Module 2 | Class Five, Seven and Eight

Org Behavior

MOD2

Org Behavior

CLASS DAY FIVE

In a gentle way, you can shake the world.

- Gandhi

Four Reasons Introverts Make Some of the Best Entrepreneurs

Introverts bring a few key strengths to the table that extroverts are more likely to lack. Here's how great leaders harness them.

by Peter Daisyme

Do introverts, especially those who are shy, have what it takes to be entrepreneurs?

Tick off the personality traits you imagine a successful business owner should have, and you're likely focused on the traditionally extroverted traits. This imagined leader might be charismatic, be a people person (crucial for networking), and already have an impressive list of contacts.

But while having these classic extroverted traits might help make some aspects of entrepreneurship easier, you can't start a successful business on charm and the ability to dominate at hosting happy hours alone.

There are some staple introverted traits that are actually ideal for entrepreneurial success, and developing them further can help put introverts one step ahead.

1. LISTENING SKILLS

Being quiet is often the bane of an introvert's existence, especially when it's confused with being shy or afraid to speak up. But many introverts are naturally good listeners and prefer to observe first before chiming in. When they do speak, it's often thoughtful and contributes to a conversation rather than just

filling empty air. Active listening can help entrepreneurs build more meaningful relationships and spot problems before they get out of control.

2. VALUING SOLID, ALBEIT FEWER, RELATIONSHIPS

Would you rather have a great core group of colleagues, or a bunch of acquaintances who will show up for your launch party but rarely offer to help you when you need it? A successful business is all about relationship-building, and that's where introverts really thrive. To balance things out, work on socializing at a broader level, but remember that building great relationships with your employees, partners, investors, and the like is what will really pay off.

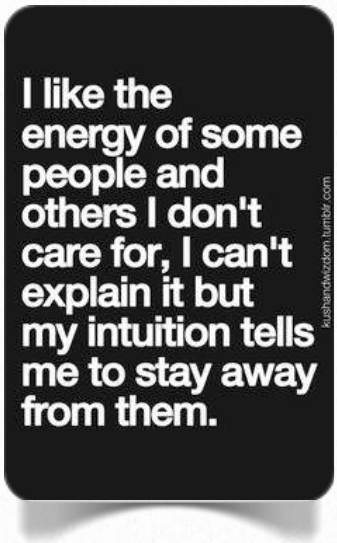
3. EMPATHY

This goes back to listening. The ability to be sensitive and see where another person is coming from is critical for business success. This will let you see what your customers really want, intuitively understand when your investors might be wary of your next move, and understand your employees' positions better. Empathy is a learned trait, not something people are born with, but introverts tend to empathize a little better than some of their peers.

4. DRIVE AND FOCUS

Call it ambition, drive, Type-A personality, or anything else, but introverts can buckle down when things get tough. They thrive off of recharging alone, which means powering through that last-minute proposal is where they thrive. On the other hand, extroverts may struggle if they're charged with an item that demands alone time, since they often need others in order to get energized.

None of this means an introvert or extrovert will make a better entrepreneur. But understanding your innate strengths and weaknesses before starting your next venture can make a huge difference.



The funny thing about introverts is once they feel comfortable with you, they can be the funniest, most enjoyable people to be around. It's like a secret they feel comfortable sharing with you... *except the secret is their personality.*

Why Being an Introvert Makes You a Better Networker

You don't have to be the one making all the commotion to make the important connection.

by Josh Mait

Close your eyes and picture your average business networking event. It's a mob scene of garrulous glad-handers, isn't it? Making new connections means putting yourself out there, overtly and often. It is, in other words, a game for extroverts.

Except it's not—not exclusively, anyway.

The relative merits of extroversion and its more reserved cousin introversion has been a hot topic of organizational behaviorists of late, ever since Susan Cain released her popular Quiet: The Power of Introverts in a World That Can't Stop Talking nearly two years ago. And while I think we can all agree the days of painting introverts as agoraphobic shut-ins who can't sustain a simple conversation are behind us, it is clear we are still figuring out how those among us on the quieter end of the spectrum can leverage their personality qualities to bolster their own store of contacts—their relationship capital.

Regardless of your appetite for casual conversation and cocktails, here are five ways to navigate through the noise.

1. DO YOUR HOMEWORK

Introverts would much rather sit with an individual than dive into a large group. Too bad life is one giant gathering after another. But seemingly overwhelming moments can be whittled down to a more manageable size. Just think of them only as the sum of the attendees. Before every networking event, research the players. Who will be there whom you'd like to meet? Are you already connected to them in some way? What would you like to take away from the conversation? That kind of prepping makes it easier to zero in on targets at the event.

2. KEEP IT SHORT

An introvert gets his energy from being alone and, conversely, is often drained by time spent in a large group. So once you've done your research, spend a few minutes in conversation with those key players. That really is all it should take. Offer your contact information and suggest a follow-up call, coffee, or lunch. Almost everyone will agree to this, and it will set up a more comfortable second meeting.

3. STAY CHOOSY

If you remember one thing about building relationship capital it should be this: the key to a healthy, effective network is quality over quantity. As Posse CEO and admitted introvert Rebekah Campbell recently noted in the New York Times, 15 close connections, who you have accumulated over years and whose advice and insights you can trust, are significantly more valuable than a roomful of passing acquaintances.

The fact is, trying to maintain a glut of contacts is time consuming and broadly unproductive. Even if you do it well—and being honest, introverts are not likely to do it

well—all you have is too many people you know too little about and who will have too little to offer.

Instead, focus on developing strong relationships with a few super-connectors, people who already have their own highly developed networks you can tap into. Lots of potential contacts for the price of one. That's an introvert's dream.

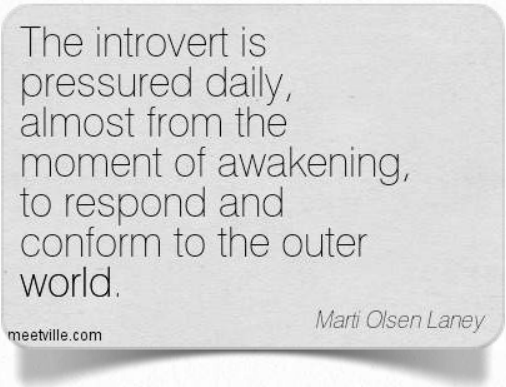
4. EARS OPEN, MOUTHS (MOSTLY) SHUT

Dale Carnegie hit the nail on the head all those years ago in How to Win Friends and Influence People: There's no surer way to secure a new relationship (or to get what you need) than by making the other person feel important. Introverts do know how to listen, and lucky for them, most people like being listened to. Don't waste energy filling up conversations with personal anecdotes. Just listen to what your new friend has to say. It will make a great first impression, and chances are you'll learn something useful in the process, something that will create a follow-up opportunity down the road. That's why you're having the conversation in the first place, right?

5. MAKE A FRIEND OF SOCIAL MEDIA

Supplement actual face time with social media outreach. It's a tactic made to eliminate some introversion-related anxieties because it avoids group settings but still lets you maintain important relationships. (Plus, it's a great way to get some of that pre-conference research executed.)

In the end, introverts really are as equipped as extroverts to manage their relationship capital, because aspects of their personality that would seem to be detrimental to the task can be leveraged to their advantage. You don't have to be the one making all the commotion to make the important connection.



The best way to find yourself, is to lose yourself in the service of others.

- Gandhi

Should Office Culture Change to Accommodate Introverts?

In a world designed for extroverts, quiet types are misunderstood as unambitious. Should the introverts change, or should their environment?

by Lisa Evans

In a society that praises extroversion, what's an introvert to do?

Studies show one out of every two or three people are introverts; but in the business world, a quiet personality can easily be mistaken for someone who lacks enthusiasm or ambition

while those with boisterous personalities are seen as engaged go-getters. The perception in our society is that if someone isn't tooting their own horn, they must not have what it takes to succeed. The Wall Street Journal recently published an article about Thomas G. Lynch, a sales support executive at business software company SAP, who despite having a good track record, was often passed over for leadership roles because of his quiet personality.

Lynch hired a career coach to help him overcome his quiet image. In the article, Lynch describes how he asked co-workers to provide three adjectives that described him. The results (words such as innovative, thorough, and empathetic) showed Lynch his best qualities were tied to his reflective, introverted style.

Rather than try to change his personality to become an extrovert, Lynch was encouraged to continue to build upon the strengths of being an introvert. The change he was encouraged to make was to promote those strengths to those around him, doing a little self-boasting and speaking up more in meetings. In other words, making small extroverted changes, but ones that didn't completely go against his introverted style.

While Lynch now feels more positive about his career potential since making these changes, the article raises an important issue. Despite all the literature on the benefits introverts bring to a business, modern workplaces are designed primarily with the needs of extroverts in mind.

In her bestselling book Quiet: The Power of Introverts in a World That Can't Stop Talking, Susan Cain argues that open-office floor plans that subject us to the constant noise and gaze of co-workers are often uncomfortable environments for introverts who thrive in quiet, low-key environments that allow for reflection and creative thought. Yet, introverts are constantly forced to work against their own nature and to turn on their creative juices in team meeting settings.

As an introvert myself, I used to head to meeting rooms 15 minutes early to have a few moments alone for quiet reflection and brainstorming before the troops entered and the room got loud. I wonder what would have happened if Lynch's company had examined ways to create a culture that appealed to his natural temperament.

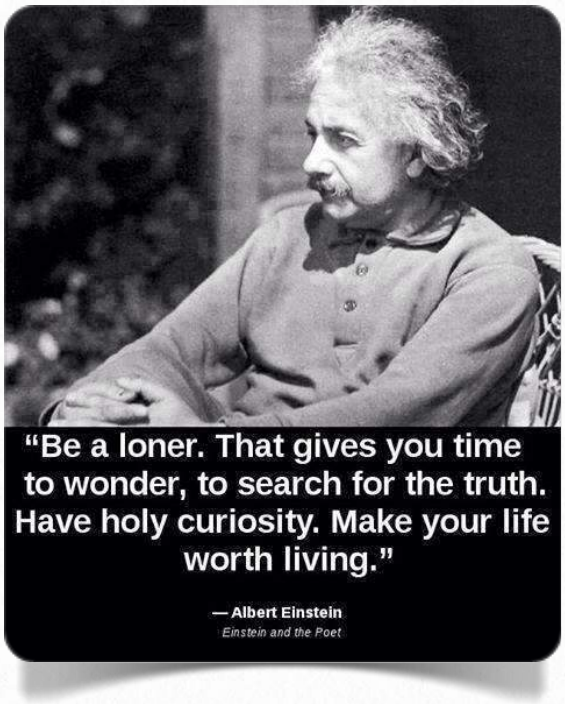
Rather than a one-size-fits-all open workspace, what would happen if an office gave employees the choice between pri-

Knowing others is wisdom, knowing yourself is enlightenment.

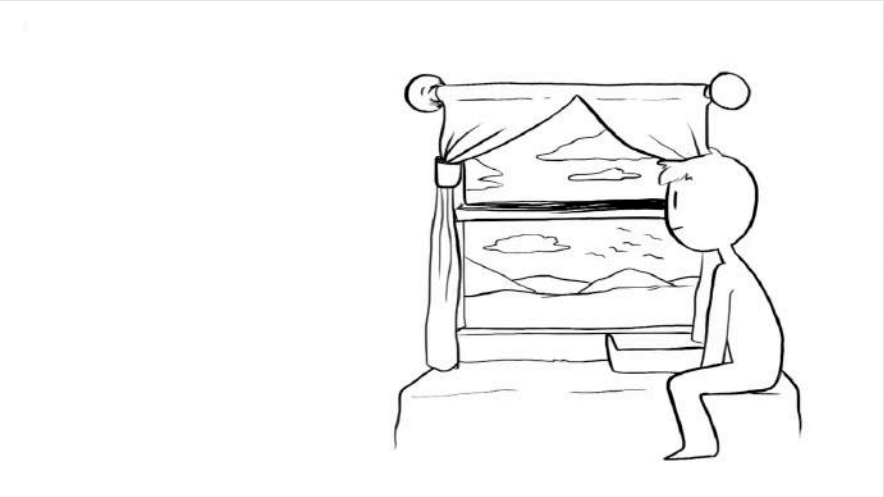
- Lao Tzu

vate rooms and open spaces for co-mingling? What if meetings began not with a large group of people spitting ideas onto the table but with a few minutes of solo activity where a problem is presented ahead of time? What if introverts like Lynch (and myself) could take a few moments in solitude to gather their thoughts and can even send out ideas in an email ahead of the meeting time, rather than being forced to react on the spot?

Maybe it's not introverts that need to change the way they fit into an organization, but the organization that needs to change how it treats introverts.



Movie 1.1 Change The Way You Look At Introverts



Sometimes we need alone time! It doesn't mean we don't love you.

Know Too Much

The Innovator Who Knew Too Much

by Andy Zynga

It is a profound irony that the more you know about a particular industry, and the more experience you gain in it, the more difficult it can be to move it forward with truly meaningful innovation. But it's true, thanks to something known as "the curse of knowledge" — one of the most vexing cognitive biases identified by psychologists and behavioral economists. (Another big one is "functional fixedness" — a topic I will save for another day). Cognitive biases are very human and arise from our need to make sense of a situation before deciding on a course of action. As we acquire, retain, and process relevant information, we filter

it through the context of our own past experience, likes, and dislikes. Not surprisingly, with every subsequent challenge, our response is increasingly shaped by our knowledge of "how we've always done it."

This is part of why open innovation is so powerful. By definition, it sources valuable ideas and inventions from outside the walls of an organization. That not only brings more brainpower to bear on a problem to be solved, it brings minds that are not constrained by industry conventions.

But if you think that by merely opting for open innovation you will escape the curse of knowledge, you may be wrong. Assumptions based on convention can still undermine the effort because, at the outset of any open innovation, someone has to communicate what is being sought.

Made to Stick authors Chip and Dan Heath share a vivid illustration of how the curse of knowledge leads to communication failures. In an experiment, psychologist Elizabeth Newton asked subjects to choose among 120 well-known songs and then tap out the melody with their finger on a table for a listener to try to identify their choice. When she asked the tappers to guess how likely listeners were to recognize the songs, they predicted a 50% success rate. As it turned out, the listeners correctly identified only 2.5% of the melodies they heard tapped. (Newton's 1990 PhD dissertation, "Overconfidence in Communication and Intent: Heard and Unheard Melodies," gives full details.)

Try it yourself — tap away while a familiar tune plays in your head — and you will understand why the answers seemed so obvious to the tappers. In the same way, the knowledge in an engineer's or technologist's head (or a group of them) causes them to make assumptions about what should be clear to anyone, while failing to give outsiders the understanding of a problem that would allow them to solve it in a new way.

Sometimes the curse of knowledge leads experts to communicate what they're looking for at too low a level. Recently, for example, my colleagues and I assisted a large consumer products company attempting to improve its packaging. It sells a perishable product that consumers don't use all at once, so its engineers had identified the need for a better re-sealing solution. But when we articulated the need, we went beyond describing what would constitute an ideal sealing technology; we specified how much freshness and taste quality had to be maintained over what length of

time. (Other packaging performance factors such as ease of use and cost were also stipulated.) Being clear that the need was to preserve food quality, not just to seal a package, affected how solution providers approached the problem. The overall set of submissions was of high quality, as judged by how well each met the criteria for an ideal solution. Most important, the search resulted in a new package innovation -creatively combining different approaches to achieve the goal — which was promptly patented by the client.

In another search, the curse of knowledge made an organization communicate its need at too high a level. This was the International AIDS Vaccine Initiative, which decided to sponsor an open challenge to the scientific community to come up with an effective inoculation against that terrible disease. Unfortunately, defining the Request for Proposals as a vaccine challenge did not yield many high-quality responses. Our advice was to break down the need to a level where scientists who did not think of themselves as vaccine creators would engage. More fundamentally, this was a protein stabilization challenge. Once it was refocused on that critical stumbling block, the technology search brought back 34 proposals from highly qualified scientists in 14 countries. Three of these were sufficiently promising that IAVI funded their further development with $875K in research grants. Even for an organization full of smart scientists — indeed, especially for such an organization — it can take a third party, unencumbered by presupposition, to overcome the curse of knowledge.

The vaccine example underscores that if you define a challenge and its ideal solution's qualities and characteristics in an application-agnostic way, you defeat the curse of knowledge in two ways. First, the knowledge of the expert sourcing the solution doesn't translate to limiting assumptions about what form it will take. Potential solution providers are given an understanding of the challenge that doesn't constrain their ideation. Second, the potential solution providers are less likely to self-select themselves and their ideas out of contention because they don't think they're relevant.

I regularly see companies' open innovation efforts being undermined by the curse of knowledge. They write detailed specifications for the technology they are seeking based on what they have seen work in the past. They draw up exclusion lists that automatically remove certain companies or industries, and the science they have mastered, from their consideration. Without

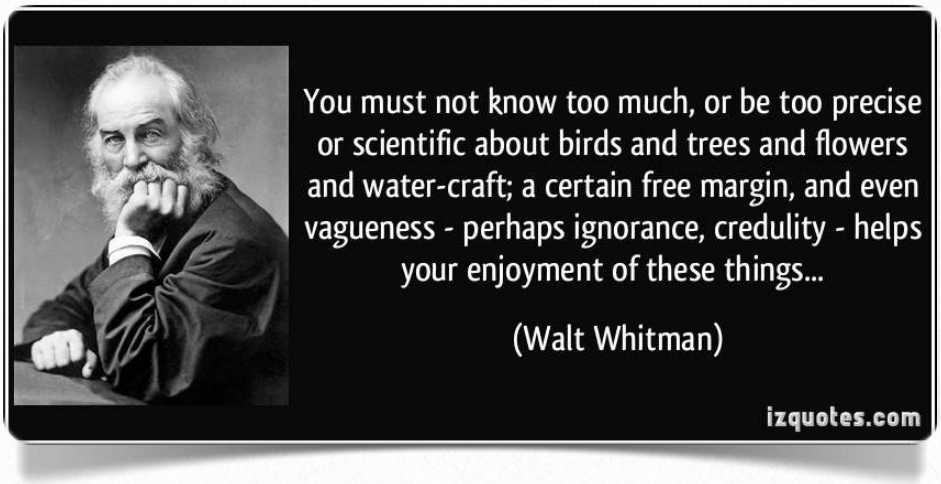
Every man I meet, is in some way my superior.

- Ralph Waldo Emerson

even recognizing that they are making assumptions, they contract their universe and discourage viable submissions.

The only way to avoid these missteps is to place a lot of emphasis on how the need for a solution is communicated up front. In open calls for innovation, we need to clearly communicate to others the real problem to be solved and the benefits the solution must deliver, as well as our own understanding of the chief stumbling blocks and the features a solution will offer.

In our role as innovation facilitators, we have to remember that a little knowledge can be a dangerous thing — and a lot of knowledge can be a curse.



THE RIGHT INGREDIENTS FOR INNOVATION

Much of what fosters innovation involves processes and organization-wide support. A survey by PricewaterhouseCoopers asked CEOs which elements are some of the "most important ingredients to successful innovation."

61% of CEOs say that innovation is a priority or a primary focus within their businesses.

5 MOST IMPORTANT INGREDIENTS FOR SUCCESSFUL INNOVATION:

1. **57%** THE RIGHT CULTURE TO FOSTER AND SUPPORT INNOVATION
2. **44%** STRONG VISIONARY BUSINESS LEADERSHIP
3. **37%** WILLINGNESS TO CHALLENGE NORMS AND TAKE RISKS
4. **31%** ABILITY TO CAPTURE IDEAS THROUGHOUT THE ORGANIZATION
5. **31%** CAPACITY AND CAPABILITY FOR CREATIVITY

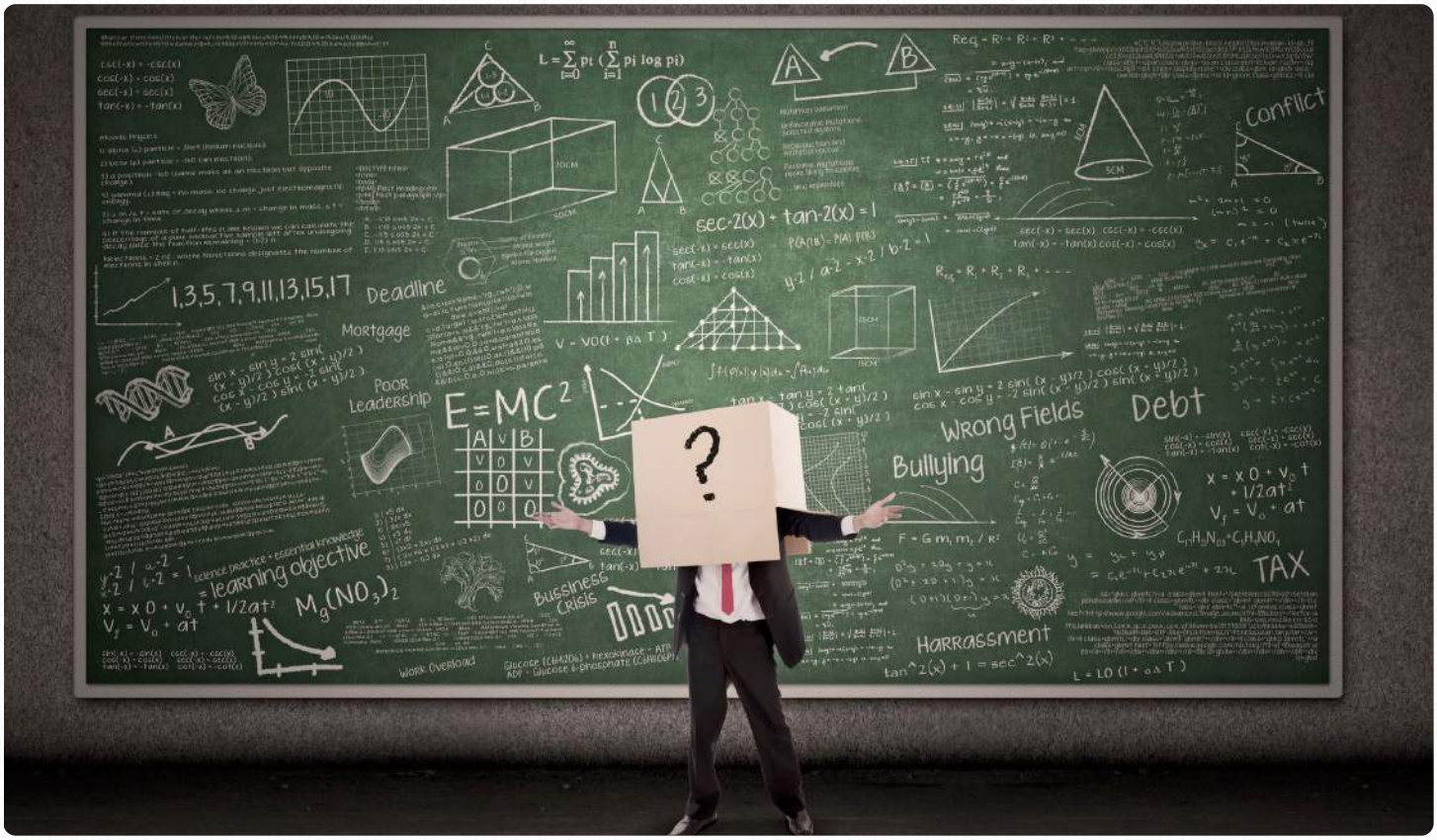
COLLABORATION BETWEEN MINDJET AND SPIGIT

Movie 1.2 What is Innovation?

What is innovation?

You can't connect the dots looking forward; you can only connect them looking backwards. So you have to trust that the dots will somehow connect in your future. You have to trust in something—your gut, destiny, life, karma, whatever. This approach has never let me down, and it has made all the difference in my life. - Steve Jobs

Curse of Knowledge



The Curse of Knowledge

by Chip Heath and Dan Heath

Many sensible strategies fail to drive action because executives formulate them in sweeping, general language. “Achieving customer delight!” “Becoming the most efficient manufacturer!” “Unlocking shareholder value!” One explanation for executives’ love affair with vague strategy statements relates to a phenomenon called the curse of knowledge. Top executives have had years of immersion in the logic and conventions of business, so when they speak abstractly, they are simply summarizing the wealth of concrete data in their heads. But frontline employees, who aren’t privy to the underlying meaning, hear only

opaque phrases. As a result, the strategies being touted don't stick.

In 1990, a Stanford University graduate student in psychology named Elizabeth Newton illustrated the curse of knowledge by studying a simple game in which she assigned people to one of two roles: "tapper" or "listener." Each tapper was asked to pick a well-known song, such as "Happy Birthday," and tap out the rhythm on a table. The listener's job was to guess the song.

Over the course of Newton's experiment, 120 songs were tapped out. Listeners guessed only three of the songs correctly: a success ratio of 2.5%. But before they guessed, Newton asked the tappers to predict the probability that listeners would guess correctly. They predicted 50%. The tappers got their message across one time in 40, but they thought they would get it across one time in two. Why?

When a tapper taps, it is impossible for her to avoid hearing the tune playing along to her taps. Meanwhile, all the listener can hear is a kind of bizarre Morse code. Yet the tappers were flabbergasted by how hard the listeners had to work to pick up the tune.

The problem is that once we know something—say, the melody of a song—we find it hard to imagine not knowing it. Our knowledge has "cursed" us. We have difficulty sharing it with others, because we can't readily re-create their state of mind.

In the business world, managers and employees, marketers and customers, corporate headquarters and the front line, all rely on ongoing communication but suffer from enormous information imbalances, just like the tappers and listeners.

Leaders can thwart the curse of knowledge by "translating" their strategies into concrete language. Consider Trader Joe's, a specialty food chain whose mission is "to bring our customers the best food and beverage values and the information to make informed buying decisions." That's the company's abstract umbrella statement, and it hardly serves to distinguish Trader Joe's from other retailers. But shopping at Trader Joe's is nothing like shopping at Wal-Mart, and its aisles are full of inexpensive but exotic foodstuffs like Moroccan simmer sauce and red-pepper soup.

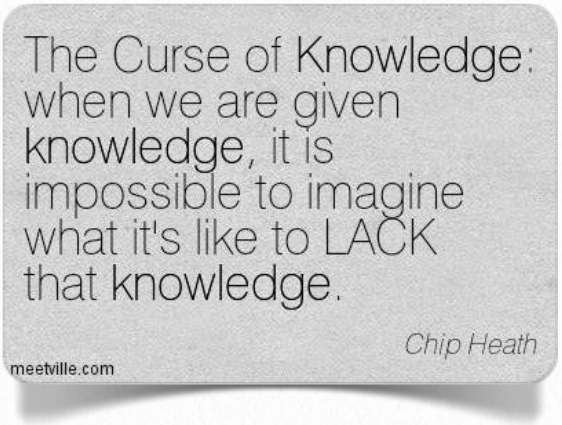
Trader Joe's beats the curse of knowledge and pours meaning into its strategy by us-

ing concrete language elsewhere. It touts its reputation as the "home of cheap thrills," describing its target customer as an "unemployed college professor who drives a very, very used Volvo." The image is a simplification, obviously; at any given moment, there are probably zero of these "target customers" in Trader Joe's. But because it simplifies a complex reality, the description ensures that all the employees of the organization have a common picture of its customers. Would the professor like the red-pepper soup? Yes. more

Stories, too, work particularly well in dodging the curse of knowledge, because they force us to use concrete language. FedEx, for example, uses a story related to its Purple Promise award, which honors employees who uphold FedEx's guarantee that packages will "absolutely, positively" arrive overnight: In New York, a FedEx delivery truck broke down and the replacement van was running late. The driver initially delivered a few packages on foot; but then, despairing of finishing her route on time, she managed to persuade a competitor's driver to take her to her last few stops.

Stories like this are tangible demonstrations of the company's strategic aim to be the most reliable shipping company in the world. A top sales executive can use the New York story to say "This is how seriously we take reliability." A new delivery driver can use the story as a guide to behavior: "My job is not to drive a route and go home at 5 PM; my job is to get packages delivered any way I can."

Concrete language and stories defeat the curse of knowledge and make executives' strategy statements stickier. As a result, all the members of an organization can share an understanding of the strategies and a language for discussing them.



There is no knowledge, that is not power.

- Ralph Waldo Emerson

How Knowledge Can Hurt Innovation

by Scott Anthony

A meeting I had recently with some folks at Gillette highlighted an important issue facing the would-be innovator — the "curse of knowledge."

Chip and Dan Heath described the curse of knowledge nicely in their 2007 book Made to Stick (highly recommended to all innovators). The basic problem: people who have deep knowledge about a topic sometimes assume other people have that same knowledge. That can lead to major missteps.

The brothers Heath bring this to life by describing a simple experiment run by a Stanford doctoral candidate in the early

1990s. The researcher gave subjects a list of popular songs like “Happy Birthday” and asked them to tap those songs out on a table. Another person had to guess the songs. The researcher asked the “tapper” to predict the percent of songs the “listener” would guess correctly.

The tappers — who could hear the song in their heads as they tapped — assumed that people would get 50 percent right. They actually got 2.5 percent right.

Common sense is not so common.

- Voltaire

What does this mean for innovation? Managers who have spent their entire lives working in an industry often suffer from the curse of knowledge. They assume customers know more than they do. This curse can blind managers to opportunities and threats.

During my meeting at Gillette, one group member described how “of course” the last place you should shave is around your mouth. As I tend to shave my chin last, I asked him why.

“Well, that part of the face has the most nerve endings,” he explained. “So you need to give more time for your shave prep [lotion or gel] to work.”

As that was news to me, I wondered if I was alone in my naivety. So I launched a quick survey.

Twitter and Innosight friends and family produced about 100 responses in 24 hours. Turns out only about 30 percent of people claim to shave around the mouth last (the neck was the most popular choice).

Further, only about 25 percent of the people who shave around the mouth last said they did so in order to let their shave prep work or because the area is sensitive. Other an-

The test of a first rate intelligence...

Is the ability to hold two opposed ideas in the mind at the same time...

And still retain the ability to function.

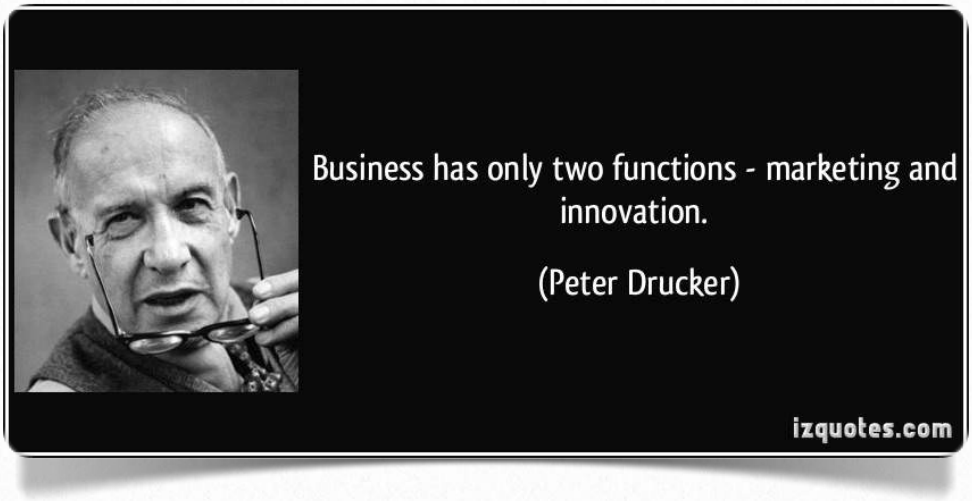
- F. Scott Fitzgerald

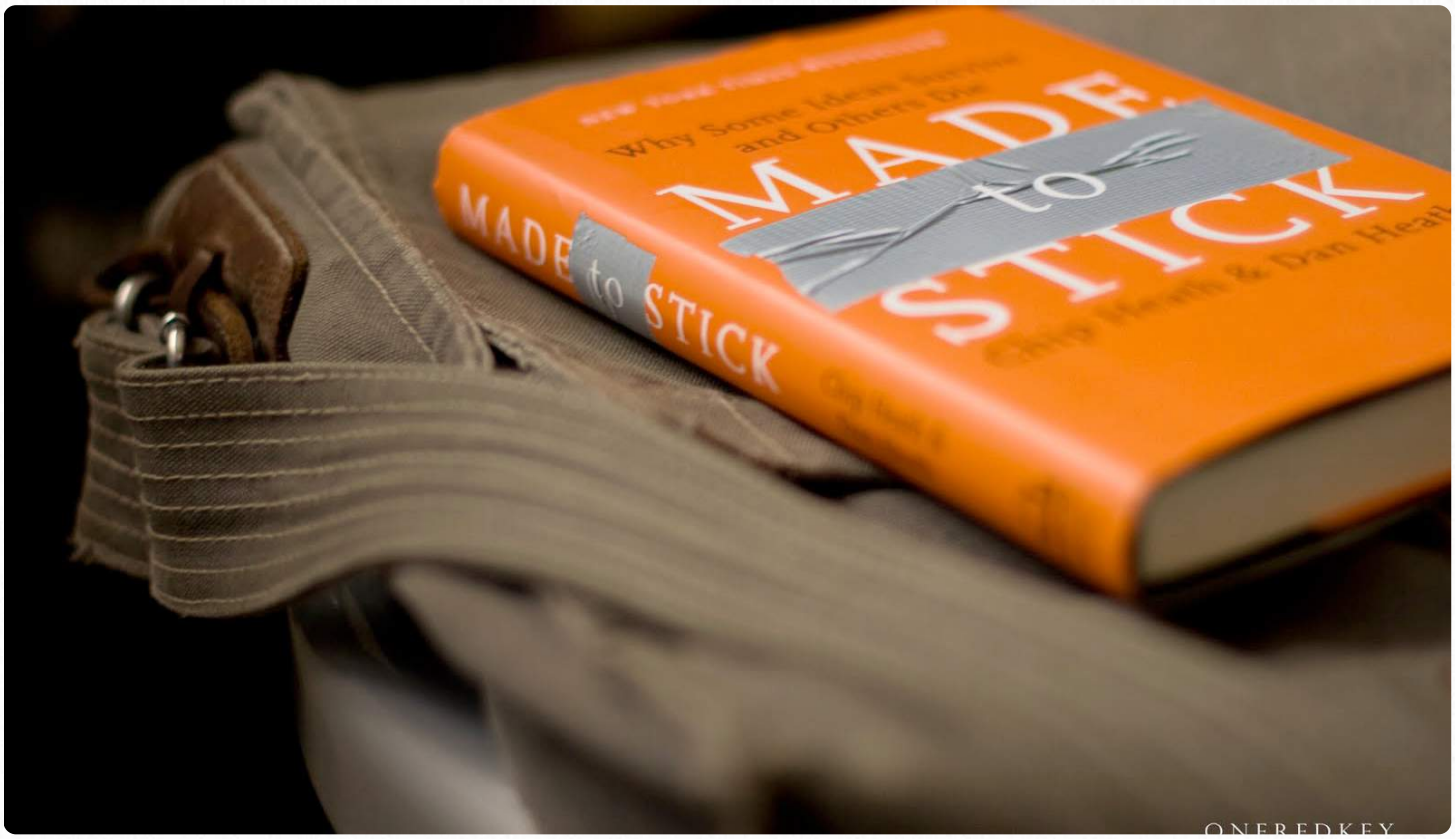
swers (it was an open-ended question) ranged widely, with my favorite answer being, “Best for last?”

How do you break free from the curse of knowledge? Spending a lot of time with customers helps. The more you listen to what the customer says and doesn’t say, the more you can make sure that your intuition is attuned to the customer’s knowledge base. Recognizing the curse helps as well. Make a regular habit of asking questions such as, “Is this our view, or the view of our target customer?”

Finally, bring in outside voices who can ask the innocent questions that can expose the curse of knowledge.

The 2004 Boston Red Sox showed how curses can in fact be broken. Don’t let your own knowledge blind you to threats and opportunities.





My ultimate vocation in life, is to be an irritant.

- Elvis Costello

Made to Stick by Chip Heath and Dan Heath

by Larry Prusak

Does anyone still believe that there are efficient markets for ideas in organizations? Imagine a virtual meritocracy where ideas rise and fall purely on their own merits, regardless of how they are presented and who is pitching the idea.

The brothers Heath know how important the pitch is. Made to Stick is a useful primer for how to “pitch” an idea so that it sticks in the minds of its hearers. This book is one of the first to deal with what one day soon will be an acknowledged academic subject: how information works in a world we recognize. A few hundred years ago I studied the history of ideas, which treated ideas as sacrosanct and objective in the ex-

Without contraries there is no progression.

Attraction and repulsion, reason and energy, love and hate...

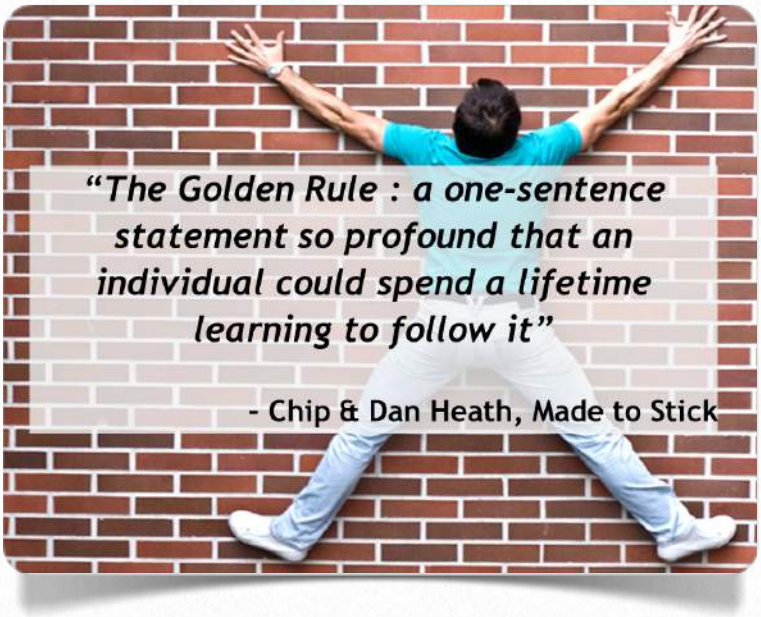
Are necessary to human existence.

- William Blake

treme. We could have used this book back then, but no one had the nerve to state what is stated so eloquently here.

This book delineates just how to package and present ideas so that they stick – they stay in your head and you actually act on them. The Heaths maintain presenters should focus on the six things that make ideas stick – aptly summed up in the mnemonic SUCCES: simplicity, unexpectedness, concreteness, credibility, emotion, and story. Don't forget that last one among your bullet points. The Heaths show how to embed your ideas in a narrative that is compelling and engaging, rather than depend solely on analytical persuasion.

In a sprightly and very engaging tone (the dry stuff is in the footnotes) the Heaths have produced a first-rate book for managers, who all should realize just how useful it is to have some help in getting their ideas heard in an increasingly noisy marketplace of ideas.



MADE to STICK
SUCCESs Model

PRINCIPLE 1

SIMPLE

Simplicity isn't about dumbing down, it's about prioritizing. (Southwest will be THE low-fare airline.) What's the core of your message? Can you communicate it with an analogy or high-concept pitch?

PRINCIPLE 2

UNEXPECTED

To get attention, violate a schema. (The Nordie who ironed a shirt…) To hold attention, use curiosity gaps. (What are Saturn's rings made of?) Before your message can stick, your audience has to want it.

PRINCIPLE 3

CONCRETE

To be concrete, use sensory language. (Think Aesop's fables.) Paint a mental picture. ("A man on the moon…") Remember the Velcro theory of memory—try to hook into multiple types of memory.

PRINCIPLE 4

CREDIBLE

Ideas can get credibility from outside (authorities or anti-authorities) or from within, using human-scale statistics or vivid details. Let people "try before they buy." (Where's the Beef?)

PRINCIPLE 5

EMOTIONAL

People care about people, not numbers. (Remember Rokia.) Don't forget the WIIFY (What's In It For You). But identity appeals can often trump self-interest. ("Don't Mess With Texas" spoke to Bubba's identity.)

PRINCIPLE 6

STORIES

Stories drive action through simulation (what to do) and inspiration (the motivation to do it). Think Jared. Springboard stories (See Denning's World Bank tale) help people see how an existing problem might change.

s

Movie 1.3 Be Great Company Intro by MangoSlice

How it happened...
The Be Great team approached us to launch their new corporate motivational training service with an exciting video introduction. From the very start, this project had us excited and thinking about creating a journey! The Be Great team wanted to have fun with it, which was just music to our ears. Corporate team building and motivational training isn't always marketed in a fun way and we credit the Be Great team who wanted to step outside of this box.

Cost of Knowledge

The Cost of Knowledge

by Al Jacobson and Laurence Prusak

"Knowledge management" in organizations has become synonymous with "knowledge searching." Web crawlers and other data-mining programs swarm over terabytes of documents and e-mails looking for clues that can help connect information seekers with sources. Clever icons adorning desktops promise to instantly deliver users to the right expert. Organizations deploy network analysis tools to identify their key knowledge brokers—people who provide directions and access to knowledge repositories. All this costs lots of money: A recent IDC study predicts that sales of enterprise information-search sys-

Live as if you were to die tomorrow.

Learn as if you were to live forever.

- Gandhi

tems will rise about 25% a year, from nearly $1 billion in 2005 to some $2.6 billion in 2010.

Is this continued spending worthwhile? Maybe not. Our research on the costs of knowledge interactions, conducted through Babson College's Working Knowledge Research Center, suggests that, valuable as these efforts have been to date, future payoffs will depend less on enhancing systems that track down information than on devising strategies to help employees use what they've found.

As part of our study, we asked more than 200 knowledge workers in four very different organizations—the U.S. Defense Intelligence Agency, the testing service ETS, the drug firm Novartis, and the research institute Battelle—to keep a daily log over a ten-day period. For each of their knowledge interactions, they estimated the amount of time spent searching for knowledge, scheduling meetings with experts, eliciting expertise, and interpreting and applying the knowledge gained. All told, the participants recorded more than 3,000 interactions.

We'd assumed—as many managers do—that the employees would put most of their knowledge acquisition efforts into finding out where information resided in the organization and then negotiating with each source for an opportunity to discuss it. In fact, as the chart shows, employees spent, on average, less than 17% of their time searching and scheduling, and more than 80% eliciting, interpreting, and applying. The results are consistent across organizations and for workers of all ages, positions, and lengths of tenure.

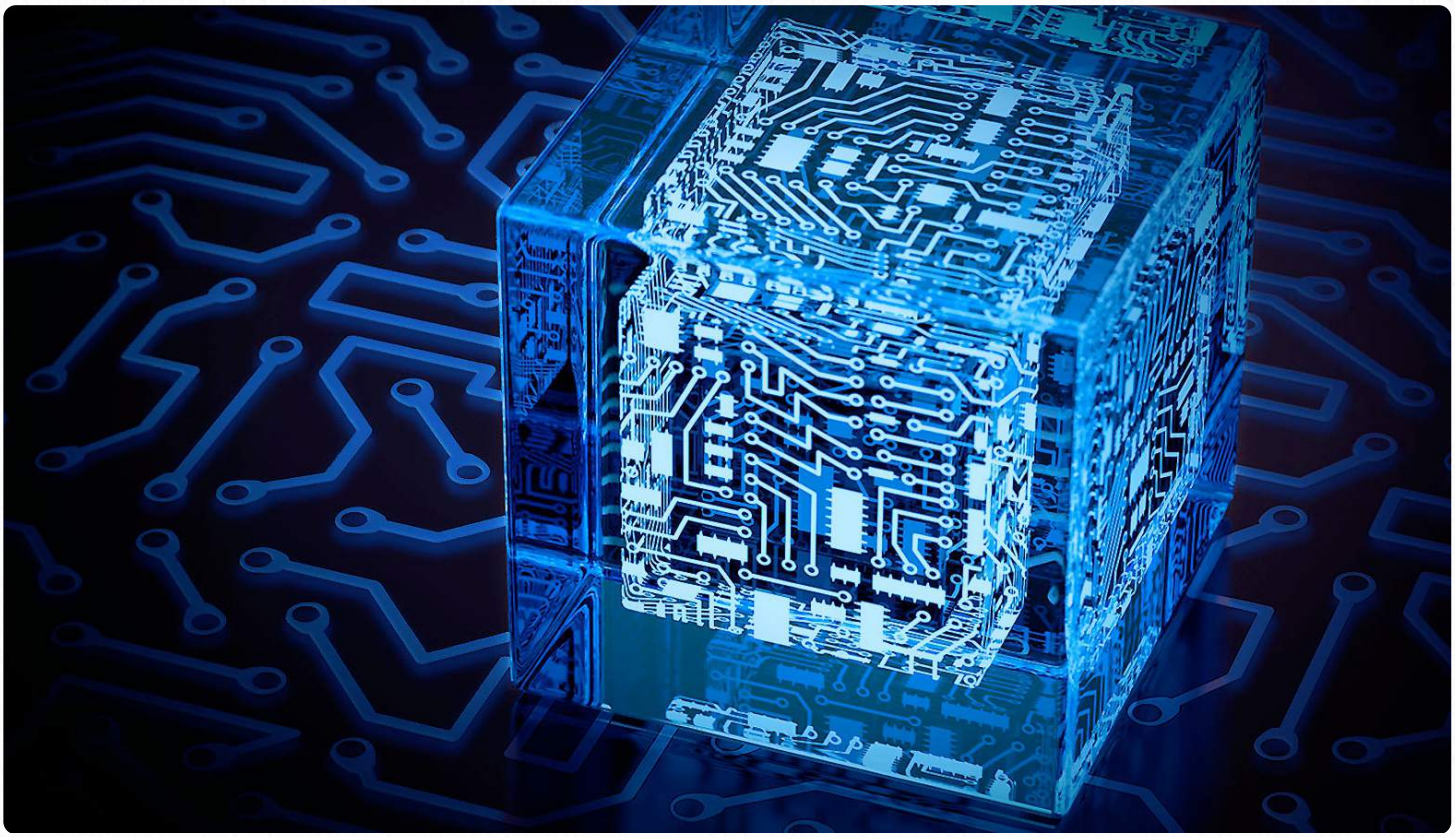
Wisdom is the right application of knowledge.

And true education is the application of knowledge to the development of a noble and godlike character.

- David O. Mckay

This surprising finding suggests, first, that IT investments in search technologies appear to be working and that additional investments of the same kind are likely to yield only marginal benefits. Second, and more important, it suggests that managers should focus on understanding why some employees are more adept than others at gathering knowledge and customizing it for their own use.

Our preliminary work indicates that some people have tacit skills that can be codified and taught to others. Until managers can make that happen, though, we advise them to seek out those in their organizations who consistently do a good job applying newly gained knowledge—the customer relationship manager, for example, who has a knack for understanding how the new information he has acquired about his company's products will be relevant to his clients. Then watch how these individuals work, and look for common techniques. Chances are, you'll find clues about how to profitably shift the focus of your efforts from knowledge seeking to knowledge application.



Management is about human beings. Its task is to make people capable of joint performance, to maker their strengths effective and their weaknesses irrelevant.

- Peter F. Drucker

Are You Wasting Money On Useless Knowledge Management?

by Martin Ihrig, Max Boisot, and Ian MacMillan

Is your company investing in expensive knowledge management systems that are useless for making big, strategy decisions? Most companies recognize the need for knowledge management, but often delegate it to the IT and HR departments without linking it to corporate strategy, often thereby wasting both resources and the strategic options their firm's knowledge could generate. The problem is that most current knowledge management efforts merely inventory the company's knowledge, without parsing out the knowledge that is strategically relevant. Strategic management of knowledge fo-

cuses only on those knowledge assets that are critical to your firm's competitive performance — from the tacit expertise of key individuals right through to explicit company-wide general principles.

Here's how to do it: use strategic management of knowledge (SMK) maps to depict a network of critical knowledge assets in four simple steps: 1) identify the knowledge assets that drive your organization's competitive performance; 2) map them along the dimensions we present below; 3) analyze the strategic implications of the maps; 4) strategize and plan knowledge development trajectories.

In our simplified format, knowledge assets map along two dimensions. The first measures the degree to which knowledge is tacit and uncodified, versus explicit and codified. Highly tacit knowledge embodies deep, almost intuitive understanding that is hard to articulate and explain to others and that is rooted in concrete experience. Over time, much of this tacit knowledge can be made more codified, and therefore more easily shared and understood by others.

The second dimension maps the extent to which knowledge has diffused to others. Undiffused knowledge is possessed by only a few people, highly diffused knowledge is shared by many others and, by implication, is accessible to competitors. Diffusion is in two forms: bounded diffusion, where knowledge has not diffused beyond the people in your firm, and unbounded diffusion, where knowledge is available to other organizations. So, while more codified knowledge becomes easier to profitably exploit, the danger is that over time it is more easily accessed and appropriated by competitors. While you would like knowledge to be diffused among the people within your firm, knowledge made available beyond your firm's boundaries should be a deliberate strategic move and not a consequence of leakage.

The first mapping challenge is to identify the most important "blocks" of knowledge in your firm's possession and to gauge how codified and diffused they are. The second is to identify how these blocks link up into knowledge networks. Map A shows a simplified version of the strategic knowledge map we developed for a firm in the electronics industry. Each of the circles in the map represented a specific "chunk" of knowledge that the firm felt was strategically important for competitive performance (using acronyms to represent different types of knowledge–for this exercise it doesn't matter what they stand for). An ex-

ample of such a strategic chunk would be knowledge of the procedures to follow in designing a specific aircraft engine (structured) or how to assemble the design team to develop a new type of aircraft (tacit).

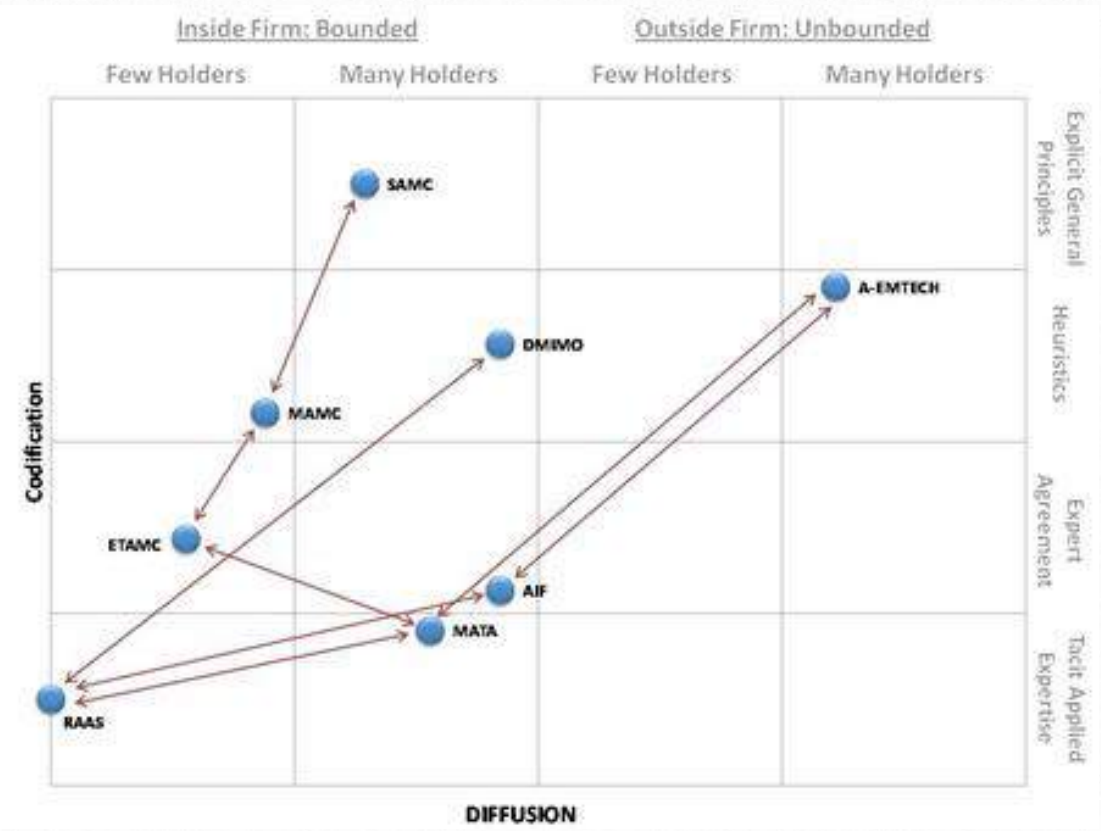


Figure 1: Map A

You can start your own mapping process by using the following simple scale to map each block of strategic knowledge.

Codification:

- An expert can use the knowledge to perform tasks but cannot articulate in a way that others can perform these tasks.
- Experts can perform tasks and discuss the knowledge involved with one another.

- The variables that influence the performance of a task can be exploited heuristically (i.e. they can be identified and described, but their interaction and causal relations cannot be).

- The causal relations between relevant task variables can be identified and described, so that general principles can be applied.

There is no lack of knowledge out there, just a shortage of asking for help.

- Anonymous

Diffusion:

- Only a few individuals in your company possess this knowledge.

- Many in your organization possess this knowledge.

- Some outsiders possess this knowledge.

- Many outsiders possess this knowledge.

Once the knowledge is mapped, the strategic challenge is to then decide on how to profitably allocate your resources to its further development: To generating new, deep-seated uncodified knowledge? To codifying tacit knowledge? To diffusing the codified knowledge within your firm despite the risks of 'leakage' beyond it? To accessing complementary knowledge from outside? To transferring knowledge by licensing or selling it?

Consider by way of illustration, the strategic options available for exploiting the knowledge distributed across map A:

1. RAAS and ETAMC should be further codified and IP-protected to extract more rents.

When things are simple, fewer mistakes are made...

The most expensive part of building, is the mistakes.

- Ken Follet

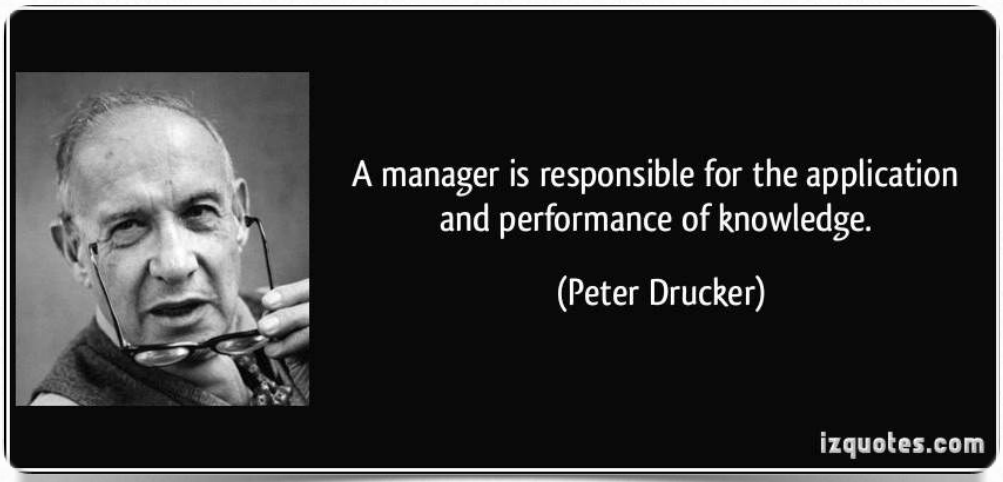
2. DMIMO and AIF are in danger of leaking to competition; so consider licensing them while enhancing their value by capitalizing on the strength of their links to RAAS.

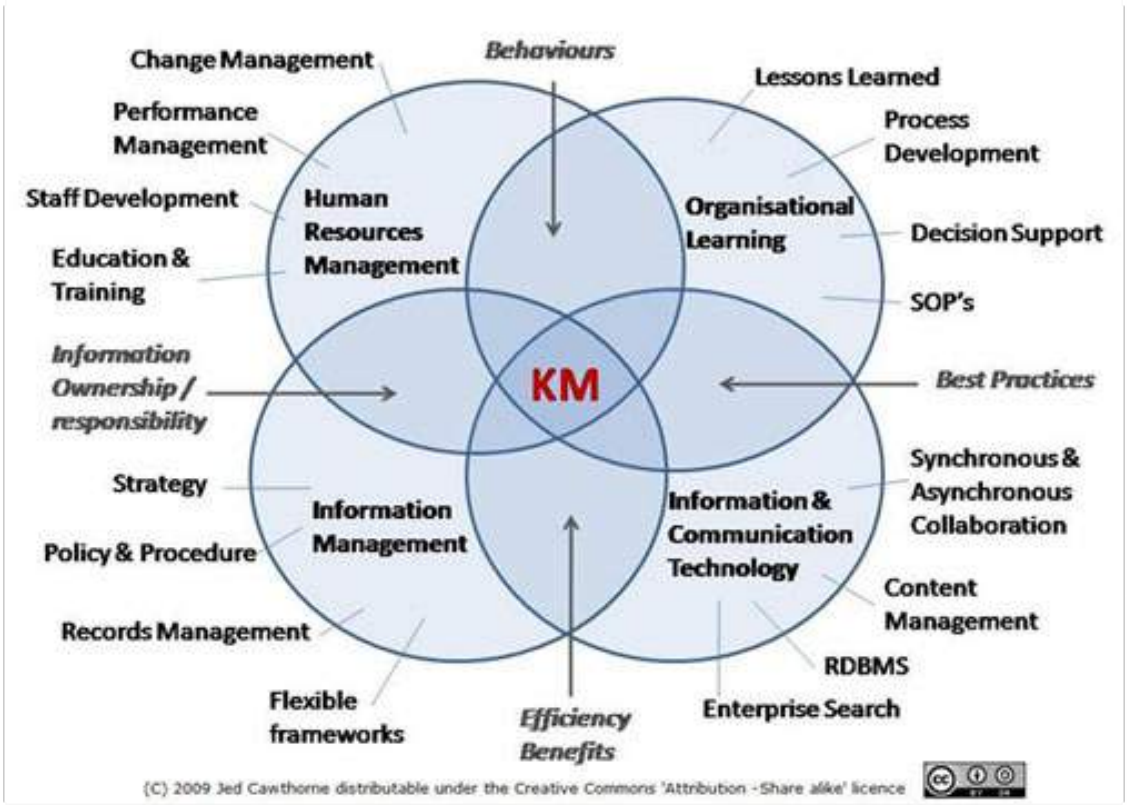
3. Collaborate with other firms — through JVs or alliances — to further codify MATA and AIF, sharing the spoils.

4. SAMC should be generating profits, but given its diffusibility, these could start being appropriated. Consider licensing it to others, exploiting its linkages to MAMC to enhance revenue streams.

5. Either codify MAMC to increase revenues, or leave it where it is and retain its “trade secrecy”.

So, strategic knowledge mapping identifies the knowledge you should be investing in, holding on to, sharing with others — customers, suppliers, joint venture partners, etc. — or letting go, and how to go about it. Without a strategic knowledge map, costly investments in knowledge often remain ill-informed and misdirected. Asking the simple scaling questions to identify and locate your key knowledge assets (used to generate Map A), expensive mistakes can be avoided.




Change Management
Behaviours
Lessons Learned
Performance Management
Process Development
Staff Development
Human Resources Management
Organisational Learning
Decision Support
Education & Training
SOP's
Information Ownership / responsibility
KM
Best Practices
Synchronous & Asynchronous Collaboration
Strategy
Information Management
Information & Communication Technology
Policy & Procedure
Content Management
Records Management
RDBMS
Flexible frameworks
Efficiency Benefits
Enterprise Search
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Movie 1.4 Eckert Caine - Bridge

The Web-based management system Bridge™ offers managers a constantly up-to-date picture of their organization and their central strategic activities. The strategy-relevant knowledge of a company is bundled and always kept as a definitive current version.

The concept covers the central management topics of strategy, organizational design, manager development, and all types of execution processes. It is developed by experienced management consultants and software experts based on the holistic concept of the St. Gallen Management Model.

Building Culture

6 Rules for Building and Scaling Company Culture

by Anthony K. Tjan

Great founders start businesses not to create a company but to solve a problem, to serve a calling, and to understand that they have a purpose that can actually make a meaningful difference. But of course, they also want their businesses to survive – and thrive – after they've moved on.

Great performance can never come without great people and culture, and the opposite is also true – great people and culture are affiliated most with high-performing organizations.

We can argue over which drives the other. But there is one undeniable truth: when a company is in its earliest days – when there is no performance or numbers to speak of – the key differentiators are the team, their purpose, and their culture. The team is the company's raw DNA, the purpose their religion, and culture their unique way of operating based on common principles, norms, and values. Like aiming a rocket ship into orbit, if you get this wrong from the start, your trajectory will only get worse over time.

After some two decades of launching, building, and operating some of my own businesses to both meaningful failure and meaningful success, I've observed some important principles for building and scaling a culture that can live beyond a set of founders to become a lasting institution. I'm certain there are other key things to do regarding culture and variations on the themes I set forth below, but here are my top six immutable laws of building and scaling great culture:

1. Start with purpose. I learned this from my partner Mats Lederhausen who has had a string of great business and culture-building successes as the former Chairman of Chipotle, Chairman of Roti, and co-founder of Redbox. The common theme he sees is that you need to begin by understanding your "why" — from the inside out. This is about mission, not marketing. What calling does your business serve? This should feel authentic, inspirational, and aspirational. The companies with strong purpose are the ones we tend to love best because they feel different – Chipotle, Pret a Manger, Ikea, Container Store, or Apple to name a few. Whether it's trying to just offer better food, or democratize great design, the cause behind the brand is clear.

2. Define common language, values, and standards. A great mentor of mine, Tsun-yan Hsieh, was one of the foremost leaders at McKinsey. Over 30 years, he shaped a large part of its people development program, and taught me the framework of "common values and common standards." Great cultures need a common language that allows people to actually understand each other: first, a common set of values, which are the evergreen principles of the firm, and second, a common set of standards by which a business will measure how they're upholding those principles. For example, if you have mentorship as a stated value, then you must consider how you define it and

how to measure it. Will it mean that you expect employees to follow a certain promotion path and career timeline? Does it mean that you will hold internal 360s that determine mentorship scores, and tie those scores to people's bonuses? Or will you create go further, and only promote the people who develop others? Only when you have common language, common values, and common standards can you have a cohesive culture.

If you want to go fast, go alone.

If you want to go far, go together.

- African Proverb

3. Lead by example. Leaders must reflect the firm's values and standards. They must be the strongest representations of the firm's culture and purpose, not just writing or memorizing the mission statement, but rather internalizing and exemplifying what the company stands for. Again, a few examples bring this to life: do people feel that a Richard Branson lives the Virgin way of spirited fun when he makes daredevil entrances or entertains on his island? Do people have any doubt that John Mackey of Whole Foods approaches food with a greater consciousness about its quality and provenance? These types of leaders have not just an incredible passion and work ethic for what they do, but a cultural ethic in that how they do what they do inspires others.

4. Embrace your frontline cultural ambassadors. Every organization I've worked with has people throughout the employee base who are unsung heroes of brand and cultural ambassadorship. These are people who love the company and its core purpose. They are your best cultural cheerleaders. They may be the folks on the shop floor trying to solve a product issue, an assistant talking to countless stakeholders, an analyst crunching the numbers, a customer service rep empathetically talking with customers,

or a mid-level manager developing other people every day. When they tell friends and family about where they work, they don't talk about a workplace but a work story, with a voice that comes from the heart. You know them when you see them, but as a company grows, it can take more effort to identify them. Do you know who these people are? Have you rewarded them and thanked them? At a time when outsourcing functions such as customer service or automating checkout procedures are becoming more common, the role of frontline cultural ambassadors does not diminish, but rather disproportionately increases and can become a real competitive advantage.

5. Seek, speak, and act with truth. Arguably self-awareness and truth-seeking are a subset of one's values (point number 2), but I would argue that self-awareness and truth-seeking are so important that they should be on every company's list of values. Some call this integrity, but truth seeking and self-awareness are slightly different. If integrity is best described by C.S. Lewis as "doing the right thing, even when nobody is watching," then truth-seeking and self-awareness are about having the ability to be completely honest about your own strengths, weaknesses, and biases. In an authentic and strong culture this applies not only to the leadership team, but every single employee. Such self-awareness and truth-seeking is easy to lose, and hard to win back. When cultures are failing, there are usually root causes that can rarely be fixed quickly. During these times, people want to flip a light switch and — ta da! – see that the culture is fixed. Unfortunately, building, evolving and transforming cultures takes both time and hard work.

6. Be greedy with your human capital – then treat them right. The mantra at our own firm is that in the end it's always about people and character. When recruiting folks, spend more time screening for character than you do screening for skill. While skills can be learned, it is much harder to cultivate attitude and character. This practice, known as "hire for attitude and train for skill," was pioneered by Southwest about 40 years ago, helping to explain its track record as an admired, purpose-driven company. There is no doubt that over time, institutional character and culture is the simple byproduct of individual people. Whether

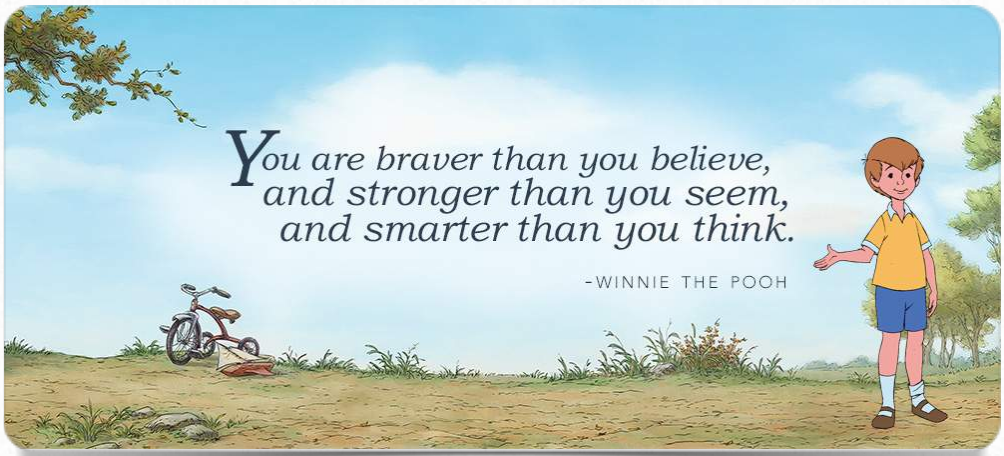
Without strategy, execution is aimless.

Without execution, strategy is useless.

- Morris Chang

you are hiring based on competency or character, remember that A's will always attract other A's — but B's will attract C's. Bottom-line: be super greedy with the talent you bring in to make sure you get the A players. Compromising on talent that is good enough but not necessarily the best you think you can get, especially in pivotal job roles, is a sure formula to short-circuit your own culture and long-term performance. Once you've hired the right people, treat them right. The best long-term retention strategy is to mentor people toward meaningful roles. I've found that what matters more than any extrinsic rewards — like compensation and title — is pushing and developing people towards their full potential.

In business, we often overweight the "what" of the business and underweight the "how" and "why." But it is the "how" and "why" that form both the soul and character of business — what employees feel when they come to work, and what customers feel when they do business with you. If you're lucky enough to hit upon the right culture, do everything you can to preserve and scale it. If you can do that, then you can have a chance of not just growing a successful business, but of building a business that will survive long after you're gone.



You can't just ask the customers what they want and then try to give that to them.

By the time you get it built, they'll want something new.

- Steve Jobs

What It Means to Work Here

by Tamara J. Erickson and Lynda Gratton

It's the HR equivalent of keeping up with the Joneses: In their quest to find and retain top talent, businesses often try to match competitors' offers, ensuring that their compensation schemes, health care benefits, training programs, and other talent-management practices are in line with the rest of the industry's. While this strategy may be useful for bringing job candidates to the door, it's not necessarily the most effective way to usher the right people across the threshold—great employees who will be enthusiastic about their work and fiercely loyal to the organization and its mission.

Nor does marching in lockstep with industry standards prompt companies to consider what's unique about their histories and values or potential employees' attitudes about work. Certainly, reasonable pay and a breadth of health care options matter to prospective hires, as do the tasks they'll have to perform. But people also choose jobs—and, more important, become engaged with their work—on the basis of how well their preferences and aspirations mesh with those of the organization.

Imagine yours is one of three job offers a talented candidate is mulling over. She hears a little about the orientation program at each firm. At your company, the first three months are probationary: As a new hire, the candidate would work closely with an assigned team, and when 90 days are up, the team members would vote on whether she stays or goes. Management won't have the final say. At the second company, the candidate would work on a series of fast-paced, creative projects during her first three months, under the close scrutiny of senior management. At the end of that period, she'd be expected to find a project that matched her skills. In the third company, the new hire would undergo intensive training during the first three months, learning the organization's well-defined ways of doing business; after that, she would apprentice for an extended period with one of the firm's strongest performers.

None of these orientation experiences is inherently better than the others; the prospect will pick the company whose entry program most closely reflects her own values and preferences. If she loves risk and can put up with ambiguity, she might relish the challenges and the pace of the second company but would probably be miserable with the constraints of the third. If she enjoys collaborative work, she might gravitate toward your company.

These examples underscore the importance of employee preferences in the war for talent. Unfortunately, they are often overlooked. What truly makes good companies great is their ability to attract and retain the right people—employees who are excited by what they're doing and the environment they're operating in. Such people are more likely to be deeply engaged in their work and less likely to chase after slightly better salaries or benefits. They will find ways to satisfy their own preferences and aspirations while meeting the organization's need to come up with creative and productive solutions to business problems. Their commitment becomes con-

tagious, infecting customers and prospective employees. Indeed, engaged employees are the antithesis of hired guns rotating in and out of critical roles—they're productive for the long term.

You won't find and keep such individuals simply by aping other companies' best practices or talent-management moves, however. You need to be able to tell new and prospective hires what it's like to work at your company, to articulate the values and attributes that make working at your firm unique. You need to provide a "signature experience" that tells the right story about your company. In the process, you'll empower the people who share your values and enthusiasm for work to self-select into your firm, thereby creating the foundation for highly productive employee-employer relationships.

Bringing Distinctiveness to Life

A signature experience is a visible, distinctive element of an organization's overall employee experience. In and of itself, it creates value for the firm, but it also serves as a powerful and constant symbol of the organization's culture and values. The experience is created by a bundle of everyday routines, or signature processes, which are tricky for competitors to imitate precisely because they have evolved in-house and reflect the company's heritage and the leadership team's ethos.

The concept of signature experiences grew out of organizational research we've conducted during the past five years. Initially, we looked closely at companies with highly engaged employees (as measured by workplace surveys and other tools) and set out to compile a checklist of the common practices these businesses used to foster enthusiastic, committed, mission-aware employees at all levels. Surprisingly, their approaches to talent management varied greatly. For instance, some firms paid well above the mean while others paid below it. Some boasted highly flexible, self-scheduling work groups; others featured more structured, "all hands on deck" environments. The companies' underlying philosophies about the employer-employee relationship also varied, from paternalistic to hands-off. more

The more we looked, the more we realized that the variation in practices was not just noise in the system; it was, in fact, a critical element of the companies' ability to achieve high levels of employee engagement. These organizations excel at expressing what makes them unique. They

know what they are, and it's not all things to all people. They understand their current and future employees as clearly as most companies understand their current and future customers. They recognize that individuals work for different reasons and accomplish tasks in different ways. And they demonstrate what they are vividly, with stories of actual practices and events, not through slogans on the wall or laminated values cards on every desk. As a consequence, these companies hire people who easily and enthusiastically fit in, and thereby cultivate a more committed workforce. To understand how these companies attract, engage, and retain the right kind of talent, let's take a closer look at the three signature orientation experiences we described earlier.

Whole Foods Market.

The first signature experience—team-based hiring—is similar to the orientation experience at Austin, Texas–based Whole Foods Market. Potential hires are informed that each department in each store (meat, vegetables, bakery, and so on) comprises a small, decentralized entrepreneurial team whose members have complete control over who joins the group. After a four-week trial period, team members vote on whether a new hire stays or goes; the trainee needs two-thirds of the team's support in order to join the staff permanently. This signature experience is in line with Whole Foods' profit-sharing program. Thirteen times a year, the company calculates the performance of each team. Members of the teams that do well receive up to $2 per hour extra in their paychecks. That bonus pay is explicitly linked to group rather than individual performance, so team members choose their trainees carefully—they want workers, not buddies. This entry into the company undoubtedly weeds out lone wolves and conveys a strong message about the firm's core values of collaboration and decentralization. This signature experience seems to be working: Whole Foods has appeared on Fortune's list of the 100 Best Companies to Work For nine years in a row.

Trilogy Software.

The second orientation experience described earlier—trial under fire—is patterned after the signature experience at Trilogy Software, a rapidly growing software and services provider also based in Austin, Texas. New employees go through an exhausting three-month immersion process, a sort of organizational boot camp, in which top management, including the CEO, oversees their every step. In the first

month, new recruits participate in fast-paced creative projects, in teams of about 20, under the mentorship of more-experienced colleagues called section leaders. In the second month, the project teams are shuffled and split into smaller "breakthrough teams" charged with inventing product or service ideas, creating business models, building prototypes, and developing marketing plans—all in hyperaccelerated fashion. In the third month, the recruits have to demonstrate their capacity for personal initiative. Some continue working on their breakthrough teams; others find sponsors elsewhere in the company and work on their projects. Upon completion of the program, candidates undergo rigorous evaluation and receive detailed feedback on their performance from colleagues, section leaders, and senior management. The new hires are sent to different parts of the organization, but the bonds they develop during this extreme orientation period remain strong throughout their careers.

Trilogy's signature orientation experience serves as the company's primary R&D engine: Recruits' projects have produced more than $25 million direct revenues and have formed the basis for more than $100 million in new business. The experience also serves as a proving ground for Trilogy's next generation of leaders: the mentors and coaches who guide the members of the breakthrough teams as well as the new hires themselves. Most important, Trilogy's orientation experience provides a compelling illustration of life in the firm. A candidate who prefers a clear-cut, well-defined work environment will almost certainly decline after hearing the details of the immersion process. But a candidate who likes intense challenges and can tolerate some ambiguity early on will probably jump right in.

The Container Store.

The third orientation experience—extensive training and indoctrination in a proven approach—is from the Container Store, a Dallas-based retailer of storage solutions ranging from the basic (Tupperware) to the sophisticated (customized shelving systems). Some of its products are quite expensive—a single custom-designed closet system, for instance, may cost several thousand dollars—so the floor staff's ability to meet customers' expectations can have huge financial implications. Because the company depends on employees to be capable of suggesting storage options that will match a customer's requirements, its induction process consists of immediate and intense training. All new hires in the

stores, distribution centers, and headquarters (full-time and seasonal employees) go through Foundation Week—five days dedicated to absorbing information about the Container Store's products, processes, and values, plus extracurricular HR paperwork and reading. New employees assume regular work schedules only after having completed the five full days of training—and even then they usually apprentice for a while with some of the company's star performers. The employee education doesn't stop there: In their first year at the Container Store, all staffers receive at least 235 hours of formal training, compared with an average of about seven hours in the retail industry overall. Employees spend time in different functions and units to gain a broader perspective and to learn about the company's strategic challenges.

The Container Store's signature experience sends the right messages about employee fit and long-term opportunities: More than 40% of new employees are recommended by friends who work for the company. Employee surveys reveal that, on average, 97% of them agree with the statement, "People care about each other here." And employee turnover is less than 30%, significantly lower than the industry average. Obviously, some job applicants will be impressed with the clarity and rigor of the Container Store's commitment to training; others won't. But a hiring manager's description of this intense orientation experience certainly sends a clear signal to a potential employee about what it takes to succeed at the company.

Companies that successfully create and communicate signature experiences understand that different types of people will excel at different companies, and that not all workers want the same things.

By defining and communicating their core values and distinctive attributes in unique and memorable ways, Whole Foods Market, Trilogy Software, and the Container Store empower potential hires to make well-informed employment choices. These companies likewise are increasing the probability that they're bringing aboard highly engaged and highly motivated workers.

Finding Your Signature

Companies that successfully create and communicate signature experiences understand that different types of people will excel at different companies, and that not all workers want the same things. In a series of studies conducted jointly with research-

ers Ken Dychtwald and Bob Morison, Tamara Erickson categorized workers into six segments on the basis of why and how they like to work. Some care deeply about the social connections and friendships formed in the workplace, for instance. Others just want to make as much money with as much flexibility and as little commitment as possible. Some have an appetite for risk. Others crave the steadiness of a well-structured, long-term climb up the career ladder.

A Job by Any Other Name As many societies become increasingly affluent, more and more people have the luxury of allowing work to fill a variety of roles in their lives. Studies conducted by Tamara Erickson and researchers Ken Dychtwald and Bob Morison suggest that work plays six general roles, which correspond to six types of employees, based on psychodemographic characteristics. Each worker segment cares deeply about several aspects of the employee-employer relationship and little about the others.

The firms we've studied that have engendered highly productive, highly engaged workforces acknowledge and address these differences more effectively than their competitors. Specifically, they follow some general principles for creating, supporting, and preserving their unique employee experiences:

Individual Expertise and Team Success	Risk and Reward	Flexible Support	Low Obligation and Easy Income
Work is about being a valuable part of a winning team.	*Work is one of multiple opportunities to live a life filled with change and excitement.*	*Work is a source of livelihood but not yet (or not currently) a priority.*	*Work is a source of immediate economic gain.*
Collaboration Fun Stability and structure Opportunity to gain competence Opportunity to leverage personal strengths	Opportunity to improve personal finances Flexibility Opportunity to choose tasks and positions from a long menu of options Open-ended tasks and approaches to getting work done	Flexibility Well-defined vacation and family benefits Well-defined work routines—the ability to plug in and out of tasks and assignments with ease Virtual, asynchronous tasks and assignments Fun	Jobs that are relatively easy to come by Well-defined work routines Lucrative compensation and benefits packages Stability and security Recognition

Source: A statistical survey of the U.S. workforce conducted jointly by the Concours Institute and Age Wave, a research and communications company, and funded by 24 major corporations.

Target a segment of potential employees.

Most executives can tell you which consumers will buy their products or services. Few have the same insight into which job candidates will buy into the organization's culture and adapt to its workflow. Companies that target potential employees as methodically as they do potential customers can gain a sustainable market advantage. That's been the case at JetBlue. Since its launch in 1999, the airline has defied many common industry practices, including the traditional approach to flight reservations. When most airlines were using standard call centers, JetBlue devised a system based entirely out of employees' homes. This has become one of the airline's signature experiences and part of its organizational lore, attracting a strong and productive base of employees who find flexible schedules more valuable than above-average compensation.

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According to founder and CEO David Neeleman, it was more than cost savings that prompted the company to create this signature experience. Like the flight crew, the reservations agents are the face of JetBlue, responsible for ensuring high levels of customer satisfaction that will translate into increased revenues. The company couldn't afford to pay the agents huge salaries, however, so senior management decided to appeal to them in a different way—by letting them work from their homes. "We train them, send them home, and they are happy," Neeleman says.

JetBlue tries to accommodate call center agents' varied scheduling requirements—some may work only 20 hours a week, for instance, or may need to swap shifts at the last minute—but the airline balances those preferences against its business objectives. Employees have unlimited shift-trading privileges, which they can negotiate using an online community board. This self-scheduling process keeps employees motivated and satisfied, which means they're more likely to provide better customer care. For its part, JetBlue has enjoyed a 30% boost in agent productivity, a 38% increase in customer-service levels, and a 50% decrease in management workload per agent, compared with industry norms.

Bright Horizons, a leading provider of employer-sponsored child care, has

crafted a signature experience that also begins with the reconceptualization of a critical organizational role—that of the classroom teachers in its centers. These individuals are never referred to by common terms such as "child care worker" or "babysitter." Instead, Bright Horizons hires "early childhood educators" for its classrooms, thereby attracting people who see themselves as long-term professionals in a field full of temp workers. This important shift sets the stage for an employee experience in line with the firm's mission statement, which, among other things, pledges to "nurture each child's unique qualities and potential" and to "create a work environment that encourages professionalism." Reinforcing this signature experience are the company's team-based approach to hiring; a welcome program that makes it clear to new hires (and their families) that they have joined an organization that is serious about excellence and professionalism; and strong skills-based training and promotion opportunities. In an industry known for high turnover—the average is about 50%—Bright Horizon's turnover runs from 20% to 22%.

Address specific business needs.

Some companies' signature experiences stem from critical business needs. For instance, several years ago Lord John Browne, the CEO of BP, was faced with the daunting task of bringing together five oil companies BP had recently acquired. The challenge was to create a culture of learning across the company's 120 business units; without such integration, none of the anticipated cost-benefit synergies would materialize. At the time, many of the business unit heads were adept at competing, but few were adept at collaborating. To address this gap, Browne and his colleagues developed a signature experience called "peer assist." The business unit heads are assigned to peer groups representing as many as 13 units, and the members are required to exchange ideas and information about what is and is not working in their businesses. (To encourage knowledge sharing, much of each business unit leader's bonus pay depends on the performance of the whole peer group.) Employees are learning from one another. Thanks in part to these cross-platform groups, BP has met its financial targets and talent-management criteria. The beauty of this signature experience is that it clearly demonstrates Browne's basic operational philosophy: Peers working together will be the foundation of BP's success. Managers who can't buy into the signature experience won't waste their time or the organization's.

Identify and preserve your history.

The seed of a signature experience already exists in many companies. Their challenge is to find it, extend or shape it to the needs of today's business, and protect it. Consider Royal Bank of Scotland, which can credit its rise from a small national bank to one of the largest financial institutions in the world to a work environment that values action and speed. Those who do best in the bank deliver high-quality results quickly and under intense pressure—which is why prospects need to hear about RBS's historic signature experience.

In the eighteenth century, when the financial institution was founded, banking was a gentleman's pursuit. The day's business was usually completed by lunchtime so that businessmen could get on to more important matters in the afternoon—fishing, hunting, and the like. That schedule was made possible by the morning meeting. Now, of course, banking is a 24-hour business, and there's much less time for afternoon jaunts through the Scottish hills. But the morning meeting lives on. Successive RBS CEOs have adopted this practice and made it their own. The current executive team meets with the chief executive, Sir Fred Goodwin, every morning between 8 and 9 to talk about the previous day's events, go over that day's agenda, and plan for the future. The sessions force employees to think about speed to market; RBS talks about completing projects within 30, 60, or 90 days—there is no mention of weeks or months. The morning meetings reinforce the collective accountability of the senior team. more

RBS knows that early morning meetings and short-term, fast-paced projects won't appeal to everyone. So its signature experience sends an explicit message to potential hires: There are plenty of jobs out there for those who need a caffeine jolt and a few minutes with the Times before making a decision—just not at RBS.

Another firm with a signature experience rooted in its history is W.L. Gore & Associates, a private firm headquartered in Delaware. The company's best-known product, Gore-Tex, is used in clothing worn by adventurers the world over. W.L. Gore attributes its steady growth to an employee experience built around the so-called "lattice" system of management—no hierarchies, no predetermined channels of communication, and no defined jobs locking associates (they're never called employees) into particular tasks. This approach, which founder Bill Gore introduced more than 40 years ago, has been protected and rein-

forced ever since. Associates have sponsors, not bosses. They don't have jobs; they make voluntary promises to meet general expectations within functional areas—running a particular machine, for instance, or crunching numbers. For their part, sponsors commit to helping new associates find "quick wins"—projects that put the recruits on a fast track for success while acclimatizing them to the organization.

W.L. Gore's general processes uphold this signature experience. For instance, associates are compensated on the basis of the quantity, quality, and financial outcomes of their work. Performance is reviewed twice each year, and peers and sponsors get to weigh in on their colleagues' work. They share their feedback with a compensation committee—there are about 15 such committees within the company, one for each functional area of the business—that then ranks people who handle a particular function from the highest contributor to the lowest. (The associate's rank is determined by contributions to the success of the business, not just personal achievements.) Using guidelines based on external salary data, the company pays the associates at the top of the list more than those at the bottom. The objective is to be internally fair and externally competitive.

Employees who want clear definition in their work would probably hate W.L. Gore's emphasis on personal ownership and commitment; those who are comfortable in a high-reward but somewhat uncertain environment would be likely to thrive.

Share your stories.

One of the legends any MBA student is likely to hear is that of Goldman Sachs's signature recruitment experience. Successive cohorts of B-school students worldwide pass along the tale of the MBA student who went through 60 interviews before being hired. That story isn't an urban myth. The selection process is truly an endurance test, requiring enormous resources. In a given year, about 5,000 applicants speak to ten members of the firm, and the top 2,500 speak to more than 30. Each year, Goldman Sachs invests more than 100,000 man-hours in conversations with prospective employees.

The seemingly endless interviews are not designed to ferret out candidates' intellectual prowess or previous work experiences—that's what the GMAT scores and application forms are for. The process is a reflection of the company's deep commitment to internal collaboration and networking and serves as a preview of life in the

firm. At Goldman Sachs, there is no room for individual stars. Prospective candidates who hear the stories and enjoy meeting partners in the myriad interview sessions are exactly those, the firm believes, who will be capable of building networks and strong collaborative relationships.

Employees at Starbucks have their own tales to pass on. When recruiting baristas, the company looks for people with outgoing personalities and strong social skills. To convey these attributes and prompt customer-savvy individuals to self-select into the firm, Starbucks tells all prospective hires about its mandatory in-store immersion process. Every new Starbucks employee—even at the corporate level—goes through a 24-hour paid training module called First Impressions. The standardized curriculum focuses on learning about coffee and creating a positive customer experience. This is followed by in-store training—employees spend time making beverages, talking to customers, and learning the business on the floor. Employees at all levels say this hands-on experience is essential preparation for any role within the company. And they swap stories about candidates who ditched the process early on, just because they didn't want to spend weeks working in the stores. Indeed, the satisfied lot who stuck with it and poured lattes for a while tell these tales with great pride.

Strive for consistency.

A signature experience must be buttressed by processes that send consistent messages to employees. Our research shows that one of the most common causes of low engagement in organizations is employees' perception that some elements of the work experience aren't exactly as they were advertised. How many times have we all heard people, six months into a job, say, "It's just not what I expected or wanted."

Several years ago, a large industrial company asked us to help redesign its orientation process, which executives at the firm felt was turning people off and driving them away. When we took a close look, we concluded that the orientation process wasn't the problem; it accurately reflected the highly structured, tightly managed nature of the organization. The problem was occurring much earlier, during recruitment, when the company promised prospective employees a flexible work environment full of excitement and innovation. This company was not a bad place to work, but it was doing a poor job of targeting and attracting people who would thrive there. It

needed to change either the pitch it used with job candidates or the experience of working at the firm.

Whole Foods backs up its team-based induction process with compensation practices, employee rewards and recognition, and promotion criteria that are also strongly team based. All elements of the overall employee experience are aligned. Likewise, Goldman Sachs's commitment to cooperative networks and its "one firm" mentality are reinforced in multiple ways, including through its promotion practices. Attention is given not only to an individual's commercial acumen but also to the extent to which he or she is a culture carrier for the company. Representatives across the company, not just within specific divisions or product lines, participate in the evaluation and selection of partners.

Have the courage of your convictions.

Companies—even very large ones—don't need to be all things to all people. In fact, they shouldn't try to be. No matter the content of your signature experience, you can attract people who are suited to your organization's culture and interested in furthering its goals. Conversely, you must be willing to accept that your employment proposition won't appeal to everyone. Exxon Mobil, for instance, readily acknowledges that its highly structured environment isn't for everyone, and a number of employees choose to leave early in their tenures. The company's demands are exacting; employees are expected to follow clear communication protocols and strict security regulations—as you might expect in an industry in which safety is a high priority. Interestingly, however, attrition among employees who make it past the five-year mark is almost nil, and the level of engagement among them is very high. Perhaps there's a more effective way for the company to communicate the structured nature of its work experience to prospective hires, but Exxon Mobil's signature experience is strong enough and cohesive enough to retain those who are likely to be engaged and productive in the firm for the long term.

Companies—even very large ones—don't need to be all things to all people. In fact, they shouldn't try to be.

The company's executives calmly recognize their plight. "The suit was too tight," they say, as they describe those who departed early on. That statement serves as a polite but powerful reminder that Exxon Mobil's employee experience is unlikely to flex on the basis of one individual's prefer-

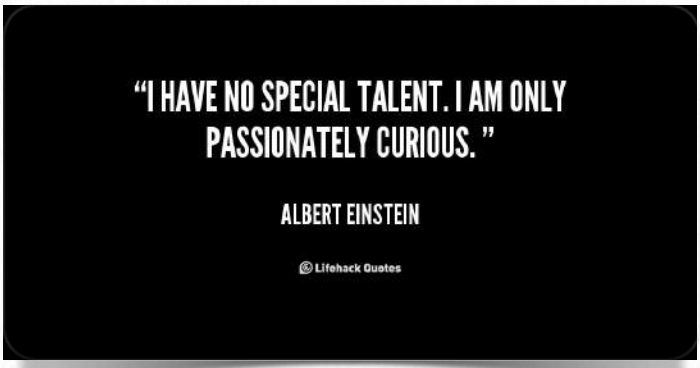
Don't be loyal to people, nor to organizations, nor to institutions...

Be loyal to a grander vision, and self-sacrifice to help attain that grander vision.

- David H. Moore

ences and that opting out is an acceptable path. Management understands that the company's signature experience won't necessarily map to every stage of the employee life cycle. And management carefully and sensitively protects the processes that contribute to this secure, structured experience. For example, the company recently considered switching from a defined benefits plan to a defined contribution plan, which the majority of companies today favor for their employees. In the end, it concluded that the security the defined benefits plan provides is more in sync with the values of the employees the company hopes to retain.

People will become long-term, deeply engaged employees of your company if their work experience is what they expect it to be and if your firm's values and attributes match theirs. You do a disservice to your organization—and to prospective employees—if you try to be all things to all people. The best strategy for coming out ahead in the war for talent isn't to scoop up everyone in sight, unless you want to deal with the fallout: high turnover, high recruitment and training costs, and disengaged, unproductive employees. Instead, you need to convince the right people—those who are intrigued and excited by the work environment you can realistically offer and who will reward you with their loyalty—to choose you.



Movie 1.5 Hayao Miyazaki- Nature, Culture, & Character

A closer look at the storytelling techniques of one of Japan's greatest animation directors, Hayao Miyazaki.

Why Led by You?

Why Should Anyone Be Led by You?

by Robert Goffee and Gareth Jones

If you want to silence a room of executives, try this small trick. Ask them, “Why would anyone want to be led by you?” We’ve asked just that question for the past ten years while consulting for dozens of companies in Europe and the United States. Without fail, the response is a sudden, stunned hush. All you can hear are knees knocking.

Executives have good reason to be scared. You can’t do anything in business without followers, and followers in these “empowered” times are hard to find. So executives had bet-

ter know what it takes to lead effectively—they must find ways to engage people and rouse their commitment to company goals. But most don't know how, and who can blame them? There's simply too much advice out there. Last year alone, more than 2,000 books on leadership were published, some of them even repackaging Moses and Shakespeare as leadership gurus.

We've yet to hear advice that tells the whole truth about leadership. Yes, everyone agrees that leaders need vision, energy, authority, and strategic direction. That goes without saying. But we've discovered that inspirational leaders also share four unexpected qualities:

- *humanity*
  By exposing some vulnerability, they reveal their approachability and .

- *act*
  Their ability to collect and interpret soft data helps them know just when and how to .

- *do*
  Inspirational leaders empathize passionately—and realistically—with people, and they care intensely about the work employees .

- *themselves*
  They capitalize on what's unique about .

You may find yourself in a top position without these qualities, but few people will want to be led by you. more

Our theory about the four essential qualities of leadership, it should be noted, is not about results per se. While many of the leaders we have studied and use as examples do in fact post superior financial returns, the focus of our research has been on leaders who excel at inspiring people—in capturing hearts, minds, and souls. This ability is not everything in business, but any experienced leader will tell you it is worth quite a lot. Indeed, great results may be impossible without it.

Our research into leadership began some 25 years ago and has followed three streams since then. First, as academics, we ransacked the prominent leadership theories of the past century to develop our own working model of effective leadership. (For more on the history of leadership thinking, see the sidebar "Leadership: A Small History of a Big Topic.") Second, as consultants, we have tested our theory with thousands of executives in workshops worldwide and through observations with

dozens of clients. And third, as executives ourselves, we have vetted our theories in our own organizations.

Reveal Your Weaknesses

When leaders reveal their weaknesses, they show us who they are—warts and all. This may mean admitting that they're irritable on Monday mornings, that they are somewhat disorganized, or even rather shy. Such admissions work because people need to see leaders own up to some flaw before they participate willingly in an endeavor. Exposing a weakness establishes trust and thus helps get folks on board. Indeed, if executives try to communicate that they're perfect at everything, there will be no need for anyone to help them with anything. They won't need followers. They'll signal that they can do it all themselves.

Beyond creating trust and a collaborative atmosphere, communicating a weakness also builds solidarity between followers and leaders. Consider a senior executive we know at a global management consultancy. He agreed to give a major presentation despite being badly afflicted by physical shaking caused by a medical condition. The otherwise highly critical audience greeted this courageous display of weakness with a standing ovation. By giving the talk, he had dared to say, "I am just like you—imperfect." Sharing an imperfection is so effective because it underscores a human being's authenticity. Richard Branson, the founder of Virgin, is a brilliant businessman and a hero in the United Kingdom. (Indeed, the Virgin brand is so linked to him personally that succession is a significant issue.) Branson is particularly effective at communicating his vulnerability. He is ill at ease and fumbles incessantly when interviewed in public. It's a weakness, but it's Richard Branson. That's what revealing a weakness is all about: showing your followers that you are genuine and approachable—human and humane.

Another advantage to exposing a weakness is that it offers a leader valuable protection. Human nature being what it is, if you don't show some weakness, then observers may invent one for you. Celebrities and politicians have always known this. Often, they deliberately give the public something to talk about, knowing full well that if they don't, the newspapers will invent something even worse. Princess Diana may have aired her eating disorder in public, but she died with her reputation intact, indeed even enhanced.

That said, the most effective leaders know that exposing a weakness must be done carefully. They own up to selective weaknesses. Knowing which weakness to disclose is a highly honed art. The golden rule is never to expose a weakness that will be seen as a fatal flaw—by which we mean a flaw that jeopardizes central aspects of your professional role. Consider the new finance director of a major corporation. He can't suddenly confess that he's never understood discounted cash flow. A leader should reveal only a tangential flaw—and perhaps even several of them. Paradoxically, this admission will help divert attention away from major weaknesses.

Another well-known strategy is to pick a weakness that can in some ways be considered a strength, such as being a workaholic. When leaders expose these limited flaws, people won't see much of anything and little harm will come to them. There is an important caveat, however: if the leader's vulnerability is not perceived to be genuine, he won't gain anyone's support. Instead he will open himself up to derision and scorn. One scenario we saw repeatedly in our research was one in which a CEO feigns absentmindedness to conceal his inconsistency or even dishonesty. This is a sure way to alienate followers who will remember accurately what happened or what was said.

Become a Sensor

Inspirational leaders rely heavily on their instincts to know when to reveal a weakness or a difference. We call them good situation sensors, and by that we mean that they can collect and interpret soft data. They can sniff out the signals in the environment and sense what's going on without having anything spelled out for them. more

Franz Humer, the CEO of Roche, is a classic sensor. He is highly accomplished in detecting shifts in climate and ambience; he can read subtle cues and sense underlying currents of opinion that elude less perceptive people. Humer says he developed this skill as a tour guide in his mid-twenties when he was responsible for groups of 100 or more. "There was no salary, only tips," he explains. "Pretty soon, I knew how to hone in on particular groups. Eventually, I could predict within 10% how much I could earn from any particular group." Indeed, great sensors can easily gauge unexpressed feelings; they can very accurately judge whether relationships are working or not. The process is complex,

and as anyone who has ever encountered it knows, the results are impressive.

Consider a human resources executive we worked with in a multinational entertainment company. One day he got news of a distribution problem in Italy that had the potential to affect the company's worldwide operations. As he was thinking about how to hide the information temporarily from the Paris-based CEO while he worked on a solution, the phone rang. It was the CEO saying, "Tell me, Roberto, what the hell's going on in Milan?" The CEO was already aware that something was wrong. How? He had his networks, of course. But in large part, he was gifted at detecting information that wasn't aimed at him. He could read the silences and pick up on nonverbal cues in the organization.

Not surprisingly, the most impressive business leaders we have worked with are all very refined sensors. Ray van Schaik, the chairman of Heineken in the early 1990s, is a good example. Conservative and urbane, van Schaik's genius lay in his ability to read signals he received from colleagues and from Freddie Heineken, the third-generation family member who was "always there without being there." While some senior managers spent a lot of time second-guessing the major shareholder, van Schaik developed an ability to "just know" what Heineken wanted. This ability was based on many years of working with him on the Heineken board, but it was more than that—van Schaik could read Heineken even though they had very different personalities and didn't work together directly.

Success stories like van Schaik's come with a word of warning. While leaders must be great sensors, sensing can create problems. That's because in making fine judgments about how far they can go, leaders risk losing their followers. The political situation in Northern Ireland is a powerful example. Over the past two years, several leaders—David Trimble, Gerry Adams, and Tony Blair, together with George Mitchell—have taken unprecedented initiatives toward peace.

At every step of the way, these leaders had to sense how far they could go without losing their electorates. In business, think of mergers and acquisitions. Unless organizational leaders and negotiators can convince their followers in a timely way that the move is positive, value and goodwill quickly erode. This is the situation recently faced by Vodafone and France Telecom in the sale and purchase of Orange.

Sensing can create problems. In making fine judgments about how far they can go, leaders risk losing their followers.

There is another danger associated with sensing skills. By definition, sensing a situation involves projection—that state of mind whereby you attribute your own ideas to other people and things.

When a person "projects," his thoughts may interfere with the truth. Imagine a radio that picks up any number of signals, many of which are weak and distorted. Situation sensing is like that; you can't always be sure what you're hearing because of all the static.

The employee who sees her boss distracted and leaps to the conclusion that she is going to be fired is a classic example. Most skills become heightened under threat, but particularly during situation sensing. Such oversensitivity in a leader can be a recipe for disaster. For this reason, sensing capability must always be framed by reality testing.

Even the most gifted sensor may need to validate his perceptions with a trusted adviser or a member of his inner team.

Practice Tough Empathy

Unfortunately, there's altogether too much hype nowadays about the idea that leaders must show concern for their teams. There's nothing worse than seeing a manager return from the latest interpersonal-skills training program with "concern" for others. Real leaders don't need a training program to convince their employees that they care. Real leaders empathize fiercely with the people they lead. They also care intensely about the work their employees do.

Consider Alain Levy, the former CEO of Polygram. Although he often comes across as a rather aloof intellectual, Levy is well able to close the distance between himself and his followers. On one occasion, he helped some junior record executives in Australia choose singles off albums. Picking singles is a critical task in the music business: the selection of a song can make or break the album. Levy sat down with the young people and took on the work with passion. "You bloody idiots," he added his voice to the melee, "you don't know what the hell you're talking about; we always have a dance track first!" Within 24 hours, the story spread throughout the company; it was the best PR Levy ever got. "Levy really knows how to pick

singles," people said. In fact, he knew how to identify with the work, and he knew how to enter his followers' world—one where strong, colorful language is the norm—to show them that he cared.

Clearly, as the above example illustrates, we do not believe that the empathy of inspirational leaders is the soft kind described in so much of the management literature. On the contrary, we feel that real leaders manage through a unique approach we call tough empathy. Tough empathy means giving people what they need, not what they want. Organizations like the Marine Corps and consulting firms specialize in tough empathy. Recruits are pushed to be the best that they can be; "grow or go" is the motto. Chris Satterwaite, the CEO of Bell Pottinger Communications and a former chief executive of several ad agencies, understands what tough empathy is all about. He adeptly handles the challenges of managing creative people while making tough decisions. "If I have to, I can be ruthless," he says. "But while they're with me, I promise my people that they'll learn."

At its best, tough empathy balances respect for the individual and for the task at hand. Attending to both, however, isn't easy, especially when the business is in survival mode. At such times, caring leaders have to give selflessly to the people around them and know when to pull back. Consider a situation at Unilever at a time when it was developing Persil Power, a detergent that eventually had to be removed from the market because it destroyed clothes that were laundered in it. Even though the product was showing early signs of trouble, CEO Niall FitzGerald stood by his troops. "That was the popular place to be, but I should not have been there," he says now. "I should have stood back, cool and detached, looked at the whole field, watched out for the customer." But caring with detachment is not easy, especially since, when done right, tough empathy is harder on you than on your employees. "Some theories of leadership make caring look effortless. It isn't," says Paulanne Mancuso, president and CEO of Calvin Klein Cosmetics. "You have to do things you don't want to do, and that's hard." It's tough to be tough.

Tough empathy also has the benefit of impelling leaders to take risks. When Greg Dyke took over at the BBC, his commercial competitors were able to spend substantially more on programs than the BBC could. Dyke quickly realized that in order to thrive in a digital world, the BBC needed to increase its expenditures. He explained

this openly and directly to the staff. Once he had secured their buy-in, he began thoroughly restructuring the organization. Although many employees were let go, he was able to maintain people's commitment. Dyke attributed his success to his tough empathy with employees: "Once you have the people with you, you can make the difficult decisions that need to be made."

One final point about tough empathy: those more apt to use it are people who really care about something. And when people care deeply about something—anything—they're more likely to show their true selves. They will not only communicate authenticity, which is the precondition for leadership, but they will show that they are doing more than just playing a role. People do not commit to executives who merely live up to the obligations of their jobs. They want more. They want someone who cares passionately about the people and the work—just as they do.

Dare to Be Different

Another quality of inspirational leaders is that they capitalize on what's unique about themselves. In fact, using these differences to great advantage is the most important quality of the four we've mentioned. The most effective leaders deliberately use differences to keep a social distance. Even as they are drawing their followers close to them, inspirational leaders signal their separateness.

Often, a leader will show his differences by having a distinctly different dress style or physical appearance, but typically he will move on to distinguish himself through qualities like imagination, loyalty, expertise, or even a handshake. Anything can be a difference, but it is important to communicate it. Most people, however, are hesitant to communicate what's unique about themselves, and it can take years for them to be fully aware of what sets them apart. This is a serious disadvantage in a world where networking is so critical and where teams need to be formed overnight.

Some leaders know exactly how to take advantage of their differences. Take Sir John Harvey-Jones, the former CEO of ICI—what was once the largest manufacturing company in the United Kingdom. When he wrote his autobiography a few years ago, a British newspaper advertised the book with a sketch of Harvey-Jones. The profile had a moustache, long hair, and a loud tie. The drawing was in black and white, but everyone knew who it was. Of course,

John Harvey-Jones didn't get to the top of ICI because of eye-catching ties and long hair. But he was very clever in developing differences that he exploited to show that he was adventurous, entrepreneurial, and unique—he was John Harvey-Jones.

There are other people who aren't as aware of their differences but still use them to great effect. For instance, Richard Surface, former managing director of the UK-based Pearl Insurance, always walked the floor and overtook people, using his own pace as a means of communicating urgency. Still other leaders are fortunate enough to have colleagues point out their differences for them. As the BBC's Greg Dyke puts it, "My partner tells me, 'You do things instinctively that you don't understand. What I worry about is that in the process of understanding them you could lose them!'" Indeed, what emerged in our interviews is that most leaders start off not knowing what their differences are but eventually come to know—and use—them more effectively over time. Franz Humer at Roche, for instance, now realizes that he uses his emotions to evoke reactions in others.

Most of the differences we've described are those that tend to be apparent, either to the leader himself or to the colleagues around him. But there are differences that are more subtle but still have very powerful effects. For instance, David Prosser, the CEO of Legal and General, one of Europe's largest and most successful insurance companies, is an outsider. He is not a smooth city type; in fact, he comes from industrial South Wales. And though generally approachable, Prosser has a hard edge, which he uses in an understated but highly effective way. At a recent cocktail party, a rather excitable sales manager had been claiming how good the company was at cross-selling products. In a low voice, Prosser intervened: "We may be good, but we're not good enough." A chill swept through the room. What was Prosser's point? Don't feel so close you can relax! I'm the leader, and I make that call. Don't you forget it. He even uses this edge to good effect with the top team—it keeps everyone on their toes. more

Inspirational leaders use separateness to motivate others to perform better. It is not that they are being Machiavellian but that they recognize instinctively that followers will push themselves if their leader is just a little aloof. Leadership, after all, is not a popularity contest.

Executives can overdifferentiate themselves in their determination to express their separateness.

One danger, of course, is that executives can overdifferentiate themselves in their determination to express their separateness. Indeed, some leaders lose contact with their followers, and doing so is fatal. Once they create too much distance, they stop being good sensors, and they lose the ability to identify and care. That's what appeared to happen during Robert Horton's tenure as chairman and CEO of BP during the early 1990s. Horton's conspicuous display of his considerable—indeed, daunting—intelligence sometimes led others to see him as arrogant and self-aggrandizing. That resulted in overdifferentiation, and it eventually contributed to Horton's dismissal just three years after he was appointed to the position.

Leadership in Action

All four of the qualities described here are necessary for inspirational leadership, but they cannot be used mechanically. They must become or must already be part of an executive's personality. That's why the "recipe" business books—those that prescribe to the Lee Iaccoca or Bill Gates way—often fail. No one can just ape another leader. So the challenge facing prospective leaders is for them to be themselves, but with more skill. That can be done by making yourself increasingly aware of the four leadership qualities we describe and by manipulating these qualities to come up with a personal style that works for you. Remember, there is no universal formula, and what's needed will vary from context to context. What's more, the results are often subtle, as the following story about Sir Richard Sykes, the highly successful chairman and CEO of Glaxo Wellcome, one of the world's leading pharmaceutical companies, illustrates.

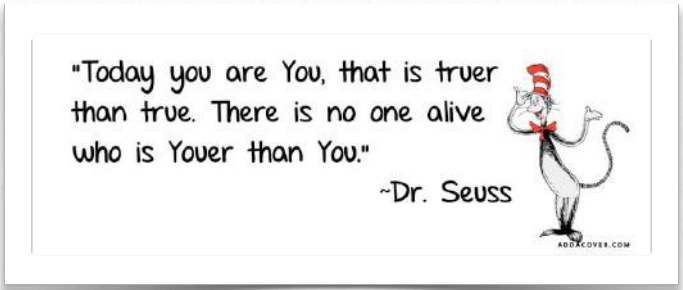
When he was running the R&D division at Glaxo, Sykes gave a year-end review to the company's top scientists. At the end of the presentation, a researcher asked him about one of the company's new compounds, and the two men engaged in a short heated debate. The question-answer session continued for another 20 minutes, at the end of which the researcher broached the subject again. "Dr. Sykes," he began in a loud voice, "you have still failed to understand the structure of the new compound." You could feel Sykes's temper rise through the soles of his feet. He marched to the back of the room and displayed his anger before the intellectual

brainpower of the entire company. “All right, lad,” he yelled, “let us have a look at your notes!”

The Sykes story provides the ideal framework for discussing the four leadership qualities. To some people, Sykes’s irritability could have seemed like inappropriate weakness. But in this context, his show of temper demonstrated Sykes’s deep belief in the discussion about basic science—a company value. Therefore, his willingness to get angry actually cemented his credibility as a leader. He also showed that he was a very good sensor. If Sykes had exploded earlier in the meeting, he would have quashed the debate. Instead, his anger was perceived as defending the faith. The story also reveals Sykes’s ability to identify with his colleagues and their work. By talking to the researcher as a fellow scientist, he was able to create an empathic bond with his audience. He really cared, though his caring was clearly tough empathy. Finally, the story indicates Sykes’s own willingness to show his differences. Despite being one of the United Kingdom’s most successful businessmen, he has not conformed to “standard” English. On the contrary, Sykes proudly retains his distinctive northern accent. He also doesn’t show the typical British reserve and decorum; he radiates passion. Like other real leaders, he acts and communicates naturally. Indeed, if we were to sum up the entire year-end review at Glaxo Wellcome, we’d say that Sykes was being himself—with great skill.

Unraveling the Mystery

As long as business is around, we will continue to pick apart the underlying ingredients of true leadership. And there will always be as many theories as there are questions. But of all the facets of leadership that one might investigate, there are few so difficult as understanding what it takes to develop leaders. The four leadership qualities are a necessary first step. Taken together, they tell executives to be authentic. As we counsel the executives we coach: “Be yourselves—more—with skill.” There can be no advice more difficult to follow than that.



Don’t ask people what they want...

Manipulate them into wanting it.

- David H. Moore

Four Popular Myths About Leadership

by Method Consulting

In both our research and consulting work, we have seen executives who profoundly misunderstand what makes an inspirational leader. Here are four of the most common myths:

Everyone can be a leader.

Not true. Many executives don’t have the self-knowledge or the authenticity necessary for leadership. And self-knowledge and authenticity are only part of the equation. Individuals must also want to be leaders, and many talented employees are not interested in shouldering that responsibility. Others prefer to

devote more time to their private lives than to their work. After all, there is more to life than work, and more to work than being the boss.

Leaders deliver business results.

Not always. If results were always a matter of good leadership, picking leaders would be easy. In every case, the best strategy would be to go after people in companies with the best results. But clearly, things are not that simple. Businesses in quasi-monopolistic industries can often do very well with competent management rather than great leadership. Equally, some well-led businesses do not necessarily produce results, particularly in the short term.

People who get to the top are leaders.

Not necessarily. One of the most persistent misperceptions is that people in leadership positions are leaders. But people who make it to the top may have done so because of political acumen, not necessarily because of true leadership quality. What's more, real leaders are found all over the organization, from the executive suite to the shop floor. By definition, leaders are simply people who have followers, and rank doesn't have much to do with that. Effective military organizations like the U.S. Navy have long realized the importance of developing leaders throughout the organization.

Leaders are great coaches.

Rarely. A whole cottage industry has grown up around the teaching that good leaders ought to be good coaches. But that thinking assumes that a single person can both inspire the troops and impart technical skills. Of course, it's possible that great leaders may also be great coaches, but we see that only occasionally. More typical are leaders like Steve Jobs whose distinctive strengths lie in their ability to excite others through their vision rather than through their coaching talents.

Movie 1.6 Antz - Team Leadership

Antz (1998) A rather neurotic ant tries to break from his totalitarian society while trying to win the affection of the princess he loves.

MOD2

Org Behavior

CLASS DAY SEVEN

I turned out liking you a lot more than I originally planned.

- Anonymous

Employees Who Feel Love Perform Better

by Sigal Barsade and Olivia (Mandy) O'Neill

"Love" is a not word you often hear uttered in office hallways or conference rooms. And yet, it has a strong influence on workplace outcomes. The more love co-workers feel at work, the more engaged they are. (Note: Here we're talking about "companionate love" which is far less intense than romantic love. Companionate love is based on warmth, affection, and connection rather than passion). It may not be surprising that those who perceive greater affection and caring from their colleagues perform better, but few managers focus on building an emotional culture. That's a mistake.

In our longitudinal study, "What's Love Got to Do With It?: The Influence of a Culture of Companionate Love in the Long-term Care Setting" (forthcoming in Administrative Science Quarterly), surveyed 185 employees, 108 patients, and 42 patient family members at two points in time, 16 months apart, at a large, nonprofit long-term healthcare facility and hospital in the Northeast. Using multiple raters and multiple methods, we explored the influence that emotional culture has on employee, patient, and family outcomes. What we learned demonstrates how important emotional culture is when it comes to employee and client well-being and performance.

Employees who felt they worked in a loving, caring culture reported higher levels of satisfaction and teamwork. They showed up to work more often. Our research also demonstrated that this type of culture related directly to client outcomes, including improved patient mood, quality of life, satisfaction, and fewer trips to the ER.

While this study took place in a long-term care setting — which many people might consider biased toward the "emotional" — these findings hold true across industries. We conducted a follow-up study, surveying 3,201 employees in seven different industries from financial services to real estate and the results were the same. People who worked in a culture where they felt free to express affection, tenderness, caring, and compassion for one another were more satisfied with their jobs, committed to the organization, and accountable for their performance.

So what does a culture of companionate love look like? Imagine a pair of coworkers collaborating side by side, each day expressing caring and affection towards one another, safeguarding each other's feelings, showing tenderness and compassion when things don't go well. Now imagine a workplace that encourages those behaviors from everyone, where managers actively look for ways to create and reinforce close workplace relationships among employees.

Some large, well-known organizations are already leading the pack in creating cultures of companionate love. Whole Foods Market has a set of management principles that begin with "Love" and PepsiCo lists "caring" as its first guiding principle on its website. Zappos also explicitly focuses on caring as part of its values: "We are more than a team though…we are a family. We watch out for each other, care for each other and go above and beyond for each other".

You might think all this "love business" would be hard for some people. We did, too, before we started this study, but we found love in some unlikely places. For example, we talked with employees at a large aerospace defense contractor who told us about a newly acquired division that had a strong culture of love. Employees there routinely greeted each other with a kiss on the cheek. Visiting executives from the parent company were alarmed to see this gesture, finding it not only inappropriate but possibly an invitation to sexual harassment lawsuits. Although they initially tried to prohibit such displays of affection, ultimately they decided to allow the culture to flourish within the division, simply acknowledging that it was not consistent with the more muted values of the rest of the organization.

Surely not every manager will want to gather his team for a group hug every day (nor would every employee be comfortable with that). But there are many other ways

My culture is my identity and personality. It gives me spiritual, intellectual and emotional distinction from others, and I am proud of it.

- M.F. Moonzajer

to build an emotional culture of companionate love. We suggest leaders do at least three things.

First, broaden your definition of culture. Instead of focusing on "cognitive culture" — values such as teamwork, results-orientation, or innovation — you might think about how you can cultivate and enrich emotional culture as well. Emotional culture can be based on love or other emotions, such as joy or pride.

Second, pay attention to the emotions you're expressing to employees every day. Your mood creates a cultural blueprint for the group.

Third, consider how your company policies and practices can foster greater affection, caring, compassion, and tenderness among workers. For example, Cisco CEO John Chambers asked that he be notified within 48 hours if a close member of an employee's family passed away. At some companies, employees can forego vacation days or organize emergency funds to help fellow employees who are struggling and need help.

Most importantly, though, it is the small moments between co-workers — a warm smile, a kind note, a sympathetic ear — day after day, month after month, that help create and maintain a strong culture of companionate love and the employee satisfaction, productivity, and client satisfaction that comes with it.

Money is flat and was meant to be piled up.

- Scottish Proverb

Does Money Really Affect Motivation?

A Review of the Research

by Tomas Chamorro-Premuzic

How much should people earn? Even if resources were unlimited, it would be difficult to stipulate your ideal salary. Intuitively, one would think that higher pay should produce better results, but scientific evidence indicates that the link between compensation, motivation and performance is much more complex. In fact, research suggests that even if we let people decide how much they should earn, they would probably not enjoy their job more.

Even those who highlight the motivational effects of money accept that pay alone is not sufficient. The basic questions are: Does money make our jobs more enjoyable? Or can higher salaries actually demotivate us?

Let's start with the first: does money engage us? The most compelling answer to this question is a meta-analysis by Tim Judge and colleagues. The authors reviewed 120 years of research to synthesize the findings from 92 quantitative studies. The combined dataset included over 15,000 individuals and 115 correlation coefficients.

The results indicate that the association between salary and job satisfaction is very weak. The reported correlation ($r = .14$) indicates that there is less than 2% overlap between pay and job satisfaction levels. Furthermore, the correlation between pay and pay satisfaction was only marginally higher ($r = .22$ or 4.8% overlap), indicating that people's satisfaction with their salary is mostly independent of their actual salary.

In addition, a cross-cultural comparison revealed that the relationship of pay with both job and pay satisfaction is pretty much the same everywhere (for example, there are no significant differences between the U.S., India, Australia, Britain, and Taiwan).

A similar pattern of results emerged when the authors carried out group-level (or between-sample) comparisons. In their words: "Employees earning salaries in the top half of our data range reported similar levels of job satisfaction to those employees earning salaries in the bottom-half of our data range" (p.162). This is consistent with Gallup's engagement research, which reports no significant difference in employee engagement by pay level. Gallup's findings are based on 1.4 million employees from 192 organizations across 49 industries and 34 nations.

These results have important implications for management: if we want an engaged workforce, money is clearly not the answer. In fact, if we want employees to be happy with their pay, money is not the answer. In a nutshell: money does not buy engagement.

But that doesn't answer the question: does money actually demotivate? Some have argued it does, that there is a natural tension between extrinsic and intrinsic motives, and that financial rewards can ultimately depress or "crowd out" intrinsic

goals (e.g., enjoyment, sheer curiosity, learning or personal challenge).

Despite the overwhelming number of laboratory experiments carried out to evaluate this argument — known as the overjustification effect — there is still no consensus about the degree to which higher pay may demotivate. However, two articles deserve particular consideration.

The first is a classic meta-analysis by Edward Deci and colleagues. The authors synthesized the results from 128 controlled experiments. The results highlighted consistent negative effects of incentives — from marshmallows to dollars — on intrinsic motivation. These effects were particularly strong when the tasks were interesting or enjoyable rather than boring or meaningless.

More specifically, for every standard deviation increase in reward, intrinsic motivation for interesting tasks decreases by about 25%. When rewards are tangible and foreseeable (if subjects know in advance how much extra money they will receive) intrinsic motivation decreases by 36%. (Importantly, some have argued that for uninteresting tasks extrinsic rewards — like money — actually increase motivation. See, for instance, a meta-analysis by Judy Cameron and colleagues.) Deci et al's conclusion was that "strategies that focus primarily on the use of extrinsic rewards do, indeed, run a serious risk of diminishing rather than promoting intrinsic motivation" (p. 659).

The second article is a recent study by Yoon Jik Cho and James Perry. The authors analyzed real-world data from a representative sample of over 200,000 U.S. public sector employees. The results showed that employee engagement levels were three times more strongly related to intrinsic than extrinsic motives, but that both motives tend to cancel each other out. In other words, when employees have little interest in external rewards, their intrinsic motivation has a substantial positive effect on their engagement levels. However, when employees are focused on external rewards, the effects of intrinsic motives on engagement are significantly diminished. This means that employees who are intrinsically motivated are three times more engaged than employees who are extrinsically motivated (such as by money). Quite simply, you're more likely to like your job if you focus on the work itself, and less likely to enjoy it if you're focused on money. This finding was true even at low salary levels (remember, as per Gallup and Judge et al, there's no correlation between engage-

ment and salary levels). Now, a skeptic might ask if this is just a correlation showing that people who don't like their jobs have nothing to think about other than the money. This is hard to test. Yes, that could be one reason; another could be that people who focus too much on money are preventing themselves from enjoying their jobs.

This research also begs the question: Is this a money-focused, engagement-eroding mindset one that employees can change? Or is does it reflect an innate mindset — some people happen to be more focused on extrinsic rewards, while others are more focused on the task itself? We don't know. But my guess is that which you're focused on depends mostly on the match between your interests and skills and the tasks you've been given. And in theory, your mindset should be malleable — the brain is remarkably plastic. We can try to teach people that if they focus on the task itself and try to identify positive aspects of the process, they will enjoy it more than if they are just focused on the consequences (rewards) of performing the task. The analogy here is that it's much more motivating to go for a run because it's fun than because I must get fit or lose some weight.

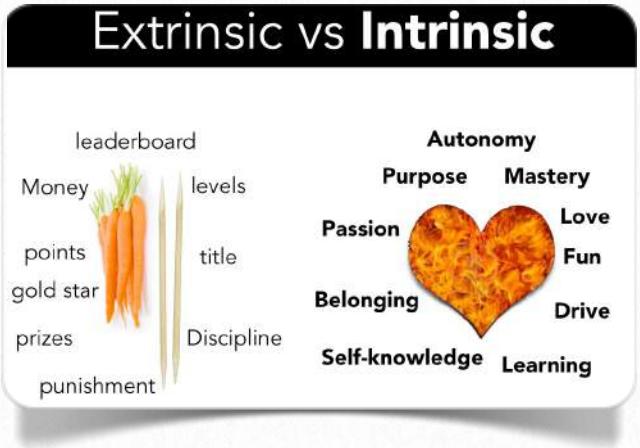
Intrinsic motivation is also a stronger predictor of job performance than extrinsic motivation — so it is feasible to expect higher financial rewards to inhibit not only intrinsic motivation, but also job performance. The more people focus on their salaries, the less they will focus on satisfying their intellectual curiosity, learning new skills, or having fun, and those are the very things that make people perform best.

The fact that there is little evidence to show that money motivates us, and a great deal of evidence to suggest that it actually demotivates us, supports the idea that that there may be hidden costs associated with rewards. Of course, that doesn't mean that we should work for free. We all need to pay our bills and provide for our families — but once these basic needs are covered the psychological benefits of money are questionable. In a widely cited paper, Daniel Kahneman and Angus Deaton reported that, in the U.S., emotional well-being levels increase with salary levels up to a salary of $75,000 — but that they plateau afterwards. Or, as Arnold Schwarzenegger once stated: "Money doesn't make you happy. I now have $50 million but I was just as happy when I had $48 million."

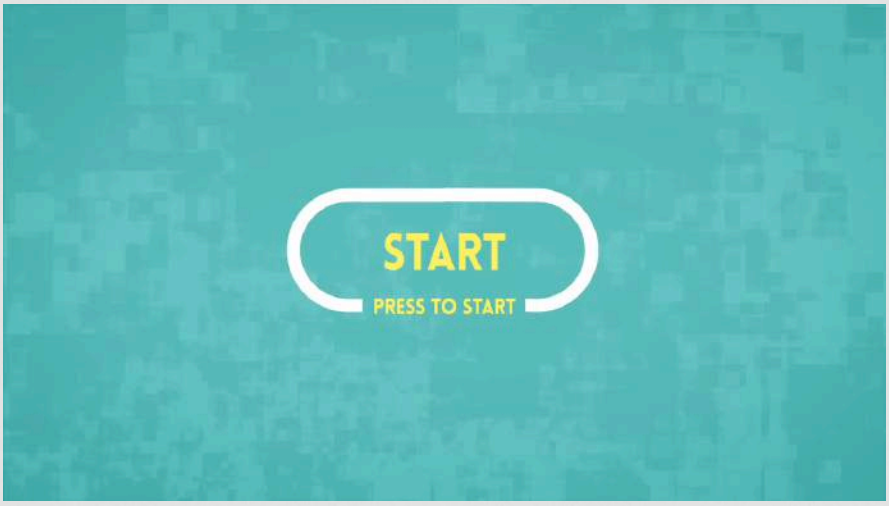
But one size does not fit all. Our relationship to money is highly idiosyncratic. Indeed, in the era of personalization, when most things can now be customized to fit our needs — from social media feeds to potential dates, to online shopping displays and playlists — it is somewhat surprising that compensation systems are still based on the premise that what works for some people will also work for everyone else.

Other than its functional exchange value, pay is a psychological symbol, and the meaning of money is largely subjective. For example, there are marked individual differences in people's tendency to think or worry about money, and different people value money for different reasons (e.g., as a means to power, freedom, security, or love). If companies want to motivate their workforce, they need to understand what their employees really value — and the answer is bound differ for each individual. Research shows that different values are differentially linked to engagement. For example, income goals based on the pursuit of power, narcissism, or overcoming self-doubt are less rewarding and effective than income goals based on the pursuit of security, family support, and leisure time. Perhaps it is time to compensate people not only according to what they know or do, but also for what they want.

Finally, other research shows that employees' personalities are much better predictors of engagement than their salaries. The most compelling study in this area is a large meta-analytic review of 25,000 participants, where personality determined 40% of the variability in ratings of job satisfaction. The more emotionally stable, extraverted, agreeable or conscientious people are, the more they tend to like their jobs (irrespective of their salaries). But the personality of employees' is not the most important determinant of their engagement levels. In fact, the biggest organizational cause of disengagement is incompetent leadership. Thus, as a manager, it's your personality that will have a significant impact on whether your employees are engaged at work, or not.



Movie 2.1 Level On by Mu-Ti Huang



Level On is a short animation that depicts the perspective of living in reality like playing games using gaming terminology to motivate people to live through the challenges in reality.

Game designers and developers utilize core elements such as rules, goals, reward systems and voluntary participation to keep games engaging and entertaining.

Likewise, people in reality spend resources like time, energy, money in order to overcome various challenges that reward them with achievement such as good grades, wealth, social attentions throughout the stages of their life.

Even though there are challenges that are difficult or sometimes impossible to achieve, people in reality have more options than just a one-way path. Applying the gaming perspective to their life can encourage them to think about it in a different, potentially more entertaining and beneficial way.

Nimble Culture

Build a ‘Quick and Nimble’ Culture

by Dan McGinn

Since 2009, Adam Bryant has interviewed hundreds of CEOs for the “Corner Office” feature in The New York Times. This month he’s publishing his second book based on the interviews: “Quick and Nimble: Lessons from Leading CEOs on How to Create a Culture of Innovation.” He talked with HBR about why a company’s culture is more important than its strategy — and some of the innovative tactics that CEOs have used to help create a high-performing culture. Excerpts:

Why did you focus on culture?

Culture is such an amorphous concept — if you and I stood at a whiteboard and tried to list elements of our companies' cultures, we could come up with 100 things and they might all be true. A lot of managers just let culture happen — it becomes the sum of the personalities, good and bad, that work in an organization. While writing this book, I became convinced that culture really does drive everything. Managers do focus on results, but I think culture drives results. That's the important equation.

What's the biggest problem you see in how companies build culture?

It's the creation of silos. As one CEO put it to me, "Silos are what topple great companies." As human beings, we like to operate in small tribes. If there's not someone creating and communicating an overarching, simple plan for the larger organization and getting everyone to pitch in, people start breaking down into small tribes and pursuing their own goals and agendas. That's when you see a culture focusing inward, instead of outward on competition. That's the fundamental problem that prompted Microsoft to announce its big restructuring last summer — it recognized it had too many separate divisions.

When CEOs hold town hall meetings to talk about overarching goals, some people reflexively roll their eyes.

In thinking about how CEOs communicate, I've become a big believer in the power of the number three. I've come to admire the CEOs who can come up with three or fewer metrics for how they measure company performance. When I'm interviewing a CEO and ask about their values, if the CEO says the company has 7 or 8, I privately make a bet with myself that he won't be able to remember them all. Very often, he can't. If the CEO can't remember the company values, how will anyone else? So keep things simple, and keep repeating it.

You write that over-reliance on email can hurt company culture. Why?

Many organizations have too many people who spend their days sitting behind their 30-inch monitors. These massive screens in our cubicles have become our new caves — it's easy to stay in there. CEOs recognize email as a problem. They see the endless CC: loops. They see protracted arguments that could be settled in 30 seconds of face-to-face conversation. As one CEO told me, "Email taps into this bad part of our brain where everyone

wants to have the last word." Smart companies come up with very specific rules to try to uproot that email culture. They require people to pick up the phone or walk down the hall. Culture is built from relationships between people. Email does nothing to build relationships, and can actually damage relationships.

You devote an entire chapter to the need for "adult conversations." Why is this so difficult?

When I say "adult conversations," I'm focusing on the kind of problem that a manager and an employee need to discuss candidly. The CEOs I interview say people will do everything they can to avoid those conversations. This is where the power of rationalization kicks in. Managers will say "I'm too busy," or "Maybe it was just a one-time thing," or "I'll wait until the performance review next month." People avoid these things because they're difficult—there's uncertainty and stress. I spoke with a neuroscientist who says that when a boss asks an employee into the office and closes the door, the same parts of the brain light up as if your life is in danger. But I do encounter companies that teach people rules for having these conversations, some of which are in the book. And in the management roles I've held at The New York Times, every time I have one of these conversations, I feel great afterward. You can feel the tension dissipate and the energy increase.

One cultural tool you describe in the book is bosses who provide a "user manual" to their quirks—sort of an FAQ to how to deal with them. How did you hear about this technique?

A few years ago I began managing a group of reporters at the Times, some of whom I didn't know. In our first meeting, I tried to describe the important things they should know about me. One example is that I really hate errors in stories, particularly in the kinds of feature stories we produced. It's probably the most important thing they needed to know about working with me. Sure enough, over the next 18 months, we had only two corrections as a team. Later I talked with a CEO named Ivar Kroghrud of QuestBack, who wrote a formal user manual of his own quirks and preferences. (One example: "I tend to shy away from conflict and confrontation. I sometimes accommodate easily to the needs of others when challenged. I am aware of this and am working on it.") A user manual recognizes that we all have our idiosyncratic preferences, and people will work together more effectively if they get to know each

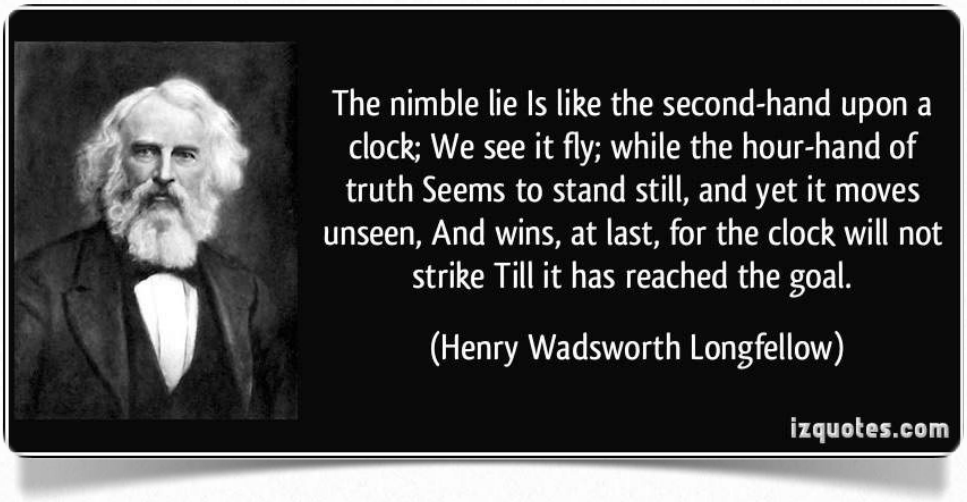
A heavy heart bears not a nimble tongue.

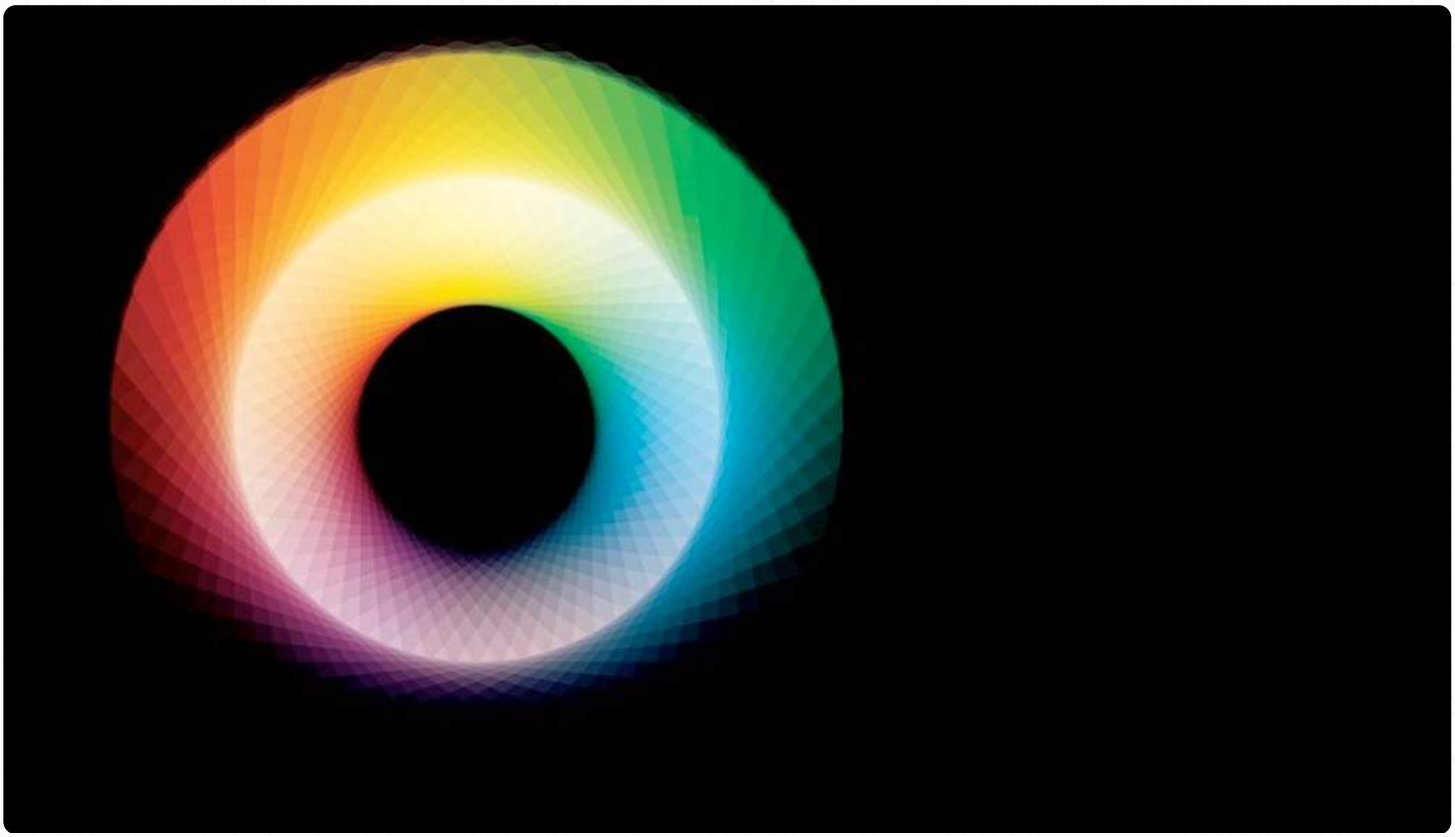
- Shakespeare

other's quirks quickly. As one CEO put it, "Why not tell people up front, and remove the mystery?" I really believe this is the kind of thing everyone will do 20 or 30 years from now.

Your interviews tend to focus on best practices. Does writing about innovative management ideas in your column create frustration with your present (or past) employers, and is this an occupational hazard?

I'll focus on past employers, not my current one. But you are right — doing these interviews does make you see opportunities to improve and makes you more aware of untapped possibilities. I tend to think of organizations as eight-cylinder engines, and in every organization you ask: "How many cylinders are actually firing?" If the answer is five or six, then you think, "How awesome and powerful would it be if we could unlock those two or three extra cylinders?"





I would never belong to a group, that would accept someone like me as a member.

- Groucho Marx

The New Science of Building Great Teams

by Alex "Sandy" Pentland

If you were looking for teams to rig for success, a call center would be a good place to start. The skills required for call center work are easy to identify and hire for. The tasks involved are clear-cut and easy to monitor. Just about every aspect of team performance is easy to measure: number of issues resolved, customer satisfaction, average handling time (AHT, the golden standard of call center efficiency). And the list goes on.

Why, then, did the manager at a major bank's call center have such trouble figuring out why some of his teams got excellent results, while other, seemingly similar, teams struggled? Indeed, none of the metrics that poured in hinted at the reason

for the performance gaps. This mystery reinforced his assumption that team building was an art, not a science.

The truth is quite the opposite. At MIT's Human Dynamics Laboratory, we have identified the elusive group dynamics that characterize high-performing teams—those blessed with the energy, creativity, and shared commitment to far surpass other teams. These dynamics are observable, quantifiable, and measurable. And, perhaps most important, teams can be taught how to strengthen them.

Looking for the "It Factor"

When we set out to document the behavior of teams that "click," we noticed we could sense a buzz in a team even if we didn't understand what the members were talking about. That suggested that the key to high performance lay not in the content of a team's discussions but in the manner in which it was communicating. Yet little of the research on team building had focused on communication. Suspecting it might be crucial, we decided to examine it more deeply.

For our studies, we looked across a diverse set of industries to find workplaces that had similar teams with varying performance. Ultimately, our research included innovation teams, post-op wards in hospitals, customer-facing teams in banks, backroom operations teams, and call center teams, among others.

We equipped all the members of those teams with electronic badges that collected data on their individual communication behavior—tone of voice, body language, whom they talked to and how much, and more. With remarkable consistency, the data confirmed that communication indeed plays a critical role in building successful teams. In fact, we've found patterns of communication to be the most important predictor of a team's success. Not only that, but they are as significant as all the other factors—individual intelligence, personality, skill, and the substance of discussions—combined.

Patterns of communication, for example, explained why performance varied so widely among the seemingly identical teams in that bank's call center. Several teams there wore our badges for six weeks. When my fellow researchers (my colleagues at Sociometric Solutions—Taemie Kim, Daniel Olguin, and Ben Waber) and I analyzed the data collected, we found that the best predictors of productivity were a team's energy and engagement

outside formal meetings. Together those two factors explained one-third of the variations in dollar productivity among groups.

Drawing on that insight, we advised the center's manager to revise the employees' coffee break schedule so that everyone on a team took a break at the same time. That would allow people more time to socialize with their teammates, away from their workstations. Though the suggestion flew in the face of standard efficiency practices, the manager was baffled and desperate, so he tried it. And it worked: AHT fell by more than 20% among lower-performing teams and decreased by 8% overall at the call center. Now the manager is changing the break schedule at all 10 of the bank's call centers (which employ a total of 25,000 people) and is forecasting $15 million a year in productivity increases. He has also seen employee satisfaction at call centers rise, sometimes by more than 10%. more

Any company, no matter how large, has the potential to achieve this same kind of transformation. Firms now can obtain the tools and data they need to accurately dissect and engineer high performance. Building great teams has become a science. Here's how it works.

Overcoming the Limits of Observation

When we sense esprit de corps, that perception doesn't come out of the blue; it's the result of our innate ability to process the hundreds of complex communication cues that we constantly send and receive.

But until recently we had never been able to objectively record such cues as data that we could then mine to understand why teams click. Mere observation simply couldn't capture every nuance of human behavior across an entire team. What we had, then, was only a strong sense of the things—good leadership and followership, palpable shared commitment, a terrific brainstorming session—that made a team greater than the sum of its parts.

Recent advances in wireless and sensor technology, though, have helped us overcome those limitations, allowing us to measure that ineffable "It factor." The badges developed at my lab at MIT are in their seventh version. They generate more than 100 data points a minute and work unobtrusively enough that we're confident we're capturing natural behavior. (We've documented a period of adjustment to the badges: Early on, people appear to be aware of them and act unnaturally, but the effect dissipates, usually within an hour.)

We've deployed them in 21 organizations over the past seven years, measuring the communication patterns of about 2,500 people, sometimes for six weeks at a time.

With the data we've collected, we've mapped the communication behaviors of large numbers of people as they go about their lives, at an unprecedented level of detail. The badges produce "sociometrics," or measures of how people interact—such as what tone of voice they use; whether they face one another; how much they gesture; how much they talk, listen, and interrupt; and even their levels of extroversion and empathy. By comparing data gathered from all the individuals on a team with performance data, we can identify the communication patterns that make for successful teamwork.

Those patterns vary little, regardless of the type of team and its goal—be it a call center team striving for efficiency, an innovation team at a pharmaceutical company looking for new product ideas, or a senior management team hoping to improve its leadership. Productive teams have certain data signatures, and they're so consistent that we can predict a team's success simply by looking at the data—without ever meeting its members.

Just by looking at the sociometric data, we've been able to foretell which teams will win a business plan contest.

We've been able to foretell, for example, which teams will win a business plan contest, solely on the basis of data collected from team members wearing badges at a cocktail reception. (See "Defend Your Research: We Can Measure the Power of Charisma," HBR January–February 2010.) We've predicted the financial results that teams making investments would achieve, just on the basis of data collected during their negotiations. We can see in the data when team members will report that they've had a "productive" or "creative" day.

The data also reveal, at a higher level, that successful teams share several defining characteristics:

1. Everyone on the team talks and listens in roughly equal measure, keeping contributions short and sweet.

2. Members face one another, and their conversations and gestures are energetic.

3. Members connect directly with one another—not just with the team leader.

4. Members carry on back-channel or side conversations within the team.

5. Members periodically break, go exploring outside the team, and bring information back.

The data also establish another surprising fact: Individual reasoning and talent contribute far less to team success than one might expect. The best way to build a great team is not to select individuals for their smarts or accomplishments but to learn how they communicate and to shape and guide the team so that it follows successful communication patterns.

The Key Elements of Communication

In our research we identified three aspects of communication that affect team performance. The first is energy, which we measure by the number and the nature of exchanges among team members. A single exchange is defined as a comment and some acknowledgment—for example, a "yes" or a nod of the head. Normal conversations are often made up of many of these exchanges, and in a team setting more than one exchange may be going on at a time.

The most valuable form of communication is face-to-face. The next most valuable is by phone or videoconference, but with a caveat: Those technologies become less effective as more people participate in the call or conference. The least valuable forms of communication are e-mail and texting. (We collect data on those kinds of communication without using the badges. Still, the number of face-to-face exchanges alone provides a good rough measure of energy.) The number of exchanges engaged in, weighted for their value by type of communication, gives each team member an energy score, which is averaged with other members' results to create a team score.

Energy levels within a team are not static. For instance, in my research group at MIT, we sometimes have meetings at which I update people on upcoming events, rule changes, and other administrative details. These meetings are invariably low energy. But when someone announces a new discovery in the same group, excitement and energy skyrocket as all the members start talking to one another at once.

The second important dimension of communication is engagement, which reflects the distribution of energy among team members. In a simple three-person team,

engagement is a function of the average amount of energy between A and B, A and C, and B and C. If all members of a team have relatively equal and reasonably high energy with all other members, engagement is extremely strong. Teams that have clusters of members who engage in high-energy communication while other members do not participate don't perform as well. When we observed teams making investment decisions, for instance, the partially engaged teams made worse (less profitable) decisions than the fully engaged teams. This effect was particularly common in far-flung teams that talked mostly by telephone.

The most valuable form of communication is face-to-face. E-mail and texting are the least valuable.

The third critical dimension, exploration, involves communication that members engage in outside their team. Exploration essentially is the energy between a team and the other teams it interacts with. Higher-performing teams seek more outside connections, we've found. We've also seen that scoring well on exploration is most important for creative teams, such as those responsible for innovation, which need fresh perspectives.

To measure exploration, we have to deploy badges more widely in an organization. We've done so in many settings, including the MIT Media Lab and a multinational company's marketing department, which comprised several teams dedicated to different functions.

Our data also show that exploration and engagement, while both good, don't easily coexist, because they require that the energy of team members be put to two different uses. Energy is a finite resource. The more that people devote to their own team (engagement), the less they have to use outside their team (exploration), and vice versa.

But they must do both. Successful teams, especially successful creative teams, oscillate between exploration for discovery and engagement for integration of the ideas gathered from outside sources. At the MIT Media Lab, this pattern accounted for almost half of the differences in creative output of research groups. And in one industrial research lab we studied, it distinguished teams with high creativity from those with low creativity with almost 90% accuracy.

Beyond Conventional Wisdom

A skeptic would argue that the points about energy, engagement, and exploration are blindingly obvious. But the data from our research improve on conventional wisdom. They add an unprecedented level of precision to our observations, quantify the key dynamics, and make them measurable to an extraordinary degree.

For example, we now know that 35% of the variation in a team's performance can be accounted for simply by the number of face-to-face exchanges among team members. We know as well that the "right" number of exchanges in a team is as many as dozens per working hour, but that going beyond that ideal number decreases performance. We can also state with certainty that in a typical high-performance team, members are listening or speaking to the whole group only about half the time, and when addressing the whole group, each team member speaks for only his or her fair share of time, using brief, to-the-point statements. The other half of the time members are engaging in one-on-one conversations, which are usually quite short. It may seem illogical that all those side exchanges contribute to better performance, rather than distract a team, but the data prove otherwise.

The data we've collected on the importance of socializing not only build on conventional wisdom but sometimes upend it. Social time turns out to be deeply critical to team performance, often accounting for more than 50% of positive changes in communication patterns, even in a setting as efficiency-focused as a call center.

Without the data there's simply no way to understand which dynamics drive successful teams. The managers of one young software company, for instance, thought they could promote better communication among employees by hosting "beer meets" and other events. But the badge data showed that these events had little or no effect. In contrast, the data revealed that making the tables in the company's lunchroom longer, so that strangers sat together, had a huge impact.

A similarly refined view of exploration has emerged in the data. Using fresh perspectives to improve performance is hardly a surprising idea; it's practically management canon. But our research shows that most companies don't do it the right way. Many organizations we've studied seek outside counsel repeatedly from the same sources and only at certain times (when building a business case, say, or doing a postmortem on a project). The best-

performing and most creative teams in our study, however, sought fresh perspectives constantly, from all other groups in (and some outside) the organization.

How to Apply the Data

For management tasks that have long defied objective analysis, like team building, data can now provide a foundation on which to build better individual and team performance. This happens in three steps.

Step 1: Visualization.

In raw form the data don't mean much to the teams being measured. An energy score of 0.5 may be good for an individual, for example, but descriptions of team dynamics that rely on statistical output are not particularly user-friendly. However, using the formulas we developed to calculate energy, engagement, and exploration, we can create maps of how a team is doing on those dimensions, visualizations that clearly convey the data and are instantly accessible to anyone. The maps starkly highlight weaknesses that teams may not have recognized. They identify low-energy, unengaged team members who, even in the visualization, look as if they're being ignored.

When we spot such people, we dig down into their individual badge data. Are they trying to contribute and being ignored or cut off? Do they cut others off and not listen, thereby discouraging colleagues from seeking their opinions? Do they communicate only with one other team member? Do they face other people in meetings or tend to hide from the group physically? Do they speak loudly enough? Perhaps the leader of a team is too dominant; it may be that she is doing most of the talking at meetings and needs to work on encouraging others to participate. Energy and engagement maps will make such problems clear. And once we know what they are, we can begin to fix them.

Exploration maps reveal patterns of communication across organizations. They can expose, for instance, whether a department's management is failing to engage with all its teams. Time-lapse views of engagement and exploration will show whether teams are effectively oscillating between those two activities. It's also possible to layer more detail into the visualizations. We can create maps that break out different types of communication among team members, to discover, for example, if teams are falling into counterproductive patterns such as shooting off e-mail when they need more face time. (For an exam-

ple, see the exhibit “Mapping Communication over Time.”)

Step 2: Training.

With maps of the data in hand, we can help teams improve performance through iterative visual feedback. more

Work we did with a multicultural design team composed of both Japanese and American members offers a good example. (Visual data are especially effective at helping far-flung and multilingual groups, which face special communication challenges.) The team’s maps (see the exhibit “Mapping Communication Improvement”) showed that its communication was far too uneven. They highlighted that the Japanese members were initially reluctant to speak up, leaving the team both low energy and unengaged.

Every day for a week, we provided team members a visualization of that day’s work, with some light interpretation of what we saw. (Keep in mind that we didn’t know the substance of their work, just how they were interacting.) We also told them that the ideal visualization would show members contributing equally and more overall contributions. By day seven, the maps showed, the team’s energy and engagement had improved vastly, especially for the two Japanese members, one of whom had become a driving force.

The notion that visual feedback helps people improve quickly shouldn’t be surprising to anyone who has ever had a golf swing analyzed on video or watched himself deliver a speech. Now we have the visual tools to likewise improve teamwork through objective analysis.

Step 3: Fine-tuning performance.

We have seen that by using visualizations as a training tool, teams can quickly improve their patterns of communication. But does that translate to improved performance? Yes. The third and final step in using the badge data is to map energy and engagement against performance metrics. In the case of the Japanese-American team, for example, we mapped the improved communication patterns against the team’s self-reported daily productivity. The closer the patterns came to those of our high-performance ideal, the higher productivity rose.

We’ve duplicated this result several times over, running similar feedback loops with teams aiming to be more creative and with executive teams looking for more cohesiveness. In every case the self-reporting on ef-

fectiveness mapped to the improved patterns of communication.

Through such maps, we often make important discoveries. One of the best examples comes from the bank's call center. For each team there, we mapped energy and engagement against average handling time (AHT), which we indicated with color. (See the exhibit "Mapping Communication Against Performance.") That map clearly showed that the most efficient work was done by high-energy, high-engagement teams.

But surprisingly, it also showed that low-energy, low-engagement teams could outperform teams that were unbalanced—teams that had high energy and low engagement, or low energy and high engagement. The maps revealed that the manager needed to keep energy and engagement in balance as he worked to strengthen them.

If a hard metric like AHT isn't available, we can map patterns against subjective measures. We have asked teams to rate their days on a scale of "creativity" or "frustration," for example, and then seen which patterns are associated with highly creative or frustrating days. Teams often describe this feedback as "a revelation."

Successful tactics.

The obvious question at this point is, Once I recognize I need to improve energy and engagement, how do I go about doing it? What are the best techniques for moving those measurements? more

Simple approaches such as reorganizing office space and seating are effective. So is setting a personal example—when a manager himself actively encourages even participation and conducts more face-to-face communication. Policy changes can improve teams, too. Eschewing Robert's Rules of Order, for example, is a great way to promote change. In some cases, switching out team members and bringing in new blood may be the best way to improve the energy and engagement of the team, though we've found that this is often unnecessary. Most people, given feedback, can learn to interrupt less, say, or to face other people, or to listen more actively. Leaders should use the data to force change within their teams.

The ideal team player.

We can also measure individuals against an ideal. In both productivity-focused and creativity-focused teams, we have discovered the data signature of what we consider the best type of team member. Some

might call these individuals "natural leaders." We call them "charismatic connectors." Badge data show that these people circulate actively, engaging people in short, high-energy conversations. They are democratic with their time—communicating with everyone equally and making sure all team members get a chance to contribute. They're not necessarily extroverts, although they feel comfortable approaching other people. They listen as much as or more than they talk and are usually very engaged with whomever they're listening to. We call it "energized but focused listening."

The best team players also connect their teammates with one another and spread ideas around. And they are appropriately exploratory, seeking ideas from outside the group but not at the expense of group engagement. In a study of executives attending an intensive one-week executive education class at MIT, we found that the more of these charismatic connectors a team had, the more successful it was. Team building is indeed a science, but it's young and evolving. Now that we've established patterns of communication as the single most important thing to measure when gauging the effectiveness of a group, we can begin to refine the data and processes to create more-sophisticated measurements, dig deeper into the analysis, and develop new tools that sharpen our view of team member types and team types.

The sensors that enable this science are evolving as well. As they enter their seventh generation, they're becoming as small and unobtrusive as traditional ID badges, while the amount and types of data they can collect are increasing. We've begun to experiment with apps that present teams and their leaders with real-time feedback on group communications. And the applications for the sensors are expanding beyond the team to include an ever-broader set of situations.

We imagine a company's entire staff wearing badges over an extended period of time, creating "big data" in which we'd find the patterns for everything from team building to leadership to negotiations to performance reviews. We imagine changing the nature of the space we work in, and maybe even the tools we use to communicate, on the basis of the data. We believe we can vastly improve long-distance work and cross-cultural teams, which are so crucial in a global economy, by learning their patterns and adjusting them. We are beginning to create what I call the "God's-eye view" of the organization. But spiritual as that may sound, this view is rooted in evi-

We cannot live only for ourselves; a thousand fibers connect us to our fellow man.

- Herman Melville

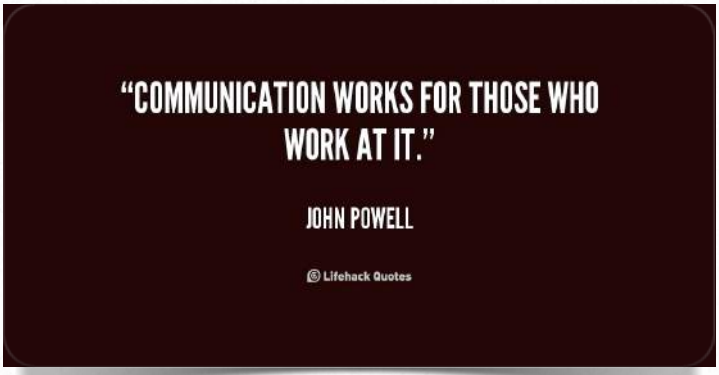
dence and data. It is an amazing view, and it will change how organizations work.

Why Do Patterns of Communication Matter So Much?

It seems almost absurd that how we communicate could be so much more important to success than what we communicate.

Yet if we look at our evolutionary history, we can see that language is a relatively recent development and was most likely layered upon older signals that communicated dominance, interest, and emotions among humans. Today these ancient patterns of communication still shape how we make decisions and coordinate work among ourselves.

Consider how early man may have approached problem solving. One can imagine humans sitting around a campfire (as a team) making suggestions, relating observations, and indicating interest or approval with head nods, gestures, or vocal signals. If some people failed to contribute or to signal their level of interest or approval, then the group members had less information and weaker judgment, and so were more likely to go hungry.



4 ENDURING LESSONS FOR social movements

1

Understand and articulate the cause behind the movement and the actions required of participants - clearly and concisely.

2

Some of the most successful movements are those that **are perceived as genuine and organic.** Few can connect directly to product sales without putting brand self-interest first.

3

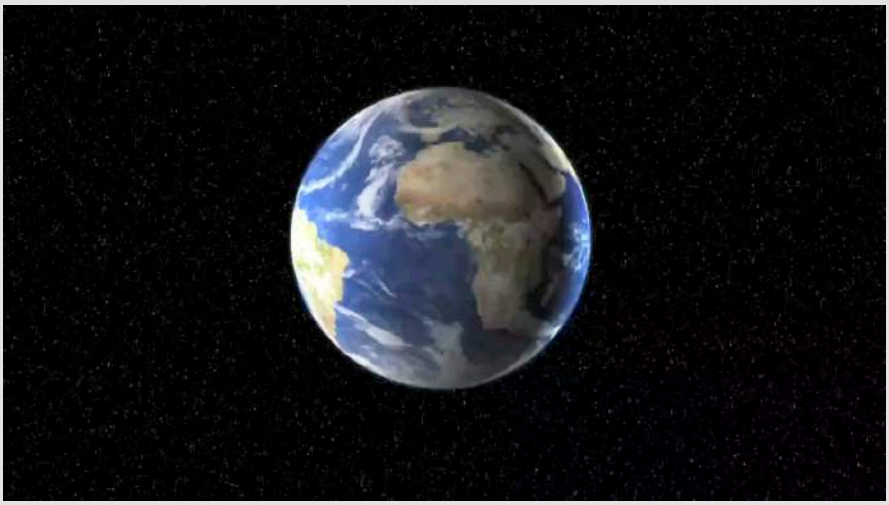
Given the demands on consumers' time and attention, **the more a brand or movement can limit barriers to entry,** the more likely it is that participants will join.

4

Be prepared to invest time, effort, and dollars to assist the movement's growth. The biggest brand movements require financial support, allowing them to grow on a scale that unsupported movements cannot.

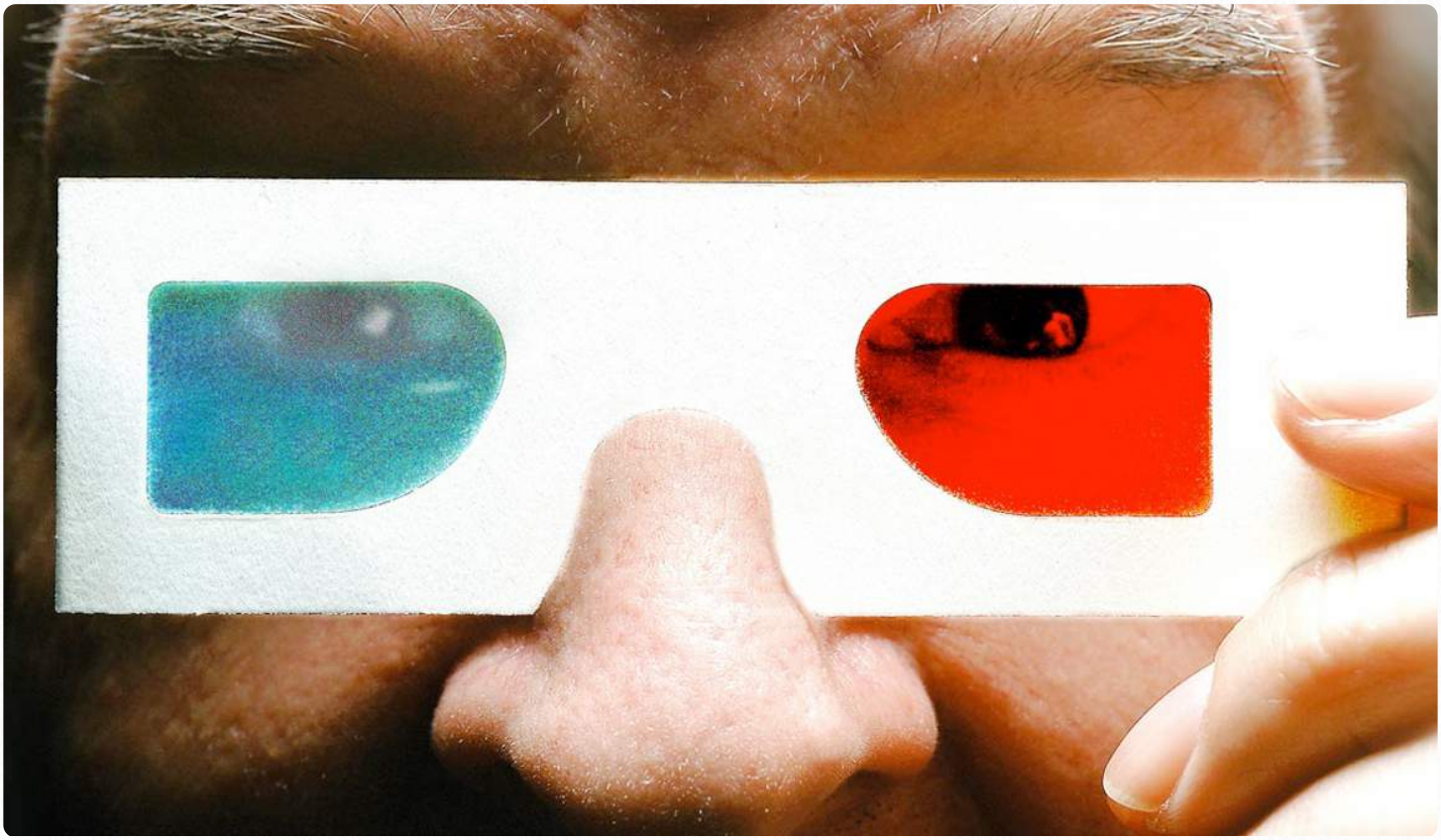
social@Ogilvy

Movie 2.2 Beautiful World Our Hearts Know Is Possible



"There is a vast territory between what we're trying to leave behind, and where we want to go - and we don't have any maps for that territory." - Charles Eisenstein

Great Managers



What Great Managers Do to Engage Employees

by James Harter and Amy Adkins

Less than one-third of Americans are engaged in their jobs in any given year. This finding has remained consistent since 2000, when Gallup first began measuring and reporting on U.S. workplace engagement.

Gallup defines engaged employees as those who are involved in and enthusiastic about their work and workplace. But the majority of employees are indifferent, sleepwalking through their workday without regard for their performance or their organization's perform-

ance. As a result, vital economic influencers such as growth and innovation are at risk.

Gallup's latest report, State of the American Manager, provides an in-depth look at what characterizes great managers and examines the crucial links between talent, engagement, and vital business outcomes such as profitability and productivity. Our research shows that managers account for as much as 70% of variance in employee engagement scores. Given the troubling state of employee engagement in the U.S. today, it makes sense that most managers are not creating environments in which employees feel motivated or even comfortable. A Gallup study of 7,272 U.S. adults revealed that one in two had left their job to get away from their manager to improve their overall life at some point in their career. Having a bad manager is often a one-two punch: Employees feel miserable while at work, and that misery follows them home, compounding their stress and negatively affecting their overall well-being.

But it's not enough to simply label a manager as "bad" or "good." Organizations need to understand what managers are doing in the workplace to create or destroy engagement. In another study of 7,712 U.S. adults, Gallup asked respondents to rate their manager on specific behaviors. These behaviors – related to communication, performance management, and individual strengths – strongly link to employee engagement and give organizations better insights into developing their managers and raising the overall level of performance of the business.

Communicate Richly

Communication is often the basis of any healthy relationship, including the one between an employee and his or her manager. Gallup has found that consistent communication – whether it occurs in person, over the phone, or electronically – is connected to higher engagement. For example, employees whose managers hold regular meetings with them are almost three times as likely to be engaged as employees whose managers do not hold regular meetings with them.

Gallup also finds that engagement is highest among employees who have some form (face-to-face, phone, or digital) of daily communication with their managers. Managers who use a combination of face-to-face, phone, and electronic communication are the most successful in engaging

employees. And when employees attempt to contact their manager, engaged employees report their manager returns their calls or messages within 24 hours. These ongoing transactions explain why engaged workers are also more likely to report their manager knows what projects or tasks they are working on.

But mere transactions between managers and employees are not enough to maximize engagement. Employees value communication from their manager not just about their roles and responsibilities but also about what happens in their lives outside of work. The Gallup study reveals that employees who feel as though their manager is invested in them as people are more likely to be engaged.

The best managers make a concerted effort to get to know their employees and help them feel comfortable talking about any subject, whether it is work related or not. A productive workplace is one in which people feel safe – safe enough to experiment, to challenge, to share information, and to support one another. In this type of workplace, team members are prepared to give the manager and their organization the benefit of the doubt. But none of this can happen if employees do not feel cared about.

Great managers have the talent to motivate employees and build genuine relationships with them. Those who are not well-suited for the job will likely be uncomfortable with this "soft" aspect of management. The best managers understand that each person they manage is different. Each person has different successes and challenges both at and away from work. Knowing their employees as people first, these managers accommodate their employees' uniqueness while managing toward high performance.

Base Performance Management on Clear Goals

Performance management is often a source of great frustration for employees who do not clearly understand their goals or what is expected of them at work. They may feel conflicted about their duties and disconnected from the bigger picture. For these employees, annual reviews and developmental conversations feel forced and superficial, and it is impossible for them to think about next year's goals when they are not even sure what tomorrow will throw at them.

Yet, when performance management is done well, employees become more pro-

ductive, profitable, and creative contributors. Gallup finds that employees whose managers excel at performance management activities are more engaged than employees whose managers struggle with these same tasks.

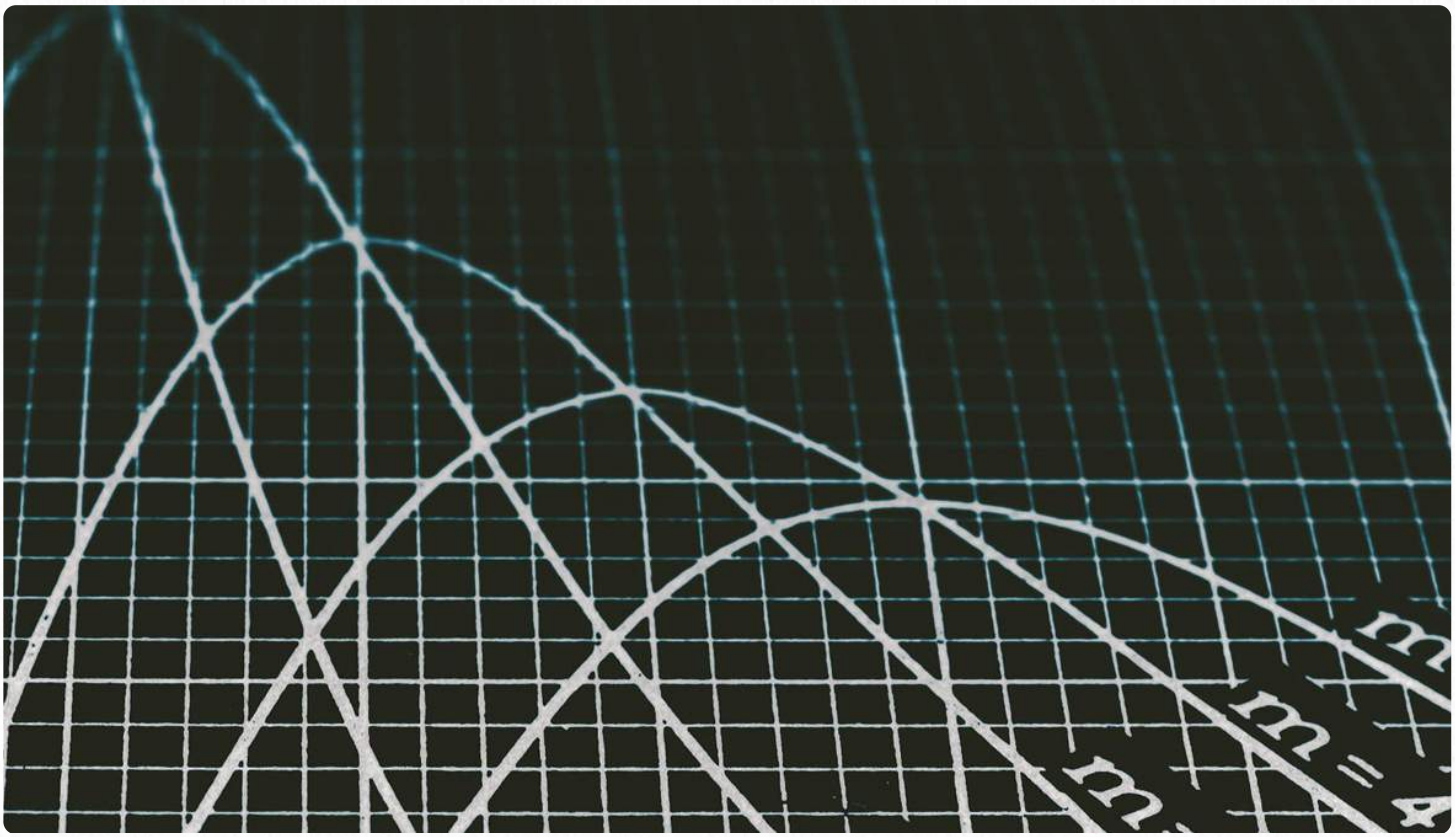
In our Q12 research, Gallup has discovered that clarity of expectations is perhaps the most basic of employee needs and is vital to performance. Helping employees understand their responsibilities may seem like "Management 101" but employees need more than written job descriptions to fully grasp their roles. Great managers don't just tell employees what's expected of them and leave it at that; instead, they frequently talk with employees about their responsibilities and progress. They don't save those critical conversations for once-a-year performance reviews.

Engaged employees are more likely than their colleagues to say their managers help them set work priorities and performance goals. They are also more likely to say their managers hold them accountable for their performance. To these employees, accountability means that all employees are treated fairly or held to the same standards, which allows those with superior performance to shine.

Focus on Strengths over Weaknesses

Gallup researchers have studied human behavior and strengths for decades and discovered that building employees' strengths is a far more effective approach than a fixation on weaknesses. A strengths-based culture is one in which employees learn their roles more quickly, produce more and significantly better work, stay with their company longer, and are more engaged. In the current study, a vast majority (67%) of employees who strongly agree that their manager focuses on their strengths or positive characteristics are engaged, compared with just 31% of the employees who indicate strongly that their manager focuses on their weaknesses.

When managers help employees grow and develop through their strengths, they are more than twice as likely to engage their team members. The most powerful thing a manager can do for employees is to place them in jobs that allow them to use the best of their natural talents, adding skills and knowledge to develop and apply their strengths.



He who experiences the unity of life; sees his own self in all beings, and all beings in his own self.

And looks on everything with an impartial eye.

- Buddha

Calculating the Market Value of Leadership

by David Ulrich and Allan Freed

In recent years, investors have learned that defining the market value of a firm cannot just be based on finances. GAAP and FASB standards require financial reporting of earnings, cash flow, and profitability – all measures that investors have traditionally examined. But recently, these financial outcomes have been found to predict only about 50% of a firm's market value. Another challenge is that this financial information has become widely known and shared, meaning that the investor insights it affords are hardly unique.

To gain more insights into a specific firm, investors have shown more interest in intangibles like strategy, brand, innova-

tion, systems integration, collaboration, and so on. Investors have also worked to track and measure these intangibles, even if more subjective. We believe that a next step for investors is to analyze the predictors and drivers of these intangible factors — which means focusing on leadership.

Wise, long term investors recognize that leadership affects firm performance. But too often, assessments of leadership are haphazard and narrow. For instance, in our research, we found that investors allocate about 30% of their decision making based on quality of leadership, and they have much less confidence in their ability to assess leadership than in their assessments of financial or intangible performance. Investors may say "this leader is charismatic, has a vision, or treats people well" but there is little analysis behind what has often become a "gut feel" approach. Investor assessments of leadership should go beyond isolated observations to more rigorous evaluation. Numerous studies have shed light on what good leadership is; synthesizing this research into useful insights for investors would help counteract intuitive leadership assessments.

What we need is a leadership capital index, similar to a financial confidence index (such as Moody's or Standard & Poor's). It would move beyond casual and piecemeal observations of leaders to more thorough assessment of leadership.

It's important to note that a leadership index differs from a leadership standard. Standards define what is expected; indices rate how well an activity performs. For example, consider the Economist's Big Mac index, which measures the cost of a Big Mac in various countries in terms of its difference from the average Big Mac price in the United States. It doesn't try to tell you how much a Big Mac should cost — instead, it is a crude, but useful, assessment of the cost of living around the world.

An index guides investors to make more informed choices. When a rating agency like Moody's or S&P downgrades a company, it is not saying the company did or did not meet financial reporting requirements, but offering an opinion about the ability to repay loans in the future. Likewise, a leadership capital index would inform investors about the readiness of the firm's leadership to meet business challenges.

We've created a leadership capital index by interviewing and surveying investors and by synthesizing at dozens of studies of the impact of leadership. In general,

these studies offered deep insights on one piece of an overall leadership puzzle. Some focused on personal leadership style of the CEO, others on compensation or training practices, and still others on organization governance and design. Few attempted to prepare a comprehensive approach to leadership as a whole that could be accessed by investors.

The leadership ratings index we have developed has two dimensions, or domains: individual and organizational. Individual refers to the personal qualities (competencies, traits, characteristics) of both the top leader and the key leadership team in the organization. Organizational refers to the systems these leaders create to manage leadership throughout the organization and the application of organization systems to specific business conditions. Using these two domains, previous leadership and human capital work may be synthesized into a leadership capital index that investors can use to inform their valuation decisions.

Each domain consists of five factors:

Individual:

1. *Personal proficiency:* To what extent do leaders demonstrate the personal qualities to be an effective leader (e.g. intellectual, emotional, social, physical, and ethical behaviors)?

2. *Strategist:* To what extent do leaders articulate a point of view about the future and accordingly adjust the firm's strategic positioning?

3. *Executor:* To what extent do leaders make things happen and deliver as promised?

4. *People manager:* To what extent do leaders build competence, commitment, and contribution of their people today and tomorrow?

5. *Leadership differentiator:* To what extent do leaders behave consistent with customer expectations?

Organizational:

1. *Culture capability:* To what extent do leaders create a customer-focused culture throughout the organization?

2. *Talent management:* To what extent do leaders manage the flow of talent into, through, and out of the organization?

3. *Performance accountability:* to what extent do leaders create performance

management practices that reinforce the right behaviors?

4. *Information:* To what extent do leaders manage information flow throughout the organization (e.g., from top to bottom, bottom to top, and side to side)?

5. *Work practices:* To what extent do leaders establish organization and governance that deal with the increasing pace of change in today's business setting?

While it may not be easy to precisely track each of these 10 elements, when investors include them in interviews, observations, surveys, and reports, they will dramatically increase their ability to realize full firm value. Equity investors (venture capitalists, private equity, portfolio managers, mutual/hedge fund managers) will use this index to complement existing financial and intangible analysis and gain a more thorough and rigorous understanding of firm's full market value. Debt holders will have more confidence in a firm's ability to repay its debt. With this index, rating agencies (ISS, government groups, Moody's) can offer a more refined assessment of the firm's full value by including leadership in their ratings process. Boards of directors can have a more thorough process for evaluating the quality of leadership within their organization. C-suite executives who have primary responsibility for firm value can include leadership as part of this discussion. Leadership development specialists charged with developing leaders can focus less on personal characteristics of leaders and more how investors might view them.

Realizing the market value of leadership could also have a significant impact on many organization processes: risk management, governance, social responsibility, reputation, and leadership development. Each of these processes could be upgraded with a disciplined and through approach to assessing leadership.

Transitioning from a "gut feel" or narrow assessment of leadership to an index that can start to predict the impact leaders have on intangible value creation changes the game of leadership assessment and development. The leadership capital index will help investors and others improve their approach to firm valuation. When leadership capital becomes a factor in investor judgments, it will naturally receive more emphasis in day-to-day corporate life, to the benefit of many. It is now time for investors and others to use a leadership capital index.

BUILDING THE NEW LEADER

The Rise of Millennials in Leadership Roles

EVERYDAY FOR THE NEXT
19 YEARS
10,000
BABY BOOMERS
WILL REACH 65.

BY 2015
MILLENNIALS
BORN BETWEEN 1977-1997
WILL BE NEARLY
50%
OF THE EMPLOYEES
WORLDWIDE.

TWO-THIRDS OF
CURRENT CEOs SAY
THEY ARE FACING A SKILLED TALENT SHORTAGE.

MILLENNIALS CLAIM THEY NEED SHARPENED SKILLS IN

- Leadership
- Strategic Innovation
- Self Management
- Advanced Technology
- Industry Knowledge

RECRUITING MILLENNIAL LEADERS WILL REQUIRE

- **Career Laddering** 17% EXPECT AN ANNUAL PROMOTION
- **Mentoring** 98% WANT STRONG MENTORS
- **Training** 35% EXPECT EXCELLENT TRAINING OPPORTUNITIES
- **Meaningful Work** 30% CONSIDER THIS VITAL FOR SUCCESS
- **Challenge** 51% WANT A CHALLENGING WORK ENVIORONMENT
- **Balance** 95% WANT AN EVEN WORK/LIFE BALANCE

Leaders
40% of millennials want to serve in a leadership capacity

Tech Connected
90% of millennials use the internet
66% of millennials own smartphones
87% of millennials use social networking

Team Oriented
92% of millennials believe teamwork produces solutions

Educated
54% of millennials have at least some college vs. 36% of baby boomers

Social Responsibility
86% of millennials surveyed want to work for employers who are socially responsible

Achievement Driven
88% of millennials have established specific goals for the next five years

Multi-Tasker
55% of Americans believe millennial's multitasking "yields helpful results"

Millennials are on the rise! Top 7 characteristics of millennials as leaders.

- Passion
- Flexibility
- Transparency
- Relevancy
- Accountability
- Organizational Health
- Active Attention

Sources: http://bit.ly/SxQ1vB | http://bit.ly/u0N03D | http://bit.ly/SxQ5LX | http://bit.ly/SxQsGj
http://bit.ly/SxQ6PO | http://bit.ly/SxQcqR | http://bit.ly/hYfSkl | http://bit.ly/SxQfCV |
http://bit.ly/SxQiia | http://bit.ly/kihcfl | http://bit.ly/SxQnCk | http://bit.ly/qRHNiu

Movie 2.3 Time To Wake Up

Sustainable Human

“Time To Wake Up” makes the call to all human beings to become aware of the events of our time.

Culture of Love

Creating a Culture of Unconditional Love

by Claudio Fernández-Aráoz

During my first decade working in the Buenos Aires office of Egon Zehnder in the late 1990s, our Argentine executive search practice soared, recording the highest per capita financial performance in the whole firm for five consecutive years. But we all know what happened in 2001. By the end of the year, Argentina's economy had collapsed. It was the largest sovereign debt default in world history, and GDP fell by some 30% coupled with a 300% currency devaluation. Over 12 days, five different presidents took control of the country. One bank lost more money in a few weeks than it had accumulated over the pre-

vious century. There were companies with losses larger than their sales, and one month the number of new cars sold in the country was lower than the number of cars stolen! As you can imagine, that was not an easy time for me. No one in their right mind was looking to hire a search consultant.

As that dramatic disintegration played out in early 2002, I had to present our office's results and perspectives at the firm's annual partners' meeting in Switzerland. As soon I walked on stage, the audience of some 200 of colleagues went dead silent, waiting to hear what I would say. I was solemn and candid. I told them that our brilliant past in Argentina would never be replicated; that I was expecting big losses and didn't see much future for our firm in the country. I said I would wait a year or so and then tell them very frankly whether it made any sense to stay.

As soon as I finished, one of our Dutch partners, Sikko Onnes, stood up and said: "Claudio, if I understand what you are implying, you are totally wrong. Our partnership has benefited from the extraordinary contribution of your office for well over a decade. Now it's the time for us to support you. Your only job is to go back to the Buenos Aires office and tell every single member of the consulting and support staff that they all have our full and unconditional support."

The whole group then stood up and applauded. I tried to thank Sikko, but I couldn't because I was in tears. What I felt then, from my colleagues, was unconditional love.

Thanks to Egon Zehnder's corporate culture, it's something I get at work every single day, and it's what encourages me to give my absolute best in return, now for 28 years. Any firm that wants to not only hire the best talent but also pull them together into strong and lasting teams can't do so without fostering a compelling and inspiring culture. That's how you overcome challenges, and keep your mission going in your absence.

All serious research, all respected business thinkers, and all great leaders confirm this point. As Peter Drucker put it, "culture eats strategy over breakfast". Just take a look at Southwest Airlines, the company which saw the greatest value expansion in the S&P 500 between 1971 and 2001. Herb Kelleher — its CEO for 35 years — once said: "Given enough time and money, your competitors can duplicate almost everything you've got working for you. They can

hire away some of your best people. They can reverse-engineer your processes. The only thing they can't duplicate is your culture… Do you know the difference between strategy and culture? Well, when Napoleon was in Paris in a room with all his generals around a table, discussing how to attack Russia, that's strategy. But what makes a million men march to Moscow, that is culture!"

Of course you still need to hire outstanding performers with great potential; appoint them to the right roles; identify, retain, motivate and develop your brightest stars; and build great teams fit for the purpose. But you can't make the mistake of ignoring culture. If you do, you'll achieve very little, and it won't last long. Your people won't go as far as they could, or they will leave.

So, how do you build a great culture? It starts with you, the leader, using it as a filter for hiring. My model is Egon Zehnder himself, who founded our firm and gave it his name. From the beginning, he vowed to consider only the strongest candidates to join him: people with double degrees from top schools, international experience, high emotional intelligence, and remarkable career trajectories. More important, he would never, ever, hire anyone who was not dying to work in a highly professional, ethical, collaborative firm. Before I joined, I was interviewed by some 35 partners, including all executive committee members, in five different countries, over a single week. Egon personally checked my references with McKinsey, my employer then. That's the standard process, and it remains intact today. Until he retired as CEO, Egon met with and approved every single consultant who joined any of our 68 offices around the world – for 36 years. Today, his successor, Damien O'Brien, continues the practice, no exceptions allowed.

The second step in building a culture is compassionate coaching. Once we're adults, our personal growth comes mostly from exposure to the complex challenges discussed in the previous section and from great developmental relationships – with bosses, mentors and colleagues who engage us, motivate us, inspire us, and help us succeed. Great leaders are great listeners, who make their employees feel valued, see the bigger picture and feel a part of something important. Fascinating recent studies using fMRI (functional magnetic resonance imaging) to track neural activity show how that sort of coaching arouses the parasympathetic nervous system, invoking cognitive, emotional, perceptual and behavioral openness and improving performance. It also creates the condi-

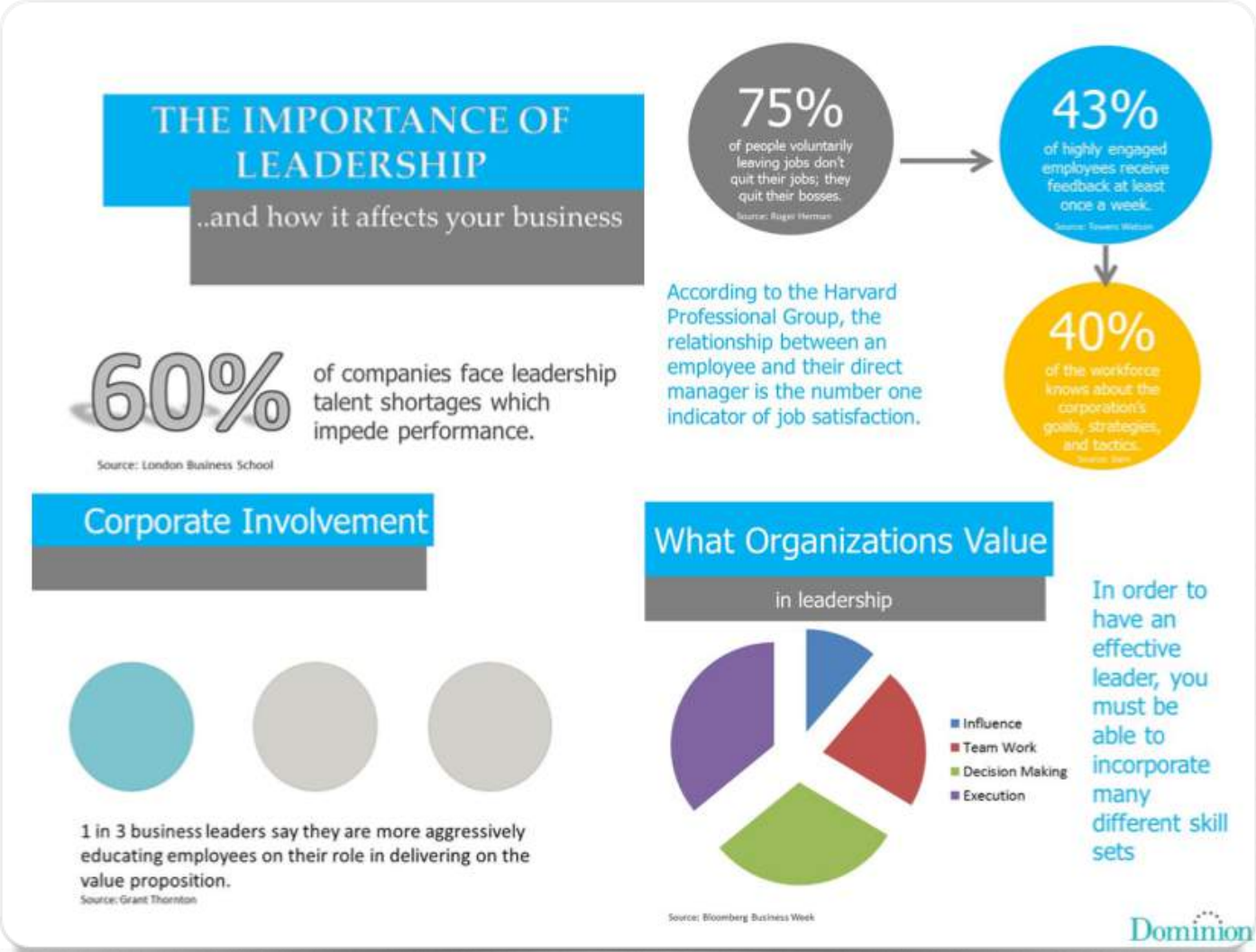
Chaos is inherent in all compounded things...

Strive on with diligence.

- Buddha

tions for neurogenesis, allowing people to learn and develop new healthy habits and competencies. By contrast, coaching that focuses on weaknesses arouses the sympathetic nervous system and does just the opposite. Compassionate coaches are not just positive cheerleaders but also committed guides, conscious of the state and progress of their team and the individuals in it. They are also timely provocateurs, offering the right dose of tough love when necessary.

These hiring and coaching practices demand extraordinary discipline. But it's worth it to create a culture of unconditional love that perpetuates itself and binds your team together into a whole much bigger than the sum of its parts.



The worst form of inequality, it to try and make unequal things, equal.

- Aristotle

The False Theory of Meritocracy

by Nigel Nicholson

One of the triumphs of the Industrial Era was our realization that organizations didn't have to be ruled according to capricious traits like power, nepotism, grace, and favor. We could impose a rational order on our businesses — a logically ordered hierarchy of roles and responsibilities, protected by inviolable rules, guided by the realities of market competition. The best people would rise to the top, having triumphed in a series of fair and open contests.

Hierarchy plus meritocracy equals quality and efficiency, right?

Wrong.

In the kind of meritocracy that companies try to implement, people progress linearly: The very best alpha sits on high, with a team of betas reporting to him (occasionally her), and so on, all the way down to the omegas working the machines, dealing with the customers, and so on.

This approach doesn't add up for three reasons:

It allows no scope for learning. It suggests that people can't ever change their grades, so to speak — for better or worse. This is plainly false. Even if we are initially incompetent in a new role, we usually do get the hang of it and improve. Leadership skills have to be learned, even by the most naturally charismatic individuals.

It ignores the fact that our value or talent depends on circumstances. Native American tribes often had different chiefs for peace and war. But in the corporate realm we demand men and women for all seasons. Advancement in organizations operates on the ratchet principle. There are occasional demotions, but mostly it is a one-way trip up, with occasional exit points where people are pushed off the ladder into the void. We all have unique capabilities that must be constantly reassessed in a world of shifting priorities.

You can't reduce a person's value to a single letter or number on a scale of merit. We know that A's are destined for leadership, B's for middle management, and C's for lower positions, right? Some may protest that it's much more sophisticated than that — that HR managers can deploy all kinds of talent-assessment tools and competency models to steer people into the slots that best fit them. But what actually happens? Some committee or agent looks at the mass of data about a bunch of people and boils it all down to make simple A-is-better-than-B decisions. Jack, who gets the promotion, is globally superior to Jill. Meanwhile, poor Jill's "failure" may stick to her for a long time afterward.

In a typical organization of, say, 15,000 people, is it really true that there is only one legitimate alpha, 6 betas, 40 gammas, 300 deltas, 2,000 epsilons, and 13,000 omegas? No, no, you protest, that's not how it works. It's simply a market for scarce human capital; and merit decisions are a device to motivate.

That may be partly true, but if all you're motivating is a scramble for seniority (and the rewards that go with it) think of the tremendous downside. A manager looks at his boss and wonders How come this person has authority over me? He is clearly not

my superior in any sense. He tells himself: Why should I give this person any more help than I have to? He has the position and the rewards; let him prove his worth without my assistance.

Then the manager looks at some his subordinates and wonders How good are they, really? Some are so talented that the manager begins to feel insecure and defensive. He starts to watch out for people who would depose him, keeping them at a distance and even ensuring that their assignments do not allow them to shine.

We were born to unite with our fellow man, and to join in community with the human race.

- Cicero

Finally, the manager looks at himself and wonders Am I really good enough for the position I am in? The way to combat this sort of existential doubt is to make sure you are always incredibly busy, proving your worth to anyone watching. So the manager claims credit wherever he can for all the successes happening around him. He spends all his time trying to convince his bosses how indispensible he is.

The false theory of meritocracy has too many managers looking over their shoulders, striving to prove themselves, and spending a small fraction of their time fulfilling their core leadership role, which is to help bring out the best in others (including their own bosses).

We can't abolish hierarchy completely. But we don't have to let it infect our minds with muddled concepts about human qualities and how best to use them.

A true theory of meritocracy would acknowledge that we all have multiple talents and motivations; and that we all can learn and improve in most of the roles in which we are placed

Classic economic theory, based as it is on an inadequate theory of human motivation, could be evolved by accepting the higher human needs; including the impulse to self-actualize, and the love for the highest values.

- Abraham Maslow

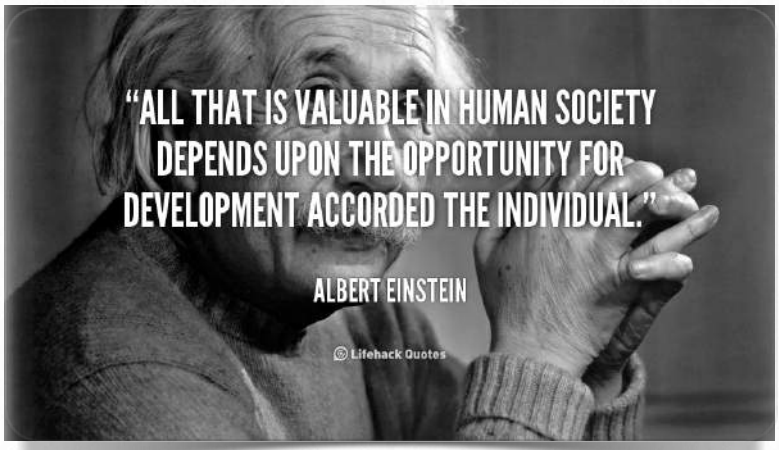
— though how much and how fast will vary from person to person.

It would recognize that we live and work in a dynamic and uncertain world. For optimum efficiency, motivation, and well-being, we should be constantly reviewing the fit we have with our positions and making adjustments.

And it would recognize that it's increasingly effective for organizations to adopt more of a lattice than a pyramid structure — flat with broad opportunities for reward.

Google, W.H. Gore, Opticon, Chapparal Steel, and others have experimented successfully with team-based cultures, fuzzier hierarchies, and spontaneous self-organizing projects. For many more firms, though, this kind of organic flexibility is a distant dream.

Distant, yes, but definitely possible to achieve.



National Environmental Education Foundation
Knowledge to live by

Citizen Science is Blooming

Make discoveries where you live.

Weather data collected by volunteers is used by emergency managers, city utilities, engineers, farmers, as well as meteorologists.

Volunteers tallied over **61 million** bird observations —about one-quarter of all living bird species—during the **2011** Christmas Bird Count.

Clergyman John Campanius Holm took the earliest known weather observations in the United States in 1644-45.

Project Noah volunteers have used their mobile phone app and website to contribute more than **500,000** wildlife photos covering all **7** continents.

Volunteers at a BioBlitz in Saguaro National Park found **859** different species in 24 hours – including **400** species previously unknown there.

Participants tested or monitored water quality at more than **1,750** sites around the nation in 2011 for World Water Monitoring Day.

Strength in numbers: citizen science volunteers can collect far more data than science researchers can alone.

A new nature observation is taken about every **4** minutes through iNaturalist.org.

Data from Journey North project volunteers helped map the first detailed fall migration flyway of monarch butterflies in eastern North America.

More than 60 scientific papers have used data from the Cornell Lab of Ornithology's citizen science programs.

Nature's Notebook volunteers have contributed over 1 million observations on the timing of seasonal events like spring blooms.

Sources:

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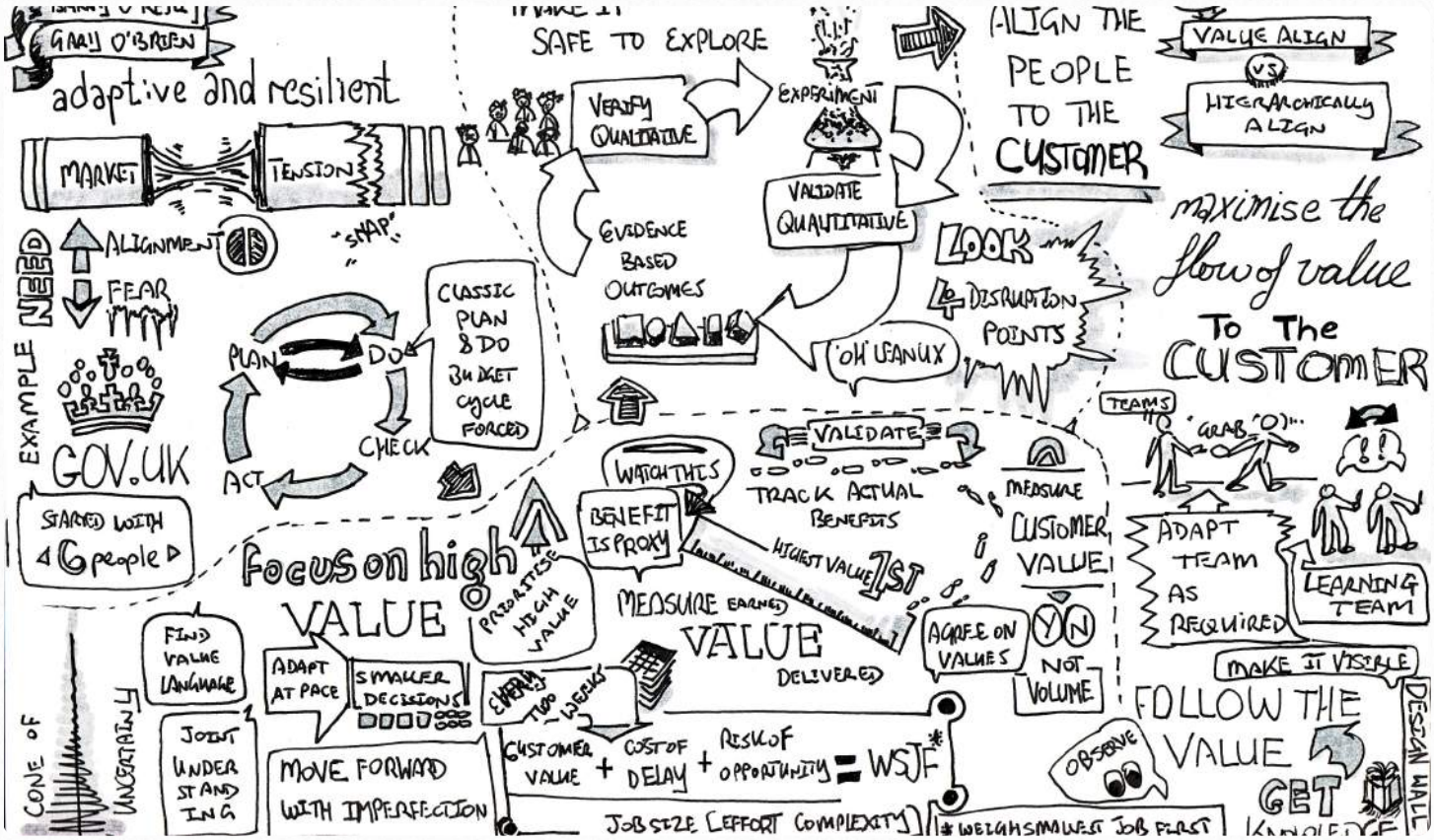
- National Park Service
- National Science Foundation
- National Weather Service
- Project Noah
- USA National Phenology Network
- World Water Monitoring Challenge

Find out more: www.neefusa.org/citisci

Movie 2.4 Earth Democracy

In “Earth Democracy”, Vandana Shiva explains a deeper form of democracy than what we have today. She calls it “Earth Democracy.”

Lean Enterprise



From Lean Production to the Lean Enterprise

by James P. Womack and Daniel T. Jones

In our book The Machine That Changed the World, we explained how companies can dramatically improve their performance by embracing the “lean production” approach pioneered by Toyota. By Eliminating unnecessary steps, aligning all steps in an activity in a continuous flow, recombining labor into cross-functional teams dedicated to that activity, and continually striving for improvement, companies can develop, produce, and distribute products with half or less of the human effort, space, tools, time, and overall expense. They can also become vastly more flexible and responsive to customer desires.

Over the past three years, we have helped a variety of North American and European companies implement lean-production techniques and have studied many others that have adopted the approach. We've seen numerous examples of amazing improvements in a specific activity in a single company. But these experiences have also made us realize that applying lean techniques to discrete activities is not the end of the road. If individual breakthroughs can be linked up and down the value chain to form a continuous value stream that creates, sells, and services a family of products, the performance of the whole can be raised to a dramatically higher level. We think that value-creating activities can be joined, but this effort will require a new organizational model: the lean enterprise.

As we envision it, the lean enterprise is a group of individuals, functions, and legally separate but operationally synchronized companies. The notion of the value stream defines the lean enterprise. The group's mission is collectively to analyze and focus a value stream so that it does everything involved in supplying a good or service (from development and production to sales and maintenance) in a way that provides maximum value to the customer. The lean enterprise differs dramatically from the much-discussed "virtual corporation," whose members are constantly coming and going. There is no way that such an unstable entity can sustain the collaboration needed to apply lean techniques along an entire value stream.

We do not know of any group of companies that has yet created a lean enterprise, and understandably. Doing so will entail radical changes in employment policies, the role of functions within companies, and the relationships among the companies of a value stream. Managers will have to concentrate on the performance of the enterprise rather than on the performance of individual people, functions, and companies. This is especially important because even though one company will be the "team leader," the enterprise must be unified by shared logic and shared pains and gains.

Admittedly, linking lean activities is difficult. We've been struck repeatedly by how hard it is for managers, accustomed to overseeing discrete functions and narrow activities while looking out for the interests of their own companies, even to see the entire value stream. Why should companies set their sights on the lean enterprise when so many are still struggling to master lean production? Because unless all members of a value stream pull together, it may be impossible for any one member to main-

tain momentum. (See the insert "Lucas: Undermined from Without and Within.") Even if one member makes a lot of progress in becoming lean, neither that member nor the stream as a whole will reap the full benefits if another member falls short.

The Three Needs

Getting managers to think in terms of the value stream is the critical first step to achieving a lean enterprise. Managers who have taken this first step, however, have often run into stiff resistance from employees and functional units as well as from other companies in the stream. Individuals, functions, and companies have legitimate needs that conflict with those of the value stream. Anyone aspiring to a lean enterprise must first understand these needs and how to satisfy them. (See the insert "Chrysler's Next Challenge: Building Lean Enterprises.")

Any manager aspiring to a lean enterprise must understand the conflicting needs of individuals, functions, and companies.

Needs of the Individual.

For most people, having a job is the minimum requirement for self-respect and financial well-being. Thus it is ludicrous to assume that people will identify and orchestrate changes that eliminate their jobs. Because making any process lean immediately creates large numbers of excess workers and then continually reduces the amount of effort needed, the jobs problem is a major obstacle confronting any enterprise that is trying to make a performance leap and then sustain its momentum.

Beyond a job, most of us need a career to give us a sense that we are developing our abilities and are "going somewhere." Also, most of us need a "home" that defines who we are in our work lives. These yearnings can be filled by a function ("I'm an electrical engineer"), by a company ("I'm a Matsushita employee"), or even by a union ("I'm a Steelworker"). But the value stream itself cannot fill these needs for long. While functions and companies endure, an employee's position within a specific value stream is tied to the life of the product. more

Needs of Functions.

In order to use and expand the knowledge of employees, companies must organize this knowledge into functions, such as engineering, marketing, purchasing, accounting, and quality assurance. But functions do much more than accumulate knowl-

edge; they teach that knowledge to those who identify their careers with the function, and they search continually for new knowledge. In the so-called learning organization, functions are where learning is collected, systematized, and deployed. Functions, therefore, need a secure place in any organization.

Because of the required depth of knowledge, the time and effort needed to obtain that knowledge, and its inherent portability (much knowledge can be carried from one employer to another), functional specialists often feel a stronger commitment to their function and its intellectual tradition than they do to either the value stream or the company. But focusing processes, which is the means of making organizations lean, requires a high degree of cross-functional cooperation. It is not surprising, then, that many executives these days view their functions as obstacles.

Some executives and business theorists advocate permanently assigning members of functions to multifunctional teams as the solution to this conflict between function and process. Others propose weakening functions or subsuming the activities of "minor" functions like marketing within product teams. Both solutions may work for a while but will weaken companies in the long run.

Needs of Companies.

The narrower the scope of responsibility, the more easily a company can calculate costs and the benefits it generates and see the results of its improvement efforts. Therefore, the value stream should be segmented so that each company is responsible for a narrow set of activities.

Throughout most of industrial history, the value chain has usually been integrated vertically within one company, or one company has dominated the other companies making up the chain. These practices make sense; after all, a company's most basic need is to survive by making an adequate return, and weak links in the chain can be a far greater threat to a company's survival than the vagaries of the end-user market.

As a result, companies understandably consider control more important than efficiency or responsiveness. The natural response during hard times is for the strongest company to reintegrate as many activities as it can within its corporate walls or for each company in the value chain to grab as much of the profits or revenues as it can from its neighbors.

Hints from Three Industrial Traditions

Given all these conflicting needs, it is easy to see why few enterprises achieve maximum efficiency, flexibility, and customer responsiveness. Nor is blasting clear the channel—the stated mission of the process-reengineering movement—likely to provide relief for more than a short spell before the conflicting needs of individuals, functions, and companies gum things up again.

In searching for a solution, it's useful to look anew at the three preeminent industrial traditions: the German, the American, and the Japanese. Each has derived different strengths by trying to satisfy the needs of either the function, the individual, or the company. The conventional wisdom has been that the three traditions, whose shortcomings are the product of these unavoidable trade-offs, are mutually exclusive. We disagree. In the course of our extensive research on German, U.S., and Japanese companies, it has occurred to us that there is a fourth approach. We believe that our model of the lean enterprise will satisfy the needs of individuals, functions, and companies. The end result will offer greater value to the customer than the existing traditions can.

The German Tradition.

The backbone of German industry has been its intense focus on deep technical knowledge organized into rigidly defined functions. Individuals progress in their careers by climbing the functional ladder. And companies strive to defend their positions in a value chain by hoarding proprietary knowledge within their technical functions. more

The consequence of this focus has been great technical depth and an ability to compete globally by offering customized products with superior performance. The weakness of the German tradition, strikingly apparent in the 1990s, is its hostility to cross-functional cooperation. Mercedes-Benz, for example, requires three times the number of hours Toyota requires to engineer and manufacture a comparable luxury car, largely because the engineering functions won't talk to each other. Mercedes makes durable, high-performance cars, but with too many labor-intensive loops in the development process and too little attention to manufacturability. The same holds true for almost all German industries, which have discovered that the world will no longer buy enough customized goods at the high prices required to support the system's inherent inefficiency.

The American Tradition.

The individual has always been at the center of U.S. society. At the beginning of this century, the lack of strong functional and craft traditions and the willingness of suppliers to collaborate with assemblers were major advantages in introducing continuous flow and mass production.

But extreme individualism created its own needs. In the postwar era, managers sought portable professional credentials (e.g., an MBA) and generic expertise independent of a particular business (e.g., finance). And rather than stressing cooperation, each company in a value chain, itself acting as an individual, sought to create its own defendable turf.

The cult of the individual has undermined the United States's position as the world's most efficient manufacturer.

The consequence was that U.S. industry gradually became as functional as German industry, but self-preservation, rather than a desire for technical knowledge, drove functionalism in the United States. At the same time, the "every company for itself" tendency most evident in hard times greatly reduced the ability of U.S. companies to think together about the entire value stream. Even though the willingness of Americans to innovate by breaking away from employers and traditional intercompany relationships imparts a real advantage today in nascent industries like information processing and biotechnology, this extreme individualism has caused the United States to lose its lead in efficient production.

The Japanese Tradition.

The Japanese have stressed the needs of the company, which is hardly surprising given the centuries-old feudal tradition of obligation between companies and employees and between big companies and their smaller suppliers and distributors. Government policy, with its focus on production rather than individual consumption, has reinforced this emphasis. The enormous benefit of the Japanese tradition has been the ability of big companies to focus on the needs of the entire value stream unimpeded by functional fiefdoms, career paths within functions, and the constant struggles between members of the value stream to gain an advantage over each other.

But such an exclusive focus on the company produces corresponding weaknesses, which have become apparent over time. For example, the technical functions are weak in most Japanese companies de-

spite the overwhelming dominance of engineers in management. Because most engineers have spent practically all their careers on cross-functional teams developing products or improving production processes, they have gotten better and better at applying what they already know. But the creation of new knowledge back in the technical functions has languished. As a result, many Japanese companies (from Toyota in cars to Matsushita in consumer electronics) that prospered by commercializing and incrementally improving well-understood product and process technologies have now largely cleared the shelf of available ideas for generating fundamentally new, innovative products and processes.

Sony is a case in point. The company recently acknowledged that, for the first time in its history, no dramatic product breakthroughs were imminent and that it would try to defend its competitive position by adopting lean techniques to cut costs in its increasingly mature product lines. We applaud, of course, whenever a company adopts lean techniques. However, these should complement rather than substitute for innovation. Sony must address the weakness of its core technical functions in addition to becoming lean.

Another weakness inherent in the Japanese system is that preserving feudal relationships has become more important than responding to shifts in the market. During the last five years, Japanese companies with massive export surpluses should have redeployed production so that their output in a given region corresponded more closely to sales in that region. Instead, constraints on reassigning employees to new enterprises and abandoning traditional second- and third-tier suppliers caused many big companies to invest in additional domestic capacity for making the same families of products. This is why so many companies, including the model company Toyota, found themselves in deep trouble when the yen strengthened. more

New Models for Careers, Functions, and the Company

The critical challenge for managers today is to synchronize the needs of the individual, the function, the company, and the value stream in a way that will yield the full benefits of the lean enterprise while actually increasing individual opportunities, functional strength, and the well-being of member companies. Achieving this balance will require new management tech-

niques, organizational forms, and principles of shared endeavor.

Alternating Career Paths.

If we have learned anything in recent years about the value stream, it is that individuals must be totally dedicated to a specific process for the value stream to flow smoothly and efficiently. The old division of labor, which shuttled the product from department to department, must give way to a recombination of labor so that fewer workers, organized in focused teams, can expedite the value flow without bottlenecks or queues. Similarly, functional specialists involved in product development must completely focus on their task in a team context.

But there is a problem. The individual facing permanent assignment to a cross-functional team is being asked to abandon his or her functional career path. At the same time, key functions face the loss of power and importance. When both individuals and functions feel threatened by streamlined processes, these processes won't be streamlined for very long.

When individuals and functions feel threatened by streamlined processes, these processes won't be streamlined for long.

The solution is a career path that alternates between concentration on a specific value stream (a family of products) and dedicated, intense knowledge building within functions. These functions must include a new process-management function (in place of industrial engineering and quality assurance) that instills a process perspective in everyone from the top to the bottom of the company.

In following this new career path, the individual's know-how will still be growing. But the value stream itself will get his or her undivided attention for extended periods. Making this model work will be the primary task of the human resource function, which is responsible for ensuring that each individual has a coherent career—a key to attracting and retaining employees.

The concept of an alternating career path has nothing to do with matrix organizations, in which everyone has two bosses. In this new model, the process leader rates an individual's performance while an individual is dedicated to a process, but the function head rates performance while the individual is back in the function. The career planner in human resources, the function head, and the process leader decide jointly where the individual should go next.

Honda has embraced this approach in Japan and North America, particularly for engineers. When engineers join Honda, they go through a rotation, common in Japanese companies, that begins with several months on a production line, followed by short stints in marketing, product planning, and sales. Honda's practice then diverges from the Japanese norm of assigning engineers to and keeping them in process teams. At Honda, the young engineer's first extended assignment is on a product-development team, where he or she performs routine engineering calculations. This assignment continues for the life of the development activity, or up to three years.

After this job, the young engineer is assigned to his or her technical specialty within the engineering department to begin a skills-upgrading process. As part of this phase, the individual is assigned to an advanced engineering effort involving a search for new techniques or capabilities that the company wants to master. The engineer is then typically reassigned to a development team for a new product to perform more complex engineering tasks that call on his or her newly acquired knowledge. After this development effort, the engineer goes back to the "home" engineering function to begin another learn-apply-learn cycle. more

Functions Become Schools.

The problem with functions in most companies today is that they perform the wrong tasks. Purchasing should not purchase. Engineering should not engineer. Production should not produce. In the lean enterprise, functions have two major roles. The first is to serve as a school. They should systematically summarize current knowledge, search for new knowledge, and teach all this to their members, who then spend time on value-creating process teams.

The second role of functions is to develop guidelines—the best practices—for, say, purchasing or marketing and to draw up a roster of those companies eligible to be long-term partners in the value stream (suppliers, in the case of the purchasing department). With their counterparts in companies up and down the value stream, functions should also develop rules for governing how they will work together to solve problems that span the companies and for establishing behavioral codes so that one company does not exploit another.

So who actually performs the tasks that these functions traditionally handled? Cross-functional product-development

and production teams should select suppliers, develop products, and oversee routine production activities. The traditional purchasing department, for example, should define the principles of enduring relationships with suppliers, draw up the roster of eligible suppliers, and strive to improve continuously the performance of every supplier. The product-development team should perform the purchasing department's traditional job of deciding to obtain a specific amount of a specific item at a target price from a specific supplier for the life of the product.

The experience of Nissan's British subsidiary provides a striking example of what can happen when a purchasing department rethinks its mission. Nissan had serious problems during the 1989 production launch of the Primera, its first car designed for the European market, when several suppliers disrupted production by failing to deliver workable parts on time. The normal course of action in Britain would have been to replace the miscreants. Instead, Nissan's British purchasing department teamed up with the Nissan R&D center to place supplier-development teams of Nissan engineers inside each supplier for extended periods to improve their key processes. Nissan's theory was that setting high standards and giving the suppliers advice on how to meet them would produce superior results. Two years later, when Nissan began production of the Micra, a new small car, this approach had transformed these suppliers from the Nissan subsidiary's worst into its best.

Nissan's British subsidiary turned its worst suppliers into its best by helping them improve their key processes.

What is the role of other functions? Marketing defines principles of enduring relationships with customers and/or distributors and identifies suitable partners. The traditional marketing and sales tasks of specifying the product, taking orders, and scheduling delivery become the work of the product-development and production teams. Engineering defines the best engineering practices, which it teaches to engineers. It also searches for new capabilities, such as new materials to reduce weight in its products. By undertaking such jobs, the engineering function extends the expertise of the discipline by finding ways to overcome the shortcomings of today's products and processes. It can then apply its new knowledge to the next generation of products or to entirely new products. The product-development team performs all routine engineering; it solves problems that

have been solved before for similar products.

Finally, a new process-management function (which still does not exist in the vast majority of companies) does three things: it defines the rules for managing cross-functional teams and the continuous flow of production, including quality assurance; it teaches team leaders in product development and production how to apply these rules; and it constantly searches for better approaches. The old departmental structures within production—molding, painting, assembly, quality assurance—disappear into the continuous-flow production teams in charge of making families of products.

While functions become "support" for value-creating process teams, every function paradoxically has a deeper and more coherent knowledge base than was possible when it divided its attention between thinking and doing. Moreover, this knowledge base is more relevant to the company's long-term needs because function members returning from value-creating assignments in the processes bring new questions for the function to answer. Constantly applying knowledge in this way fights the tendency of all intellectual activities to veer off into abstractions when left in isolation.

A Sharper Focus for Companies.

Most companies today do too much and do much of it poorly. In the world of the lean enterprise, each company in a value stream will tackle a narrower set of tasks that it can do well. more

The company that is the assembler, for example, may find that it no longer needs to design or produce any of the major component systems in its product because product development (in collaboration with suppliers and distributors) and final assembly are its real skills. The component-system supplier may discover it no longer needs to make the parts in its systems because design of the complete system (in collaboration with customers and its own suppliers) is its competitive advantage. New companies may emerge to design component systems or make discrete parts and to supply services, like cleaning facilities, that are tangential to the mission of focused companies. Japanese industries, whose companies have been less vertically integrated than U.S. and European companies, have long taken this approach, and many North American and European industries, from

aerospace to automotive to appliances, are following suit.

At the same time, all companies will need to participate in several enterprises involving different sets of companies in order to obtain the stability that any one value stream, with its inevitable ups and downs, cannot provide. Stability aside, companies will want to participate in a range of streams involving a range of products or services in order to learn from companies that think in different ways. This is a key to continuous improvement.

A New Code of Behavior

For lean companies to be able to work together and to be assured of survival, they must develop new principles for regulating their behavior. Cold War-like relations prevail among companies in most value chains today. No one would suggest that the real Cold War would have been resolved if the Eastern and Western blocs simply trusted each other. The current notion that companies can end their hostilities simply by embracing trust is equally implausible.

All negotiated peace arrangements, including those in the corporate world, entail an agreement on the principles of just behavior and procedures that enable each party to verify that others are keeping their end of the deal. When this latter condition is met, trust occurs naturally because everyone can see what's going on.

Achieving cooperation within the value stream is particularly difficult. Every stream needs a "team leader," a company that orchestrates the decision to form an enterprise, pulls together the full complement of member companies, and leads the joint analysis of the total enterprise stream. Unfortunately, industrial history is replete with stories of companies that have used their leadership positions to extract advantage from upstream and downstream partners. And the overwhelming expectation is that these leaders will continue to behave this way.

Obviously, the principles for regulating behavior within a value stream will vary with the nature of the product and the degree of familiarity of its member companies. However, there must be clear agreements on target costing (deciding what price the customer would pay for a product and then working backward to determine how that product can be made so that it also delivers a profit), acceptable levels of process performance, the rate of continuous improvement (and cost reductions), consis-

tent accounting systems to analyze costs, and formulas for splitting pain and gain.

An enterprise must draw up a code of behavior to keep its members in line.

In every case, companies in a stream must discuss the total activity, the performance requirements for individual activities, the verification procedures for performance, and the reward formulas. They must do this before they embark on the task and adopt explicit principles of interaction that everyone agrees are just. This is what Nissan is attempting to do.

When Nissan established its manufacturing operation in Britain in 1986, it could not bring most of its suppliers from Japan. (Its production volume was initially too small, and it had agreed to make cars with a high level of local content in return for start-up aid from the British government.) But the European companies that were chosen as suppliers were initially unsure of the depth of Nissan's commitment to them. Would Nissan eventually replace them with members of its own keiretsu from Japan? Would the company's commitment to its European suppliers survive the next economic downturn? more

To dispel these doubts, Nissan has worked hard to establish and adhere to principles governing its relationships with suppliers. These include a permanent commitment to suppliers that make a continuous effort to improve; a clear role for each supplier within the supply chain; a joint examination of ways the entire value stream can reduce costs; and a commitment to help improve processes when problems emerge. These principles explain Nissan's decision to help inept suppliers improve rather than dumping them, a decision that sent a powerful signal to the rest of its suppliers and strengthened the group's pursuit of the lean enterprise.

Once companies in the stream, including the team leader, accept a set of clear principles, the next step is mutual verification. The activities of each company must be transparent so that the upstream and downstream collaborators can verify that all tasks are being performed adequately. One way to do this is a continuing process "audit" similar in spirit to the audits companies currently perform on the quality assurance techniques of suppliers. Such audits must be conducted jointly and in both directions: customer-supplier and supplier-customer. This means the end of secrecy in product development and production operations and suggests the need to go even further with activity-based costing so that

the indirect costs of all activities are fully understood and dramatically reduced.

The most difficult disputes between enterprise members will involve their respective productivity and creativity rather than their respective profit margins. Some members might say to another member, "Your profit margin is actually too low. Your costs are much too high because you failed to apply lean techniques in product development and production processes. We won't help pay for your inefficiency." Or they might say, "You seem unable to provide the next generation of technology for a key component system in our shared product. Address this issue or find a new enterprise!"

Proposals for virtual corporations, in which "plug-compatible" members of the value stream come and go, fail to grasp the massive costs of casual interactions. These arrangements are fine for nascent industries in which product specification and market demand are subject to dramatic and unpredictable change. But they are terrible for the vast majority of commercial activities.

The lean enterprise is also very different from the vertical keiretsu of Japan, whose members cement their relationships by taking equity stakes in each other. Unlike keiretsu members, participants in the lean enterprise must be free to leave if collaborators fail to improve their performance or refuse to reveal their situation.

Strategy for the Lean Enterprise

The companies joined in a lean enterprise must target the best opportunities for exploiting their collective competitive advantage. But their strategic thinking must also include a new element to complement and sustain the new concepts of careers, functions, companies, and the shared enterprise: how to find additional activities sufficient in magnitude to sustain the relationships that are the basis of superior performance.

We noted at the outset that, by its nature, the lean enterprise does more and more with less and less. This performance leap requires the continuing gung-ho involvement of every employee and allied company. All companies in a value stream must collectively determine how much labor, space, tooling, and time are necessary. Each member of the enterprise must then focus its activities by returning all employees who are not creating value to their home functions. It is impossible to implement and sustain a lean value stream with excess people, space, time, and tools.

Of course, unceremoniously dumping employees and allies as productivity gains are realized is the best way to ensure that such gains are not sustained. Employees will naturally place self-preservation above the value stream. In addition, companies that fire thousands of people run the risk of sparking a public backlash that could lead to greater government restrictions on their ability to shrink their workforces. more

So how can companies avoid massive layoffs? One way is lowering prices by passing the cost savings on to the final consumer in order to increase sales or to grab share from less lean competitors. (Obviously, individual suppliers, especially in the West, now cannot dictate that their price reductions be passed on to final consumers. This is another reason the lean enterprise, which can make sure this happens, is so important.) Another way is speeding up product development to expand offerings in existing product families and to create new markets for core technologies.

Companies must pursue every option for preserving jobs as they create lean enterprises.

Clearly, not every company in every enterprise can preserve all of its jobs. Some companies in mature industries may have to lay off workers or abandon suppliers. However, companies that sincerely and visibly explore all options for preserving jobs as they create lean enterprises will make unavoidable layoffs easier for employees to accept.

The Prize

A concerted effort by companies across the industrial landscape to embrace the lean enterprise and find new tasks for excess employees will be vastly superior to any industrial policy that governments devise. An economy dominated by lean enterprises continually trying to improve their productivity, flexibility, and customer responsiveness might finally be able to avoid the kind of social upheavals that have occurred when new production systems have rendered existing ones obsolete.

If this sea change in industrial practice comes to pass, most individuals, companies, and enterprises will prosper. Equally important, we will witness a productivity explosion, coupled with employment stability, that will provide the long-sought antidote to the economic stagnation plaguing all advanced economies.

Movie 2.5 When You Check Your Smartphone Before Bed

Staring at screens right before sleep turns out to be a lot worse than previously thought. Dr. Dan Siegel, clinical professor of psychiatry at the UCLA School of Medicine, lays out all of the negative effects bedtime screen viewing can have on the brain and body.

Leader Development

The Most Productive Way to Develop as a Leader

by Herminia Ibarra

Everybody loves self-improvement. We want to get smarter, network better, be connected, balance our lives, and so on. That's why we're such avid consumers of "top 10" lists of things to do to be a more effective, productive, promotable, mindful — you name it — leader. We read all the lists, but we have trouble sticking to the "easy steps" because while we all want the benefits of change, we rarely ever want to do the hard work of change.

But what if we didn't think of self-improvement as work? What if we thought of it as play — specifically, as playing with our sense of self?

Let's say an executive we'll call John lacks empathy in his dealings with people. For example, he's overly blunt when he gives feedback to others and he's not a very good listener. Thanks to a recent promotion, he needs to be less of a task-master and more people-oriented. He wants to improve on the leadership skills he's been told are vital for his future success but, unfortunately, they are alien to him. What can he do?

John has two options. He can work on himself, committing to do everything in his power to change his leadership style from model A to model B. Or he can play with his self-concept by "flirting" with a diverse array of styles and approaches and withholding allegiance to a favored result until he is better informed. The difference between these two approaches is both nuanced and instructive for anyone striving to transform how they lead.

Let's first imagine John working on himself. The adjectives that come to mind include diligent, serious, thorough, methodical, reasonable, and disciplined. The notion of "work" evokes diligence, efficiency, and duty — focusing on what you should do, especially as others see it, as opposed to what you want to do. I imagine John making a systematic assessment of his strengths and weaknesses, collecting feedback on areas for improvement, setting concrete SMART goals, devising a timetable and strategies for achieving them, possibly engaging a coach psychologist to dig deeper into the root causes of his poor people skills, monitoring his progress, and so on. With a clear end in mind, he proceeds in a logical, step-by-step manner, striving for progress. There is one right answer. Success or failure is the outcome. We judge ourselves.

Now, let's imagine John being playful with his sense of self. What adjectives come to mind now? The words lively, good-humored, spirited, irreverent, divergent, amused, and full of fun and life now spring to mind. The notion of "play" evokes an element of fantasy and potential — the "possible self," as Stanford psychologist Hazel Markus calls the cacophony of images we all have in our heads for who we might become. I imagine John saying, "I have no idea what to do, but let's just try something and see where this leads me." If it doesn't work, he's free to pivot to something completely different because he isn't

invested in his initial approach. Trial and error takes time, but getting to finish line first isn't the objective, enjoyment is. Many different and desirable versions of our future self are possible. Learning, not performance is the outcome. We suspend judgement.

Whatever activity you're engaged in, when you are in "work" mode, you are purposeful: you set goals and objectives, are mindful of your time, and seek efficient resolution. You're not going to deviate from the straight and narrow. It's all very serious and not whole lot of fun. Worse, each episode becomes a performance, a test in which you either fail or succeed.

In contrast, no matter what you're up to, when you're in "play" mode, your primary drivers are enjoyment and discovery instead of goals and objectives. You're curious. You lose track of time. You meander. The normal rules of "real life" don't apply, so you're free to be inconsistent — you welcome deviation and detour. That's why play increases the likelihood that you will discover things you might have never thought to look for at the outset.

Much research shows how play fosters creativity and innovation. I've found that the same benefits apply when you are playful with your self-concept. Playing with your own notion of yourself is akin to flirting with future possibilities. Like in all forms of play, the journey becomes more important than a pre-set destination. So, we stop evaluating today's self against an unattainable, heroic, or one-size-fits all ideal of leadership that doesn't really exist. We also stop trying to will ourselves to "commit" to becoming something we are not even sure we want to be — what Markus calls the "feared self," which is composed of images of negative role models, for example, a former boss who we worry we'll come to resemble if we stray too far from our base of technical expertise. And, we shift direction, from complying with what other people want us to be to becoming more self-authoring. As a result, when you play, you're more creative and more open to what you might learn about yourself.

The problem is we don't often get — or give ourselves — permission to play with our sense of self. As organizational sociologist James March noted in his celebrated elegy to playfulness, The Technology of Foolishness, the very experiences children seek out in play are the ones organizations are designed to avoid: disequilibrium, novelty, and surprise. We equate playfulness with the perpetual dilettante, who dabbles

in a great variety of possibilities, never committing to any. We find inconstancy distasteful, so we foreclose on options that seem too far off from today's "authentic self," without ever giving them a try. This stifles the discontinuous growth that only comes when we surprise ourselves.

Paradoxically, my research finds that often the most productive way to develop as a leader is the most seemingly inefficient. It involves adopting a stance of what I call "committed flirtation," fully embracing new possibilities as if they were plausible and desirable, but limiting our commitment to being that person to the "play mode." I've found that committed flirtation frees people like John to do three things that will help him become a better leader:

In "pretend" play, it's OK to borrow liberally from different sources. A playful attitude would free John from being "himself" as he is today. Play allows him to try out behaviors he has seen in more successful bosses and peers, perhaps stealing different elements of style from each to form his own pastiche, as opposed to clinging to a straight-jacketing sense of authenticity.

Playfulness changes your mind-set from a performance focus to a learning orientation. One of the biggest reasons we don't stretch beyond our current selves is that we are afraid to suffer a hit to our performance. A playful posture might help John feel less defensive about his old identity — after all, he's not forever giving up his "secret sauce" and fountain of past success, he's just practicing his bad swing.

Play generates variety not consistency. By suspending the cardinal rule of unswerving, reliable behavior, it allows our "shadow," as Carl Jung called the unexpressed facets of our nature, fuller expression. John might, for example, sign up for some new projects and extracurricular activities, each a setting in which he's free to rehearse behaviors that deviate from what people have come to expect of him. He's not being mercurial; he's just experimenting.

Psychoanalyst Adam Phillips once said, "people tend to flirt only with serious things — madness, disaster, other people." Flirting with your self is a serious endeavor because who we might become is not knowable or predictable at the outset. That's why it's as inherently dangerous as it is necessary for growth.

Leadership is the art of getting someone else to do something you want done, because he wants to do it.

- Dwight D. Eisenhower

Motivating People to Perform at Their Peak

by Art Markman

Almost all decisions, big and small, are choices between exploring new possibilities and exploiting old ones. When you explore, you select an option that's unknown—or reexamine one that wasn't optimal in the past to get new information about it. When you exploit, you choose something that's yielded good results before, believing it will do so again.

Of course, the known course is safer. But if the newer, riskier one works out, chances are it will also pay off more handsomely.

Take the music industry. Every spring, industry reps descend on my hometown of Austin, Texas, to size up hundreds of bands and singer-songwriters at the SXSW conference. Those reps face a difficult decision: They can search for the next Muse, Spoon, or Arcade Fire—bands that will do just fine appealing to an established fan base. Or they can sign artists with a fresh sound and the potential to become a sensation.

If you're their boss, you probably want them to aim big. But how do you get them to do that?

Quite a bit of research on the psychology of motivation (some of it done in my lab) examines that question. The effect is a little complicated, so let's take a minute to walk through it:

At any given moment, an individual's motivational state is rooted in one of two objectives: what that person wants to obtain or achieve or what he or she wants to avoid. (Columbia psychology professor Tory Higgins refers to the former state as promotion focus, the latter as prevention focus.) Salient factors in the work environment can trigger either state. Suppose an employee is working on a big project and knows he'll get a bonus if he succeeds. That bonus on the horizon may increase his sensitivity to all potential benefits and rewards in the world. Now, say the same person has an upcoming client meeting and fears he'll lose that client's business. Those circumstances may shift his focus, heightening his awareness of all potential risks and punishments.

People are more likely to explore new possibilities when their motivational state is in sync with specific rewards or punishments they could receive. For example, in a positive talent-development culture, an ambitious employee is inclined to develop new skills or take on a stretch assignment to advance. In a more negative culture, someone who receives little praise and lots of critical feedback is motivated to explore new job opportunities elsewhere.

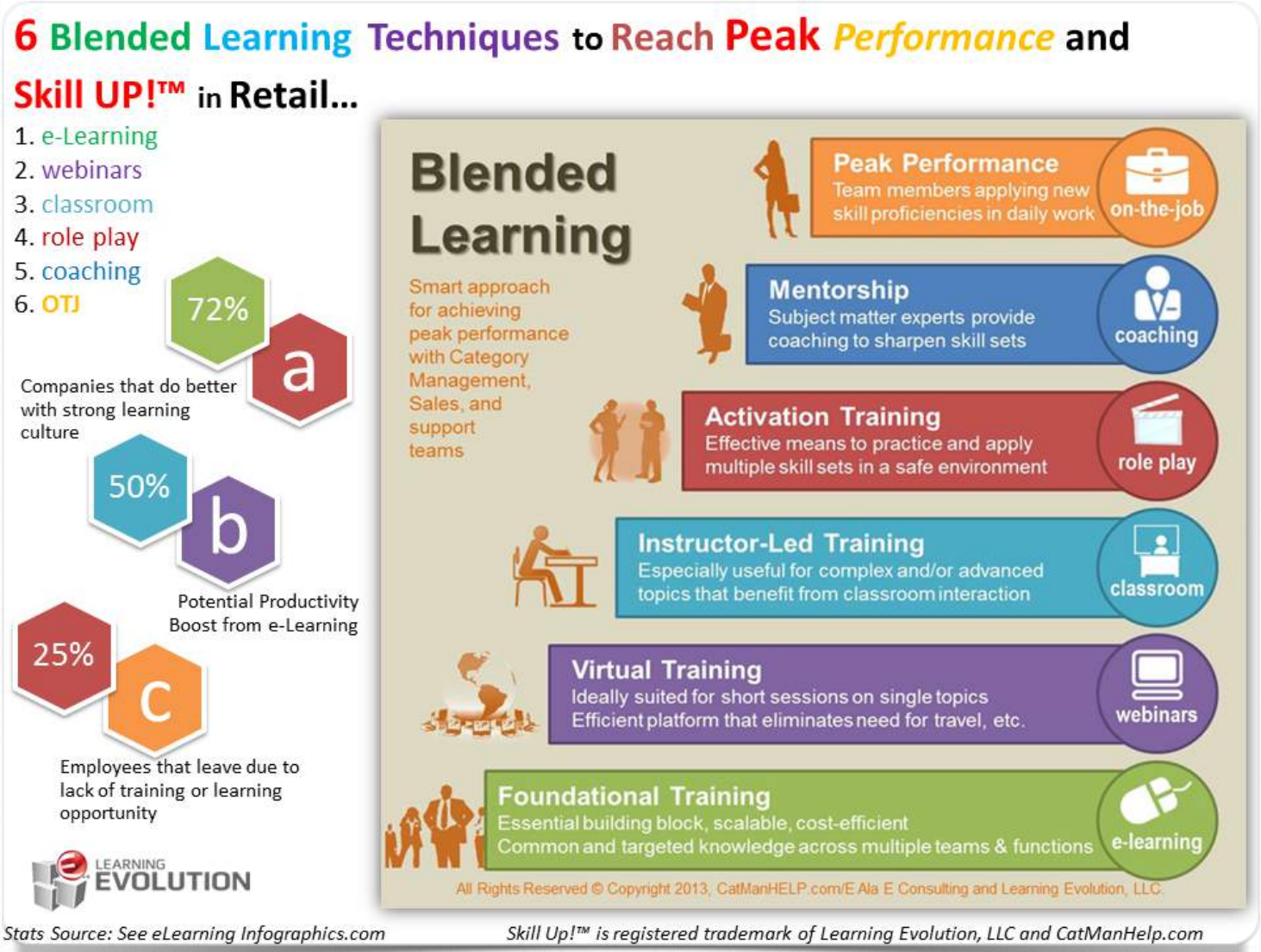
But when the motivational state doesn't match the rewards or punishments, people tend to rely on tried-and-true approaches. If someone strives for advancement despite criticism from her manager, for example, or wants to avoid disappointing a boss who is generous with positive feedback, she's more likely to exploit known, reliable solutions than to try something new.

To boost people's desire to explore new options, create motivational consistency. You

Life must be lived as play.

- Plato

can do that by adjusting rewards or punishments to match the motivational state. If you're managing a few of those music industry reps at SXSW, for instance, you might offer some desirable perk for the person who signs the freshest act. The potential for that reward will create a promotion focus that's consistent with the fun, lively vibe at SXSW. But if your company is struggling financially, you might use consequences, not rewards, to create consistency. It won't be pleasant in the moment, as people try to avoid those consequences, but it will increase their likelihood to explore new options.



Movie 2.6 What the Happiness Movement Got Wrong

Don't pursue happiness. Pursue fulfillment. It will be more difficult but ultimately more rewarding. - Alain de Botton

MOD2

Org Behavior

CLASS DAY EIGHT

We must embrace the pain and burn it as fuel for the journey.

- Kenji Miyazawa

Where Have You Gone, Horatio Alger?

by Tim Sullivan

The idea of meritocracy—a system in which the most deserving are recognized for their ability and results and thereby advance—is baked into the American character. The worthy win. Quality will tell. Or so the story goes.

Business books embrace this spirit as part of their foundation: If you follow their advice, you'll improve yourself and trump your competition, whether personally or professionally.

That sentiment certainly infuses the latest release from the team that brought you Freakonomics and SuperFreakonomics, the University of Chicago economics professor Steven Levitt and the journalist Stephen Dubner. Their new book promises to teach you to "think like a freak," using the strategies that gained them acclaim to sharpen your own outcome.

It seems like a commendable project, but the authors fall well short of their goal. Really, you'd have to go through a couple of graduate-level social science programs—a little econometrics, some psychology, plus a lot of practice—to think the way they do, with discipline and creativity. You can't just admit you don't know something, approach a task with the joy of a child, understand someone else's values well enough to design complicated incentive schemes (all techniques they suggest and illustrate but fail to teach), and win.

Other new titles make equally seductive promises. The Obstacle Is the Way: The Timeless Art of Turning Trials into Triumph, from the marketing and media specialist Ryan Holiday, will tell you how to leverage adversity. The seasoned business writer

Geoffrey James's mission in Business Without the Bullsh*t: 49 Secrets and Shortcuts You Need to Know is self-explanatory. These offerings are as brash as they are baseless. Yes, you can usually find a few helpful tips, but books like these nearly always fail to deliver on their promise that you can work less to get ahead.

There is rarely a shortcut to achievement—something that should cheer fans of meritocracy. But there's bad news, too. Two other recent books, both based on impressive academic research—Thomas Piketty's Capital in the Twenty-First Century and Gregory Clark's The Son Also Rises—suggest that for most people, advancing through merit simply isn't possible.

First, let's get the most obvious objection out of the way: We all know people who have pulled themselves up by their bootstraps. Horatio Alger made a living telling such stories. But Piketty, a Paris School of Economics professor, and Clark, of the University of California, Davis, don't deal in anecdotes. They use reams of data and analysis to illuminate the underlying structures that facilitate or hamper meritorious advancement. And the picture they paint is devastating.

Piketty's 700-page work, based on a collaborative 15-year research project, argues that capitalism's postwar heyday—from 1945 until about 1970, a period of rising economic and social equality—was an aberration. The more typical situation in the developed world, Piketty contends, is that returns on capital outpace economic growth, so the rich can invest and get richer while everyone else's economic circumstances stagnate. From 2010 to 2012, he finds, 95% of economic growth went to the richest 1% of the population. (See "The Price of Wall Street's Power," by Gautam Mukunda, in this issue.) more

And it's not some group of talented "superproducers"—people making more and better things—who are accumulating these high returns. Rather, the money is going to "supermanagers": Corporate leaders account for some 70% of the top 1% of the population.

At HBR we obviously believe that good managers are worth a great deal. But there can be no meritocracy when those in the top tier capture a disproportionate share of economic returns merely because of their position. And, as Piketty notes, individual contributions cannot be determined in what is by definition a group activity, so how we would even identify what super-

managers have done is fundamentally questionable. Indeed, the situation today threatens to generate extreme inequalities that stir discontent and undermine democratic values. It's no surprise that the Gilded Age, a period of radical inequality in the United States, was marred by violence.

Add to this Clark's work, and the picture gets even grimmer. The thesis of The Son Also Rises is, fundamentally, that the apple doesn't fall far from the tree. Ingeniously, Clark and his team of researchers look at the persistence of socioeconomic status through the lens of surnames in more than 20 societies. Tracing the movement of families across the centuries, Clark argues that social mobility is low—indeed, nearly nonexistent. Instead of taking three or four generations for a family to improve its position (or to fall in status), it takes more like 10 or 15. In fact, by his estimate, the socioeconomic standing of your family at the time of your birth can predict up to 50% of your adult income or education level. Success is largely inherited.

Only a life lived for others, is a life worthwhile.

- Einstein

"Our greatest satisfaction would be if [this book] helps you, even in some small way, to go out and right some wrong, to ease some burden, or even—if this is your thing—to eat more hot dogs."

Is there a solution? A way to break the iron cage of capital and inheritance? Both Piketty and Clark point to the redistribution of wealth to help curb inequality, but for radically different reasons. For Piketty, the system cannot right itself without redistribution—the only way to take the unearned gains of capital from the top 1%. Read this way, his is a call for the United States and other developed nations to turn to socialism. For Clark, redistribution is more of a lark. He argues that the suc-

And in the end, it's not the years in your life that count, it's the life in your years.

- Abraham Lincoln

cessful got that way because they are in fact better than the rest of us—they inherited their ability as well as their social position—but that redistributing wealth doesn't cost much and also improves overall social welfare.

I'd argue for another path. This is where the optimism of Horatio Alger's stories and Think Like a Freak, which promise (and sometimes deliver) self-improvement, becomes vitally important. If we think that Piketty and Clark are correct, we descend into a self-fulfilling prophecy of failure. Why bother working hard if ultimately it doesn't matter? Why strive?

We must believe that it's possible to improve one's lot in life, and business books, with their success stories, strategies, and tactics, help put us in that mind-set. The alternative—meekly accepting the economic and social hierarchies that Piketty and Clark describe and abandoning the idea of merit—is too grim to bear. Unrealistic optimism may not be sufficient to overcome the systems that limit the rise of merit, but it is surely necessary.

"THE INSTITUTION OF CHIVALRY FORMS ONE OF THE MOST REMARKABLE FEATURES IN THE HISTORY OF THE MIDDLE AGES."

HORATIO ALGER

The best way to find yourself, is to lose yourself in the service of others.

- Gandhi

To Lead, You Must Focus

by Raymond Edwin Mabus Jr.

Leading a large, complex organization like the U.S. Navy, which is interdependent with similar entities, calls for a certain approach. You begin with a narrow focus on your organization's unique strength and role. For the navy, that is presence. U.S. naval forces—sailors and Marines—are constantly mobilized, don't need an inch of foreign soil, and can stay in position a long time. We are in the right place not just at the right time but all the time.

That focus helps establish priorities. For us it emphasizes the obvious: Presence requires ships. My primary objective since becoming the secretary of the navy, in 2009, has been to re-

build a fleet that declined from 316 ships in 2001 to just 278 before I took office. The decline wasn't necessarily a choice; it happened because spiraling costs and significant delays had become standard; the technologies on which we relied were immature; and ship design often continued well after construction had begun.

As the governor of Mississippi, I learned the power of setting a few specific priorities and relentlessly pushing them. As the CEO of a private company, I saw that creating a compelling vision and crafting an inspiring narrative are key to achieving results. You must never lose sight of the ultimate goal. I remember how one foreign navy chief described the difference between soldiers and sailors, regardless of country: The army is focused on the ground—on maps and boundaries—while the navy looks across open oceans. Every day I communicate that our navy will have 300 ships before the end of the decade, that a larger fleet is critical to presence, and that presence strengthens global security and prosperity.

Leadership in an interdependent system also means taking responsibility for keeping the system healthy. For the navy, taxpayers are an important part of that system. In the past, private contractors had replaced many government acquisition professionals, so taxpayers bore the brunt of cost-plus contracts that gave industry no incentive to hold down prices. We made fixed-price contracts the norm. We introduced more competition. With costs rising unsustainably for a new destroyer, we terminated production after three ships in favor of building more-advanced versions of the DDG-51, whose lead ship was commissioned in 1991. We put 60 ships under contract during my first four years in office, compared with 19 in the four years before I arrived. One example is the littoral combat ship, which can operate both close to and far from shore. We tested two versions and liked both, but the proposed costs were too high, so we made the two shipyards compete against each other. When their bids came back, the price had been cut by 40%; we were able to buy 10 of each version (one more than planned) and still save $3 billion.

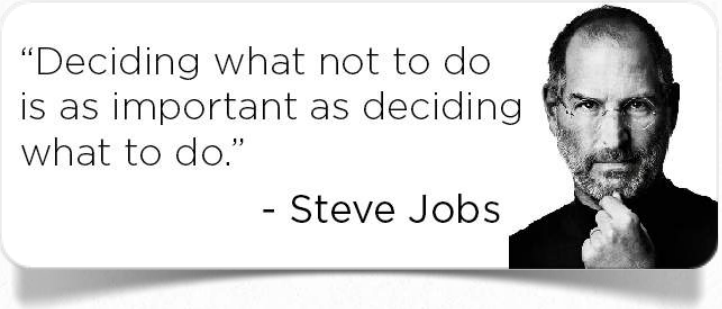
Of course, a healthy private shipbuilding industry is also important to the system. Recognizing that predictability was crucial to shipbuilders, we shifted to more-stable designs and built ship types we had built before; made sure that new technologies were mature; and laid out the number, type, and timing of builds (along with

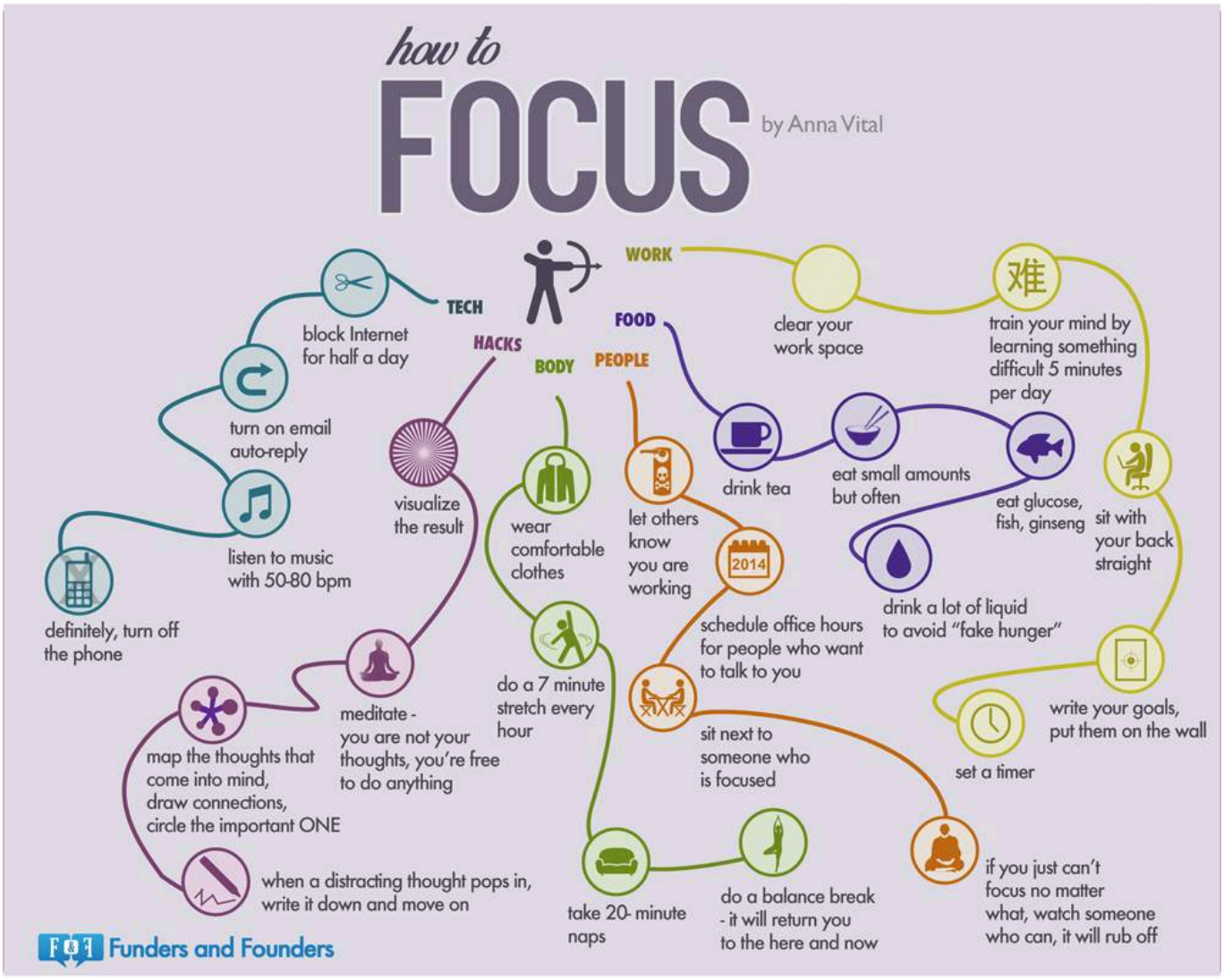
To keep our faces toward change, and behave like free spirits in the presence of fate, is strength undefeatable.

- Helen Keller

more-realistic cost estimates and congressional funding).

Inside big organizations, managers themselves work interdependently, bringing their various strengths to the mix. Devote your energy as a leader to reminding your organization what its crucial role is, creating the vision and the narrative, and looking out for the health of the system. Then your presence, like the navy's, will make a difference.

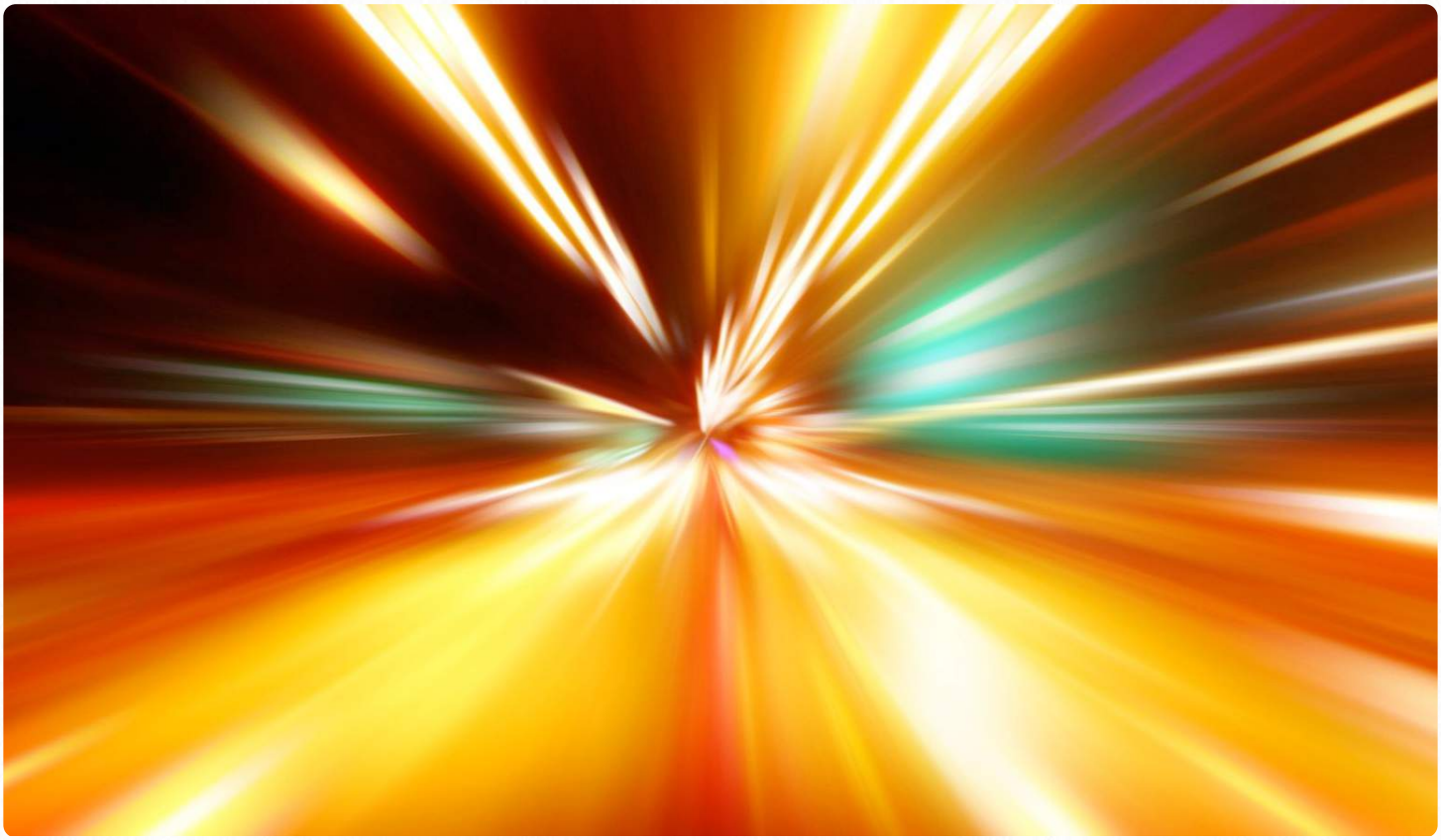



how to
FOCUS
by Anna Vital
TECH
HACKS
BODY
PEOPLE
FOOD
WORK
block Internet for half a day
turn on email auto-reply
listen to music with 50-80 bpm
definitely, turn off the phone
visualize the result
meditate - you are not your thoughts, you're free to do anything
map the thoughts that come into mind, draw connections, circle the important ONE
when a distracting thought pops in, write it down and move on
wear comfortable clothes
do a 7 minute stretch every hour
take 20- minute naps
do a balance break - it will return you to the here and now
let others know you are working
2014
schedule office hours for people who want to talk to you
sit next to someone who is focused
if you just can't focus no matter what, watch someone who can, it will rub off
drink tea
eat small amounts but often
eat glucose, fish, ginseng
drink a lot of liquid to avoid "fake hunger"
clear your work space
train your mind by learning something difficult 5 minutes per day
sit with your back straight
write your goals, put them on the wall
set a timer
Funders and Founders

Movie 3.1 Neuroplasticity and Your Resilient Brain

Mindfulness therapy is an emerging, non-pharmacological therapy that involves exercising the human brain to improve learning, memory problems, anxiety and problems with depression.

Fast Leader



You Have to Be Fast to Be Seen as a Great Leader

by Jack Zenger and Joseph Folkman

It's obvious that business is moving faster and faster and that to keep up, leaders at all levels need to know how to pick up the pace.

That's easy to say. But is it so? Is there a correlation between speed and perceived leadership effectiveness?

In a word, "yes."

We recently analyzed 360 feedback evaluations on more than 50,000 leaders to assess the impact of speed on their colleagues' impression of each executive's overall leadership effectiveness. For this purpose, we created a "speed index" that measured speed in three simple ways: how well a leader can spot problems or trends early, can respond to problems quickly, and can swiftly make needed changes. (If you would like to evaluate your own pace and see how you compare, take our Pace Assessment by clicking here.)

We then looked to see how high scores on the speed index correlated to overall leadership effectiveness ratings by focusing on the exceptional leaders in the pool (those rated in the top 10% in leadership effectiveness by their colleagues).

What we found was that of these 5,711 top leaders, 2% were judged particularly fast but not exceptionally effective (that's about 114 of them); 3% (some 170) were judged to be highly effective (that is, people trusted them to do the right thing) but not particularly fast. And fully 95% (that's more than 5,400 of them) were judged both particularly effective and particularly quick. That is, being good is only marginally better than being quick, but the fact is both are necessary, and neither alone is sufficient, to be perceived as an exceptional leader today.

What makes a leader both fast and good? We analyzed our 360-degree feedback data from more than 700,000 colleagues to see what set fast-and-effective leaders apart from those who don't move fast enough, or who race quickly and stumble. Here are the top five factors, listed in descending order.

1. *People who work with them trust their ability to use good judgment and make effective decisions.* Without trust, colleagues resist moving fast (or at all). And there's no mystery in how that trust is built: Experienced leaders earn trust through a track record of success built through strong positive relationships and demonstrated expertise. If you are new to a role and your colleagues don't know you well enough to trust your judgment, you need to build that trust by explaining the analysis you did to make your decision. It's also wise to share your decision with a person who is trusted by the rest and enlist his or her support.

2. *They make their vision and strategy absolutely clear to their colleagues*. When

people can see the context for action, they can more quickly understand and carry out their part in an enterprise. It's not hard to move fast when everyone is clear about where you're going and, equally important, where you're not going. Conversely, when people can't see the way ahead, simply put, they don't rush ahead. That's why the comfortable speed with which an organization can move is defined by the clarity of the vision.

3. *They demonstrate personal courage*. Acting with speed often feels risky. The person looking to avoid added personal exposure will be inclined to move slowly. In general, people are more comfortable working at a steady pace. It takes a great deal of courage to move faster and ask others to move fast with you.

4. *They assemble world-class expertise and knowledge.* When leaders lack expertise they have to stop and do their homework. Lacking knowledge leaves you in uncharted waters where your inclination is to be slow and careful. Conversely, having or accessing world-class expertise allows you to work faster and make better decisions. In our experience, we've noticed, though, that personal pride sometimes hinders people from seeking the expertise that will speed up a process, and in a misguided application of self-reliance, they chose to solve the problem themselves.

5. *They set stretch goals.* Easy goals allow people time to reach them in a leisurely way. Stretch goals reinforce the need for speed. They encourage people to get on with their work rather than ponder.

It's interesting how often our pace affects our attitude. Let's face it — slow is often boring. Think about people you have worked with who keep things going at a fast clip versus those who move ponderously as they ensure that everything is completed. Certainly, speed is no substitute for judgment. And, yes, too much speed can leave people feeling rushed and frazzled. But if your company's energy is lagging, maybe it's time to consider upping the pace.

There are only two mistakes, one can make, along the road to truth; not going all the way, and not starting.

- Buddha

A Winning Culture Keeps Score

by John Case and Bill Fotsch

People often think of corporate culture as “soft” because it involves squishy things like values and expectations. That’s true as far as it goes—but winning cultures have a hard, metrics-driven element as well. A culture that feels upbeat and positive but doesn’t contribute to profitable growth or beating the competition is destined for the dustbin.

In sports, everyone gets that and knows what winning looks like. It’s reflected in your score, plain and simple. Sure, you track other numbers—what you might think of as key performance indicators—such as on-base percentage. The Boston Red Sox, the 2013 world champs in baseball, are known for

their sabermetrics. But nobody in the organization thinks those stats are more important than outscoring opponents.

In many businesses, however, people have no clue what winning would mean. More profits? A higher stock price? How can I affect those? Maybe "winning" just means making my KPIs—or not getting laid off. Employees can't get excited about winning, because they never know whether they're winning or not. They need a score to tell them.

That's what they get when they work for companies that practice open-book management. The trick is to focus everyone's attention on a single key number—the one number that, if improved by a significant margin, will leave the business healthier and stronger at the end of the year. If that number is headed in the right direction, you're ahead. If you hit an agreed-on target, you win.

For a small company, the key number might be something as simple as net profit. More often, it's an easily understood indicator that contributes directly to the bottom line, such as an engineering firm's billable hours or a hotel's occupancy rate.

Larger companies usually expect each unit or function to come up with its own key number. When jet fuel was going through the roof a few years ago, the pilots at Southwest Airlines identified fuel usage as a key number. They learned to monitor it closely, and they came up with ways to help lower it.

But if different units' KPIs aren't closely connected, they may come into conflict with one another. At one mining company Bill worked with, production crews were measured on tons produced while maintenance was measured on maintenance costs.

Production naturally worked the equipment hard, leading to breakdowns. Maintenance crews were slow to make repairs, lowering their own costs but hurting production. Eventually the company took an open-book approach, changing everyone's key number to production profit, or production revenue (tons multiplied by price per ton) minus maintenance costs.

Employees in these units not only found they could work together; they also got fired up about the improved financial performance they could generate.

What makes a number "key"?

You can't pick just any old metric and call it a key number. A good one meets three conditions:

1. It's directly connected to the financials. Improve the key number, and you get better financial results.

2. It's not imposed from on high. Open-book companies consult with managers, employee teams, and other stakeholders to develop their key numbers. They ask: What are the biggest challenges we're facing this year? The biggest opportunities? How can your unit best measure its contribution?

3. It's for now—not forever. Companies' situations change. Sometimes revenue growth is the top priority, other times profitability or cash flow. When a company makes progress on one objective, it may want to set its sights on another the following year.

Most open-book companies link progress on the key number to a bonus or some other incentive. Now everyone has a stake in winning—in making that number move. At Boardman Inc., a specialty manufacturer based in Oklahoma, managers and employees agreed that the key number was job margin dollars, meaning shipment revenue minus direct labor and direct materials. (Shop-floor employees in open-book companies learn to understand and use terms like that.) Managers and employees together set a target for improvement. When the company blew away the target in 2012, workers received a bonus of 10 weeks' pay and Boardman enjoyed its most profitable year ever. Things look even better for 2013.

Part of the power of open-book management lies in its simplicity—deciding on and tracking that one key number. The process generates buy-in, because you're asking people their views about what's most important right now. And it helps them understand their own connections to the company's financial results. Employees begin to think and behave like businesspeople with a vested interest in success—not like hired hands.

Life isn't about finding yourself.

Life is about creating yourself.

- George Bernard Shaw

The Defining Elements of a Winning Culture

by Michael C. Mankins

A company's culture can have a powerful impact on its performance. Culture is the glue that binds an organization together and it's the hardest thing for competitors to copy. As a result, it can be a lasting source of competitive advantage. Take these examples:

- Kent Thiry builds a values-focused culture at DaVita and transforms the company from a laggard to the world's leading provider of kidney dialysis services
- Alan Mulally creates a "working-together" spirit at Ford Motor Company that focuses and re-energizes the automaker,

reversing a decades-long slide in market share

- Herb Kelleher fosters a culture of employee empowerment and cost containment at Southwest, enabling the airline to become one of the world's most admired and profitable carriers

- Steve Jobs builds a challenging culture at Apple — one where "reality is suspended" and "anything is possible"' — and the company becomes the most valuable on the planet

But culture doesn't always produce great results. In fact, when my colleagues at Bain & Company surveyed more than 400 senior executives from large, global companies last year, they found that fewer than one in four felt that culture was very effective in supporting business performance at their company. The majority felt that their organization's culture was largely disconnected from what it took to win.

Why this disconnect? In our experience, too many companies think of culture as a way to make people feel good about where they work and not as a way to help employees — hence the organization — perform better. High-performing companies think about culture differently. They know that winning cultures aren't just about affiliation; they are also unashamedly about results.

Our research suggests that winning cultures are comprised of two interrelated and reinforcing elements. First, every high-performing company has a unique identity — distinctive characteristics that set it apart from other organizations. These characteristics give employees a sense of meaning just from being part of the company. They also create passion for what the company does.

Southwest Airlines is the classic example. Under Herb Kelleher's leadership, the company became known for its sense of humor, irreverence, and focus on the employee. This unique identity not only made flying Southwest fun for passengers, it made its labor force more productive. Flight attendants, not cleaning crews, cleaned aircraft between flights, reducing time at the gate and improving on-time performance.

Maintenance workers routinely devised better ways to maintain Southwest's fleet of 737 aircrafts, lowering costs and improving up-time. The company's unique identity reinforced many of the elements that were critical to Southwest's strategy, such as keeping costs low. As a result, Southwest

is the world's largest low-cost carrier and is consistently among the most profitable airlines in the world.

Culture is more than just a unique identity, however. The best performing companies typically display a set of performance attributes that align with the company's strategy and reinforce the right employee behaviors. Our research revealed seven of these:

The evil in the world... almost always comes of ignorance, and good intention may do as much harm, as malevolence; if they lack understanding.

- Albert Camus

1. *Honest.* There is high integrity in all interactions, with employees, customers, suppliers, and other stakeholders;

2. *Performance-focused.* Rewards, development, and other talent-management practices are in sync with the underlying drivers of performance;

3. *Accountable and owner-like.* Roles, responsibilities, and authority all reinforce ownership over work and results;

4. *Collaborative.* There's a recognition that the best ideas come from the exchange and sharing of ideas between individuals and teams;

5. *Agile and adaptive.* The organization is able to turn on a dime when necessary and adapt to changes in the external environment;

6. *Innovative.* Employees push the envelope in terms of new ways of thinking; and

7. *Oriented toward winning.* There is strong ambition focused on objective measures of success, either versus the competition or against some absolute standard of excellence.

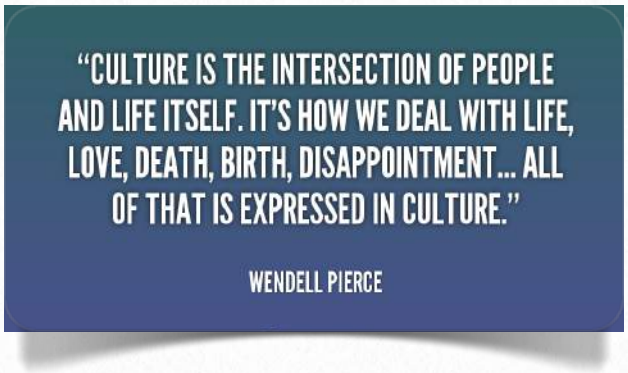
All the world's a stage, and all the men and women merely players; they have their exits and their entrances, and one man in his time, plays many parts.

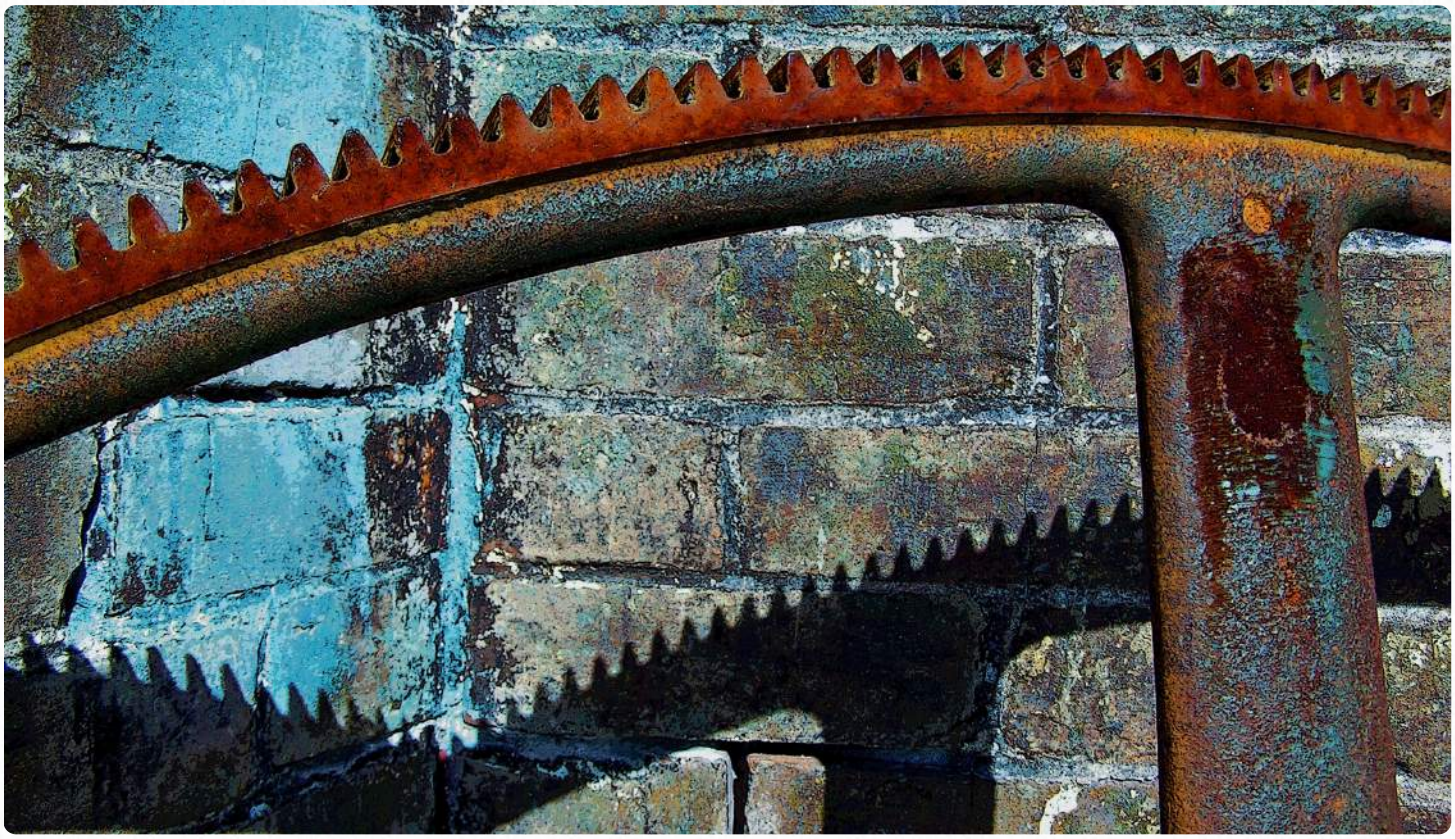
- William Shakespeare

Few organizations exhibit all seven of these attributes. But high-performing organizations typically spike on the three or four that are most critical to their success.

Take Ford Motor Company. When Alan Mulally became CEO at Ford in 2006, the company operated in regional silos. As a result, the Ford Focus in Europe was different from the Ford Focus in the Americas. The company had too many brands, too many platforms, too many disparate parts, too many suppliers, and so on. To turn the automaker around, Mulally focused on building One Ford — a leadership model based on collaboration, innovation, and a desire to win (again). With time, leaders at the automaker started working together to simplify and streamline the company globally. They rationalized brands, consolidated automotive platforms, made options and parts more common and designs more innovative. In just three years, Ford went from losing share and money to gaining share and making money.

Culture plays a vital role in performance. Winning cultures treat performance as an explicit output and foster an environment that is conducive to generating the best possible results — not just for employees, but for customers, suppliers, and, yes, even shareholders.





If it's never our fault, we can't take responsibility for it.

And if we can't take responsibility for it, we will always be its victim.

- Richard Bach

Building a Resilient Organizational Culture

by George S. Everly, Jr.

Current events teach us that crisis and even disaster occur far more frequently than previously anticipated. Japan's post-tsunami crisis and repeated tornadoes of the Southern and Midwestern US demonstrate the vulnerability of modern infrastructures to the forces of nature. Wall Street's meltdown, the subsequent recession, and the consequent demise of discretionary spending remind us that human-made disasters can be devastating in other ways.

The key to not only surviving such events, but to prospering during such upheavals, we argue, is human resilience. While human resilience may be thought of as a personality trait, in

the aggregate, groups, organizations, and even communities can learn to develop a "culture of resilience" which manifests itself as a form of "psychological immunity" to, or the ability to rebound from, the untoward effects of adversity.

My colleagues and I have observed human resilience in individuals ranging from accountants to law enforcement personnel, and even former US Navy SEALs. After the first Gulf War, we saw the power of human resilience transform a broken and burning nation of Kuwait into a leading economic power.

Our observations have led us to believe that, just as individuals can learn to develop personal traits of resilience, so too can organizations develop a culture of resilience. We would argue that a culture of organizational resilience is built largely upon leadership, what we refer to as "resilient leadership." Consistent with the "Law of the Few" described in Malcom Gladwell's book, The Tipping Point, we believe key leadership personnel, often frontline leadership, appear to have the ability to "tip" the organization in the direction of resilience and to serve as a catalyst to increase group cohesion and dedication to the "mission." They do this, we argue, by demonstrating four core attributes of optimism, decisiveness, integrity, and open communications while serving as conduits and gatekeepers of formal and informal information flows throughout the organization and enjoying high source credibility (ethos).

All of these can be learned. Simply said, when a small number of high credibility individuals who serve as visible informational channels demonstrate, or "model" the behaviors associated with resilience, we believe they have the ability to change an entire culture of an organization as others replicate the resilient characteristics that they have observed.

Using the insightful and well researched formulations of Albert Bandura, we employ the construct of "self-efficacy" as a framework to operationalize many of the aforementioned attributes of resilience. Self-efficacy may be thought of as the belief in one's agency and the ability to be a catalyst for change. He argues that the perception of self-efficacy shapes key human behaviors:

1. The courses of action people choose to pursue,

2. How much effort they put forth in given endeavors,

3. How long they will persevere in the face of obstacles and failures,

4. Their resilience to adversity,

5. Whether their thought patterns are self-hindering or self-aiding,

6. How much stress and depression they experience in coping with taxing environmental demands,

7. The level of accomplishments they realize.

All of the aforementioned behaviors we believe are not only essential in resisting (developing immunity to) or rebounding from adversity, they are the foundations of a resilient organizational culture and can be used to increase resilience throughout the organization

Our evidence suggests that optimism and self-efficacy can be learned employing a simple yet powerful framework in the organization:

First, understand that people prosper from success. Create an environment wherein they are successful, especially early in their career. Utilize a process of successive approximation wherein success is achieved in tasks of increasing difficulty and overall complexity.

Second, people learn while observing others. Assign new personnel to successful workgroups. Let them begin to experience "vicarious success." Simply possessing membership in successful, or elite groups, may create a self-fulfilling prophecy. Elite colleges and occupational groups thrive upon this principle.

Thirdly, provide encouragement, support, and even mentoring. Research suggests that the single most powerful predictor of human resilience is interpersonal support.

Lastly, using the latest finding from the neurosciences, provide basic training in how to manage personal stress. In our training programs, we refer to this as developing "psychological body armor".

Here are how some companies have employed resiliency traits at the organizational level:

Resilient organizations invest in their client base. At a time when the travel industry was undergoing a dramatic decrease in demand, American Express Platinum Travel Services sent a gift to loyal customers as a way of saying "thank you." Such frequent customers were given several hundred dollars worth of travel-related items including

Out of suffering have emerged the strongest souls; the most massive characters are seared with scars.

- Kahlil Gibran

carry-on luggage, an iPod, earphones, and a digital video camera.

Resilient organizations are innovative in times of adversity. Innovation typifies Apple. At a time when the music player and phone industries were commoditizing their products, Apple introduced radically simple and beautifully designed products that remade the company.

Resilient organizations invest in their leaders. In a time when government agencies are demanding more and more from their contractors, one government contractor gave 30 departmental managers two entire days off, at a location away from work, in order to attend a training program that taught skills in resilient leadership as well as “psychological body armor” (the latest advances in how to manage personal stress).

Resilient organizations invest in all levels of their workforce. In 2010, the Wisconsin Governor’s Council on Physical Fitness and Health awarded Kimberly-Clark Corporation in Neenah, WI a Gold Medal for promoting employee health and wellness. Kimberly-Clark has been a pioneer in occupational health promotion since the early 1980s fielding truly seminal programs in physical fitness, nutrition, and stress management for not only workers but their families.

To say we live in challenging times is an understatement, but crisis may also be understood as an opportunity. Those who cultivate a resilient organization will be better positioned to prosper when others falter.

We are never so defenseless against suffering, as when we love.

- Sigmund Freud

Find the Coaching in Criticism

by Sheila Heen and Douglas Stone

Feedback is crucial. That's obvious: It improves performance, develops talent, aligns expectations, solves problems, guides promotion and pay, and boosts the bottom line.

But it's equally obvious that in many organizations, feedback doesn't work. A glance at the stats tells the story: Only 36% of managers complete appraisals thoroughly and on time. In one recent survey, 55% of employees said their most recent performance review had been unfair or inaccurate, and one in four said they dread such evaluations more than anything else in their working lives. When senior HR executives were asked about their biggest performance management challenge, 63%

cited managers' inability or unwillingness to have difficult feedback discussions. Coaching and mentoring? Uneven at best.

Most companies try to address these problems by training leaders to give feedback more effectively and more often. That's fine as far as it goes; everyone benefits when managers are better communicators. But improving the skills of the feedback giver won't accomplish much if the receiver isn't able to absorb what is said. It is the receiver who controls whether feedback is let in or kept out, who has to make sense of what he or she is hearing, and who decides whether or not to change. People need to stop treating feedback only as something that must be pushed and instead improve their ability to pull.

For the past 20 years we've coached executives on difficult conversations, and we've found that almost everyone, from new hires to C-suite veterans, struggles with receiving feedback. A critical performance review, a well-intended suggestion, or an oblique comment that may or may not even be feedback ("Well, your presentation was certainly interesting") can spark an emotional reaction, inject tension into the relationship, and bring communication to a halt. But there's good news, too: The skills needed to receive feedback well are distinct and learnable. They include being able to identify and manage the emotions triggered by the feedback and extract value from criticism even when it's poorly delivered.

Why Feedback Doesn't Register

What makes receiving feedback so hard? The process strikes at the tension between two core human needs—the need to learn and grow, and the need to be accepted just the way you are. As a result, even a seemingly benign suggestion can leave you feeling angry, anxious, badly treated, or profoundly threatened. A hedge such as "Don't take this personally" does nothing to soften the blow.

Getting better at receiving feedback starts with understanding and managing those feelings. You might think there are a thousand ways in which feedback can push your buttons, but in fact there are only three.

Truth triggers are set off by the content of the feedback. When assessments or advice seem off base, unhelpful, or simply untrue, you feel indignant, wronged, and exasperated.

Relationship triggers are tripped by the person providing the feedback. Exchanges are often colored by what you believe about the giver (He's got no credibility on this topic!) and how you feel about your previous interactions (After all I've done for you, I get this petty criticism?). So you might reject coaching that you would accept on its merits if it came from someone else.

Identity triggers are all about your relationship with yourself. Whether the feedback is right or wrong, wise or witless, it can be devastating if it causes your sense of who you are to come undone. In such moments you'll struggle with feeling overwhelmed, defensive, or off balance.

All these responses are natural and reasonable; in some cases they are unavoidable. The solution isn't to pretend you don't have them. It's to recognize what's happening and learn how to derive benefit from feedback even when it sets off one or more of your triggers.

Six Steps to Becoming a Better Receiver

Taking feedback well is a process of sorting and filtering. You need to understand the other person's point of view, try on ideas that may at first seem a poor fit, and experiment with different ways of doing things. You also need to discard or shelve critiques that are genuinely misdirected or are not helpful right away. But it's nearly impossible to do any of those things from inside a triggered response. Instead of ushering you into a nuanced conversation that will help you learn, your triggers prime you to reject, counterattack, or withdraw.

The six steps below will keep you from throwing valuable feedback onto the discard pile or—just as damaging—accepting and acting on comments that you would be better off disregarding. They are presented as advice to the receiver. But, of course, understanding the challenges of receiving feedback helps the giver to be more effective too.

1. Know your tendencies

You've been getting feedback all your life, so there are no doubt patterns in how you respond. Do you defend yourself on the facts ("This is plain wrong"), argue about the method of delivery ("You're really doing this by e-mail?"), or strike back ("You, of all people?")? Do you smile on the outside but seethe on the inside? Do you get teary or filled with righteous indignation? And

what role does the passage of time play? Do you tend to reject feedback in the moment and then step back and consider it over time? Do you accept it all immediately but later decide it's not valid? Do you agree with it intellectually but have trouble changing your behavior?

When Michael, an advertising executive, hears his boss make an offhand joke about his lack of professionalism, it hits him like a sledgehammer. "I'm flooded with shame," he told us, "and all my failings rush to mind, as if I'm Googling 'things wrong with me' and getting 1.2 million hits, with sponsored ads from my father and my ex. In this state it's hard to see the feedback at 'actual size.'" But now that Michael understands his standard operating procedure, he's able to make better choices about where to go from there: "I can reassure myself that I'm exaggerating, and usually after I sleep on it, I'm in a better place to figure out whether there's something I can learn."

2. Disentangle the "what" from the "who"

If the feedback is on target and the advice is wise, it shouldn't matter who delivers it. But it does. When a relationship trigger is activated, entwining the content of comments with your feelings about the giver (or about how, when, or where she delivered the comments), learning is short-circuited. To keep that from happening, you have to work to separate the message from the messenger and then consider both.

Janet, a chemist and a team leader at a pharmaceutical company, received glowing comments from her peers and superiors during her 360-degree review but was surprised by the negative feedback she got from her direct reports. She immediately concluded that the problem was theirs: "I have high standards, and some of them can't handle that," she remembers thinking. "They aren't used to someone holding their feet to the fire." In this way, she changed the subject from her management style to her subordinates' competence, preventing her from learning something important about the impact she had on others.

When you set aside snap judgments and explore where feedback is coming from and where it's going, you enter into a rich conversation.

Eventually the penny dropped, Janet says. "I came to see that whether it was their performance problem or my leadership prob-

lem, those were not mutually exclusive issues, and both were worth solving." She was able to disentangle the issues and talk to her team about both. Wisely, she began the conversation with their feedback to her, asking, "What am I doing that's making things tough? What would improve the situation?"

3. Sort toward coaching

Some feedback is evaluative ("Your rating is a 4"); some is coaching ("Here's how you can improve"). Everyone needs both. Evaluations tell you where you stand, what to expect, and what is expected of you. Coaching allows you to learn and improve and helps you play at a higher level.

It's not always easy to distinguish one from the other. When a board member phoned James to suggest that he start the next quarter's CFO presentation with analyst predictions rather than internal projections, was that intended as a helpful suggestion, or was it a veiled criticism of his usual approach? When in doubt, people tend to assume the worst and to put even well-intentioned coaching into the evaluation bin. Feeling judged is likely to set off your identity triggers, and the resulting anxiety can drown out the opportunity to learn. So whenever possible, sort toward coaching. Work to hear feedback as potentially valuable advice from a fresh perspective rather than as an indictment of how you've done things in the past. When James took that approach, "the suggestion became less emotionally loaded," he says. "I decided to hear it as simply an indication of how that board member might more easily digest quarterly information."

4. Unpack the feedback

Often it's not immediately clear whether feedback is valid and useful. So before you accept or reject it, do some analysis to better understand it.

Here's a hypothetical example. Kara, who's in sales, is told by Johann, an experienced colleague, that she needs to "be more assertive." Her reaction might be to reject his advice ("I think I'm pretty assertive already"). Or she might acquiesce ("I really do need to step it up"). But before she decides what to do, she needs to understand what he really means. Does he think she should speak up more often, or just with greater conviction? Should she smile more, or less? Have the confidence to admit she doesn't know something, or the confidence to pretend she does?

Even the simple advice to "be more assertive" comes from a complex set of observations and judgments that Johann has made while watching Kara in meetings and with customers. Kara needs to dig into the general suggestion and find out what in particular prompted it. What did Johann see her do or fail to do? What did he expect, and what is he worried about? In other words, where is the feedback coming from?

Kara also needs to know where the feedback is going—exactly what Johann wants her to do differently and why. After a clarifying discussion, she might agree that she is less assertive than others on the sales floor but disagree with the idea that she should change. If all her sales heroes are quiet, humble, and deeply curious about customers' needs, Kara's view of what it means to be good at sales might look and sound very different from Johann's Glengarry Glen Ross ideal.

When you set aside snap judgments and take time to explore where feedback is coming from and where it's going, you can enter into a rich, informative conversation about perceived best practices—whether you decide to take the advice or not.

5. Ask for just one thing

Feedback is less likely to set off your emotional triggers if you request it and direct it. So don't wait until your annual performance review. Find opportunities to get bite-size pieces of coaching from a variety of people throughout the year. Don't invite criticism with a big, unfocused question like "Do you have any feedback for me?" Make the process more manageable by asking a colleague, a boss, or a direct report, "What's one thing you see me doing (or failing to do) that holds me back?" That person may name the first behavior that comes to mind or the most important one on his or her list. Either way, you'll get concrete information and can tease out more specifics at your own pace.

Roberto, a fund manager at a financial services firm, found his 360-degree review process overwhelming and confusing. "Eighteen pages of charts and graphs and no ability to have follow-up conversations to clarify the feedback was frustrating," he says, adding that it also left him feeling awkward around his colleagues.

Now Roberto taps two or three people each quarter to ask for one thing he might work on. "They don't offer the same things, but over time I hear themes, and

that gives me a good sense of where my growth edge lies," he says. "And I have really good conversations—with my boss, with my team, even with peers where there's some friction in the relationship. They're happy to tell me one thing to change, and often they're right. It does help us work more smoothly together."

Research has shown that those who explicitly seek critical feedback (that is, who are not just fishing for praise) tend to get higher performance ratings. Why? Mainly, we think, because someone who's asking for coaching is more likely to take what is said to heart and genuinely improve. But also because when you ask for feedback, you not only find out how others see you, you also influence how they see you. Soliciting constructive criticism communicates humility, respect, passion for excellence, and confidence, all in one go.

6. Engage in small experiments

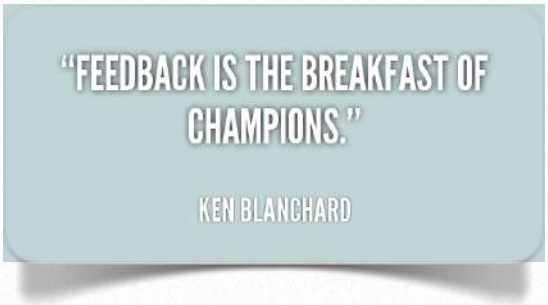
After you've worked to solicit and understand feedback, it may still be hard to discern which bits of advice will help you and which ones won't. We suggest designing small experiments to find out. Even though you may doubt that a suggestion will be useful, if the downside risk is small and the upside potential is large, it's worth a try. James, the CFO we discussed earlier, decided to take the board member's advice for the next presentation and see what happened. Some directors were pleased with the change, but the shift in format prompted others to offer suggestions of their own. Today James reverse-engineers his presentations to meet board members' current top-of-mind concerns. He sends out an e-mail a week beforehand asking for any burning questions, and either frontloads his talk with answers to them or signals at the start that he will get to them later on. "It's a little more challenging to prepare for but actually much easier to give," he says. "I spend less time fielding unexpected questions, which was the hardest part of the job."

That's an example worth following. When someone gives you advice, test it out. If it works, great. If it doesn't, you can try again, tweak your approach, or decide to end the experiment.Criticism is never easy to take. Even when you know that it's essential to your development and you trust that the person delivering it wants you to succeed, it can activate psychological triggers. You might feel misjudged, ill-used, and sometimes threatened to your very core.

All the world is full of suffering. It is also full overcoming.

- Helen Keller

Your growth depends on your ability to pull value from criticism in spite of your natural responses and on your willingness to seek out even more advice and coaching from bosses, peers, and subordinates. They may be good or bad at providing it, or they may have little time for it—but you are the most important factor in your own development. If you're determined to learn from whatever feedback you get, no one can stop you.



THE POWER OF IN-PERSON

The demands of a distributed globalized marketplace have altered the way organizations communicate with colleagues, supplier/partners, and customers who may be separated by long distances. A global survey conducted by The Economist Intelligence Unit, sponsored by Cisco, assessed 862 business leaders' sentiments about the **value of in-person meetings and their impact on more than 30 business processes**. So, what's the verdict? Is in-person communication as powerful as we think it is?

IN-PERSON MATTERS

Business leaders are virtually unanimous in agreeing that in-person communication is more effective, powerful, and conducive to success:

75%

believe in-person collaboration is critical.

54%

agree that gauging engagement and focus is critical to communications.

82%

felt they were better understood after in-person encounters.

Movie 3.2 Daniel Kahneman: Adversarial Collaboration

Capitalize on disagreement. How to collaborate with frenemies, with Nobel laureate Daniel Kahneman.

Difficult Conversations

How to Handle Difficult Conversations at Work

by Rebecca Knight

Difficult conversations — whether you're telling a client the project is delayed or presiding over an unenthusiastic performance review — are an inevitable part of management.

- How should you prepare for this kind of discussion?
- How do you find the right words in the moment?
- And, how can you manage the exchange so that it goes as smoothly as possible?

What the Experts Say

"We've all had bad experiences with these kind of conversations in the past," says Holly Weeks, the author of Failure to Communicate. Perhaps your boss lashed out at you during a heated discussion; or your direct report started to cry during a performance review; maybe your client hung up the phone on you. As a result, we tend to avoid them. But that's not the right answer. After all, tough conversations "are not black swans," says Jean-Francois Manzoni, professor of human resources and organizational development at INSEAD. The key is to learn how to handle them in a way that produces "a better outcome: less pain for you, and less pain for the person you're talking to," he says. Here's how to get what you need from these hard conversations — while also keeping your relationships intact.

Change your mindset

If you're gearing up for a conversation you've labeled "difficult," you're more likely to feel nervous and upset about it beforehand. Instead, try "framing it in a positive, less binary" way, suggests Manzoni. For instance, you're not giving negative performance feedback; you're having a constructive conversation about development. You're not telling your boss: no; you're offering up an alternate solution. "A difficult conversation tends to go best when you think about it as a just a normal conversation," says Weeks.

Breathe

"The more calm and centered you are, the better you are at handling difficult conversations," says Manzoni. He recommends: "taking regular breaks" throughout the day to practice "mindful breathing." This helps you "refocus" and "gives you capacity to absorb any blows" that come your way. This technique also works well in the moment. If, for example, a colleague comes to you with an issue that might lead to a hard conversation, excuse yourself —get a cup of coffee or take a brief stroll around the office — and collect your thoughts.

Plan but don't script

It can help to plan what you want to say by jotting down notes and key points before your conversation. Drafting a script, however, is a waste of time. "It's very unlikely that it will go according to your plan," says Weeks. Your counterpart doesn't know "his lines," so when he "goes off script,

you have no forward motion" and the exchange "becomes weirdly artificial." Your strategy for the conversation should be "flexible" and contain "a repertoire of possible responses," says Weeks. Your language should be "simple, clear, direct, and neutral," she adds.

Acknowledge your counterpart's perspective

Don't go into a difficult conversation with a my-way-or-the-highway attitude. Before you broach the topic, Weeks recommends asking yourself two questions: "What is the problem? And, what does the other person think is the problem?" If you aren't sure of the other person's viewpoint, "acknowledge that you don't know and ask," she says. Show your counterpart "that you care," says Manzoni. "Express your interest in understanding how the other person feels," and "take time to process the other person's words and tone," he adds. Once you hear it, look for overlap between your point of view and your counterpart's.

Be compassionate

"Experience tells us that these kinds of conversations often lead to [strained] working relationships, which can be painful," says Manzoni. It's wise, therefore, to come at sensitive topics from a place of empathy. Be considerate; be compassionate. "It might not necessarily be pleasant, but you can manage to deliver difficult news in a courageous, honest, fair way." At the same time, "do not emote," says Weeks. The worst thing you can do "is to ask your counterpart to have sympathy for you," she says. Don't say things like, 'I feel so bad about saying this,' or 'This is really hard for me to do,'" she says. "Don't play the victim."

Slow down and listen

To keep tensions from blazing, Manzoni recommends trying to "slow the pace" of the conversation.

Slowing your cadence and pausing before responding to the other person "gives you a chance to find the right words" and tends to "defuse negative emotion" from your counterpart, he says. "If you listen to what the other person is saying, you're more likely to address the right issues and the conversation always ends up being better," he says.

Make sure your actions reinforce your words, adds Weeks. "Saying, 'I hear you,' as you're fiddling with your smartphone is insulting."

Give something back

If you're embarking on a conversation that will "put the other person in a difficult spot or take something away something from them," ask yourself: "Is there something I can give back?" says Weeks. If, for instance, you're laying off someone you've worked with for a long time, "You could say, 'I have written what I think is a strong recommendation for you; would you like to see it?'" If you need to tell your boss that you can't take on a particular assignment, suggest a viable alternative. "Be constructive," says Manzoni. Nobody wants problems." Proposing options "helps the other person see a way out, and it also signals respect."

Reflect and learn

After a difficult conversation, it's worthwhile to "reflect ex post" and consider what went well and what didn't, says Manzoni. "Think about why you had certain reactions, and what you might have said differently." Weeks also recommends observing how others successfully cope with these situations and emulating their tactics. "Learn how to disarm yourself by imitating what you see," she says. "Handling a difficult conversation well is not just a skill, it is an act of courage."

Principles to Remember

Do:

- Take regular breaks during the day; the more calm and centered you are, the better you are at handling tough conversations when they arise
- Slow down the pace of the conversation — it helps you find the right words and it signals to your counterpart that you're listening
- Find ways to be constructive by suggesting other solutions or alternatives

Don't:

- Label the news you need to deliver as a "difficult conversation" in your mind; instead frame the discussion in a positive or neutral light
- Bother writing a script for how you want the discussion to go; jot down notes if it helps, but be open and flexible
- Ignore the other person's point of view — ask your counterpart how he sees the problem and then look for overlaps between your perspectives

Case Study #1: *Be clear, direct, and unemotional*

Tabatha Turman, the founder and CEO of Integrated Finance and Accounting Solutions, a financial firm with both government and private sector clients, knew she had a problem with a certain employee. "He was a nice person and he worked long hours but his productivity was an issue," she says. "He wasn't right for the position he was in."

She and her team tried a number of interventions — including having him work with a professional coach — but after six months, she needed to take action. "We kept kicking the can down the road, but I realized I was going to have to be the bad guy." She was going to have to lay him off.

Tabatha dreaded delivering the news. "I really liked this person," she says. "We're a small company and all really close—you know about people's families and you hear about their vacations. At the same time, everybody plays a position on the team and one weak link can bring it down."

To steel herself for the conversation, Tabatha called on her 20 years of experience as an officer in the army. "I grew up in a military environment where there's no bluff," she says. "When you're at work, you're at work. You need to be strong for the people around you and take your feelings out of it."

Her words were simple. She told the employee that he was "not a good fit." She explained that the company would keep him on until the end of the month and then provided details about the severance package. Tabatha says that while the employee "wasn't happy" he took the lay-off "like a trooper."

Even though she didn't show her emotion during the meeting, Tabatha still says the conversation "lingers" in her mind today. "I still feel badly that it didn't work out, but it wasn't right," she says. "We had to move on."

Case Study #2: *Put yourself in the right frame of mind and show empathy*

As Chief Personnel Officer at Booz Allen Hamilton, Betty Thompson, is accustomed to having hard conversations. Recently, for instance, she had to tell a successful, longtime employee that his position was being eliminated.

"Over time, his role had become less relevant to the organization," she says. "There

Your living is determined not so much by what life brings to you, as by the attitude you bring to life; not so much by what happens to you,as by the way your minds looks at what happens.

- Kahlil Gibran

were also proximity issues — his team was on one side of the country but he was on the other side. It just wasn't going to work anymore."

Betty decided that the message would be best delivered not in one conversation, but in a series of multiple discussions over a couple of months. "I didn't want to rush things," she says. "It was a process."

Before even broaching the subject with the employee, she reminded herself of her good intentions. "You need to have the right energy going into something like this. If you're coming from a place of frustration—which can happen, we're only human — it will not be a constructive conversation. You have to think: 'What's the best way for this person to hear the message?'"

Her first step was sitting down with the employee to ask how he thought things were going. "I wanted to know what frustrations he was having," she says. "I wanted him to look in the mirror, not poke him in the eye."

After he spoke, she offered her own perspective on the problem. He was initially defensive, but by the second time they spoke, he had come around and agreed there was a problem.

By their final conversation, the employee had decided to leave the company. They had a great talk and even ended the conversation with a hug. "He knew that I cared," she says.

You get the chicken by hatching the egg, not by smashing it.

- Arnold H. Glasgow

Difficult Conversations: 9 Common Mistakes

by Sarah Green Carmichael

When difficult conversations turn toxic, it's often because we've made a key mistake: we've fallen into a combat mentality. This allows the conversation to become a zero-sum game, with a winner and a loser.

But the reality is, when we let conversations take on this tenor – especially at the office – everyone looks bad, and everyone loses.

The real enemy is not your conversational counterpart, but the combat mentality itself. And you can defeat it, with strategy and skill.

Mistake #2: *We try to oversimplify the problem.*

If the subject of your argument were straightforward, chances are you wouldn't be arguing about it. Because it's daunting to try and tackle several issues at once, we may try to roll these problems up into a less-complex Über-Problem. But the existence of such a beast is often an illusion. To avoid oversimplifying, remind yourself that if the issue weren't complicated, it probably wouldn't be so hard to talk about.

Mistake #3: *We don't bring enough respect to the conversation.*

The key to avoiding oversimplification is respecting the problem you're trying to resolve.

To avoid the combat mentality, you need to go further – you need to respect the person you're talking to, and you need to respect yourself.

Making sure that you respond in a way you can later be proud of will prevent you from being thrown off course if your counterpart is being openly hostile.

Mistake #4: *We lash out – or shut down.*

Fear, anger, embarrassment, defensiveness – any number of unpleasant feelings can course through us during a conversation we'd rather not have. Some of us react by confronting our counterpart more aggressively; others, by rushing to smooth things over. We might even see-saw between both counterproductive poles. Instead, move to the middle: state what you really want. The tough emotions won't evaporate. but with practice, you will learn to focus on the outcome you want in spite of them.

Mistake #5: *We react to thwarting ploys.*

Lying, threatening, stonewalling, crying, sarcasm, shouting, silence, accusing, taking offense: tough talks can present an arsenal of thwarting ploys. (Just because you're trying to move beyond the combat mentality doesn't mean your counterpart is.) But you also have an array of potential responses, ranging from passive to aggressive. Again, the most effective is to move to the middle: disarm the ploy by addressing it. For instance, if your counterpart has stopped responding to you, you can simply say, "I don't know how to interpret your silence."

Mistake #6: *We get "hooked."*

Everyone has a weak spot. And when someone finds ours – whether inadvertently, with a stray arrow, or because he is hoping to hurt us – it becomes even harder to stay out of the combat mentality. Maybe yours is tied to your job – you feel like your department doesn't get the respect it deserves. Or maybe it's more personal. But whatever it is, take the time to learn what hooks you. Just knowing where you're vulnerable will help you stay in control when someone pokes you there.

Mistake #7: *We rehearse.*

If we're sure a conversation is going to be tough, it's instinctive to rehearse what we'll say. But a difficult conversation is not a performance, with an actor and an audience. Once you've started the discussion, your counterpart could react in any number of ways – and having a "script" in mind will hamper your ability to listen effectively and react accordingly. Instead, prepare by asking yourself: 1. What is the problem? 2. What would my counterpart say the problem is? 3. What's my preferred outcome? 4. What's my preferred working relationship with my counterpart? You can also ask the other person to do the same in advance of your meeting.

Mistake #8: *We make assumptions about our counterpart's intentions.*

Optimists tend to assume that every disagreement is just a misunderstanding between two well-intentioned people; pessimists may feel that differences of opinion are actually ill-intentioned attacks. In the fog of a hard talk, we tend to forget that we don't have access to anyone's intentions but our own. Remember that you and your counterpart are both dealing with this ambiguity. If you get stuck, a handy phrase to remember is, "I'm realizing as we talk that I don't fully understand how you see this problem." Admitting what you don't know can be a powerful way to get a conversation back on track.

Mistake #9: *We lose sight of the goal.*

The key in any tough talk is to always keep sight of the goal. Help prevent this by going into conversations with a clear, realistic preferred outcome; the knowledge of how you want your working relationship with your counterpart to be; and having done

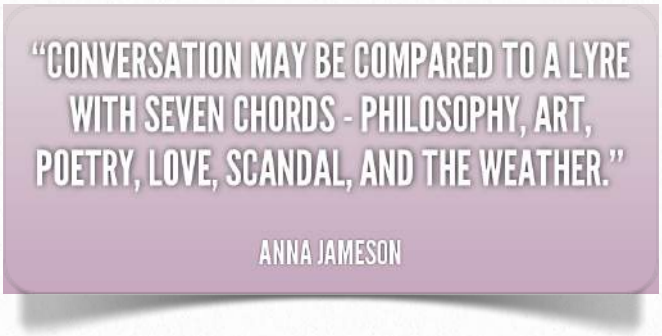
By letting it go it all gets done. The world is won by those who let it go. But when you try and try, the world is beyond winning.

- Lao Tzu

some careful thinking about any obstacles that could interfere with either. (Remember, "winning" is not a realistic outcome, since your counterpart is unlikely to accept an outcome of "losing.") If you've done the exercise described in Slide 7, this should be easier. And you'll be less likely to get thrown off course by either thwarting ploys or your own emotions.

In conclusion…

When we're caught off-guard, we're more likely to fall back into old, ineffective habits like the combat mentality. If you're not the one initiating the tough conversation, or if a problem erupts out of nowhere, stick to these basics: keep your content clear, keep your tone neutral, and keep your phrasing temperate. When disagreements flare, you'll be more likely to navigate to a productive outcome – and emerge with your reputation intact.



We know the truth, not only by the reason, but also by the heart.

- Blaise Pascal

Choose the Right Words in an Argument

by Amy Gallo

When addressing a conflict with a colleague, the words matter. Sometimes, regardless of how good your intentions are, what you say can further upset your coworker and just make the issue worse. Other times you might say the exact thing that helps the person go from boiling mad to cool as a cucumber.

So, when things start to heat up with a colleague — you don't see eye-to-eye on a project or you aren't happy with the way you were treated in a meeting, for example — how can you choose your words carefully? To help answer this question, I talked with Linda Hill, the Wallace Brett Donham Professor of

Business Administration at Harvard Business School and faculty chair of the Leadership Initiative. She is also the co-author of Collective Genius: The Art and Practice of Leading Innovation and Being the Boss: The 3 Imperatives for Becoming a Great Leader.

Hill explained that the words we use in confrontations can get us into trouble for three reasons:

First, the stakes are usually high when emotions are. "With conflict, there are typically negative emotions involved, and most of us aren't comfortable with those kinds of feelings," she says. Our discomfort can make us fumble over our words or say things we don't mean.

The second reason that we often say the wrong thing is because our first instincts are usually off. In fact, it's often the words we lead with that get us into so much trouble. "That's because too often we end up framing the issue as who's right or who's wrong," she says. Instead of trying to understand what's really happening in a disagreement, we advocate for our position. Hill admits that it's normal to be defensive and even to blame the other person, but saying "You're wrong" or "Let me tell you how I'm right" will make matters worse. "We're often building a case for why we're right. Let that go and focus on trying to resolve the conflict," she says.

Third, there's often misalignment between what we mean when we say something and what the other person hears. "It doesn't matter if your intent is honorable if your impact is not," Hill says. Most people are very aware of what they meant to say but are less tuned into what the other person heard or how they interpreted it.

So how do you avoid these traps? Hill says it's not always easy but by following a few rules of thumb, you'll have a better chance of resolving the conflict instead of inciting it:

Say nothing. "If the emotional level is high, your first task is to take some of the emotion out," she says. "Often that means sitting back and letting someone vent."

The trouble is, Hill says, that we often stop people before they've gotten enough of the emotion out. "Hold back and let them say their piece. You don't have to agree with it, but listen," she says. While you're doing this, you might be completely quiet or you might indicate you're listening by us-

ing phrases like, “I get that” or “I understand.” Avoid saying anything that assigns feeling or blame, like “Calm down” or “What you need to understand is.” If you can do this effectively, without judging, you’ll soon be able to have a productive conversation.

Ask questions. Hill says that it’s better to ask questions than make statements. Instead of thinking about what you want to say, consider what you want to learn. This will help you get to the root cause of the conflict and set you up to resolve it. You can ask questions like, “Why did that upset you?” or “How are you seeing this situation?” Use phrases that make you appear more receptive to a genuine dialogue. Once you’ve heard the other person’s perspective, Hill suggests you paraphrase and ask, “I think you said X, did I get that right?”

Own your part. Don’t act like there is only one view of the problem at hand. “You need to own your perception. Start sentences with ‘I’ not ‘you,'” Hill says. This will help the other person see your perspective and understand that you’re not trying to blame them for the problem. Instead of saying “You must be uncomfortable”, try “I’m feeling pretty uncomfortable.” Don’t attribute emotions to other people. That just makes them mad.

So, how do you choose the right words to use in a conflict? Of course, every situation is different and what you say will depend on the content of what you’re discussing, your relationship with the other person, and the culture of your organization, but these suggestions may help you get started:

Scenario #1: You have a criticism or dissent to offer. Perhaps you disagree with the popular perspective or perhaps you’re talking to someone more powerful than you.

Hill suggests you get to the underlying reason for the initiative, policy, or approach that you’re disagreeing with. Figure out why the person thinks this is a reasonable proposal. You can say something like, “Sam, I want to understand what we’re trying to accomplish with this initiative. Can you go back and explain the reasoning behind it?” or “What are we trying to get done here?”

Get Sam to talk more about what he’s up to and why. Then you can present a few op-

tions for how to accomplish the same goal using a different approach: “If I understand you correctly, you’re trying to accomplish x, y, and z. I’m wondering if there’s a different way to approach this. Perhaps we can…”

In a situation like this, you also want to consider the venue. “You may be able to have a more candid discussion with someone if it’s one-on-one meeting rather than in front of a group,” she says.

Scenario #2: You have bad news to deliver to your boss or another coworker. You missed a deadline, made a mistake, or otherwise screwed up.

Hills says the best approach here is to get to the point: “I have some news to share that I’m not proud of. I should’ve told you sooner, but here’s where we are.” Then describe the situation.

If you have a few solutions, offer them up: “These are my ideas about how we might address this. What are your thoughts?” It’s important to own up that you made a mistake and not try to point out all the reasons you did what you did.

Scenario #3: You approach a coworker about something he or she messed up.

Here you don’t want to launch in right away, Hill says, but ask permission to speak to the person about what happened: “Mary, can I have a moment to talk to you about something?” Then describe what happened.

You can say: “I’m a little confused about what occurred and why it occurred. I want to discuss it with you to see how we can move this forward.” Use phrases like “I understand that X happened…” so that if Mary sees the situation differently, she can disagree with your perspective. But don’t harp too long on what happened. Focus on figuring out a solution by engaging her with something like: “What can we do about this?”

Scenario #4: You approach a colleague about feeling mistreated or you’re upset about something he or she said.

Hill points out that this is a good place to talk about the difference in intent versus impact. After all, you don’t know what your coworker’s intent was; you only know that you’re upset. You can start off with something like: “Carl, It’s a little bit awkward for me to approach you about this, but I heard

that you said X. I don't know whether it's true or not. Regardless, I thought I should come to you because I'm pretty upset and I thought we should talk about it." The focus shouldn't be on blaming the person but airing your feelings and trying to get to a resolution: "I want to understand what happened so that we can have a conversation about it."

If Carl gets defensive, you can point out that you aren't questioning his intent. "I'm not talking about what you intended. I thought it was better to clear the air, rather than stewing about it. Would you agree?"

Scenario #5: A colleague yells at you because of something you said or did.

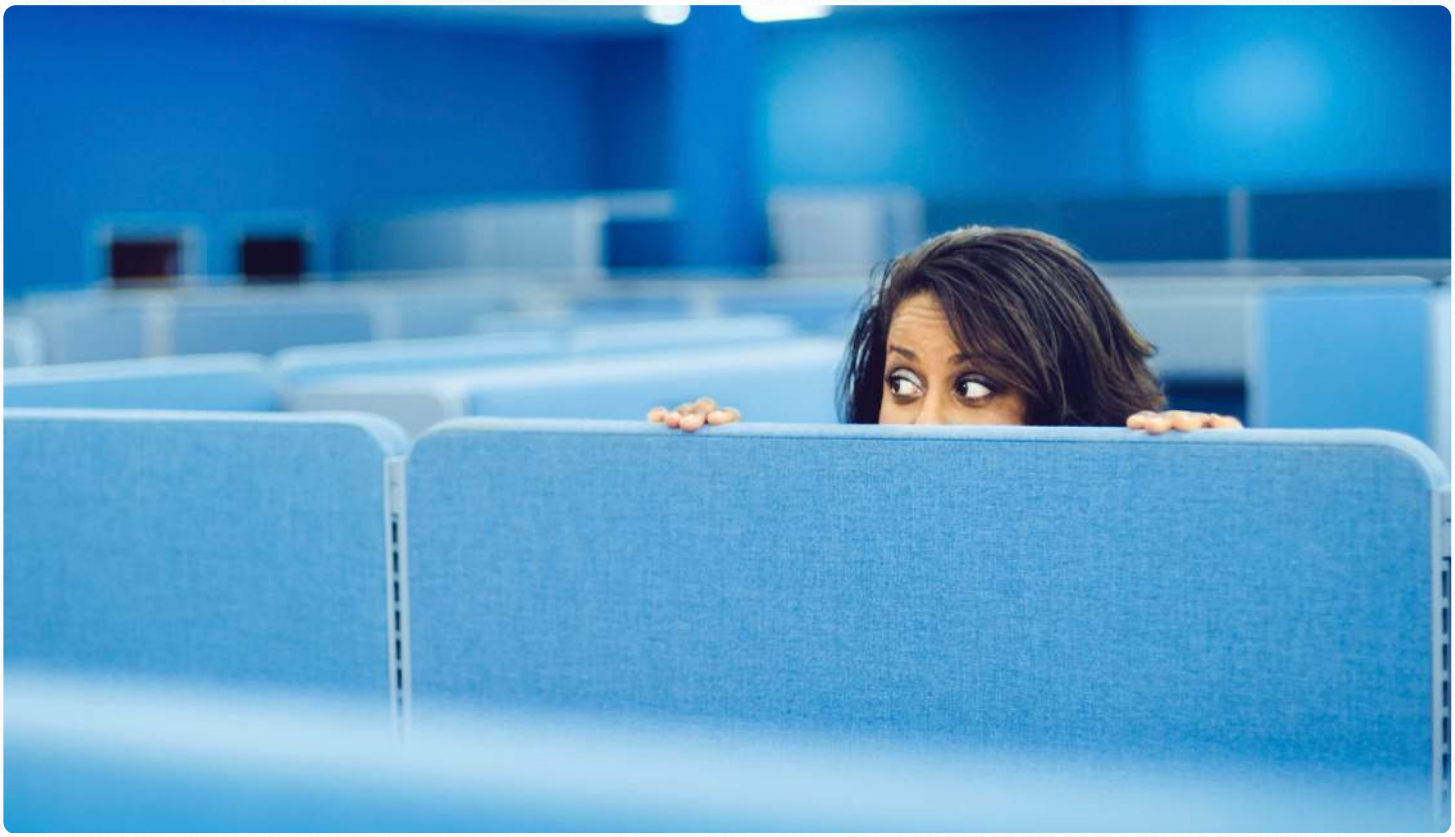
This is where you might stay quiet at first and let them vent. People usually run out of steam pretty quickly if you don't reciprocate.

Keep in mind though, Hill says, that you never deserve to be yelled at. You might say: "I realize that I've done something to upset you. I don't respond well to being yelled at. Can we sit down when I can be better prepared to have a conversation about this?"

Scenario #6: You're managing someone who engages in conflict regularly and is annoying or upsetting the other people on your team.

Sometimes you have a hothead on your team — someone who seems to even enjoy conflict. Of course disagreements aren't always a bad thing, but you need to help the person explore how he might be damaging his reputation and relationships. You can try something like: "I like having you around because from where I sit, you raise important issues and feel strongly about them. I also know you're well-intentioned. I'd like to talk you about whether you're having the impact you want to have." Get him to think through the consequences of his regular battles.

Of course, even if you follow this advice, sometimes there just aren't the right words and it's not possible to have a constructive discussion. "Occasionally, you need to let it go and come back to it another time when you can both have the conversation," says Hill. It's OK to walk away and return to the discussion later, when you're ready to make a smart and thoughtful choice about the words you want to use.



Remember, upon the conduct of each, depends the fate of all.

- Alexander the Great

Managers Can Motivate Employees with One Word

by Heidi Grant Halvorson

Human beings are profoundly social — we are hardwired to connect to one another and to want to work together. Frankly, we would never have survived as a species without our instinctive desire to live and work in groups, because physically we are just not strong or scary enough.

Tons of research has documented how important being social is to us. For instance, as neuroscientist Matt Lieberman describes in his book, Social: Why Our Brains are Wired to Connect, our brains are so attuned to our relationships with other people that they quite literally treat social successes and failures like physical pleasures and pains. Being rejected, for in-

stance, registers as a "hurt" in much the same way that a blow to the head might — so much so that if you take an aspirin you'll actually feel better about your breakup.

David Rock, founder of the NeuroLeadership Institute, has identified relatedness — feelings of trust, connection, and belonging—as one of the five primary categories of social pleasures and pains (along with status, certainty, autonomy, and fairness). Rock's research shows that the performance and engagement of employees who experience relatedness threats or failures will almost certainly suffer. And in other research, the feeling of working together has indeed been shown to predict greater motivation, particularly intrinsic motivation, that magical elixir of interest, enjoyment, and engagement that brings with it the very best performance.

Theoretically, the modern workplace should be bursting with relatedness. Not unlike our hunter-gatherer ancestors, most of us are on teams. And teams ought to be a bountiful source of "relatedness" rewards.

But here's the irony: While we may have team goals and team meetings and be judged according to our team performance, very few of us actually do our work in teams. Take me, for example: I conduct all the research I do with a team of other researchers. I regularly coauthor articles and books. My collaborators and I regularly meet to discuss ideas and to make plans. But I have never analyzed data with a collaborator sitting next to me, or run a participant through an experiment with another researcher at my side—and my coauthors and I have never ever typed sentences in the same room. Yes, many of the goals we pursue and projects we complete are done in teams, but unlike those bands of prehistoric humans banding together to take down a woolly mammoth, most of the work we do today still gets done alone.

So that, in a nutshell, is the weird thing about teams: They are the greatest (potential) source of connection and belonging in the workplace, and yet teamwork is some of the loneliest work that you'll ever do.

So what we need is a way to give employees the feeling of working as a team, even when they technically aren't. And thanks to new research by Priyanka Carr and Greg Walton of Stanford University, we now know one powerful way to do this: simply saying the word "together."

In Carr and Walton's studies, participants first met in small groups, and then separated to work on difficult puzzles on their own. People in the psychologically together category were told that they would be working on their task "together" even though they would be in separate rooms, and would either write or receive a tip from a team member to help them solve the puzzle later on. In the psychologically alone category, there was no mention of being "together," and the tip they would write or receive would come from the researchers. All the participants were in fact working alone on the puzzles. The only real difference was the feeling that being told they were working "together" might create.

The effects of this small manipulation were profound: participants in the psychologically together category worked 48% longer, solved more problems correctly, and had better recall for what they had seen. They also said that they felt less tired and depleted by the task. They also reported finding the puzzle more interesting when working together, and persisted longer because of this intrinsic motivation (rather than out of a sense of obligation to the team, which would be an extrinsic motivation).

The word "together" is a powerful social cue to the brain. In and of itself, it seems to serve as a kind of relatedness reward, signaling that you belong, that you are connected, and that there are people you can trust working with you toward the same goal.

Executives and managers would be wise to make use of this word with far greater frequency. In fact, don't let a communication opportunity go by without using it. I'm serious. Let "together" be a constant reminder to your employees that they are not alone, helping them to motivate them to perform their very best.

"PEOPLE WHO ARE UNABLE TO MOTIVATE THEMSELVES MUST BE CONTENT WITH MEDIOCRITY, NO MATTER HOW IMPRESSIVE THEIR OTHER TALENTS."

ANDREW CARNEGIE

PLEASE MIND THE

SKILLS PERCEPTION GAP

American workers and their employers agree on one thing: **there is a skills gap**. But their points of view on the topic vary.

95%
Employees believe they are qualified or overqualified for their positions

61%
Americans believe there is a skills gap but don't think they're part of the problem

40%
Employers report difficulty filling positions

55%
Women believe there is a skills gap

68%
Men believe there is a skills gap

Millenials feel they already know everything they need to know to do their job **53%**

43% Boomers feel they already know everything they need to know to do their job

REPORTED BY udemy

Movie 3.3 Prejudices Are Hard to Shake

Can stereotypes be useful? Sometimes they can be, even though a lot of the time they're not. Psychologist Heidi Grant Halvorson, author of No One Understands You And What To Do About It, walks through the science of stereotypes and explains how they affect much more than you may realize.

Team Discipline

The Discipline of Teams

by Jon R. Katzenbach and Douglas K. Smith

It won't surprise anyone to find an article on teams by Jon Katzenbach and Douglas Smith figuring into an issue devoted to high performance. While Peter Drucker may have been the first to point out that a team-based organization can be highly effective, Katzenbach and Smith's work made it possible for companies to implement the idea.

In this groundbreaking 1993 article, the authors say that if managers want to make better decisions about teams, they must be clear about what a team is. They define a team as "a

small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable." That definition lays down the discipline that teams must share to be effective.

Katzenbach and Smith discuss the four elements—common commitment and purpose, performance goals, complementary skills, and mutual accountability—that make teams function. They also classify teams into three varieties—teams that recommend things, teams that make or do things, and teams that run things—and describe how each type faces different challenges.

Early in the 1980s, Bill Greenwood and a small band of rebel railroaders took on most of the top management of Burlington Northern and created a multibillion-dollar business in "piggybacking" rail services despite widespread resistance, even resentment, within the company. The Medical Products Group at Hewlett-Packard owes most of its leading performance to the remarkable efforts of Dean Morton, Lew Platt, Ben Holmes, Dick Alberding, and a handful of their colleagues who revitalized a health care business that most others had written off. At Knight Ridder, Jim Batten's "customer obsession" vision took root at the Tallahassee Democrat when 14 frontline enthusiasts turned a charter to eliminate errors into a mission of major change and took the entire paper along with them.

Such are the stories and the work of teams—real teams that perform, not amorphous groups that we call teams because we think that the label is motivating and energizing. The difference between teams that perform and other groups that don't is a subject to which most of us pay far too little attention. Part of the problem is that "team" is a word and concept so familiar to everyone.

Or at least that's what we thought when we set out to do research for our book The Wisdom of Teams (HarperBusiness, 1993). We wanted to discover what differentiates various levels of team performance, where and how teams work best, and what top management can do to enhance their effectiveness. We talked with hundreds of people on more than 50 different teams in 30 companies and beyond, from Motorola and Hewlett-Packard to Operation Desert Storm and the Girl Scouts.

We found that there is a basic discipline that makes teams work. We also found

that teams and good performance are inseparable: You cannot have one without the other. But people use the word "team" so loosely that it gets in the way of learning and applying the discipline that leads to good performance. For managers to make better decisions about whether, when, or how to encourage and use teams, it is important to be more precise about what a team is and what it isn't.

People use the word "team" so loosely that it gets in the way of learning and applying the discipline that leads to good performance.

Most executives advocate teamwork. And they should. Teamwork represents a set of values that encourage listening and responding constructively to views expressed by others, giving others the benefit of the doubt, providing support, and recognizing the interests and achievements of others. Such values help teams perform, and they also promote individual performance as well as the performance of an entire organization. But teamwork values by themselves are not exclusive to teams, nor are they enough to ensure team performance.

Nor is a team just any group working together. Committees, councils, and task forces are not necessarily teams. Groups do not become teams simply because that is what someone calls them. The entire workforce of any large and complex organization is never a team, but think about how often that platitude is offered up.

To understand how teams deliver extra performance, we must distinguish between teams and other forms of working groups. That distinction turns on performance results. A working group's performance is a function of what its members do as individuals. A team's performance includes both individual results and what we call "collective work products." A collective work product is what two or more members must work on together, such as interviews, surveys, or experiments. Whatever it is, a collective work product reflects the joint, real contribution of team members.

Working groups are both prevalent and effective in large organizations where individual accountability is most important. The best working groups come together to share information, perspectives, and insights; to make decisions that help each person do his or her job better; and to reinforce individual performance standards. But the focus is always on individual goals and accountabilities. Working-group members don't take responsibility for results

other than their own. Nor do they try to develop incremental performance contributions requiring the combined work of two or more members. more

Teams differ fundamentally from working groups because they require both individual and mutual accountability. Teams rely on more than group discussion, debate, and decision, on more than sharing information and best-practice performance standards. Teams produce discrete work products through the joint contributions of their members. This is what makes possible performance levels greater than the sum of all the individual bests of team members. Simply stated, a team is more than the sum of its parts.

The first step in developing a disciplined approach to team management is to think about teams as discrete units of performance and not just as positive sets of values. Having observed and worked with scores of teams in action, both successes and failures, we offer the following. Think of it as a working definition or, better still, an essential discipline that real teams share: A team is a small number of people with complementary skills who are committed to a common purpose, set of performance goals, and approach for which they hold themselves mutually accountable.

For managers to make better decisions about whether, when, or how to encourage and use teams, it is important to be more precise about what a team is and what it isn't.

The essence of a team is common commitment. Without it, groups perform as individuals; with it, they become a powerful unit of collective performance. This kind of commitment requires a purpose in which team members can believe. Whether the purpose is to "transform the contributions of suppliers into the satisfaction of customers," to "make our company one we can be proud of again," or to "prove that all children can learn," credible team purposes have an element related to winning, being first, revolutionizing, or being on the cutting edge.

Teams develop direction, momentum, and commitment by working to shape a meaningful purpose. Building ownership and commitment to team purpose, however, is not incompatible with taking initial direction from outside the team. The often-asserted assumption that a team cannot "own" its purpose unless management leaves it alone actually confuses more potential teams than it helps. In fact, it is the exceptional case—for example, entrepre-

neurial situations—when a team creates a purpose entirely on its own.

Most successful teams shape their purposes in response to a demand or opportunity put in their path, usually by higher management. This helps teams get started by broadly framing the company's performance expectation. Management is responsible for clarifying the charter, rationale, and performance challenge for the team, but management must also leave enough flexibility for the team to develop commitment around its own spin on that purpose, set of specific goals, timing, and approach.

The best teams invest a tremendous amount of time and effort exploring, shaping, and agreeing on a purpose that belongs to them both collectively and individually. This "purposing" activity continues throughout the life of the team. By contrast, failed teams rarely develop a common purpose. For whatever reason—an insufficient focus on performance, lack of effort, poor leadership—they do not coalesce around a challenging aspiration.

The best teams also translate their common purpose into specific performance goals, such as reducing the reject rate from suppliers by 50% or increasing the math scores of graduates from 40% to 95%. Indeed, if a team fails to establish specific performance goals or if those goals do not relate directly to the team's overall purpose, team members become confused, pull apart, and revert to mediocre performance. By contrast, when purposes and goals build on one another and are combined with team commitment, they become a powerful engine of performance.

Transforming broad directives into specific and measurable performance goals is the surest first step for a team trying to shape a purpose meaningful to its members. Specific goals, such as getting a new product to market in less than half the normal time, responding to all customers within 24 hours, or achieving a zero-defect rate while simultaneously cutting costs by 40%, all provide firm footholds for teams. There are several reasons: more

- Specific team-performance goals help define a set of work products that are different both from an organization-wide mission and from individual job objectives. As a result, such work products require the collective effort of team members to make something specific happen that, in and of itself, adds real value to results. By contrast, simply gathering from time

to time to make decisions will not sustain team performance.

- The specificity of performance objectives facilitates clear communication and constructive conflict within the team. When a plant-level team, for example, sets a goal of reducing average machine changeover time to two hours, the clarity of the goal forces the team to concentrate on what it would take either to achieve or to reconsider the goal. When such goals are clear, discussions can focus on how to pursue them or whether to change them; when goals are ambiguous or nonexistent, such discussions are much less productive.

- The attainability of specific goals helps teams maintain their focus on getting results. A product-development team at Eli Lilly's Peripheral Systems Division set definite yardsticks for the market introduction of an ultrasonic probe to help doctors locate deep veins and arteries. The probe had to have an audible signal through a specified depth of tissue, be capable of being manufactured at a rate of 100 per day, and have a unit cost less than a preestablished amount. Because the team could measure its progress against each of these specific objectives, the team knew throughout the development process where it stood. Either it had achieved its goals or not.

- As Outward Bound and other team-building programs illustrate, specific objectives have a leveling effect conducive to team behavior. When a small group of people challenge themselves to get over a wall or to reduce cycle time by 50%, their respective titles, perks, and other stripes fade into the background. The teams that succeed evaluate what and how each individual can best contribute to the team's goal and, more important, do so in terms of the performance objective itself rather than a person's status or personality.

- Specific goals allow a team to achieve small wins as it pursues its broader purpose. These small wins are invaluable to building commitment and overcoming the inevitable obstacles that get in the way of a long-term purpose. For example, the Knight Ridder team mentioned at the outset turned a narrow goal to eliminate errors into a compelling customer service purpose.

- Performance goals are compelling. They are symbols of accomplishment that motivate and energize. They challenge the people on a team to commit themselves,

as a team, to make a difference. Drama, urgency, and a healthy fear of failure combine to drive teams that have their collective eye on an attainable, but challenging, goal. Nobody but the team can make it happen. It's their challenge.

The combination of purpose and specific goals is essential to performance. Each depends on the other to remain relevant and vital. Clear performance goals help a team keep track of progress and hold itself accountable; the broader, even nobler, aspirations in a team's purpose supply both meaning and emotional energy.

Virtually all effective teams we have met, read or heard about, or been members of have ranged between two and 25 people. For example, the Burlington Northern piggybacking team had seven members, and the Knight Ridder newspaper team had 14. The majority of them have numbered less than ten. Small size is admittedly more of a pragmatic guide than an absolute necessity for success. A large number of people, say 50 or more, can theoretically become a team. But groups of such size are more likely to break into subteams rather than function as a single unit. more

Why? Large numbers of people have trouble interacting constructively as a group, much less doing real work together. Ten people are far more likely than 50 to work through their individual, functional, and hierarchical differences toward a common plan and to hold themselves jointly accountable for the results.

Large groups also face logistical issues, such as finding enough physical space and time to meet. And they confront more complex constraints, like crowd or herd behaviors, which prevent the intense sharing of viewpoints needed to build a team. As a result, when they try to develop a common purpose, they usually produce only superficial "missions" and well-meaning intentions that cannot be translated into concrete objectives. They tend fairly quickly to reach a point when meetings become a chore, a clear sign that most of the people in the group are uncertain why they have gathered, beyond some notion of getting along better. Anyone who has been through one of these exercises understands how frustrating it can be. This kind of failure tends to foster cynicism, which gets in the way of future team efforts.

In addition to finding the right size, teams must develop the right mix of skills; that is, each of the complementary skills necessary to do the team's job. As obvious as it sounds, it is a common failing in potential

teams. Skill requirements fall into three fairly self-evident categories.

Technical or Functional Expertise.

It would make little sense for a group of doctors to litigate an employment discrimination case in a court of law. Yet teams of doctors and lawyers often try medical malpractice or personal injury cases. Similarly, product development groups that include only marketers or engineers are less likely to succeed than those with the complementary skills of both.

Problem-Solving and Decision-Making Skills.

Teams must be able to identify the problems and opportunities they face, evaluate the options they have for moving forward, and then make necessary trade-offs and decisions about how to proceed. Most teams need some members with these skills to begin with, although many will develop them best on the job.

Interpersonal Skills.

Common understanding and purpose cannot arise without effective communication and constructive conflict, which in turn depend on interpersonal skills. These skills include risk taking, helpful criticism, objectivity, active listening, giving the benefit of the doubt, and recogniz-ing the interests and achievements of others.

Obviously, a team cannot get started without some minimum complement of skills, especially technical and functional ones. Still, think about how often you've been part of a team whose members were chosen primarily on the basis of personal compatibility or formal position in the organization, and in which the skill mix of its members wasn't given much thought.

It is equally common to overemphasize skills in team selection. Yet in all the successful teams we've encountered, not one had all the needed skills at the outset. The Burlington Northern team, for example, initially had no members who were skilled marketers despite the fact that their performance challenge was a marketing one. In fact, we discovered that teams are powerful vehicles for developing the skills needed to meet the team's performance challenge. Accordingly, team member selection ought to ride as much on skill potential as on skills already proven. more

Effective teams develop strong commitment to a common approach; that is, to how they will work together to accomplish their purpose. Team members must agree on who will do particular jobs, how sched-

ules will be set and adhered to, what skills need to be developed, how continuing membership in the team is to be earned, and how the group will make and modify decisions. This element of commitment is as important to team performance as the team's commitment to its purpose and goals.

Agreeing on the specifics of work and how they fit together to integrate individual skills and advance team performance lies at the heart of shaping a common approach. It is perhaps self-evident that an approach that delegates all the real work to a few members (or staff outsiders) and thus relies on reviews and meetings for its only "work together" aspects, cannot sustain a real team. Every member of a successful team does equivalent amounts of real work; all members, including the team leader, contribute in concrete ways to the team's work product. This is a very important element of the emotional logic that drives team performance.

When individuals approach a team situation, especially in a business setting, each has preexisting job assignments as well as strengths and weaknesses reflecting a variety of talents, backgrounds, personalities, and prejudices. Only through the mutual discovery and understanding of how to apply all its human resources to a common purpose can a team develop and agree on the best approach to achieve its goals. At the heart of such long and, at times, difficult interactions lies a commitment-building process in which the team candidly explores who is best suited to each task as well as how individual roles will come together. In effect, the team establishes a social contract among members that relates to their purpose and guides and obligates how they must work together.

No group ever becomes a team until it can hold itself accountable as a team. Like common purpose and approach, mutual accountability is a stiff test. Think, for example, about the subtle but critical difference between "the boss holds me accountable" and "we hold ourselves accountable." The first case can lead to the second, but without the second, there can be no team.

Companies like Hewlett-Packard and Motorola have an ingrained performance ethic that enables teams to form organically whenever there is a clear performance challenge requiring collective rather than individual effort. In these companies, the factor of mutual accountability is common-

place. “Being in the boat together” is how their performance game is played.

At its core, team accountability is about the sincere promises we make to ourselves and others, promises that underpin two critical aspects of effective teams: commitment and trust. Most of us enter a potential team situation cautiously because ingrained individualism and experience discourage us from putting our fates in the hands of others or accepting responsibility for others. Teams do not succeed by ignoring or wishing away such behavior.

Mutual accountability cannot be coerced any more than people can be made to trust one another. But when a team shares a common purpose, goals, and approach, mutual accountability grows as a natural counterpart. Accountability arises from and reinforces the time, energy, and action invested in figuring out what the team is trying to accomplish and how best to get it done.

When people work together toward a common objective, trust and commitment follow. Consequently, teams enjoying a strong common purpose and approach inevitably hold themselves responsible, both as individuals and as a team, for the team’s performance. This sense of mutual accountability also produces the rich rewards of mutual achievement in which all members share. What we heard over and over from members of effective teams is that they found the experience energizing and motivating in ways that their “normal” jobs never could match. more

On the other hand, groups established primarily for the sake of becoming a team or for job enhancement, communication, organizational effectiveness, or excellence rarely become effective teams, as demonstrated by the bad feelings left in many companies after experimenting with quality circles that never translated “quality” into specific goals. Only when appropriate performance goals are set does the process of discussing the goals and the approaches to them give team members a clearer and clearer choice: They can disagree with a goal and the path that the team selects and, in effect, opt out, or they can pitch in and become accountable with and to their teammates.

The discipline of teams we’ve outlined is critical to the success of all teams. Yet it is also useful to go one step further. Most teams can be classified in one of three ways: teams that recommend things, teams that make or do things, and teams that run things. In our experience, each

type faces a characteristic set of challenges.

Teams That Recommend Things.

These teams include task forces; proj-ect groups; and audit, quality, or safety groups asked to study and solve particular problems. Teams that recommend things almost always have predetermined completion dates. Two critical issues are unique to such teams: getting off to a fast and constructive start and dealing with the ultimate handoff that's required to get recommendations implemented.

The key to the first issue lies in the clarity of the team's charter and the composition of its membership. In addition to wanting to know why and how their efforts are important, task forces need a clear definition of whom management expects to participate and the time commitment required. Management can help by ensuring that the team includes people with the skills and influence necessary for crafting practical recommendations that will carry weight throughout the organization. Moreover, management can help the team get the necessary cooperation by opening doors and dealing with political obstacles.

Missing the handoff is almost always the problem that stymies teams that recommend things. To avoid this, the transfer of responsibility for recommendations to those who must implement them demands top management's time and attention. The more top managers assume that recommendations will "just happen," the less likely it is that they will. The more involvement task force members have in implementing their recommendations, the more likely they are to get implemented.

To the extent that people outside the task force will have to carry the ball, it is critical to involve them in the process early and often, certainly well before recommendations are finalized. Such involvement may take many forms, including participating in interviews, helping with analyses, contributing and critiquing ideas, and conducting experiments and trials. At a minimum, anyone responsible for implementation should receive a briefing on the task force's purpose, approach, and objectives at the beginning of the effort as well as regular reviews of progress.

Teams That Make or Do Things.

These teams include people at or near the front lines who are responsible for doing the basic manufacturing, development, operations, marketing, sales, service, and other value-adding activities of a business.

With some exceptions, such as new-product development or process design teams, teams that make or do things tend to have no set completion dates because their activities are ongoing.

In deciding where team performance might have the greatest impact, top management should concentrate on what we call the company's "critical delivery points"—that is, places in the organization where the cost and value of the company's products and services are most directly determined. Such critical delivery points might include where accounts get managed, customer service performed, products designed, and productivity determined. If performance at critical delivery points depends on combining multiple skills, perspectives, and judgments in real time, then the team option is the smartest one. more

When an organization does require a significant number of teams at these points, the sheer challenge of maximizing the performance of so many groups will demand a carefully constructed and performance-focused set of management processes. The issue here for top management is how to build the necessary systems and process supports without falling into the trap of appearing to promote teams for their own sake.

The imperative here, returning to our earlier discussion of the basic discipline of teams, is a relentless focus on performance. If management fails to pay persistent attention to the link between teams and performance, the organization becomes convinced that "this year, we are doing 'teams'." Top management can help by instituting processes like pay schemes and training for teams responsive to their real time needs, but more than anything else, top management must make clear and compelling demands on the teams themselves and then pay constant attention to their progress with respect to both team basics and performance results. This means focusing on specific teams and specific performance challenges. Otherwise "performance," like "team," will become a cliché.

Teams That Run Things.

Despite the fact that many leaders refer to the group reporting to them as a team, few groups really are. And groups that become real teams seldom think of themselves as a team because they are so focused on performance results. Yet the opportunity for such teams includes groups from the top of the enterprise down through the divisional or functional level. Whether it is in charge of thousands of people or just a

handful, as long as the group oversees some business, ongoing program, or significant functional activity, it is a team that runs things.

The main issue these teams face is determining whether a real team approach is the right one. Many groups that run things can be more effective as working groups than as teams. The key judgment is whether the sum of individual bests will suffice for the performance challenge at hand or whether the group must deliver substantial incremental performance requiring real joint work products. Although the team option promises greater performance, it also brings more risk, and managers must be brutally honest in assessing the trade-offs.

Members may have to overcome a natural reluctance to trust their fate to others. The price of faking the team approach is high: At best, members get diverted from their individual goals, costs outweigh benefits, and people resent the imposition on their time and priorities. At worst, serious animosities develop that undercut even the potential personal bests of the working-group approach.

Working groups present fewer risks. Effective working groups need little time to shape their purpose, since the leader usually establishes it. Meetings are run against well-prioritized agendas. And decisions are implemented through specific individual assignments and accountabilities. Most of the time, therefore, if performance aspirations can be met through individuals doing their respective jobs well, the working-group approach is more comfortable, less risky, and less disruptive than trying for more elusive team performance levels. Indeed, if there is no performance need for the team approach, efforts spent to improve the effectiveness of the working group make much more sense than floundering around trying to become a team.

Having said that, we believe the extra level of performance teams can achieve is becoming critical for a growing number of companies, especially as they move through major changes during which company performance depends on broad-based behavioral change. When top management uses teams to run things, it should make sure the team succeeds in identifying specific purposes and goals.

This is a second major issue for teams that run things. Too often, such teams confuse the broad mission of the total organization with the specific purpose of their small group at the top. The discipline of teams tells us that for a real team to form, there

must be a team purpose that is distinctive and specific to the small group and that requires its members to roll up their sleeves and accomplish something beyond individual end products. If a group of managers looks only at the economic performance of the part of the organization it runs to assess overall effectiveness, the group will not have any team performance goals of its own. more

While the basic discipline of teams does not differ for them, teams at the top are certainly the most difficult. The complexities of long-term challenges, heavy demands on executive time, and the deep-seated individualism of senior people conspire against teams at the top. At the same time, teams at the top are the most powerful. At first we thought such teams were nearly impossible. That is because we were looking at the teams as defined by the formal organizational structure; that is, the leader and all his or her direct reports equals the team. Then we discovered that real teams at the top were often smaller and less formalized: Whitehead and Weinberg at Goldman Sachs; Hewlett and Packard at HP; Krasnoff, Pall, and Hardy at Pall Corporation; Kendall, Pearson, and Calloway at Pepsi; Haas and Haas at Levi Strauss; Batten and Ridder at Knight Ridder. They were mostly twos and threes, with an occasional fourth.

Nonetheless, real teams at the top of large, complex organizations are still few and far between. Far too many groups at the top of large corporations needlessly constrain themselves from achieving real team levels of performance because they assume that all direct reports must be on the team, that team goals must be identical to corporate goals, that the team members' positions rather than skills determine their respective roles, that a team must be a team all the time, and that the team leader is above doing real work.

As understandable as these assumptions may be, most of them are unwarranted. They do not apply to the teams at the top we have observed, and when replaced with more realistic and flexible assumptions that permit the team discipline to be applied, real team performance at the top can and does occur. Moreover, as more and more companies are confronted with the need to manage major change across their organizations, we will see more real teams at the top.

Every company faces specific performance challenges for which teams are the

You must have chaos within you, to give birth to a dancing star.

- Friedrich Nietzsche

most practical and powerful vehicle at top management's disposal.

We believe that teams will become the primary unit of performance in high-performance organizations. But that does not mean that teams will crowd out individual opportunity or formal hierarchy and process. Rather, teams will enhance existing structures without replacing them. A team opportunity exists anywhere hierarchy or organizational boundaries inhibit the skills and perspectives needed for optimal results. Thus, new-product innovation requires preserving functional excellence through structure while eradicating functional bias through teams. And frontline productivity requires preserving direction and guidance through hierarchy while drawing on energy and flexibility through self-managing teams.

A team opportunity exists anywhere hierarchy or organizational boundaries inhibit the skills and perspectives needed for optimal results.

We are convinced that every company faces specific performance challenges for which teams are the most practical and powerful vehicle at top management's disposal. The critical role for senior managers, therefore, is to worry about company performance and the kinds of teams that can deliver it. This means top management must recognize a team's unique potential to deliver results, deploy teams strategically when they are the best tool for the job, and foster the basic discipline of teams that will make them effective. By doing so, top management creates the kind of environment that enables team as well as individual and organizational performance.

Movie 3.4 Believe It or Not, Stress Can Be Good For You

Stress can be your friend, says psychologist Kelly McGonigal. It's all a matter of how you respond to it. Kelly McGonigal's latest book is "The Upside of Stress".

How To Motivate

One More Time: How Do You Motivate Employees?

by Frederick Herzberg

When Frederick Herzberg researched the sources of employee motivation during the 1950s and 1960s, he discovered a dichotomy that stills intrigues (and baffles) managers: The things that make people satisfied and motivated on the job are different in kind from the things that make them dissatisfied.

Ask workers what makes them unhappy at work, and you'll hear about an annoying boss, a low salary, an uncomfortable work space, or stupid rules. Managed badly, environmental

factors make people miserable, and they can certainly be demotivating. But even if managed brilliantly, they don't motivate anybody to work much harder or smarter. People are motivated, instead, by interesting work, challenge, and increasing responsibility. These intrinsic factors answer people's deep-seated need for growth and achievement.

Herzberg's work influenced a generation of scholars and managers—but his conclusions don't seem to have fully penetrated the American workplace, if the extraordinary attention still paid to compensation and incentive packages is any indication.

How many articles, books, speeches, and workshops have pleaded plaintively, "How do I get an employee to do what I want?"

The psychology of motivation is tremendously complex, and what has been unraveled with any degree of assurance is small indeed. But the dismal ratio of knowledge to speculation has not dampened the enthusiasm for new forms of snake oil that are constantly coming on the market, many of them with academic testimonials. Doubtless this article will have no depressing impact on the market for snake oil, but since the ideas expressed in it have been tested in many corporations and other organizations, it will help—I hope—to redress the imbalance in the aforementioned ratio.

"Motivating" with KITA

In lectures to industry on the problem, I have found that the audiences are usually anxious for quick and practical answers, so I will begin with a straightforward, practical formula for moving people.

What is the simplest, surest, and most direct way of getting someone to do something? Ask? But if the person responds that he or she does not want to do it, then that calls for psychological consultation to determine the reason for such obstinacy. Tell the person? The response shows that he or she does not understand you, and now an expert in communication methods has to be brought in to show you how to get through. Give the person a monetary incentive? I do not need to remind the reader of the complexity and difficulty involved in setting up and administering an incentive system. Show the person? This means a costly training program. We need a simple way.

Every audience contains the "direct action" manager who shouts, "Kick the person!" And this type of manager is right. The surest and least circumlocuted way of

getting someone to do something is to administer a kick in the pants—to give what might be called the KITA.

There are various forms of KITA, and here are some of them:

Negative Physical KITA.

This is a literal application of the term and was frequently used in the past. It has, however, three major drawbacks: 1) It is inelegant; 2) it contradicts the precious image of benevolence that most organizations cherish; and 3) since it is a physical attack, it directly stimulates the autonomic nervous system, and this often results in negative feedback—the employee may just kick you in return. These factors give rise to certain taboos against negative physical KITA.

In uncovering infinite sources of psychological vulnerabilities and the appropriate methods to play tunes on them, psychologists have come to the rescue of those who are no longer permitted to use negative physical KITA. "He took my rug away"; "I wonder what she meant by that"; "The boss is always going around me"—these symptomatic expressions of ego sores that have been rubbed raw are the result of application of: more

Negative Psychological KITA.

This has several advantages over negative physical KITA. First, the cruelty is not visible; the bleeding is internal and comes much later. Second, since it affects the higher cortical centers of the brain with its inhibitory powers, it reduces the possibility of physical backlash. Third, since the number of psychological pains that a person can feel is almost infinite, the direction and site possibilities of the KITA are increased many times. Fourth, the person administering the kick can manage to be above it all and let the system accomplish the dirty work. Fifth, those who practice it receive some ego satisfaction (one-upmanship), whereas they would find drawing blood abhorrent. Finally, if the employee does complain, he or she can always be accused of being paranoid; there is no tangible evidence of an actual attack.

Now, what does negative KITA accomplish? If I kick you in the rear (physically or psychologically), who is motivated? I am motivated; you move! Negative KITA does not lead to motivation, but to movement. So:

Positive KITA.

Let us consider motivation. If I say to you, "Do this for me or the company, and in re-

turn I will give you a reward, an incentive, more status, a promotion, all the quid pro quos that exist in the industrial organization," am I motivating you? The overwhelming opinion I receive from management people is, "Yes, this is motivation."

I have a year-old schnauzer. When it was a small puppy and I wanted it to move, I kicked it in the rear and it moved. Now that I have finished its obedience training, I hold up a dog biscuit when I want the schnauzer to move. In this instance, who is motivated—I or the dog? The dog wants the biscuit, but it is I who want it to move. Again, I am the one who is motivated, and the dog is the one who moves. In this instance all I did was apply KITA frontally; I exerted a pull instead of a push. When industry wishes to use such positive KITAs, it has available an incredible number and variety of dog biscuits (jelly beans for humans) to wave in front of employees to get them to jump.

Myths About Motivation

Why is KITA not motivation? If I kick my dog (from the front or the back), he will move. And when I want him to move again, what must I do? I must kick him again. Similarly, I can charge a person's battery, and then recharge it, and recharge it again. But it is only when one has a generator of one's own that we can talk about motivation. One then needs no outside stimulation. One wants to do it.

With this in mind, we can review some positive KITA personnel practices that were developed as attempts to instill "motivation":

1. Reducing Time Spent at Work.

This represents a marvelous way of motivating people to work—getting them off the job! We have reduced (formally and informally) the time spent on the job over the last 50 or 60 years until we are finally on the way to the "6½-day weekend." An interesting variant of this approach is the development of off-hour recreation programs. The philosophy here seems to be that those who play together, work together. The fact is that motivated people seek more hours of work, not fewer.

2. Spiraling Wages.

Have these motivated people? Yes, to seek the next wage increase. Some medievalists still can be heard to say that a good depression will get employees moving. They feel that if rising wages don't or won't do the job, reducing them will. more

Have spiraling wages motivated people? Yes, to seek the next wage increase.

3. Fringe Benefits.

Industry has outdone the most welfare-minded of welfare states in dispensing cradle-to-the-grave succor. One company I know of had an informal "fringe benefit of the month club" going for a while. The cost of fringe benefits in this country has reached approximately 25% of the wage dollar, and we still cry for motivation.

People spend less time working for more money and more security than ever before, and the trend cannot be reversed. These benefits are no longer rewards; they are rights. A 6-day week is inhuman, a 10-hour day is exploitation, extended medical coverage is a basic decency, and stock options are the salvation of American initiative. Unless the ante is continuously raised, the psychological reaction of employees is that the company is turning back the clock.

When industry began to realize that both the economic nerve and the lazy nerve of their employees had insatiable appetites, it started to listen to the behavioral scientists who, more out of a humanist tradition than from scientific study, criticized management for not knowing how to deal with people. The next KITA easily followed.

4. Human Relations Training.

More than 30 years of teaching and, in many instances, of practicing psychological approaches to handling people have resulted in costly human relations programs and, in the end, the same question: How do you motivate workers? Here, too, escalations have taken place. Thirty years ago it was necessary to request, "Please don't spit on the floor." Today the same admonition requires three "pleases" before the employee feels that a superior has demonstrated the psychologically proper attitude.

The failure of human relations training to produce motivation led to the conclusion that supervisors or managers themselves were not psychologically true to themselves in their practice of interpersonal decency. So an advanced form of human relations KITA, sensitivity training, was unfolded.

5. Sensitivity Training.

Do you really, really understand yourself? Do you really, really, really trust other people? Do you really, really, really, really cooperate? The failure of sensitivity training is now being explained, by those who have

become opportunistic exploiters of the technique, as a failure to really (five times) conduct proper sensitivity training courses.

With the realization that there are only temporary gains from comfort and economic and interpersonal KITA, personnel managers concluded that the fault lay not in what they were doing, but in the employee's failure to appreciate what they were doing. This opened up the field of communications, a new area of "scientifically" sanctioned KITA.

6. Communications.

The professor of communications was invited to join the faculty of management training programs and help in making employees understand what management was doing for them.

House organs, briefing sessions, supervisory instruction on the importance of communication, and all sorts of propaganda have proliferated until today there is even an International Council of Industrial Editors.

But no motivation resulted, and the obvious thought occurred that perhaps management was not hearing what the employees were saying. That led to the next KITA.

7. Two-Way Communication.

Management ordered morale surveys, suggestion plans, and group participation programs. Then both management and employees were communicating and listening to each other more than ever, but without much improvement in motivation.

The behavioral scientists began to take another look at their conceptions and their data, and they took human relations one step further. A glimmer of truth was beginning to show through in the writings of the so-called higher-order-need psychologists. People, so they said, want to actualize themselves. Unfortunately, the "actualizing" psychologists got mixed up with the human relations psychologists, and a new KITA emerged.

8. Job Participation.

Though it may not have been the theoretical intention, job participation often became a "give them the big picture" approach. For example, if a man is tightening 10,000 nuts a day on an assembly line with a torque wrench, tell him he is building a Chevrolet. Another approach had the goal of giving employees a "feeling" that they are determining, in some measure, what they do on the job. The goal was to provide a sense of achievement rather than a

substantive achievement in the task. Real achievement, of course, requires a task that makes it possible.

But still there was no motivation. This led to the inevitable conclusion that the employees must be sick, and therefore to the next KITA.

9. Employee Counseling.

The initial use of this form of KITA in a systematic fashion can be credited to the Hawthorne experiment of the Western Electric Company during the early 1930s. At that time, it was found that the employees harbored irrational feelings that were interfering with the rational operation of the factory. Counseling in this instance was a means of letting the employees unburden themselves by talking to someone about their problems. Although the counseling techniques were primitive, the program was large indeed.

The counseling approach suffered as a result of experiences during World War II, when the programs themselves were found to be interfering with the operation of the organizations; the counselors had forgotten their role of benevolent listeners and were attempting to do something about the problems that they heard about. Psychological counseling, however, has managed to survive the negative impact of World War II experiences and today is beginning to flourish with renewed sophistication. But, alas, many of these programs, like all the others, do not seem to have lessened the pressure of demands to find out how to motivate workers.

Since KITA results only in short-term movement, it is safe to predict that the cost of these programs will increase steadily and new varieties will be developed as old positive KITAs reach their satiation points.

Hygiene vs. Motivators

Let me rephrase the perennial question this way: How do you install a generator in an employee? A brief review of my motivation-hygiene theory of job attitudes is required before theoretical and practical suggestions can be offered. The theory was first drawn from an examination of events in the lives of engineers and accountants. At least 16 other investigations, using a wide variety of populations (including some in the Communist countries), have since been completed, making the original research one of the most replicated studies in the field of job attitudes. more

The findings of these studies, along with corroboration from many other investigations using different procedures, suggest that the factors involved in producing job satisfaction (and motivation) are separate and distinct from the factors that lead to job dissatisfaction. (See Exhibit 1, which is further explained below.) Since separate factors need to be considered, depending on whether job satisfaction or job dissatisfaction is being examined, it follows that these two feelings are not opposites of each other. The opposite of job satisfaction is not job dissatisfaction but, rather, no job satisfaction; and similarly, the opposite of job dissatisfaction is not job satisfaction, but no job dissatisfaction.

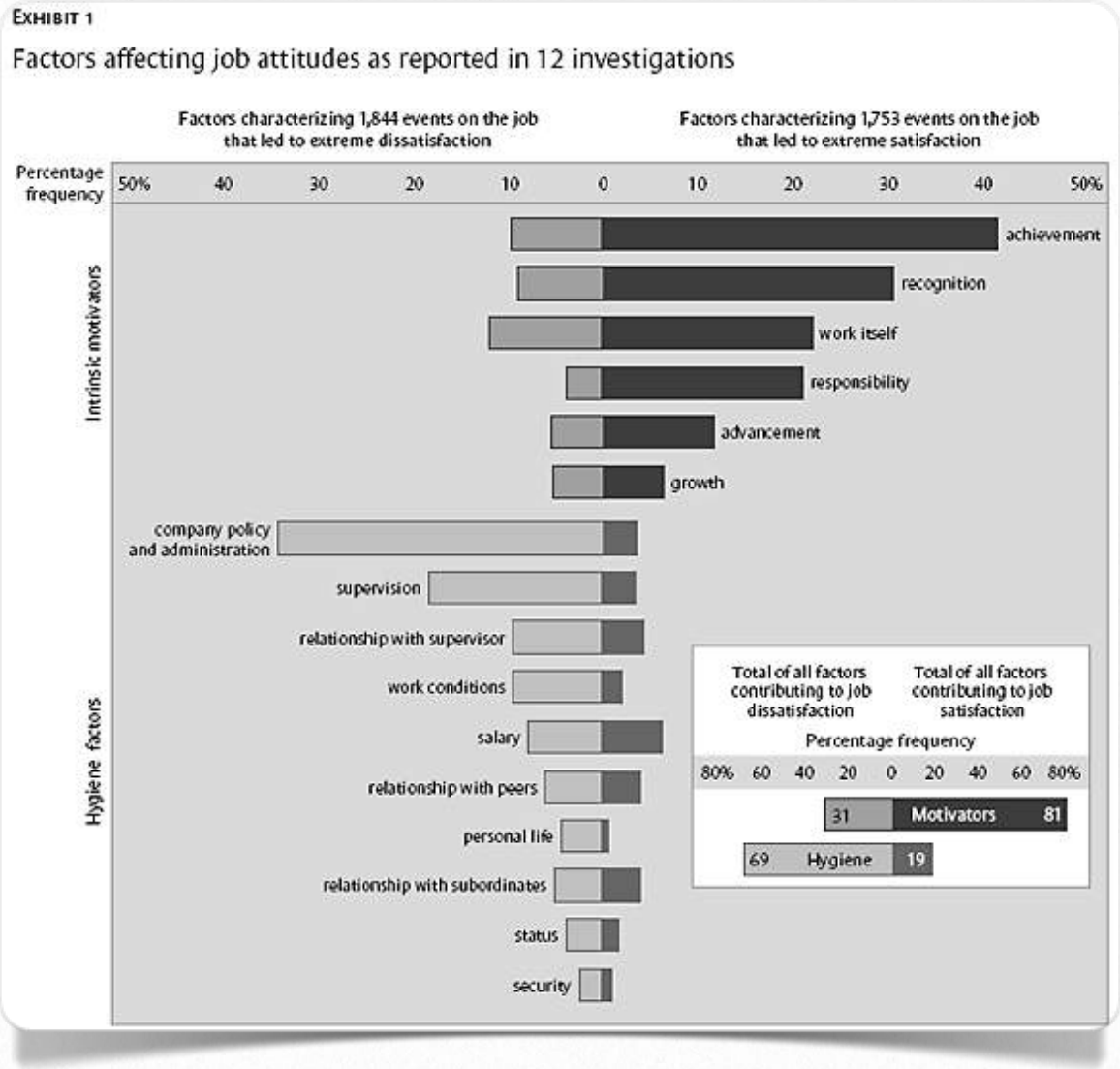


Exhibit 1 Factors affecting job attitudes as reported in 12 investigations

Stating the concept presents a problem in semantics, for we normally think of satisfaction and dissatisfaction as opposites; i.e., what is not satisfying must be dissatisfying, and vice versa. But when it comes to understanding the behavior of people in their jobs, more than a play on words is involved.

Two different needs of human beings are involved here. One set of needs can be thought of as stemming from humankind's animal nature—the built-in drive to avoid pain from the environment, plus all the learned drives that become conditioned to the basic biological needs. For example, hunger, a basic biological drive, makes it necessary to earn money, and then money becomes a specific drive. The other set of needs relates to that unique human characteristic, the ability to achieve and, through achievement, to experience psychological growth. The stimuli for the growth needs are tasks that induce growth; in the industrial setting, they are the job content. Contrariwise, the stimuli inducing pain-avoidance behavior are found in the job environment.

The growth or motivator factors that are intrinsic to the job are: achievement, recognition for achievement, the work itself, responsibility, and growth or advancement. The dissatisfaction-avoidance or hygiene (KITA) factors that are extrinsic to the job include: company policy and administration, supervision, interpersonal relationships, working conditions, salary, status, and security.

A composite of the factors that are involved in causing job satisfaction and job dissatisfaction, drawn from samples of 1,685 employees, is shown in Exhibit 1. The results indicate that motivators were the primary cause of satisfaction, and hygiene factors the primary cause of unhappiness on the job. The employees, studied in 12 different investigations, included lower level supervisors, professional women, agricultural administrators, men about to retire from management positions, hospital maintenance personnel, manufacturing supervisors, nurses, food handlers, military officers, engineers, scientists, housekeepers, teachers, technicians, female assemblers, accountants, Finnish foremen, and Hungarian engineers.

They were asked what job events had occurred in their work that had led to extreme satisfaction or extreme dissatisfaction on their part. Their responses are broken down in the exhibit into percentages of total "positive" job events and of total "negative" job events. (The

figures total more than 100% on both the “hygiene” and “motivators” sides because often at least two factors can be attributed to a single event; advancement, for instance, often accompanies assumption of responsibility.)

To illustrate, a typical response involving achievement that had a negative effect for the employee was, “I was unhappy because I didn’t do the job successfully.” A typical response in the small number of positive job events in the company policy and administration grouping was, “I was happy because the company reorganized the section so that I didn’t report any longer to the guy I didn’t get along with.”

As the lower right-hand part of the exhibit shows, of all the factors contributing to job satisfaction, 81% were motivators. And of all the factors contributing to the employees’ dissatisfaction over their work, 69% involved hygiene elements.

Eternal Triangle.

There are three general philosophies of personnel management. The first is based on organizational theory, the second on industrial engineering, and the third on behavioral science.

Organizational theorists believe that human needs are either so irrational or so varied and adjustable to specific situations that the major function of personnel management is to be as pragmatic as the occasion demands. If jobs are organized in a proper manner, they reason, the result will be the most efficient job structure, and the most favorable job attitudes will follow as a matter of course.

Industrial engineers hold that humankind is mechanistically oriented and economically motivated and that human needs are best met by attuning the individual to the most efficient work process. The goal of personnel management therefore should be to concoct the most appropriate incentive system and to design the specific working conditions in a way that facilitates the most efficient use of the human machine. By structuring jobs in a manner that leads to the most efficient operation, engineers believe that they can obtain the optimal organization of work and the proper work attitudes.

Behavioral scientists focus on group sentiments, attitudes of individual employees, and the organization's social and psychological climate. This persuasion emphasizes one or more of the various hygiene and motivator needs. Its approach to personnel management is generally to emphasize some form of human relations education, in the hope of instilling healthy employee attitudes and an organizational climate that is considered to be felicitous to human values. The belief is that proper attitudes will lead to efficient job and organizational structure.

There is always a lively debate concerning the overall effectiveness of the approaches of organizational theorists and industrial engineers. Manifestly, both have achieved much. But the nagging question for behavioral scientists has been: What is the cost in human problems that eventually cause more expense to the organization—for instance, turnover, absenteeism, errors, violation of safety rules, strikes, restriction of output, higher wages, and greater fringe benefits? On the other hand, behavioral scientists are hard put to document much manifest improvement in personnel management, using their approach.

The motivation-hygiene theory suggests that work be enriched to bring about effective utilization of personnel. Such a systematic attempt to motivate employees by manipulating the motivator factors is just beginning. The term job enrichment describes this embryonic movement. An older term, job enlargement, should be avoided because it is associated with past failures stemming from a misunderstanding of the problem. Job enrichment provides the opportunity for the employee's psychological growth, while job enlargement merely makes a job structurally bigger. Since scientific job enrichment is very new, this article only suggests the principles and practical steps that have recently emerged from several successful experiments in industry.

Job Loading.

In attempting to enrich certain jobs, management often reduces the personal contribution of employees rather than giving them opportunities for growth in their accustomed jobs. Such endeavors, which I shall call horizontal job loading (as opposed to vertical loading, or providing motivator factors), have been the problem of earlier job enlargement programs.

Job loading merely enlarges the meaninglessness of the job. Some examples of this approach, and their effect, are:

In attempting to enrich certain jobs, management often reduces the personal contribution of employees rather than giving them opportunities for growth.

- Challenging the employee by increasing the amount of production expected. If each tightens 10,000 bolts a day, see if each can tighten 20,000 bolts a day. The arithmetic involved shows that multiplying zero by zero still equals zero.

- Adding another meaningless task to the existing one, usually some routine clerical activity. The arithmetic here is adding zero to zero.

- Rotating the assignments of a number of jobs that need to be enriched. This means washing dishes for a while, then washing silverware. The arithmetic is substituting one zero for another zero.

- Removing the most difficult parts of the assignment in order to free the worker to accomplish more of the less challenging assignments. This traditional industrial engineering approach amounts to subtraction in the hope of accomplishing addition.

These are common forms of horizontal loading that frequently come up in preliminary brainstorming sessions of job enrichment.

A Successful Application.

An example from a highly successful job enrichment experiment can illustrate the distinction between horizontal and vertical loading of a job. The subjects of this study were the stockholder correspondents employed by a very large corporation. Seemingly, the task required of these carefully selected and highly trained correspondents was quite complex and challenging. But almost all indexes of performance and job attitudes were low, and exit interviewing confirmed that the challenge of the job existed merely as words.

A job enrichment project was initiated in the form of an experiment with one group, designated as an achieving unit, having its job enriched by the principles described in Exhibit 2. A control group continued to do its job in the traditional way. (There were also two "uncommitted" groups of correspondents formed to measure the so-called Hawthorne effect—that is, to gauge whether productivity and attitudes toward the job changed artificially merely because employees sensed that the company was paying more attention to them in doing something different or novel. The results for these groups were substantially the same as for the control group, and for the sake of simplicity I do not deal with them in this summary.) No changes in hygiene were introduced for either group other than those that would have been made anyway, such as normal pay increases.

At the end of six months the members of the achieving unit were found to be outperforming their counterparts in the control group and, in addition, indicated a marked increase in their liking for their jobs. Other results showed that the achieving group had lower absenteeism and, subsequently, a much higher rate of promotion.

The shareholder service index represents quality of letters, including accuracy of information, and speed of response to stockholders' letters of inquiry. The index of a current month was averaged into the average of the two prior months, which means that improvement was harder to obtain if the indexes of the previous months were low. The "achievers" were performing less well before the six-month period started, and their performance service index continued to decline after the introduction of the motivators, evidently because of uncertainty after their newly granted responsibilities. In the third month, however, performance improved, and soon the members of this group had reached a high level of accomplishment.

The correspondents were asked 16 questions, all involving motivation. A typical one was, "As you see it, how many opportunities do you feel that you have in your job for making worthwhile contributions?" The answers were scaled from 1 to 5, with 80 as the maximum possible score. The achievers became much more positive about their job, while the attitude of the control unit remained about the same (the drop is not statistically significant).

How was the job of these correspondents restructured?

Steps for Job Enrichment

Now that the motivator idea has been described in practice, here are the steps that managers should take in instituting the principle with their employees:

1. Select those jobs in which a) the investment in industrial engineering does not make changes too costly, b) attitudes are poor, c) hygiene is becoming very costly, and d) motivation will make a difference in performance.

2. Approach these jobs with the conviction that they can be changed. Years of tradition have led managers to believe that job content is sacrosanct and the only scope of action that they have is in ways of stimulating people.

3. Brainstorm a list of changes that may enrich the jobs, without concern for their practicality.

4. Screen the list to eliminate suggestions that involve hygiene, rather than actual motivation.

5. Screen the list for generalities, such as "give them more responsibility," that are rarely followed in practice. This might seem obvious, but the motivator words have never left industry; the substance has just been rationalized and organized out. Words like "responsibility," "growth," "achievement," and "challenge," for example, have been elevated to the lyrics of the patriotic anthem for all organizations. It is the old problem typified by the pledge of allegiance to the flag being more important than contributions to the country—of following the form, rather than the substance. more

6. Screen the list to eliminate any horizontal loading suggestions.

7. Avoid direct participation by the employees whose jobs are to be enriched. Ideas they have expressed previously certainly constitute a valuable source for recommended changes, but their direct involvement contaminates the process with hu-

man relations hygiene and, more specifically, gives them only a sense of making a contribution. The job is to be changed, and it is the content that will produce the motivation, not attitudes about being involved or the challenge inherent in setting up a job. That process will be over shortly, and it is what the employees will be doing from then on that will determine their motivation. A sense of participation will result only in short-term movement.

8. In the initial attempts at job enrichment, set up a controlled experiment. At least two equivalent groups should be chosen, one an experimental unit in which the motivators are systematically introduced over a period of time, and the other one a control group in which no changes are made. For both groups, hygiene should be allowed to follow its natural course for the duration of the experiment. Pre- and post-installation tests of performance and job attitudes are necessary to evaluate the effectiveness of the job enrichment program. The attitude test must be limited to motivator items in order to divorce employees' views of the jobs they are given from all the surrounding hygiene feelings that they might have.

9. Be prepared for a drop in performance in the experimental group the first few weeks. The changeover to a new job may lead to a temporary reduction in efficiency.

10. Expect your first-line supervisors to experience some anxiety and hostility over the changes you are making. The anxiety comes from their fear that the changes will result in poorer performance for their unit. Hostility will arise when the employees start assuming what the supervisors regard as their own responsibility for performance. The supervisor without checking duties to perform may then be left with little to do.

After successful experiment, however, the supervisors usually discover the supervisory and managerial functions they have neglected, or which were never theirs because all their time was given over to checking the work of their subordinates. For example, in the R&D division of one large chemical company I know of, the supervisors of the laboratory assistants were theoretically responsible for their training and evaluation. These functions, however, had come to be performed in a routine, unsubstantial fashion. After the job enrich-

ment program, during which the supervisors were not merely passive observers of the assistants' performance, the supervisors actually were devoting their time to reviewing performance and administering thorough training.

What has been called an employee-centered style of supervision will come about not through education of supervisors, but by changing the jobs that they do.

Job enrichment will not be a one-time proposition, but a continuous management function. The initial changes should last for a very long period of time. There are a number of reasons for this:

- The changes should bring the job up to the level of challenge commensurate with the skill that was hired.
- Those who have still more ability eventually will be able to demonstrate it better and win promotion to higher level jobs.
- The very nature of motivators, as opposed to hygiene factors, is that they have a much longer-term effect on employees' attitudes. It is possible that the job will have to be enriched again, but this will not occur as frequently as the need for hygiene.

Not all jobs can be enriched, nor do all jobs need to be enriched. If only a small percentage of the time and money that is now devoted to hygiene, however, were given to job enrichment efforts, the return in human satisfaction and economic gain would be one of the largest dividends that industry and society have ever reaped through their efforts at better personnel management.

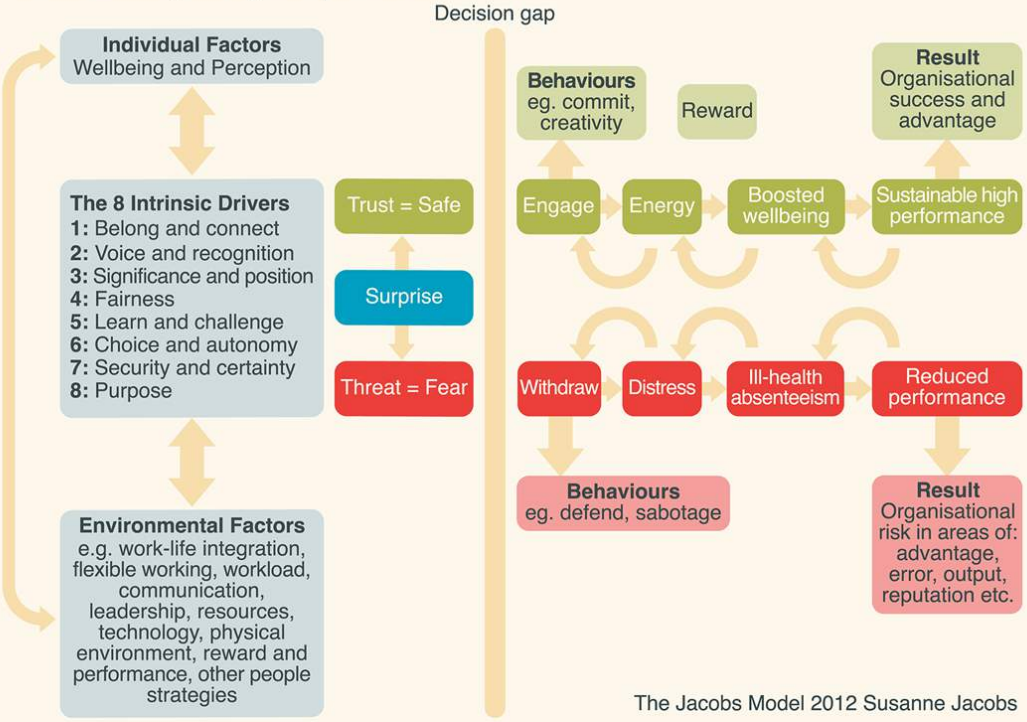
The argument for job enrichment can be summed up quite simply: If you have employees on a job, use them. If you can't use them on the job, get rid of them, either via automation or by selecting someone with lesser ability. If you can't use them and you can't get rid of them, you will have a motivation problem.

WORKPLACE TRUST

The Jacobs Model

The Jacobs Model links eight intrinsic drivers of trust, each of which is impacted by an individual's psychological wellbeing and work environment, to two paths of performance, leading to either positive or negative outcomes.

When each of the drivers is satisfied, this leads to the positive outcome path – engagement, energy release, boosted wellbeing and improved performance



The Jacobs Model 2012 Susanne Jacobs

The Eight Intrinsic Drivers

Belong & connect

If people feel excluded in the workplace they feel threatened and it can affect their health and wellbeing. It's important to make sure individuals feel connected to their team

Voice & recognition

People should be encouraged to put their views and ideas across in the workplace so they feel that their contributions are recognised and appreciated

Significance & position

People are continually assessing their role within their organisation and what contribution they are making. If people do not feel valued, they can feel threatened, which will negatively impact their performance

Fairness

It is critical for an organisation to treat its employees fairly and consistently. If employees feel they are being treated unfairly it can cause high stress levels and low productivity

Learn & challenge

Workers need to be continually learning so they can adapt to the ever-changing modern work environment. Research has shown that employees who feel challenged are more productive

Choice & autonomy

Giving workers a degree of control and the ability to make their own choices can help them balance their work and homes lives more effectively, helping to improve their performance

Security & certainty

If workers aren't secure in their position then they can feel threatened which has a negative effect on their performance and productivity levels

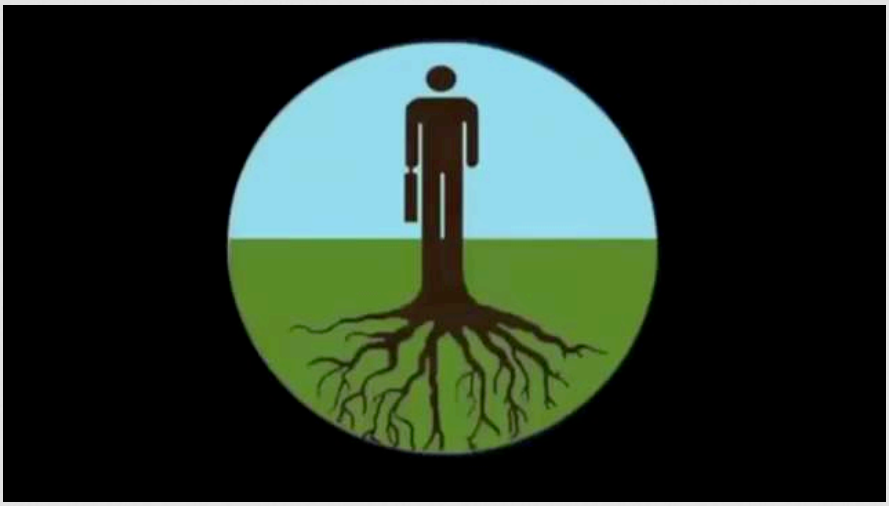
Purpose

If workers have a clear sense of purpose and are aware of exactly what their contribution to an organisation is, they are more likely to be engaged and productive

unum

Because everyone needs a back-up plan

Movie 3.5 We Societies



“We Societies” compares two different kinds of cultures – one based on competition and greed and another based on cooperation and mutual interest.

Good to Great P2

Chapter 5 – The Hedgehog Concept

The good to great companies are more like hedgehogs – simple, dowdy creatures that know "one big thing" and stick to it. *Consistency.*

The Hedgehog Concept is a simple, crystalline concept that flows from deep understanding about the intersection of the following three circles:

1. *What you can be the best at in the world, and what you can't?* They stick with what they understand and let their abilities, not their egos, determine what they attempt. The hedgehog concept is not a goal, strategy, or intention; it is an understanding.

2. *What drives your economic engine?* How to most effectively generate sustained and robust cash flow and profitability.

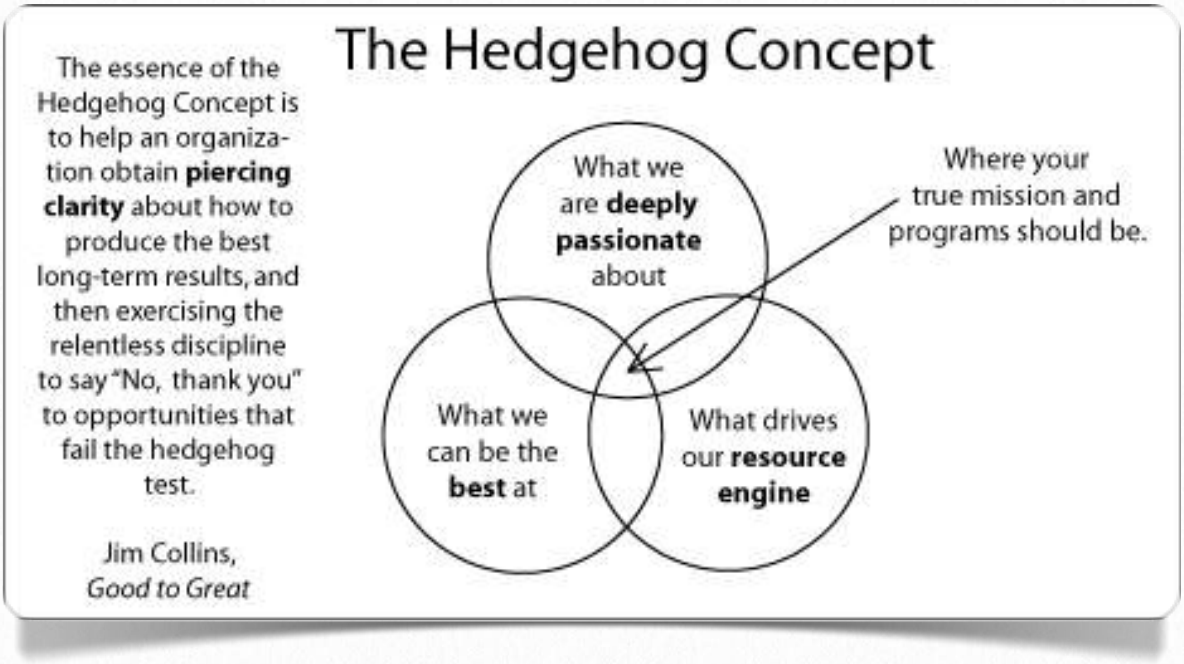
3. *What are you deeply passionate about?* Not to stimulate passion but to discover what makes you passionate

Three Circles

You want to find the intersection of what you can be best at, what drives your economic engine, and what you are passionate about. Don't just settle for what you are good at; focusing solely on what you can potentially do better than any other organization is the only path to greatness.

Economic Insight: "If you could pick one and only one ratio –profit per x (or, in the social sector, cash flow per x) – to systematically increase over time, what x would have the greatest and most sustainable impact on your economic engine?"

Understanding Passion: Don't try to inspire passion about what you are doing, do things that we can get passionate about.



The wave of the future is not the conquest of the world by a single dogmatic creed, but by the liberation of the diverse energies of free nations and free men.

- John F. Kennedy

Chapter 6 – A Culture of Discipline

Bureaucracy

George Rathmann, cofounder of biotech company Amgen, help grow the struggling company into an entrepreneurial enterprise worth $3.2 billion and 6,400 employees. An investment of $7,000 in 1983 would have been worth over $1 million. George understood that the purpose of bureaucracy is to compensate for incompetence and lack of discipline - a problem that largely goes away if you have the right people on the bus in the first place. Most companies build in their bureaucratic rules to manage the small percentage of wrong people, which in turn drives away the right people, which then increases the wrong people on the bus, which then increases

the need for more bureaucracy. Rathmann understood an alternative existed: avoid bureaucracy and hierarchy and instead create a culture of discipline.

Set your objectives for the year in concrete, you can change your plans but never change what you measure yourself against.

Discipline Action within the Three Circles

1. Build a culture around the idea of freedom and responsibility, within a framework.

The good-to-great companies built a consistent system with clear constraints, but they also gave people freedom and responsibility within the framework of that system. They hired self- disciplined people who didn't need managed, and then managed the system, not the people.

2. Fill that culture with self-disciplined people who are willing to go to extreme lengths to fulfill their responsibility.

People in good-to-great companies became somewhat extreme in the fulfillment of their responsibilities, bordering in some cases on fanaticism. They will do whatever it takes to turn potential into reality – "Raising Your Cottage Cheese"

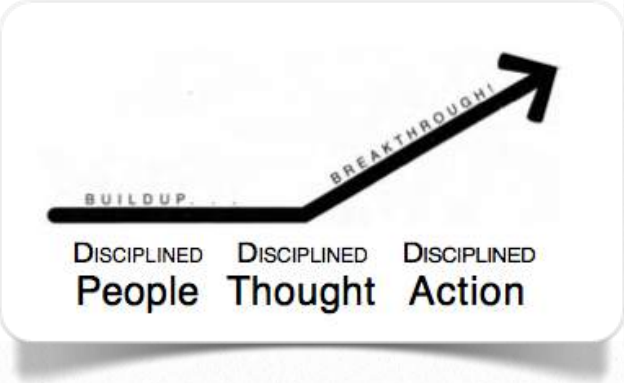
3. Don't confuse a culture of discipline with a tyrannical disciplinarian.

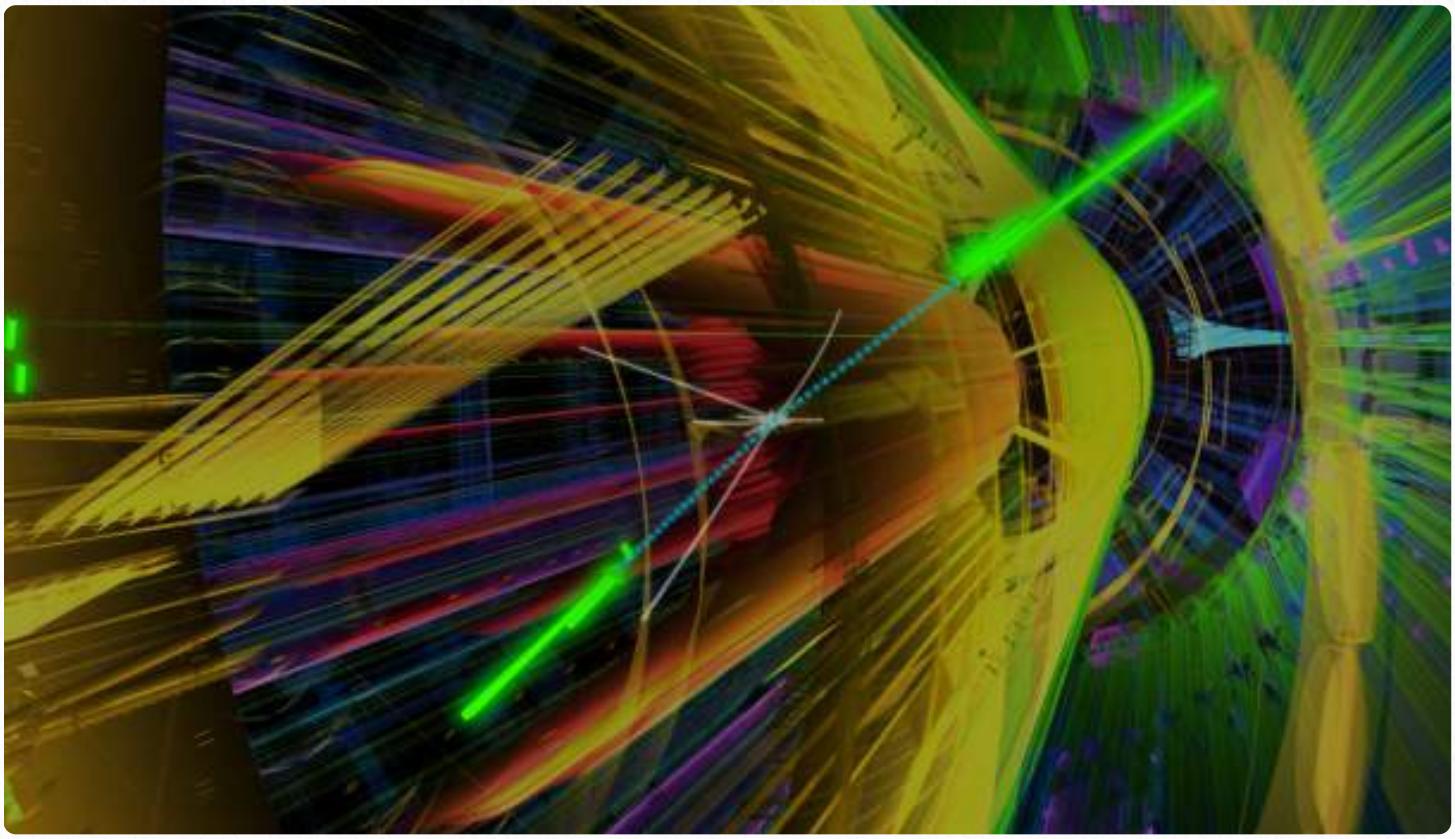
The good-to-great companies had level 5 leaders who built an enduring culture of discipline, the unstained comparisons had level 4 leaders who personally disciplined the organization through sheer force.

4. Adhere with great consistency to the Hedgehog Concept, exercising an almost religious focus on the intersection of the three circles. Equally important, create a 'stop doing list' and systematically unplug anything extraneous.

The good-to-great companies followed a simple mantra: "Anything that does not fit with our Hedgehog Concept, we will not do. We will not launch unrelated business. We will not make unrelated acquisitions. We will not do unrelated joint ventures. If it doesn't fit, we don't do it. Period."

**Start a 'Stop Doing' List – it is more important than a 'To Do' List.*





I fear the day that technology will surpass our human interaction...

The world will have a generation of idiots.

- Einstein

Chapter 7 – Technology Accelerators

Technology and the Hedgehog Concept

Technology-induced change is nothing new. The real question is not, what is the role of technology? Rather, the real question is, how do good-to-great organizations think differently about technology? The good-to-great companies slowly adapted the technology to fit their Hedgehog Concept. Gillete – Pioneered application of sophisticated manufacturing technology for making billions of high- tolerance products at low cost with fantastic consistency. They protect manufacturing technology secrets with same fanaticism that Coca-Cola protects its formula. The cumulative value of $1 invested in Gillete in 1976 was worth $95.68 in 1996.

Technology is Not a Creator of Momentum

When used right technology becomes an accelerator of momentum, not a creator of it.

The good-to- great companies never began their transition with pioneering technology, for the simple reason that you cannot make good use of technology until you know which technologies are relevant. And which are those?

Those – and only those – that link directly to the three intersecting circles of the Hedgehog Concept.

The relationship to technology is no different from the relationship to any other category of decisions. Technology alone cannot create sustained great results.

Technology Trap

Mediocrity results first and foremost form management failure, not technology failure. Evidence from the study does not support the idea that technological change plays the principal role in the decline of once-great companies. Technology is never the primary cause of either greatness or decline.

Fear of Being Left Behind

Great companies respond with thoughtfulness and creativity, driven by a compulsion to turn unrealized potential into results; mediocre companies react and lurch about, motivated by fear of being left behind. No technology can make you level 5. No technology can turn the wrong people into the right people. No technology can create a culture of discipline.

The good-to-great companies used technology as **an accelerator of momentum**, not a creator of it. None of the good-to-great companies began their transformations with pioneering technology, yet they all became pioneers in the application of technology once they grasped how it fit with their strategies.

No matter how you seem to fatten on a crime, there can never be 'good for the bee', which is 'bad for the hive'.

- Ralph Waldo Emerson

Chapter 8 – The Flywheel and the Doom Loop

Flywheel Image

Imagine that your task is to rotate a massive 30 foot, 5000 pound disk. You push with great effort, you get the flywheel to inch forward and after a few hours you get the flywheel to complete one turn. You keep pushing, and the flywheel begins to move a bit faster, with continued great effort, you move it around a second time. You keep pushing in a consistent direction.

Then three turns...four....five... the flywheel builds up speed...six turns...seven....eight...it builds momentum... 20...30...50...a hundred. Then at some point – breakthrough! The momentum of the whole thing works in your favor.

Buildup and Breakthrough

The good-to-great companies came about by a cumulative process – step by step, similar to spinning the flywheel above. There was no single defining action, no one killer innovation, and no solitary lucky break. One Fannie Mae representative on the 'magic moment':

"There was no one magical event, no one turning point. It was a combination of things. More of an evolution, though the end results were dramatic."

The Flywheel Effect

Think of a circular model that continues to wrap around highlighted by four themes:

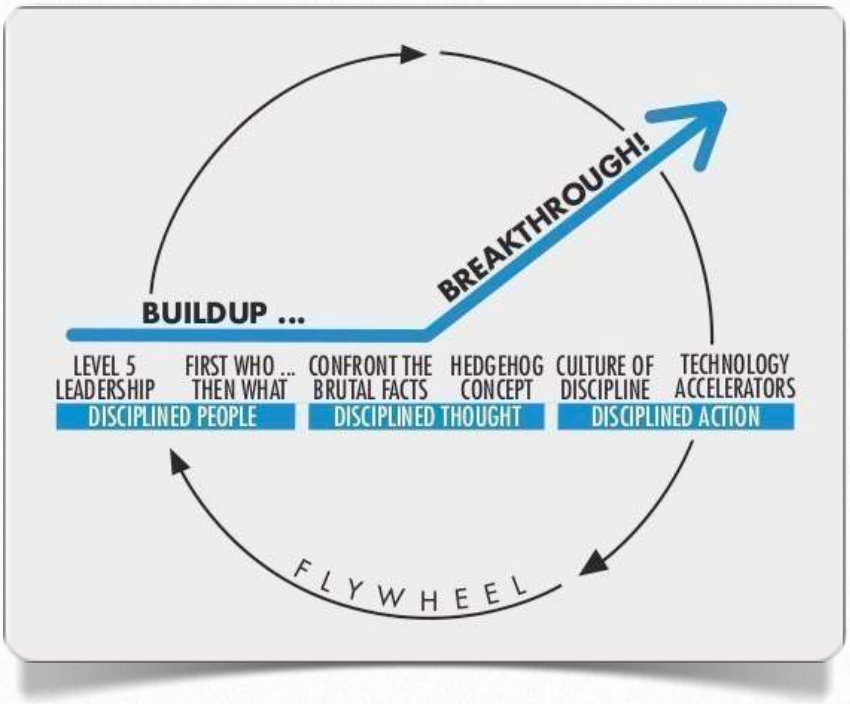
1. Accumulation of visible results
2. People line up, energized by results
3. Flywheel builds momentum
4. Steps forward, consistent with Hedgehog Concept

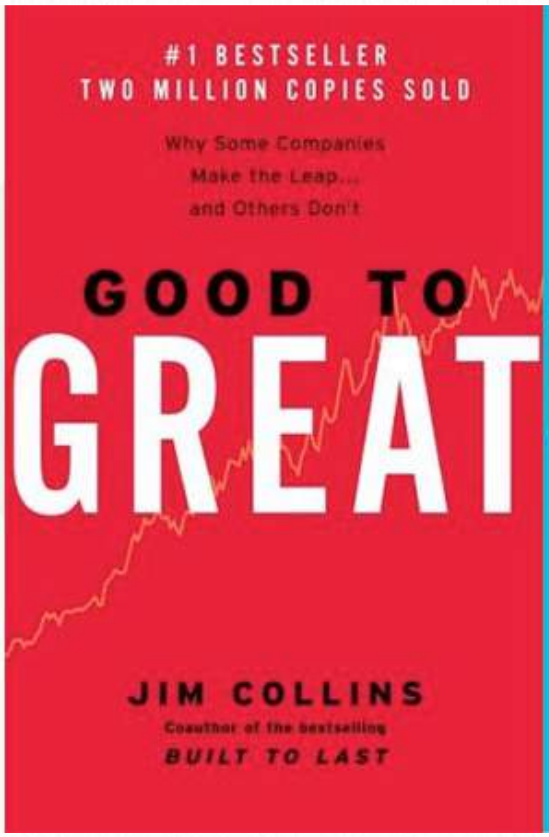
The Doom Loop

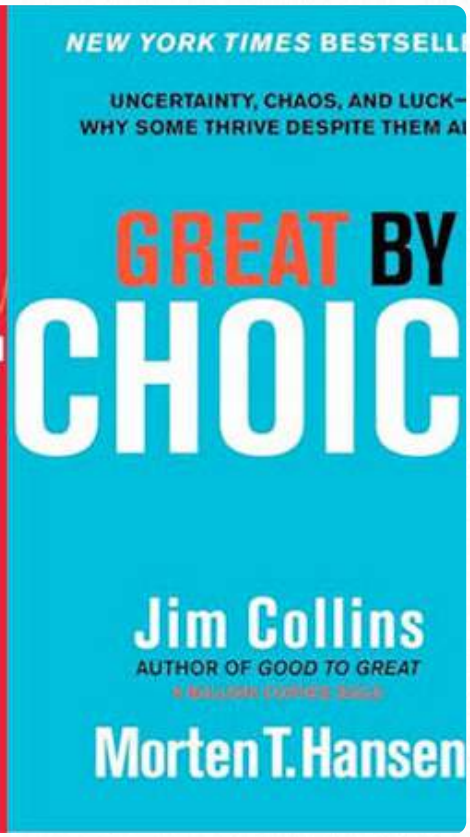
Rather than accumulating momentum – turn by turn of the flywheel – the comparison companies tried to skip buildup and jump immediately to breakthrough. Then, with disappointing results, they'd lurch back and forth, failing to maintain a consistent direction.

Doom Loop Model:

1. No accumulated momentum
2. Disappointing results
3. Reaction, without understanding
4. New direction, program leader, event, fad, or acquisition.







It is easier to find a score of men wise enough to discover the truth, than to find one intrepid enough, in the face of opposition, to stand up for it.

- A. A. Hodge

Chapter 9 – From Good to Great to Built to Last

Chapter 9 is a comparison of Good to Great and a previous book by Collins, Built to Last. There are four conclusions when looking at both studies

1. *The enduring great companies from Built to Last followed the good-to-great framework.*

    - There was a buildup-breakthrough flywheel process for many. It took 25 years of building up momentum before Wal-Marts grew from 38 chains to over 3,000. Then there is Hewlett-Packard; the founding meeting in 1937, begin by stating that they would design, manufacture, and sell products in the electrical engineering fields, but the question of what to manufacture was postponed.

2. *Good to Great is not a sequel to Built to Last but a prequel.*

    - Apply the finding of Good to Great to create sustained great results, as a start-up or an established company, and then apply the findings Built to Last to go from great results to an enduring great company.

3. *To make the shift form a company with sustained great results to an enduring great company of iconic stature, apply the central concept from Built to Last:*

    - Discover your core values and purpose beyond making money and combine this with the dynamic of preserve the core/stimulate progress.

4. *Good to Great answers a fundamental question raised, but not answered, in Built to Last: What is the difference between a 'good' and 'bad' BHAG?*

    - *Clock building, not time telling*

        - Build an organization that can endure and adapt through multiple generations of leaders and multiple life cycles.

    - *Genius-of-AND*

        - Instead of choosing A or B, figure out how to have A and B – purpose & profit, continuity & change, freedom & responsibility

    - *Core ideology*

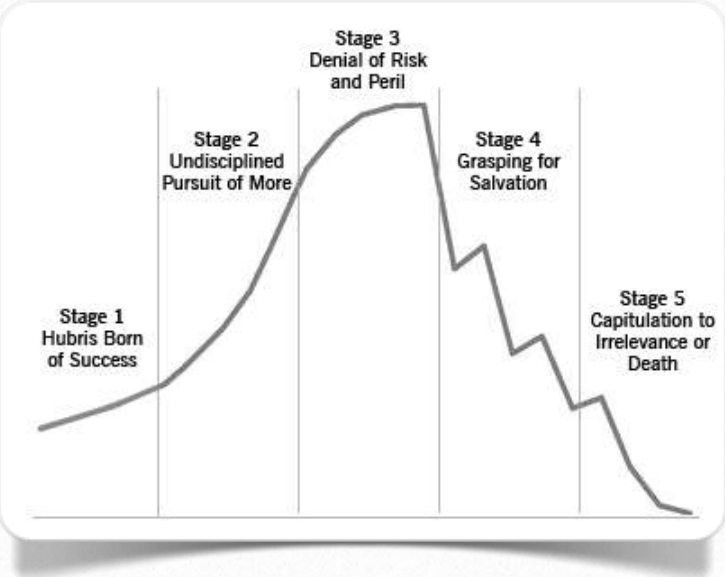
        - Instill core values and core purpose as principles to guide decisions and inspire people

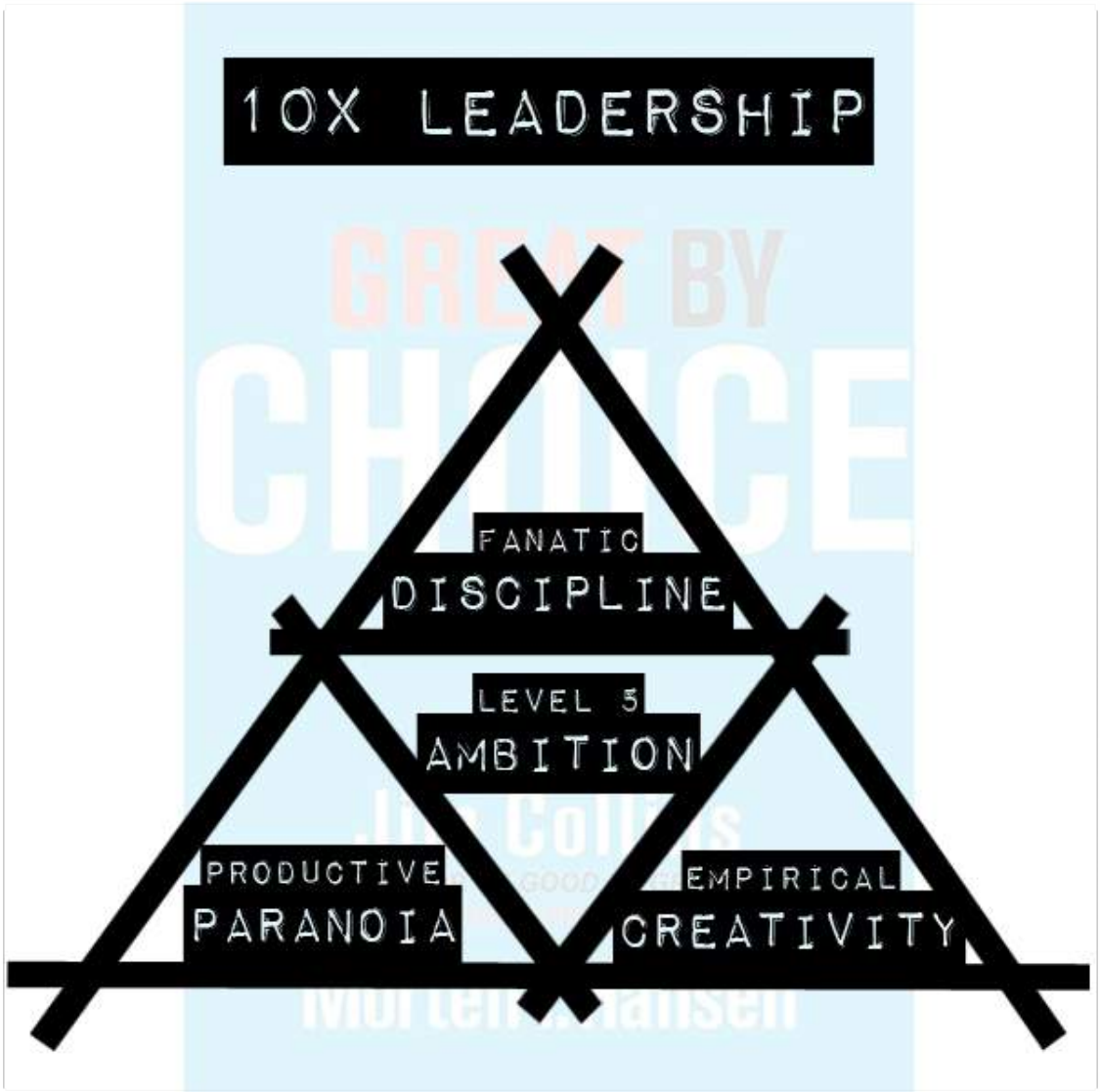
    - *Preserve core; stimulate the progress*

        - Preserve the core ideology as an anchor point while stimulating change, innovation, and renewal.

Why Greatness

The real question "What work makes you feel compelled to try to create greatness?" If you have to ask the question, "Why should we try to make it great?" then you're engaged in the wrong line of work.




10X LEADERSHIP
FANATIC
DISCIPLINE
LEVEL 5
AMBITION
PRODUCTIVE
PARANOIA
EMPIRICAL
CREATIVITY

Movie 3.6 Jim Collins: Real Leaders are Zealots

Among the counterintuitive facts leadership expert Jim Collins has uncovered is that personal charisma is largely irrelevant in successful leadership. In fact, it can be dangerous.