LEADERSHIP Excellence™

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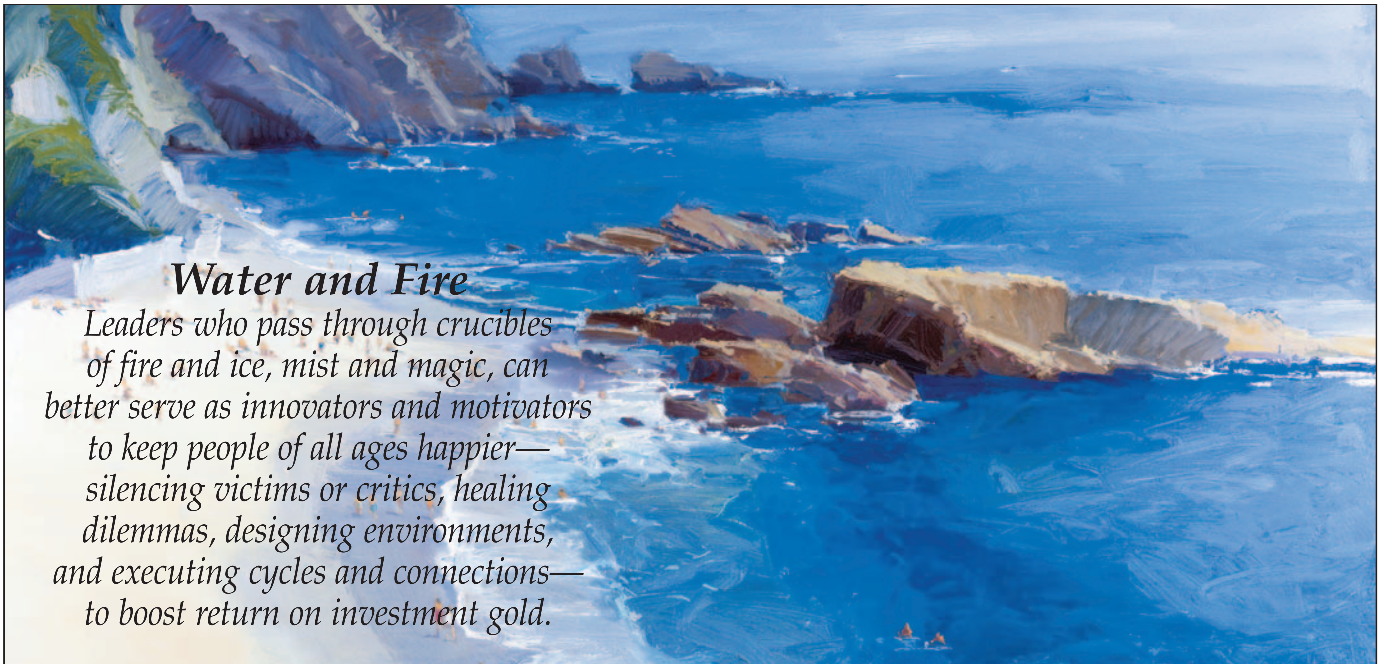

Water and Fire

Leaders who pass through crucibles of fire and ice, mist and magic, can better serve as innovators and motivators to keep people of all ages happier—silencing victims or critics, healing dilemmas, designing environments, and executing cycles and connections—to boost return on investment gold.

E · D · I · T · O · R ' S   N · O · T · E

What Has Become Clear

Every project requires leadership.

by Ken Shelton

SINCE MY LAST NOTE ON THE Warren Bennis celebration, I have participated in the Linkage Organizational Development Summit in Chicago, the Corporate University Summit in Scottsdale, and the HSM World Business Forum in Chicago.

When greeting people whom he had not seen for a while, Ralph Waldo Emerson would ask, "What has become clear to you since we last met?"

I contemplated this question as I walked east toward Lake Michigan along the Navy Pier in Chicago. I paused and looked back at the skyline of downtown Chicago.

What became clear to me in that moment is that each building, each project in any city or country, requires leadership from start to finish.

My simple view is that great leaders make great things happen by working alone and with other people to dream, design, negotiate, build and benefit. They are enamored with certain ideas and ideals —but then become action figures, often enlisting the talent of a few close and trusted friends with complementary know-how and skills, to cause a desired result and gain a mutual return on investment.

Organizational Development SUMMIT

Dave Ulrich *Paul McKinnon* *Peter Block*

At the ***Linkage OD Summit***, I listened to Dave Ulrich, Paul McKinnon, Peter Blcok, Marshall Goldsmith, Beverly Kaye, and Pete Senge. What I have always liked about Linkage is the program design. Beyond the keynotes, you get learning teams, a mentoring program, and communities of practice.

At the ***CU Summit***, I met with about 200 of the top managers and leaders of corporate universities. In particular, I enjoyed talking at length with David Vance, president of Caterpillar University, about the challenges of leading the learning and development role in a global enterprise. He shared how he links all he does to the corporate strategy, measures what matters, and shows "return on learning."

Corporate University

Vince Eugenio *John DiBenedetto* *Dave Vance*

World Business Forum

Marcus Buckingham *Colin Powell* *Rudy Giuliani*

At the ***HSM Forum***, I again met Marcus Buckingham, Colin Powell, Michael Porter, Malcolm Gladwell, Rudy Giuliani, and Bill Clinton. I asked Marcus: With all that is going on today in the name of Leadership Development, what do you think is most effective? He gave an insightful answer: "The charge to leaders is to rally people toward a better future—to find what people have in common and to keep them focused on their shared goal. Managers, on the other hand, must find out what is unique about each person and capitalize on it. In developing leaders and mangers, you must help them play to their strengths more of the time, since they will grow the most in their areas of strength and contribute the most to their teams and organizations."

I encourage you to participate in the best of what your organization offers in the areas of learning, training, mentoring, and leadership development—and take advantage of what it makes available to you in great public programs and professional associations. **LE**

Ken Shelton

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Executive Excellence Publishing

Leaders as Fire Starters

You can't light a fire with a wet match.

by Chip Bell and John Patterson

IMAGINE WALKING OUT OF THE AIRPORT to take a taxi cab to the hotel. The taxi driver has a sullen look, seems disinterested in you, plays music you dislike, and talks to his buddies on his phone. When you ask for a receipt, he acts like he's doing you a big favor and then frowns at the tip!

Now suppose that one of your employees seems to hate work, drags through the day, shows no enthusiasm, talks to his buddies while ignoring customers, and then gets irritated when there is no raise?

Mediocrity usurps the energy from passion and the opportunity from initiative. Leaders who tolerate mediocrity signal that their real standards are much lower than what they state. Organizations can, in fact, be populated by only winners. The bell-shaped curve of performance—that there will always a small percentage of superstars and an equal number who do just enough to get by—is neither a necessity nor statistical requirement.

The antidote to passion-free mediocrity may not be to change employees or telegraph your displeasure or "crack the whip." Your employees may simply need to be inspired. One role of a leader is to provide inspiration—to be a fire starter, igniting passion and commitment.

Four Steps to Great Service

You can inspire people to give great customer service by taking four steps: first, you show *animation* by choosing to demonstrate the attitude you seek from them. Next, you sincerely express your *appreciation* for their service. Then you deliver an *affirmation* of their professionalism. Finally you give an upbeat and optimistic *validation* by helping them view their role in a larger light.

1. Animation: Inspiring through modeling. Animation is "the process of bringing to life." We watch cartoons and are awed by the skill of the artist who can transform stills into life-like characters. The late Chuck Jones, creator of such famous cartoon characters as Bugs Bunny, Daffy Duck, Wile E. Coyote, and Road Runner, wrote: "The secret to making a character come alive is not how you draw that character. It happens when everything in the frame moves with the character."

Leaders who are fire starters start by choosing to *insert* employee inspiration instead of seething about its absence. Like the cartoonist, they do this by illustrating enthusiasm. They make "everything in the frame," including their own attitude, "move with the employee." They strive to be the inspired role model they want

employees to emulate. Davy Crockett was an inspirer at The Alamo in 1836. Coronal Jim Bowie wrote to Governor Henry Smith, "David Crockett has been *animating* the men to do their duty." Remember: it is impossible to light a fire with a wet match!

2. Appreciation—Inspiring with gratitude. "Thank you" is a phrase we all enjoy hearing. Most people do not hear it enough. However, instead of just saying the words, take one more step. Let the person know exactly what he or she did that warranted your gratitude. When we were eating at a restaurant our waiter had on a name tag plus an additional tag proclaiming him to be the "employee of the month." "Congratulations," one of us said. "What did you do to warrant such an honor?" The waiter stood quietly and then said flatly, "I guess it was my turn." He had no idea what he had done to be recognized so he knew of no special action he was being encouraged to repeat.

A few years ago we were consulting with a company whose average non-supervisory professional employee was 27-years-old and earned about $100,000 a year! Most were highly driven, Ivy League college-educated go-getters. Yet, an employee-attitude survey revealed they regarded themselves as under-rewarded. At first, we thought we were dealing with spoiled brats who had no idea how the real world worked. But we were wrong. "We know we are well compensated," they told us. "We just do not feel valued and recognized for what we do!" They were examples of psychologist William James' observation, "The deepest principle of human nature is the craving to be appreciated."

3. Affirmation—Inspiring with Confidence. "Treat a man as he is, and he will remain as he is. Treat a man as he could be, and he will become what he should be," wrote Ralph Waldo Emerson. One of the single most powerful phenomenon in human behavior is the self-fulfilling prophesy (also called the Pygmalion effect). Little is really known about why it works as it does. However, your belief in your employees, demonstrated in behavior and attitude, has a major impact on their behavior. If you believe a person is going to be a winner and you treat them that way, they generally do not disappoint you. If you believe a person is going to be a loser, and you treat them that way, they generally do not disappoint you. It suggests it is important how you communicate expectations through your actions.

Even your tone of voice and emphasis on key words can impact what they hear and therefore interpret. Think of the line: "I think Bill can do it." Read the line six times, each time verbally emphasizing a different word in the sentence and notice how it alters the meaning. This does not mean you have to censure every word you utter. It simply illustrates the power of tone that reflects an attitude.

4. Validation—Inspiring with purpose. Leaders can change the content by expanding the context. Moving from specific to general can help someone view their world in a more optimistic, hopeful light. This is a technique parents use to get a child out of a pessimistic view. It is the positive version of "Well, you could be starving in Africa." Susie comes home fussing that Johnny is teasing her. Her mother coaches her that Johnny doesn't realize how very special she really is. The intent is elevating the focus to a grander, more glorious view.

Fred Smith, founder and CEO of FedEx, reminds his couriers, "You are not just delivering stuff by 10:30 every day. You are delivering precious packages. You may be delivering an organ that will save a life, or papers that could save a company, or someone's wedding anniversary present. You have an important role—delivering precious packages."

As a leader, you can play a similar role. You can be fire starter—to inspire someone to deliver their very best.

Judy and Jane were working together in New York City and checked into a mid-town hotel one evening. However, their approaches to check-in were different. Judy warmly approached the desk clerk with a smile and a jovial disposition. She made complimentary small talk with the clerk, making certain to use the clerk's name. Jane took a more somber route with the desk clerk at the other end of the counter. Without a greeting, she put her credit card on the counter, filled out the paperwork, and departed with a room key.

The plan was for the two women to go to their respective rooms, drop their luggage and then rendezvous in Judy's room to go out for dinner. But, when Jane entered Judy's room she was stunned. Judy had a suite four times the size of Jane's room, plus it had a great view of Central Park.

"How did you get this big suite?" Jane inquired of her colleague. Judy humbly responded, "I wanted more than a typical room. I knew the front desk clerk really wanted me to have it; I just needed to inspire him." And, when the two women returned from dinner, Judy's message light was on. The front desk clerk had called to make sure her suite was satisfactory. Jane's message light was not on!

Take theses four steps, and you'll be amazed at how many fires you can start. Inside every person is passion waiting to be ignited; excellence ready to be released. Strike your leadership match—animation, appreciation, affirmation and validation—and be warmed by the results. LE

Chip Bell is a senior partner of The Chip Bell Group and author of several best-selling books including Magnetic Service *(with Bilijack Bell). John Patterson is president of Progressive Insights, a consulting firm that helps manage culture change. Visit www.chipbell.com.*

ACTION: Strike your leadership match.

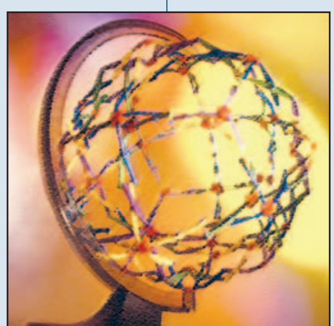
Great Companies

They embrace timeless principles.

by Jim Collins

THE SPECIFIC METHODS of building great companies in coming years will be dramatically different than in the past. But that does not mean we should toss aside the timeless principles that made great companies great.

The immutable laws of management physics include some simple yet important concepts: Do only those things that you can be the best in the world at; those things you can be passionate about; things that make simple economic sense. Take the axiom that you need to "put the right people on the bus." The best executives have always focused first on getting people who share their values and standards. They understand that vision and strategy cannot compensate for having the wrong people. Once you have the right folks in place, it's much easier to steer the bus as conditions change.



That's exactly the idea that Bill Hewlett and David Packard had in mind when the two young engineers met to form their company in 1937. The minutes of that meeting begin by stating their intention to manufacture innovations in the field of electronics, but they then go on to say, "The question of what to manufacture was postponed." In fact, the whole founding concept of the company was not so much *what*, but *who*. They were best friends in graduate school and simply wanted to work together and create a company with people who shared their values and standards.

As Hewlett and Packard scaled up, they stayed true to this guiding principle. After World War II, they hired a whole batch of fabulous people streaming out of government labs, without anything specific in mind for them to do. Packard grasped the subtle truth that a great company will always generate more opportunity than it can handle, and that growth is ultimately constrained only by the ability to get enough of the right people. At the same time, if he picked the wrong person—someone misaligned with the company's values or unable to deliver results—Packard would throw him off the bus, and in a hurry.

Yes, the Internet requires significant changes in the way we manage and lead. But if you don't have the right people, it doesn't matter what you do with the Internet; you still won't have a great company. Packard's Law still holds: Growth in revenues cannot exceed growth in people who can execute and sustain that growth.

In fact, our bigger problem today lies not in the fact that we live in a time of change. Rather, we have only limited understanding of the physics of great companies. Worse, we inconsistently apply what we do understand.

My group completed a four-year project to answer the question, "Can a good company become a great company?" We began our research with 1,435 companies that had been among the 500 largest, going back to 1965. We then searched for companies that made a shift from good to great performance—meaning they generated cumulative shareholder returns greater than three times the market average over 15 years. We found only 11 companies showed a sustained shift from good to great.

In analyzing the good-to-great CEOs, two things became clear. First, they had a firm grasp on a few basic principles, such as getting the right people on the bus. Second, they were fanatically consistent in applying those principles. When in doubt, they would not hire, no matter what the pressure to get a warm body on board. And when they knew they had to make a personnel change, they would not make the mistake of waiting for a more convenient moment; they acted.

Over the past 150 years, the best executives have adhered to the same basic principles, with rigor and discipline.

If you toss out the time-proven fundamentals, you'll have no chance of building an enduring, great company. LE

Jim Collins is the author of the bestsellers Built to Last *and* Good to Great. *He works from his management-research lab in Colorado. www.jimcollins.com.*

ACTION: Apply these fundamental principles.

Disciplined Innovation

Excellence is a habit.

by Alan Thomas

At the core of any company's success are creativity and innovation—twin forces traditionally regarded as untamable creatures. Leaders are looking for effective ways to harness these forces. In today's market, all businesses need to "learn how to learn" faster and better.

The foundation of entrepreneurship is systematic innovation (disciplined and habitual). The core habits are opportunity seeking, adaptation, constant renewal and growth, and the encouragement of delegation and innovation. It is not so much a matter of personality as it is a discipline. Putting these principles into practice, however, is a challenge. Most managers would benefit by getting a better handle on "disciplined innovation."

To remain competitive, you must make your learning process meaningful for all your people to think out-of-the-box in more focused and efficient ways. By enabling people to learn more quickly, you gain better control over limited time and resources—and encourage greater commitment.

A New Model

We offer a new model and process that provides a means for planning and executing objectives. The first step is to understand what continuous improvement is all about. Despite years of rhetoric, there is still uncertainty about the best practices. For example, TQM, Six Sigma, and ISO 9000 certification standards are process oriented. There is a place for a simpler approach. Our model has three core *non-technical* elements that yield high performance: *leader commitment*, *open culture* and *employee empowerment*.

1. Leader commitment. To lead, you must follow. You can only instill a sense of energy, empowerment, purpose and commitment by inviting open discussions about your mission, direction, and values. You can only foster participation by engaging your key people in the decision-making process. Transformational leaders forego the personal pursuit of power and prestige in favor of building strength into others. They know that continued growth depends upon the growth of their employees more so than on their own talents or charisma. Leaders repeatedly share their vision, welcome debate and disagreement, and listen carefully to critical opposition. They admit when they are wrong and acknowledge their weaknesses. Openness and honesty evoke trust and genuineness, which puts people at ease and increases their capacity for learning and initiative.

2. Open culture. Think of innovative management in terms of creating the means for people to grow and to act innovatively and responsibly toward objectives. Thinking about management only in terms of "organizing, directing and controlling" deadens creativity. Creating the means for people to grow is the mindset. You have to leverage learning and make knowledge more productive.

3. Employee empowerment. This growth mindset leads you to think of continuous improvement as a kind of inner growth that improves the capacity to learn. You must first clearly demonstrate (in words and actions) a commitment to "transformational learning." You must seek to instill a focused and rewarding process of discovery. This entails self-questioning and the invitation of opposing viewpoints, and in response, thinking and acting in new and better ways.

Systematic Innovation

Systematic management and continuous improvement are now interdependent because the entrepreneurial spirit—the capacity to innovate—is the most critical success factor. Thus, we define "systematic innovative management," as *creating a climate of learning*, emphasizing the total commitment to exceeding the expectations of customers and employees. An enterprise-wide, purposeful search for new and better ways to create customer value distinguishes the process. It is best accomplished by instituting a flexible process of "team planning and learning in action"—featuring openness, empowerment, knowledge sharing, systems thinking, problem solving, objective setting, experimentation and innovation.

There are two parts to creating a climate of learning. The first is to understand ***how*** to focus and accelerate and broaden and enhance your learning and improvement initiatives. The second is to figure out ***where*** to focus your learning and improvement initiatives, among all of your key success factors. To achieve these ends, you need to enable people to see the larger picture, to engage in big-picture thinking across functions such as marketing, sales, service, operations, and finance. This is a sensible way to foster inclusion, interaction, collaborative participation, and creativity—all of which produces disciplined innovation.

The problem is the lack of practical *implementation tools*. You need a repeatable model process with a simplified set of guidelines—coupled with a broad backbone of "best practice templates" with which to implement team planning and learning in action. Then you can implement a habitual learning and improvement process by regularly assessing all of your practices and plans. *Systematic innovative management (SIM)* provides that road map to disciplined innovation by focusing on the best practices needed to harness creativity and innovation.

Without a disciplined commitment to systematic management, team building and habitual improvement, no amount of knowledge, ingenuity or skill will bring about continued prosperity. The smart choice is to design team learning into your culture and avoid having to constantly encounter unexpected problems. As Aristotle said, "We are what we repeatedly do. Excellence, then, is not an act, but a habit." **LE**

Alan G. Thomas is the Founder of Learning in Action, Inc. and Learning House Publishing. He is co-author with Ralph L. LoVuolo of Enlightened Leadership. *617-242-0009, www.PracticalActionLearning.com.*

ACTION: Create the means for people to grow.

Magic Motivation

You can reach the unmotivated.

by John P. Strelecky

If you walk around Walt Disney World, you are likely to witness something that in most other settings would seem bizarre. Not the presence of a large animated character, although you may witness that also. Rather, at any moment, a person in dress clothes will be walking and will stop, pick up a piece of trash, and throw it in a trash can. Executives do it, front-line managers do it, hourly employees do it—everybody does it.

There is no monetary compensation for this behavior. No point system exists where $5 bonuses are given. There is also no monitoring system that watches for people who don't do it and then issues demerits. Yet, people are motivated to do it anyway.

Now picking up trash may not be your top concern, but are there other things in your department, division, or company that you would like your employees to do? Are you looking for ways to motivate your people?

The answer is not pixie dust or magic but five motivation steps.

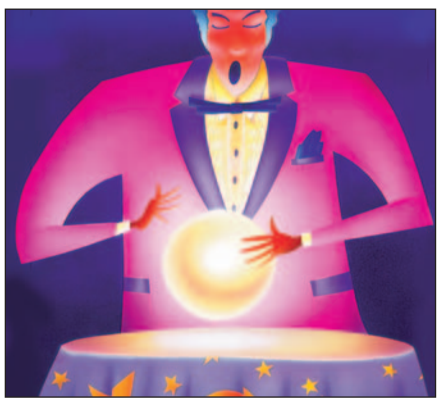
Five Steps to Motivation

Successful motivators don't think that way. They know that by following the five steps, people can be motivated far beyond what they get paid for, and far more effectively than when money is the only incentive.

Step 1. Clearly articulate what needs to be accomplished and why. Often the problem with getting people to accomplish things is not that they are unmotivated, it is that they are uninformed. Leaders discuss goals with their peers and superiors regularly and are very familiar with them. Hence, they mistakenly assume all of their employees also know them. This is rarely the case. So, take time to explain to all of your employees exactly what needs to be done and why. Knowing why enables people to make educated choices in their day-to-day decisions. For example, the output from a team whose goal is to launch three new products may vary depending on whether they know that the "why?" is because the company is losing market share to competitors.

Goals should always include specific objectives and timelines. A goal of "improve customer service" is nebulous, and people won't know how they are doing in their efforts to achieve it. However, "Decrease customer wait times to 10 seconds by September 1" is something people can visualize and work toward.

Step 2. Involve people in finding the solutions. People are more motivated to succeed at something if they choose to attempt it. So, involve your people in choosing the goals the group needs to accomplish. If this is not possible, then involving people in how to achieve the goals is the next best thing.



Involvement will generate buy in and open up the optimal solution.

Successful coaches use this technique regularly. While it is true they watch hours of game films looking for weaknesses in their own team as well as their competitors, they also involve their players in finding the best way to win. They do it because they aren't in the game. The perspectives of players or employees who are in the midst of the action can be drastically different from those of a coach or manager. And if those perspectives aren't incorporated into the solution, two things will happen. First, those in the midst of the action will feel that no-one is listening to them, and they will become unmotivated. Second, decisions will be made without incorporating all the relevant data. Both of these will negatively impact progress toward goals.

Step 3. Explain the rules of the game. Have you ever played a new sport or game against people who are experienced players? In the early stages of learning how to play, every few minutes you do something which you think is correct only to be told that it is illegal, or against the rules. It can be frustrating. This scenario often plays out at work. Employees are given a task, but not told all the parameters or rules. Weeks into a project they present their work to someone only to be informed that they need to change direction because of something they were never told about. This is demoralizing. People can find solutions to almost any problem, but they need to know the rules of the game.

Step 4. Link people's personal goals with the organizations goals. Know why each of your employees comes to work—and help to fulfill those reasons. Understand not only the reason, but how the reason ties into the person's bigger life goals. Help your people articulate those bigger life goals. When a person no longer thinks "I work so that I can make money," and instead thinks "I work so that I can enable my daughter to attend a school that will give her a chance to go do what she wants in life," a significant mental and motivational shift occurs.

Knowing that someone comes to work because he thrives on personal interaction—or whatever his personal goal—enables you to talk in his language and to assign responsibilities in his area of interest, and remind him of how what he does is tied to his goals.

Managers who enable people to fulfill their life goals through work never have to worry about how to motivate their people. The act of fulfilling their life goals is enough to keep them motivated. All you need to do is find the links between those goals, and the organization's needs, and match them.

Step 5. Move negative people off the team. Nothing can halt progress like someone who is discontent simply for the sake of being discontent. It is demoralizing to others, and it draws energy and time from key tasks. Someone who just regularly says "We'll never get there," will just hold everyone back. Move them off the team, and bring in someone who will assist and support the group's efforts.

Anyone can be a great motivator. All it takes is taking these five steps. **LE**

John P. Strelecky is the international best selling author of The Why Café *and a sought-after inspirational speaker. Visit www.whycafe.com, or call 407-342-4181.*

ACTION: Learn the magic of motivation.

Happy Staff

Make customers happy.

by Don Slivensky

WHEN *FORTUNE* magazine featured MicroTek in an article titled, *"A Happy Staff Equals Happy Customers,"* it raised the bar for us. A public declaration that your staff is happy creates more pressure to keep them happy—something that we have been able to sustain and still have a low employee turnover rate.

The business world moves faster than ever. Today's talent is not only global, but diversified, dispersed and constantly in need of training and education to keep pace. To achieve this velocity, companies are constantly looking for ways to introduce training faster, cheaper and more effectively. With organizations spending billions of dollars annually on training and education, out-tasking certain functions of the training process has become necessary to maximize available resources and minimize costs.

For more than 10 years, the training logistics experts at MicroTek have been providing clients with the mission-critical facilities and services needed to train their global workforce. Events are handled with such precision that MicroTek scores high marks in customer satisfaction surveys.

The primary reason for this is our employees. Each detail is meticulously executed. It's not just a focus on the customer, it's the genuine passion for what they do that shines through.

Shortly after the *Fortune* article was published, we were asked to contribute a chapter on employee selection and retention to a book. The editor asked why our employees were so happy, and we figured the best way to answer her question was to ask them. So in a blind survey, they told us four reasons why they stay:

1. Empowerment. Each employee knows and internalizes the understanding that they are empowered to make decisions in the interest of the client and the company. We seek out self starters and creative-thinkers with hospitality and customer service orientations who can make their own independent, informed decisions. We look for people who will apply a sense of ownership to their responsibilities, and in turn feel a sense of loyalty and accomplishment with the ongoing success of the company. All of MicroTek's employees know the importance of customer service and "go the extra mile." We look for exemplary customer service skills in our prospective employees, and we have made hospitality and customer service part of the culture. The employees who wholeheartedly adopt this customer-service culture are the most successful.

2. Value. When we ask our employees how they felt about working here, the responses illustrate that each of MicroTek's employees feels valued, and knows that he or she is important

to the success of the company. They are grateful for the autonomy that they have in their positions, but know that their suggestions are always welcome, and feel secure in the ability to elevate any issue at any time. They have seen MicroTek take care of employees in times of need, and that has inspired great loyalty. There is a true sense of family, of camaraderie, of caring and generosity. Above all else, they are proud of the work that MicroTek does and the company that MicroTek has become, stating that it is an honor and a privilege to work here.

3. Respect. Everyone at MicroTek knows they can bring any issue directly to the CEO or any other team member for open discussion. We provide our employees with a "blind survey" that enables them to raise any issues they have. The responses are sent directly to the me, the CEO, and I read every one, and the information is categorized, summarized, and distributed company-wide. The executive team devotes meetings to review the individual-specific feedback we get, and we implement action plans to address any issues. The feedback isn't always easy to read, but some of our best ideas and contributions have come from our employees. MicroTek employees know that their opinions are valued and respected and that they have a direct impact on the direction and success of the company.

4. Recognition. Recognizing the good work that employees do is easier said than done. With a tight knit group, there is much to celebrate both in our corporate lives and our personal lives. We try to recognize our employees for all their work daily in addition to instances of exemplary customer service. Along with verbal recognition, we plan company events and contests, monetary bonuses based on customer-service survey scores, and awards for outstanding work. MicroTek gives out trips as rewards, assists employees in times of need, and is always searching out ways to make the work environment friendly, accommodating, and fun. As a company, we celebrate the events and successes of our employees' lives—marriages, graduations, and promotions—fostering a sense of community and dedication. MicroTek's employees know that the company is dedicated to them and their successes, and the employees respond by giving their all to MicroTek and MicroTek's customers.

Having a happy staff is by no means easy; it takes a concentrated effort to remember what's important, especially as the company grows. We were lucky to begin the culture with these principles and find that they have taken on a life of their own.

We find that if we stick to these four principles—empowerment, value, respect and recognition—we build an organization with world-class values and people who consistently exceed our customer expectations and even our own, sometimes. Ultimately, our actions speak louder than these four words—not only to our customers but to our employees. **LE**

Don Slivensky is CEO of MicroTek. His focus is strategic direction to promote extended growth and long-term value. Contact Michelle Ison, Director of Marketing. Visit www.mclabs.com or call 800-207-9620 x203. F: 630-705-0244 E: michellei@mclabs.com

ACTION: How can you make your people happier?

Aging Organizations

Diagnose seven deadly signs.

by Irving H. Buchen

AGING AND DISEASE seem to go together. Most procedures and medications focus on treatment. But the question of the cause-and-effect relationship between aging and disease has been raised anew.

Dr. Aubrey de Grey identifies seven ways that aging prematurely does us in. Hence, the focus on the diseases associated with aging should be altered to the disease of aging itself to get at the root of the problem.

De Grey's argument is persuasive because both his starting and end points—cellular health—are not limited to age. Disease resulting from cell debilitation can occur at any time.

Focusing on aging provides many vantage points: Aging provides the most pervasive description of cellular degeneration. It also identifies the cross-overs from aging to disease. It sets up a systemic blueprint for future research. It calls for a body-wide bioremediation program using stem cell and gene therapy to halt or delay aging that causes disease. It accommodates genetic research, including cognitive findings, because DNA triggers many of the cellular problems.

We use De Grey's perspective as a metaphor to apply to organizations. To what extent do organizations show signs of aging irrespective of the chronological composite or census? Is it possible to translate cellular degeneration into organizational equivalents? Would such an overlay produce a diagnostic profile of organizational health and show to what extent it is suffering from any or all of the seven ailments?

The list below describes each deadly sign as a specific medical problem followed by its business application:

1. Too few new cells. Problem: Certain body systems lose their ability to renew their cells. The result: loss of muscle tone, brain cells, and bone.

Application: Many organizations unknowingly cut themselves off from future self-renewal. They hire and promote people only from the same colleges and parts of the country. Those at the top are routinely male and monochromatic. Training is reassuring not renewing. It affirms but does not disturb the basic culture. The result often is flabby, predictable and brittle thinking.

2. Too many old and harmful cells. Problem: Cells no longer divide as they should, refuse to die but secrete toxic poisons.

Application: Many visions and missions no longer shake and stir. The bibliography of leaders and managers often ends with their graduation dates. Most of their ideas are so tried and tested that they are old and tired. Even R&D does not value or read science fiction. And they all sign up for the same old conferences. The grim joke applies; dead at 40 buried at 80.

3. DNA mutations in the cell nucleus. Problem: The control mechanism of the DNA breaks down or malfunctions. The cancer it causes is so endemic and inaccessible that it is extremely difficult to reach or treat.

Application: What constitutes the DNA of an organization? Its brains and smarts? The cortex has been called the CEO of the brain. What does it direct and shape? If the answer is always or only leadership at the top, the company may be vulnerable. The correct antidote should be company-wide. Distributed or shared leadership multiplies the source and diversity of DNA. Paradoxically, the less control, the more coordination; less dependency, more independence.

4. Muting of energy generators. Problem: Mitochondria are the body's energy generators and age to the point where vigor is diminished or lost. Parkinson's may be one of its signs.

Application: Who and what generates a company's energy? Where are its energy centers? What is its energy profile? Many organizations are listless. They just grind and drag along. No highs or lows just a deadly even pace. They are boring. And their plans and decision making process are timid and tentative. Both their thinking and their hands shake.

5. Clogging cell waste. Problem: Many cells lose their ability to break down and dispose of their own waste. The waste accumulates and clogs vital systems and degeneration occurs.

Application: Many organizations have not only dead wood, but also dead ideas. They have no systematic mechanism for regularly identifying and cleaning out such waste. They limp along carrying excess weight and baggage that they should regularly be rid of. If no one is in charge of regular intellectual trash disposal, it will accumulate and choke off function.

6. Between cells. Problem: Waste between cells gathers and forms globs of gunk impairing the brain and liver.

Applications: Often the productivity problems within cells are nothing com-

Aging Behaviors and Changes Needed

Focus	*Aging Behaviors*	*Correctives*
Self-Renewal	Homogeneous	Diverse
Past-Oriented	Tenured Ideas	Futuristic
Dominating DNA	Singular Tunnel Vision	Holistics
Energy Level	Uneven	Untapped
Dead Wood/ Ideas	Micro Managed	Big Picture
Communication	Occasional	Ongoing
Clogging	Choking Structures	Fluidity

Thinking, Learning and Leading Applications

Self-renewal	*Linear sequential*	*Circular*
Ideas	Unexamined Assumptions	Square One Basics
Genetics	Deterministic	Nature/Nurture Symbiosis
Energy/Drive	Top-Heavy	Distributed and Diffused
Clearing the field	Excess baggage	Change as Innovation
Conversations	Muted and Limited	Free flowing
Thinking	Predictable	Unexpected

pared to those between divisions. Carry over frequently falls between the cracks. Managers are in charge of divisions. The results they produce are divisional, but who overseas divisional connectivity? Who claims interdivisional gains? Who clears the passages between cells and divisions?

7. Proteins sticking together. Problem: Structural molecules cling together and clog and harden arteries.

Application: Certain structures and ideas have an affinity for each other. They bind and cluster. If they gain majority, they become culture. Comfort is thus cloned, and thinking-alike becomes the norm. There is no friction. The argument of aging, however, is that no single aggregate or binder no matter how initially appropriate is healthy. All needs to be free-flowing, changing, and circulating. Clogging obstructs change.

We see five benefits to examining the causes of organizational aging: 1) it is diagnostic and corrective; 2) it fuses the physiological and the psychological, the body and the mind, inborn and acquired behaviors; 3) it is holistic, bypassing the reductive choices of nature versus nurture and making them instead versions of and avenues to each other. 4) it is self-administered, as each organization can assess itself by undergoing minimally an annual aging check up; and 5) it profiles by setting up the key diagnostic questions to ask and to evaluate as a check list.

But to secure these benefits requires a systematic compilation of diagnostic questions that reflect the organizational versions of the seven deadly sins:

Here's our annual check-list, part of the diagnostic profile of organizational aging (DPOA): *To what extent are you a self-renewing company? Are you coasting on past health and capacity? What constitutes your DNA and how well does it direct and manage? Rate the company's energy level? Any dead wood and ideas around? What is the traffic between divisions? Clean house and get rid of cumulative waste.*

Such overlays, distributed as a survey internally to employees and externally to customers, may generate a profile of the degree to which the entire company is a senior citizen and a number of its parts should be retired. The process serves as a wake-up call and identifies corrective action. It thus can generate both the immediate and long-term future agenda and longevity. LE

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ACTION: Take corrective action.

Retention Leadership

It could be your secret weapon.

by Fredric D. Frank

TALENT AND LABOR shortages are already are having a major impact—and it only will worsen. This speaks directly to the need to reduce turnover, since turnover is costly, in both direct costs such as recruiting and selection, and indirectly in lost productivity and customer satisfaction.

In our study of employee retention, 73 percent of executives said that retaining key talent is "very important" or "extremely important" in terms of achieving business results. Retaining talent is a major priority. Turnover worsened during 2005 for half the companies in the study.

What can you do? A typical reaction is to beef up employee selection processes. But that won't do the trick. In a labor market characterized by a dwindling supply of talent, selection doesn't help. Selection works best when you have a high number of qualified job seekers or legitimate applicants for position openings. Today, we don't have enough job seekers with the skills essential for most jobs.

Maybe you pay them more? Competitive compensation is helpful, but don't think you'll keep people engaged and loyal by offering them another nickel, dime, or dollar. Compensation can become commoditized, and the retention power of money is usually short lived. There is no silver bullet here, but what is critical, beyond everything else, are the retention leadership talents of anyone who has direct reports. From the front-line supervisor to the executive offices, people join for things like pay and benefits but they stay because of the people they work for. People don't leave jobs, they leave bosses.

So, how can we make bosses better at retaining people? You build *Retention Leaders* by measuring and developing the retention leadership talents of front-line leaders—anyone who has direct reports. Retention leaderships talents are the competencies that are needed now and in the future.

- ***Trust builder:*** This is a leader who builds trust and confidence with employees, creates a sense of and concern with team members.
- ***Esteem builder:*** People need to feel good about themselves and their work. Retention leaders give team members responsibility, freedom to act, and positive experiences.
- ***Climate builder:*** This person develops ways to make work and the workplace safe, enjoyable, and fulfilling.
- ***Flexibility expert:*** Someone who treats people as individuals and recognizes, understands, and adapts to individual needs and views.
- ***Talent developer and coach:*** Younger workers want development and coaching, which helps team members to grow and engenders commitment and loyalty.
- ***Retention monitor:*** This means being aware of concerns and issues of employees and then identifying and measuring potential retention problems and taking preemptive action to keep a valued team member.

We need to measure for these talents, rigorously develop them, and remeasure them to gauge improvement.

We measure the talents through several assessment tools and then develop them through a blended learning approach. Leaders who exhibit these talents retain key employees longer and have improved business metrics. Teams with less attrition have team members who are more satisfied, and these teams deliver higher sales close rates, higher customer satisfaction, and higher productivity.

It is time to tie leadership development to concrete business results. Measurement and tracking matter most. Hold front-line leaders accountable for employee retention and set specific retention goals. What you measure and reward is valued as an everyday management behavior.

The companies that will survive and thrive are those that are ahead of the curve in making their front-line leaders great retention leaders. LE

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ACTION: Retain your key people.

Coaching Myths

Become a savvy consumer.

by Susan Battley

HIGH ACHIEVERS ARE turning to executive coaches to supercharge their productivity. Yet, as a CEO coach, I often hear leaders voice skepticism about coaching.

Appreciation of the business value of coaching starts with debunking 10 common myths:

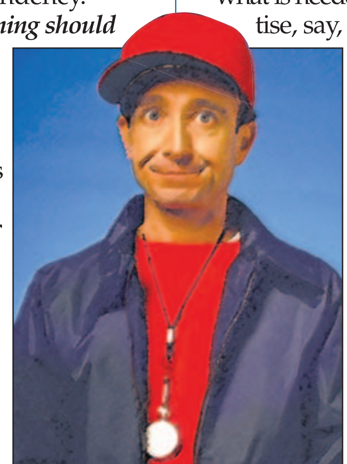
Myth 1. Successful people don't need coaches. Coaching helps the best get better. For better or worse, "plug-and-play" performance has become the norm in the executive suite. So, the more successful you become, the higher are the stakes in delivering results and sustaining excellence. As you advance to senior leadership, non-technical skills such as communication, influencing, and teambuilding are more critical. Executive coaching often focuses on these soft skills. The right coach can help you deploy your strengths, add new capabilities, and eliminate blind spots. Professionals have coaches; amateurs do not.

Myth 2. I get all the feedback I can possibly use now. The more successful you become, the more difficult it can be to get unfiltered, unbiased information and feedback. It can also be difficult to gain access to people who will challenge you or stretch your thinking. People may avoid bringing your problem behaviors or issues to your attention. Or you may not be using how to use existing information to best advantage. A coach can help you maximize the benefits of the feedback you have and identify what other feedback and performance data you might need to achieve your goals.

Myth 3. Executive coaching is just another name for therapy or counseling. Although executive coaching and psychotherapy use similar methods, such as private one-on-one discussion, assessment, and introspection, they differ in scope and objectives. Coaching focuses on professional goals. It deals with work roles, career aspirations and bottom-line business results. It is present and future-oriented. By comparison, psychotherapy or counseling can be more comprehensive. A therapist is a healer. A coach is a supercharger.

Myth 4. Coaching fosters an unhealthy dependency on others. We're all dependent on others to maximize our performance and potential. Would you do without financial, legal, and medical advice to avoid a dependency risk? Executive coaches are no different from other professionals you rely on. In fact, rather than foster dependency, a coach is likely to push and stretch you in ways that increase your capabilities and self-confidence. Coaching is a tool for professional growth and empowerment, not dependency.

Myth 5. Executive coaching should only be short term. Budget considerations aside, desired results should determine the duration of coaching. It's unrealistic to expect ambitious goals or major behavioral change to occur in a matter of weeks. For example, scaling up from an individual contributor role to a management position is a complex challenge. The duration of coaching programs rises with seniority. The purpose of your coaching should determine its duration.



Myth 6. Executive coaching should be reserved as a last-ditch effort to fix problems. Executive coaching is primarily used to supercharge peak performers and prepare next-generation leaders, not to salvage underperformers or those at risk of derailment. Tune-ups and checkups optimize performance better than treating acute problems. Waiting until someone's behavior or needs reach a crisis point may limit what a coach can accomplish. Perceptions about the person may have hardened. Teamwork and interpersonal trust may be compromised. Coaching is less successful when a person's issues reach critical condition.

Myth 7. Executive coaching is the same as mentoring. While the terms *mentoring* and *coaching* are often used interchangeably, differences exist. A mentor is usually a more senior person in your same industry or profession who can pass along specific knowledge and possibly open doors. Mentors function in a voluntary, unpaid capacity and may serve for decades. By contrast, an executive coach may be someone with complementary expertise to your own. He or she may be older than you. Typically, you would only work with one coach at a time and on a paid, time-defined basis around specific outcomes. A mentor does not typically facilitate specific skill acquisition or behavior change. There are basic differences between the roles of mentor and coach.

Myth 8. An executive coach should have a background and experience similar to mine. The last person you may need as your coach is someone like yourself. Why? Consider that executive coaching frequently deals with enhancing leadership and managerial effectiveness rather than acquiring more technical know-how. Often what is needed is complementary expertise, say, in people management. Many effective coaches possess backgrounds and credentials that are different from your own.

Myth 9. Everyone is coachable. Your coachability at any time depends on how much you *want* to change, plus how much you can change in an area. Both personal (internal) and situational (external) factors come into play. Working with a coach per se will not motivate, let alone facilitate change in you, unless a clear benefit is perceived. Most people are coachable some time, but not all people are coachable all of the time.

Myth 10. There's no way to measure ROI from executive coaching. The benefits of coaching not only can be measured, they have been measured. Studies have documented ROI in the range of 400 to 600 percent when qualified coaches were used. Several robust metrics can be used. You should not assume fuzzy results, or settle for them. Expert coaches frame and monitor client progress in terms of tangible value-added impact. There proven ways to measure coaching ROI.

By replacing these 10 myths with accurate information, you can make smarter decisions as either a consumer or sponsor of coaching services. **LE**

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ACTION: Engage a coach.

Silence Victims or Critics

Transform your employees to business partners.

by Tina Carey

VOLUMES HAVE BEEN written about organizational development and enlightened leadership, yet many companies still suffer from a myriad of internal issues that impact their effectiveness and bottom line. How can companies identify the symptoms of dysfunction? How can they mitigate fear during a downturn or restructuring? How can they empower individuals and teams to take responsibility and proactively focus upon solutions that improve productivity and job satisfaction? How can companies transform employees from victims and critics into effective business partners?

Every organization has its share of victims and critics. They are the insidious grumblers who impact morale, productivity, and quality. They often shift the focus away from positive goals to petty dramas that create tension, conflict, anger, and fear. Negative feelings create a climate of emotional contagion.

Organizations create or reinforce a victim or critic culture in subtle ways:

- Developing an elitist culture that makes management inaccessible;
- Failure to explain the reasons for strategic or procedural changes;
- Denying or sugar-coating bad news;
- Making but not keeping promises;
- Providing false reassurances;
- Failure to share problems or threats;
- Not holding people accountable;
- Not holding managers accountable;
- Retaining poor performers;
- Stating that employees are valued, but not demonstrating it;
- Not setting clear goals, strategies and action plans;
- Driving change faster than employee competence and confidence;
- Failure to recognize contributions;
- Not engaging people in planning and problem solving;
- Asking employees to take pay cuts or forego raises during downturns, and not rewarding them later.

Now that we have a good basis from which to diagnose behaviors that contribute to a victim/critic environment, let's identify some characteristics of victims and critics. They are generally employees who do not feel committed. They may be cynical and suspicious of management. They are often negative and will try to find fault and assign blame. They may be reactive and emotional. They seldom take responsibility for their actions nor do they try to resolve conflict.

In some cases, it may be necessary to replace employees who are unwilling to change their attitude and behavior. However, a shift in management style can often improve morale, productivity, and profitability.

To transform employees into effective business partners, apply three principles: 1) develop and communicate shared goals and values; 2) develop and communicate systems for control and accountability; and 3) expose the victim/critic publicly.

It is easy for people to remain critical as long as management allows it. For example, I once had an employee who complained about the same problem every month in meetings. One evening, I wrote the problem on a flip chart, wrote my name under the problem, turned to the disgruntled employee and said, "I'm willing to work on solving this problem. Are you willing to help me?" He refused. It was clear that he only wanted to complain without being a part of a solution.

Conversely, at one of my client companies, a supervisor heard ongoing complaints from one employee regarding the chairs that were provided at their work- stations. When asked if she would be willing to help with the problem by investigating alternatives, she jumped at the chance to be a part of the solution. It was the first time in her 15-year career that she had been asked to help solve a problem. She was thrilled that she could contribute.

Improvement plans must begin with clear communication that invites all stakeholders to participate in the process. It is critical to focus on the positive aspects of learning new skills rather than on judgment or criticism. Simply pushing the company agenda will only spark cynicism. The most effective way to engage people in this process is by asking them to focus on what they wish to achieve for their lives. Begin by asking everyone to share his or her personal goals to achieve greater understanding. There are no wrong answers.

Daniel Goleman, author of *Emotional Intelligence*, has shown that when personal goals are tied to job performance, there is a greater likelihood that they will be achieved. This should be seen as a learning opportunity that ultimately provides individuals and teams with the tools to improve job performance and job satisfaction.

A critical aspect of transformation is to identify and articulate shared goals and values. Having a clear sense of what is important to everyone allows the team to chart a path to achieve common goals. A high level of control and accountability with a low level of shared goals and values can result in a culture of *independent contractors*. This may be appropriate for truckers who move product across the country, but not for members of a tightly woven team. A high level of shared goals and values, but low level of accountability can result in a culture of *loyal workers*—not appropriate for members of a high-performance teams.

Conversely, a high level of control and accountability along with a high level of shared goals and values changes employees into business partners. Common sense suggests that improved performance leads to a better attitude about life in general. When people feel good about themselves and their environment, they are much more likely to go the extra mile. Happy people have more energy and ambition. Absenteeism declines, productivity soars, and everyone benefits. **LE**

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ACTION: Turn your people into partners.

Healing Your Dilemmas

Your approach must comprise five principles.

by Ichak Adizes

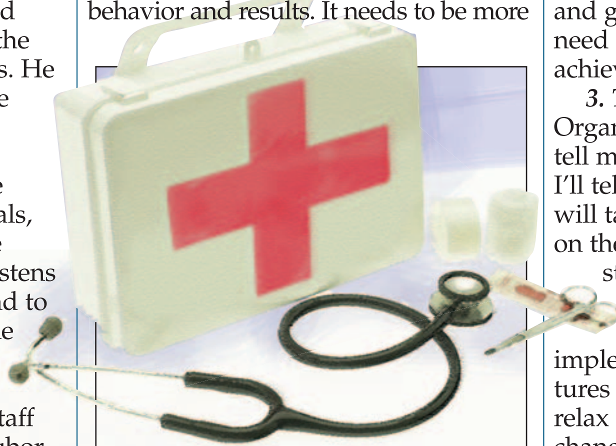
MOST MANAGERS and leaders lack a clear picture of their problems and solutions. If they had a clear picture, they would find more solutions themselves.

Despite the proliferation of management schools and books, the goal of finding or training the "ideal manager" remains elusive. The ideal manager is knowledgeable, achievement-oriented, detail-oriented, systematic, and efficiency-oriented; organized, a logical and linear thinker; charismatic, visionary, a risk-taker, and change-oriented; and sensitive to people and their needs. He can integrate all the necessary people to achieve goals. He knows how to build a team while making himself dispensable. He judges himself by how well his group performs; by how well the group members achieve their goals, and by how well he facilitates the achievement of those goals. He listens carefully to what is being said and to what is not being said. He sees the need to change, but introduces change selectively. He identifies leadership potential among his staff and hires and promotes bright subordinates. He respects people whose styles are different.

He doesn't complain when things go wrong, but offers constructive criticism. His subordinates are not afraid to report failures; they know that he will be supportive. He encourages creativity. He is charismatic, capable of motivating others to work hard to achieve goals. He can delegate. He trains people systematically and resolves conflicts diplomatically, respecting people's expectations and ambitions and appealing to their social consciences. He shares information instead of using it to gain power. He is driven by a strong code of values. He is analytical and action-oriented; sensitive without being overly emotional. He seeks results, but never by sacrificing the process. He develops markets, production facilities, finances, and human resources. His organization is a well-integrated entity with defined goals, whose members fully cooperate with one another.

The problem is that this ideal manager is mythical. No wonder many executives are frustrated. We have not yet produced a viable practice of management that is robust, repeatable, universal, and holistic. The root problem is that the managerial process is personified in a single individual—a supervisor, administrator, manager, executive, or leader—who should do this and that. The paradigm of the lone leader—all wise and all powerful—has never worked.

We need to find a definition of management that produces the desired behavior and results. It needs to be more descriptive and analytical, as well as more prescriptive and structural.



Most companies take a single-discipline approach to solving problems, focusing on one area. That approach only uncovers the minimum solution. If the only tool you have is a hammer, every problem looks like a nail.

Likewise, most management consultants are focused on a single discipline. For example, if they are trained in strategic planning, they'll tell a company they must define their goals and strategy before doing anything else (and their advice may be completely wrong because the client can't clearly define their goals and strategy if their structure is all messed up). Consultants tend to work within a sequence that says strategy drives structure. That's not so. It may sound correct, but it is not reality. The reality is that structure causes strategy.

The Holistic Approach

I see the need for a holistic approach to solving problems. Whether you are an executive or the consultant, you need to examine all the relevant factors—personalities, management style, structure, processes, systems, functions, and finances—to identify the true causes of the problem.

To get at the root of problems, your approach must comprise five principles:

1. It must be multidisciplinary. Consulting firms are composed of people who specialize in a single area or function, such as HR, IT, OD, or finance. In my work, I engage bright people from various disciplines; however, we all work together effectively because we have a common language for turning around organizations. Our objective is to help the leaders make good use of their competitive advantage and become stronger as result.

2. It takes an organization to change an organization. Sending in someone from the outside to conduct interviews and give advice doesn't do much. You need a multidisciplinary team to achieve meaningful change.

3. Target the power structures. Organizations are like motorboats—tell me the strength of the engines, and I'll tell you which direction the boat will take. Regardless of what happens on the deck, the engine—or power structure—determines what direction the boat will take. Most strategic planning is rarely implemented because the power structures reject the changes. You must relax the engines and make them changeable and more flexible. Then you can move forward with a strategic plan as to direction. Don't begin with the strategy but with the power structure that enables the strategy.

4. Start on the strategy side. Most consultants define the strategy and then recommend a structure to deliver the strategy. It goes nowhere. It takes a more interactive approach to strategy and structure to evoke change. Look at it as an inverted V or triangle. At the base of one side is Strategy; at the other is Structure. Start on the strategy side, asking about the nature and mission of the organization, and then ask what structure makes sense for that mission. Continue moving back and forth, between strategy and structure.

5. Continue to make small changes in strategy and structure. Most consultants avoid transforming the structure. It is just too much political risk for them to deal with. But we know how to handle the power structures without getting anyone hurt. We adjust strategy and structure many times in increments until they fit together. The organization becomes accustomed to change, albeit small ones, versus a major upheaval every five years.

We transfer the technology to the client, teach them what we know, and give them the tools so they can apply them and adapt once we leave. We eliminate client dependency. We teach the client how to use the tools and monitor them as they grow and change. We are transforming consulting into a methodology that is therapeutic. We do not tell you what to do but eliminate barriers to the flow of energy to enable you to do what you know you should do to take care of yourself.

Owning the Answers

If we listen to your problems and prescribe a treatment, you merely have the option of following the advice or not. So, we ask the questions, and you must come up with the answers. We do not give you answers. We know what questions to ask and in what sequence. This forces you to come to your own "aha," find your own roadmap, and find the light at end of the tunnel. When you have no answer, we give you tools to find the answer. If we recommend anything, it is only as a trial balloon. In this way, you learn how to use the tools and the final solution to the problem is yours.

We work on group dynamics—what makes the organization operate correctly so that the individual will fit better within it. You can't change culture simply by changing individuals. So, while coaches may ask questions, they treat the individual. They employ psychological tools versus business tools. Many coaches miss the problem. What makes an individual operate better is not necessarily what makes an organization operate better.

When you ask questions, you need to talk to the right individuals—people who row the boat do not rock the boat. So, when there is a problem with the boat, we first ask, "Who can rock this boat? Who can rock the solution, assuming we know the solution? Who must be involved to implement it?

Ours is a holistic, systemic, structural, participative methodology whereby we bring in all the ingredients necessary for finding a solution. LE

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ACTION: Execute strategic changes.

Making Decisions

Frame issues in a proper context.

by Hari Singh

THE MOST CRITICAL aspect of decision making is how you frame a decision—how you conceptualize the problem. What information do you take into account? Are you clear about the objective and alternatives? Have you ruled out some options prematurely?

To make a problem manageable, you normally draw a boundary around an issue. However, a frame always simplifies and thereby distorts reality. Usually the boundary is too narrow. You tend to close the box and not search for new options. Moreover, when you are inside our frame, it normally appears to be solid and foolproof.

What can you do to ensure a broader frame? First, don't jump into a major decision. Step back and try to take a wider perspective: Actively question your presumptions and prior beliefs. Second, instead of quickly looking for answers, make sure you are asking the right questions. Sometimes, *a different set of questions* may resolve the problem effectively.

For example, before the 1980's, American automakers asked a basic question: How many cars do we need to produce of a particular model to make reasonable profits? This frame appeared sound from the inside. Japanese manufacturers, however, asked a fresh question: How can we redesign the assembly line to make model changes quickly and inexpensively?

During framing, you question your presumptions and challenge your thinking.

Missing Feedback

We face many impediments in getting an unfiltered view. Sometimes, a whole class of information is missing. There may be a set of information you normally don't monitor unless you are proactive about it. For example, you may routinely track how the design of a new product has influenced your sales. How about obtaining feedback about the designs you didn't adopt?

Another complicating factor about feedback is treatment effects. You want to hire a salesperson. You are trying to analyze the true marketing potential of different sales personnel. In the past, some salespeople who exceeded their quotas were given hefty bonuses. This reward system encouraged them to work even harder and beat their new sales targets. Are these salespersons *inherently* better at their jobs? Or did they perform better because they were "treated" differently? The answer may be a combination of both factors. The subtle influences of treatment effects tend to distort the accurate measurement of each person's marketing potential. Treatment effects are widespread, and they distort feedback considerably.

Seductive Biases

Subjective biases undermine our decisions. These biases are widespread and wired by evolution, as shortcuts in our minds, to simplify the thinking process. However, these seductive shortcuts often impede sound judgments. Here are three examples:

- ***Anchoring.*** To simplify problems, we tend to anchor our thoughts on whatever reference points we can find, even when these thresholds are arbitrary. *Example:* Retail price is an anchor. We think we have a good deal if we get a discount. If the price was inflated, the percentage discount means little.
- ***Availability bias.*** If we can recall many incidents of an event, we perceive that the event is more likely to happen. *Example:* We are likely to think that murders are more common than suicides. In reality, there are three suicides for every two murders.
- ***Halo effect.*** We tend to view things in clusters and attribute the same properties to all elements. *Example:* A policeman is perceived to be taller because he represents authority. A man who drives an expensive car is also perceived to be better dressed.

To avoid these biases, be fully aware of how they distort your thinking. Sharpen your decision-making skills. LE

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ACTION: Adopt a broad frame for decision making.

Defined Accountability

Begin with clearly defined results.

by Tom Smith and Roger Connors

ASK YOUR SUBORDINATES, PEERS, and boss, "What three key results are we accountable to deliver this year?" Would their answers be clear, consistent, aligned, and measurable? Not likely! We find that nine out of ten senior leadership teams fail to clearly define the key results, or when they do, to communicate them.

Accountability begins with clearly defined results! People won't take accountability to deliver the undefined. Leaders can't hold anyone accountable when they abdicate their own accountability to clearly define how success will be measured.

If results are not clearly defined and communicated, people simply focus on "doing their job." The effect of every one simply "doing their job" often falls short of needed results. Leaders must clearly define the key results by which success will be measured. Accountability begins with this clarity. But it does not end there.

Leaders must also ensure that people know the desired results—and how each of them personally contribute to achieving these results.

Ambiguous practices leave people confused. The team needs to get aligned around a key result. Then you can ask anyone, "What is the result you are working to achieve?" and the person will say, "I'm working to achieve a 5 percent profit margin, and here's what I do to affect that number."

Confusion about what we need to achieve allows us to continue doing what we are doing today. Confusion is the great defender of the status quo! Simply doing what we are doing today will not produce the results we want tomorrow. Accountability then—where people continuously ask themselves, "What else can I do" to achieve the desired results—begins with clear definition. This clarity facilitates adjustments needed to deliver results. Accountability is not an after-the-fact explanation for why we did not deliver the results. It's asking ourselves, "What else can I do to achieve the results?" Accountability begins with clearly defined results!

Aligning around Expected Results

How can one expect the organization to be aligned around metrics? If you don't know where you're going, it'll take a long time to get there.

Many leaders today are inadvertently leading their organizations into the throes of misalignment by not clearly identifying, communicating, and reinforcing the key results around which every member must be aligned. People know when their organization lacks focus, and without a clear result to strive for, people pursue their own goals. This drives them to define success in their own terms.

We use the term, "three key expected results." There is a distinction between goals and results. You are perfectly aligned to achieve the results that you are getting. Goals are often thought of as items that need improvement and often include a list of initiatives such as improve sales, build a safety-focused culture, or implement succession planning. Results define what is necessary to succeed, grow and thrive. Without results, a company will whither and die, or be subsumed by "the competition." Results are the outcomes of every action being taken by every employee. Are the results you are achieving the results you need?

When you look at the goals or initiatives listed earlier and ask "why are we working on that", you start getting to the results. For example, why are we working on a safety-focused culture? Because we consistently have 20 or more safety incidents each year that affect workman's compensation, morale, production levels, and staffing. We need to reduce injuries by 20 percent by the end of the year. This goal is clear and measurable.

Ask yourself, "What are the most important results for us to deliver this year that will insure viability?" Leaders typically respond by naming those two or three things. Imagine the power you could unleash by having all the people focusing on the same two or three items. You are not simply driving the concept of alignment, but you are aligning everyone around the same objectives—the key expected results.

How does it feel to work in an environment that is not aligned around a clearly defined, specific set of key expected results? The words we most often hear are, frustrating, chaotic, depressing, unfocused, misdirected, challenging, hard, and unrewarding. Two questions emerge, "Who enjoys working such an environment?" and "What do people tend to do when they find themselves in this situation?"

The answer to the first is, "not many." The answer to the second is, "escape," which creates problems with quality, missed production and delivery dates, poor designs, disrupted communication, more meetings, shifting priorities, and lack of focus.

Identifying, communicating and consistently reinforcing the key business results around which every member must be aligned is essential for success. Unless each person can make a clear connection between "my daily results" and the expected organizational results, alignment will not occur. This line of sight or linkage between "my personal results" and the key expected organizational results needs to be reinforced from the top.

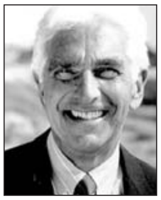
When clients describe the feelings associated with a company aligned around the key expected results, we hear words like, fun, exciting, stimulating, focused, directed, powerful, unstoppable, successful, cohesive, and reliable. Aligning around your key expected results helps to define the present and future, unleashing power and potential to create success! **LE**

Tom Smith & Roger Connors are Principals of Partners In Leadership. www.partnersinleadership.com; 1-800-504-6070

ACTION: Align people around key results.

Crucibles

They make leaders.




by Warren G. Bennis and Robert J. Thomas

Leaders often point to intense, often traumatic, unplanned experiences that transform them, hone their distinctive leadership abilities, and shape a new or an altered sense of identity.

We call the experiences that shape leaders "crucibles," after the vessels of medieval alchemists used in their attempts to turn base metals into gold. For leaders, the crucible experience is a trial and test, a point of deep self-reflection that forces them to question who they are and what matters to them. It requires them to examine their values, question their assumptions, and hone their judgment. Invariable, they emerge from the crucible stronger, more sure of themselves and their purpose.

Leadership crucibles take many forms. Some are violent, life-threatening events. Others are more prosaic episodes of self-doubt. But whatever the crucible's nature, people create a narrative around it—a story of how they were challenged, met the challenge, and became better leaders.

As we study these stories, we find that they not only tell us how leaders are shaped but also point to characteristics that seem common to all leaders.

One common type of crucible involves the experience of prejudice. Being a victim of prejudice is traumatic because it often unleashes profound feelings of anger, bewilderment, and even withdrawal. For all its trauma, however, the experience of prejudice is for some a clarifying event. Through it, they gain a clearer vision of who they are, the role they play, and their place in the world.

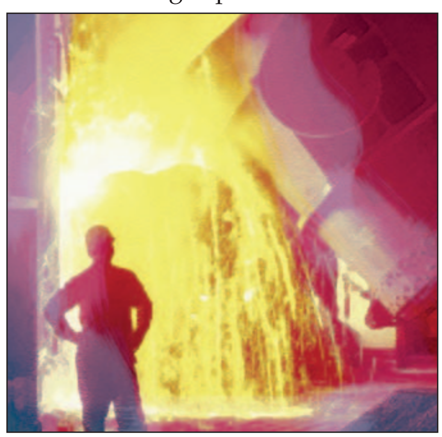
Prejudice can prove transformational rather than debilitating. Such cruelty can be the crucible that leaders imbue with redemptive meaning.

Some crucible experiences illuminate a hidden and suppressed area of the soul. These are often among the harshest of crucibles, involving, for instance, episodes of illness or violence. Fortunately, not all crucible experiences are traumatic. In fact, they can involve a positive, if deeply challenging, experience such as having a demanding boss or mentor.

Expatriate experiences greatly help them gain a clearer sense of their personal strengths and capabilities, preparing them for other difficult situations. Such experiences teach them to observe closely and to avoid jumping to conclusions based on cultural assumptions—invaluable skills in their efforts to smooth alliances within corporate cultures, including those of different regional operations. In fact, many leaders believe that they couldn't do their jobs if they hadn't once lived in a foreign country and experienced the dissonance of cultures. They also credit their crucible with building confidence.

Essentials of Leadership

Great leaders possess four essential skills, and these same skills allow them to find meaning in what could be a debilitating experience.



First is the ability to engage others in shared meaning. Consider Sidney Harman, who dived into a chaotic work environment to mobilize employees around an entirely new approach to management.

Second is a distinctive and compelling voice. Look at Jack Coleman's ability to defuse a potentially violent situation with only his words.

Third is a sense of integrity or strong set of values. Coleman's values prevailed even during the emotionally charged clash between peace demonstrators and the angry (and strong) former football team members.

Fourth is the critical skill of adaptive capacity or applied creativity. This is an almost magical ability to transcend adversity, with all its attendant stresses, and to emerge stronger. It's composed of the ability to grasp context and hardiness. The ability to grasp context implies an ability to weigh a welter of factors, ranging from how different groups of people interpret a gesture to putting a situation in perspective. Without this skill, leaders are utterly lost, because they can't connect with their constituents. With this skill, a person can not only survive an ordeal, but learn from it to emerge stronger, more engaged and committed. These attributes allow leaders to grow from their crucibles.

Reinvention in the Extreme

Almost all leaders describe their crucibles as opportunities for reinvention—for taking stock of their lives and finding meaning in hostile circumstances. In the extreme, this capacity for reinvention comes to resemble eternal youth—a kind of vigor, openness, and capacity for wonder that is the antithesis of stereotyped old age.

We borrowed a term from biology—neoteny, meaning "retention of juvenile characteristics in adults—to describe this quality, this delight in lifelong learning, which every leader displays, regardless of age. They are full of energy, curiosity, and confidence that the world is a place of wonders.

When infants see an adult, they often respond with a smile that makes the adult feel at the center of the universe. Nursing and other intimate interactions with an infant cause the mother's system to be flooded with oxytocin, a calming, feel-good hormone that produces bonding. And the baby's distinctive look and behaviors cause oxytocin to be released in the fortunate adult. Those oxytocin-inducing behaviors enable infants to recruit adults to be their nurturers.

Everyone is tested by life, but only a few extract strength and wisdom from their experiences. They're the ones we call leaders. Why do certain people seem to naturally inspire confidence, loyalty, and hard work, while others stumble? We believe it has something to do with the different ways that people deal with adversity and find meaning in negative events and learn from even the worst circumstances. The skills required to conquer adversity and emerge stronger and more committed are the same ones that make for extraordinary leaders. LE

Warren Bennis is founding chair of The Leadership Institute at the University of Southern California, author of 27 books, consultant, and speaker.

ACTION: Grow from your experience.

Raising Our IQ

It takes we-centric leadership.


by Judith E. Glaser and Nancy Snell

No work is more important for a leader than creating a culture in which all team members can contribute. That raises the collective IQ of the company and pays big dividends as the business gleans ideas for new strategies and improved processes.

Before most workers will share their ideas and insights, leaders must create the environment for sharing—it doesn't happen by telling people to do it. Leaders who create a culture in which decisions are made at the top can't turn on a dime and ask for help from the troops. They don't have the credibility. To develop it, they first must regard as assets the experiences, observations, and imaginations of their people—and create opportunities for them to ***experience*** what "we" can do for everyone.

Shifting Patterns

We find that coaching—for the leader and by the leader—can help change the culture and get people to see themselves as empowered team players. When a executive learns to communicate in a "we-centric" way, the IQ of the organization rises.

First, it helps to identify and break down some of the attitudes and behaviors of I-Centric leaders—patterns that make them less effective than they could be. These individuals refuse to share power or speak candidly for fear they will appear weak or soft. The I-Centric leader, perhaps unintentionally, turns the focus of the organization inward, because everybody wants to know what the all-powerful boss is up to. The company takes its collective eye off the customer—with predictable results.

I-Centric leaders often assume that voicing their ideas and repeating them will cause employees to embrace them. It doesn't work that way. They fall into the Tell-Sell-and-Yell Syndrome and create resistance rather than engagement. I-Centric leaders want to be the last word on everything. For these people, winning means somebody else has to lose. They never admit mistakes.

By contrast, we-centric leaders are not hung up on status and maintaining ultimate authority. They lead by example—showing others that it is essential to listen as well as talk, to share information and to learn from mistakes. They ***share power*** at meetings by giving the lead to your employees so they learn how to lead too. They ***seek feedback*** by asking, "How am I doing as a leader?" and listening and being open to change. They ***focus everyone on pleasing the client*** by turning attention outward, to the market. They ***share a framework for change*** by setting over-arching goals, asking people for strategies to achieve them, and engaging people in both. They ***behave like a leader*** by creating environments for success for everyone. They ***break down silos*** by identifying areas where territoriality is getting in the way, finding strategies to end turf wars, foster cooperation, and require teams of people to work together. They ***model the change*** by changing how they interact with others, admitting when they are wrong and showing that they can turn a mistake into a learning moment. They focus on ***creating the future*** by asking, "What can we create together that will enhance our business. And they ***celebrate we*** by sharing the credit and spreading the praise—emphasizing "we are all in this together."

Putting WE in Action

Once the leader has started creating a We culture, team coaching is a way to engage people. Start asking employees for their help in identifying ways to improve *partnering, performance* and *profitability*. This exercise determines what constitutes excellence for you, creates a common language about what good looks like, and helps to *identify* what is good and working.

Sharing culture. Sharing ideas, and best practices routinely is an essential way of elevating skills, generating enthusiasm, reinforcing culture, and building mutual trust so necessary for growth and profitability. As colleagues learn from each other, they are more apt to develop an "appreciative culture" where sharing is the norm.

Evolve your DNA: Don't expect overnight results. This process needs to become part of culture. As leaders repeatedly ask questions about how to do the job better, they create a virtual cycle of discovery, collaboration, and innovation. They create a community of colleagues who look forward to coming to work every day.

- ***Dialogue:*** These conversations need to be "dialogues" not "talk-ats." Set the ground rules and determine the scope and objectives, so each member can play a role in creating the future. Organize groups around common experiences to share best practices—a team of sales executives, or a team of marketing executives. Pay attention to group dynamics; don't let any one person, even the boss, dominate.
- ***Diversity:*** Select team members for diversity of viewpoint—in the clash of ideas new insights are formed.
- ***Describe Impact:*** Ask team members to describe processes they use that have a positive impact. Talk about how they can transfer this knowledge to others and how it can be applied across functions.

As a leader, you need to promote mutuality and counter territoriality and silo thinking by encouraging everyone to grow with you. As everyone receives feedback on their ideas, performance and behavior, your organizational IQ (and profitability) grow exponentially. It's a win-win, which is what We-Centric leadership is all about. **LE**

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ACTION: Shift to we-centered leadership.

Design Leaders

They make it happen.

by RitaSue Siegel

DESIGN LEADERS strive to move an enterprise forward, and they assume the role of key strategic players. A design leader can intelligently explain to management what is possible and develop processes to make it happen. Change does not happen quickly, and business model change is hardest of all to effect; but once a CEO throws down the gauntlet, a design leader must be engaged as part of the team to make things happen.

Few potential candidates for design leaders seek new positions. They are usually part of a growing, productive, creative, and rewarding organization. Design leaders are always receiving offers or inquiries. Most are too busy working to pursue the new opportunity.

To interest a candidate, we must articulate a compelling value proposition—a role that they can see themselves starring in. Once the prospective design leader buys into the vision and senior management team they have been invited to join, they often face a hard sell to their nuclear unit, including a move from their comfort zones to a place they have likely never been. Emotional issues of adjustment to the situation need to be resolved for the trailing partner and any children so that the design leader can focus on performing without undue distraction.

Most of our searches are for senior design leaders—people with at least 15 years of experience who will develop with new ways of doing things to differentiate a client's organization, create value for their customers, and make them a leader in their industry.

The only reason clients hire designers is because they want to lead their marketplace. The opportunity may involve new product or service development or transforming legacy products or services. Every company tries to improve its competitive position through better design, increased productivity, outsourcing, and so on. But that's just not enough today.

Design leaders integrate the design thinking process to improve competitive position. Design thinking is enlightened trial and error process wherein you observe the world, identify the patterns of behavior, generate ideas, get feedback, repeat the process and keep on refining. Like people, organizations can learn new skills by setting specific goals, obtaining feedback from constituents, and concentrating as much on technique as outcome. Talent is often overrated. Expert performers are nearly always made. Yes, practice does make perfect.

Leaders should be doing things they love. If they don't love what they do, it is unlikely that they will devote the time and effort to accomplish their goals. The desire to make an organization good at developing products or services, that people will pay a premium for, requires a design leader also motivated by love for the company, what it stands for, its potential, and the customers it serves. Design leaders are fascinated by people and passionately interested in developing new ways to connect with and please their customers and attract new ones.

Design leaders acquire and practice their skills asking for meaningful feedback as they gain experience.

Design leaders do not belong in silos. They contribute across functional areas. They get to know who does what and how things get done. They understand the big picture and how things tie together. Their role involves developing relationships to drive collaborations that create new opportunities. To develop a leadership culture, you must hire talented people who love to work and play well together, collaborate on a constant stream of always improving products, communications, services, systems and experiences that customers didn't know they needed or wanted, but do, and will spend a premium for when they see them.

Such design leadership provides companies with the ultimate competitive advantage. LE

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ACTION: Employ a design leader.

Execution Gold

Extract it in 10 days.

by Robert A. Neiman

MANY MANAGERS, proud of their company's ability to execute, are unaware of the productivity drain that execution shortfalls impose on their companies and the amount of "hidden gold" of higher productivity available to them—often in just 100 days.

When asked to assess the productivity loss in their companies due to execution shortfalls—such as day-to-day delays, missed communications, off-target activity caused by misunderstanding of assignments, inter-functional tensions, and other diversions—executives estimate from 30 to 60 percent!

Once people open their eyes to the issues of execution, they see that execution failures add up to big numbers. They also tend to shrug them off, seemingly accepting the losses as inevitable. That is a big mistake.

In competitive markets, every source of competitive advantage has to be captured. And the gains from better execution can be sizable. Moreover, they can be achieved with little investment—no big systems, no re-organizations—but simply by explicit attention to execution and determined effort to improve it.

A regional bank reduced the cost of a major systems installation 25 percent and cut the implementation time in half. This was worth $6 million. A chemical plant overcame its culture of frenzied activity and raised its profitability from zero to $14 million in six months. A large insurer produced $380 million of cost reduction across its operations in two years. An office products manufacturer raised its sales growth curve by $130 million in one year. A paper manufacturer rang up several hundred million in gains with sustained effort over a decade. These gains tapped the "hidden gold."

Three-Part Strategy

The strategy for extracting this hidden gold is deceptively simple.

1. Define a vital strategic goal as a clear and challenging imperative. In the bank, it was to reduce the cost and improve the payoff from systems installations. In the chemical company, it was to achieve profit in losing units. In the insurance company, it was to achieve best-in-industry expense ratios.

2. Call upon the leader(s) responsible for tackling the goal to break out a few specific rapid-cycle projects (100 days) to produce bottom line payoff. Insist on measurable bottom-line gain—not just planning, training people, installing a new system, or doing a study—but actual change.

3. Build into each project explicit attention to execution discipline so that the project is a true learning experience. Managers may assume that their people know how to execute at heightened levels when they do not. Coaching is needed to upgrade skills to keep pace with the expectations.

Four Key Disciplines

What are some of the key execution disciplines? Here are four examples:

1. Take responsibility. When confronted with a tough new goal, people typically fend it off: "Someone else has to act first," "More resources are needed," "We don't have time." Now, we're looking to the assigned manager to overcome these self-induced avoidance mechanisms by taking responsibility.

2. Define your assignment in writing. Good assignments emerge from extensive dialogue. Then, captured in writing, they set the goal, the rationale for tackling the goal and why now, how success will be measured, the target date for achieving the end result, key milestones, the review process, the people to be involved, policies to be observed, resources available.

3. Gain up-front involvement of downstream people. Identify the people to be affected and involved. Bring the "downstream people" in early to learn how the goal and plan will affect them, what they have to do to help make the effort successful. Then adjust the strategy in light of what is learned.

4. Follow up like crazy without driving people crazy. Mobilizing people to do their part to help achieve a goal takes consummate political skill and a follow-up process. There is no simple formula for following up. Managers need to find the right intensity, frequency, and content of follow up. LE

Robert A. Neiman is a founding partner in Robert H. Schaffer & Associates and is the author of Execution, Plain and Simple *(McGraw-Hill) www.rhsa.com*

ACTION: Extract execution gold.

Cycle Literacy

How literate are you?

by Peter Navarro

TODAY'S BEST LEADERS have a high degree of literacy in managing business cycles and run highly profitable companies with a strong business cycle orientation. Because of these skills, they can strategically and tactically exploit business cycle risk to hone competitive advantage.

Use this checklist to examine your own business cycle literacy:

1. Does your firm have a strong forecasting capability? You need to anticipate movements in the business cycle, your own industry cycle, and the related stock market and industry cycles. This forecasting capability can be fulfilled either in-house through units that run their own forecasting models and perform their own data analysis or by contracting out to forecasting services.

In smaller companies, this capability can even be fulfilled by leaders with a high degree of business cycle literacy capable of interpreting key leading indicators. Without such a forecasting capability your firm *will* be caught unawares by unexpected—but often easy to anticipate—recessionary or expansionary turning points.

2. Does your structure facilitate the flow of forecasting information <u>and</u> allow for decentralized decision-making based on the relevant information? Top management teams often ignore or insulate themselves from the advice of their middle management forecasting units. Witness Conexant, whose top management team was unable to either hear or heed the warnings of its own supply chain management analysts about a pending softness in the chip market. It went forward with an overly ambitious production program and got caught with a huge inventory—with disastrous consequences.

3. Is you culture conducive to a business cycle orientation? From the outset, the culture of big rig manufacturer Paccar conditions its employees to the need for layoffs during recessions. The culture of Nucor Steel promotes a "Share the Pain" program whereby everyone takes pay cuts and works reduced hours when recession comes. Culture can be an effective tool to buffer your firm from business cycle risk.

4. Does your company apply or violate the principles of master cyclist management? These well-timed strategies and tactics are arrayed in the Master Cyclist Management Wheel. For example, in marketing, the business cycle-oriented leadership team will aggressively advertise during recessions to build market share. Such a strategy can be effective because advertising costs are lower during recessions and the market is less cluttered with "noise." Similarly, the "Master Cyclist HR manager" will recruit from the swollen labor pool during a recession to cherry pick quality workers at lower wages.

5. Does your firm seek to hedge business cycle risk, exploit such risk, or simply ignore it? The best leaders seek to hedge the risks of the business cycle and to tactically exploit those risks. For example, while other firms in the industry typically hedge a fixed fraction of their fuel needs, Southwest Airlines expands and contracts its hedge according to the forecasts of its own internal model. Southwest has consistently outperformed all other airlines over the course of several prolonged oil price shocks.

Cultivating Cycle Literacy

Your firm cannot have a business cycle orientation unless your top management team evinces a high degree of business cycle literacy. Leaders must understand complex relationships between such things as global trade flows and currency movements.

To achieve excellence, leaders must cultivate their own business cycle literacy and increase the business cycle orientation. This is not only a lifelong task involving basic macroeconomic education, the development of in-house training programs, and developmental experiences over the course of the business cycle. It is also an area where new and exciting avenues to build competitive advantage may be found. LE

Peter Navarro is a business professor at the University of California-Irvine and author of The Well-Timed Strategy: Managing the Business Cycle for Competitive Advantage *(Wharton School Publishing). www.peternavarro.com.*

ACTION: Cultivate your cycle literacy.

Making the Connection

How your work environment feeds your bottom line.

by Will Ruch

LOW TURNOVER, A large pool of talented job candidates, high productivity, and top marks in customer satisfaction describe model workplaces. Innovative organizations are looking at these measures from a new angle: the work environment itself. They know that an effective environment—one in which employees feel productive, engaged and respected for their work—measurably impacts the bottom line.

The American Psychological Association (APA) recognized six organizations, including marketing communications firm Versant, for creating a psychologically healthy workplace. These six show that the return on this investment can be measured in hard numbers. At Versant, our associate productivity has increased 36 percent, revenue and profits grew, and 91 percent of associates want to stay.

What these six companies have in common is a commitment to develop and support a psychologically healthy workplace. George Graham, an organizational psychologist and member of the Versant Board of Advisors, notes: "No alignment of effort is possible in any organization whose purpose is vague. Such an organization will soon deteriorate into political, competitive fiefdoms. Constant, clear communication is the life-breath of any successful company."

The Comporium Group has found a way to help its 900 employees stay satisfied at work, and focused on customer service. When deregulation changed the Rock Hill, South Carolina telecommunications business environment, Comporium's management decided to change the culture. Recognizing the links between company growth, service excellence, and employee engagement, Comporium began by setting business goals, measuring progress, and rewarding performance. It also implemented practices that promote employee wellbeing. "Employee attitudes are everything in customer service, and that is the differentiator in our market," says Glenn McFadden, Executive VP of Operations. "If employees don't feel connected, they won't connect well with customers, so we concentrate on making sure our employees are happy at and with work."

Comporium's mystery shopper program and customer service surveys provide data-driven opportunities to increase employee engagement while keeping customer service top-of-mind. With both programs, positive feedback is shared publicly with all employees, while needs for performance improvement are handled through individual coaching and training. Employees brainstorm ways to improve their work processes and participate in customer-specific problem solving.

Results from the customer service

survey are a factor in Comporium's Incentive Compensation Program. Management and employees work closely together to set service goals each year, a process that helps every employee understand how he or she can contribute to business success. Comporium then shares a portion of its profits with employees as incentive compensation if the company and the employee both meet their respective goals. The program's structure allows greater rewards for employees who exceed their objectives. For employees who do not have direct customer contact, objectives are tied to company goals based on their functions.

The Comporium Group also set a goal to care for employees as family. They work hard to host memorable annual holiday parties and picnics. Employees can use flexible scheduling and paid time off to attend to family needs. Wellness programs, and awards for a job well done contribute to employees' satisfaction at work.

Since focusing on a psychologically healthy workplace, retention rates have risen. Today, the average employee has been with the company for 10 years. The Comporium Group continues to thrive financially.

ARUP Laboratories in Salt Lake City, Utah, finds that a healthy workplace is key to attracting and retaining employees. As fewer young people choose careers in science, attracting top talent in the biomedical industry is tough. "To recruit the best, we have to provide people with confidence that they will be doing meaningful work within a culture of respect where they can thrive," says Dr. Ron Weiss, CEO.

Owned by the University of Utah, ARUP provides clinical testing and anatomic pathology services. The foundation of ARUP's culture rests on always putting the patient first, creating a positive work environment, and acting responsibly personally and professionally. These Pillars are made tangible through effective communication and consistent leadership. ARUP's management meets regularly to focus on each Pillar. An open agenda at meetings encourages employees to bring up anything on their minds.

"Leadership vision sets the course, and employee engagement sustains it," says Weiss. "It's a simple business mode that translates into a workforce that takes exceptional care of customers."

Employees can take advantage of a free on-site health clinic, on-site cafeteria, a free fitness and wellness center, free lab testing for employees' families and pets, pet insurance, and personalized financial counseling. ARUP also offers flexible job schedules and a range of learning opportunities.

By establishing a psychologically healthy work environment, turnover is low (14 percent), productivity increases 13 percent per month, and ARUP can select employees from a large candidate pool of applicants a year.

A psychologically healthy workplace translates into more engaged, focused employees and more satisfied customers. Healthy workplace practices must be relevant to the employees and the business to contribute to stability and profitable growth. **LE**

Will Ruch is CEO and Managing Partner of Versant. Contact Will at. To learn how to create a healthy workplace for your organization, go to www.versantsolutions.com/hwp.

ACTION: Create a healthy culture.

Boost Return on Investment

Stop wasting money on new technology.

by Barry Sheehy

CAPITAL SPENDING on technology, which accounts for half of business investment, is making a comeback. This surge in investments presents us with a paradox. On one hand, it is good for the economy and bodes well for future improvements in productivity and value creation. On the other, this surge signals a return to the bad habits that characterize such investments—waste, rework, over-budget projects, and outright failures. Not long ago, we were writing off $100 billion in technology investments every year.

More than half of all technology-related investments fail to deliver promised value, come in late, or go over budget (and those that come in on budget usually do so because original estimates allow for enormous waste). It is common for churn (useless work) to consume 30 cents of every project dollar. Often, 35 percent of the investment portfolio is tied up in low-or no-value investments.

Now portfolios are under such scrutiny that most low-value investments are squeezed out. We've learned to be wary of leading (bleeding-edge) technology and doing things in-house that are best done outside. We've learned the value of breaking projects into smaller chunks. But few firms have set up disciplined investment management processes.

Root causes of wasteful technology investment are weaknesses in the management system. The solution lies in redefining how we manage IT investments. Today, it is hard to create value without involving technology. So, the technology and business components of the investment must be managed as a whole. Separating them guarantees you'll waste money.

Not Tracking the Right Things

Most leaders recognize the need to be more involved in managing their technology investments, but they lack the tools—including metrics, optimization processes, risk management tools, and governance models.

We see a steady decline in the ability of teams to manage risks even after the sources are clearly identified. Project teams lack the power, influence, and levers to fix the problem. Paralysis occurs because technology investments have grown more complex and require strong governance across functions and business lines. Often, these horizontal links are weak because governance models are rooted in vertical businesses or functional silos. This results in the bulk of the mandate and the project staff coming from a single business line—while the breakthrough power of the investment lies in making horizontal linkages.

It's not easy to fix, because power flows vertically, and any investment

lacking support stands little chance of success. Once the spending machine starts up, commitments are made, and careers and egos are put on the line, it is hard to change course. Momentum builds, and there is not enough governance to change course. Our governance doctrines and protocols are outdated.

The Way Out

The solution is to update our doctrines for managing investments involving technology. The first step is to tighten up front-end portfolio management and investment optimization by insisting on better business model planning and business cases. Next, assess the risk of investments. Make mitigation of the identified risks compulsory for continued funding, and track progress. Next, build an end-to-end investment management process that measures front-end business case assumptions against risk scoring and mitigation and back-end performance.

Here are the elements of the solution:

- Build an up-front investment optimization system to ensure money is allocated in the right areas—from a strategy and ROI perspective.
- Ensure that investments are subject to disciplined risk assessment, employing up-to-date risk modeling built around your pattern of execution.
- Establish a closed-loop tracking system to compare front-end business case projections with risk-assessment scores (and corrective actions) and backend delivery performance. Create a system that tells you: *what was promised, what risks were identified, what was done about them, what was delivered in the end, and what was learned along the way.*

By incorporating this information, you can set and track aggressive investment efficiency-improvement goals measured in terms of ROI and PTI. You can also track the cost of achieving each incremental dollar of revenue or profit. You can then set targets for improving the number of investments that achieve their original projections (on time, on budget, on scope and on value). Even a small improvement can produce huge returns.

Next Wave of Margin Improvement

This tracking of investment efficiency in technology-intensive investment represents the next frontier in margin improvement. Today, with large-scale outsourcing and component architecture, we are seeing ROI improvements on fixed technology investment. Now, attention is turning to new technology investment. And the numbers justify this attention.

What makes all this tricky is that the success or failure of new technology spending is primarily influenced by business factors. Governance, market planning, value propositions, and competitive environment are greater sources of risk to technology spending than any failure of the "black box." Yet many leaders still think their technology team is the problem, when really it is the management system. This is why new metrics and tools are needed. All it takes is for the CEO to insist on them.

Armed with better tools and information, leaders can make better decisions, the impact of which will find their way to the bottom line. **LE**

Barry Sheehy is President and CEO of CPC Econometrics, Inc. www.CPCEconometrics.com

Action: Improve your investment efficiency.