Excellence in Financial Management

Discussion Board Articles Year 2004

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Is Web Services the Next Big Thing?

No technology since the dotcom revolution has received as much attention as Web Services. Imagine a world where business transactions are conducted over the internet with little or no human intervention. Imagine a world where hardware and software (applications, networks, devices, PC's, Cell Phones, PDA's, etc.) are all integrated through the internet, allowing seamless flow of business information across the entire value chain. And the good news is that no major investment in technology is required – existing infrastructures of all kinds are pulled together through a standard model. Such a vision of business is called Web Services.

"Web services will quietly transform the way you do business, whether you're ready or not. A web service application is simply a piece of software that sits between my partners and me and allows all these desperate systems to communicate more easily. So if we can reduce the complexity of connecting systems together, we can either reduce our IT resources or put them to better use to make companies more efficient and competitive."
- Harvard Business Review, September 2003

Let's illustrate an example of how web services can transform what you do. Almost everyone uses the internet to display documents using a web browser (such as Internet Explorer). However, there is limited functionality in how you can use this data when viewing it over the internet; i.e. you can display it, but you can't download it into a spreadsheet. Suppose we could go around the web browser and place the data directly into a spreadsheet or perhaps, we need to send data to our PDA (Personal Digital Assistant). Web Services is programming for the internet and since everyone and every organization is connected through the internet, the potential is enormous.

"Web services technology – which represents the next stage in distributed computing – will profoundly affect organizations in 2002 and beyond. Almost every type of business – from small organizations to large, global enterprises – can benefit from web services. Companies are already implementing web services to facilitate a wide variety of business processes, such as expediting the development of corporate software, integrating applications and databases, and automating transactions with suppliers, partners, and clients."
- Web Services: A Technical Introduction by Deitel & Associates

So how does it work? Web service's relies on a protocol called XML or Extensible Markup Language. XML places descriptive tags around data, making the data portable across all kinds of platforms and applications. From an IT (Information Technology) perspective, XML is the language for processing business transactions. Besides XML, web services uses three other protocols:

SOAP (simple object access protocol) provides the instruction code that gives the XML data processing power in the web service world; i.e. we need to submit request, process the request, and get a response back.
UDDI (universal description, discovery and integration) provides a directory of web services, similar to how you look up a business in the Yellow Pages.
WSDL (web services description language) provides a description of the web service so you can distinguish different types of services being offered by service providers.

"There is much debate as to whether web services are an evolution or a revolution. My view on this issue was expressed in the title of a column I wrote for IBM developerWorks. The column was called 'The Web Services (R)evolution' because I think that web services are both an evolution of distributed computing and the launch point for a revolution in the way we think about building large scale systems."
- Web Services: Building Blocks for Distributed Systems by Graham Glass

Before you rush out and launch a Web Service Project, some words of caution are in order. Web Services has failed to really take off due to issues such as reliability, security, and scalability. Also, XML is a sword sharp at two ends – it makes data very portable, but it can more than double the data load since everything is wrapped in a descriptive tag for processing. Additionally, web services seems to be stuck as a basic message processing service, unable to handle business transactions that require logic and business rules.

However, for businesses that rely heavily on technology, web service's warrants some serious attention. Just like when the Personal Computer was introduced, the potential of web services is significant. Therefore, if you are serious about technology and business processes, then you need to keep web services on your technology "radar screen" since it could be the next big thing.

"Web services are much like the magic stone in the folk tale about stone soup. As the story goes, a soldier comes to a small town where there is little food. The soldier declares that he has a magic stone that would make a great soup. The villagers, one by one, not wanting to be left out, bring meat, vegetables, and spices to add to this magic soup. In the end, they all enjoy the soup and everyone marvels at how wonderful a meal could be made from nothing but a stone."
- Brave New Apps by Robert P. Lipschutz, PC Magazine, October 1, 2003

From Shareholder Value to Stakeholder Value

Some of the most significant sources of value for an organization are elusive, non-quantifiable and not easily discerned. One way to cast a wide-enough net for capturing these elusive elements of value is to take a stakeholder approach to the business as opposed to the traditional shareholder only view of everything. By taking this stakeholder view, resources are better utilized for long-term value creation. This approach to business can be bold in contrast to the shareholder type view, which tends to be somewhat traditional. We can begin by contrasting these two approaches:

A shareholder only approach usually has several characteristics, such as:

- Narrow Focus, driven by numbers and things that have been quantified and measured.
- Executive Management may react to valuations in dramatic ways (mergers, layoffs, etc.).
- Performance evaluation tends to be financially focused with little emphasis on intangible drivers of performance.
- Sources of value tend to be isolated systems, fragmented, and not coherent.
- Slow to respond to change; new ideas are not easily understood
- Management tends to quickly embrace a quick fix solution, sometimes adopting the latest fad despite the fact that it may not fit or it is not well-tested.
- People who create value may be viewed as "too radical" and somewhat out-of-step.
- The bottom line focus is on earnings.
- Traditional approaches to growth – allocate resources to marketing, acquire other companies, control costs, etc.
- Business success is what we create for our shareholders.

Contrary to a "shareholder" only viewpoint, stakeholder thinking tends to be deeper and broader. A stakeholder approach may include the following characteristics:

- Sustainable, competitive thinking that tends to be visionary.
- Multi-view of the organization regardless if it is quantifiable.
- Performance evaluations follow strategic issues, not just operations.
- Strong value systems across the entire value-chain, extending to external stakeholders
- Easy flow of new ideas and innovation (very change oriented).
- Management does not embrace quick fix solutions; instead opting to move cautiously and incrementally to avoid paying a heavy price.
- People who create value are most likely to advance within the organization.
- The bottom line focus is on value – what value are we adding?
- Growth through the intangibles – relationships, competitiveness, knowledge workers; thinking in terms of opportunities for growing the business around core competencies.
- Business success is what we create for all stakeholders, not just shareholders.

"A value is a belief in action. It is a choice about what is good or bad, important or unimportant. Values shape behavior. Until a value is acted upon it remains an aspiration. Values are hard to detect; yet they underpin organizations like the foundations of a house. If the foundation is weak, then the house falls down."
- <u>Unblocking Organizational Values</u> by Dave Francis and Mike Woodcook

One way of moving away from shareholder value to stakeholder value is to identify the real drivers behind value creation for your stakeholders. These bottom layer drivers will give you great insight into what really works on reaching the upper shareholder layer of value. This type of thinking needs to permeate all levels of the organization so that eventually, everyone is asking the question: How does my behavior or actions impact value and what can I do to create more value?

"What people value causes organizations to have cultures and acquire the reputations they have. World-class companies usually have cutting-edge technology, superior management systems, outstanding electronic systems, and database management, but their reputations all come back to human beings – the people who make decisions and take actions in these organizations, while using technological and management systems and tools. One of the critical characteristics of successful companies is a careful balance between the values, interests, goals, and objectives of the organization, and the values of the individuals who work for it."
- <u>Value Driven Management: How to Create and Maximize Value over Time for Organizational</u> <u>Success</u> by Randolph A. Pohlman and Gareth S. Gardiner

One common trap to value creation is to become overly pre-occupied with metrics. You should not confuse value creation with value-based metrics. Value type metrics are widely accepted and understood – things like EVA, Cash Value Added, Return on Investment, etc. However, the biggest sources of value (things like leadership, innovation, ethical behavior, knowledge, etc.) are not easy to quantify.

"Value is added in the sense that the situation is better than if nothing was done at all. But value is destroyed in the sense that the optimal value has not yet been implemented."
- <u>The Value Mandate</u> by Peter J. Clark and Stephen Neill

Value-creation is a constant and difficult struggle since we can't predict the future and many of the most important drivers of value are not measurable. Therefore, it may be appropriate to focus on only a few key drivers of value since organizational resources are limited. For example, one of the ultimate drivers of value resides in your people. So if you want to start at one single point on real value creation, begin with your human resource capital. One reason this is important is because people transcend and help you meet the value-proposition required by your other stakeholder groups – customers, suppliers, partners, etc. People represent the fluid dynamics that binds all stakeholders, covering the full range of value-creation in this age of stakeholder value and not just shareholder value.

"We don't believe in the word 'measurement.' We don't supervise or manage people here; we lead. And we don't have employees; we have people. We don't have human resources; we have a people department. Our emotional contract with people is to treat them with respect, allow them to have input into the company, and allow them to self-actualize within their jobs."
Stephen Smith, CEO of WestJet

What People Need are Coaches! (Part 1 of 2)

There are plenty of programs to help build and develop human resource capital within the organization; things like personal balanced scorecards, emotional intelligence, and 360 Degree Evaluations. However, trying to implement these solutions is not easy. Additionally, many of these initiatives involve considerable effort with somewhat mixed results. What we need are very informal, straightforward approaches to managing people for higher levels of performance. The answer may reside in coaching. Coaching has been very evident in sports – we've all seen how great coaches can turn a team of players into champions. And now coaching has emerged as the hottest thing for managing people.

Coaching is a form of supportive relationship that elevates the employee to a level of maximum performance. Coaching is about interacting with people, teaching them to produce exceptional results for business. Coaching is for anyone who must manage someone else.

"The business community is finally realizing what sports experts have known and practiced for years: individual attention from managers is the surest way to unlock an employee's potential. The payoffs for becoming a manager-coach are clear: productivity, efficiency, reliability, and profitability."
- The Coaching Revolution: How Visionary Managers are Using Coaching to Empower People and Unlock Their Full Potential by David Logan and John King

Coaching runs contrary to the traditional manager, things like control, rules, and heavy-handed mandates. Coaching is much less formal and more collaborative. Just like in sports, veteran (more experienced workers) are mixed with the new recruits to make sure people have a chance at success. Contrast this to the current sink or swim environment that many are thrown into, only to burn out under the intense demanding workload.

With increasing pressure to do more, not to mention the high levels of change, employees now more than ever before need high quality coaching environments. For example, in sports the coach immediately intervenes when he detects a player not performing to his or her potential. Coaches transfer their knowledge of the game, showing the player how to execute. Coaching exemplifies some of the best characteristics in leadership – a personal relationship between manager and employee, tapping into the emotions of the worker to drive high levels of performance, and effectively communicating and transferring the knowledge so the worker can apply it on the playing field.

"Organizations are the ongoing creations of people who work in them. Treating organizations as if they were huge machines, as is done with command and control, badly misunderstands the nature of the phenomenon. To sum up and simplify what I'm saying, coaching is a way of working with people that leaves them more competent and more fulfilled so that they are more able to contribute to their organizations and find meaning in what they are doing."
- Coaching: Evoking Excellence in Others by James Flaherty

Coaches often motivate and compel people to exceptionally high performance levels through great communication. There is great power in the spoken word and coaches use this technique all the time. Some of the best coaches use extremely powerful words to reach players in a language that makes sense. And they say it with passion.

"To be successful, you've got to be honest with yourself. Success rests not on ability, but upon commitment, loyalty, and pride. Success in anything in this world is 75 percent mental. In our league, most times the teams are evenly matched in ability and physically. And it is usually the team that is best mentally prepared on that particular day which wins the ballgame. Success is paying the price. You have to pay the price to win – to get there and to stay there. Success is not a sometime thing; it is an all time thing. You don't do what is right once in awhile, but all of the time – success is habit, winning is habit."
- Coach Vince Lombardi of the Green Bay Packers (from the book: The Essential Vince Lombardi by Vince Lombardi, Jr.)

Coaches are very engaged with their players, teaching them to think smarter and do things better. Coaches are very good listeners; they also learn and love to teach others what they know. Coaches dig deep into the emotions of others, creating a bond between the coach and the player. Coaches are extremely deliberate and forceful when it comes to:

- Seeking out the most talented people
- Defining results and holding people accountable for their results
- Providing immediate feedback on how people can produce the desired results
- Rewarding and recognizing people for their successes

"We must see people in terms of their future potential, not their past performance. Coaching delivers results in large measure because of the supportive relationship between the coach and the coachee, and the means and style of communication used. The coachee does acquire the facts, not from the coach but from within himself, stimulated by the coach. Of course, the objective of improving performance is paramount, but how that is best achieved is what is in question."
Coaching for Performance: Growing People, Performance and Purpose by John Whitmore

One of the most significant dilemma's facing almost every organization is a lack of leadership. People desperately need leadership in order to perform. And coaching represents the essence of leadership. As author Ferdinand F. Fournies points out in his book Coaching for Improved Work Performance, Managers are not paid to get results, they are paid to get results out of other people.

Coaching is one of the most potent management techniques for improving performance. This approach to managing (coaching) is what drives performance in sports; so why not use it in the workplace? Coaching is what people are looking for from management and as a result, coaching fulfills the basic performance needs of employees. Coaching is truly one of the best ways to manage people. Part 2 of this article will outline some specific characteristics for transforming managers into coaches.

"Coaching lies at the heart of management, not at the edges. Coaching is everything you do to produce extraordinary results in your business with colleagues amid change, complexity, and competition. Coaching is everything you do to improve your strategic thinking about the business future you want to create. Coaching is everything you do to ignite personal and team learning in solving business problems while building the organization capability you need to succeed. It is everything you do to give you and your entire organization an edge and advantage."
- Masterful Coaching Fieldbook by Robert Hargrove

What People Need are Coaches! (Part 2 of 2)

Part 1 of this article laid the groundwork for transforming managers into coaches. Part 2 of this article will focus on what every manager can do to become a great coach. Much of this transformation from manager to coach is rooted in the relationships a Manager has with co-workers. In their book Stop Managing, Start Coaching, authors Jerry W. Gilley and Nathaniel W. Boughton describe nine key components behind a manager-employee relationship:

1. Freedom from Fear (think outside the box)
2. Communication (two way, not one way communication)
3. Interaction (Spend time with your employees)
4. Acceptance (non-judgmental)
5. Personal Involvement (get to know your people personally)
6. Trust (sharing, respect, openness)
7. Honesty
8. Self Esteem (focus on what a person is good at)
9. Professional Development

One of the key drivers behind an effective coach is being able to influence and teach others. Likewise, the best employees for the team will be those who are life-long learners; i.e. they enjoy having the coach teach them, learning new concepts, and applying knowledge to problem solving.
Therefore, quality-coaching environments will require the right kind of manager (willing to spend the time on coaching) and the right kind of employee (very receptive to learning).

One of the key foundations behind coaching is the evaluation of performance data. Coaches use very quantifiable benchmarks of performance, comparing current performance against these benchmarks of excellence. Therefore, in order for a manager to be highly effective as a coach, the manager will have to:

-   Establish a set of quantifiable goals in terms of time, money, or some other specific metric
-   Collect measurement data on a regular basis to evaluate performance. Things like surveys or even casual observations can help. More sophisticated approaches such as the 360 Degree Evaluation Model can be used for consistency throughout the department or organization.
-   Analyze the performance data, identifying the gaps in performance and areas for improvement. Working with the employee to close the performance gap.
-   Once goals have been reached, establish a new set of goals and go through the process again to continuously make progress.

Perhaps the single biggest driver behind coaching is leadership. Coaches tend to have outstanding leadership skills. The legendary coach Vince Lombardi summed it up as follows:

The Lombardi Rules – The Winning Model

1. Know yourself – You can't improve on something you don't understand.
2. Build your character – Character is not inherited, it is something that can be, and needs to be, built and disciplined.

3. Earn your stripes – Leaders earn the right to lead, they manifest character and integrity, and they get results.
4. Think big picture – big picture is your roadmap and rudder. It can't change in response to minor setbacks, but it must change as the competitive environment changes.

- What it Takes to be #1: Vince Lombardi on Leadership by Vince Lombardi, Jr.

In conclusion, coaching is about assisting and collaborating with others to improve their performance in a one-to-one, personal relationship. Coaching is about becoming passionate over performance and results, conveying this performance in very measurable terms to people, holding them accountable for these measurements, and above all else, helping them get there. Coaching exemplifies the best qualities in managing since it offers what people need for optimal performance.

"To be successful as a people manager, you must recognize three very basic facts about your role as a manager: Management is the intervention of getting things done through others. You need your employees more than they need you. You get paid for what your employees do, not for what you do. If you accept these three basics, you will come to some very important conclusions about the most appropriate interventions necessary for you to become a successful manager. It also means that the more successful you wish to be in the business world, the harder you must work to do everything possible to help your employees achieve, rather than fail."

- Coaching for Improved Performance by Ferdinand F. Fournies

The Art of Game Theory

One of the most challenging objectives for any organization is to make the transition from formal strategic planning to informal strategic thinking. Strategic thinking is one of the most powerful forces for creating value. In order to make this transition, we can look at business decisions in terms of playing a game. By applying this "game theory" to decisions, people tend to make strategic decisions in a very natural way.

Game Theory can be invaluable for effective strategic decision-making; answering questions like: What businesses should we compete in, what markets should we go after, should we partner with certain companies to survive, etc. The "game" represents your current strategic situation and "game theory" is the formal structure by which you make decisions within this strategic situation. Game Theory recognizes that decisions you make (as well as your competitor's) impact's the strategic situation.

"Challenged as never before with designing a high-value company game plan, executives often get blindsided by competitors' moves they failed to anticipate. To safeguard against nasty surprises, you must think carefully about what actions competitors might take. Strategic Gaming – a structured, comprehensive approach to putting yourself in your competitors' shoes – enables you not only to play the competitive game more effectively, but also to create one that improves your value prospects by influencing other players' actions."
- Shaping Winning Business Strategies with Game Theory by Paul Papyoanou, Financial Executive Magazine, March / April 2003

Two opposing approaches to game planning are the Zero Sum Game and the No Zero Sum Game:

Zero Sum Game – Two companies are locked in fierce competition and only one company can possibly survive.
No Zero Sum Game – Numerous businesses exist and formulate their own unique strategies for market share. Each tends to play by its own set of rules. A decision matrix is sometimes used to plot moves, just like a sports team will plot moves on a play board.

For most companies, game theory resides somewhere between these two extremes. Developing a game plan usually consists of three basic steps:

1. Identify your key competition and map out strategies for those who threaten your market share. Depict the entire game for critical players and evaluate choices for winning against the competition.
2. Assign payoffs to various choices and plot the sequence of events. Determine which of these moves is most likely to occur through hard competitive intelligence.
3. Develop a plan for playing and winning the game that you expect to unfold.

Game Theory provides some interesting lessons in strategic thinking. For example, if you want to win at any game, then you have to have competitive skills. So if you are great at playing tennis, you should not try to compete at football. The same holds true in business – build on your competitive advantages instead of competing on things that are outside your core competencies. Also, game theory takes a "war" like approach to business, which in many cases is much closer to reality than ignoring your competition. Understanding your competition is critical to strategic thinking and game theory organizes the process as part of the planning exercise.

"For many organizations it is a dog-eat-dog world. In every commercial organization, there are talented people planning strategies to increase their business at the expense of the competition. Many noncommercial organizations find themselves under threat from those who provide their funds. The successful organization studies external threats and formulates a strong defense. It adopts this value: Know thine enemy."
<u>Unblocking Organizational Value</u> by Dave Francis and Mike Woodcook

Although game theory has been around for years, it didn't receive recognition until it was the subject of a move titled: "A Beautiful Mind." Therefore, game theory is the art of looking at the strategic landscape in a much different way. Most people will fail to think this way, but game theory can provide a powerful framework for having this "beautiful mind."

"Game theory is a different way of looking at the world. In game theory, nothing is fixed. The economy is dynamic and evolving. The players create new markets and take multiple roles. They innovate. No one takes products or prices as given. If this sounds like the free-form and rapidly transforming marketplace, that's why game theory may be the kernel of a new economics for the new economy. "
- <u>Co-opetition</u> by Brandenburger & Nalebuff

Avoiding Six Sigma Sickness

It seems everything within corporate America is getting six sigmitized. Yes, Six Sigma is a well-defined methodology for improving quality, which in turn, leads to control over costs. However, like any major business initiative, Six Sigma can have its drawbacks. This article will outline a few of the pitfalls that sometimes are associated with Six Sigma.

Before we jump in – let's go back to what Six Sigma is. Six Sigma is about how you use resources and the more resources consumed, the higher your costs. Therefore, if we require less time, effort, materials, and other resources to produce something, then we invariably lower our costs. Activity Based Costing also tried to deliver on this cost control approach; but Six Sigma finally broke through on giving management a set of standard tools for controlling costs within a process. One of the big payoffs for Six Sigma over other re-engineering programs is that more effort is not required (at least that's what the experts say). Unlike other process improvement programs where people are forced to work harder, Six Sigma is aimed at getting people to work smarter, not harder.

"It would be a mistake to think that Six Sigma is about quality in the traditional sense. Quality, defined traditionally as conformance to internal requirements, has little to do with Six Sigma. Six Sigma is about helping the organization make more money by improving customer value and efficiency. Six Sigma focuses on customer requirements, defect prevention, cycle time reduction, and cost savings. Thus, the benefits from Six Sigma go straight to the bottom line. Unlike mindless cost-cutting programs which also reduce value and quality, Six Sigma identifies and eliminates costs which provide no value to customers, waste cost."
The Six Sigma Handbook by Thomas Pyzdek

Where Six Sigma does excel is in the setting of standards for measuring, analyzing, and reducing inefficiency. However, forcing every single business activity into this Six Sigma Model may not work. Such was the case with NBC, a business unit of General Electric. Not every activity or process should be squeezed into a quantifiable model when in fact, the real value proposition gets completely lost. For example, a book publisher followed the Six Sigma Model in the production process of books. The production process became perfect – every letter on every page was produced without defects and no books were rejected from the assembly line. However, no-one was interested in buying the books – the content itself was poorly developed. The real value that the product creates for the customer got lost in the Six Sigma frenzy of perfection within the production process.

Another common problem with Six Sigma is playing games with the numbers. How you categorize and define defects is significant in how well you meet Six Sigma targets. For example, do you look at the number of defects throughout the motherboard of a personal computer or do you look at defects on the PC Battery installed on the motherboard. By simply changing the definition, you can dramatically change your sigma level of perfection.

Like so many major initiatives, Six Sigma can receive less than enthusiastic response from workers. For example, Six Sigma can be somewhat divisive – a few people are chosen as Black Belts, a larger group is selected as Green Belts, and others are not included at all. In order for Six Sigma to be truly accepted, everyone should be given an opportunity to become a Green Belt and people who have demonstrated strong leadership on improvement issues should be considered for Black Belts. Don't exclude people on such a major enterprise-wide initiative as Six Sigma.

Start with selected processes; don't go full scale until you work out the bugs. From initial projects, you can roll-up "lessons learned" into further projects. Up to one-third of your process should be considered for Six Sigma at the outset since many will fail to fit with the Six Sigma methodology. You want to flush out the successful practices that will work since you need to leverage your investment in Six Sigma. And the investment can be high (especially for black belt training). Additionally, it's best to run pilot programs to work through design flows and techniques.

Finally, Six Sigma should not be viewed as TQM (Total Quality Management) or a new approach to re-engineering. People are very skeptical over such initiatives. Instead, you should allow people to use Six Sigma as a set of management tools for changing how they do things. And when balanced against other value-added management processes, Six Sigma should compliment and add value in its own unique way without impeding other critical drivers of success. If you fail to find this right balance, Six Sigma can be a recipe for making you sick.

A good example of how Six Sigma can make you sick was Polaroid. Polaroid, a large manufacturer of cameras found out the hard way. Polaroid put enormous emphasis on quality, but failed to pay attention to a critical product substitute, digital cameras. As a result, Polaroid went bankrupt despite its outstanding quality. So make sure you balance Six Sigma against all those other factors in running your business; otherwise you will destroy value in the name of quality. This is perhaps the biggest risk with Six Sigma – getting blindsided by all those other things that impact your business.

Keep in mind that "quality" is almost a given in the marketplace; i.e. when you and I buy an automobile, we expect high quality. The point is simple – quality may not be as important to your long-term survival as other factors. And if your focus is narrow and driven by Six Sigma alone, then you will invariably get sick, just like Polaroid.

"Implementation of any change effort within an organization is difficult. However, compounding the difficulty with Six Sigma is the level of associated comprehensive tools and techniques. Resistance is a natural, often genetic reaction to any change in our lives. Unmanaged and unaddressed, the resistance to Six Sigma will spell the downfall of the effort."
- Making Six Sigma Last by George Eckes

Appreciating 'Appreciative Inquiry' (Part 1 of 2)

In order to plan and look forward in a meaningful way, we need to first look back, appreciating the things we do well. It is those things that we excel at that gives us a strategy for a bright future. In a rapidly changing world, traditional approaches to planning often don't work. We assess strengths, weaknesses, opportunities, and threats, developing strategies to address a multitude of issues, only to have wasted resources and time trying to address issues that are difficult to control. Instead of this long exercise in planning, we need a much more rapid and direct approach to getting the organization and its people mobilized for the future. When we focus on the "positive" things that we do well, not only do we galvanize our resources better, but we also energize our people around things that they can accomplish. This simple and powerful approach to planning and change management is called Appreciative Inquiry.

Appreciative Inquiry is one of the most effective techniques for transforming companies since it tends to be very direct, very positive, very inclusive, and very real (rooted in past performance that works as opposed to untested fads that management forces upon the organization). Appreciative Inquiry is a way of thinking – acting on the "power points" of the organization, recognizing that if an organization wants more of something, it already exists! All you really need to do is to identify the things that currently work, what conditions allow this to happen, and how can we cultivate this to build a more sustainable future.

One obvious starting point is to get people engaged in a conversation about what's working. This is the "inquiry" part of Appreciative Inquiry. In every individual, team, department, and organization, there is something that works. What works becomes the reality or culture of the place. The act of asking questions (making inquiries) will create the positive influence on getting people to make progress. This can be extremely important for managing change since people tend to be more comfortable trying to execute things they currently do as opposed to forcing a whole set of new mandates upon people, not rooted in past performance.

If we expect to have a serious "inquiry" take place, then we need a viable learning environment. We can apply many concepts from the so-called learning organization, first pioneered by author Peter Senge in his landmark book The Fifth Discipline. Learning organizations provide the right catalyst for Appreciative Inquiry to work:

- People are more aware of what works and what doesn't.
- The organization becomes more aware of what works and what doesn't, providing the baseline for knowledge management.
- Visions bubble up from the bottom since we now have people engaged in a dialog of what to do. Senior managers who typically design the plans are now spending more time collecting the visions, developing strategies from these "mini" visions and putting a strategy in place that naturally fits with what people can execute on.
- Everyone has a strong opportunity to learn and freely ask questions. Nothing is sacred in the world of Appreciative Inquiry.

Learning organizations lend themselves to Appreciative Inquiry for a very simple reason – they communicate and share the "excellence" that takes place within the organization. This becomes the baseline for Appreciative Inquiry to work and if we can encourage this excellence, we have a real strategy for growth.

Sometimes a common theme may emerge, establishing the baseline – such as an organization that comes to realize that it has very strong brand appeal in the marketplace or perhaps, we learn and appreciate that our organization is perceived as a leader in quality customer service. Whatever the excellent themes are, the key is to recognize them and magnify them to lock-in a viable future. And one of the best things about Appreciative Inquiry is that the bad stuff (the things we don't do well) gets de-emphasized. This frees-up limited resources, redefining a reality that we can sustain.

"Appreciative Inquiry was the catalyst for a positive step change in customer service at British Airways in North America. The use of Appreciative Inquiry transformed the entire organization in ways that we could not have imagined." – Dave Erich, Executive Vice President, British Airways

Given the inherit difficulties with so many other approaches to strategizing, such as SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis and Scenario Playing, Appreciative Inquiry is posed to become a main-stream approach to strategic planning. And when combined with concepts associated with the learning organization, Appreciative Inquiry is a potent force for change management. In Part 2 of this article, we will outline the 4D Model of Appreciative Inquiry and link it to the learning organization.

"Appreciative Inquiry is both a process and a philosophy. It represents a frame of mind and a fundamental approach to life that is grounded in the positive, while being a process by which to appreciatively see and co-construct the world. In other words, as people share with each other what they believe and think, they influence each other's views of the world. Together, people socially construct the worlds they live in creating meaning through social interaction. In an organizational context, as people talk to each other and share their views of the company, their work together, and their compensation plans, they create a shared understanding of the company – fundamentally the company as they see it."
- Appreciative Inquiry: An Alternative Lens for Rewards in the New Economy by Lia Bosch and Gervais Goodman

Appreciating 'Appreciative Inquiry' (Part 2 of 2)

Simple things often work best – easy to design and implement. When it comes to strategic planning and getting the organization to move, Appreciative Inquiry can be the preferred approach because of its simplicity. In an effort to get Appreciative Inquiry working, we can follow the 4 D Model: Discover > Dream > Design > Deliver.

Discover: Start with a discussion about the best experiences within the organization. What conditions led to these great experiences? At what point did we really execute? What reward and recognition programs fueled these high points? What can we do to cultivate and build on conditions that create success?

One of the take-aways from the Discovery step is a common theme(s). Perhaps you are able to capture a new or better vision and strategy. Maybe roles and responsibilities get redefined. Whatever the deliverables are, we learn and create a set of critical conditions for future success. This is why a learning environment is so important to making sure Appreciative Inquiry will work. Without a strong learning organization, you really can't get past the first step of Appreciative Inquiry.

If you are not sure about how to create a learning organization, then consider these critical questions:

- How adaptive is the organization to change; especially with external forces?
- Is there a deliberate process in place for both individual learning and organizational-wide learning?
- Does the organization have an open culture, encouraging new ideas and innovation?
- Is the organization using with it learns, translating new knowledge into results?
- Does the organization reward and recognize learning and growth?

Dream: Capture the various visions that exist throughout the organization. Establish strategic goals from the positive things already in-place – already doing it, but if we could do more of it, then this will happen.

Design: Specific action plans are now developed based on the value propositions from the Dream step. What actions must we take to realize our dreams? How best do we deploy resources to nurture these dreams? In some cases we may have to become more flexible – giving people increased opportunity to feel energized around these dreams. Perhaps we need more technology to empower the workforce or maybe a peer review evaluation process is needed to bind team members across functional areas. Regardless, you need to have a design plan for making the dream a reality.

Deliver: Once everyone concurs on the design plans, it's time to start doing it. Specific responsibilities must be established along with measures of accountability. It is also important to monitor the resource needs since assumptions from the Design step invariably require revisions. Therefore, the Deliver step of Appreciative Inquiry often leads us right back to where we started – discovering and learning new things, going through the 4 D Model iteration of Discover, Dream, Design and Deliver. And perhaps this is why Appreciative Inquiry is easy to implement, the ease at which we flow through the four phases, making progress with each iteration.

"Appreciative Inquiry is a complex philosophy that engages the entire system in an inquiry about what works. The inquiry discovers data that is then analyzed for common themes. The group articulates the themes and dreams of "what could be" and "what will be." *What will be* is the future envisioned through an analysis of the past. The entire system maintains the best of the past by discovering what it is and stretching it into future possibilities. This differs from other visioning work because the envisioned future is grounded in the reality of the actual past."
- What is Appreciative Inquiry by Joe Hall and Sue Hammond

If you are seeking a simple and natural approach to planning, then Appreciative Inquiry warrants your attention. There is great beauty in simplicity and Appreciative Inquiry is one of the most beautiful things to happen to strategic planning in a long time.

Recommended Reading: The Power of Appreciative Inquiry: A Practical Guide to Positive Change by Diana Whitney and Amanda Trosten-Bloom

Neuro Linguistic Programming (Part 1 of 2)

Managing and building human capital has taken center stage for many organizations. There are numerous tools to help enhance human resources, such as human resource scorecards, 360-degree evaluations, and matrix structures for cross-functional development. However, it would be nice to have one discipline to pull together the drivers behind human behavior and performance, defining the attributes and models that we need to replicate for building human capital. Well such a discipline has emerged – it's called Neuro Linguistic Programming or NLP.

"NLP is the art and science of personal excellence. Art because everyone brings their unique personality and style to what they do, and this can never be captured in words or techniques. Science because there is a method and process for discovering the patterns used by outstanding individuals in any field to achieve outstanding results. This process is called modeling, and the patterns, skills, and techniques so discovered are being used increasingly in counseling, education and business for more effective communication, personal development and accelerated learning."
- Introducing Neuro-Linguistic Programming by Joseph O'Connor and John Seymour

NLP is a body of knowledge about how people think, sense, and communicate within their environments. By understanding these relationships, we gain insights into how to model the right kinds of behavior for outstanding performance and results. We can break NLP down as follows:

Neuro – Learning how we think and how it influences the results in our life. What people see and hear determines what they think. These reactions evolve into habits and habits will ultimately determine the destiny of the individual.

Linguistic – The languages we use for communicating. Understanding how we communicate has profound implications on results. And communication is more than what we say. Knowing how to communicate with yourself and others allows you to "code" or model conscious and unconscious patterns that produce favorable outcomes.

Programming – Everyone runs their life by programs or strategies. When people understand these programs, they begin to have more choices. And with more choices comes increased success.

If we pull together these three components, then NLP is a combination of thinking, behavior, and communicating for highly effective business relationships, team leadership, managing people, and other critical drivers of performance. NLP is the study of these relationships, applying a methodology of what needs to happen if you want outstanding results.

"There is nothing else in the world of human development and learning as powerful as NLP. It is our ability to manage our thinking, our conflicts, and our experience that will ultimately make the difference between those of us who will lead the way into an increasingly new, exciting, creative, and cooperative future, and those who will rapidly fall by the wayside as they attempt to follow. This is what we can learn from NLP."

NLP at Work: The Difference that Makes the Difference in Business by Sue Knight

In today's chaotic world of change and mixing of global cultures, NLP has become extremely important. NLP attempts to identify what works, not what should work. This is why NLP can be instrumental for business. Businesses are created and managed based on what management believes will happen. In fact, most people fail to comprehend and understand what works within themselves and thus, they are in a poor position to understand what works for business. NLP defines what works for you so that you can pursue the right options for success.

NLP maps out thinking patterns, identifying the preferred patterns. By learning how you think, you begin to change and manage better. NLP is about understanding performance gaps within the individual, what currently exists versus what can exist. NLP is about the quality of communication. Great leaders have a mastery of communication. NLP breaks down communication into three classes – visual, auditory, and feeling. NLP is also about programming – using models to reproduce someone else's situation and results, thereby gaining a much better understanding into how the individual thinks and behaves. The purpose of the NLP model is to produce the right kind of human resource capital for running the organization.

For example, models are often developed for several critical positions, such as Chief Executive Officer, Chief Financial Officer, and Vice President of Marketing. Many organizations have introduced NLP models into the workplace through mentoring programs. Mentors represent the NLP model that the organization wants for different positions. When a person aspires to the model, they become a mentor. Mentors serve as examples of what others in the organization need to aspire to. NLP also uses other type of models, such as Meta Models to flush out what really is being communicated.

This article has just scratched the surface of NLP. There are all types of test and models that NLP uses to build and enhance human capital. The bottom line for business is that NLP is about forming your own outcomes based on what you know works, not on what you think may or may not work. NLP is the science of understanding how people think and communicate. And how people think and communicate affects what they do. As a result, NLP can be a very powerful set of tools (all encompassed within one single methodology) for driving predictable improvements in people. Part 2 of this article will describe how NLP fits within the business environment.

"Change is a learning process and learning is a change process. Ultimately underpinning these processes are changes in the way individuals think and act."

Changing the Essence: The Art of Creating and Leading Fundamental Change in Organizations by Richard Beckhard and Wendy Pritchard

Neuro Linguistic Programming (Part 2 of 2)

One of the major benefits behind Neuro Linguistic Programming (NLP) is that it studies and models the skill sets of top performers within an organization. NLP Models give us an understanding of personal excellence. Some of these performance attributes are consistent, providing us with insights into how to model personal performance. In his book NLP Business Masterclass, author David Molden outlines several NLP attributes that relate to almost any type organization:

Real Innovation vs. Minor Improvement – In the NLP World, continuous improvement programs that tinker and create minor change are not good enough. Too much time and resources are expended trying to fix broken systems, processes, and other business issues. NLP pushes the issue to a higher level by focusing on new ideas and innovation to re-invent how things are done. According to NLP, the degree to which you depart from the old ways is determined by your beliefs. Traditional thinkers will depart less than non-traditional thinkers and this has profound implications on how much change will take place within the organization.

Feedback is Nourishing – Very strong feedback in a timely manner is critical in a world of rapid change. NLP does not put much faith in traditional long-term goal setting since things change too quickly and long-plans become outdated so easily. Instead, we must have very reliable and fast feedback systems to modify and direct resources in different directions, accepting the fact that failure will take place all the time and we will adjust as we learn about our failures.

Influence and Control - The ability to change is dependent upon the degree of flexibility. Rigid organizations and people are locked into the past, unable to influence and control what is happening around them. Flexible people will ask: How can I change and influence the situation and rigid people will declare defeat by thinking - They control and influence me and there is nothing I can do about it.

Resistance – A lack of rapport is a common problem, leading to a lack of acceptance from others in the workplace. If you don't have rapport, people will refuse to accept your ideas and beliefs. The key is to reduce the resistance level by establishing the right rapport. For example, there is a dramatic difference between telling people we are about to change what you are doing on your job vs. asking the person – What do you think we should do? NLP recognizes that you must deal with relationships in the workplace if you expect to gain acceptance.

Intention and Behavior are not the Same – People will easily misinterpret your intentions, however well intended. Therefore, you must work with others, realizing that your behavior and actions with others is going to have a profound impact on how they see your intentions. For example, it is better not to judge people, but to instead focus on how you can influence and get them to change their behavior and actions.

People can Change – People have what they need to change, but people need the knowledge and know-how so they can take advantage of the opportunities for change. Additionally, people must have a desire for success, providing them with a "thirst" for knowledge and know-how. Thirdly, desire for success must be connected to self-confidence and courage, giving people the ability to dream and stretch.

If one person can do it, then others can do it – One reason NLP has become popular is because it takes a look at what successful people are doing and asks, how can we apply this model to others. These NLP Models are powerful tools for understanding why certain people outperform others. People often limit their performance through their own behavior.

The Meaning of Communication is in the Response – Communication is only as good as the response you get from the person(s) receiving the communication. Too often, people assume they were effective with their communication, failing to recognize that communication is always subject to interpretation and easily misunderstood. When you get an unfavorable response from someone, change your approach to communication so that you can change the response you get back. Getting the right kind of response is how you should communicate.

Perceptions are Reality – No two people are going to think the same and therefore, you will have to recognize that how someone perceives things is how they think. For example, it is easy to distort perceptions with vague and incomplete communication, failing to include relevant facts or altering the truth. If you want perceptions and reality to be the same, you will have to be highly effective in how you communicate your perceptions.

I am Responsible – NLP recognizes that ultimately all behavior falls back on a person's state of mind. A negative state of mind will restrict a person's ability to influence and control a situation. A positive state of mind will allow the person to unleash high levels of influence on the situation, giving the flexibility they need to be successful.

One of the great benefits of NLP is the ability to better understand a person's map. This can be an extremely potent tool for improved customer service or any other interaction between people. For example, Diners Club used NLP to improve how managers communicate with customers, resulting in a 254% increase in customer spending and a 67% drop in customer losses. BMV used NLP to model successful communication techniques of its top 1% sales while American Express used NLP to empower managers with increased personal responsibility. Therefore, NLP does hit the bottom line since it provides a roadmap for personal performance and since personal performance is behind organizational performance, managers need to take a serious look at using NLP as part of how the organization develops its human resource capital.

"Unlocking individual change starts and ends with the mental maps people carry in their heads – how they see the organization and their jobs. Just as actual maps guide the steps people take on a hike through the Himalayas, mental maps direct people's behavior in organizational life. And if leaders cannot change individual's mental maps, they will not change the destination's people pursue or the paths they take to get there. As a result, successful strategic change requires a focus on individuals and redrawing their mental maps."
- Leading Strategic Change: Breaking through the Brain Barrier by J. Stewart and Hal B. Gregersen

How to Brainstorm

All people and all organizations have some level of creativity. Unlocking this creativity on a normal workday is considerably difficult, especially for solving complex problems and issues. One way to spark creativity for effective problem solving is through brainstorming. Brainstorming is an informal process of using a diverse group of people to get at the root causes of problems.

The basic steps for brainstorming are:
1. State the problem or objective
2. Set some ground rules / agenda for everyone to follow
3. Give everyone an opportunity to participate
4. Solicit ideas and put everything down for people to visually see (no ideas can be rejected until you go through consensus building).
5. After you have exhausted the generation of ideas, eliminate ideas that are not relevant or duplicative.
6. Finalize the process by reaching consensus on those ideas that warrant the highest priority. A system of voting (such as assigning points to each idea) may be required.

Brainstorming requires considerable diversity in order to be effective. So don't be afraid to mix it up, including all types of different people who can come at a problem from various points of view. Keep in mind you are trying to find a solution that fits and this requires a broad mix of people to flush out all possibilities from both convergent thinkers (important for consensus building) and divergent thinkers (important for the generation of ideas). Therefore, brainstorming requires a group of people with very diverse backgrounds and knowledge.

The first step in brainstorming is perhaps the most important since it requires a clear definition of the problem. The key is to make sure everyone comprehends what the issue is – What are we trying to resolve? Everything else feeds from this initial step and unless people understand the problem, ideas cannot be generated. Sometimes it's best to start by asking: What are we trying to accomplish as opposed to defining a specific problem.

Another important part of brainstorming is consensus building. This starts by allowing everyone to put forth their ideas. All ideas must be encouraged and put on the table before you go through consensus building. Consensus begins by connecting ideas together and removing those ideas that are redundant. Since resources are limited for addressing problems, priorities have to be established by assigning a level of importance to different ideas. This is the "nuts and bolts" behind consensus building.

Although brainstorming is best applied in a group setting, it can be appropriate at an individual level if:

- Getting a group together is not practical since you work in a very small organization.
- People are not interested in brainstorming
- The problem really doesn't require a formal brainstorming session, just need to run the ideas by another person.

A good physical setting can help facilitate brainstorming. Select a neutral setting with no distractions, including no cell phones. Six to twelve people is the widely accepted number of participants for a brainstorming session. And don't forget to bring plenty of markers, stick pads, voting cards, and other supplies to capture the session outputs.

Brainstorming is not appropriate for every problem. For example, analytical problems may not benefit from brainstorming since the range of possible solutions is usually very narrow. Brainstorming tends to be more appropriate where there are many possible solutions to a problem. Additionally, you may want to have a more formal structure for problem solving on complex issues, such as running the issue through a fishbone diagram.

Brainstorming is best applied for getting unstuck on complex issues in a fast and informal way. And since so many issues are complex, requiring rapid resolution, brainstorming is one of the best ways to generate a raw list of ideas. Once you have the ideas, you can further explore the ideas through other quality tools (feasibility testing, prototype models, surveys, etc.). Don't forget – brainstorming is not about analyzing and testing the ideas – it's about the mother of innovation – creating the ideas! And since innovation is so important in this fast changing world we live in, brainstorming can be an invaluable management technique for staying on the road of innovation.

Is Knowledge Really Power?

We all recognize (at least I hope most of us) that knowledge is instrumental to value-creation and that knowledge as an asset is far more important than traditional assets such as equipment, real estate or buildings. And to a great extent, every organization must become a knowledge organization and that every employee must become a knowledge professional.

However, knowledge can be very messy – trying to turn tons of data into knowledge, not to mention the fact that the value of knowledge diminishes over time. Additionally, knowledge has little power in the workplace if no one shares it. Therefore, knowledge often lacks power. For example, knowledge is very inter-related; i.e. one part adds value to another part and when combined, knowledge has much more power as opposed to restricting knowledge to certain select areas. This is why competitive intelligence can be important since competitive intelligence pulls the pieces together for a "strategic" view of things, giving knowledge enormous power.

"It is evident that knowledge is rapidly becoming the firm's primary instrument of progress and competitiveness. Existing knowledge defines our productivity and competitive skill in the present; new knowledge determines our productivity and competitive skill in the future."
- Information, Organization, and Power: Effective Management in the Knowledge Society by Dale E. Zand

Even little things deflate the power behind knowledge – people are denied access to it, people are unable to use it or people fail to learn from it. Knowledge comes alive when everyone collects it, shares it, and learns from it. The internet provides an excellent example of how knowledge gains power – everyone can easily tap knowledge at the click of a mouse, making knowledge a common commodity just like water or electricity. Everyone uses the stuff to improve their quality of life.

In order to advance knowledge, barriers must be removed, allowing people access to it and communicating it in such a way that people can easily take advantage of it. By simplifying knowledge, we give people the power of knowledge since they can now execute on it. This is somewhat evident at my own web site – www.exinfm.com. I've attempted to "simplify" the knowledge of business finance, giving everyone instant access to it in a quick and simple form that is easily understood and applied.

"Companies survive on their ability to adapt when necessary, and it is increasingly necessary for them to do so. Successful adaptation is not, however, a chameleon-like response to the most immediate stimuli – a quick switch to a new enterprise or an impulse acquisition. Rather, successful adaptation seems to involve the thoughtful, incremental redirection of skills and knowledge bases so that today's expertise is reshaped into tomorrow's capabilities."
- Wellsprings of Knowledge: Building and Sustaining the Sources of Innovation by Dorothy Leonard-Barton

Knowledge becomes very powerful given the right kind of culture. For example, people are responsive to what is required within an organization based on the culture and authority that is superimposed by management. Knowledge becomes powerful when people share what they know so that collectively everyone is moving in the right direction. This requires a culture that rewards and recognizes learning and ideas. Additionally, people usually equate knowledge with some form of training, but the best forms of knowledge tend to be informal, whereby people increase their knowledge in an open learning environment (and this gets back to the culture of the organization).

Finally, you can assess if knowledge has power within the workplace. For example, it is important for people to understand the "big picture" behind an organization. Many employees are unclear on basic organizational things – strategy, organizational structure, who the competition is, and other overall facts related to the company. Therefore, a good starting point on your knowledge journey is to make sure people have knowledge about the fundamentals of the organization.

"Attempting to build a knowledge organization, however, is neither a short-term effort nor a one-off project. The process of becoming a knowledge organization can be visualized as traveling along the knowledge organization path. Some organizations are not even on the path, others are just starting on the path, and still others are further along. The underlying assumption is that those companies on the knowledge organization path envision and behave differently from the more 20th century companies. Those with knowledge orientation focus on ideas, creativity, and knowledge. They speak of 'intellectual capital' as opposed to traditional assets. Most important, the leaders of knowledge organizations fully realize that their most important assets walk out the door every night. Whether those assets show up the next day is of vital importance to the future of the knowledge organization."
- Leading with Knowledge: The Nature of Competition in the 21st Century by Richard C. Huseman, Ph.D. and Jon P. Goodman, Ph.D.