their morning to do the most creative projects. Research shows most people are at their most creative in the morning. Handle email and stand-up meetings after that



and then power through emails at the end of the day. Notice how there are breaks between these scheduled blocks to remain optimally focused in between.

When you do take a break, you actually need to take a break. Go for a walk. Listen to soothing music. Do something not work related. Talk to the people in your office and discover things about them that aren't related to work.

4. BUILD PLAYBOOKS

For anything you do more than three times, write down your process in detail. Build playbooks that you can hand off to someone else, so they can execute something exactly the way you would. Never get held up by people asking what the next step is or whom they should ask about a process.

This is how Uber in particular scaled so quickly. They've grown to over 70 cities and they've killed it in all of them. How did they do it? With a playbook. They have a list of the things they do in every single city when they launch, with slight regional adjustments. They have practiced this method and tested it and wrote it all down.

So now they just execute, like turning a key.

"PEOPLE WHO DO AMAZING THINGS WRITE IT DOWN. STARTUPS DON'T DO THAT ENOUGH."

The startups that I have seen succeed the most at scaling are the ones who have systematized their common actions and core procedures early, and made a habit of it as they grew.

5. GREAT EXTERNAL MEETINGS

How many times do you meet with someone important to your business, but fail to take away knowledge you can use to grow that relationship? This could be anyone from a business development partner to a client. It can be hard to hear, and when you walk out, you lose so much of what they've told you. The chances that you'll improve your performance for them are slim.

To break this mold, you need to understand their professional challenges. If you don't, you have to ask them. If you're in a B2B space, what are your customers' customers asking for? How can you help them meet these challenges?

“HOW MANY OF US CAN LIST OFF THE TOP THREE PROFESSIONAL CHALLENGES OUR CUSTOMERS FACE?”

To really get the most out of your meetings, you have to bridge personal and professional. It doesn't have to be deep. It could be as simple as asking them if they are going anywhere on vacation soon. When they respond to questions like this, make note of it. Give yourself the opportunity to reach out again, outside of meetings, with a personal touch to build that connection and deepen it. For example, if a contact likes cycling, send them an awesome bike route you've discovered. It makes a transformative difference.

6. GREAT INTERNAL MEETINGS

Startups tend to hold a lot of meetings. Too many. Have less. One of the easiest ones to kill is the status meeting. You don't need to constantly meet with your team to provide a round robin of updates. Just have them write it down. Put it in a Google Doc and have everyone read it once a week.

NEVER LEAVE A MEETING UNTIL YOU'VE DECIDED WHAT THE OUTCOME IS.

When it comes to decision-making meetings, make reversible decisions quickly. Most decisions in startups are reversible and yet we agonize over them for too long. When you come together, get the right data and the right people and drive toward a decision.

Do this for all decision-making meetings, unless it's truly an irreversible decision. Take more time with those, have more conversations, involve your advisors and board. Otherwise decide and execute. Your biggest advantage as a startup is the ability to change quickly later since there are so few moving parts.

7. LEVERAGE ASSISTANTS

Technology is great at making us more productive, but it has its limits. It's worth growing a relationship with an assistant, either in-office or remotely to help you.

Virtual assistants and services like Task-Rabbit that are more dedicated to specific tasks can be very powerful. However, they can't take what's inside your head and make judgments for you.

If it is possible for you, hire a full-time assistant in the same building as you. This can

extend your capabilities more than you can imagine. In addition to having enough context to make decisions on your behalf, they can orchestrate these other services to do even more. If having a full-time assistant isn't possible, try a virtual one. There are many inexpensive services, like Prialto, and they can take a ton of stuff off your plate. They can order and send gifts, take dictation, schedule many meetings at once, etc.

Dictation, especially, should not be underestimated as a great source of productivity. I recommend you install an app called Voxie. You can open it and literally say, "Draft an email to Chris," and then just speak it out, "Hi Chris, Great to see you this morning. Thanks for catching up." Your virtual assistant can easily field the recording, and when you get back to your inbox, it'll already be in your drafts. All you need to do is hit send.

"Following up on meetings can be tremendously impactful, but how often do you actually do it?"

Now you can draft the follow-up email in seconds right as you're leaving a meeting.

8. GIVE YOUR TEAM LEVERAGE

One of the most productive CEOs I recently spoke to is religious about "management by walking around." This is exactly what it sounds like. He circulates the office, stopping to talk to his team members one-on-one or in small groups throughout the day. He asks them:

- What's holding you back from getting more done?
- What are your blockers? Are there any bottlenecks or barriers I can remove for you?
- What resources or processes would let you move as fast as you want to?

So I advise you, get the answers to these questions and get it done for your team. If you want them to model speed, you need to model speed yourself. Give them the help they need to do their best work in record time. Responsiveness is key. You can still batch your emails and catch urgent requests with a tool called AwayFind. Whenever someone sends a high priority message, you'll get an alert without having to leave your inbox open all day.

A lot of the time, you'll hear that people are simply stuck. They're nervous about de-

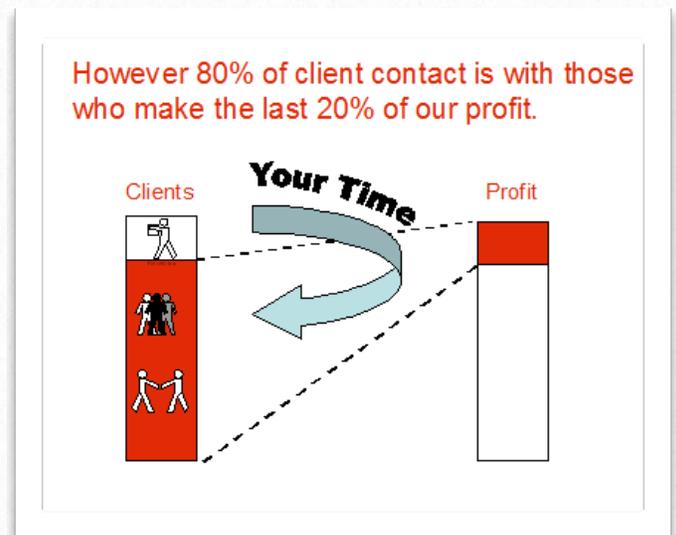
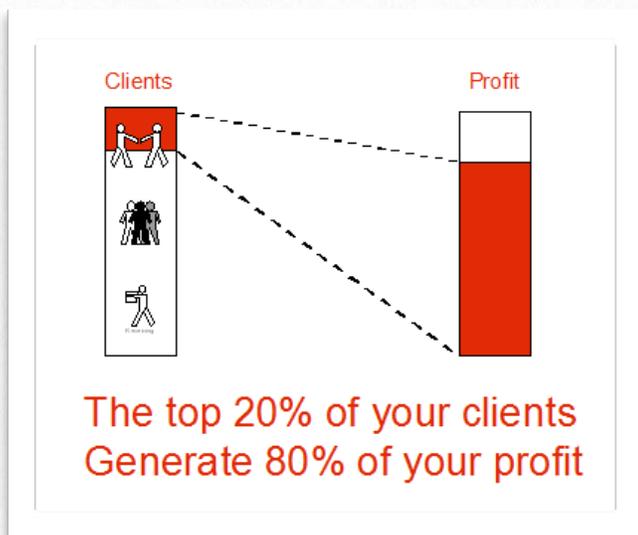
The future is no more uncertain than the present.

- Walt Whitman

playing a feature or cold emailing an important contact. They're toiling away to fix a tiny bug while a larger project grinds to a halt. When something like this is holding them back, the best question you can ask is this: What is the cost of failure? If only two people out of two million will see a new feature that isn't perfect, you don't need to be spending so much time on it. De-risk it for them. When you're a manager, this is often the best use of your time.

Demonstrate the 80/20 rule in everything you do. This means spending 80% of your time on the work that moves the needle, and only 20% on the smaller stuff. Condition your team out of seeking perfection. So many startup employees, especially engineers, want to nail everything perfectly the first time. But that's not what you want. You want speed.

If you implement these simple hacks, you can get that 70% of time you aren't maximizing back. You can spend less time in meetings and your inbox. *Most importantly, you can get back to leading, inspiring, closing deals and changing the world.*



Movie 3.2 Food Rules for Healthy People and Planet



This film was the winning entry in the RSA / Nominet Trust Film Competition Award 2012. It was from this competition that the RSA Shorts series was born.

Digital Economy



Where the Digital Economy Is Moving the Fastest

by Bhaskar Chakravorti, Christopher Tunnard, and Ravi Shankar Chaturvedi

The transition to a global digital economy in 2014 was sporadic – brisk in some countries, choppy in others. By year's end, the seven biggest emerging markets were larger than the G7, in purchasing power parity terms. Plus, consumers in the Asia-Pacific region were expected to spend more online last year than consumers in North America. The opportunities to serve the e-consumer were growing – if you knew where to look.

The drastic and compounded success of Microsoft, FedEx, fax machines, and the internet are all based upon the prime law of networks:

Value explodes exponentially with membership...

And this exponential value is very similar to gravity in how it draws in more members until all potential members are joined.

- Network Economy

These changing rhythms in digital commerce are more than a China, or even an Asia, story. Far from Silicon Valley, Shanghai, or Singapore, a German company, Rocket Internet, has been busy launching e-commerce start-ups across a wide range of emerging and frontier markets. Their stated mission: To become the world's largest internet platform outside the U.S. and China. Many such "Rocket" companies are poised to become the Alibabas and Amazons for the rest of the world: Jumia, which operates in nine countries across Africa; Namshi in the Middle East; Lazada and Zalora in ASEAN; Jabong in India; and Kaymu in 33 markets across Africa, Asia, Europe, and the Middle East.

Private equity and venture capital money have been concentrating in certain markets in ways that mimic the electronic gold rush in Silicon Valley. During the summer of 2014 alone \$3 billion poured into India's e-commerce sector, where, in addition to local innovators like Flipkart and Snapdeal, there are nearly 200 digital commerce startups flush with private investment and venture capital funds. This is happening in a country where online vendors largely operate on a cash-on-delivery (COD) basis. Credit cards or PayPal are rarely used; according to the Reserve Bank of India, 90% of all monetary transactions in India are in cash. Even Amazon localized its approach in India to offer COD as a service. India and other middle-income countries such as Indonesia and Colombia all have high cash dependence. But even where cash is still king, digital marketplaces are innovating at a remarkable pace. Nimble e-commerce players are simply working with and around the persistence of cash.

To understand more about these types of changes around the world, we developed an "index" to identify how a group of

countries stack up against each other in terms of readiness for a digital economy. Our Digital Evolution Index (DEI), created by the Fletcher School at Tufts University (with support from Mastercard and Data-Cash), is derived from four broad drivers: supply-side factors (including access, fulfillment, and transactions infrastructure); demand-side factors (including consumer behaviors and trends, financial and Internet and social media savviness); innovations (including the entrepreneurial, technological and funding ecosystems, presence and extent of disruptive forces and the presence of a start-up culture and mindset); and institutions (including government effectiveness and its role in business, laws and regulations and promoting the digital ecosystem). The resulting index includes a ranking of 50 countries, which were chosen because they are either home to most of the current 3 billion internet users or they are where the next billion users are likely to come from.

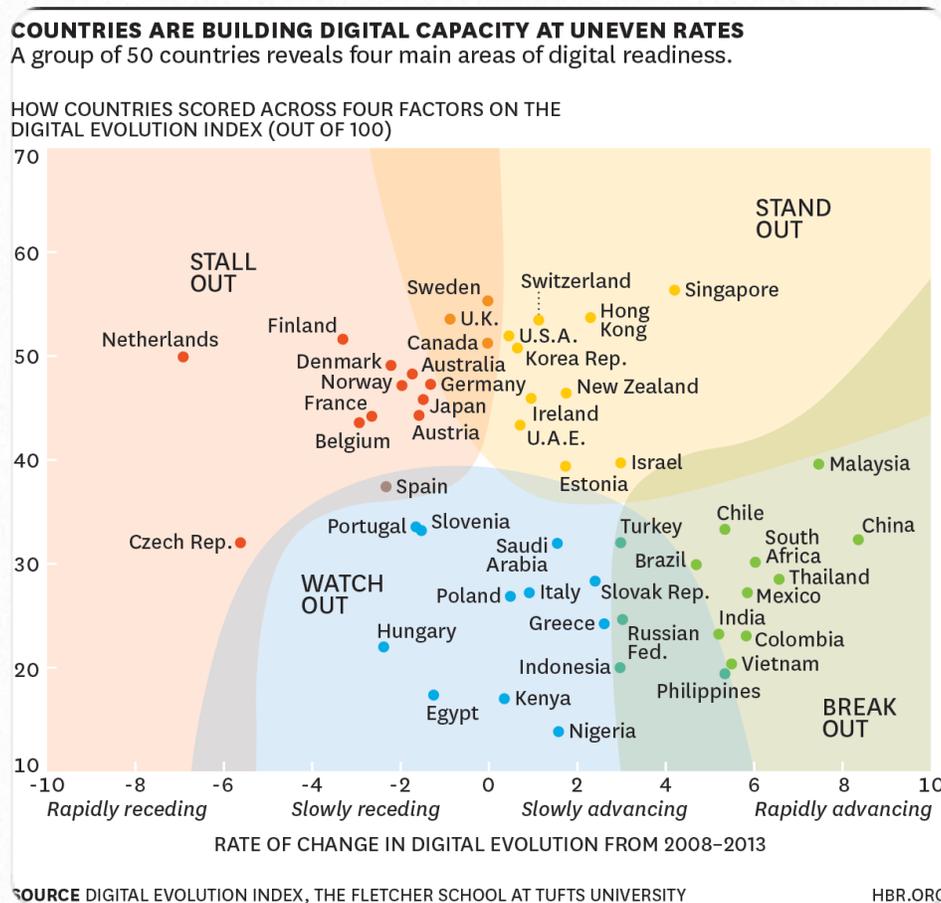
As part of our research, we wanted to understand who was changing quickly to prepare for the digital marketplace and who wasn't. Perhaps not surprisingly, developing countries in Asia and Latin America are leading in momentum, reflecting their overall economic gains. But our analysis revealed other interesting patterns. Take, for

example, Singapore and The Netherlands. Both are among the top 10 countries in present levels of digital evolution. But when we consider the momentum – i.e., the five-year rate of change from 2008 to 2013 – the two countries are far apart. Singapore has been steadily advancing in developing a world-class digital infrastructure, through public-private partnerships, to further entrench its status as a regional communications hub. Through ongoing investment, it remains an attractive destination for startups and for private equity and venture capital. The Netherlands, meanwhile, has been rapidly losing steam. The Dutch government's austerity measures beginning in late 2010 reduced investment into elements of the digital ecosystem. Its stagnant, and at times slipping, consumer demand led investors to seek greener pastures.

Based on the performance of countries on the index during the years 2008 to 2013, we assigned them to one of four trajectory zones: *StandOut*, *StallOut*, *BreakOut*, and *WatchOut*:

1. ***Stand Out*** countries have shown high levels of digital development in the past and continue to remain on an upward trajectory.

2. **Stall Out** countries have achieved a high level of evolution in the past but are losing momentum and risk falling behind.
3. **Break Out** countries have the potential to develop strong digital economies. Though their overall score is still low, they are moving upward and are poised to become Stand Out countries in the future.
4. **Watch Out** countries face significant opportunities and challenges, with low scores on both current level and upward motion of their DEI. Some may be able to overcome limitations with clever innovations and stopgap measures, while others seem to be stuck.



Break Out countries such as India, China, Brazil, Vietnam, and the Philippines are improving their digital readiness quite rapidly. But the next phase of growth is harder to achieve. Staying on this trajectory means confronting challenges like improving supply infrastructure and nurturing sophisticated domestic consumers.

Watch Out countries like Indonesia, Russia, Nigeria, Egypt, and Kenya have important things in common like institutional uncertainty and a low commitment to reform. They possess one or two outstanding qualities — predominantly demographics — that make them attractive to businesses and investors, but they expend a lot of energy innovating around institutional and infrastructural constraints. Unclogging these bottlenecks would let these countries direct their innovation resources to more productive uses.

Most Western and Northern European countries, Australia, and Japan have been Stalling Out. The only way they can jumpstart their recovery is to follow what Stand Out countries do best: redouble on innovation and continue to seek markets beyond domestic borders. Stall Out countries are also aging. Attracting talented, young immigrants can help revive innovation quickly.

What does the future hold?

- The next billion consumers to come online will be making their digital decisions on a mobile device — very different from the practices of the first billion that helped build many of the foundations of the current e-commerce industry.

- There will continue to be strong cross-border influences as the competitive field evolves: even if Europe slows, a European company, such as Rocket Internet, can grow by targeting the fast-growing markets in the emerging world; giants out of the emerging world, such as Alibaba, with their newfound resources and brand, will look for markets elsewhere; old stalwarts, such as Amazon and Google will seek growth in new markets and new product areas.
- Emerging economies will continue to evolve differently, as will their newly online consumers.
- Businesses will have to innovate by customizing their approaches to this multi-speed planet, and in working around institutional and infrastructural constraints, particularly in markets that are home to the next billion online consumers.

We may be on a journey toward a digital planet — but we're all traveling at different speeds.

Movie 3.3 Innovate UK - Digital Economy Strategy



Innovate UK invests millions each year in supporting businesses develop new digital products and services. We help UK businesses in every sector navigate challenges, innovate, and exploit digital technologies

Uber Ride Sharing



Don't call Uber and Lyft "ride-sharing," says AP

by Sam Bliss

Henceforth, the services offered by companies like Uber and Lyft are not to be referred to as "ride-sharing," because that is a load of crap, according to a new update to the AP Stylebook, a.k.a. the journalist's bible.

Instead, services that "let people use smartphone apps to book and pay for a private car service" are to be called "ride-hailing" or "ride-booking services."

■
We were together.
I forget the rest.

- Walt Whitman

Thank you, AP, for confirming this misuse of English. Sharing means partaking of, using, experiencing, occupying, having, or enjoying with others, according to Merriam-Webster. Carpooling is sharing. So is picking up a hitchhiker, using Craigslist rideshare, even co-owning a car when it's done without a middle-corporation.

These share-washing companies are just taxi services that aren't subject to regulations that protect drivers and riders. Much has been written about how they exploit their drivers (there's even a lawsuit in Boston). And while your Uber driver (who hopefully isn't a creep) will be happy to tell you how much he or she loves the work, drivers interviewed for a Jacobin article on the subject say they lie about that because they can be "deactivated" (fired) if they don't average 4.7 out of 5 stars from customers. Off the clock, one employee calls Uber an "exploiting pimp" that takes 20 percent of his earnings, treats him like shit, cuts prices whenever it wants, and tells him to fuck off if he complains.

Hey, at least these corporations are keeping drunk drivers off the road!

Ultimately, though, calling ride-hailing apps "sharing" distracts attention from actual, un-commodified sharing, which is what this was all supposed to be about in the first place, no? For-profit transportation services are part of what we should call "the bullshit sharing economy." Can we put that term in the AP Stylebook?

Movie 3.4 France's Taxi Drivers Protest Against Uber



Taxi drivers across France protested against Uber, shutting down roads and burning tires.



I am large...
I contain multitudes.

- Walt Whitman

Why the Disabled are Suing Uber and Lyft

by Jen Wieczner

The ride-sharing services are being sued for allegedly denying service to passengers with wheelchairs and guide dogs.

Ride hailing services Uber and Lyft are on the same side for once: They both deny accusations they discriminate against disabled passengers.

The two companies are named as defendants in a smattering lawsuits from California to Texas alleging they violated the Americans with Disabilities Act by failing to make their cars handicapped accessible. In some courts, Uber and Lyft are

even named as co-defendants in a single case—putting the rivals, awkwardly, in the same boat.

The complaints paint the car service companies—or at least their drivers—as callous to the disabled. One lawsuit by the National Federation of the Blind of California, for example, says an UberX driver stuffed a blind passenger’s guide dog in the trunk, and refused to stop the car to let the animal out. Other drivers allegedly refused to pick up blind customers accompanied by dogs.

Another physically disabled woman, Jennifer McPhail of Austin, says in a lawsuit that a Lyft driver left her on the curb because her wheelchair couldn’t fit in the car. The driver then failed to provide alternative transportation.

Meanwhile, other disabled app users are airing their own grievances outside of court. Kristen Parisi, 30-year-old Boston woman who uses a wheelchair, told The Daily Beast that an Uber driver refused to pack her chair into the trunk, for example. So Parisi had to maneuver herself and the chair into the back seat with no assistance, while the driver berated her as an “invalid.”

Uber denies any responsibility by saying it doesn’t discriminate against the disabled and that it can transport blind and wheelchair-bound passengers. It told The Daily Beast that drivers accused of discrimination are usually suspended or fired. Lyft has a similar policy:

It is Lyft’s policy that passengers that use wheelchairs that can safely and securely fit in the trunk of the vehicle or backseat of the car without obstructing the view of the driver should be reasonably accommodated by drivers on the Lyft platform, and drivers should make every reasonable effort to transport the passenger and his or her wheelchair.

Lyft says it is also willing to accommodate service animals. But it recommends that passengers who need them call the driver in advance and let them know—and has a hotline for drivers to call if they have a “medically documented reason” that would prevent them from taking the animal.

Still, the heart of Uber’s defense against the discrimination allegations could not only define its identity as a firm, but set a new precedent for how it and other disruptive tech-based businesses are viewed in the eyes of the law.

Uber argues that as a technology company, it is not subject to laws regulating public transit and other transportation providers, such as the ADA, or “required to provide accessible vehicles or accommodations.”

Still, the U.S. Justice Department recently intervened in the blind plaintiffs’ case to urge that the discrimination accusations be taken seriously. It also requested that the court interpret whether the laws governing other transportation providers should apply to Uber as well.

A decision against Uber could be costly to it and other upstart tech firms that may find themselves classified as belonging to a more traditional industry.

In a Texas case, Uber has already indicated that the cost of making the necessary modifications would be “extraordinary.” The plaintiff in that lawsuit said a driver refused him service and that he could not order an accessible vehicle through the app.

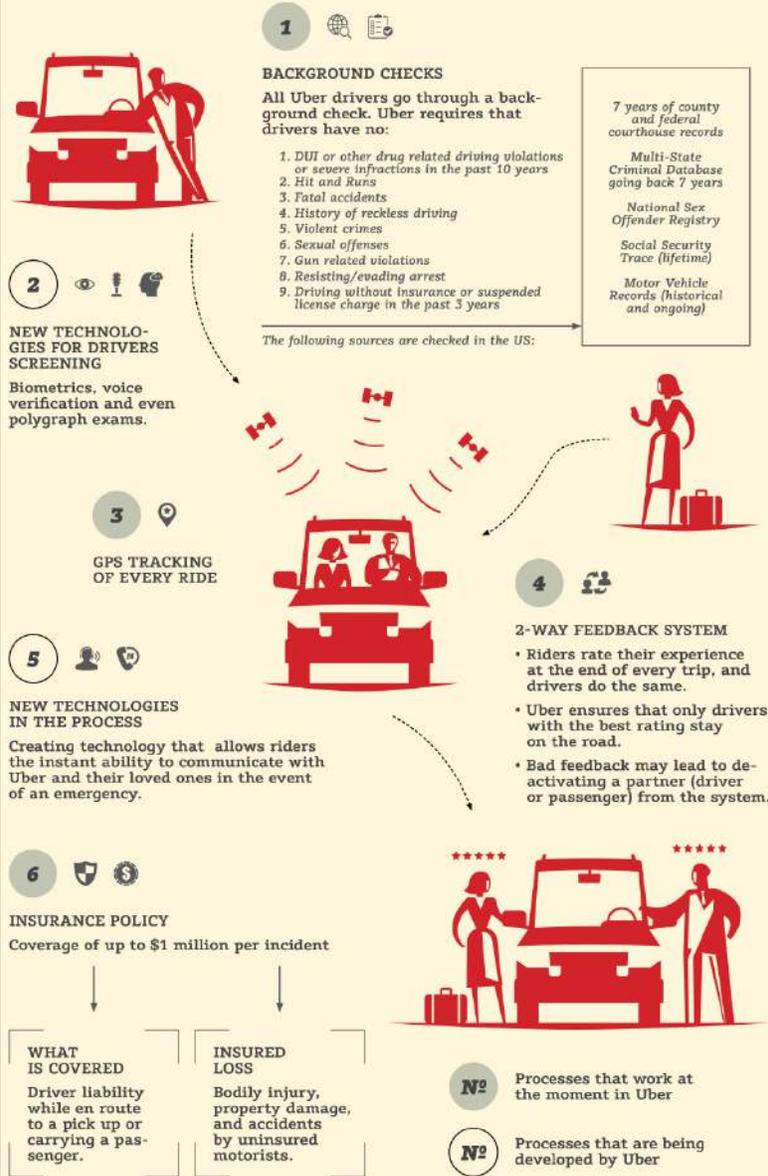
“It would have to modify the Uber App, modify its policies and procedures, and provide wheelchair accessible vehicles in numerous cities,” according to an October court filing.

Indeed, Uber has recently added the ability to order a wheelchair-accessible vehicle using its app in certain major cities like New York and San Francisco. But it’s unclear if or when the option will be available elsewhere.

In the meantime, Eric Lipp, executive director of the Open Doors Organization, which advocates for accessible transportation for disabled passengers, offered this advice in ‘The Daily Beast’:

“I think that many in the community do not understand that Uber has nothing against access and the ADA,” says Lipp. “The big problem is that until the courts settle whether Uber is a software company or transportation company the disability community will just have to be patient and try to work with Uber, not against them.”

WHAT UBER IS DOING TO BE SAFER



PROBLEMS WITH UBER SAFETY SYSTEM

| | PRECESS (See above) | PROBLEMS |
|----------|--|--|
| PROBLEMS | 1 BACKGROUND CHECKS | 2 NEW TECHNOLOGIES FOR DRIVERS SCREENING |
| | <ul style="list-style-type: none"> • Alleged perpetrators can have clean records; • no way to foolproof background checks; • basic online screenings are not always adequate; • the entire process of driver screening is automated, when human intervention is needed; • in many places outside the U.S., the infrastructure and complexity of background checks vary significantly. | 3 GPS TRACKING OF EVERY RIDE |
| | | 4 2-WAY FEEDBACK SYSTEM |
| | <p>Uber can use other possible types of checks include training, in-person meetings and interviews, psychological and honesty tests, past employment checks and supervision.</p> <p>The ride-sharing community should focus on putting time and money into establishing a standardized protocol for safe driver screening.</p> | 6 INSURANCE POLICY |
| | | |

Movie 3.5 Uber Banned In Delhi After Reported Rape



He was previously arrested for rape, throwing into doubt Uber's driver guidelines. This incident comes days after the second anniversary of the gang rape and death of a girl in New Delhi that sparked protests in India

Learning Organization



The Learning Organization

by Peter Senge

According to Peter Senge learning organizations are:

...organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together.

Peter Senge envisions a learning organization as a group of people who are continually enhancing their capabilities to create what they want to create has been deeply influential.

We discuss the five disciplines he sees as central to learning organizations and some issues and questions concerning the theory and practice of learning organizations.

The basic rationale for such organizations is that in situations of rapid change only those that are flexible, adaptive and productive will excel. For this to happen, it is argued, organizations need to ‘discover how to tap people’s commitment and capacity to learn at all levels’.

While all people have the capacity to learn, the structures in which they have to function are often not conducive to reflection and engagement. Furthermore, people may lack the tools and guiding ideas to make sense of the situations they face. Organizations that are continually expanding their capacity to create their future require a fundamental shift of mind among their members.

When you ask people about what it is like being part of a great team, what is most striking is the meaningfulness of the experience. People talk about being part of something larger than themselves, of being connected, of being generative. It becomes quite clear that, for many, their experiences as part of truly great teams stand out as singular periods of life lived to the fullest. Some spend the rest of their lives looking for ways to recapture that spirit.

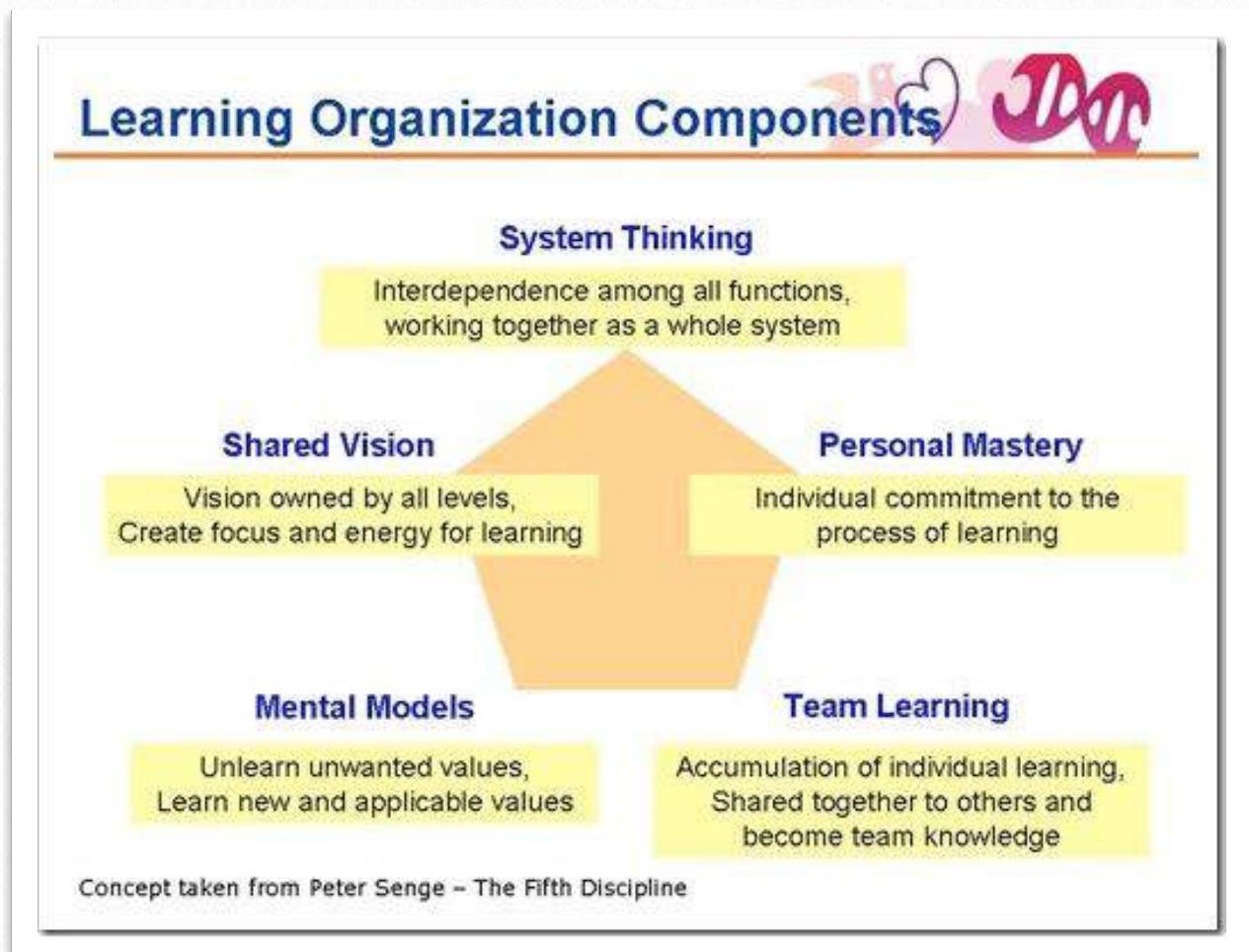
For Peter Senge, real learning gets to the heart of what it is to be human. We become able to re-create ourselves. This applies to both individuals and organizations. Thus, for a ‘learning organization it is not enough to survive. “Survival learning” or what is more often termed “adaptive learning” is important – indeed it is necessary. But for a learning organization, “adaptive learning” must be joined by “generative learning”, learning that enhances our capacity to create’.

The dimension that distinguishes learning from more traditional organizations is the mastery of certain basic disciplines

or 'component technologies'. The five that Peter Senge identifies are said to be converging to innovate learning organizations. They are:

1. Systems thinking
2. Personal mastery
3. Mental models
4. Building shared vision
5. Team learning

He adds to this recognition that people are agents, able to act upon the structures and systems of which they are a part. All the disciplines are, in this way, 'concerned with a shift of mind from seeing parts to seeing wholes, from seeing people as helpless reactors to seeing them as active participants in shaping their reality, from reacting to the present to creating the future'. It is to the disciplines that we will now turn.



Systems Thinking – The Cornerstone of the Learning Organization

A great virtue of Peter Senge's work is the way in which he puts systems theory to work. The Fifth Discipline provides a good introduction to the basics and uses of such theory – and the way in which it can be brought together with other theoretical devices in order to make sense of organizational questions and issues. Systemic thinking is the conceptual cornerstone ('The Fifth Discipline') of his approach. It is the discipline that integrates the others, fusing them into a coherent body of theory and practice. Systems theory's ability to comprehend and address the whole, and to examine the interrelationship between the parts provides, for Peter Senge, both the incentive and the means to integrate the disciplines.

Here is not the place to go into a detailed exploration of Senge's presentation of systems theory (I have included some links to primers below). However, it is necessary to highlight one or two elements of his argument. First, while the basic tools of systems theory are fairly straightforward they can build into sophisticated models. Peter Senge argues that one of the key problems with much that is written about, and done in the name of management, is that rather

simplistic frameworks are applied to what are complex systems. We tend to focus on the parts rather than seeing the whole, and to fail to see organization as a dynamic process. Thus, the argument runs, a better appreciation of systems will lead to more appropriate action.

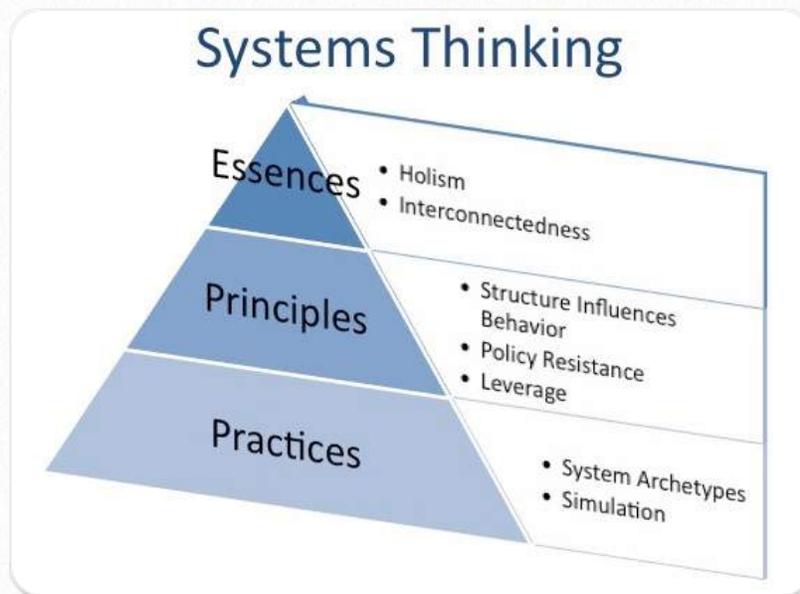
'We learn best from our experience, but we never directly experience the consequences of many of our most important decisions', Peter Senge argues with regard to organizations. We tend to think that cause and effect will be relatively near to one another. Thus when faced with a problem, it is the 'solutions' that are close by that we focus upon. Classically we look to actions that produce improvements in a relatively short time span. However, when viewed in systems terms short-term improvements often involve very significant long-term costs. For example, cutting back on research and design can bring very quick cost savings, but can severely damage the long-term viability of an organization. Part of the problem is the nature of the feedback we receive. Some of the feedback will be reinforcing (or amplifying) – with small changes building on themselves. 'Whatever movement occurs is amplified, producing more movement in the same direction. A small action snowballs, with more and more and still more of the same,

resembling compound interest'. Thus, we may cut our advertising budgets, see the benefits in terms of cost savings, and in turn further trim spending in this area. In the short run there may be little impact on people's demands for our goods and services, but longer term the decline in visibility may have severe penalties. An appreciation of systems will lead to recognition of the use of, and problems with, such reinforcing feedback, and also an understanding of the place of balancing (or stabilizing) feedback. (See, also Kurt Lewin on feedback). A further key aspect of systems is the extent to which they inevitably involve delays – 'interruptions in the flow of influence which make the consequences of an action occur gradually'.

Peter Senge concludes:

The systems viewpoint is generally oriented toward the long-term view. That's why delays and feedback loops are so important. In the short term, you can often ignore them; they're inconsequential. They only come back to haunt you in the long term.

Peter Senge advocates the use of 'systems maps' – diagrams that show the key elements of systems and how they connect. However, people often have a problem 'seeing' systems, and it takes work to acquire the basic building blocks of systems theory, and to apply them to your organization. On the other hand, failure to understand system dynamics can lead us into 'cycles of blaming and self-defense: the enemy is always out there, and problems are always caused by someone else'.



The Core Disciplines

Alongside systems thinking, there stand four other ‘component technologies’ or disciplines. A ‘discipline’ is viewed by Peter Senge as a series of principles and practices that we study, master and integrate into our lives.

The five disciplines can be approached at one of three levels:

1. Practices: what you do.
2. Principles: guiding ideas and insights.
3. Essences: the state of being those with high levels of mastery in the discipline

- Each discipline provides a vital dimension.

- Each is necessary to the others if organizations are to ‘learn’.

Personal Mastery

‘Organizations learn only through individuals who learn. Individual learning does not guarantee organizational learning. But with-

out it no organizational learning occurs’. Personal mastery is the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively’. It goes beyond competence and skills, although it involves them. It goes beyond spiritual opening, although it involves spiritual growth. Mastery is seen as a special kind of proficiency. It is not about dominance, but rather about calling. Vision is vocation rather than simply just a good idea.

People with a high level of personal mastery live in a continual learning mode. They never ‘arrive’. Sometimes, language, such as the term ‘personal mastery’ creates a misleading sense of definiteness, of black and white. But personal mastery is not something you possess. It is a process. It is a lifelong discipline. People with a high level of personal mastery are acutely aware of their ignorance, their incompetence, their growth areas. And they are deeply self-confident. Paradoxical? Only for those who do not see the ‘journey is the reward’.

In writing such as this we can see the appeal of Peter Senge’s vision. The discipline entails developing personal vision; holding creative tension (managing the gap be-

tween our vision and reality); recognizing structural tensions and constraints, and our own power (or lack of it) with regard to them; a commitment to truth; and using the sub-conscious.

Mental models. These are ‘deeply ingrained assumptions, generalizations, or even pictures and images that influence how we understand the world and how we take action’. As such they resemble what Donald A Schön talked about as a professional’s ‘repertoire’. We are often not that aware of the impact of such assumptions etc. on our behaviour – and, thus, a fundamental part of our task is to develop the ability to reflect-in- and –on-action.

The discipline of mental models starts with turning the mirror inward; learning to unearth our internal pictures of the world, to bring them to the surface and hold them rigorously to scrutiny. It also includes the ability to carry on ‘learningful’ conversations that balance inquiry and advocacy, where people expose their own thinking effectively and make that thinking open to the influence of others.

If organizations are to develop a capacity to work with mental models then it will be necessary for people to learn new skills

and develop new orientations, and for their to be institutional changes that foster such change. ‘Entrenched mental models... thwart changes that could come from systems thinking’.

Moving the organization in the right direction entails working to transcend the sorts of internal politics and game playing that dominate traditional organizations. In other words it means fostering openness. It also involves seeking to distribute business responsibly far more widely while retaining coordination and control. Learning organizations are localized organizations.

Building shared vision. Peter Senge starts from the position that if any one idea about leadership has inspired organizations for thousands of years, ‘it’s the capacity to hold a share picture of the future we seek to create’. Such a vision has the power to be uplifting – and to encourage experimentation and innovation. Crucially, it is argued, it can also foster a sense of the long-term, something that is fundamental to the ‘fifth discipline’.

When there is a genuine vision (as opposed to the all-to-familiar ‘vision statement’), people excel and learn, not because they are told to, but because they

want to. But many leaders have personal visions that never get translated into shared visions that galvanize an organization... What has been lacking is a discipline for translating vision into shared vision – not a ‘cookbook’ but a set of principles and guiding practices.

The practice of shared vision involves the skills of unearthing shared ‘pictures of the future’ that foster genuine commitment and enrolment rather than compliance. In mastering this discipline, leaders learn the counter-productiveness of trying to dictate a vision, no matter how heartfelt.

Visions spread because of a reinforcing process. Increased clarity, enthusiasm and commitment rub off on others in the organization. ‘As people talk, the vision grows clearer. As it gets clearer, enthusiasm for its benefits grow’. There are ‘limits to growth’ in this respect, but developing the sorts of mental models outlined above can significantly improve matters. Where organizations can transcend linear and grasp system thinking, there is the possibility of bringing vision to fruition.

Team learning. Such learning is viewed as ‘the process of aligning and developing the capacities of a team to create the re-

sults its members truly desire’. It builds on personal mastery and shared vision – but these are not enough. People need to be able to act together. When teams learn together, Peter Senge suggests, not only can there be good results for the organization, members will grow more rapidly than could have occurred otherwise.

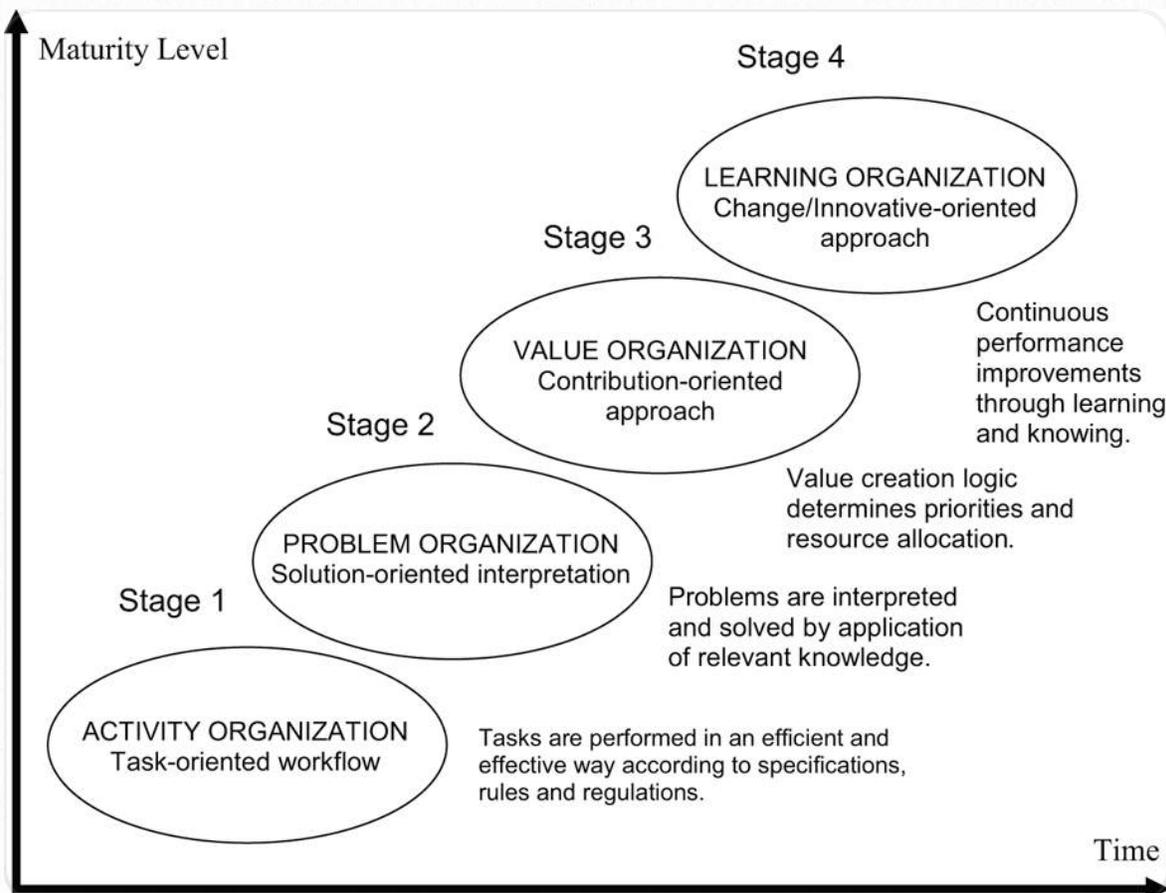
The discipline of team learning starts with ‘dialogue’, the capacity of members of a team to suspend assumptions and enter into a genuine ‘thinking together’. To the Greeks *dia-logos* meant a free-flowing if meaning through a group, allowing the group to discover insights not attainable individually.... [It] also involves learning how to recognize the patterns of interaction in teams that undermine learning.

The notion of dialogue that flows through The Fifth Discipline is very heavily dependent on the work of the physicist, David Bohm (where a group ‘becomes open to the flow of a larger intelligence’, and thought is approached largely as collective phenomenon). When dialogue is joined with systems thinking, Senge argues, there is the possibility of creating a language more suited for dealing with complexity, and of focusing on deep-seated structural issues and forces rather than being diverted by questions of personality and

leadership style. Indeed, such is the emphasis on dialogue in his work that it could almost be put alongside systems thinking as a central feature of his approach.

Leading the Learning Organization

Peter Senge argues that learning organizations require a new view of leadership. He sees the traditional view of leaders (as special people who set the direction, make key decisions and energize the troops as deriving from a deeply individualistic and non-systemic world-view (1990: 340). At its centre the traditional view of leadership, 'is based on assumptions of people's powerlessness, their lack of personal vision and inability to master the forces of change, deficits which can be remedied only by a few great leaders' (op. cit.). Against this traditional view he sets a 'new' view of leadership that centres on 'subtler and more important tasks'.



In a learning organization, leaders are designers, stewards and teachers. They are responsible for building organizations where people continually expand their capabilities to understand complexity, clarify vision, and improve shared mental models – that is they are responsible for learning.... Learning organizations will remain a ‘good idea’... until people take a stand for building such organizations. Taking this stand is the first leadership act, the start of inspiring (literally ‘to breathe life into’) the vision of the learning organization.

Many of the qualities that Peter Senge discusses with regard to leading the learning organization can be found in the shared leadership model (discussed elsewhere on these pages). For example, what Senge approaches as inspiration, can be approached as animation. Here we will look at the three aspects of leadership that he identifies – and link his discussion with some other writers on leadership.

Leader as Designer

The functions of design are rarely visible, Peter Senge argues, yet no one has a more sweeping influence than the designer. The organization’s policies, strategies and ‘systems’ are key area of design,

but leadership goes beyond this. Integrating the five component technologies is fundamental. However, the first task entails designing the governing ideas – the purpose, vision and core values by which people should live. Building a shared vision is crucial early on as it ‘fosters a long-term orientation and an imperative for learning’. Other disciplines also need to be attended to, but just how they are to be approached is dependent upon the situation faced. In essence, ‘the leaders’ task is designing the learning processes whereby people throughout the organization can deal productively with the critical issues they face, and develop their mastery in the learning disciplines’.

Leader as Steward

While the notion of leader as steward is, perhaps, most commonly associated with other writers, Peter Senge has some interesting insights on this strand. His starting point was the ‘purpose stories’ that the managers he interviewed told about their organization. He came to realize that the managers were doing more than telling stories, they were relating the story: ‘the overarching explanation of why they do what they do, how their organization needs to

evolve, and how that evolution is part of something larger'. Such purpose stories provide a single set of integrating ideas that give meaning to all aspects of the leader's work – and not unexpectedly 'the leader develops a unique relationship to his or her own personal vision. He or she becomes a steward of the vision'. One of the important things to grasp here is that stewardship involves a commitment to, and responsibility for the vision, but it does not mean that the leader owns it. It is not their possession. Leaders are stewards of the vision, their task is to manage it for the benefit of others (hence the subtitle of Block's book – 'Choosing service over self-interest'). Leaders learn to see their vision as part of something larger. Purpose stories evolve as they are being told, 'in fact, they are as a result of being told'. Leaders have to learn to listen to other people's vision and to change their own where necessary. Telling the story in this way allows others to be involved and to help develop a vision that is both individual and shared.

Leader as Teacher

Peter Senge starts here with Max de Pree's injunction that the first responsibility

of a leader is to define reality. While leaders may draw inspiration and spiritual reserves from their sense of stewardship, 'much of the leverage leaders can actually exert lies in helping people achieve more accurate, more insightful and more empowering views of reality. Building on an existing 'hierarchy of explanation' leaders, Peter Senge argues, can influence people's view of reality at four levels: events, patterns of behaviour, systemic structures and the 'purpose story'.

By and large most managers and leaders tend to focus on the first two of these levels (and under their influence organizations do likewise). Leaders in learning organizations attend to all four, 'but focus predominantly on purpose and systemic structure. Moreover they "teach" people throughout the organization to do likewise'. This allows them to see 'the big picture' and to appreciate the structural forces that condition behaviour. By attending to purpose, leaders can cultivate an understanding of what the organization (and its members) are seeking to become. One of the issues here is that leaders often have strengths in one or two of the areas but are unable, for example, to develop systemic understanding. A key to success is being able to conceptualize insights so that they become

public knowledge, ‘open to challenge and further improvement’.

“Leader as teacher” is not about “teaching” people how to achieve their vision. It is about fostering learning, for everyone. Such leaders help people throughout the organization develop systemic understandings. Accepting this responsibility is the antidote to one of the most common downfalls of otherwise gifted teachers – losing their commitment to the truth.

Leaders have to create and manage creative tension – especially around the gap between vision and reality. Mastery of such tension allows for a fundamental shift. It enables the leader to see the truth in changing situations.

Issues and Problems: When making judgments about Peter Senge’s work, and the ideas he promotes, we need to place his contribution in context. His is not meant to be a definitive addition to the ‘academic’ literature of organizational learning. Peter Senge writes for practicing and aspiring managers and leaders. The concern is to identify how interventions can be made to turn organizations into ‘learning organizations’. Much of his, and similar theorists’ efforts, have been ‘devoted to identifying

templates, which real organizations could attempt to emulate’. In this field some of the significant contributions have been based around studies of organizational practice, others have ‘relied more on theoretical principles, such as systems dynamics or psychological learning theory, from which implications for design and implementation have been derived’. Peter Senge, while making use of individual case studies, tends to the latter orientation.

The most appropriate question in respect of this contribution would seem to be whether it fosters praxis– informed, committed action on the part of those it is aimed at? This is an especially pertinent question as Peter Senge looks to promote a more holistic vision of organizations and the lives of people within them. Here we focus on three aspects. We start with the organization.

Organizational Imperatives: Here the case against Peter Senge is fairly simple. We can find very few organizations that come close to the combination of characteristics that he identifies with the learning organization. Within a capitalist system his vision of companies and organizations turning wholehearted to the cultivation of the learn-

ing of their members can only come into fruition in a limited number of instances. While those in charge of organizations will usually look in some way to the long-term growth and sustainability of their enterprise, they may not focus on developing the human resources that the organization houses.

The focus may well be on enhancing brand recognition and status; developing intellectual capital and knowledge; delivering product innovation; and ensuring that production and distribution costs are kept down. As Will Hutton has argued, British companies' priorities are overwhelmingly financial. What is more, 'the targets for profit are too high and time horizons too short'. Such conditions are hardly conducive to building the sort of organization that Peter Senge proposes. Here the case against Senge is that within capitalist organizations, where the bottom line is profit, a fundamental concern with the learning and development of employees and associates is simply too idealistic.

Yet there are some currents running in Peter Senge's favour. The need to focus on knowledge generation within an increasingly globalized economy does bring us back in some important respects to the people who have to create intellectual capital.



Productivity and competitiveness are, by and large, a function of knowledge generation and information processing: firms and territories are organized in networks of production, management and distribution; the core economic activities are global – that is they have the capacity to work as a unit in real time, or chosen time, on a planetary scale.

A failure to attend to the learning of groups and individuals in the organization spells disaster in this context. As Leadbeater has argued, companies need to invest not just in new machinery to make production more efficient, but in the flow of know-how that will sustain their business. Organizations need to be good at knowledge generation, appropriation and exploitation.

This process is not that easy: Knowledge that is visible tends to be explicit, teachable, independent, detachable, it also easy for competitors to imitate. Knowledge that is intangible, tacit, less teachable, less observable, is more complex but more difficult to detach from the person who created it or the context in which it is embedded. Knowledge carried by an individual only realizes its commercial potential when it is replicated by an organization and becomes organizational knowledge.

Here we have a very significant pressure for the fostering of ‘learning organizations’. The sort of know-how that Leadbeater is talking about here cannot be simply transmitted. It has to be engaged with, talking about and embedded in organizational structures and strategies. It has to become people’s own.

A Question of Sophistication and Disposition: One of the biggest problems with Peter Senge’s approach is nothing to do with the theory, it’s rightness, nor the way it is presented. The issue here is that the people to whom it is addressed do not have the disposition or theoretical tools to follow it through. One clue lies in his choice of ‘disciplines’ to describe the core of his approach. As we saw a discipline is a series of principles and practices that we study, master and integrate into our lives. In other words, the approach entails significant effort on the part of the practitioner. It also entails developing quite complicated mental models, and being able to apply and adapt these to different situations – often on the hoof.

Classically, the approach involves a shift from product to process (and back again). The question then becomes whether many

people in organizations can handle this. All this has a direct parallel within formal education. One of the reasons that product approaches to curriculum (as exemplified in the concern for SATs tests, examination performance and school attendance) have assumed such a dominance is that alternative process approaches are much more difficult to do well. They may be superior – but many teachers lack the sophistication to carry them forward. There are also psychological and social barriers. As Lawrence Stenhouse put it some years ago: ‘The close examination of one’s professional performance is personally threatening; and the social climate in which teachers work generally offers little support to those who might be disposed to face that threat’. We can make the same case for people in most organizations.

The process of exploring one’s performance, personality and fundamental aims in life (and this is what Peter Senge is proposing) is a daunting task for most people. To do it we need considerable support, and the motivation to carry the task through some very uncomfortable periods. It calls for the integration of different aspects of our lives and experiences. There is, here, a straightforward question concerning the vision – will people want to sign up to it? To make sense of the sorts of experiences

generated and explored in a fully functioning ‘learning organization’ there needs to be ‘spiritual growth’ and the ability to locate these within some sort of framework of commitment. Thus, as employees, we are not simply asked to do our jobs and to get paid. We are also requested to join in something bigger. Many of us may just want to earn a living!

Politics and Vision: Here we need to note two key problem areas. First, there is a question of how Peter Senge applies systems theory. While he introduces all sorts of broader appreciations and attends to values – his theory is not fully set in a political or moral framework. There is not a consideration of questions of social justice, democracy and exclusion. His approach largely operates at the level of organizational interests.

This would not be such a significant problem if there was a more explicit vision of the sort of society that he would like to see attained, and attention to this with regard to management and leadership. As a contrast we might turn to Peter Drucker’s elegant discussion of the dimensions of management. He argued that there are three tasks – ‘equally important but essentially

different' – that face the management of every organization.

These are:

- To think through and define the specific purpose and mission of the institution, whether business enterprise, hospital, or university.
- To make work productive and the worker achieving.
- To manage social impacts and social responsibilities.

He continues: None of our institutions exists by itself and as an end in itself. Every one is an organ of society and exists for the sake of society. Business is not exception. 'Free enterprise' cannot be justified as being good for business. It can only be justified as being good for society. If Peter Senge had attempted greater connection between the notion of the 'learning organization' and the 'learning society', and paid attention to the political and social impact of organizational activity then this area of criticism would be limited to the question of the particular vision of society and human flourishing involved. Second, there is some question with regard to political processes concerning his emphasis on dialogue and shared vision.

While Peter Senge clearly recognizes the political dimensions of organizational life, there is sneaking suspicion that he may want to transcend it. And as Richard Sennett argues with regard to political communitarianism, it 'falsely emphasizes unity as the source of strength in a community and mistakenly fears that when conflicts arise in a community, social bonds are threatened'. Within it (and arguably aspects of Peter Senge's vision of the learning organization) there seems, at times, to be a dislike of politics and a tendency to see danger in plurality and difference.

Here there is a tension between the concern for dialogue and the interest in building a shared vision. An alternative reading is that difference is good for democratic life (and organizational life) provided that we cultivate a sense of reciprocity, and ways of working that encourage deliberation. The search is not for the sort of common good that many communitarians seek but rather for ways in which people may share in a common life. Moral disagreement will persist – the key is whether we can learn to respect and engage with each other's ideas, behaviors and beliefs.

In a learning organization, leaders are designers, stewards, and teachers.

They are responsible for building organizations where people continually expand their capabilities to understand complexity, clarify vision, and improve shared mental models...

That is, they are responsible for learning.

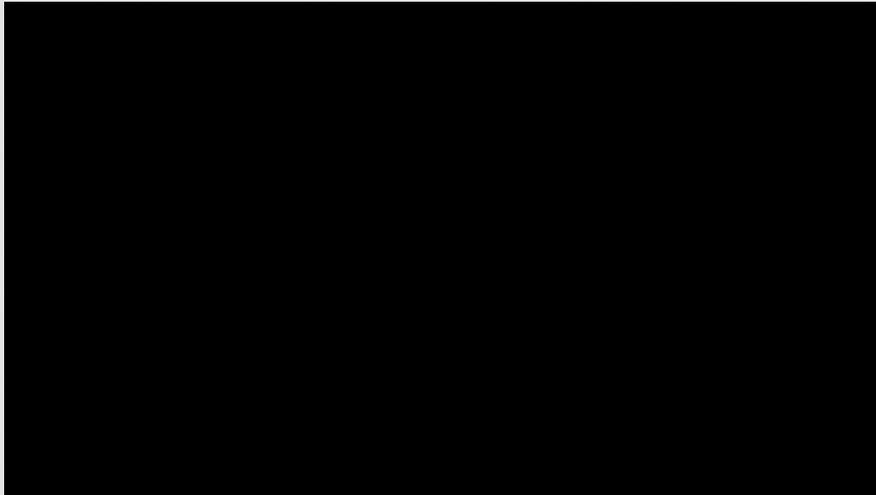
- Peter Senge

Conclusion

John van Maurik has suggested that Peter Senge has been ahead of his time and that his arguments are insightful and revolutionary. He goes on to say that it is a matter of regret 'that more organizations have not taken his advice and have remained geared to the quick fix'. As we have seen there are very deep-seated reasons why this may have been the case. Beyond this, though, there is the questions of whether Senge's vision of the learning organization and the disciplines it requires has contributed to more informed and committed action with regard to organizational life? Here we have little concrete evidence to go on. However, we can make some judgements about the possibilities of his theories and proposed practices. We could say that while there are some issues and problems with his conceptualization, at least it does carry within it some questions around what might make for human flourishing.

The emphases on building a shared vision, team working, personal mastery and the development of more sophisticated mental models and the way he runs the notion of dialogue through these does have the potential of allowing workplaces to be more convivial and creative. The drawing together of the elements via the Fifth Discipline of systemic thinking, while not being to everyone's taste, also allows us to approach a more holistic understanding of organizational life (although Peter Senge does himself stop short of asking some important questions in this respect). These are still substantial achievements – and when linked to his popularizing of the notion of the 'learning organization' – it is understandable why Peter Senge has been recognized as a key thinker.

Movie 3.6 How to Create a Gap Analysis



A leader's job is to guide a team's focus. That includes developing the road map between your starting point and your desired outcome. But in today's volatile, complex business environment, leaders and teams are often reacting to problems instead of creating opportunities.

In a gap analysis, your starting point is the challenge at hand. Then you can identify your role, the people involved, and any information about past experience that might be useful.

On the other end of your gap analysis is your desired outcome. This could be aspirational or incremental.

MOD1

Self-Leadership D8

CLASS DAY EIGHT





By assigning a quantifiable value to uncertainty...

ROV enables decision makers to gauge and react to risk over time.

- Fabian D'Souza

Putting Real Options to Work to Improve Project Planning **- Project Analysis? Climb the Decision Tree**

by Fabian D'Souza

Most strategic plans change in accordance with the magnitude of the uncertainty. By assigning a quantifiable value to uncertainty, real options valuation enables decision makers to gauge and react to risk over time. Here's why you should consider using a decision tree.

For more than a decade, consultants and academics have been touting real options valuation (ROV) as a means of improving the decision making that goes into a project. To date, however, ROV has not been widely adopted as a planning

tool. Many project managers worry that the esoteric Black-Scholes equations frequently used to evaluate real options would require the addition of expensive software and a specially trained finance expert to the project team.

But Black-Scholes is not the only valuation tool available. The familiar decision-tree framework is well suited to many of the contingencies that arise over the course of a project. When used as a strategic planning tool, decision analysis can help managers address issues such as how to allocate resources to ensure that the project meets specific deadlines, when to scale up or delay investments, and when to exit a project.

Much like a stock option, which gives the holder the right to purchase stock at a future date or at a set price, a real option gives managers a set of choices about capital investment that can be made as business conditions evolve. Think of it as a road map that optimizes decision making by enabling you to take multiple contingencies into account, plan your responses to them as they unfold, and phase your investments accordingly. When compared to net present value (NPV), the traditional formula for analyzing financial decisions, ROV has obvious advantages.

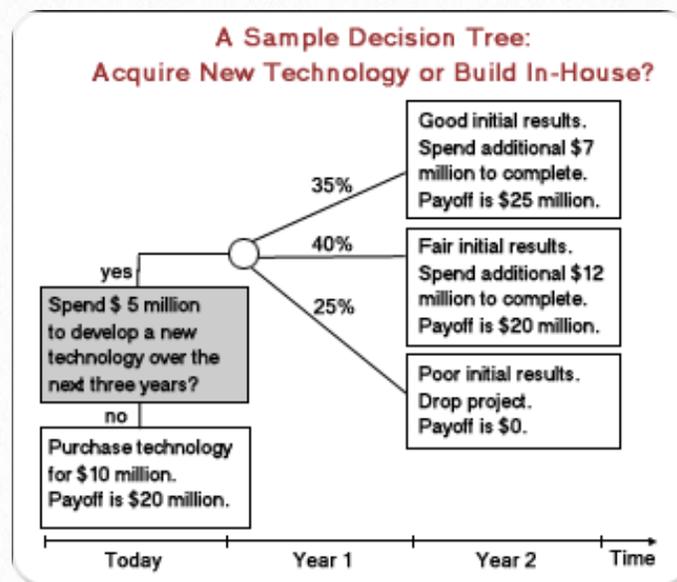
The Problems With NPV

NPV assumes conditions of low uncertainty: The market conditions are known, the costs to completion of the project are predictable, the technologies involved are reliable, and the odds of winning any necessary regulatory approval are favorable. Whatever uncertainty exists is not enough for managers to contemplate changing the strategic plan in response to any of the outcomes. Opportunities are evaluated based on current information, and the NPV calculation of the projected cash flow of the investment under consideration results in one of two choices: go or no-go.

Most business decisions, however, are not of the now-or-never variety. Rather, their strategic plans change in accordance with the magnitude of the uncertainty. By assigning a quantifiable value to uncertainty, ROV enables decision makers to gauge and react to risk over time—quite a boon in a world besieged by constant price shifts, fluctuating interest rates, fickle consumer tastes, and emerging technologies.

Is the nature of the project you're managing such that you can alter your investment or resource-allocation decisions as the uncertainty is revealed or resolved? If you can, then ROV can play a valuable role in

developing a strategic map to guide you through the decision-making process. A second question helps you determine the appropriateness of the decision-tree approach to ROV: Is the uncertainty occasional or ongoing? In some arenas—energy and currency markets, for example—volatility is high and the future unfolds as an almost infinite number of possible outcomes. In most service industries and R&D-intensive industries, however, the uncertainties related to the management of a project tend to be milestone-driven. They arise as a result of a series of discrete choices presented under a limited number of scenarios; the decision-tree framework is best suited to such uncertainties.



Deciding On In-House

A simple decision such as whether to develop a new technology in-house or acquire it from an outside party illustrates the utility of the decision-tree framework. In-house development requires three years and leads to three possible outcomes. In two of these outcomes, the firm expects to create significant value. But there's also a 25 percent chance that the in-house development would fail; obviously, this outcome would have no payoff. Figure 1 shows this decision using a decision-tree framework. The probabilities of the three outcomes are based on a combination of managers' experience and judgment.

Make sure that you involve both business managers and technical personnel in creating the decision-tree diagrams.

- Fabian D'Souza

After calculating the value of each alternative, the manager is able to pick the highest-valued alternative. For the acquisition alternative, subtracting the \$10 million cost of acquisition from the \$20 million payoff yields a value of \$10 million. For each of the three outcomes in the in-house development alternative, you have to subtract the cost from the payoff and then multiply the result by the probability of success. Thus, for the most successful of the three outcomes, the expected value would be:

$$(\$25 \text{ million} - \$7 \text{ million}) \times .35 = \$6.3 \text{ million}$$

An expected value calculation—the weighted average of the outcomes, with the probabilities used as weights—is used to blend the value of the three outcomes into a single number. A 10 percent cost of capital is used as the discount rate. Performing this calculation reveals the value of the in-house alternative to be \$7.14 million, or less than 75 percent of the value of acquiring the technology from outside.

The decision-tree framework is useful not only for "organizing multistage projects that are subject to uncertainty," it can also help you redesign projects "for even higher value," writes management consultant Martha Amram in her new book, *Value Sweep*. Let's say that a manufacturing company is considering a \$20 million investment to upgrade its existing plant so that it can introduce a new product line. This investment requires an additional \$16 million in market research. If the research yields positive results, the company will proceed to launch the new product line. That launch is valued at \$94 million (based on a discounted cash flow calculation). Both the infrastructure investment and the market acceptance have uncertain outcomes; those probabilities and a decision-tree dia-

gram of the decision are shown in the top half of Figure 2.

Doing the calculations yields a negative NPV of \$3.3 million for the project according to this initial design, which means that it's not worth doing. Another option is to redesign the project by running a smaller pilot market test while the infrastructure is being developed. Results from this pilot will help to resolve some of the market risk before the next decision point. If the infrastructure is successfully deployed, and the subsequent, comprehensive market research is successful, the project can move to product launch, saving time and money over the initial project design. The bottom half of Figure 2 shows a decision-tree diagram of the project after it has been redesigned along these lines.

The redesign enables the value of the launch and revised marketing plan to be folded back into the initial investment decision. The result, when you do the calculations, is an increase in the value of the project from a negative \$3.3 million to a positive \$5.5 million. In addition, with the redesign there is only a 37 percent chance that the project will be terminated, whereas the original design had a 65 percent chance of being scrapped.

Redesigning the project enables managers to learn more about the market at an earlier stage, thereby creating an opportunity to modify the marketing plan and increase the chance of market success. Under the revised plan, the project value increases because the follow-on investment is determined after some of the uncertainty has been resolved.

The beauty of this decision-tree approach to ROV, therefore, is that it takes advantage of risk and uncertainty by tying expenditures more closely to the maturation of the opportunity. Breaking up the one market-research investment bet into two smaller investment bets enables the project manager to use options to improve his allocation of resources to the project as new information becomes available.

Process Concerns

Decision analysis is not without its implementation problems. For example, it can be difficult to get the relevant scientific and technical personnel to agree on the probabilities of failure or success for each stage of the project. In particular, managers who are invested in the success of the project often believe that the probability of success is close to 100 percent. Moreover, when a project is up and running, teams

Results are obtained
by exploiting
opportunities...

Not by solving
problems.

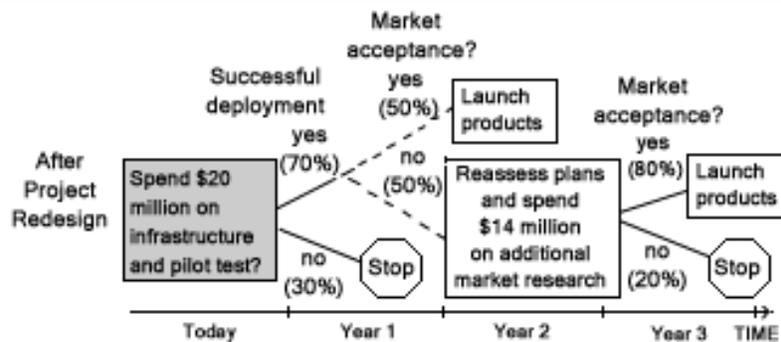
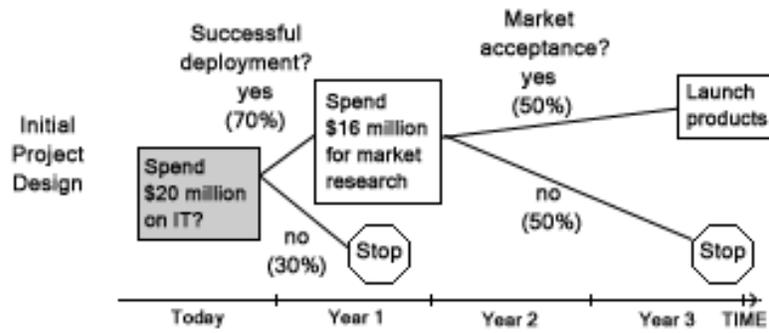
- Peter F. Drucker

are frequently unwilling to discuss potential exit scenarios. This problem is particularly acute when managers have incentives to meet deadlines and milestones at any cost. The result is that midstream discussions about project closure are often biased.

To avoid these difficulties, make sure that you involve both business managers and technical personnel in creating the decision-tree diagrams. This will improve the buy-in that the project receives from both groups and will also make it easier to discuss plans for exiting the project if the outcomes are unsuccessful. Make sure that the two groups' incentives are aligned so that they are jointly accountable for the profitability of the project and the overall ROI of the portfolio of projects under way in your group. For instance, by giving rewards to project members for killing unsuccessful projects sooner rather than later, you increase the likelihood that even team members who have a strong personal investment in a particular project will agree to pull the plug if it's failing.

With these structural fixes in place, you're much better positioned to reap the chief benefit of the decision-tree approach to ROV: the improved coordination of spending with the potential outcomes of active learning.

The Gain from Project Redesign



GROWING PRESSURES



Climate Change

Increasing Temperature, Floods, Drought Severity, Sea Level Rise, Land Loss



Growing Population

Increasing Demand for Energy, Clean Water, Food



DRIVING FACTORS



Governance



Environment



Economy



Social Impacts



Technology

Build Meaning



How to Build a Meaningful Career

by Amy Gallo

Everyone aspires to have purpose or meaning in their career but how do you actually do that?

What practical steps can you take today or this month to make sure you're not just toiling away at your desk but you're doing something you genuinely care about?

What the Experts Say

Unfortunately, most of us don't know how to make the job decisions that lead to satisfaction. Nathaniel Koloc, the CEO of Re-Work, which provides recruiting services to companies that offer purposeful work, says that's because no one really ever teaches us how: "Very few parents, teachers, and mentors urge us to think about this or give us mental models to use," he says. "We tend to only get nibbles of what meaningful work is in our twenties." As a result, we often pick jobs for the wrong reasons, says Karen Dillon, coauthor of *How Will You Measure Your Life*. "We look for things that we're proud to talk about at a cocktail party or look good on a resume." But rarely are those the things that translate to satisfaction. Here are principles you can follow to find a career — and a specific job — you don't just enjoy, but love.

Know what "meaningful" means to you. Am I respected by my colleagues? Am I being challenged? Am I growing? Do I believe in the mission? "These are the things that are going to make the difference between being ok with your job and being truly happy," says Dillon. But "meaningful" means something different for each individual. "Don't just look to obvious things, like salary, title, or prestige of the company,"

says Dillon. Koloc identifies four categories to consider:

Legacy

This is about the concrete outcomes of your work. What do you want to achieve? Sure, you may spend a lot of your day responding to emails or attending meetings — most jobs entail at least some of that — but what evidence do you want of your work? You might find it rewarding to advance the math skills of 80 students in one year, or build six desalination plants over the course of your career. This is often a question of how close to the frontlines you want to be. Some people want to help sick people directly while others aspire to help pass the Affordable Care Act.

Mastery

These are the strengths that you want to improve. For example, if you enjoy connecting with people, you could use that skill to be a psychologist or a marketer. Similarly, if you're a strong writer, you could use that skill to write fiction or copy for advertisements. The key is that you are using these strengths in a way that you find rewarding. "Being good at something you don't enjoy doesn't count," says Koloc. "It has to be something you love to do."

Freedom

This is about the salary, benefits, and flexibility you need to live the life you want. For some people, this may mean a high paycheck that allows you to take exotic vacations. For others, it could be the freedom to work when and where you choose. Here you need to know the lifestyle you want and ask whether your job is helping you fulfill that.

Alignment

This last category covers the culture and values of the place you work. This is not the same as mission, warns Koloc, but is about whether you feel like you belong. What are the beliefs and priorities of the company and the people you work with? How do people treat each other? Do they hug? Have lunch together? “It’s important to enjoy spending time with your colleagues and your manager,” says Dillon.

The content of these categories will vary by person. Dillon suggests making a list of all the things you value, and then prioritizing them. This list will help guide your decisions and can be used to evaluate specific opportunities like a new assignment in your current role, a job at a different company, or a new career path.

Form Hypotheses

If you’re unsure what matters most to you, think through a given day or week at work. Ask yourself: what made me most happy? What did I find most frustrating? Then, Koloc suggests, come up with a few hypotheses about what is most meaningful to you. I want a job where I create something that people can use everyday. I want a job that allows me enough flexibility to pick up my kids from school. I want a job where I’m directly interacting with people in need. “Be careful not to overcorrect for a particularly bad job experience,” says Dillon. “When you have a micromanaging boss, for example, it’s easy to think that your biggest priority is to work for a manager who doesn’t smother you, but if you seek out that one thing, you may end up being unhappy for slightly different reasons.”

Run Experiments

Once you’ve nailed down your hypotheses, it’s time to test them. There are a variety of ways to do this. First, you can try things out within an existing job. “You might try to convince your manager to let you work remotely for a month,” he says. Take on a new assignment that allows you to try out new skills. “Look for opportuni-

ties to enhance your job. Sign up for a new cross-company initiative or propose taking something off your boss's plate," suggests Dillon. "I've never known many managers to say no to people offering to help out." If you can't run experiments within the constraints of your job, look outside the company. "Join industry groups, go to conferences, volunteer for a nonprofit," advises Dillon. The third way to test your hypotheses is to have conversations. Find people who are doing what you think you want to do and ask them lots of questions. Listen carefully and critically, so that you don't just hear what you want to hear.

Form a personal board of directors. Don't go it alone. Work with others to kick the tires on your hypotheses and share the results of your experiments. Invite four or five people to serve as your informal board of directors. You might tell them, "I'm doing some exploring about what I want from work and I'd love to talk with you on occasion to get your feedback on my direction." Include any mentors and trusted professional peers. And if your manager is receptive include her as well. "Not all bosses may be supportive," says Dillon, "but if you have a manager who you can bounce career ideas off of, take advantage of that."

There are a few people you shouldn't include, says Koloc. "Family members can be tough," says Koloc. "Spouses, for example, need to know what you're doing but they may not be best positioned to help you figure it out." And don't be afraid to dig deep into your past, Dillon says: "I have people who I haven't talked with in years who call me when they're considering a job change or a career transition." Check in with this board of directors on a regular basis to update them on your thinking and ask for input.

Think Longterm

This work shouldn't just be in service of getting your next job. "Career design is different than a job-search strategy," says Koloc, and the question you should be asking yourself, he advises, is not "What job do I want?" but "What life do I want?" Think about where you want to be in five, ten, 20 years. Of course, you have to answer more immediate questions about what you want in your current job or your next, but do so only in the context of your longer, larger career goals.

When you're already deep into a career Even mid-career professionals can and do make big changes. "Your ability to turn the ship is no different but the speed at which

you turn it is going to be slower,” says Koloc. “If you’re 35 and have two kids, it’s going to take longer to explore.” There’s good news though, he says: “You have more clues as to what you want and enjoy.” The important thing is to not feel stuck. “You may feel locked into a job, a higher salary, a higher title because you have more responsibilities, like a mortgage and kids, and sure, you may need to take fewer risks, but you don’t want to settle for a job or career you’re not happy with,” says Dillon.

Buckle-down On Your Finances

One of the main reasons people give for staying in a job or career they don’t love is money. “Take steps to give yourself a financial cushion and a little psychological freedom,” says Dillon. Make a budget if you don’t have one. Look for ways to lower the amount of money you need each month: downsize your house, move to one car, and be more disciplined about saving. Having a financial buffer will make it more likely that when you find something meaningful, you’ll be able to act on it.

Make the Time

“I have yet to meet anybody who wouldn’t benefit from setting aside dedicated time to sit down and think about what they

want from work,” says Koloc. Schedule a time in your calendar to reflect on your career. Even if it’s just an hour every other week, you’re going to make some progress. “Sometimes just thinking about it will get the ball rolling, and then, often, the change becomes inevitable,” says Koloc.

Principles to Remember

Do:

1. Make a prioritized list of what a meaningful career would look like to you
2. Invite four or five people to serve as a board of advisors as you explore what you want
3. Experiment with different elements of a job that you’d want either in your current job, outside work, or by talking with people

Don’t:

1. Focus on your next role — think about what you want from work over the long term
2. Let the stage of your career hold you back — even those deep into their careers can make changes

3. Neglect your finances so that when you want to make a change, you don't feel able to

Case #1: *Turn to Those Who Know You*

Deirdre Coyle had reached a point in her career where she knew she needed a change. She has been the SVP of communications at the Initiative for a Competitive Inner City for eight years and while she believed in the mission of the nonprofit, she just couldn't picture herself in the role forever. "There was something else out there for me. I have high expectations of myself and wanted to push forward into new territory," she says.

Still, the question was: What did she want to do instead? "I started by thinking options through and vetting ideas in my mind." Did she want to go back to school? Did she want to pursue her passion for landscape architecture? Did she want to take her one-of-a-kind fashion accessory business to the next level?

She also got advice from a small group of people she knew well. "There are about six people in my life that I consider my advisors. They come from all different aspects of my life. They don't know me equally well

but they know important parts of me and I cherish their opinions," she explains. With their help she eliminated a lot of options, such as starting her own business. While being an entrepreneur greatly appealed to her she was afraid of ruining the pleasure she took in her hobby by turning it into a job.

Deirdre told her boss that she was getting ready to move on. "We had worked very well together for close to ten years and I felt like I owed him that respect," she explains.

Soon after that conversation, a former executive director of the ICIC came to her and her boss with an opportunity: she wanted to start a company that would encourage entrepreneurship and job growth in Middle Eastern countries, starting with Saudi Arabia. "Even though the idea wasn't yet fully formed, I knew right away that this is what I wanted to do," Deirdre says. It fit many of the criteria she was looking for — it allowed her to travel internationally, work in emerging markets and build an organization from the ground up.

She became the co-founder of the All-World Network and while "there are certainly moments of angst," she is thrilled to be doing a job she loves.

Case #2: *Get Your Finances In Order*

Tim Groves liked his job at a civil litigation law firm. But he didn't love it. "I didn't get up in the morning excited to go to work," he says. "And I knew if I continued on that career path, it wasn't going to get better either." He was interested in mission-driven work so he started by talking to people in the nonprofit world and signed up for automated job listings. "I volunteered and served on boards, and I had friends and relatives who worked in nonprofits so I had an inkling of what I could do with a law degree in a nonprofit setting," he says.

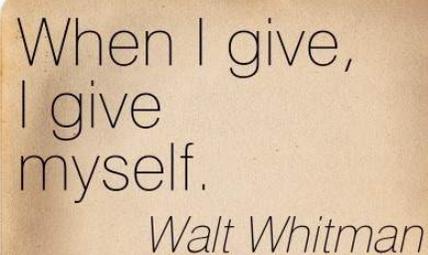
He also did a few informational interviews with people he respected who had made similar transitions. He was careful in how he set up these conversations. "I told people that I wasn't miserable at my current job, but that I was looking around and would love their perspective," he explains. "I also mentioned that I had a mortgage and a family so didn't want to broadcast this."

To broaden his network, he became more active in his volunteer and board work and upped the pro bono law work he was doing. "I put myself in contact with people who could connect me to an opportunity

or who could vouch for me when an opportunity came up."

Tim and his wife had supported each other through several career transitions but this time, as he says, "the stakes were higher because we had kids, school tuitions, and college looming on the horizon." Given that Tim was going to almost certainly take a pay cut, he and his wife came up with a budget and the lowest salary figure he could take. To give themselves more financial flexibility, they downsized and moved from a one-family to a two-family house where rent from tenants could help pay the mortgage.

About a year and a half after starting the process, Tim took a job as a development officer at the Rhode Island Foundation. "The process wasn't always easy but I feel good about where I ended up," he says.



When I give,
I give
myself.
Walt Whitman

Movie 4.1 How John Mackey Found His Purpose



Like a lot of young people in the early '70s, John Mackey was a free-spirited college student searching for meaning and purpose.

While his parents pushed for a more traditional career path, John, who was living in Austin, Texas, at the time, realized he would never fulfill his true calling until he followed his heart.

At age 23, he dropped out of college, joined a co-op, grew his beard long and became a vegetarian, and it was during this time that he discovered his love for natural foods. Watch as John reveals the origins of Whole Foods Market—now worth nearly \$14 billion.

Self-Development



Why Your Life Needs a Mission Statement

The same strategies used to create a business plan can tell you if you're on the right track in your career and personal life.

by Lisa Evans

We'd all love to say we wake up in the morning feeling exhilarated—joyful even—and move through the day with purpose and intention, but the reality is most of us spend the larger part of our day going through the motions, feeling exhausted and wondering what the point of it all is.

Gallup's 2013 State of the American Workplace Report showed only 30% of American workers feel engaged or inspired at their jobs, and the vast majority (70%) feel they aren't reaching their full potential.

Management consultant and coach Allison Rimm, author of *The Joy of Strategy: A Business Plan for Life* says it's possible for all of us to find joy in our business and personal lives, but to do so requires strategy.

Rimm spent 16 years as a senior executive at Massachusetts General Hospital where, in addition to her duties as vice president of Strategic Planning and Information Management, she informally coached and mentored co-workers. "I had people ask me 'should I take this promotion?', 'Is this the right career move for me?', and I would say 'How can I tell you if this is a step in the right direction if you don't have a direction,'" says Rimm.

She recognized the same strategic planning concepts she had been using throughout her career applied to the individuals she was coaching through difficult life and career transitions. She began advising these individuals to make a mission statement for their lives. "They left my office [after that exercise] feeling re-energized," she says.

"TOO MANY OF US WAIT FOR A NEW OPPORTUNITY TO COME ALONG. AN ORGANIZATION WOULD NEVER LEAVE THEIR BUSINESS RESULTS TO CHANCE"

Rimm says not having a direction is the number one mistake we make in our careers and personal lives. "Every great strategic plan starts with a declaration of an entity's purpose that expresses why they exist, what they value and what they intend to accomplish," says Rimm. Too many of us, she argues, wallow in our unhappiness, waiting for a new opportunity to come along, or something that will change our current situation. "An organization would never leave their business results to chance," she says. "You would never get an investor to put up money for a project if they couldn't see what the return was going to be on that investment." In order for a business to know that they've been successful, they first need a mission statement.

Forming a personal mission statement means identifying your purpose. While this may sound like too profound a question—on par with the meaning of life—Rimm says asking "what am I here to do?" isn't as challenging as it seems. Here, she walks us through what it takes to make a personal mission statement:

FANTASIZE ABOUT YOUR PERFECT DAY

What do you need to have in a day to make it joyful? For Rimm, a joyful life meant connecting with people on a daily basis and doing something that made a valuable contribution to someone else's life. Make a list of all the things you need in your day to make it joyful. Perhaps it's as simple as spending time outdoors every day or seeing your kids off to school. "It's not picturing yourself on a beach with a pina colada, but what you need to make your life meaningful to you," says Rimm.

LIST YOUR PASSIONS

Finding joy in your career and life means knowing what your passions are. If you have trouble coming up with your list of passions, think about the best experiences you've had, what you do when you're procrastinating, or what you daydream about.

IDENTIFY YOUR TALENTS

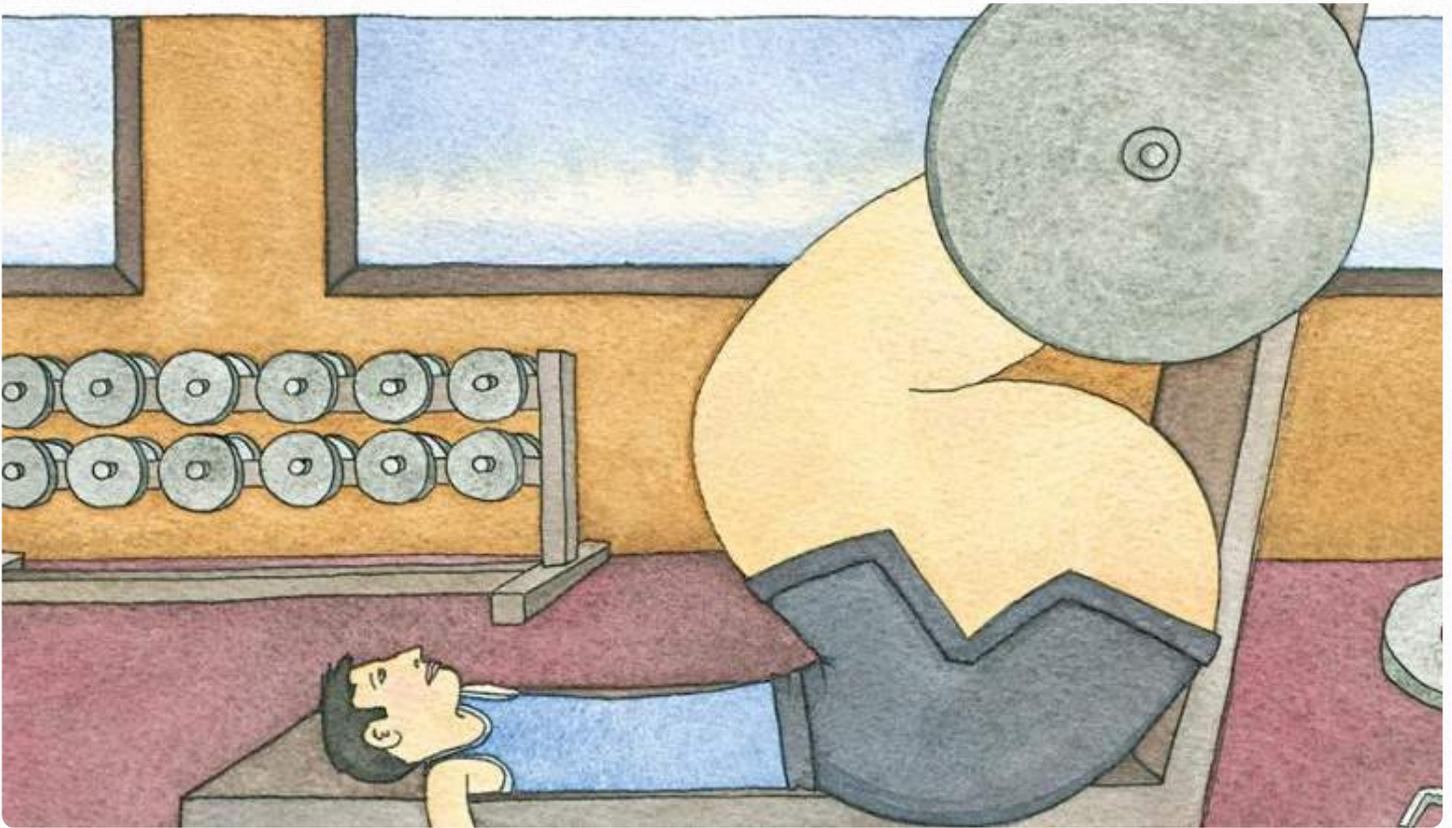
Conduct your own SWAT analysis by listing all of the things you're good at. If you find it difficult to conduct your own talent inventory, ask others around you to tell you what they think are your greatest strengths. Another way to find your talents

is to examine your past accomplishments. Think of something you're particularly proud of—a stellar presentation you made, a major donor you secured for a fundraiser, or a party you organized that people are still talking about two years later. Next, examine the skill sets that made you successful in that instance. Creating a mission that aligns with your natural talents means success will likely come easier.

CONSIDER CORE VALUES

Your personal mission statement must reflect the things that matter most to you. These guiding principles help you to set priorities.

Armed with your new mission statement, you can then begin to put together a strategic plan for how you're going to get to where you want to go. Rimm says she's had clients who hang their mission statement on their wall to remind themselves every day of what matters most to them and to help keep them on the right track.



I do not ask how the wounded person feels,

I myself become the wounded person.

- Walt Whitman

Managing Oneself

by Peter F. Drucker

We live in an age of unprecedented opportunity: If you've got ambition and smarts, you can rise to the top of your chosen profession, regardless of where you started out.

But with opportunity comes responsibility. Companies today aren't managing their employees' careers; knowledge workers must, effectively, be their own chief executive officers. It's up to you to carve out your place, to know when to change course, and to keep yourself engaged and productive during a work life that may span some 50 years. To do those things well, you'll need to cultivate a deep understanding of your-

self—not only what your strengths and weaknesses are but also how you learn, how you work with others, what your values are, and where you can make the greatest contribution. Because only when you operate from strengths can you achieve true excellence.

History's great achievers—a Napoléon, a da Vinci, a Mozart—have always managed themselves. That, in large measure, is what makes them great achievers. But they are rare exceptions, so unusual both in their talents and their accomplishments as to be considered outside the boundaries of ordinary human existence. Now, most of us, even those of us with modest endowments, will have to learn to manage ourselves. We will have to learn to develop ourselves. We will have to place ourselves where we can make the greatest contribution. And we will have to stay mentally alert and engaged during a 50-year working life, which means knowing how and when to change the work we do.

What Are My Strengths?

Most people think they know what they are good at. They are usually wrong. More often, people know what they are not good at—and even then more people are wrong

than right. And yet, a person can perform only from strength. One cannot build performance on weaknesses, let alone on something one cannot do at all.

Throughout history, people had little need to know their strengths. A person was born into a position and a line of work: The peasant's son would also be a peasant; the artisan's daughter, an artisan's wife; and so on. But now people have choices. We need to know our strengths in order to know where we belong.

The only way to discover your strengths is through feedback analysis. Whenever you make a key decision or take a key action, write down what you expect will happen. Nine or 12 months later, compare the actual results with your expectations. I have been practicing this method for 15 to 20 years now, and every time I do it, I am surprised. The feedback analysis showed me, for instance—and to my great surprise—that I have an intuitive understanding of technical people, whether they are engineers or accountants or market researchers. It also showed me that I don't really resonate with generalists.

Feedback analysis is by no means new. It was invented sometime in the fourteenth century by an otherwise totally obscure

German theologian and picked up quite independently, some 150 years later, by John Calvin and Ignatius of Loyola, each of whom incorporated it into the practice of his followers. In fact, the steadfast focus on performance and results that this habit produces explains why the institutions these two men founded, the Calvinist church and the Jesuit order, came to dominate Europe within 30 years.

Practiced consistently, this simple method will show you within a fairly short period of time, maybe two or three years, where your strengths lie—and this is the most important thing to know. The method will show you what you are doing or failing to do that deprives you of the full benefits of your strengths. It will show you where you are not particularly competent. And finally, it will show you where you have no strengths and cannot perform.

Several implications for action follow from feedback analysis.

First and foremost, concentrate on your strengths. Put yourself where your strengths can produce results.

Second, work on improving your strengths. Analysis will rapidly show where you need to improve skills or acquire new

ones. It will also show the gaps in your knowledge—and those can usually be filled. Mathematicians are born, but everyone can learn trigonometry. more

Third, discover where your intellectual arrogance is causing disabling ignorance and overcome it. Far too many people—especially people with great expertise in one area—are contemptuous of knowledge in other areas or believe that being bright is a substitute for knowledge.

First-rate engineers, for instance, tend to take pride in not knowing anything about people. Human beings, they believe, are much too disorderly for the good engineering mind. Human resources professionals, by contrast, often pride themselves on their ignorance of elementary accounting or of quantitative methods altogether. But taking pride in such ignorance is self-defeating. Go to work on acquiring the skills and knowledge you need to fully realize your strengths.

It is equally essential to remedy your bad habits—the things you do or fail to do that inhibit your effectiveness and performance. Such habits will quickly show up in the feedback. For example, a planner may find that his beautiful plans fail because he does not follow through on them.

Like so many brilliant people, he believes that ideas move mountains. But bulldozers move mountains; ideas show where the bulldozers should go to work. This planner will have to learn that the work does not stop when the plan is completed. He must find people to carry out the plan and explain it to them. He must adapt and change it as he puts it into action. And finally, he must decide when to stop pushing the plan.

At the same time, feedback will also reveal when the problem is a lack of manners. Manners are the lubricating oil of an organization. It is a law of nature that two moving bodies in contact with each other create friction. This is as true for human beings as it is for inanimate objects. Manners—simple things like saying “please” and “thank you” and knowing a person’s name or asking after her family—enable two people to work together whether they like each other or not. Bright people, especially bright young people, often do not understand this. If analysis shows that someone’s brilliant work fails again and again as soon as cooperation from others is required, it probably indicates a lack of courtesy—that is, a lack of manners.

Comparing your expectations with your results also indicates what not to do. We all

have a vast number of areas in which we have no talent or skill and little chance of becoming even mediocre. In those areas a person—and especially a knowledge worker—should not take on work, jobs, and assignments. One should waste as little effort as possible on improving areas of low competence. It takes far more energy and work to improve from incompetence to mediocrity than it takes to improve from first-rate performance to excellence. And yet most people—especially most teachers and most organizations—concentrate on making incompetent performers into mediocre ones. Energy, resources, and time should go instead to making a competent person into a star performer.

It takes far more energy to improve from incompetence to mediocrity than to improve from first-rate performance to excellence.

How Do I Perform?

Amazingly few people know how they get things done. Indeed, most of us do not even know that different people work and perform differently. Too many people work in ways that are not their ways, and that almost guarantees nonperformance. For knowledge workers, How do I perform?

may be an even more important question than What are my strengths?

Like one's strengths, how one performs is unique. It is a matter of personality. Whether personality be a matter of nature or nurture, it surely is formed long before a person goes to work. And how a person performs is a given, just as what a person is good at or not good at is a given. A person's way of performing can be slightly modified, but it is unlikely to be completely changed—and certainly not easily. Just as people achieve results by doing what they are good at, they also achieve results by working in ways that they best perform. A few common personality traits usually determine how a person performs.

Am I a reader or a listener?

The first thing to know is whether you are a reader or a listener. Far too few people even know that there are readers and listeners and that people are rarely both. Even fewer know which of the two they themselves are. But some examples will show how damaging such ignorance can be.

When Dwight Eisenhower was Supreme Commander of the Allied forces in Europe, he was the darling of the press. His press

conferences were famous for their style—General Eisenhower showed total command of whatever question he was asked, and he was able to describe a situation and explain a policy in two or three beautifully polished and elegant sentences. Ten years later, the same journalists who had been his admirers held President Eisenhower in open contempt. He never addressed the questions, they complained, but rambled on endlessly about something else. And they constantly ridiculed him for butchering the King's English in incoherent and ungrammatical answers. more

Eisenhower apparently did not know that he was a reader, not a listener. When he was Supreme Commander in Europe, his aides made sure that every question from the press was presented in writing at least half an hour before a conference was to begin. And then Eisenhower was in total command. When he became president, he succeeded two listeners, Franklin D. Roosevelt and Harry Truman. Both men knew themselves to be listeners and both enjoyed free-for-all press conferences. Eisenhower may have felt that he had to do what his two predecessors had done. As a result, he never even heard the questions journalists asked. And Eisenhower is not even an extreme case of a nonlistener.

A few years later, Lyndon Johnson destroyed his presidency, in large measure, by not knowing that he was a listener. His predecessor, John Kennedy, was a reader who had assembled a brilliant group of writers as his assistants, making sure that they wrote to him before discussing their memos in person. Johnson kept these people on his staff—and they kept on writing. He never, apparently, understood one word of what they wrote. Yet as a senator, Johnson had been superb; for parliamentarians have to be, above all, listeners.

Few listeners can be made, or can make themselves, into competent readers—and vice versa. The listener who tries to be a reader will, therefore, suffer the fate of Lyndon Johnson, whereas the reader who tries to be a listener will suffer the fate of Dwight Eisenhower. They will not perform or achieve.

How do I learn?

The second thing to know about how one performs is to know how one learns. Many first-class writers—Winston Churchill is but one example—do poorly in school. They tend to remember their schooling as pure torture. Yet few of their classmates remember it the same way. They may not have en-

joyed the school very much, but the worst they suffered was boredom. The explanation is that writers do not, as a rule, learn by listening and reading. They learn by writing. Because schools do not allow them to learn this way, they get poor grades.

Schools everywhere are organized on the assumption that there is only one right way to learn and that it is the same way for everybody. But to be forced to learn the way a school teaches is sheer hell for students who learn differently. Indeed, there are probably half a dozen different ways to learn.

There are people, like Churchill, who learn by writing. Some people learn by taking copious notes. Beethoven, for example, left behind an enormous number of sketchbooks, yet he said he never actually looked at them when he composed. Asked why he kept them, he is reported to have replied, “If I don’t write it down immediately, I forget it right away. If I put it into a sketchbook, I never forget it and I never have to look it up again.” Some people learn by doing. Others learn by hearing themselves talk.

A chief executive I know who converted a small and mediocre family business into the leading company in its industry was

one of those people who learn by talking. He was in the habit of calling his entire senior staff into his office once a week and then talking at them for two or three hours. He would raise policy issues and argue three different positions on each one. He rarely asked his associates for comments or questions; he simply needed an audience to hear himself talk. That's how he learned. And although he is a fairly extreme case, learning through talking is by no means an unusual method. Successful trial lawyers learn the same way, as do many medical diagnosticians (and so do I).

Of all the important pieces of self-knowledge, understanding how you learn is the easiest to acquire. When I ask people, "How do you learn?" most of them know the answer. But when I ask, "Do you act on this knowledge?" few answer yes. And yet, acting on this knowledge is the key to performance; or rather, not acting on this knowledge condemns one to non-performance.

Am I a reader or a listener? and How do I learn? are the first questions to ask...

But they are by no means the only ones. To manage yourself effectively, you also have to ask, Do I work well with people, or

am I a loner? And if you do work well with people, you then must ask, In what relationship?

Some people work best as subordinates. General George Patton, the great American military hero of World War II, is a prime example. Patton was America's top troop commander. Yet when he was proposed for an independent command, General George Marshall, the U.S. chief of staff—and probably the most successful picker of men in U.S. history—said, "Patton is the best subordinate the American army has ever produced, but he would be the worst commander."

Some people work best as team members. Others work best alone. Some are exceptionally talented as coaches and mentors; others are simply incompetent as mentors.

Another crucial question is, Do I produce results as a decision maker or as an adviser? A great many people perform best as advisers but cannot take the burden and pressure of making the decision. A good many other people, by contrast, need an adviser to force themselves to think; then they can make decisions and act on them with speed, self-confidence, and courage.

Movie 4.2 Globalization



The world is becoming more and more interconnected. Globalization changes how people consume, work and live almost everywhere on the world.

Today, many economic, political, cultural or ecological relationships are not explainable from a national perspective. At the same time, a controversial debate about the consequences of globalization has begun.

But what are the main causes for globalization? In what areas it is most prominent? And who are the winners and loser of globalization?

These are the questions this animated Video clip of the Wissens Werte series deals with.

This is a reason, by the way, that the number two person in an organization often fails when promoted to the number one position. The top spot requires a decision maker. Strong decision makers often put somebody they trust into the number two spot as their adviser—and in that position the person is outstanding. But in the number one spot, the same person fails. He or she knows what the decision should be but cannot accept the responsibility of actually making it.

Other important questions to ask include, Do I perform well under stress, or do I need a highly structured and predictable environment? Do I work best in a big organization or a small one? Few people work well in all kinds of environments. Again and again, I have seen people who were very successful in large organizations flounder miserably when they moved into smaller ones. And the reverse is equally true.

The conclusion bears repeating: Do not try to change yourself—you are unlikely to succeed. But work hard to improve the way you perform. And try not to take on work you cannot perform or will only perform poorly. *Do not try to change yourself—you are unlikely to succeed. Work to improve the way you perform.*

What Are My Values?

To be able to manage yourself, you finally have to ask, What are my values? This is not a question of ethics. With respect to ethics, the rules are the same for everybody, and the test is a simple one. I call it the “mirror test.” more

In the early years of this century, the most highly respected diplomat of all the great powers was the German ambassador in London. He was clearly destined for great things—to become his country’s foreign minister, at least, if not its federal chancellor. Yet in 1906 he abruptly resigned rather than preside over a dinner given by the diplomatic corps for Edward VII. The king was a notorious womanizer and made it clear what kind of dinner he wanted. The ambassador is reported to have said, “I refuse to see a pimp in the mirror in the morning when I shave.”

That is the mirror test. Ethics requires that you ask yourself, What kind of person do I want to see in the mirror in the morning? What is ethical behavior in one kind of organization or situation is ethical behavior in another. But ethics is only part of a value system—especially of an organization’s value system.

To work in an organization whose value system is unacceptable or incompatible with one's own condemns a person both to frustration and to nonperformance.

Consider the experience of a highly successful human resources executive whose company was acquired by a bigger organization. After the acquisition, she was promoted to do the kind of work she did best, which included selecting people for important positions. The executive deeply believed that a company should hire people for such positions from the outside only after exhausting all the inside possibilities. But her new company believed in first looking outside "to bring in fresh blood." There is something to be said for both approaches—in my experience, the proper one is to do some of both. They are, however, fundamentally incompatible—not as policies but as values. They bespeak different views of the relationship between organizations and people; different views of the responsibility of an organization to its people and their development; and different views of a person's most important contribution to an enterprise. After several years of frustration, the executive quit—at considerable financial loss. Her values and the values of the organization simply were not compatible.

Similarly, whether a pharmaceutical company tries to obtain results by making constant, small improvements or by achieving occasional, highly expensive, and risky "breakthroughs" is not primarily an economic question. The results of either strategy may be pretty much the same. At bottom, there is a conflict between a value system that sees the company's contribution in terms of helping physicians do better what they already do and a value system that is oriented toward making scientific discoveries.

Whether a business should be run for short-term results or with a focus on the long term is likewise a question of values. Financial analysts believe that businesses can be run for both simultaneously. Successful businesspeople know better. To be sure, every company has to produce short-term results. But in any conflict between short-term results and long-term growth, each company will determine its own priority. This is not primarily a disagreement about economics. It is fundamentally a value conflict regarding the function of a business and the responsibility of management.

Value conflicts are not limited to business organizations. One of the fastest-growing pastoral churches in the United States

measures success by the number of new parishioners. Its leadership believes that what matters is how many newcomers join the congregation. The Good Lord will then minister to their spiritual needs or at least to the needs of a sufficient percentage. Another pastoral, evangelical church believes that what matters is people's spiritual growth. The church eases out newcomers who join but do not enter into its spiritual life.

Again, this is not a matter of numbers. At first glance, it appears that the second church grows more slowly. But it retains a far larger proportion of newcomers than the first one does. Its growth, in other words, is more solid. This is also not a theological problem, or only secondarily so. It is a problem about values. In a public debate, one pastor argued, "Unless you first come to church, you will never find the gate to the Kingdom of Heaven." more

"No," answered the other. "Until you first look for the gate to the Kingdom of Heaven, you don't belong in church."

Organizations, like people, have values. To be effective in an organization, a person's values must be compatible with the organization's values. They do not need to be the same, but they must be close enough to

coexist. Otherwise, the person will not only be frustrated but also will not produce results.

A person's strengths and the way that person performs rarely conflict; the two are complementary. But there is sometimes a conflict between a person's values and his or her strengths. What one does well—even very well and successfully—may not fit with one's value system. In that case, the work may not appear to be worth devoting one's life to (or even a substantial portion thereof).

What one does well—even very well and successfully—may not fit with one's value system.

If I may, allow me to interject a personal note. Many years ago, I too had to decide between my values and what I was doing successfully. I was doing very well as a young investment banker in London in the mid-1930s, and the work clearly fit my strengths. Yet I did not see myself making a contribution as an asset manager. People, I realized, were what I valued, and I saw no point in being the richest man in the cemetery. I had no money and no other job prospects. Despite the continuing Depression, I quit—and it was the right thing

to do. Values, in other words, are and should be the ultimate test.

Where Do I Belong?

A small number of people know very early where they belong. Mathematicians, musicians, and cooks, for instance, are usually mathematicians, musicians, and cooks by the time they are four or five years old. Physicians usually decide on their careers in their teens, if not earlier. But most people, especially highly gifted people, do not really know where they belong until they are well past their mid-twenties. By that time, however, they should know the answers to the three questions: What are my strengths? How do I perform? and, What are my values? And then they can and should decide where they belong.

Or rather, they should be able to decide where they do not belong. The person who has learned that he or she does not perform well in a big organization should have learned to say no to a position in one. The person who has learned that he or she is not a decision maker should have learned to say no to a decision-making assignment. A General Patton (who probably never learned this himself) should have

learned to say no to an independent command.

Equally important, knowing the answer to these questions enables a person to say to an opportunity, an offer, or an assignment, “Yes, I will do that. But this is the way I should be doing it. This is the way it should be structured. This is the way the relationships should be. These are the kind of results you should expect from me, and in this time frame, because this is who I am.”

Successful careers are not planned. They develop when people are prepared for opportunities because they know their strengths, their method of work, and their values. Knowing where one belongs can transform an ordinary person—hardworking and competent but otherwise mediocre—into an outstanding performer. more

What Should I Contribute?

Throughout history, the great majority of people never had to ask the question, What should I contribute? They were told what to contribute, and their tasks were dictated either by the work itself—as it was for the peasant or artisan—or by a master or a mistress—as it was for domes-

tic servants. And until very recently, it was taken for granted that most people were subordinates who did as they were told. Even in the 1950s and 1960s, the new knowledge workers (the so-called organization men) looked to their company's personnel department to plan their careers.

Then in the late 1960s, no one wanted to be told what to do any longer. Young men and women began to ask, What do I want to do? And what they heard was that the way to contribute was to "do your own thing." But this solution was as wrong as the organization men's had been. Very few of the people who believed that doing one's own thing would lead to contribution, self-fulfillment, and success achieved any of the three.

But still, there is no return to the old answer of doing what you are told or assigned to do. Knowledge workers in particular have to learn to ask a question that has not been asked before: What should my contribution be? To answer it, they must address three distinct elements: What does the situation require? Given my strengths, my way of performing, and my values, how can I make the greatest contribution to what needs to be done? And finally, What results have to be achieved to make a difference?

Consider the experience of a newly appointed hospital administrator. The hospital was big and prestigious, but it had been coasting on its reputation for 30 years. The new administrator decided that his contribution should be to establish a standard of excellence in one important area within two years. He chose to focus on the emergency room, which was big, visible, and sloppy. He decided that every patient who came into the ER had to be seen by a qualified nurse within 60 seconds. Within 12 months, the hospital's emergency room had become a model for all hospitals in the United States, and within another two years, the whole hospital had been transformed.

As this example suggests, it is rarely possible—or even particularly fruitful—to look too far ahead. A plan can usually cover no more than 18 months and still be reasonably clear and specific. So the question in most cases should be, Where and how can I achieve results that will make a difference within the next year and a half? The answer must balance several things.

First, the results should be hard to achieve—they should require "stretching," to use the current buzzword. But also, they should be within reach. To aim at results that cannot be achieved—or that can be

only under the most unlikely circumstances—is not being ambitious; it is being foolish. Second, the results should be meaningful. They should make a difference. Finally, results should be visible and, if at all possible, measurable. From this will come a course of action: what to do, where and how to start, and what goals and deadlines to set.

Responsibility for Relationships

Very few people work by themselves and achieve results by themselves—a few great artists, a few great scientists, a few great athletes. Most people work with others and are effective with other people. That is true whether they are members of an organization or independently employed. Managing yourself requires taking responsibility for relationships. This has two parts.

The first is to accept the fact that other people are as much individuals as you yourself are. They perversely insist on behaving like human beings. This means that they too have their strengths; they too have their ways of getting things done; they too have their values. To be effective, therefore, you have to know the strengths, the performance modes, and the values of your coworkers.

That sounds obvious, but few people pay attention to it. Typical is the person who was trained to write reports in his or her first assignment because that boss was a reader. Even if the next boss is a listener, the person goes on writing reports that, invariably, produce no results. Invariably the boss will think the employee is stupid, incompetent, and lazy, and he or she will fail. But that could have been avoided if the employee had only looked at the new boss and analyzed how this boss performs. more

Bosses are neither a title on the organization chart nor a “function.” They are individuals and are entitled to do their work in the way they do it best. It is incumbent on the people who work with them to observe them, to find out how they work, and to adapt themselves to what makes their bosses most effective. This, in fact, is the secret of “managing” the boss.

The same holds true for all your coworkers. Each works his or her way, not your way. And each is entitled to work in his or her way. What matters is whether they perform and what their values are. As for how they perform—each is likely to do it differently. The first secret of effectiveness is to understand the people you work with and depend on so that you can make use of

their strengths, their ways of working, and their values. Working relationships are as much based on the people as they are on the work.

The first secret of effectiveness is to understand the people you work with so that you can make use of their strengths.

The second part of relationship responsibility is taking responsibility for communication. Whenever I, or any other consultant, start to work with an organization, the first thing I hear about are all the personality conflicts. Most of these arise from the fact that people do not know what other people are doing and how they do their work, or what contribution the other people are concentrating on and what results they expect. And the reason they do not know is that they have not asked and therefore have not been told.

This failure to ask reflects human stupidity less than it reflects human history. Until recently, it was unnecessary to tell any of these things to anybody. In the medieval city, everyone in a district plied the same trade. In the countryside, everyone in a valley planted the same crop as soon as the frost was out of the ground. Even those few people who did things that were not

“common” worked alone, so they did not have to tell anyone what they were doing.

Today the great majority of people work with others who have different tasks and responsibilities. The marketing vice president may have come out of sales and know everything about sales, but she knows nothing about the things she has never done—pricing, advertising, packaging, and the like. So the people who do these things must make sure that the marketing vice president understands what they are trying to do, why they are trying to do it, how they are going to do it, and what results to expect.

If the marketing vice president does not understand what these high-grade knowledge specialists are doing, it is primarily their fault, not hers. They have not educated her. Conversely, it is the marketing vice president’s responsibility to make sure that all of her coworkers understand how she looks at marketing: what her goals are, how she works, and what she expects of herself and of each one of them.

Even people who understand the importance of taking responsibility for relationships often do not communicate sufficiently with their associates. They are afraid of being thought presumptuous or

inquisitive or stupid. They are wrong. Whenever someone goes to his or her associates and says, “This is what I am good at. This is how I work. These are my values. This is the contribution I plan to concentrate on and the results I should be expected to deliver,” the response is always, “This is most helpful. But why didn’t you tell me earlier?”

And one gets the same reaction—without exception, in my experience—if one continues by asking, “And what do I need to know about your strengths, how you perform, your values, and your proposed contribution?” In fact, knowledge workers should request this of everyone with whom they work, whether as subordinate, superior, colleague, or team member. And again, whenever this is done, the reaction is always, “Thanks for asking me. But why didn’t you ask me earlier?” more

Organizations are no longer built on force but on trust. The existence of trust between people does not necessarily mean that they like one another. It means that they understand one another. Taking responsibility for relationships is therefore an absolute necessity. It is a duty. Whether one is a member of the organization, a consultant to it, a supplier, or a distributor, one owes that responsibility to all one’s cowork-

ers: those whose work one depends on as well as those who depend on one’s own work.

The Second Half of Your Life

When work for most people meant manual labor, there was no need to worry about the second half of your life. You simply kept on doing what you had always done. And if you were lucky enough to survive 40 years of hard work in the mill or on the railroad, you were quite happy to spend the rest of your life doing nothing. Today, however, most work is knowledge work, and knowledge workers are not “finished” after 40 years on the job, they are merely bored.

We hear a great deal of talk about the mid-life crisis of the executive. It is mostly boredom. At 45, most executives have reached the peak of their business careers, and they know it. After 20 years of doing very much the same kind of work, they are very good at their jobs. But they are not learning or contributing or deriving challenge and satisfaction from the job. And yet they are still likely to face another 20 if not 25 years of work. That is why managing oneself increasingly leads one to begin a second career.

There are three ways to develop a second career. The first is actually to start one. Often this takes nothing more than moving from one kind of organization to another: the divisional controller in a large corporation, for instance, becomes the controller of a medium-sized hospital. But there are also growing numbers of people who move into different lines of work altogether: the business executive or government official who enters the ministry at 45, for instance; or the midlevel manager who leaves corporate life after 20 years to attend law school and become a small-town attorney.

We will see many more second careers undertaken by people who have achieved modest success in their first jobs. Such people have substantial skills, and they know how to work. They need a community—the house is empty with the children gone—and they need income as well. But above all, they need challenge.

The second way to prepare for the second half of your life is to develop a parallel career. Many people who are very successful in their first careers stay in the work they have been doing, either on a full-time or part-time or consulting basis. But in addition, they create a parallel job, usually in a nonprofit organization, that takes another

ten hours of work a week. They might take over the administration of their church, for instance, or the presidency of the local Girl Scouts council. They might run the battered women's shelter, work as a children's librarian for the local public library, sit on the school board, and so on.

Finally, there are the social entrepreneurs. These are usually people who have been very successful in their first careers. They love their work, but it no longer challenges them. In many cases they keep on doing what they have been doing all along but spend less and less of their time on it. They also start another activity, usually a nonprofit. My friend Bob Buford, for example, built a very successful television company that he still runs. But he has also founded and built a successful nonprofit organization that works with Protestant churches, and he is building another to teach social entrepreneurs how to manage their own nonprofit ventures while still running their original businesses.

People who manage the second half of their lives may always be a minority. The majority may “retire on the job” and count the years until their actual retirement. But it is this minority, the men and women who see a long working-life expectancy as an opportunity both for themselves and for so-

ciety, who will become leaders and models. more

There is one prerequisite for managing the second half of your life: You must begin long before you enter it. When it first became clear 30 years ago that working-life expectancies were lengthening very fast, many observers (including myself) believed that retired people would increasingly become volunteers for nonprofit institutions. That has not happened. If one does not begin to volunteer before one is 40 or so, one will not volunteer once past 60.

There is one prerequisite for managing the second half of your life: You must begin doing so long before you enter it.

Similarly, all the social entrepreneurs I know began to work in their chosen second enterprise long before they reached their peak in their original business. Consider the example of a successful lawyer, the legal counsel to a large corporation, who has started a venture to establish model schools in his state. He began to do volunteer legal work for the schools when he was around 35. He was elected to the school board at age 40. At age 50, when he had amassed a fortune, he started his own enterprise to build and to run model schools. He is, however, still working

nearly full-time as the lead counsel in the company he helped found as a young lawyer.

There is another reason to develop a second major interest, and to develop it early. No one can expect to live very long without experiencing a serious setback in his or her life or work. There is the competent engineer who is passed over for promotion at age 45. There is the competent college professor who realizes at age 42 that she will never get a professorship at a big university, even though she may be fully qualified for it. There are tragedies in one's family life: the breakup of one's marriage or the loss of a child. At such times, a second major interest—not just a hobby—may make all the difference. The engineer, for example, now knows that he has not been very successful in his job. But in his outside activity—as church treasurer, for example—he is a success. One's family may break up, but in that outside activity there is still a community.

In a society in which success has become so terribly important, having options will become increasingly vital. Historically, there was no such thing as “success.” The overwhelming majority of people did not expect anything but to stay in their “proper

Most of what we call management consists of making it difficult for people to get their work done.

- Peter F. Drucker

station,” as an old English prayer has it. The only mobility was downward mobility.

In a knowledge society, however, we expect everyone to be a success. This is clearly an impossibility. For a great many people, there is at best an absence of failure. Wherever there is success, there has to be failure. And then it is vitally important for the individual, and equally for the individual’s family, to have an area in which he or she can contribute, make a difference, and be somebody. That means finding a second area—whether in a second career, a parallel career, or a social venture—that offers an opportunity for being a leader, for being respected, for being a success.

The challenges of managing oneself may seem obvious, if not elementary. And the answers may seem self-evident to the point of appearing naïve. But managing oneself requires new and unprecedented things from the individual, and especially from the knowledge worker. In effect, managing oneself demands that each knowledge worker think and behave like a chief executive officer. Further, the shift from manual workers who do as they are told to knowledge workers who have to manage themselves profoundly challenges social structure. Every existing society, even the most individualistic one, takes two things for granted, if only subconsciously: that organizations outlive workers, and that most people stay put.

Henry David Thoreau, *Civil Disobedience*



"He [Thoreau] is a singular character — a young man with much wild original nature still remaining in him; and so far as he is sophisticated, it is in a way and method of his own. He is as ugly as sin, long-nosed, queer-mouthed, and with uncouth and somewhat rustic, although courteous manners, corresponding very well with such an exterior. But his ugliness is of an honest and agreeable fashion, and becomes him much better than beauty." --Nathaniel Hawthorne, distinguished American novelist

"He [Thoreau] had a great contempt for those who made no effort to gauge accurately their own powers and weaknesses, and by no means spared himself, of whom he said that a man gathers materials to erect a palace, and finally concludes to build a shantee with them." --Ralph Waldo Emerson, philosopher and Thoreau's friend and mentor

"Under a government which imprisons any unjustly, the true place for a just man is also a prison.... Cast your whole vote, not a strip of paper merely, but your whole influence." --Henry David Thoreau

Thoreau dedicated his life to the exploration of nature — not as a backdrop to human activity but as a living, integrated system of which you and I are simply a part. —Randall Conrad, Director of the Thoreau Project

Movie 4.3 Political Theory - Henry David Thoreau

POLITICAL THEORY

We are taught to think of modern civilization as inherently 'better' than the pre-industrial age - and take great pride in our gadgets and technology.

That's why we need to tap into the caustic, liberating mindset of the great American political thinker, Thoreau – who escaped modern civilization to go and live in a cabin in the woods...

A Measured Life



How Will You Measure Your Life?

by Clayton M. Christensen

Before I published *The Innovator's Dilemma*, I got a call from Andrew Grove, then the chairman of Intel. He had read one of my early papers about disruptive technology, and he asked if I could talk to his direct reports and explain my research and what it implied for Intel. Excited, I flew to Silicon Valley and showed up at the appointed time, only to have Grove say, "Look, stuff has happened. We have only 10 minutes for you. Tell us what your model of disruption means for Intel." I said that I couldn't—that I needed a full 30 minutes to explain the model, because only with it as context would any comments about Intel

make sense. Ten minutes into my explanation, Grove interrupted: “Look, I’ve got your model. Just tell us what it means for Intel.”

I insisted that I needed 10 more minutes to describe how the process of disruption had worked its way through a very different industry, steel, so that he and his team could understand how disruption worked. I told the story of how Nucor and other steel minimills had begun by attacking the lowest end of the market—steel reinforcing bars, or rebar—and later moved up toward the high end, undercutting the traditional steel mills.

When I finished the minimill story, Grove said, “OK, I get it. What it means for Intel is...,” and then went on to articulate what would become the company’s strategy for going to the bottom of the market to launch the Celeron processor.

I’ve thought about that a million times since. If I had been suckered into telling Andy Grove what he should think about the microprocessor business, I’d have been killed. But instead of telling him what to think, I taught him how to think—and then he reached what I felt was the correct decision on his own.

That experience had a profound influence on me. When people ask what I think they should do, I rarely answer their question directly. Instead, I run the question aloud through one of my models. I’ll describe how the process in the model worked its way through an industry quite different from their own. And then, more often than not, they’ll say, “OK, I get it.” And they’ll answer their own question more insightfully than I could have.

My class at HBS is structured to help my students understand what good management theory is and how it is built. To that backbone I attach different models or theories that help students think about the various dimensions of a general manager’s job in stimulating innovation and growth. In each session we look at one company through the lenses of those theories—using them to explain how the company got into its situation and to examine what managerial actions will yield the needed results.

On the last day of class, I ask my students to turn those theoretical lenses on themselves, to find cogent answers to three questions: First, how can I be sure that I’ll be happy in my career? Second, how can I be sure that my relationships with my spouse and my family become an endur-

ing source of happiness? Third, how can I be sure I'll stay out of jail? Though the last question sounds lighthearted, it's not. Two of the 32 people in my Rhodes scholar class spent time in jail. Jeff Skilling of Enron fame was a classmate of mine at HBS. These were good guys—but something in their lives sent them off in the wrong direction.

As the students discuss the answers to these questions, I open my own life to them as a case study of sorts, to illustrate how they can use the theories from our course to guide their life decisions. more

One of the theories that gives great insight on the first question—how to be sure we find happiness in our careers—is from Frederick Herzberg, who asserts that the powerful motivator in our lives isn't money; it's the opportunity to learn, grow in responsibilities, contribute to others, and be recognized for achievements. I tell the students about a vision of sorts I had while I was running the company I founded before becoming an academic.

In my mind's eye I saw one of my managers leave for work one morning with a relatively strong level of self-esteem. Then I pictured her driving home to her family 10 hours later, feeling unappreciated, frus-

trated, underutilized, and demeaned. I imagined how profoundly her lowered self-esteem affected the way she interacted with her children. The vision in my mind then fast-forwarded to another day, when she drove home with greater self-esteem—feeling that she had learned a lot, been recognized for achieving valuable things, and played a significant role in the success of some important initiatives. I then imagined how positively that affected her as a spouse and a parent.

My Conclusion:

Management is the most noble of professions if it's practiced well. No other occupation offers as many ways to help others learn and grow, take responsibility and be recognized for achievement, and contribute to the success of a team.

More and more MBA students come to school thinking that a career in business means buying, selling, and investing in companies. That's unfortunate.

Doing deals doesn't yield the deep rewards that come from building up people.

I want students to leave my classroom knowing that...

Create a Strategy for Your Life

A theory that is helpful in answering the second question—How can I ensure that my relationship with my family proves to be an enduring source of happiness?—concerns how strategy is defined and implemented. Its primary insight is that a company's strategy is determined by the types of initiatives that management invests in. If a company's resource allocation process is not managed masterfully, what emerges from it can be very different from what management intended. Because companies' decision-making systems are designed to steer investments to initiatives that offer the most tangible and immediate returns, companies short-change investments in initiatives that are crucial to their long-term strategies.

Over the years I've watched the fates of my HBS classmates from 1979 unfold; I've seen more and more of them come to reunions unhappy, divorced, and alienated from their children. I can guarantee you that not a single one of them graduated with the deliberate strategy of getting divorced and raising children who would become estranged from them. And yet a shocking number of them implemented that strategy. The reason? They didn't keep the purpose of their lives front and

center as they decided how to spend their time, talents, and energy.

It's quite startling that a significant fraction of the 900 students that HBS draws each year from the world's best have given little thought to the purpose of their lives. I tell the students that HBS might be one of their last chances to reflect deeply on that question. If they think that they'll have more time and energy to reflect later, they're nuts, because life only gets more demanding: You take on a mortgage; you're working 70 hours a week; you have a spouse and children.

For me, having a clear purpose in my life has been essential. But it was something I had to think long and hard about before I understood it. When I was a Rhodes scholar, I was in a very demanding academic program, trying to cram an extra year's worth of work into my time at Oxford. I decided to spend an hour every night reading, thinking, and praying about why God put me on this earth. That was a very challenging commitment to keep, because every hour I spent doing that, I wasn't studying applied econometrics. I was conflicted about whether I could really afford to take that time away from my studies, but I stuck with it—and ultimately figured out the purpose of my life.

Had I instead spent that hour each day learning the latest techniques for mastering the problems of autocorrelation in regression analysis, I would have badly mis-spent my life. I apply the tools of econometrics a few times a year, but I apply my knowledge of the purpose of my life every day. It's the single most useful thing I've ever learned. I promise my students that if they take the time to figure out their life purpose, they'll look back on it as the most important thing they discovered at HBS. If they don't figure it out, they will just sail off without a rudder and get buffeted in the very rough seas of life. Clarity about their purpose will trump knowledge of activity-based costing, balanced scorecards, core competence, disruptive innovation, the four Ps, and the five forces.

My purpose grew out of my religious faith, but faith isn't the only thing that gives people direction. For example, one of my former students decided that his purpose was to bring honesty and economic prosperity to his country and to raise children who were as capably committed to this cause, and to each other, as he was. His purpose is focused on family and others—as mine is.

The choice and successful pursuit of a profession is but one tool for achieving your

purpose. But without a purpose, life can become hollow.

Allocate Your Resources

Your decisions about allocating your personal time, energy, and talent ultimately shape your life's strategy.

I have a bunch of “businesses” that compete for these resources: I'm trying to have a rewarding relationship with my wife, raise great kids, contribute to my community, succeed in my career, contribute to my church, and so on. And I have exactly the same problem that a corporation does. I have a limited amount of time and energy and talent. How much do I devote to each of these pursuits?

Allocation choices can make your life turn out to be very different from what you intended. Sometimes that's good: Opportunities that you never planned for emerge. But if you misinvest your resources, the outcome can be bad. As I think about my former classmates who inadvertently invested for lives of hollow unhappiness, I can't help believing that their troubles relate right back to a short-term perspective.

When people who have a high need for achievement—and that includes all Harvard Business School graduates—have an extra half hour of time or an extra ounce of energy, they'll unconsciously allocate it to activities that yield the most tangible accomplishments. And our careers provide the most concrete evidence that we're moving forward. You ship a product, finish a design, complete a presentation, close a sale, teach a class, publish a paper, get paid, get promoted.

In contrast, investing time and energy in your relationship with your spouse and children typically doesn't offer that same immediate sense of achievement. Kids misbehave every day. It's really not until 20 years down the road that you can put your hands on your hips and say, "I raised a good son or a good daughter." You can neglect your relationship with your spouse, and on a day-to-day basis, it doesn't seem as if things are deteriorating. People who are driven to excel have this unconscious propensity to underinvest in their families and over-invest in their careers—even though intimate and loving relationships with their families are the most powerful and enduring source of happiness.

If you study the root causes of business disasters, over and over you'll find this pre-

disposition toward endeavors that offer immediate gratification. If you look at personal lives through that lens, you'll see the same stunning and sobering pattern: people allocating fewer and fewer resources to the things they would have once said mattered most.

Create a Culture

There's an important model in our class called the Tools of Cooperation, which basically says that being a visionary manager isn't all it's cracked up to be. It's one thing to see into the foggy future with acuity and chart the course corrections that the company must make. But it's quite another to persuade employees who might not see the changes ahead to line up and work cooperatively to take the company in that new direction. Knowing what tools to wield to elicit the needed cooperation is a critical managerial skill.

The theory arrays these tools along two dimensions—the extent to which members of the organization agree on what they want from their participation in the enterprise, and the extent to which they agree on what actions will produce the desired results. When there is little agreement on both axes, you have to use "power

tools”—coercion, threats, punishment, and so on—to secure cooperation. Many companies start in this quadrant, which is why the founding executive team must play such an assertive role in defining what must be done and how. If employees’ ways of working together to address those tasks succeed over and over, consensus begins to form.

MIT’s Edgar Schein has described this process as the mechanism by which a culture is built. Ultimately, people don’t even think about whether their way of doing things yields success. They embrace priorities and follow procedures by instinct and assumption rather than by explicit decision—which means that they’ve created a culture. Culture, in compelling but unspoken ways, dictates the proven, acceptable methods by which members of the group address recurrent problems. And culture defines the priority given to different types of problems. It can be a powerful management tool.

In using this model to address the question, How can I be sure that my family becomes an enduring source of happiness?, my students quickly see that the simplest tools that parents can wield to elicit cooperation from children are power tools. But there comes a point during the teen years

when power tools no longer work. At that point parents start wishing that they had begun working with their children at a very young age to build a culture at home in which children instinctively behave respectfully toward one another, obey their parents, and choose the right thing to do. Families have cultures, just as companies do. Those cultures can be built consciously or evolve inadvertently.

If you want your kids to have strong self-esteem and confidence that they can solve hard problems, those qualities won’t magically materialize in high school. You have to design them into your family’s culture—and you have to think about this very early on. Like employees, children build self-esteem by doing things that are hard and learning what works.

Avoid the “Marginal Costs” Mistake

We’re taught in finance and economics that in evaluating alternative investments, we should ignore sunk and fixed costs, and instead base decisions on the marginal costs and marginal revenues that each alternative entails. We learn in our course that this doctrine biases companies to leverage what they have put in place to succeed in the past, instead of guiding

them to create the capabilities they'll need in the future. If we knew the future would be exactly the same as the past, that approach would be fine. But if the future's different—and it almost always is—then it's the wrong thing to do.

This theory addresses the third question I discuss with my students—how to live a life of integrity (stay out of jail). Unconsciously, we often employ the marginal cost doctrine in our personal lives when we choose between right and wrong. A voice in our head says, “Look, I know that as a general rule, most people shouldn't do this. But in this particular extenuating circumstance, just this once, it's OK.”

The marginal cost of doing something wrong “just this once” always seems alluringly low. It suckers you in, and you don't ever look at where that path ultimately is headed and at the full costs that the choice entails. Justification for infidelity and dishonesty in all their manifestations lies in the marginal cost economics of “just this once.”

I'd like to share a story about how I came to understand the potential damage of “just this once” in my own life. I played on the Oxford University varsity basketball team. We worked our tails off and finished

the season undefeated. The guys on the team were the best friends I've ever had in my life. We got to the British equivalent of the NCAA tournament—and made it to the final four. It turned out the championship game was scheduled to be played on a Sunday. I had made a personal commitment to God at age 16 that I would never play ball on Sunday. So I went to the coach and explained my problem. He was incredulous. My teammates were, too, because I was the starting center. Every one of the guys on the team came to me and said, “You've got to play. Can't you break the rule just this one time?”

I'm a deeply religious man, so I went away and prayed about what I should do. I got a very clear feeling that I shouldn't break my commitment—so I didn't play in the championship game.

In many ways that was a small decision—involving one of several thousand Sundays in my life. In theory, surely I could have crossed over the line just that one time and then not done it again. But looking back on it, resisting the temptation whose logic was “In this extenuating circumstance, just this once, it's OK” has proven to be one of the most important decisions of my life. Why? My life has been one unending stream of extenuating cir-

cumstances. Had I crossed the line that one time, I would have done it over and over in the years that followed.

The lesson I learned from this is that it's easier to hold to your principles 100% of the time than it is to hold to them 98% of the time. If you give in to "just this once," based on a marginal cost analysis, as some of my former classmates have done, you'll regret where you end up. You've got to define for yourself what you stand for and draw the line in a safe place.

Remember the Importance of Humility

I got this insight when I was asked to teach a class on humility at Harvard College. I asked all the students to describe the most humble person they knew. One characteristic of these humble people stood out: They had a high level of self-esteem. They knew who they were, and they felt good about who they were.

We also decided that humility was defined not by self-deprecating behavior or attitudes but by the esteem with which you regard others. Good behavior flows naturally from that kind of humility.

For example, you would never steal from someone, because you respect that person too much. You'd never lie to someone, either.

It's crucial to take a sense of humility into the world. By the time you make it to a top graduate school, almost all your learning has come from people who are smarter and more experienced than you: parents, teachers, bosses. But once you've finished at Harvard Business School or any other top academic institution, the vast majority of people you'll interact with on a day-to-day basis may not be smarter than you.

And if your attitude is that only smarter people have something to teach you, your learning opportunities will be very limited. But if you have a humble eagerness to learn something from everybody, your learning opportunities will be unlimited.

Generally, you can be humble only if you feel really good about yourself—and you want to help those around you feel really good about themselves, too. When we see people acting in an abusive, arrogant, or demeaning manner toward others, their behavior almost always is a symptom of their lack of self-esteem. They need to put someone else down to feel good about themselves.

Re-examine all that
you have been told...

Dismiss that which
insults your soul.

- Walt Whitman

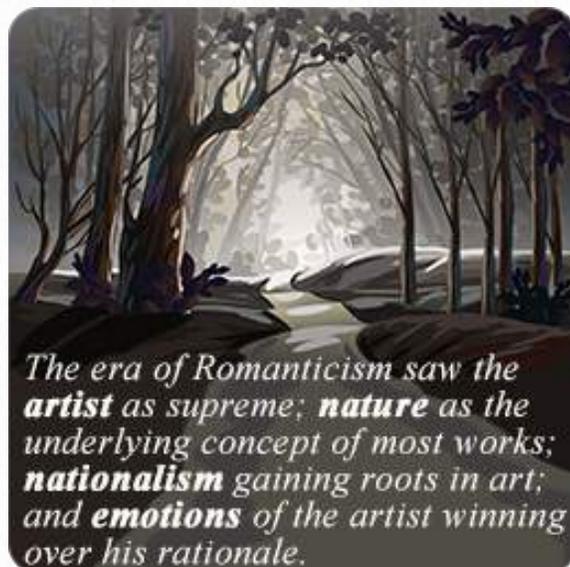
Choose the Right Yardstick

This past year I was diagnosed with cancer and faced the possibility that my life would end sooner than I'd planned. Thankfully, it now looks as if I'll be spared. But the experience has given me important insight into my life.

I have a pretty clear idea of how my ideas have generated enormous revenue for companies that have used my research; I know I've had a substantial impact. But as I've confronted this disease, it's been interesting to see how unimportant that impact is to me now. I've concluded that the metric by which God will assess my life isn't dollars but the individual people whose lives I've touched.

I think that's the way it will work for us all. Don't worry about the level of individual prominence you have achieved; worry about the individuals you have helped become better people.

This is my final recommendation: Think about the metric by which your life will be judged, and make a resolution to live every day so that in the end, your life will be judged a success.



I am the poet of the Body and I am the poet of the Soul,
The pleasures of heaven are with me and the pains of hell are
with me,
The first I graft and increase upon myself, the latter I translate
into a new tongue.

425 I am the poet of the woman the same as the man,
And I say it is as great to be a woman as to be a man,
And I say there is nothing greater than the mother of men.

Movie 4.4 Romanticism - History of Ideas



HISTORY

Romanticism is a historical movement that still hugely colours how we tend to feel and look at the world: it's responsible for the way we approach love, nature, business and children. This is its history.

Energy Management



Manage Your Energy, Not Your Time

by Tony Schwartz and Catherine McCarthy

Steve Wanner is a highly respected 37-year-old partner at Ernst & Young, married with four young children. When we met him a year ago, he was working 12- to 14-hour days, felt perpetually exhausted, and found it difficult to fully engage with his family in the evenings, which left him feeling guilty and dissatisfied.

He slept poorly, made no time to exercise, and seldom ate healthy meals, instead grabbing a bite to eat on the run or while working at his desk.

Wanner's experience is not uncommon. Most of us respond to rising demands in the workplace by putting in longer hours, which inevitably take a toll on us physically, mentally, and emotionally. That leads to declining levels of engagement, increasing levels of distraction, high turnover rates, and soaring medical costs among employees.

We at the Energy Project have worked with thousands of leaders and managers in the course of doing consulting and coaching at large organizations during the past five years. With remarkable consistency, these executives tell us they're pushing themselves harder than ever to keep up and increasingly feel they are at a breaking point.

The core problem with working longer hours is that time is a finite resource. Energy is a different story. Defined in physics as the capacity to work, energy comes from four main wellsprings in human beings: the body, emotions, mind, and spirit. In each, energy can be systematically expanded and regularly renewed by establishing specific rituals—behaviors that are intentionally practiced and precisely scheduled, with the goal of making them unconscious and automatic as quickly as possible.

The core problem with working longer hours is that time is a finite resource. Energy is a different story.

To effectively reenergize their workforces, organizations need to shift their emphasis from getting more out of people to investing more in them, so they are motivated—and able—to bring more of themselves to work every day. To recharge themselves, individuals need to recognize the costs of energy-depleting behaviors and then take responsibility for changing them, regardless of the circumstances they're facing.

The rituals and behaviors Wanner established to better manage his energy transformed his life. He set an earlier bedtime and gave up drinking, which had disrupted his sleep. As a consequence, when he woke up he felt more rested and more motivated to exercise, which he now does almost every morning. In less than two months he lost 15 pounds. After working out he now sits down with his family for breakfast. Wanner still puts in long hours on the job, but he renews himself regularly along the way. He leaves his desk for lunch and usually takes a morning and an afternoon walk outside. When he arrives at home in the evening, he's more relaxed

and better able to connect with his wife and children.

Establishing simple rituals like these can lead to striking results across organizations. At Wachovia Bank, we took a group of employees through a pilot energy management program and then measured their performance against that of a control group. The participants outperformed the controls on a series of financial metrics, such as the value of loans they generated. They also reported substantial improvements in their customer relationships, their engagement with work, and their personal satisfaction. In this article, we'll describe the Wachovia study in a little more detail. Then we'll explain what executives and managers can do to increase and regularly renew work capacity—the approach used by the Energy Project, which builds on, deepens, and extends several core concepts developed by Tony's former partner Jim Loehr in his seminal work with athletes.

Linking Capacity and Performance

Most large organizations invest in developing employees' skills, knowledge, and competence. Very few help build and sustain their capacity—their energy—which is typically taken for granted. In fact, greater ca-

capacity makes it possible to get more done in less time at a higher level of engagement and with more sustainability. Our experience at Wachovia bore this out. more

In early 2006 we took 106 employees at 12 regional banks in southern New Jersey through a curriculum of four modules, each of which focused on specific strategies for strengthening one of the four main dimensions of energy. We delivered it at one-month intervals to groups of approximately 20 to 25, ranging from senior leaders to lower-level managers. We also assigned each attendee a fellow employee as a source of support between sessions. Using Wachovia's own key performance metrics, we evaluated how the participant group performed compared with a group of employees at similar levels at a nearby set of Wachovia banks who did not go through the training. To create a credible basis for comparison, we looked at year-over-year percentage changes in performance across several metrics.

On a measure called the "Big 3"—revenues from three kinds of loans—the participants showed a year-over-year increase that was 13 percentage points greater than the control group's in the first three months of our study. On revenues from deposits, the participants exceeded the control

group's year-over-year gain by 20 percentage points during that same period. The precise gains varied month by month, but with only a handful of exceptions, the participants continued to significantly outperform the control group for a full year after completing the program. Although other variables undoubtedly influenced these outcomes, the participants' superior performance was notable in its consistency. (See the exhibit "How Energy Renewal Programs Boosted Productivity at Wachovia.")

We also asked participants how the program influenced them personally. Sixty-eight percent reported that it had a positive impact on their relationships with clients and customers. Seventy-one percent said that it had a noticeable or substantial positive impact on their productivity and performance. These findings corroborated a raft of anecdotal evidence we've gathered about the effectiveness of this approach among leaders at other large companies such as Ernst & Young, Sony, Deutsche Bank, Nokia, ING Direct, Ford, and MasterCard.

The Body: Physical Energy

Our program begins by focusing on physical energy. It is scarcely news that inadequate nutrition, exercise, sleep, and rest di-

minish people's basic energy levels, as well as their ability to manage their emotions and focus their attention. Nonetheless, many executives don't find ways to practice consistently healthy behaviors, given all the other demands in their lives.

Before participants in our program begin to explore ways to increase their physical energy, they take an energy audit, which includes four questions in each energy dimension—body, emotions, mind, and spirit. On average, participants get eight to ten of those 16 questions "wrong," meaning they're doing things such as skipping breakfast, failing to express appreciation to others, struggling to focus on one thing at a time, or spending too little time on activities that give them a sense of purpose. While most participants aren't surprised to learn these behaviors are counterproductive, having them all listed in one place is often uncomfortable, sobering, and galvanizing. The audit highlights employees' greatest energy deficits. Participants also fill out charts designed to raise their awareness about how their exercise, diet, and sleep practices influence their energy levels.

The next step is to identify rituals for building and renewing physical energy. When Gary Faro, a vice president at Wachovia,

began the program, he was significantly overweight, ate poorly, lacked a regular exercise routine, worked long hours, and typically slept no more than five or six hours a night. That is not an unusual profile among the leaders and managers we see. Over the course of the program, Faro began regular cardiovascular and strength training. He started going to bed at a designated time and sleeping longer. He changed his eating habits from two big meals a day (“Where I usually gorged myself,” he says) to smaller meals and light snacks every three hours. The aim was to help him stabilize his glucose levels over the course of the day, avoiding peaks and valleys. He lost 50 pounds in the process, and his energy levels soared. “I used to schedule tough projects for the morning, when I knew that I would be more focused,” Faro says. “I don’t have to do that anymore because I find that I’m just as focused now at 5 pm as I am at 8 am.”

Another key ritual Faro adopted was to take brief but regular breaks at specific intervals throughout the workday—always leaving his desk. The value of such breaks is grounded in our physiology. “Ultradian rhythms” refer to 90- to 120-minute cycles during which our bodies slowly move from a high-energy state into a physiological trough. Toward the end of each cycle, the

body begins to crave a period of recovery. The signals include physical restlessness, yawning, hunger, and difficulty concentrating, but many of us ignore them and keep working. The consequence is that our energy reservoir—our remaining capacity—burns down as the day wears on.

Intermittent breaks for renewal, we have found, result in higher and more sustainable performance. The length of renewal is less important than the quality. It is possible to get a great deal of recovery in a short time—as little as several minutes—if it involves a ritual that allows you to disengage from work and truly change channels. That could range from getting up to talk to a colleague about something other than work, to listening to music on an iPod, to walking up and down stairs in an office building. While breaks are countercultural in most organizations and counterintuitive for many high achievers, their value is multifaceted. more

Matthew Lang is a managing director for Sony in South Africa. He adopted some of the same rituals that Faro did, including a 20-minute walk in the afternoons. Lang’s walk not only gives him a mental and emotional breather and some exercise but also has become the time when he gets his best creative ideas. That’s because when

he walks he is not actively thinking, which allows the dominant left hemisphere of his brain to give way to the right hemisphere with its greater capacity to see the big picture and make imaginative leaps.

The Emotions: Quality of Energy

When people are able to take more control of their emotions, they can improve the quality of their energy, regardless of the external pressures they're facing. To do this, they first must become more aware of how they feel at various points during the workday and of the impact these emotions have on their effectiveness. Most people realize that they tend to perform best when they're feeling positive energy. What they find surprising is that they're not able to perform well or to lead effectively when they're feeling any other way.

Unfortunately, without intermittent recovery, we're not physiologically capable of sustaining highly positive emotions for long periods. Confronted with relentless demands and unexpected challenges, people tend to slip into negative emotions—the fight-or-flight mode—often multiple times in a day. They become irritable and impatient, or anxious and insecure. Such states of mind drain people's energy and cause friction in their relationships. Fight-or-flight

emotions also make it impossible to think clearly, logically, and reflectively. When executives learn to recognize what kinds of events trigger their negative emotions, they gain greater capacity to take control of their reactions.

One simple but powerful ritual for defusing negative emotions is what we call “buying time.” Deep abdominal breathing is one way to do that. Exhaling slowly for five or six seconds induces relaxation and recovery, and turns off the fight-or-flight response. When we began working with Fujio Nishida, president of Sony Europe, he had a habit of lighting up a cigarette each time something especially stressful occurred—at least two or three times a day. Otherwise, he didn't smoke. We taught him the breathing exercise as an alternative, and it worked immediately: Nishida found he no longer had the desire for a cigarette. It wasn't the smoking that had given him relief from the stress, we concluded, but the relaxation prompted by the deep inhalation and exhalation.

A powerful ritual that fuels positive emotions is expressing appreciation to others, a practice that seems to be as beneficial to the giver as to the receiver. It can take the form of a handwritten note, an e-mail, a call, or a conversation—and the more de-

tailed and specific, the higher the impact. As with all rituals, setting aside a particular time to do it vastly increases the chances of success. Ben Jenkins, vice chairman and president of the General Bank at Wachovia in Charlotte, North Carolina, built his appreciation ritual into time set aside for mentoring. He began scheduling lunches or dinners regularly with people who worked for him. Previously, the only sit-downs he'd had with his direct reports were to hear monthly reports on their numbers or to give them yearly performance reviews. Now, over meals, he makes it a priority to recognize their accomplishments and also to talk with them about their lives and their aspirations rather than their immediate work responsibilities.

Finally, people can cultivate positive emotions by learning to change the stories they tell themselves about the events in their lives. Often, people in conflict cast themselves in the role of victim, blaming others or external circumstances for their problems. Becoming aware of the difference between the facts in a given situation and the way we interpret those facts can be powerful in itself. It's been a revelation for many of the people we work with to discover they have a choice about how to view a given event and to recognize how powerfully the story they tell influences the

emotions they feel. We teach them to tell the most hopeful and personally empowering story possible in any given situation, without denying or minimizing the facts.

People can cultivate positive energy by learning to change the stories they tell themselves about the events in their lives. We teach them to tell the most hopeful stories possible.

The most effective way people can change a story is to view it through any of three new lenses, which are all alternatives to seeing the world from the victim perspective. With the reverse lens, for example, people ask themselves, "What would the other person in this conflict say and in what ways might that be true?" With the long lens they ask, "How will I most likely view this situation in six months?" With the wide lens they ask themselves, "Regardless of the outcome of this issue, how can I grow and learn from it?" Each of these lenses can help people intentionally cultivate more positive emotions.

Nicolas Babin, director of corporate communications for Sony Europe, was the point person for calls from reporters when Sony went through several recalls of its batteries in 2006. Over time he found his work increasingly exhausting and dispiriting. Af-

ter practicing the lens exercises, he began finding ways to tell himself a more positive and empowering story about his role. “I realized,” he explains, “that this was an opportunity for me to build stronger relationships with journalists by being accessible to them and to increase Sony’s credibility by being straightforward and honest.”

The Mind: Focus of Energy

Many executives view multitasking as a necessity in the face of all the demands they juggle, but it actually undermines productivity. Distractions are costly: A temporary shift in attention from one task to another—stopping to answer an e-mail or take a phone call, for instance—increases the amount of time necessary to finish the primary task by as much as 25%, a phenomenon known as “switching time.” It’s far more efficient to fully focus for 90 to 120 minutes, take a true break, and then fully focus on the next activity. We refer to these work periods as “ultradian sprints.”

Once people see how much they struggle to concentrate, they can create rituals to reduce the relentless interruptions that technology has introduced in their lives. We start out with an exercise that forces them to face the impact of daily distractions. They attempt to complete a complex

task and are regularly interrupted—an experience that, people report, ends up feeling much like everyday life.

Dan Cluna, a vice president at Wachovia, designed two rituals to better focus his attention. The first one is to leave his desk and go into a conference room, away from phones and e-mail, whenever he has a task that requires concentration. He now finishes reports in a third of the time they used to require. Cluna built his second ritual around meetings at branches with the financial specialists who report to him. Previously, he would answer his phone whenever it rang during these meetings. As a consequence, the meetings he scheduled for an hour often stretched to two, and he rarely gave anyone his full attention. Now Cluna lets his phone go to voice mail, so that he can focus completely on the person in front of him. He now answers the accumulated voice-mail messages when he has downtime between meetings.

E&Y’s hard-charging Wanner used to answer e-mail constantly throughout the day—whenever he heard a “ping.” Then he created a ritual of checking his e-mail just twice a day—at 10:15 am and 2:30 pm. Whereas previously he couldn’t keep up with all his messages, he discovered he could clear his in-box each time he

opened it—the reward of fully focusing his attention on e-mail for 45 minutes at a time. Wanner has also reset the expectations of all the people he regularly communicates with by e-mail. “I’ve told them if it’s an emergency and they need an instant response, they can call me and I’ll always pick up,” he says. Nine months later he has yet to receive such a call.

Michael Henke, a senior manager at E&Y, sat his team down at the start of the busy season last winter and told them that at certain points during the day he was going to turn off his Sametime (an in-house instant-message system). The result, he said, was that he would be less available to them for questions. Like Wanner, he told his team to call him if any emergency arose, but they rarely did. He also encouraged the group to take regular breaks throughout the day and to eat more regularly. They finished the busy season under budget and more profitable than other teams that hadn’t followed the energy renewal program. “We got the same amount of work done in less time,” says Henke. “It made for a win-win.”

Another way to mobilize mental energy is to focus systematically on activities that have the most long-term leverage. Unless people intentionally schedule time for more

challenging work, they tend not to get to it at all or rush through it at the last minute. Perhaps the most effective focus ritual the executives we work with have adopted is to identify each night the most important challenge for the next day and make it their very first priority when they arrive in the morning. Jean Luc Duquesne, a vice president for Sony Europe in Paris, used to answer his e-mail as soon as he got to the office, just as many people do. He now tries to concentrate the first hour of every day on the most important topic. He finds that he often emerges at 10 am feeling as if he’s already had a productive day.

Human: Energy of Meaning and Purpose

People tap into the energy of the human spirit when their everyday work and activities are consistent with what they value most and with what gives them a sense of meaning and purpose. If the work they’re doing really matters to them, they typically feel more positive energy, focus better, and demonstrate greater perseverance. Regrettably, the high demands and fast pace of corporate life don’t leave much time to pay attention to these issues, and many people don’t even recognize meaning and purpose as potential sources of energy. Indeed, if we tried to begin our program by focusing on the human spirit, it would

likely have minimal impact. Only when participants have experienced the value of the rituals they establish in the other dimensions do they start to see that being attentive to their own deeper needs dramatically influences their effectiveness and satisfaction at work.

For E&Y partner Jonathan Anspacher, simply having the opportunity to ask himself a series of questions about what really mattered to him was both illuminating and energizing. “I think it’s important to be a little introspective and say, ‘What do you want to be remembered for?’” he told us. “You don’t want to be remembered as the crazy partner who worked these long hours and had his people be miserable. When my kids call me and ask, ‘Can you come to my band concert?’ I want to say, ‘Yes, I’ll be there and I’ll be in the front row.’ I don’t want to be the father that comes in and sits in the back and is on his Blackberry and has to step out to take a phone call.”
more

To access the energy of the human spirit, people need to clarify priorities and establish accompanying rituals in three categories: doing what they do best and enjoy most at work; consciously allocating time and energy to the areas of their lives—work, family, health, service to oth-

ers—they deem most important; and living their core values in their daily behaviors.

When you’re attempting to discover what you do best and what you enjoy most, it’s important to realize that these two things aren’t necessarily mutually inclusive. You may get lots of positive feedback about something you’re very good at but not truly enjoy it. Conversely, you can love doing something but have no gift for it, so that achieving success requires much more energy than it makes sense to invest.

To help program participants discover their areas of strength, we ask them to recall at least two work experiences in the past several months during which they found themselves in their “sweet spot”—feeling effective, effortlessly absorbed, inspired, and fulfilled. Then we have them deconstruct those experiences to understand precisely what energized them so positively and what specific talents they were drawing on. If leading strategy feels like a sweet spot, for example, is it being in charge that’s most invigorating or participating in a creative endeavor? Or is it using a skill that comes to you easily and so feels good to exercise? Finally, we have people establish a ritual that will encourage them to do more of exactly that kind of activity at work.

A senior leader we worked with realized that one of the activities he least liked was reading and summarizing detailed sales reports, whereas one of his favorites was brainstorming new strategies. The leader found a direct report who loved immersing himself in numbers and delegated the sales report task to him—happily settling for brief oral summaries from him each day. The leader also began scheduling a free-form 90-minute strategy session every other week with the most creative people in his group.

In the second category, devoting time and energy to what's important to you, there is often a similar divide between what people say is important and what they actually do. Rituals can help close this gap. When Jean Luc Duquesne, the Sony Europe vice president, thought hard about his personal priorities, he realized that spending time with his family was what mattered most to him, but it often got squeezed out of his day. So he instituted a ritual in which he switches off for at least three hours every evening when he gets home, so he can focus on his family. "I'm still not an expert on PlayStation," he told us, "but according to my youngest son, I'm learning and I'm a good student." Steve Wanner, who used to talk on the cell phone all the way to his front door on his commute home, has cho-

sen a specific spot 20 minutes from his house where he ends whatever call he's on and puts away the phone. He spends the rest of his commute relaxing so that when he does arrive home, he's less preoccupied with work and more available to his wife and children.

The third category, practicing your core values in your everyday behavior, is a challenge for many as well. Most people are living at such a furious pace that they rarely stop to ask themselves what they stand for and who they want to be. As a consequence, they let external demands dictate their actions.

We don't suggest that people explicitly define their values, because the results are usually too predictable. Instead, we seek to uncover them, in part by asking questions that are inadvertently revealing, such as, "What are the qualities that you find most off-putting when you see them in others?" By describing what they can't stand, people unintentionally divulge what they stand for. If you are very offended by stinginess, for example, generosity is probably one of your key values. If you are especially put off by rudeness in others, it's likely that consideration is a high value for you. As in the other categories, establishing rituals can help bridge the gap be-

tween the values you aspire to and how you currently behave. If you discover that consideration is a key value, but you are perpetually late for meetings, the ritual might be to end the meetings you run five minutes earlier than usual and intentionally show up five minutes early for the meeting that follows.

Addressing these three categories helps people go a long way toward achieving a greater sense of alignment, satisfaction, and well-being in their lives on and off the job. Those feelings are a source of positive energy in their own right and reinforce people's desire to persist at rituals in other energy dimensions as well. more

This new way of working takes hold only to the degree that organizations support their people in adopting new behaviors. We have learned, sometimes painfully, that not all executives and companies are prepared to embrace the notion that personal renewal for employees will lead to better and more sustainable performance. To succeed, renewal efforts need solid support and commitment from senior management, beginning with the key decision maker.

At Wachovia, Susanne Svizeny, the president of the region in which we conducted

our study, was the primary cheerleader for the program. She embraced the principles in her own life and made a series of personal changes, including a visible commitment to building more regular renewal rituals into her work life. Next, she took it upon herself to foster the excitement and commitment of her leadership team. Finally, she regularly reached out by e-mail to all participants in the project to encourage them in their rituals and seek their feedback. It was clear to everyone that she took the work seriously. Her enthusiasm was infectious, and the results spoke for themselves.

At Sony Europe, several hundred leaders have embraced the principles of energy management. Over the next year, more than 2,000 of their direct reports will go through the energy renewal program. From Fujio Nishida on down, it has become increasingly culturally acceptable at Sony to take intermittent breaks, work out at midday, answer e-mail only at designated times, and even ask colleagues who seem irritable or impatient what stories they're telling themselves.

Organizational support also entails shifts in policies, practices, and cultural messages. A number of firms we worked with have built "renewal rooms" where people can

regularly go to relax and refuel. Others offer subsidized gym memberships. In some cases, leaders themselves gather groups of employees for midday workouts. One company instituted a no-meeting zone between 8 and 9 am to ensure that people had at least one hour absolutely free of meetings. At several companies, including Sony, senior leaders collectively agreed to stop checking e-mail during meetings as a way to make the meetings more focused and efficient.

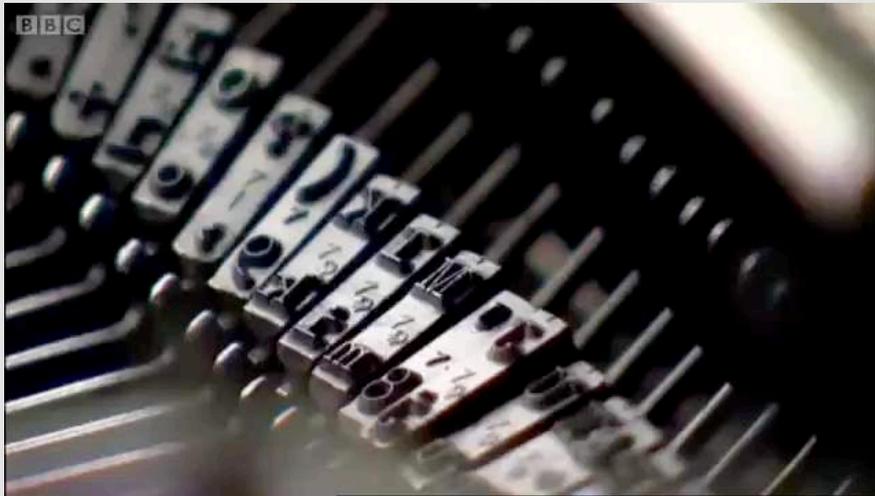
A number of firms have built “renewal rooms” where people can regularly go to relax and refuel.

One factor that can get in the way of success is a crisis mentality. The optimal candidates for energy renewal programs are organizations that are feeling enough pain to be eager for new solutions but not so much that they’re completely overwhelmed. At one organization where we had the active support of the CEO, the company was under intense pressure to grow rapidly, and the senior team couldn’t tear themselves away from their focus on immediate survival—even though taking time out for renewal might have allowed them to be more productive at a more sustainable level.

By contrast, the group at Ernst & Young successfully went through the process at the height of tax season. With the permission of their leaders, they practiced defusing negative emotions by breathing or telling themselves different stories, and alternated highly focused periods of work with renewal breaks. Most people in the group reported that this busy season was the least stressful they’d ever experienced.

The implicit contract between organizations and their employees today is that each will try to get as much from the other as they can, as quickly as possible, and then move on without looking back. We believe that is mutually self-defeating. Both individuals and the organizations they work for end up depleted rather than enriched. Employees feel increasingly beleaguered and burned out. Organizations are forced to settle for employees who are less than fully engaged and to constantly hire and train new people to replace those who choose to leave. We envision a new and explicit contract that benefits all parties: Organizations invest in their people across all dimensions of their lives to help them build and sustain their value. Individuals respond by bringing all their multidimensional energy wholeheartedly to work every day. *Both grow in value as a result.*

Movie 4.5 Matter Emanates from Energy



Scientists talk about energy and matter and what they now understand. Great clip from BBC show Horizon - Six Billion Dollar Experiment.

Walt Whitman



Song at Sunset

By Walt Whitman

Splendor of ended day floating and filling me,
Hour prophetic, hour resuming the past,
Inflating my throat, you divine average,

You earth and life till the last ray gleams I sing.

Open mouth of my soul uttering gladness,

Eyes of my soul seeing perfection,

Natural life of me faithfully praising things,

Corroborating forever the triumph of things.

Illustrious every one!

Illustrious what we name space, sphere of unnumber'd spirits,

Illustrious the mystery of motion in all beings, even the tiniest insect,

Illustrious the attribute of speech, the senses, the body,

Illustrious the passing light--illustrious the pale reflection on

the new moon in the western sky,

Illustrious whatever I see or hear or touch, to the last.

Good in all,

In the satisfaction and aplomb of animals,

In the annual return of the seasons,

In the hilarity of youth,

In the strength and flush of manhood,

In the grandeur and exquisiteness of old age,

In the superb vistas of death.

Wonderful to depart!

Wonderful to be here!

The heart, to jet the all-alike and innocent blood!

To breathe the air, how delicious!

To speak--to walk--to seize something by the hand!

To prepare for sleep, for bed, to look on my rose-color'd flesh!

To be conscious of my body, so satisfied, so large!

To be this incredible God I am!

To have gone forth among other Gods, these men and women I love.

Wonderful how I celebrate you and myself

How my thoughts play subtly at the spectacles around!

How the clouds pass silently overhead!

How the earth darts on and on! and how the sun, moon, stars, dart on and on!

How the water sports and sings! (surely it is alive!)

How the trees rise and stand up, with strong trunks, with branches

and leaves!

(Surely there is something more in each of the trees, some living soul.)

O amazement of things--even the least particle!

O spirituality of things!

O strain musical flowing through ages and continents, now reaching
me and America!

I take your strong chords, intersperse them, and cheerfully pass
them forward.

I too carol the sun, usher'd or at noon, or as now, setting,
I too throb to the brain and beauty of the earth and of all the
growths of the earth,

I too have felt the resistless call of myself.

As I steam'd down the Mississippi,

As I wander'd over the prairies,

As I have lived, as I have look'd through my windows my eyes,

As I went forth in the morning, as I beheld the light breaking in the east,

As I bathed on the beach of the Eastern Sea, and again on the beach
of the Western Sea,

As I roam'd the streets of inland Chicago, whatever streets I have roam'd,

Or cities or silent woods, or even amid the sights of war,

That you are here.
That life exists and
identity.

That the powerful play
goes on, and you may
contribute a verse.

- *Walt Whitman*

Wherever I have been I have charged myself with contentment
and triumph.

I sing to the last the equalities modern or old,

I sing the endless finales of things,

I say Nature continues, glory continues,

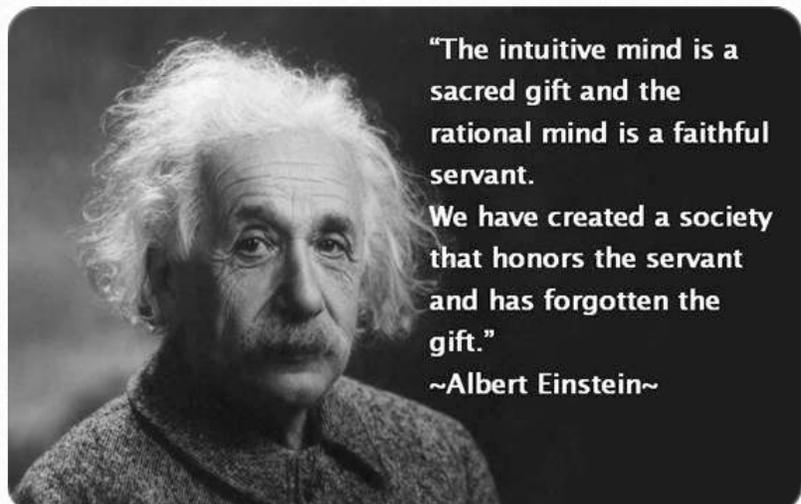
I praise with electric voice,

For I do not see one imperfection in the universe,

And I do not see one cause or result lamentable at last in the
universe.

O setting sun! though the time has come,

I still warble under you, if none else does,
unmitigated adoration.



Movie 4.6 Walt Whitman's - O Captain my Captain



O Captain! my Captain! our fearful trip is done, The ship has weathered every rack, the prize we sought is won, The port is near, the bells I hear, the people all exulting, While follow eyes the steady keel, the vessel grim and daring; But O heart! heart! heart! O the bleeding drops of red, Where on the deck my Captain lies, Fallen cold and dead.

O Captain! my Captain! rise up and hear the bells; Rise up--for you the flag is flung--for you the bugle trills, For you bouquets and ribboned wreaths--for you the shores a-crowding, For you they call, the swaying mass, their eager faces turning; Here Captain! dear father! This arm beneath your head! It is some dream that on the deck You've fallen cold and dead.

My Captain does not answer, his lips are pale and still, My father does not feel my arm, he has no pulse nor will. The ship is anchored safe and sound, its voyage closed and done, From fearful trip the victor ship comes in with object won; Exult O shores, and ring O bells! But I, with mournful tread, Walk the deck my Captain lies, Fallen cold and dead.