Peak-Performance, Innovative, Agile, Resilient and Robust Organisations

by

Bill Synnot

Recognised as a Leading Specialist/Practitioner/Guru in Organisational Transition

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Introduction

Themes

- There is one common theme

"...we basically do not know what the world of tomorrow will really be like, except that it will be different, more complex, more fast-paced and more culturally diverse..."

Edgar Schein, 2004

- In addition to the **traditional dynamics of uncertainty**, embodied by political, financial, social, etc, shifts, there is another, and newer, element of uncertainty. This element is the fact that the economy is increasingly the **product of our skill, talent, creativity, knowledge** and **imagination which cannot be defined in the familiar ways**. These aspects are

"…linked to another concept - reflexivity - the idea that the way we react to reality in turn alters the reality we are all reacting to.......Consumers' choices between services and goods on offer change the range of choices. Small, everyday decisions - what to watch on TV, what kind of savings account to open......- are swiftly analysed......for later programming decisions or for the design of new products..."

Diane Coyle, 1999

- In looking to the future, Howard Gardner posed the following question

"…What kind of mind do we need if we are to create a world in which we would like to live?..."

Howard Gardner, 2007

His answer is 5 kinds:

i. **a disciplinary mind** (includes a mastery of a school of thought such as science, mathematics and history, and at least one professional craft)

ii. **a synthesizing mind** (ability to integrate ideas from different disciplines or spheres into a coherent whole and to communicate that integration to others)

iii. **a creative mind** (capacity to uncover and clarify new problems, questions and phenomena)

iv. **a respectful mind** (awareness of and appreciation for differences among human beings)

v. **an ethical mind** (fulfilment of one's responsibility as a worker and a citizen, such as taking responsibilities as a world citizen)

Types of organisations

- As Lauren Keller Johnson (2004a) states, **organisations encounter predictable challenges related to growth** and **change**. For example,
  - some organisations become bureaucratic, slow and overly-politicised as proliferating layers of management interfere with decision-making

(Peak-Performance Organisations cont.)

- others, forced by their increasing mass to decentralise, spawn confusion by setting up uncoordinated structures and processes across functions
- healthy qualities of resilience, adaptability and focus give way to sluggishness, chaos and passivity.

- Furthermore, Lauren reports that there are **7 types of organisations**

"...i) resilient: anticipates and proactively adapt quickly to market shifts, yet remains focused on and aligned with a coherent business strategy

ii) just in time: is less proactive but can "turn on a dime" without losing sight of the big picture

iii) military: succeeds through sheer force of top executive's will

iv) passive-aggressive: demonstrates surface-level agreement and congeniality but entrenched, underground resistance defeats attempts at change

v) fits and starts: has scores of smart, motivated, talented people but they don't pull in the same direction at the same time

vi) has grown: is too large to be controlled by a small team of top executives but moves slowly because it doesn't have democratic decision-making

vii) over-managed: has multiple layers of management & suffers from "paralysis by analysis …"

Lauren Keller Johnson, 2004a

- To correct an underperforming organisation, the **following ingredients** are useful

- understand the varied forms of dysfunction that organisations typically encounter as they evolve, eg culture of "no", too much concentration on process, using diversification as a smoke screen to hide problems, paralysis by analysis, passive-aggressive, etc (for more detail, see the section on common management errors)

- diagnose your organisation's dysfunction

- define a healthier way of operating

- manipulate organisational structures, incentives and **other levers to achieve that optimum state**

- recognize and **diagnose any dysfunctionality (personal, organisational, etc)**

- High performing workplaces have a concept of flow, ie

"...a mental state of operation in which the person is fully immersed in what he or she is doing, characterised by a feeling of energized focus, full involvement, and success in the process of activity..."

Mihaly Csikszentihalyi as quoted in Catherine Fox, 2006g

(Peak-Performance Organisations cont.)

There are 8 components of the concept of flow, ie

"...i) clear goals (expectations and rules are discernible)

ii) concentrating and focusing: to a high degree of concentration on a limited field of attention (a person engaged in the activity will have the opportunity to focus and to delve deeply into it)

iii) a loss of self-consciousness: the merging of action and awareness

iv) a distorted sense of time –one's subjective experience of time is altered

v) direct and immediate feedback (successes and failures in the course of the activity are apparent, so that behaviour can be adjusted as needed)

vi) balance between ability level and challenge (the activity is neither too easy nor too difficult)

vii) a sense of personal control over the situation or activity

viii) the activity is intrinsically rewarding, so there is an effortlessness of action..."

Catherine Fox, 2006g

Trends and Challenges

- It is important to sort out the **trends from the fads**. The trick is picking a real trend – as opposed to the fake trends. As Neil Shoebridge (2004) reports, some of the factors to keep in mind are **demographic changes**, **complexity (including age, gender, life-stage, income, etc), convenience, health, sensory, individualism** and **connectivity (for more details see management fads in this volume and in volume 2 - Section on Customer Management).** There are **5** rules to help define trends

  i) unlike fads, which are linked to short-term movements such as fashion, **trends last at least 10 years**

  ii) for **every trend, there is a counter-trend**, which can create untapped growth opportunities

  iii) there are "rich pickings" for **companies that cover 2 or more mega-trends**

  iv) fads, when under-pinned by a mega-trend, can generate sales spikes and **keep brands fresh**

  v) **if marketers cannot straddle 2 trends, consumers will** – that is, people will find a way to satisfy two or more needs regardless of what marketers try to make them do.

(Peak-Performance Organisations cont.)

- Some organisational trends include

Past/now	**Now/future**
hierarchical/bureaucratic/pyramidal	networked
structured	processes
functional	cross-functional (customer focus)
entities	alliances
single skills	multi-skilled
island system	integrated systems
exhaustible assets/resources (tangible)	inexhaustible assets/resources such as knowledge (intangible)
muscle and machines	mind
mass production (economies of scale)	short-runs of highly customized production
competition	collaboration and co-operation
certainty	uncertainty
permanent jobs	casual/freelance work
brand building	generating sales

In summary,

"...in a slower-paced world, even senior executives spent most of their time managing fairly stable ongoing operations. The personal characteristics that made for success reflected the bureaucratic organisational structures of the time - personal stability and reliability, being highly organized, following rules, supporting existing cultural values, being tough-minded and in a blokey world, often aggressively demanding conformity.

Now the prime requirement is the ability to maage ongoing organisational change, incremental at times, but often transformational, and to create a culture that fosters innovation..."

Dexter Dunphy as quoted by Luke Slattery, 2007

- Some examples of recent trends in the rules of running a business are explained by Betsy Morris (2006):

  - old rule (big dogs own the street); new rule (agile is best; being big can bite you)

  Until the mid 1990s, a company's stock market value was linked with revenue. In 1993 Microsoft's market value exceeded IBM even though its revenue was 1/22 the size of IBM. Size did not insulate GM from its troubles. The large pharmaceuticals that were valued for the amount of R & D have struggled; yet it is the smaller biotech companies, such as Genentech, that generate new drugs.

(Peak-Performance Organisations cont.)

"…Technological advances and changing business models have diminished the importance of scale, as outsourcing, partnering, and other alliances with specialty firms (with their economies of scale) have made it possible to convert fixed costs into variable ones..."

Betsy Morris, 2006

Dell is a good example: keeping its cost down by outsourcing disk drives, memory chips, monitors, etc frees it to focus on direct selling and just-in-time assembly.

ii) old rule (be No. 1 or No. 2 in your market); new rule (find a niche, create something new)

Market dominance is no guarantee for success. For example, Disney's dominance in animated films offered it little protection against Pixar's digital innovation; Coca-Cola's dominance has been threatened by bottled water, sports and energy drinks, etc which were initially viewed as low volume distractions. Only other hand, Starbucks has never desired to be No. 1 or 2 in the marketplace. It has continually chased niches, ie it has continually chased a product (coffee), etc.

Companies need to keep moving, evolving and **trying new things so that they become the company of choice.**

iii) old rule (shareholders rule); new rule (a customer is king)

The old rule involved focusing on earnings per share in the short-term; this could encourage anti-customer behaviours, such as costing cutting. The rule focuses on consumers’ details, such as new products, service calls, customer satisfaction scores, etc that all add to the bottom line but not necessarily in the short term.

iv) old rule (be lean and **mean); to new rule (look out, not in)**

Concentration on being lean and mean, such as via 6 Sigma, does not encourage exploring new ideas and/or different approaches. In other words, innovation suffers, ie

“...Nothing will kill it faster than trying to manage it, predict it, and put it on a time line..."

Vishva Dixit (vice president, research, Genentech) as quoted by Betsy Morris, 2006

Old rule encourages an inward-looking culture that can result in missing opportunities in the ever-changing business world of disruptive technologies, eg VOIP threatening to make phone calls virtually free.

To be successful, businesses have to focus on what is going on outside rather than just inside the organisation.

(Peak-Performance Organisations cont.)

v) old rule (rank your players and **go with the A's); new rule (hire passionate people)**

The old rule ranked employees on performance as As, Bs and Cs; and then the Cs were culled, ie rank and yank. The new rule encourages employing people who are passionate about what they do, like Apple and Genentech

vi) old rule (hire a charismatic CEO); new rule (hire a courageous CEO)

The old rule encouraged celebrity CEOs who squeezed costs, deftly managing financial and accounting decisions, using acquisitions to grow but not necessarily providing long-term solutions. The new rule encourages organic growth and taking risks that can take a while to pay off.

vii) old rule (admire my might); new rule (admire my soul)

Previously, being large meant that you were powerful and encouraged a focus on now rather than the future. More recently, corporations have a social responsibility in addition to making money. This involves more than contributing to causes or being transparent; it involves being sustainable in the long term.

- Summary of the challenges facing organisations:

"…A natural agenda of issues is shaping the future, especially for corporations with global scope

- ***Social divide: the ever-widening gap between those participating in the increasingly interdependent global economy and those not. For how much longer can 15% of the people get 85% of the benefits of globalisation?***
- ***Redefining growth: economic growth based on ever-increasing material use and discard is inconsistent with a finite world. How long can we keep piling up more junk in the same box?***
- ***Variety and inclusiveness: developing inclusiveness as a core competence in increasingly multi-cultural organisations. Who is the "we"?***
- ***Attracting talented people and realising their potential: developing commitment in a world of free agents and volunteer talents. What are we committed to, really?***
- ***The role of the corporation: extending the traditional role of the corporation, especially the global corporation, to be more commensurate with its impact. Just how accountable will society expect us to be?***
- ***The system seeing itself: the challenges of coordination and coherence in social systems. How can we stop going faster while our ability to see further ahead is decreasing?..."***

"Marblehead Letter" (2001) as quoted by Peter Senge et al, 2005

(Peak-Performance Organisations cont.)

Six characteristics of peak-performance, innovative, agile and robust organisations

- The 6 characteristics of the peak-performance, innovative, agile and robust organisations which best handle the uncertain and turbulent future are

  i) customer-focused

  ii) concentrate more on leadership and less on management/administration

  iii) entrepreneurial (based on innovation)

  iv) people-oriented

  v) tightly focused on "decisive opportunities"

  vi) resilient

(NB This assumes that you have costs and expenses under control!!!)

1 Customer-focused

Create and keep a customer

- **The aim is to make a customer a permanent or life-time client.** Furthermore,

  "…There is only one valid definition of business purpose: to create (and keep) a customer…"

  Peter Drucker as quoted by Robert Heller, 2000

- There are 4 basic ways of creating a customer

  i) creating utility or purpose, ie focus on the needs of the customer

  ii) pricing

  iii) adaptation to the customer's social and **economic reality**

  iv) delivering what represents true value to the customer rather than cost to the supplier

  The last one is the most important

  "...how the customer pays depends on what makes the most sense to him. It depends on what the product does for the customer. It depends on what fits his reality. It depends on what the customer sees as "value"..."

  Peter Drucker, 2001

- Peter Drucker elaborates by observing that the foundations of a successful organisation must have **customer-based values** and **customer-based decisions**. It will be from these foundations that management policy and management strategy increasingly will have to start, ie **the customer must be the starting point**.

  "…Consumerism……demands that business starts out with the needs, the realities, the values of the customers. It demands that business defines its goal as the satisfaction of customer needs……it does not ask, What do we want to sell? It asks, What do our customers want to buy?

It does not say, This is what our product or service does. It says, These are the satisfactions the customer looks for, values and needs…"

Peter Drucker 2001

- As the customer becomes better informed, demanding better value, more choice and faster product turnaround, organisations will need to become **more customer-focused**, ie **learning about individual buyers** and **tailoring products** and **services to suit their needs**. Furthermore, in general the market is becoming more and more fragmented and consumers more individualistic.
- **Organisations are only in business as long as the customer allows them to be, ie**

  "…no customers, no sales, no profit, no jobs, no dividends, no wages…"

  Bill Synnot, 1996

  It is important to create and **deliver what your customers want, when** and **how they want it.** Furthermore, you have to do more than listen to your customer; **you have to lead them.**
  Need to reverse the pyramid that normally has the CEO at the top to having the customer at the top
- A customer-focused organisation is continually gathering **unfiltered customer insights** and is an organisation that strives to:
  - connect with **existing** and **potential customers** and **anticipate their present** and **future needs,** ie service counts
  - translate customer needs into a **competitive advantage**, using **a faster cycle time** and a generation of **breakthrough products** and **service**
  - focus on building **sustained relationships**
  - effectively manage a **portfolio of brands**
  - continually grow **shareholders' value**
- **Customer intimacy** is linked with customer focus, ie need to know and have a good understanding of your customers and their needs (now and in the future). The Web is helping build stronger relationships with customers and allowing a greater capacity to satisfy their needs. With the development of inexpensive, powerful computing technology, organisations are able to interact with customers more cheaply and easily than ever before. Achieving this requires a **change in mindset in handling customers:** changing the relationship between organisations and customers from essentially mass-marketing to one **focusing on the needs of individual customers** has resulted in **empowering customers online** so that the balance of power in the relationship has changed to favour the customer. This means re-configuring the way organisations do business, ie product design, manufacturing processes, distribution processes, etc. Techniques are now available

to make things happen in **real time** such as **dynamic, immediate feedback**. The Internet has increased the **speed** and **intensity of how things happen.**

Add value to customers

- True customer focus means **obtaining value for customers** as well as **value from customers**, ie **an integrated view of customers**. This requires increasing the amount of spending customers do with the organisation. This can be done by

  - addressing the longevity of spending over a customer's lifetime

  - extending the depth of spending with a greater share of the customer's disposable income

  - enhancing the breadth of spending with increased revenue from new sources of value

  - diversifying spending by stretching into new areas

- The winning organisations of the future will be those that come from the **customers' perspectives** and **preferences** and which are determined to develop **internal processes** attuned to and connected with those **customer wants**. **Introspective viewpoints** will be dead-ends. Great feature engineering alone will not make it. Traditional **engineering/manufacturing/sales-dominated organisations** must change into **customer-focused enterprises**.
- Furthermore, in the new economy, **customers themselves can create value** by creating content and products, and providing customer service.

"...the balance of information economics is increasingly moving to the consumer...... instead of trying to stay ahead of the consumers, companies should work at learning from them...... consumers will be the source of innovation for the future..."

Stuart Henshall, 2001

Users are creating content and **selling it to others**, eg Amazon through book reviews. Recently, Microsoft sent out several hundred thousand copies of its latest Windows software to selected customers, who tried it out and wrote reports on how to improve the software for Microsoft. This resulted in a much better piece of software and saved Microsoft around $US1 billion in development costs. With customers creating more content, the **distinction between employee** and **customer will blur!!!!!**

"...Now Internet based businesses are a moving beyond customerised products; in future it will be all about customer control. The challenge lies in devising ways to generate revenue and capture value from the new business models enabled by those online advances. Empowered customers are now seeking more than free information and software. They want to create the content themselves..."

Australian Business Foundation, 2007

(Peak-Performance Organisations cont.)
This is resulting in a “user-create”culture.

Examples of this included YouTube and MySpace. YouTube allows for self-broadcasting on-line in video; with over 45 million videos, Google paid $US 2.2 billion for it. A similar story prevails for MySpace, an on-line social networking community for which Rupert Murdoch paid $US 580 million.

- Modern information technology has enabled organisations to serve their customers more personally and efficiently. At the same time it has raised **customers' expectations** so that they **demand immediate service** and **instant gratification.**

"...technology has compressed to nearly zero the time it takes to acquire and use information, learn, make decisions, initiate actions, deploy resources, and innovate...... we're operating in real-time when our credit card is verified in seconds, where we withdraw money at an ATM or when we use our computers to track a package..."

Regis McKenna, 1997

Organisations need to understand what it means to do business in this environment of **vanishing time** and **space**. As speed has become the differentiator, organisations need to manage the transition from economies of scale to economies of time. Furthermore,

- **serving the never-satisfied customer is not a one-time event, it is a continuous process. It means eliminating time and space constraints on service to give customers the means to satisfy** and **serve themselves and obtain access to products and services anytime, any where.**
- **organisations must be prepared to respond instantaneously to the marketplace rather than trying to predict the future**
- **engaging customers now means creating a dialogue with them, not broadcasting at them**
- **capturing the attention of customers who are increasingly presented with a proliferation of data demands that information be clothed as interactive entertainment**

- Customer service is **primarily** about **building relationships; secondly**, about looking at **value for money (rather than price), service, quality** and **convenience**. As more and more customers become "**cash rich, but time poor**", they will favour organisations that save them time and energy by providing **convenience** in 4 main ways:

i) **access** convenience, ie accessible location, parking availability, long store hours, telephone and Internet access, etc

ii) **search** convenience, ie customers are able to speedily identify and select the products they want using techniques such as focused merchandising, intelligent store design and layout, knowledgeable sales persons, interactive systems, product displays, packaging and signage, etc

(Peak-Performance Organisations cont.)

iii) **possession** convenience, ie the supply chain is critical with merchandise either in stock or available on a timely basis

iv) **transaction** convenience, ie self-scanning at checkout counters, automated product selection and drive-in access, etc

- The first guideline in keeping ahead of any change is to start with the customers. You need to find ways to differentiate yourselves from the competition, so that you **entice your customer**. To stay ahead, you need to focus on 3 things:

  - demographic, sociographic and **psychographic trends of your customers**

  - emerging social and **cultural directions**

  - advances in technology

  Linked with this is **the capability of recognizing emerging patterns** and **trends**. Part of this involves being able to "take a step back" and see the big picture. This is called **cognitive pattern recognition** and **there are several types, ie**

  - **convergence**, ie several industries moving in the same direction, eg previously separate banking, insurance and financial industries are performing the same functions. Similarly, the convergence of the pharmaceutical and computing industries into the biotechnology industry. Is convergence going to happen in telecommunications and Microsoft; between hospitals, hotels and aged care industries; between universities and corporate giants, etc?
  - **oscillation,** ie swinging from one extreme to another. An example of this includes organisational decentralisation which leads to greater divisional autonomy and innovation as against greater centralization, coordination and control.
  - **shift from the tangible to the intangible**, ie the knowledge worker has the intangible knowledge and skills while the capital owners have the tangible factories. Products (tangible) are being supplemented or replaced by services (intangible)

  Need to look at the patterns and to identify similarities and differences in what is happening. This involves looking at information from a variety of sources and challenging your assumptions. In fact, **what might seem impossible today could be possible in the future!!!!!**

- Many successful organisations understand the advantages of the **customer portfolio** and manage it to give them a **competitive advantage**. It involves identifying **customers' profitability** and their **potential**. Managing an organisation is not merely looking after a collection of products and/or services, nor a group of territories, but also a **portfolio of customers**. There is a need to determine which individual customers or customer segments are profitable or unprofitable. Technology is now available to allow organisations to determine the profitability of individual customers and/or customer segments. For example, one bank calculates the profitability of every one of its 10 million customers monthly!!!!

- **Customer relationship marketing (CRM – see Volume 2) stresses customer identification, differentiation** and **interaction**. There are 3 facts of corporate life that underpin CRM:
  - i) **customer loyalty** cannot be taken for granted - people simply move on if their needs are not met promptly and with minimum effort on their part
  - ii) acquiring a **new customer costs a lot more** than selling to an existing customer
  - iii) a **relatively small percentage of customers** deliver the bulk of most organisations' profit
- More important than customer satisfaction is **customer loyalty/retention/referral.** Customer satisfaction does not ensure a customer returns and/or refers your business to another customer. Remember: it requires **5 times** more effort to attract a new customer than to keep one.

Look outside as well as inside your industry

- There is a need to study what goes on **outside the business**, ie non-customers. As Peter Drucker (2001) states, **over 50% of technological breakthroughs that affect an industry come from outside that industry**, eg commercial paper and computers (including ATMs and Internet), all have revolutionised the banking industry, yet none was developed by this industry. Similarly, molecular quality and genetic engineering were not developed by the pharmaceutical industry.

Thus knowing as much as possible about one's customers is important, but the **first signs of fundamental change rarely appear within one's own organisation or among one's own customers**. The people who are **not** buying almost always reveal those first signs.

- Remember:

"...It is hard to be a market leader if you do no more than listen to your customers..."

Gary Hamel & CK Prahalad as quoted by Kriegel et al, 1996

Summary (customer focus)

- It is worth noting that

"...some 30,000 new consumer products are launched every year. But more than 90 percent fail - and that's after marketing professionals have spent massive amounts of money trying to understand what the customers wanted..."

Clayton M Christensen et al, 2005

Often the organisations improve their products and services in ways that are irrelevant to their customers' needs. Customers just need to get things done; **they use products** and **services to do jobs for them.** In other words, **the job** and **not the customer is the fundamental unit of analysis** for marketing**. New growth markets are created when innovative companies design a product** and **position its product to perform a job which no other product caters adequately for. This product is tightly associated with the job that it is meant to do** and **becomes a "purpose brand", eg**

"…The history of Federal Express illustrates how successful purpose brands are built….. the I-need-to-send-this-from-here-to-there-with-perfect-certainty-as-fast-as-possible job.......Focusing a product and its brand on a job creates differentiation..."

Clayton M Christensen et al, 2005

Remember: one of the cardinal rules of business

"…Never allow anyone to get between you and your customer or your suppliers. Those relationships take too long to develop and are too valuable to lose…"

Jack Welch as quoted by Jack Welch et al, 2001

- In summary, **customer focus** and **value means**

"...i) customer value (product quality, service quality and price) is defined by the customer

ii) customer value is defined relative to rival offerings

iii) customer value will change over time

iv) customer value is created throughout the entire value chain

v) customer value is a co-operative effort involving everyone in the firm..."

Naumann as quoted by Craig S. Fleisher et al, 2003

- When developing organisational strategies that are linked with customer focus, the following questions need to be answered

- what do customers value from your company?

- how do these strategies create value for customers?

- why do customers buy the products and services from your company rather than from a competitor?

- how does the knowledge that resides in the company add value for customers?

- how does the staff deliver value to the customers?

(Peak-Performance Organisations cont.)

2 Concentrate more on leadership and less on management/ administration

Background to management

- As Peter Drucker (2006) observed **management is a practice, not a science,** as the results are **not** in theory, but **in what actually happens**. **Management science supports the manager by providing tools to achieve results**. On the other hand, management is the use, and implementation, of tools into practice. Furthermore, **management is not a profession** as professions need to have at least 4 key elements, ie

"…an acceptable body of knowledge; a system for certifying that individuals have mastered that knowledge before they are allowed to practise; a commitment to public good; and an enforceable code of ethics…"

Rakesh Khurana as quoted by Warren G Bennis et al, 2005

- **Management exists for the sake of an organisation**; not the other way round. **Management is the servant of the organisation** and **any management that forgets that is mismanagement**.
- **Management is about balancing**, ie results (short-term vs. long-term), innovation, different stakeholder (customer, shareholder, staff, etc) expectations
- Traditionally, management has been seen as having **5 essential functions** that combine to form the basis of every manager's job, ie

"…THE FIVE FUNCTIONS OF A MANAGER				
1 Setting objectives	***2 Organizing the group***	***3 Motivating and communicating***	***4 Measuring performance***	***5 Developing people…"***

Peter Drucker as quoted by Robert Heller, 2002

- More recently management has enlarged to include to 5 different perspectives, ie

"…- managing self (the reflective mindset)
- managing organisations (the analytic mindset)
- managing context (the worldly mindset)
- managing relationships (the collaborative mindset)
- managing change (the action mindset)…"

Jonathan Gosling et al, 2003

(Peak-Performance Organisations cont.)

- Most managers need to learn to work **more "on the business"** and **less "in the business".** Too often managers get into micro-management, thus missing the "big picture" challenges that a manager needs to stay focused on. In other words

"...training for executives focuses on learning about the business rather than learning about one's effectiveness in relationship with others on behalf of the business..."

Peter Senge et al, 2005

- Furthermore,

"...if you become incredibly detailed, the organisation becomes dictatorial and inflexible and everyone is looking to see what the boss is thinking and I don't believe everyone should be doing that. No one has a patent on intelligence; collective efforts will win every time over dictatorial..."

Wal King as quoted by Catherine Fox, 2006

- As Henry Mintzberg (2004) stated good management is a **blend of craft (experience), art (insight)** and **science (analysis)**. Unfortunately, much of management education focuses on analysis which **leads to calculating technocrats**!!!!!!!!! Yet

"…most issues facing business leaders are questions of judgment…"

Warren G Bennis et al, 2005

- In additional to strong technical skills to handle what needs to be done,

"…managers also need skills to execute a plan, to communicate clearly to others what is expected, to provide constructive and honest feedback, to coach people and help them address weaknesses, and be flexible to handle the unexpected..."

Patrick Coleman as quoted by Luke Slattery, 2007

In fact,

"...executives of today must learn to succeed in a complex shifting and increasingly uncertain business environment, to work at the edge of flux and disorder......who are thoughtful, aware, sensitive, flexible and adaptive managers capable of being moulded and developed into global executives......who have the ability to consistently and confidently get things done in an environment of uncertainty and ambiguity, think beyond their own interests in delivering results, and take the social contexts into account when making business decisions. This requires a range of leadership competencies, including communication; problem solving; thinking in creative, critical and analytical ways; personal effectiveness; self management; teamwork; people management; strategic thinking; ethical decision-making and innovation..."

Alec Cameron as quoted by Luke Slattery, 2007

(Peak-Performance Organisations cont.)

This also involves good interpersonal skills, ie

"...an innate ability to quickly assess people and extract the best from them, a motivation to achieve, greater self-confidence and high energy levels to work at high consistently......skills in dealing with different cultures, skills in managing across borders......skills which are really business model innovation.....increasing demand for lifelong learning..."

Mike Riddiford as quoted by Luke Slattery, 2007

NB **What appear to be straightforward financial decisions, such as cutting costs, are hard to measure as there is are intangibles such as the human impact on these decisions!!!!**

Cognitive thinking, emotional intelligence and spiritual intelligence

- As a manager climbs the organisational hierarchy, **emotional intelligence (EI or EQ) becomes more important than IQ (cognitive thinking)**. There are 4 elements to EQ: **self-awareness, self-management, social awareness** and **relationship management**
  - **self-awareness** involves emotional self-awareness, accurate self-assessment and self-confidence. It is the ability to read our own emotions. It allows us to know our strengths and limitations and feel confident about our self-worth. If used effectively, self-awareness helps us accurately gauge our own moods and how we are affecting others
  - **self-management** involves self-control, trustworthiness, conscientiousness, adaptability, achievement orientation and initiative. It is the ability to control our emotions with honesty and integrity in reliable and adaptive ways. When this element is operating effectively, we know where our own emotions are coming from and how long a bad mood might last
  - **social awareness** involves empathy, organisational awareness and service orientation. It comprises the key capabilities of empathy and organisational intuition, so that we demonstrate awareness of other people's emotions and understand how the organisation works. Socially-aware executives show that they care about other people's emotions; they are experts at reading the currents of office politics; they understand how their words and actions make others feel, and are sensitive enough to change them when the impact is negative
  - **relationship management or social skill** involves visionary leadership, influence, developing others, communications, being a change catalyst, conflict management, building bonds, and teamwork and collaboration. It is the ability to communicate clearly and convincingly, disarm conflict and build strong personal relationships with others in the organisation. These skills are used to spread enthusiasm and settle disagreements, often with humour and kindness

  It has been ascertained that, in management positions, **emotional competencies are twice as important as technical skills** and **purely cognitive abilities combined**. While an IQ score can help predict what profession or type of job an individual should hold, **EQ is a more powerful predictor of who will succeed** and **who will not**.

"...in general, the higher a position in an organisation, the more EI mattered; for individuals in leadership positions, 85 percent of their competencies were in the EI domain..."

Daniel Goleman as quoted by Tim Wallace, 2004

Furthermore,

"...about 15% of one's financial success is due to one's technical knowledge and about 85% is due to skills in human engineering - personality and the ability to lead people......The person who has the technical knowledge plus the ability to express ideas, to assume leadership, and to arouse enthusiasm amongst people - that person is headed for higher earning power..."

Dale Carnegie, 2003

- It has been suggested that people with a high EQ show the following characteristics:

  "…- more realistic in assessing their strengths and weaknesses
  - ***take ownership of their own problems***
  - ***create stronger interpersonal relationships***
  - ***are better in motivating themselves and others***
  - ***are more proactive, innovative and creative***
  - ***function better under pressure***
  - ***cope better with change***
  - ***are superior leaders***
  - ***will have better results…"***

  Manfred Kets de Vries, (2006)

- On the other hand, until recently there has been scepticism about EQ owing to the **lack of empirical evidence to prove the link between EQ** and **performance.** Recent evidence (Stephane Cote et al, 2006) points to **EQ as an important predictor of task performance** and **shows that it can relate to cognitive intelligence in a compensatory way,** ie individuals with low cognitive intelligence can perform acceptably if they high emotional intelligence, such as passion and self-belief.

(Peak-Performance Organisations cont.)

- **Comparing IQ** and **EQ**

IQ (cognitive)	**EQ (emotional)**
Analytical	Intuitive & impressionistic
Logically affective (what is sensible)	Pleasure/pain barrier (what feels good)
Use of abstract symbols, words, narrative & numbers	Use of metaphors & images
Slower processing of information	More rapid processing of information
More specific statements	Sweeping statements

(source: Manfred Kets de Vries, 2006)

- **Linked with EQ is intuition**. It is claimed that Einstein stated that intuition is more important than IQ and he never discovered anything with his rational mind!!!!!!!! In fact,

"…he was famous for his "gedanken" (thought) experiments, experiments based on his remarkable imaginative capabilities. His basic insights leading to relativity theory, he said, had been discovered imagining himself "travelling on a light beam..."

Peter Senge et al, 2005

- Sometimes **intuition** is called "**business feel" and** is linked with the term **"street smart".** Intuition is an important practice of management, ie

For ***"...Intel's CEO Andy Grove......the primary form of business feel that underpins his technical expertise in a number of areas......maverick investor George Soros......talks of the central role of anxiety in his management style; the Body Shop's Anita Roddick says she has the passion of an obsessive; management guru Ricardo Semler has written of the role of stress in transforming his understanding of organisations; Mort Meyerson, former CEO of Perot Systems Corp, analyses the role of uncertainty and despair in leading him to rethink leadership; and Lou Gerstner, in his time at IBM, came to recognise the role of emotions in leadership......business feel that cannot be learnt in a cognitive way. It relies on a feeling for the situation, only able to make instinctive or intuitive judgments in which we feel we are doing the correct thing without necessarily being able to justify our decision in abstract terms or according to the rules. If we try to follow the principles of business feel in a conscious and rational way, we lose the very thing that is its most vital element..."***

Steven Segal, 2005

(Peak-Performance Organisations cont.)

Furthermore,

"…Intuition is not some paranormal ability to see the future, but that technique of learning what to look for in a given environment, and of doing so without a conscious brain getting in the way......intuition - the ability to direct a behaviour according to some unconscious cues..."

Robert Winston, 2003

- In addition to IQ (cognitive intelligence) and EQ (emotional intelligence), **spiritual intelligence** (SQ) is becoming important in management. SQ is described as being

"…about the depth and quality of moral and ethical choices, our sense of what is right, and applying it to our workplace. We use spiritual intelligence to work in awareness of our inner being, to apply workplace values, and build connections in the workplace so that people belong and can feel those values..."

Robyn Henderson, 2006

Executive's role

- The executive toolkit has the following elements

"...1. Leadership: establishing direction, aligning people with that direction and then motivating and inspiring them

2. Teamwork: can work in a team, assemble a team, recognize what's needed to make a team work well

3. Energy: high energy levels, to sustain pace at the top. Work-life balance is all very well, but probably unrealistic for most senior execs

4. Interpersonal skills: building and maintaining effective and productive relationships

5. Self-confidence: confidence is contagious in most organisations

6. Listening: being able to recognize and act on good advice

7. Business nous: an understanding of how money is made in a business and entrepreneurial flair

8. Innovation: the ability to change course, be flexible and take intelligent risks

9. Focus: the ability to review priorities and act on them

10. ……As the mantra goes "transform yourself. Transform business. Transform the world..."

Luke Slattery, 2006

- As Peter Drucker (2004) says, **effective executives cannot be stereotyped**, ie some are extroverts while others are introverts, some are easy going while others are control freaks, etc. On the other hand, there are **9 general principles** that they follow:

(Peak-Performance Organisations cont.)

i) they ask "What needs to be done?"

This involves selecting priorities and sticking to them. Ideally, this involves concentrating on the top priority task, and upon its completion, reviewing all priorities. For example, Jack Welch used to review his priority list every 5 years. Once he had selected the top task, he would delegate the other tasks

ii) they ask "What is right for the enterprise?"

This involves understanding all stakeholders' interests, etc

iii) they develop action plans

Executives are doers - they execute. Knowledge is useless until it is translated into deeds. To do this, they need to plan - which involves thinking about desired results, problem restraints, future revisions, check-in points and the ramifications. This involves the following questions

"…What contributions should the enterprise expect from me over the next 18 months to 2 years? What results will I commit to? With what deadlines? Is this course of action ethical? Is it acceptable within the organisation? Is it legal? Is it compatible with the mission, values and policies of the organisation? Affirmative answers don't guarantee that the action will be effective. But violating these restraints is certain to make it both wrong and ineffective..."

Peter Drucker, 2004

Remember: the action plan is flexible. It is a commitment that can be revised as required, ie as new opportunities arise. Furthermore, the action plan allows for checking results against expectations. Usually there are 2 checks, with the first check coming around halfway through, and a second at the end of the period

Aligned with an action plan is the executive's time management strategy

"...without an action plan, the executive becomes a prisoner of events. And without check-ins to re-examine the plan as events unfold, the executive has no way of knowing which events really matter and which are only noise..."

Peter Drucker, 2004

iv) they take responsibility for decisions

"...when they translate plans into action, executives need to pay particular attention to decision-making, communications, opportunities (as opposed to problems), and meetings...... a decision has not been made until people know:

- the name of the person accountable for carrying it out;

- the deadline;

- the names of people who will be affected by the decision and who therefore have to know about it, understand, and approve it - or at least not be strongly opposed to it;

- the names of the people who have to be informed of the decision, even if they are not directly affected by it..."

Peter Drucker, 2004

It is important that all the above bases are covered. Furthermore, decisions need to be reviewed regularly and systematically so that if a decision needs to be changed, it can be. These reviews can cover anything from results to the assumptions underlying the decision. For example, studies on hiring or promoting decisions have shown that only 1/3 is likely to be successful. **Allocating the best people to the right positions is crucial.**

If the wrong decision was made, it needs to be rectified. Furthermore, decision-making should be delegated to the most appropriate level of the organisation. This is most important in knowledge-based organisations.

v) they take responsibility for communicating

"...effective executives make sure that both their action plans and their information needs are understood..." by all stakeholders

Peter Drucker, 2004

Remember: **organisation are held together by information rather than by ownership or command**. Each executive needs to **identify the information he/she needs, ask for it and keep requesting it until it arrives**

vi) they focus on opportunities rather than problems

Remember:

"...problem solving......does not necessarily produce results. It prevents damage. Exploiting opportunities produces results..."

Peter Drucker, 2004

According to Drucker, there are **7 different types of opportunities** that need to be scanned for:

a) an unexpected organisational success or failure caused by a competitor and/or within the industry

b) a gap between "what is" and "**what could be" in a market process, product or service**

c) innovation in a process/product/service inside or outside the organisation or its industry

d) changes in industry structure and **market structure**

e) demographic changes

f) changes in mindset, values, perception, mood or meaning

g) new knowledge or new technology

(Peak-Performance Organisations cont.)

Need to ensure that problems do not overwhelm the opportunities. Ideally, **allocate the best staff to opportunities rather than problems**

vii) they run productive meetings

According to Drucker, there a **several different meetings types**, such as

- **a meeting to prepare a statement, an announcement or a press release.** Ideally a draft is prepared before the meeting
- **a meeting in which one member reports**. Ideally nothing else but the report is discussed
- **a meeting in which several members report**. Ideally, discussion is limited to issues for clarification, within a firm time limit. Furthermore, the reports and/or summaries are distributed to participants before the meeting
- **a meeting to inform the convening executive.** Executives should listen, ask questions and summarize
- **a meeting whose only function is to allow the participants to be in the executive's presence.** Usually these are a penalty of rank and should be confined to the least productive parts of the day, such as the end of the working day

To make meetings productive, **self-discipline is required so that the format is adhered to** and **the meeting is terminated once the specific purpose has been accomplished**

"... good executives don't raise another matter for discussion. They sum up and adjourn..."

Peter Drucker, 2004

Furthermore, good follow-up is important.

viii) they think and say "we" rather than "I"

"... this means that they think of the needs and the opportunities of the organisation before they think of their own needs and opportunities..."

Peter Drucker, 2004

ix) they listen first, speak last

NB The first 2 practices (*asking what needs doing and what is right for the enterprise***) give effective executives the knowledge they need; the next 4 (***developing action plans, assuming decision responsibility, taking responsibility for communications and focusing on opportunities rather than problems***) help them convert this knowledge into effective action. Practices 7** and **8 (***conducting productive meetings and thinking/saying "we" rather than "I"***) ensure that the whole organisation is held responsible** and **accountable. The last (***listen first, speak last***) is more a rule than a practice.**

(Peak-Performance Organisations cont.)

- Good managers are people who believe

"...engaged employees lead to engaged customers, who in turn drive the company's growth, long-term profitability and stock price..."

Paul Michelman, 2004

There are 4 areas in which good managers excel in managing people

- selection of staff

- expectation setting

- motivation

- development

These 4 are linked with 3 others

- delegation

- role modelling

- succession planning

In **selection,** great managers **select people for their talent rather than skills**. Talent is defined as **recurrent pattern of thought, feelings or behaviour that accounts for the different results produced by those with the same skills and training**. Rather than selecting people whose skills match what is required, **seek those whose talent will redefine how the job is done.**

In **expectation setting**, great managers **define the outcomes they seek** and **let each person utilize his/her individual talent to achieve them.**

To **effectively motivate people, good managers focus on developing the unique strengths, rather than correcting weaknesses, of each staff member**. Thus they focus is on how to take advantage of what people already do well.

In **development**, great managers **rate performance** and **develop the person**. They realise that every person is different and should be treated as such.

Remember: **success in one role is no guarantee for success in another** as it could require different talent and skills

"...great managers seek the right fit for a person's talent, they work to see that he is rewarded for his performance, and they endeavour to ensure that is talent developed through progressively more challenging and meaningful assignments..."

Paul Michelman, 2005

- The characteristics of the development of the manager is summarized, ie

"...Rookie managers typically exhibit

- ***small chunks of knowledge with weak links***

- ***decisions and actions that are disconnected from facts and long-term considerations***

After some experience, managers demonstrate

- ***large chunks of knowledge and well-organized, strong links***
- ***the ability to recognize patterns and produce small sets of high-quality options***
- ***the ability to make decisions linked to facts and the "big picture"***
- ***good anticipation of system effects and unexpected outcomes***

Fully developed leaders have

- ***analytical knowledge that underpins all judgments, decisions and actions***
- ***good interpersonal behaviour and language to execute effectively..."***

Rose-Anne Manns, 2006b

- Effective managers **discover what is unique about each staff member** and **capitalize on it**. **They know** and **value unique abilities** (including idiosyncrasies) of the employees and they have learned how to **best integrate them into the organisation** and **turn a particular talent into positive performance**. **This means they can identify** and **deploy the differences among people, challenging each staff member to excel**. **Each person's strengths** and **weaknesses need to be identified**. Use the following question to identify a person's strengths, **"Recently what was the most enjoyable thing you did at work and why did you enjoy it?"** To find a person's weaknesses, invert the question: "**Recently what was the least enjoyable thing you did at work** and **why was this so?"** Managers need to build on the strengths and find other staff to compensate for somebody's weaknesses
- Remember: **it is self-assurance, not self-awareness, that is the strongest predictor of a person's ability to set** and **achieve high goals, to persist in the face of obstacles** and **to bounce back when reversals occur**. In fact, self-awareness can be a negative. Furthermore, **the most powerful trigger for performance is recognition, not money.** Remember: pay for performance will not necessarily improve managerial or organisational performance. On the other hand, not having a suitable scheme for rewarding performance will not attract a right talent
- It has been suggested that in the Western culture, **high performers are motivated by achievement, affiliation** and **power**. Of these social motivators, the **primary one is achievement** (meeting or exceeding a standard of excellence or improving personal performance); affiliation (maintaining close personal relationships) and power (being strong and influencing or having an impact on others). There are 2 forms of power motive, ie

(Peak-Performance Organisations cont.)

"...personalised, where the leader draws strength from controlling others and making them feel weak; and socialised, where the leader's strength comes from empowering people......personalised is often associated with the exploitation of subordinates..."

David McClelland as quoted by Scott Speirer et al, 2006

There is a downside to achievement - it is the tendency to cheat and cut corners, and leave people out of the loop.

"...the most effective leaders were primarily motivated by socialized power: they channel their efforts into helping others be successful..."

David McClelland as quoted by Scott Speirer et al, 2006

Some examples of the different types of social motives

- **people with high achievement drives tend to like challenging projects that allow them to accomplish something new**. They are very competitive and like to outperform others who are successful. They tend to be utilitarian in their communications - often brief and to the point
- **people with high affiliation are energized by personal relationships**. They like group activities, especially with family and friends, as a basis to build friendships. They are heavy users of phone and Emails; just to stay connected
- **people mainly motivated by personalised power need to feel strong** and **to be seen as important**. They are very conscious of status and image as shown by status symbols (right car, right neighbourhood, right clothes, etc) and engage in prestigious activities (membership of the right club and having the right circle of friends)
- **people mainly driven by socialised power enjoy making a positive impact**. They get satisfaction from empowering people; they are energized by team activities. They like to advise and assist, whether or not the advice is wanted or needed.

- In general, a CEO has to have the

"…ability to juggle……constantly dealing with myriad functions such as industrial relations, shareholder relations, government relations, competitors……He is variously required to be a commander, a negotiator, a lobbyist, a facilitator, a diplomat, a conciliator, an advocate, a counsellor and a statesman…"

Alan Jury, 2005

(Peak-Performance Organisations cont.)

"…to have a pretty healthy disrespect for for history. We respect performance, respect integrity but everyone was trained to have a 'look forward' attitude instead of looking backwards..."

Geoff Immelt as quoted by Geoff Colvin, 2006c

Furthermore, if the CEO is in a global organization, there are additional complexities, ie

"…difficulties of regulation, culture, ethics, reporting, risk management……all completely different from where everyone has a common culture, a common way of doing things, a common stock market, a common regulatory environment, a common value set. As soon as you have different cultures, different contract forms, different legal structures, different taxation environment…"

Greg Clarke (Lend Lease) as quoted by Alan Jury, 2006

- Based on US statistics, Dan Ciampa (2005) states that around 40% of new CEOs fail in the first 18 months, while Andrew Cornell (2005) claims that in Australia, **the average tenure of a CEO is 4.5 years**. Mike Hanley, (2006c) observed that some reasons for this are
  - **many CEOs come from a strong operations background** and thus lack the expertise in the financial area required for making complex decisions on major investments, acquisitions, entering new markets, etc.. As a result, they appoint investment advisers whose task is to get the deal done rather than look after the interests of the shareholders;
  - **too much delegation and consequent loss of focus on th**e important details;
  - avoidance of difficult people decisions in selection **and removal**;
  - **development of a corporate formula that does not create a value proposition for the customer**;
  - **great strategies that do not deliver**, ie lack an effective implementation or execution approach;
  - **the wrong balance between short-term profit** and **long-term growth**;
  - **not focusing on a few pivotal, key things** that the organization needs to get right;
  - **not treating the past with respect**;
  - **not facing reality** with markets, staff, competitors, products/services, etc
  - **failing to learn from mistakes**, ie wrong (timing and/or technically and/or strategically, etc)
- Research conducted by Boris Groysberg et al (2006) found that bringing **an outsider in as CEO works best if the CEO comes from the same industry** and/or **brings a management team with him/her from his/her previous organisation**. Some general management skills, such as setting a vision, motivating staff, organising, budgeting and monitoring performance are easy to transfer from one organisation to another. On the other hand, other management skills that are specific to the organisation, such as knowledge of idiosyncratic processes and management systems are

harder to transfer. It takes a while for a new manager to develop the new skills. These skills can be defined as

- **strategic human capital** (the strategic expertise in cost-cutting, growth, or handling cyclic markets)
- **industry human capital** (technical and regulatory knowledge unique to an industry)
- **relationship human capital** (the extent to which an individual manager's effectiveness can be attributed to his/her experience working with colleagues as part of team)
- **organisational-specific human capital** (tactical knowledge about unique routines and procedures, corporate culture and informal norms, and experience of the specific management systems and processes).

The organisational-specific human capital skills are not as transferable as the others

- **Some potential CEOs fail to recognize that the qualities they must demonstrate to make them good managers are different from those required to be a good CEO**. In addition to **excelling at running businesses, CEOs must master the art of forming coalitions** and **winning the support of people who are competitors**. Sometimes this is called the **shadow organisation**, ie the **political side of an organisation which is characterized by the unspoken relationships, alliances** and **influences exerted by coalitions**. Generally, once a manager becomes a designated CEO, he/she receives little actionable feedback. **They must sharpen their self-awareness,** and **sensitivity to the wants and needs of influential stakeholders**. Furthermore, they must conduct themselves with a level of maturity and wisdom. The table below shows the difference between a good and an elite candidate based on management savvy, political intelligence and personal style.

Type of candidate	Good	Elite
Management savvy	• Knows what is required operationally for short-term results • Motivates others to do it • Uses time well • Prioritises issues on importance • Frequently delegates tasks • Has a history of developing staff and exporting talents • Organizes and mobilizes talent toward most significant problems • Pushes people to achieve more than they think they can	• Avoids jumping in personally • Makes the right judgments about what to expend energy on • Maintains control of the key decisions and a full pipeline of talented people • Makes people feel appreciated and thus loyal

(Table cont.)

Type of candidate	Good	Elite
Political intelligence	• Accurately reads the political trends • Understands patterns of relationships quickly in an unfamiliar environment • Builds relationships with peers and staff • Makes sure the CEO and Board know what he or she is capable of doing	• Isn't labeled "political" • Recognizes how relationships are likely to affect early success • Gets peers and staff to go out of their way to help • Doesn't seem self-serving
Personal style	• Is a star performer • Is tense and driven to excel • Is hard-working, readily putting in more time and effort than peers • Enthusiastically backs initiatives that will help the business succeed • Is a leader among peers • Understands new ways of doing things and makes important connections	• Makes success look effortless • Allows others' performance to be recognized • Manages energy to stay on the "rested edge" and to avoid the "ragged edge" • Knows when to hold back and when to let go • Enables peers to improve their performance Stays grounded and makes sure basic needs are met while mastering new concepts

- The role of the CEO is unique

"…No one in the organisation is so starved for unbiased information. While CEOs understand in principle that everyone who seeks their attention has an agenda, they don't always know a bias when they see one. No one else so needs to hear hard truths. Yet in the CEO's presence, people are guarded, unwilling to raise difficult topics. No one else is such a lightning rod for criticism of the business, with all the anger, and occasionally outright humiliation, that such a role entails. No one else is the final arbiter in so many vital business decisions, and consequently, so vulnerable to self-doubt......A CEO's most important decisions fall into two categories: big bets on people and big bets on strategy.The people decisions are more important, because they heavily influence strategy decisions. They also have an enormous impact on individual careers. CEOs understand the gravity of people issues, which are scrutinised by both insiders and outsiders. They also recognise how hard it is to get the full story, particularly about the top reports..."

David Nadler, 2005

"…The more senior you are, the more the organisation watches you; they watch your every move and take their cue from you. My culture and behaviour will have more impact on this team and organisation than anything…"

Steve Vamos (Managing Director, Microsoft Australia) as quoted by Janne Ryan, 2005

(Peak-Performance Organisations cont.)

"...as a chief executive you are a role model, whether you like it or not. That means how you react, how you act, very much sets the standard of the organisation. So it's not a case of do as I say and not as I do. It is a case of having complete alignment between what you are saying and what you are doing. That's very important in creating trust and respect in the organisation..."

Ralph Norris as quoted by Andrew Cornell et al, 2006

- Furthermore, **new senior managers (especially CEOs) need to realise that they are in for a few surprises**. Once promoted to the top position, they feel that they finally have the power to set strategy, the authority to make things happen and full access to the finer points of the business. Even though they have full responsibility for the organisation's well-being, they are a few steps removed from many of the factors that drive performance. Furthermore, as they have more formal power than anyone else in the organi**sation, they need to use it very carefully. As Michael Porter et al (2004) states, there are** 7 surprises for new CEOs:

  a) they don't run the organisation

  Warning signs:

  i) attending too many meetings and involved in too many tactical discussions

  ii) too many days when you feel as though you have lost control of your time

  b) giving orders is very costly

  Warning signs:

  i) you become the bottleneck

  ii) staff prefer to consult you before they act

  iii) staff start using your name to endorse things

  c) it is hard to know what is “really going on”

  Warning signs:

  i) things you hear surprise you

  ii) you learn about events after the fact

  iii) you hear concerns and dissenting views through the grapevine, rather than directly

  d) they are always sending messages

  Warning signs

  i) stories circulate about your behaviour that magnify or distort reality

  ii) staff tend to act in ways that indicate that they trying to anticipate your likes and dislikes

(Peak-Performance Organisations cont.)

e) they are not the boss

Warning signs

i) you don't know where you stand with Board members

ii) roles and responsibilities of Board members and management are not clear

iii) Board room discussions concentrate on management results and decisions

f) pleasing shareholders is not the main goal

Warning signs

i) executives and Board members judge their actions by impact on stock prices and/or political masters

ii) analysts or bureaucrats/politicians who don't understand the business push for decisions that risk the health of the organisation

iii) management incentives are disproportionately tied to stock prices and/or political criteria

g) they are only human

Warning signs

i) your interviews are about you rather than the organisation

ii) your lifestyle is more lavish or privileged than that of other top executives in the organisation

iii) you have few, if any, activities not connected to the organisation

This means the new CEOs must learn to **manage organisational context rather than focus on daily operations**. They must realise that the position **does not confer the right to lead, nor does it guarantee the loyalty of staff in the organisation**. Furthermore, **they are subject to a host of limitations**, ie legal, administrative, stakeholders, etc

Furthermore, these surprises compound the problems facing the CEO, ie

"…loneliness of life at the top, lack of personal and family life time, and the demands of keeping up with corporate governance requirements…"

Andrew Reitzer as quoted by Sue Mitchell, 2006

- Another way to look at these surprises is that once a new manager is appointed, usually they **need help to overcome their misconceptions or myths about your position in management**. According to Linda Hill (2007), the myths v. reality are

Details	Myth	Reality
Defining characteristics of the new role	**authority** - have the freedom and autonomy to implement ideas; focus on the rights and privileges of being boss	**interdependency** - become enmeshed in a web of relationships (importance of networks
Source of power	**formal authority** - can get things done; autocratic approach (staff will follow orders); don't delegate	**credibilty, trust, competence and influence** - need to develop **credibility** and **trust** as staff were wary and you really have to earn their respect and trust (no blind loyalty to following orders); need to demonstrate **competence** as a manager (knowing how to do the right things; more listening than talking; don't micro manager) and **influence** (ability to deliver and executive the right thing through a strong web of interdependent relationships)
Desired outcome	**control** - must get compliance from staff (compliance does not mean commitment); too much reliance on formal authority whose effectiveness is questionable; staff do not take initiative nor delegate	**commitment –** empower staff so they take initiative with managers delegate effectively and direct reports take calculated risks
Managerial focus	**managing one-on-one** - role is to build relationships with individual staff and as a flow-on with the team; primarily focus is individual performance, identifying and solving problems	**team building responsibilities** - need to create a culture that will allow the team to fulfill its potential and harnessing the collective power of the group to improve individual performance and commitment; supervising each individual is not the same as leading a team. This involves managing interdependencies and exercising informal authority derived from personal credibility requires new managers to build trust, influence, and mutual expectations with a wide group of people; establishing productive personal relationships
Key challenge	**keeping the operations in working order** - job is to make sure all that the operations runs smoothly; maintaining status quo thinking; see responsibilities very narrowly; blame flawed system and others for problems	**making changes that will make the team perform better** - responsible for initiating changes to enhance the group's performance; acting as a change agent by challenging status quo; work through both formal and informal structure

(Peak-Performance Organisations cont.)

- Usually managers find a new role is

  - **a stretch assignment** - it is considerably more demanding than anticipated; expertise to handle their previous position is different that required for the new position, ie

"...as managers, they are responsible for setting and implementing an agenda for a whole group, something for which their careers and individual performance haven't prepared them..."

Linda Hill, 2007

  - **learning to lead in a process of learning by doing** - it is a craft best acquired through on-the-job experiences, including adverse experiences when working beyond your current capabilities, and proceeding by trial and error, ie

"...Most star individual performers haven't made many mistakes, so this is you for them. Furthermore, few managers are aware, in the stressful, mistake-making moments, they are learning. The learning that says incrementally and gradually. As this process slowly the progresses - as the new manager unlearns a mindset and habits that served him of over a highly successful early career - a new professional identity emerges. He internalizes new ways of thinking and being and discovers new ways of measuring success and deriving satisfaction from work......this kind of psychological adjustment is taxing. As one new manager notes, I never knew a promotion could be so painful..."

Linda Hill, 2007

  - **need to create the conditions for success –** this includes asking for help (remember no ones has all the answers)

- Jim Collins (2005) believes that senior managers need to be able to say "**I don't know**."

"...great decisions begin with really great people and a simple statement: I don't know. Research evidence on this is very clear - that the leaders who ended up setting things in place that produced extraordinary results over time, and a series of great decisions over time, really were very comfortable saying "I don't know"......but I know we have to get it right..."

Jim Collins, 2005

- The **CEO's behaviour can have a significant impact on strategic directions** and **organisational morale**; sometimes this can range from good to disastrous. Powerful CEOs are perceived as strong leaders; even physical appearance plays a part:

"…in the US population, about 14.5 % of all men are six feet or over. Among CEOs of Fortune, that number is 58 percent…"

Malcolm Gladwell as quoted by Catherine Fox, 2006h

(Peak-Performance Organisations cont.)

At one extreme are the alpha males who are the dominant high achiever who

"…want to take charge; are charismatic, aggressive, competitive, bold, creative, persistent and tenacious. They also have a strong appetite for change, are far-sighted and spot problems…"

Catherine Fox, 2006h

Sometimes they can be a disaster

- An interesting development has been the change in emphasis in the advice that senior management is seeking. **The focus is more on management style** and **behaviour,** and **less on strategies** and **key business issues**, ie

  "...What's fascinating about the emergence of the 'CEO shadows' is that so many of our senior people still feel they need help with the people issues. It's a mark of just how crucial people are to the success of business in a knowledge economy…"

  Helen Trinca, 2006a

- On the other hand, a dysfunctional executive would show some of the following characteristics:
  - abrasive behaviour
  - poor role model, ie not setting a good personal example
  - hoards information
  - doesn't listen to staff
  - doesn't give constructive feedback
  - suffers decision paralysis
  - micromanages
  - doesn't take responsibility for actions
  - many and frequent absences from work
  - takes all the credit for successful activities
  - not willing to engage in self-evaluation
  - handles feedback poorly
  - not planning for succession, etc

Leadership

- It is worth noting what great leaders do, ie **great leaders discover what is universal** and **capitalize on it**. Their job is to rally people towards a better future by cutting through differences of race, sex, nationality and personality, etc; using stories and celebrating heroes to tap into those very few needs we all share.

(Peak-Performance Organisations cont.)

- In evaluating leaders, we need to ask the following questions

"... - what do they stand for?

- what are their values?

- can we trust them?

- do they have charisma?..."

Peter Drucker, 2006

NB Charisma is defined as the ability to capture other people's attention and to communicate major assumptions and values in a vivid and clear manner so that people become followers. Be wary of too much charisma!!!!!!!!!

- There is a **link between leadership** and **organisational culture,** ie

"...Leadership is intertwined with cultural formation, evolution, transformation, and destruction. Culture is created in the first instance by the action of leaders; culture is also embedded and strengthened by leaders. When culture becomes dysfunctional, leadership is needed to help the group unlearn some of its cultural assumptions and learn new assumptions. Such transformations sometimes require what amounts to conscious and deliberate destruction of cultural elements, which in turn requires the ability to surmount one's own taken-for-granted assumptions, to see what is needed to ensure the health and survival of the group, and to make things happen that enable the group to evolve toward new cultural assumptions..."

Edgar Schein, 2004

Based on this leaders need to have

- **perception** and **insight** (leaders must be able to perceive the realities; to have **objective** insights into themselves and the organisational culture, and its dysfunctional elements. This may include leaders admitting to not knowing the answer, to admit to not being in control, to embrace trial-and-error learning, and to become supportive of the learning efforts of others, etc)
- **motivation** (to intervene in one's own culture and to have extraordinary levels of motivation to go through the inevitable pain of learning and change, especially in a world with looser boundaries in which one's own loyalties become more and more difficult to define)
- **emotional strength** (to manage one's own and others' anxiety by creating psychological safety as learning and change become more and more a way of life; at times staff can become angry and obstructive, especially as the leader can challenge some of what the group has taken for granted; this requires taking some risk, especially when entering unknown territory)

(Peak-Performance Organisations cont.)

- **ability to change cultural assumptions or induce cognitive redefinition** (this includes new skills in analysing, renewing and changing cultural assumptions)
- **ability to create involvement** and **participation** (this involves the willingness and ability to involve others and elicit their participation, ie ability to listen and encourage the group to look at itself and identify cultural dilemmas, etc
- **resilience** (ability to filter much highly complex information that is coming from varying sources - sometimes incomplete – so as to understand the important parts very quickly and to make sound decisions, especially in emergencies; not taking things personally; able to bounce back from adversity)

Remember: in changing an organisation, **old habits** and **ways can be hard to change but need to be given up before new ones are learned; the leader plays the role of anxiety-and-risk absorber to help staff through the early stages of change; at times an established culture can serve as an important anxiety-reducing function (even if the organisation has become dysfunctional because of it); leaders need to be able to analyse the culture in sufficient detail to know which cultural assumptions can aid** and **which ones will hinder achieving the desired changes. Furthermore, the leader has to have the intervention skills (including communication** and **implementation skills); other skills include listening, absorbing** and **searching the environment for trends** and **building the organisation's capability to learn; the ability to acknowledge complexity, uncertainty** and **experimentation (including trial** and **error); develop a vision** (realising that a vision only works once staff feel anxious and need a solution)

Merging, acquiring, partnering, diversification, alliances, etc

- When looking at merging, acquiring, partnering, diversification, etc with another organisation, it

"...usually makes careful checks of the financial strength, market position, management strengths and various other concrete aspects pertaining to the health of the other company. Rarely checked, however, are those aspects that might be considered cultural: a philosophy or style of the company, its technological origins, its structure, and its ways of operating - all of which may provide clues to the basic assumptions about its mission and its future. Yet if culture determines and limits strategy, a cultural mismatch in an acquisition or merger is as great a risk as a financial, product, or market mismatch..."

Edgar Schein, 2004

(Peak-Performance Organisations cont.)

- Furthermore, in looking at forming mergers, partnerships, acquisitions, strategic alliances, joint ventures etc, **management needs to be aware of cultural incompatibilities**. More often than not these are not taken into account in the initial decision-making process. There are 4 critical tasks that leaders need to address in these situations

  "...1. Leaders must understand their own culture well enough to be able to detect potential incompatibilities with the culture of the other organisation

  2. Leaders must be able to decipher the other culture; to engage in kinds of activities that will reveal to them and to the other organisation what some of its assumptions are

  3. Leaders must be able to articulate potential synergies or incompatibilities in such a way that others involved in the decision process can understand and deal with cultural realities

  4. If the leader is not the CEO, he or she must be able to convince the CEO or the executive team to take cultural issues seriously..."

Edgar Schein, 2004

Management/leadership and change

- Implementation of **new methods of management (**such as E commerce, syndication, partnering and alliance, etc) is vital in **handling the challenge of change,** as traditional approaches are unable to handle the challenge. **Change** is already a significant factor in management, and **is increasingly important to the future**. **Constructive leadership** in response to change (rather than a “knee-jerk reaction”) combined with a sense of leading organisations forward can ensure that leaders actually “make it happen”. One way to handle this is **patching -** building inherently temporary structures that allow managers to continually re-stitch their businesses to match changing market opportunities. Patching occurs when a lot of small changes are made frequently to organisational structures such as splits, additions, combinations, transfers, combining chunks of businesses and exits. The process focuses on speed and agility, and requires adaptable organisational structures to handle turbulent times. The organisational structure is continually re-mapped against shifting market opportunities. Thus patching is creating a continually shifting mix of highly focused, tightly aligned businesses that can respond to changing market opportunities. This is very different from the approach of less frequent but more dramatic organisational restructuring that is more the norm. These major changes are then “set in concrete”, despite any future change in environment

(Peak-Performance Organisations cont.)

- Remember:

  "...the organisation of the future will be virtually layerless and increasingly boundaryless, a series of information networks in which more connections and fewer people……manage processes. Information will become transparent. No leader will be able to hoard the facts that once made the corner office so powerful. Most of the information a manager will need to run a business will reside on a computer screen in a "digital cockpit". It will contain every piece of real-time data, with automatic alerts spotlighting the trends requiring immediate attention. While information will be available as never before, it will always be human judgment that will make the organisation go..."

  Jack Welch as quoted by Jack Welch et al, 2001

- Organisational thinking is moving away from an emphasis on linear, analytical, straight-line (cause and effect), quantifiable, reductionist, mechanistic, convergent (only one best way) thinking, to a **more systematic** and **holistic approach with divergent (more than one answer) thinking that involves the likes of action learning, double loop-learning, self-organising systems, positive** and **negative feedback loops, process consultation, memes, multiple intelligence, creative orientation, creative tension, destructive creativity, dialogue, governance design, scenario planning, quantum physics, ecology, instability within stability, etc** such as that explained by the Chaos Theory which is a sub-set of the **Complexity Theory**.

  The basis for **Chaos Theory** is that the **universe is uncertain, unpredictable, irrational, illogical, non-linear, problematic** and **complex: order within disorder**.

  Chaos theory is about

  "...Tiny shifts in initial conditions have a critical effect on the final outcome of a chaotic system, and this applies as much to human behaviour as it does to the physical world. It is impossible to model our behaviour because there are too many factors involved...... explanation of a great deal of human behaviour is an extraordinarily complex process. It is the product of many different factors - instinctive, physiological, rational and emotional - and prediction becomes impossible..."

  Robert Winston, 2002

  Furthermore,

  "…This often renders previous experience and existing knowledge redundant and could be described as anti-intuitive, anti-historical and anti-experience. Complexity theory offers the ultimate experiential learning encounter…"

  Paul Day, 2004

(Peak-Performance Organisations cont.)
As Gil Sawford (1998) states:

"…Chaotic systems display a repetitive pattern…..The evolution of these systems is sensitive to initial conditions and to continuous small disturbances. Owing to the difficulty of stipulating precise initial conditions, their behaviour is unpredictable and random. Chaotic systems are deterministic……When applied to non-linear feedback systems, Chaos can explain how variations in inputs and continuous small disturbances can quickly produce confounding variations in outcome. Accurate predictions are hard, if not impossible, to make as feedback loops magnify variations, taking the system to a state that we are unable to determine…...The long-term future is not only unknown, it is unknowable, and the efficiency of long-term planning is delusive. The border between stability and instability is a compromise of both order and recurring disorder. This border is far from the equilibrium state of chaos where specific long-term outcomes are unknown. This can be represented graphically and shows the original shape of stability recurring over and over again. Humans are able to use this recurring patterns analogy by reflecting on experience and adapting to new situations. This allows us to create reasonably predictable short-term futures, and long-term futures that can be managed in an emergent way…"

Furthermore,

"...any organisation.....capacity to be creative and sustainable in today's unstable and crisis-riven world will have the characteristics of what chaos and complexity theory call 'complex adaptive systems..."

Danah Zohar, 2004

- **Complex adaptive systems** had 9 distinctive characteristics, ie
  i. **self-organising** (re-organising itself in harmony with the environment)
  ii. **bounded instability** (systems exist only at the edge of chaos in a zone of instability that falls between order and chaos)
  iii. **emergent** (the system is larger than the sum of the parts)
  iv. **holistic** (systems have no internal boundaries, no recognisable separate part. Each part is linked with every other)
  v. **adaptive** (systems not only learn as they go, they create themselves to explore their future, ie in a mutually self-creative dialogue with the environment to which they are internally sensitive)
  vi. **evolutionary mutations** (mutations play a creative role)
  vii. **destroyed by outside control** (imposing outside control will destroy the internal order and balance of the systems)

(Peak-Performance Organisations cont.)

viii. **recontextualising** (continually reframing and relearning based on experiences with the environment)

ix. **order out of chaos** (systems continually create order out of chaos, ie negative entropy)

There is increasing discussion on the value of on-line video/computer games. Some are claiming that they are teaching the skills required for the way organizations are heading, ie

"…self-organisation and self-regulation……rapid-fire decisions based on multiple and constantly shifting inputs…"

Emma Connors, 2006a

- The traditional hierarchical concept of **management (control** and **command,** and **top-down directive style**) is changing in favour of a **more fluid, flexible, co-operative, collaborative** and **adaptive structure,** such as the **virtual organisation**. The autocratic, aloof, status-conscious, competitive, convergent-thinking, left brain-dominated style of executive will increasingly be less of a force in senior management. **Attributes of leadership** will be **less associated** with "personal charisma" and more to **being in tune with staff needs** and **development** and **to embodying divergent thinking.** In other words,

"...The new reality is that in this changing environment a top-down, hierarchical, compartmentalised, control-oriented management culture simply will not work. It is too slow, too rigid, too far removed from the customer, too insensitive to feedback, and the layers of bureaucracy required by the hierarchy are too costly. The management system needed in this new era sees that the various elements of the system are interdependent and must function as an integrated whole. The entire system needs to be highly responsive to the customer and marketplace feedback, with the organisation being very flexible.

Here, knowledge and the ability to solve problems no longer flows down from the top of the organisation, far removed from the customer. The best source of knowledge comes from where the work gets done, not from the top. Knowledge and wisdom are not resident in the upper offices, and power is not derived from position or control.

The role of employees has shifted from one where individual differences need to be suppressed to one where individual differences - knowledge and skill - are the firm's most essential competitive advantage.

So, today's executives are responsible for guiding the work of much more amorphous, flexible, distributed networks of core competencies that must be bought together with speed and fluidity to meet the needs of rapidly changing markets, often using technologies with life cycles shorter than the products or services offered..."

Harold Resnick, 2006

(Peak-Performance Organisations cont.)

- Furthermore, need to be careful of the popularity of exalted leadership. **Based on the exalted leadership model**

  "…the three greatest leaders of the 20th century were Hilter, Stalin and Mao. If that's leadership, I want no part of it…"

  Peter Drucker as quoted by Geoffrey Colvin, 2005b

- **Leadership is very contextual** and **situational**. One style of leadership is not suitable for all situations. For example, an entrepreneurial leadership style is most appropriate for an escalating research and development organisation, whereas a motivational style is more suited to a product launch environment. On the other hand, **good leaders have the following characteristics**
  - **self-awareness** (know their strengths and weaknesses plus those of people around them)
  - **do the right thing** (are not interested in popularity)
  - **are good role models**
- The role of senior executives and leadership is to take responsibility for **creating a supportive environment for staff activities** such as new product development and meeting future challenges, being creative and innovative, etc. In effecting the change, senior management needs to mobilize people throughout the organisation to do adaptive work. This is required when:
  - **our deeply-held beliefs are challenged**
  - **the values that made an organisation successful become less relevant**
  - **legitimate competing perspectives emerge.**

  Creating the supportive environment is of the utmost importance, as the dominant resource/asset is now knowledge, ie **intellectual property**. As knowledge is not a physical asset which organisations can own, **the best organisations can do is to create an environment which makes the best people want to stay with the organisation.** Generally the more open the physical environment, the more open the organisation (Sheridan Winn, 2007). On the other hand, people are territorial.
- More managers are moving away from concentrating on **how** (how we do things, how we operate) to **what** (what opportunities to pursue, what partnerships to form, what technologies to back, what experiments to start, etc)
- On the other hand, with the prediction of an economic "slow down", there will be increased pressure for managers to revert to more **command** and **control** types of management with pressure to perform in the short term.
- **Inflexible budget considerations are now being perceived as part of the command** and **control culture**, ie a process that dis-empowers the front line staff, discourages information sharing and can slow the response to market development. Consequently, **some organisations are moving away**

from budgets. In some extreme cases, when budgets are used as part of performance criteria, this has led to the breakdown of corporate ethics. Budgeting can do damage

- because it relies upon necessarily obsolete data

- much time is wasted on protracted, self-interested wrangling about the data that will supposedly indicate the future

- it encourages a system or philosophy of "spend it or lose it"

- much time and **effort is spent supervising the organisation's performance in relation to the budget**

- rigid adherence to annually-fixed plans and **budgets stifles innovation**

- Some organisations claim that the **budget process absorbs up to 30 percent of management's time**. Furthermore, conclusions can be rendered pointless by new market information after the budget is completed. Alternatives to budgets include using measures, **some financial** (such as cost-to-income ratios, return on capital, profits, cash flow, cost reductions, etc); some **non-financial** and **operational** (such as time-to-market, customer satisfaction, quality, etc) and **benchmarking** to compare performance both within the company and externally. Generally, this approach has resulted in business units becoming smaller, more numerous and more entrepreneurial, ie a more adaptive organisation

3 Entrepreneurial (based on innovation) (see Volume 2 for more details)

Introduction

- Some quotes from Peter Drucker are

"…The best way to predict the future is to create it…"

Peter Drucker as quoted by Fortune Magazine, 2006a

"…Any business enterprise has 2, and only 2, basic functions - marketing and innovation…"

Peter Drucker as quoted by Al Ries, 1997

Furthermore, he stated entrepreneurs are people

"…who create something new…"

Peter Drucker as quoted by Geoffrey Colvin, 2005b

- Many organisations that downsize, practise cost-cutting, etc have found that they cannot shrink their way to success. Furthermore, they have found they cannot grow rapidly by tweaking existing services and products, diversifying, merging, forming joint ventures/partnerships/alliances, etc, take-overs, moving to developing countries, etc. As a result and

"...because of maturing technologies and aging product portfolios, a new imperative is clear: companies must create, develop and sustain innovative new businesses..."

David Garvin et al, 2007

(Peak-Performance Organisations cont.)

Remember: corporations are designed to ensure the success of their established businesses. New businesses have a culture of their own and present 3 main challenges

i) **emerging businesses usually lack hard data**, especially if offering cutting-edge products or when their technologies are not widely understood in the marketplace

ii) **new businesses require innovation, fresh ideas** and **mavericks** that can clash with the current businesses that generate revenue

iii) **there is a poor fit between new businesses** and **old systems**, especially budgeting, HR management, etc.. The systems are designed to handle the operational aspects of the mature businesses, not the strategic, conceptual and entrepreneurial expertise that start-up's require.

To effectively manage the balancing act between new and existing businesses requires attention in 3 areas: **strategy, operations** and **organisations**.

"...develop strategy by trial and error. New businesses operate in highly ambiguous environments, where the full range of alternatives and outcomes isn't known, leading to many possible directions and evolutionary paths. The higher level of ambiguity in new businesses implies that corporate entrepreneurs won't get it right the first time. Because hard numbers are difficult to come by and strategic options are difficult to identify, past practices, too, offer little guidance. Experimentation is essential. Managers must begin with a hypothesis about what will work and what won't: then they should search for ways of validating or invalidating their preconceptions..."

David Garvin et al, 2007

- According to Australian Business Foundation, (2007), **innovation provides most of the basis for productivity increases.**

Internet

- **The Internet is democratizing innovation**, ie there is online sharing of information, technology and feedback between all stakeholders, rather than intellectual property protection. Some examples include

"...Proctor and Gamble's movement from internal R&D labs to sourcing 50 percent of the new product innovations from 'connect and develop' collaborations with a host of technologists and product developers worldwide. Or GE Healthcare's sharing, critiquing and working up for new generation technologies with an advisory board of luminaries from the medical and research communities. Or Dairy Australia announcing an 'open innovation' research center for disparate specialist research institutes and the major dairy companies in a deliberate effort to speed up innovation results and efficiencies..."

Australian Business Foundation, 2007

(Peak-Performance Organisations cont.)
These are very different ways of doing business in these different sectors which are disrupting the traditional approach.

Knowledge-based organisations

- There has been a **change from the corporate to creative economy**. The corporate economy organised capital and labour to optimize continuous production of identical goods at the lowest cost; putting a high premium on cost, repetition and style. Managers worked hard to improve control, efficiency and cost-effectiveness. The staff were fiercely loyal to the corporation. On the other hand, **individuals in the creative economy value agility, innovation, novelty and flexibility above price, repetition and strategic planning; they are more intuitive than rational; more subjective than objective. Mistakes are regarded as useful learning experiences necessary for success.** Furthermore, their loyalty is primarily to themselves:

  "...the greatest value in the creative economy is added when people use firms rather than when firms used people......strategy is no longer a reliable source of business success. Today's innovation can be bottom-up, rapid and eventually free. It is no accident that a lot of innovation comes from users doing it for fun. The game industry now actively encourages gamers. Mountain bikes were developed by frustrated riders, not by corporate planners. Many successful online companies have been developed by frustrated users, not corporate strategists..."

  John Hawkins, 2006

- With knowledge-based organisations growing in importance for future prosperity, the concept of **entrepreneurship** (creation of the resource) and **organisational learning** (acquisition of useful knowledge by an organisation) are strongly linked. Generally entrepreneurial research has concentrated on the **characteristics of an entrepreneur** and **the context in which is the entrepreneurial process is enacted**. Central to this is understanding how entrepreneurs are made; Richard Harrison et al, (2005), observes:

  - **organisational learning is experiential** (entrepreneurial traits are forged through active learning)
  - **learning permanently alters behaviour** (once an entrepreneur, always an entrepreneur)
  - **while organisational learning is individual, it occurs in a social context** (no entrepreneur is an island)
  - **learning is regulated through standard procedures** and **rules** (creating entrepreneurs can be managed or mismanaged)

(Peak-Performance Organisations cont.)

Links between innovation, entrepreneurship, invention, marketing, sustainable development, etc

- For innovation and entrepreneurship

"...usually the idea is the easy part.....often the real talent lies in knowing what to do next: how to finance and build the product, when and how to market it, and how to persist with it through very difficult times.....do not believe that there is one type of entrepreneur, one type of business, or one way to make a business work. Each entrepreneur has their own set of circumstances, their own personality, quirks and motivations which they then bring to bear on a business......is it really possible to learn from their experiences and replicate their success?......their talents lie in hiring the right people to help them, and recognising which skills they need to learn to succeed. When opportunity knocks, they listen. The simple truth is that there are as many ways to succeed in business as there are great businesses..."

Emily Ross et al, 2004

- **Innovation** relies on **invention** and **marketing**. Innovation is taking an invention successfully into the market place. There have been **many inventors but few innovators**. For example,
  - while it was Alexander Graham Bell who discovered how sound waves could be converted into undulating electric currents, it took Edison, with Charles Batchelor, to produce an effective carbon-button microphone so that Western Union could pool the patents of Edison and Bell's rival Elisha Gray and create a working telephone. Then Theodore Vail presided over the amalgamation of Western Union and the Bell telephone to form the American Telephone and Telegraph Co.. Vail foresaw the potential of a long-distance system and overcame the many political, technical and bureaucratic obstacles. Thus the **innovator of the telephone was Vail - not the others** (Bell, Edison, Batchelor, etc)
  - Chester Carlson played with static electricity and chemicals in his home to transfer a dry mark from one piece of paper to another. Initially, no commercial organisation was interested. Then, Joseph Wilson of Haloid Corp., a maker of photographic products, sent a colleague to investigate. By investing in the device, Wilson nearly bankrupted his company. **Wilson is the innovator of the photocopier machine**
  - Nathaniel Hayward discovered how raw rubber might be rendered usable but he gave up. It was Charles Goodyear who took Hayward's insight and brought it to fruition. In doing so, Goodyear went in and out of jail for debt all his life and sacrificed his family to develop vulcanized rubber. Thus **Goodyear was the innovator**.

(Peak-Performance Organisations cont.)

- The defining **characteristics of innovators** are a **determination** and **dedication** to bring an invention into the marketplace that involves
  - **a readiness to take risks**
  - **a thick skin to handle the "naysayers"**. For example,

"...Raymond Damadian was a 'screaming lunatic' for thinking that nuclear magnetic resonance imaging might be used for medical diagnosis. Theodore Judah was a 'crazy Judah' for advocating a railway over high Sierras. Amadeo Giannini was a ' hothead dago' for setting up branch banking for the masses: Bank of America was the result. Heading triumphantly spliced a gene, the young molecular biologist Herbert Boyer endured academic opprobrium by going into business to mass-produce man-made hormones; synthetic insulin and Genetech were the sequel..."

Harold Evans, 2004

- **unrealistic obsession**, ie **pig-headedness** and **willing to press ideas beyond their sensible limits**. For example, Samuel Insull and Juan Trippe demanded engines of unprecedented power for electricity generation and aircraft, respectively
- **originality**
- **extreme persistence** (remember: most new ideas are not initially successful)
- **a willingness to borrow** and **combine inventions.** As Henry Ford asserted

"...I invented nothing new.....I simply assembled into a car the discoveries of other men behind whom were centuries of work..."

Henry Ford as quoted by Harold Evans, 2004

- **imagination**, ie the ability to see relationships. For example,

"...Jean Nidetch did not invent the diet she used at Weight Watchers; she made it effective by borrowing the mutual support techniques of Alcoholics Anonymous. Ruth Handler based Barbie on a German sex doll named Lilli but transformed a static doll into a vehicle for role modelling when she offered a variety of outfits - an idea stolen from cardboard-cutout games…"

Harold Evans, 2004

- **a desire to improve the lives of others rather than moneymaking as the main driver, eg**

"...Giannini did it with his branch banking for the little man, Ford with these models T, ...Pierre Omidyar created a democracy of supply and demand with eBay. In Reno, Raymond Smith transformed casinos from dark, smoky places peopled by men to public places for entertainment, foreshadowing the rise of Las Vegas..."

Harold Evans, 2004

(Peak-Performance Organisations cont.)

- The diagram below shows the **critical mass on innovations meeting real market needs** and **creating new waves of innovation**

Market need	Reducing transaction and communication costs and increasing labour productivity	Increasing resource productivity/ product differentiation
Critical mass of enabling technology	Semi-conductors/Micro-processors/ Software engineering/Internet & optical fibre networks/Transistors/Graphic user interface	Eco-design/Whole system design/ Biomimicry/Green nanotechnology/ Spatial information/Lean thinking
Societal needs	**Communication**	**Sustainable development**

Karlson Hargroves et al, 2005

- **The future is already here!!!!! But, you need to know where to look.** Organisations wanting to be truly innovative have to go outside the industry's comfort zone. Some examples include supermarkets becoming banks, petrol stations becoming supermarkets, home ware retailers offering cooking classes, etc. This is sometimes referred to as **cross industry pollination**. **We need to keep tabs on where technology is heading**!!!!!
- The increasing importance of **sustainable development**, **innovation** and **knowledge (ie knowledge worker)** with **greater focus on initiative, flexibility** and **creativity in developing business**, and on **maintaining competitive edge** (especially through improved integration of information and smarter ways to manage internal business processes) is now being acknowledged. **Sustainable development** is shaped by an innate appreciation of systems: particularly the **mutually-sustaining, interdependent, causal relationships** among the economic, environmental and social spheres. Actions to meet goals in one of these spheres affects the others, and are helped or hindered by them. This is linked with a concept called **conscious oversight**, ie a discipline of care and nurturing of people and systems with an eye toward the impact on generations who come after them. This discipline encompasses the ability to see and understand the system at hand as part of a nested body of larger systems, and to make thoughtful decisions about matters which will have significant, long-term consequences.

  Decisions made as part of this discipline are based on the consideration of:

  - traditions of the past (while distinguishing those parts which are still important)

  - realities of today (from a variety of points of view)

  - sustainability of life for generations who come after.

Peak-Performance Organisations cont.)

When practising conscious oversight, decision-makers focus on:

- ensuring congruence
- the viability of a system larger than themselves
- the service of a purpose larger than themselves
- community life and well-being that is beyond the life of an individual or organisation.

- More and more evidence is stressing the importance of innovation, ie

"…Detailed case studies of hundred of industries, based on dozens of countries, reveal that the internationally competitive companies are not those with the cheapest inputs or the largest scale, but those with the capacity to improve and innovate continually. Competitive advantage, then, rests not on static efficiency or on optimizing within fixed constraints, but on the capacity for innovation and improvement that shifts constraints......Increasingly then, companies that are most competitive, achieving the greatest productivity gains, are not those with access to the lowest cost inputs. Rather, they are those firms who constantly innovate......A major study by McKinsey & Co, of over 1000 companies in 15 sectors over 36 years, found that innovating to become the best in new emerging markets was a key element of success…."

Karlson Hargroves et al, 2005

- An **organisation's survival** depends on its ability **to capture intelligence, transform it into usable knowledge, embed it as organisational learning** and **diffuse it rapidly throughout the organisation**.

"...Maximizing an organisation's intellect......taking everyone's best ideas and transferring them to others is the secret. There is nothing more important......than being open to the best of what everyone, everywhere, has to offer. The second is transferring that learning across the organisation..."

Jack Welch as quoted by Jack Welch et al, 2001

Knowledge management

- This includes analysing **core competencies** to form **the basis of innovation**. Furthermore, a peak-performance organisation has a culture which views failure as a learning experience, ie it **encourages innovation** and **risk, in the quest for continuous improvement**. This leads into **knowledge management**. Until now, managers have focused on managing and controlling the key processes and distribution channels, which explains the popularity of techniques such as TQM and business process re-engineering. With rapidly changing customer desires, managers have to look beyond these techniques. The need for knowledge management grows from a recognition that inflexible structures are more likely to collapse when the ground is shifting as rapidly as it does in today's markets. **Knowledge management involves managing both intangible** and **tangible assets**. Furthermore, the management of knowledge and data are different. Data is the basis for information; **knowledge has more to do with the process of learning, understanding** and **applying new tasks** and **procedures**.

Remember: data is not information; information is not knowledge; knowledge is not wisdom!!!

- There are **4 components** to knowledge management:

  i. a **database subsystem** that allows the sharing of information in a timely and efficient manner
  ii. an **organisational language subsystem** that is understandable and user-friendly
  iii. a **networking subsystem** for locating and acquiring information and knowledge, both external and internal to the organisation
  iv. a **transfer subsystem** whereby systemic knowledge is either directly transferred between individuals, or new knowledge is created by the unique combination of information with the individual's experience base.

  Linked with this formal structure is the **informal structure**. The formal structure is linked with the IT system; however, the **informal structure is more how people network and communicate with each other.** Usually the informal networking is more powerful, and as a result, its role in knowledge management needs to be understood

- If you think that the **revolution is over,** think again!!!! The rise and fall of the dot coms is not the real story. That was merely the most talked about evidence of the **increased importance of speed, adaptability,** and **imagination in business success**. No matter how many dot coms fail, the landscape for those companies that remain is changed forever. **The age of incremental innovation has passed** - we have entered the age of **radical innovation.** Can your company afford to be left behind?
- We all knew what a coffee shop was - until Starbucks brewed up a whole new experience. We knew what a stockbroker was - until Charles Schwab rewrote the definition (twice!). A book shop was a bookshop - until Amazon broke down the walls. The lesson is this**: your industry is going to be reinvented. If it's been reinvented once, it's going to happen again**. As Gary Hamel (2000) sees it, the big questions for your organisation and industry are:

"…- Will you reinvent it (and reap the rewards)?

- Or will you fall into the dustbin of history because of it?

- Sure, your company has a strategy. But do you know how to calculate strategy decay?

- Do you know its implications?

- ***Does your company have a way to systematically sow, nurture and harvest innovation throughout the organisation?***
- ***It can be done. The revolution is here. Are you ready?…”***

- **Innovation** and **knowledge management** are inextricably linked. As part of the ever-changing world, the importance of **managing intangible assets** such as knowledge (**including intellectual property**) and innovation are being recognised as key drivers to future, long-term corporate growth. In fact, knowledge is fast becoming the **prime factor of production**, and as a result, is becoming more important than land, labour and capital in the creation of wealth.

Given the pressure on companies to maximise shareholders’ returns, better utilisation of these intangible assets provides a **great opportunity to maximise returns**. For example, the revenues from the licensing on patent rights in USA has skyrocketed in the last ten years from $US15 billion in 1990 to more than $US110 billion (HBR 2000). As Jack Welch (2001), of GE fame, stated

“…there is much more leverage from brain power than products…”

- Remember: **knowledge management** and **innovation** give **several advantages:**
  - patented processes give you leverage into new markets and a competitive advantage
  - help increase productivity
  - reduce costs
  - help capture and share knowledge (IT) to solve problems
  - keep staff motivated
- Some quotes from the Harvard Business Review

"...in a world where battles are increasingly being waged not for control of markets or raw materials but for the rights to new ideas and innovations, the management of intellectual property must become a core competence..."

"...It is recognized that the knowledge economy has given rise to a new ecology of competition in which intellectual assets rather than physical assets are the principal wellsprings of shareholder wealth and competitive advantage..."

"...The true source of a company's competitive advantage lies not in its products or services but in its innovative way of doing business..."

“...The competitive game has changed: the advantage now often goes to the company that is most adept at choosing from the large number of technological options and not necessarily to the companies that create them……(and) using knowledge more effectively than their competitors do…”

(Peak-Performance Organisations cont.)

Perpetual innovation, etc

- Need to **institutionalise a capacity for perpetual innovation**. This involves understanding the **degrees of unpredictability** and **taking calculated risks**. More often than not, each change can threaten to undermine the historical sources of an organisation's profitability, yet **each change needs to bring customers new benefits that have enormous payoffs**, eg Schwab in the discount brokerage industry introduced a change from "bricks and mortar" to "cliques and mortar" (online business). **This means working from the customer backwards.**
- Key elements for **perpetual innovation** are
  - a passion
  - a broader definition of business boundaries based on core competencies and assets such as the ability to move quickly, satisfy customer needs, the first to the market and leverage distribution channels
  - a vibrant internal market for new, wealth-creating ideas where new voices have the chance to get heard
  - an open market for talent, especially as many innovations that will affect your industry come from outside your industry
  - highly motivated entrepreneurial staff who get to share in the wealth they create
  - fluid organisational boundaries that allow skills and resources to be creatively and endlessly re-combined
  - minimum number of restrictions, ie few rules and regulations
  - working from the customer backwards
  - using stretch goals
  - encouraging innovation meritocracy
  - rapid experimentation and prototyping
  - encouraging genetic diversity within your organisation
  - in a quickly changing world, do not allow allegiance (to a particular technology/product/ service/business concept) to stifle innovation
- Some additional comments on innovation include
  - **intrapreneurs** (intra-corporate entrepreneurs) in large organisations need sponsors who will help intrapreneurs through the organisational barriers. Furthermore, the sponsors provide important coaching and support. Generally there is a lack of suitable sponsors in most organisations

(Peak-Performance Organisations cont.)

- innovation in **small groups** generally works better than in large groups as the smaller groups allow for more effective development of personal relationships, thereby creating greater confidence within the people in the group and a readiness to express opinions and risk failure
- **competition** is important in innovation; competition inhibits complacency and status quo thinking which both work against innovative forces

- It is felt that **small organisations are in a better position to handle technology than larger organisations**. The reason for this is the **layers of management in large organisations where there are roughly 80% of people managing the 20% who do the work**. Furthermore, these 20% spend considerable time managing others. This increase in overhead costs and the layers of management tends to stifle creativity. By contrast, a start-up organisation does not have these 2 impediments. Of course, the start-ups may lack resources, such as finance
- Furthermore, big corporations are just

"…conglomerations of assets whose desire for short-term growth limits their capacity for innovation…"

Goran Carstedt as quoted by James Hall, 2005

4 People-oriented

Introduction

- Remember:

"…corporations are first and foremost social organisations, and the processes by which they do their business are social processes…"

Barbara Kellerman, 2002

Furthermore,

"...we could have the greatest strategies in the world. Without the right leaders developing and owning them, we'd get good-looking presentations and so-so results..."

Jack Welch as quoted by Jack Welch et al, 2001

"…lasting excellence in corporations seems to stem less from decisions about strategy than decisions about people......so what is the key thing you can do to prepare for......uncertainty? You can have the right people with you.......What we found in companies that make the good decisions is the debate is real.......Before making a decision, you would see significant debate..."

- **Work means more than money**, as it fills such an important and central place in people's lives and determining our sense of self, ie confers status and defines success, so staff need to understand more than financial statements and/or the technical/operational aspects of their organisations. They need to **be able to communicate, ie express their thoughts so that others understand their thinking, close the deal, build relationships, network, work as a team, collaborate, etc**.. These are sometimes called the **soft skills**. There is increasing acknowledgment of the fundamental role of **human resource** and **people issues (management** and **development)** including leadership, empowerment, team work, cross-functional collaboration and people development issues.

Working life

- Working life is being impacted by a complex array of forces such as "**one size does not fit all"**. This has resulted in different perceptions and aspirations that include

"... - the global generation that expects to work anywhere in the world at any time;

- the mobile mercenaries - free agents who sell their skills to the highest bidder;

- the "career step" employees who wants opportunities, not continuity, and who advance their own career interests, not necessarily the success of their employers;

- the portfolio, self-determined careerists who exit the corporate world for a collection of paid endeavours that interest them;

- the "wisdom workers" who are no longer in full-time roles but keep their hand in short-term assignments and mentoring projects, drawing on the benefits of wide networks of contacts and skills..."

Australian Business Foundation, 2007

- **Younger staff** are now more interested in **increasing their employability**, via widening and upgrading skills**, than in loyalty to any particular organisation**. This suggests that employees now want more than salary packages. Furthermore, there is evidence which indicates that alignment of personal and organisational ethics and values are very important in attracting and keeping staff.
- As **job security is no longer part** of the employment deal, more and more staff (particular the younger workers) want to develop **portable skills** that they can take to the next job. Employees are identifying staff **education** as an important differentiator between employees, so training and development is becoming a part of employment packages. The most common topics for training and development are **leadership, project management, negotiation skills, marketing, finance, strategy, staff coaching** and **E-commerce**. In other words, they are looking to upgrade their personal portfolios as part of their current jobs in an organisation, ie

"...you pay, but we don't always stay..."

Helen Trinca, 2001

- Increasing emphasis on the concept of **portfolio careers,** ie

"...portfolio careers, with an increasing number of people having multiple income streams from a number of different activities..."

Sue Williams, 2004

(Peak-Performance Organisations cont.)
Younger people are being prepared to have a number of different jobs in their lifetimes and being groomed to be more flexible in their approach to their working lives. It is estimated that the average person in USA will have over **6 different careers in their lifetime**. Furthermore, **the ageing of the population** (over the next four decades, the proportion of Australian population over 65 will double to be around 25%) and a **greater desire for work-life balance** are both increasing the pressure for more career changes. Sometimes a better way to understand the work-life balance is in the terms of acknowledged **trade-offs**, ie if you are going to spend more time with your family, other activities will suffer, such as work and/or leisure activities, etc

- **Work/life balance** can be regarded as a **misnomer** as it can refer to **many workplace issues** including **flexible work practices**, such as job sharing, telecommuting, part-time options and programs for working parents, mature age workers and programs enabling corporate volunteerism, as well as the need to manage home and work responsibilities. There is a need for **people to be able to move between work, family** and **retirement while organisational** and **work structures need to change to make this viable.** Furthermore,

"…managing work and personal life is more than simply an issue of time (which is finite); it also involves energy, and mood, which are not constrained in a way time can be......managing work and other parts of life is about how people assess and decide priorities..."

Ellen Galinsky as quoted by Catherine Fox, 2004

Remember: **measuring success at the workplace is different from evaluating success in non-work areas**, ie success at work is about achievement while in non-work areas it is often about caring responsibilities

- People who have worked out the most suitable work-life balance for themselves are able to prioritise their life and **focus on the high priority areas**, especially in work. As a result, they do not waste time on low priority areas
- Furthermore, there is

"…an increasing demand for emotional sustenance, intellectual satisfaction, lifestyle accommodation and control over hours and styles of management..."

Deirde Macken, 2004

- More organisations are tracking the emotional, physical and intellectual health of employees with the aim of getting the **appropriate fit between staff** and **the organisation**.

(Peak-Performance Organisations cont.)
"...I want it all and I wanted it now

<u>what older workers expect</u>	***<u>what young workers expect</u>***
professional development	***meaningful work***
flexibility in work arrangements	***a series of challenging jobs***
leave time during week	***constant feedback and rewards***
extended leave periods	***to be included in decision-making***
a sociable work environment	***more informal hierarchies..."***

Deirde Macken, 2004

The workers of this latter generation are becoming more mobile, tough and **loyal to no one but themselves**

- At the same time, there is **increasing diversity** and **flexibility** in the workforce of any one organisation, and organisations are continually **beset with paradoxes**. In addition to handling different skills and disciplines, there are differences in **generational, racial, ethnic, gender** and **religious** mindsets that need to be considered. An interesting example in the generational differences is a trend to **"reverse mentoring"** where junior staff mentor senior executives on such topics as the use of the Internet and their generational aspirations

Type of organisation (knowledge based)

- What is required in a peak-performance organisation is a corporate culture that releases and catalyses human energy to **cultivate vision, daring, innovation** and **creativity.** Putting these back into the workforce is difficult to implement when power has been based on retaining hierarchical "command and control" systems rather than on the motivation and fulfillment of workers.

- Furthermore, aim to develop an organisational culture

"…where values, spirit, cultural capital and meaning are important to the bottom-line……cultural capital (refers) to liberating the personal……enabling people to be themselves at work…"

Helen Trinca, 2001

This emphasises the need for **integration** of the **"hard"** and **"soft/intangible" components.** Too often, in the pursuit of success within an organisation, stress and tension are created in the workplace, rather than building trust and empowerment.

- The basic employment unit is not "organisational man" (who is stripped of individuality and initiative) but that of **"individualised corporations"** in an environment that encourages diversity of views and empowers staff to develop their own ideas, ie the **knowledge worker**. In the current climate, the individual needs the organisation much less than the organisation needs the individual.

(Peak-Performance Organisations cont.)

- This is the **era of the knowledge workers** who

  "…see the organisation as the tool for their accomplishment of their own purposes and, therefore resent......any attempt to subject them to the organisation as a community, that is, to the control of the organisation; to the demand of the organisation that they commit themselves to lifetime membership; and to the demand that they subordinate their aspirations to the goals and values of the organisation..."

  Furthermore**,**

  "…workers are likely to outlive organisations, and the knowledge worker has mobility…"

  Peter Drucker, 2001

  Yet most people still believe that organisations outlive workers and most workers stay put in one organisation, ie lifetime employment. However, learning and re-learning will be a continuous process throughout everyone's life; with more focus on **lifetime employability than lifetime employment**

- Tomorrow's knowledge worker

  "...will have to be prepared for life in a global world. This will be a westernised world, but also increasingly a tribalised world. He or she must become a citizen of the world - in vision, horizon, information. But he or she will also have to draw nourishment from their local roots and, in turn, enrich and nourish their own local culture..."

  Peter Drucker, 2001

  It has been suggested that the most desirable, knowledge-oriented culture is characterized by the **Five F**s, ie

  "…fast, flexible, focused, friendly and fun..."

  Thomas Davenport as quoted by Catherine Fox, 2006g

  Furthermore, to link a knowledge-based culture with high trust requires training and motivation.

- At one end of the spectrum of the knowledge workers is the "**extreme jobs**" that have arisen out of the global economic development and technological changes that make communications easier and flatten organisational structures. People in extreme jobs have at **least 7 of the following 12 characteristics** (Sylvia Ann Hewlett et al, 2007):

  i. *work more than 60 hours per week

  ii. *earn high income

  iii. *have unpredictable flow work

  iv. *fast-based work with tight deadlines

  v. *works outside regular work hours

  vi. *available 24/7

(Peak-Performance Organisations cont.)

vii. **inordinate scope of responsibility that amounts to more than one job**

viii. **responsibility for profit** and **loss**

ix. **responsibility for mentoring** and **recruiting**

x. **large amounts of travel**

xi. **large number of direct reports**

xii. **physical presence at workplace of at least 10 hours a day**

NB The characteristics marked with * are the ones that create the most intensity and pressure.

It is interesting to note that many

"...of extreme workers admit that the pressure and pace are self-inflicted, but they don't feel exploited, but feel exalted. Many people love the intellectual challenge and the thrill of achieving something big. Others are turned on by the oversize compensation packages, brilliant colleagues and the recognition and respect that come from the territory. For men, compensation comes in third on the list of motivators, after stimulation/challenge and high-quality colleagues. For women, compensation was fifth or last......perhaps the most profound amongst the cultural shifts......is the fact that the workplace is now the center and source of many people's social lives......for so many professionals, home and work have reversed roles - home is the source of stress and guilt, and work is a place where successful professionals get strokes, admiration and respect..."

Sylvia Ann Hewlett et al, 2007

- Those entering the workforce today are more likely to have **more career changes** and a **longer working life** than any previous generation of workers. Their awareness of the necessity for **life-time learning** and **employability** gained by increasing levels of skills and expertise will result in more career changes, and less automatic loyalty to an organisation. Furthermore, it is no longer expected that the organisation that you started your working career with will be in existence when you are due to retire. In fact, the **whole concept of retirement is changing**, ie people will just change direction by starting new careers at different stages of their lives. Usually the next career will be run in parallel with the current career until it is time to completely focus on the new career
- A peak-performance organisation has facilitated the shift from systems-driven to **people-orientated** management: ie from "form-function-fit" or "strategy-structure-systems" to "**purpose-process-people".** As Peter Drucker (2001) states

"...Organisations are no longer built on force. They are built on trust..."

(Peak-Performance Organisations cont.)

Furthermore, he states that most personality conflicts arise because someone does not know what the other person does, or how their work is done, or its contribution, or the expected results. Managers owe relationship responsibility to everyone with whom they work and on whose work one depends.

- Generally people like to work for organisations with the following characteristics:

  - have a clear focus and direction

  - offer some job security

  - have preference for team players and people with high EQ; keep out narcissistic personalities

  - pay fairly, ie on merit

  - family friendly

  - good staff morale (includes caring about staff's personal problems)

  - decentralised decision-making

  - everybody listened to, irrespective of position in the organisation (make staff's opinion count)

  - all issues are discussable

  - excellent implementation and execution

  - encourage good communication channels including providing feedback (positive and negative) at all levels of the organisation

  - senior executives are positive role models (walk the talk and lead by example)

  - mentoring by senior executives

  - encouragement of a learning environment

  - identifiable career development, ie personal and **professional growth with stretch goals**

  - practise succession planning

  - possess a strong cohesive culture that creates an egalitarian environment

  In other words,

  "...have a sense of enjoyment, a sense of community and sense of meaning..."

  Manfred Kets de Vries, 2006

Networking

- **Networking** is an important part of **building relationships** both inside and outside organisations. The principles of networking revolve around 3 concepts

  i) **law of giving without expectation** (unconditionally helping someone to achieve their goal and not expecting something in return)

  ii) **law of abundance** (firmly believing that there are ample opportunities for everyone, and the art of networking is knowing where these opportunities are)

  iii) **law of reciprocity** (when you give without conditions, you receive payback many times over)

(Peak-Performance Organisations cont.)

NB It is about **who you know, more than what you know**

- **Effective networking** follows some **basic rules:**
  - be prepared to "**work the room**" (being prepared to talk to strangers, ie forget childhood advice of not talking to strangers!!!!!!!)
  - learn **not** to be **intimidated by people who are perceived as senior**
  - **focus on the person you are talking to**
  - be an **active listener**
  - be **confident**, ie pretend that you are the host!!!!!!!!
  - prepare a **few questions** and **conversation starters**

"...Networking is about building a chain of helpfulness, not just collecting business cards. It requires time and sincerity. Networking isn't about selling. It is about building rapport and being remembered for all the right reasons......it is a long-term strategy......try to make memorable connections......look sharp and listen......listen to what someone is telling you and reaffirm what they say by repeating something back to them. Ask questions and don't look over their shoulders for someone better to talk to. Networks are interconnected and you don't know who that person knows..."

Brad Hatch, 2006a

- **Networking tips**
  - identify the people you want to network with and get the background material on them via the Internet prior to meeting them
  - prepare a self-introduction of around 15 seconds
  - when you first arrive, scan the room to locate any strategic contacts
  - position your name tag on your right side, so that when people shake your hand they automatically look at the extended arm and notice the name tag
  - make eye contact and do not look elsewhere while talking to particular individual
  - approach new people in the room rather than going to familiar faces
  - don't be afraid to politely end a conversation, especially if the conversation is not going well or you find that you have no natural rapport; politely excuse yourself by saying something like "It's been a pleasure to talk with you" and move on
  - useful strategy for constructively ending a conversation is to introduce the person to somebody else in the room
  - ask questions about others' problems and concerns, history and background. If convenient, ask how you can help them

(Peak-Performance Organisations cont.)

– listen, express approval and agreement, ie adjust your behaviour to the situation. It is better to listen to people and ask them questions about themselves. You will be more interesting to a person if you are interested in what they are saying.
– don't force yourself on people, ie it is better for somebody to ask for your business card than for you to hand it out regardless
– it is better to have 1 or 2 quality conversations at an event, rather than superficially "work the room"
– be willing to refer contacts even when you don't think your referral will be reciprocated
– if somebody helps you, follow up your conversation with a short note or phone call for expressing your appreciation
– for any relationship to last, you have to establish mutual trust first. You can tell when you have connected with someone, so don't push it if there's no connection
– if you do establish a rapport with someone at an event, follow up with an e-mail and suggest catching up in a social context.

NB If you build a solid friendship first by finding a shared or mutual interest, then helping each other comes naturally (this is what networking is all about)

Networking is a way of sharing wisdom and **building bonds; it is not just a selling** and **buying process**. It is about people discussing ideas, interacting and learning. On the other hand, be careful of

- working the crowd too fiercely and thus alienating potential contacts
- cornering someone who doesn't want to be cornered
- sticking to the same conversation, ie being a bore!!!!!!!
- situations where someone gets drunk, aggressive and/or inappropriately amorous

Main roles of management

- **The 2 main roles of senior management should be to**

  - select the staff with the "right attitude" (rather than skill set only) and **who fit into the culture of the organisation**

  - create an environment in which both staff and **the organisation can flourish**

  i) “People are your most important asset”. Right? Wrong!!!!!! Right people are your most important asset. The right people are those who exhibit the desired behaviours and attitudes, as a natural extension of their character and attitude, regardless of any control and incentive system. The challenge is not to train people to share your core values. **The real challenge is to find people who already share your core values** and **to create an environment that so strongly reinforces those values that the people who do not share them should not get hired.** An example of this is that we cannot teach people the work ethic - either a person has it or he/she does not. On the other hand, we can teach people specific work skills, ie

"…hire for attitude and train for skill…"

Alan Joyce (Jetstar) as quoted by James Hall, 2006

Right people are **eager to learn, possess a strong personality** and **have a pro-active attitude.** These characteristics are more important than expertise, skills and experience.

Recruitment and promotion should focus on cultural fit, right attitude, values, energy and vibes. Based on an Australian survey, some common methods to test cultural fit include

"…- behavioural interview questions on values (91%)

- ***panel interview (61%)***
- ***reference check against values (58%)***
- ***informal meeting (49%)***
- ***questions specially targeting values (43%)***
- ***cultural (motivational) fit questionnaires (39%)***
- ***behavioural simulations (24%)***
- ***personality inventory (24%)…"***

DDI Australia as quoted by Brad Hatch, 2005

ii) The second role of senior management is to create an environment in which both staff and the organisation can flourish

"...Top management must stimulate the organisation, not control it. It creates the environment:

- ***by providing strategic direction;***
- ***by encouraging learning;***
- ***by ensuring there are mechanisms for transferring the lessons learned;***
- ***by challenging behaviours, and unleashing new ways of thinking, by demonstrating to people that they are capable of achieving more than they think they can achieve, and they should never be satisfied with where they are now;***
- ***by encouraging staff to try something different…"***

Harvard Business Review, 1999

For example, there are growing number of organisations in which the **competitive advantage lies in the ability to create an organisation driven not by cost efficiencies but ideas** and **intellectual know-how**. It is important to realize that the psychological relationship management have with their "clever people" or knowledge workers **is very different from the ones in traditionally-framed organisations**, ie

(Peak-Performance Organisations cont.)

"...clever people want a high degree of organisational protection and recognition that their ideas are important. They also demand the freedom to explore and fail...... the attitudes that clever people display toward their organisations reflect their sense of self-worth...... most of them are scornful of the language of hierarchy. Although they are acutely aware of the salaries and bonuses attached to their work, they often treat promotion with indifference or even contempt...... they will want to stay close 'to the real work', often to the detriment of relationships with the people who are supposed to be managing. This doesn't mean that they don't care about status - they do, often passionately. The same researcher who affects not to know his job title may insist on being called ' doctor' or 'professor'..."

Bob Goffee et al, 2007

Furthermore, knowledge workers **do not want to be distracted by the administrative machinery**, such as organisational rules and politics, from their key value adding activities. It is important to create an atmosphere in which rules and norms are simple and universally accepted. Furthermore, **management needs to realize that some of the best ideas will come from outside the organisation**. This reinforces the need for knowledge workers to pursue private efforts that will have organisational payoffs. Organisations such as 3M, Google, Genetech and Lockheed allow staff to pursue those projects in company time. For example, Google allows staff to spend one day a week on their own startup ideas. On the other hand, the **knowledge workers need to acknowledge their interdependence on others in the organisation**.

Resources (knowledge, time, etc)

- **Knowledge** through **learning** is the only **infinitely renewable resource.** Competitors can gain access to other resources like capital, labour, raw materials, and even technology and knowledge. On the other hand, **no one can purchase and duplicate an organisation's ability to learn**. **Learning** generally occurs **over time** and in **"real life**"; it is not confined to the classroom or training sessions.
- **Time** is becoming a **precious resource**. Everyone feels that things are speeding up, ie they have to do more, think more, learn more, produce more - they have to do it more often and more quickly. Time is now playing a different role in our lives. **Time is as important to a knowledge economy as raw materials were in the Industrial Age.** Time costs money; it is one thing we cannot afford to waste. We need to know the value of time
- Despite our efforts to manage our time in the hope of delivering a shorter working day and more leisure time, **we are working longer hours than our parents**. In fact ,

"...long hours are virtually synonymous with achievement, so much so that any move away from the norm is a career risk or as seen dangerously subversive..."

Catherine Fox, 2004d

(Peak-Performance Organisations cont.)

This is linked with 4 changes in the way we work

"...work has intensified and more is expected from employees; we have internalized the need to work ever harder and longer; new experience of working time is, however, becoming more individualized as shift work, part-time jobs and long hours diverge from the standard working day; the boundaries between work and other parts of existence have blurred; and we have absorbed the idea of efficiency so well it is applied to all of life..."

Madeleine Bunting as quoted by Catherine Fox, 2004d

This has given rise to a new breed of addicted worker as

"...response times are shorter, turnaround on major projects has been compressed, and there are expectations of quick outcome for every effort..."

Catherine Fox, 2004d

The extreme case of this is the **binge worke**r, ie they throw everything at a job, work all hours until it is finished, then relax.

However, remember that there is evidence to suggest, that **any work beyond about seven hours a day is considered less productive**. The number of hours you work doesn't necessarily result in greater productivity, **it's about how you manage work**. Our growing obsession with being busy does not necessarily translate into better or more efficient work patterns.

Furthermore,

"...we are starting to see that overworked people pay a price with mistakes and poor health, and that slowing down does not make you a slacker..."

Carl Honore as quoted by Catherine Fox, 2004d

Professionalism

- High performance and agile organisations are based on **professionalism** rather than **loyalty or faithfulness**. Professionalism means **changing the emphasis from "mate-ocracy to merit–ocracy" with a reduction in cronyism** and **homogeneity.** In contrast, the **loyalty organisation** is based upon
  - subservience to the system which is the fundamental principle
  - internal class (people are invited in and/or apply to join) and career structures which govern relationships and rewards
  - obedience to higher authority is demanded
  - diffused and non-specific accountability
  - loyalty or commitment to a cause.

(Peak-Performance Organisations cont.)

The **new professional relationship paradigm** threatens to outperform loyalty or faithfulness, though not necessarily to destroy it. **Loyalty or faithfulness** is so **psychologically ingrained in some organisations** that it is considered to be the glue that holds the organisation together.

On the other hand, when organisations try to manufacture loyalty, they risk creating its opposite – **cynicism.**

- Business in market economies is usually seen as a war involving winners and losers. As a result, loyalty or faithfulness is offered as a prime conceptual framework for managing the firm for competitive war. Individuals are assessed for skills and abilities, and then sorted into a rigid organisational structure. Income, status and decision-making prerogatives are all determined by one's place in the (class) structure. In this structure, each individual is expected to do the tasks allocated and to conform to the hierarchical requirements of the organisation. In short, the **loyalty or faithfulness to the organisation is above all other considerations**. In return, the organisation protects its staff against the harsh realities of the outside world.
- The pay-offs for loyalty or faithfulness include financial security, longevity of employment, security in retirement and a sense of place and purpose in the organisation's structure**. The principles of command** and **control are dependent on the loyalty or faithfulness-driven mindsets**. In recent times, mergers, acquisitions and downsizing have demonstrated that loyalty to individuals by organisations is only acknowledged when it suits the organisation's purposes.
- Loyalty has always required the willing sacrifice of the employee's sense of, and desire for, freedom to the higher demands of the organisation. This type of environment **of loyalty or faithfulness at all cost can generate a culture of silence, fear, transference of blame** and **loss of personal integrity**.
- Ultimately, the loyalty or faithfulness system creates **a culture of subservience to the whims** and **personal ambitions of the corporate elite**. Such a culture makes it impossible for an organisation's performance to achieve the full potential of its staff. In extreme cases, **loyalty or faithfulness diminishes accountability**, ie errors, corruption and general under-performance are absorbed and acceptable. In these situations, loyalty can produce a major psychological dysfunction, with loyalty limiting ambition and demanding conformity.
- **Individual entrepreneurship threatens loyalty or faithfulness**. Organisations not requiring loyalty want professionalism instead**. Professionalism is a state of mind**: it is one's ability to perform, to demand clarity in performance expectations and to accept only those performance expectations that can reasonably be met. It means accepting that the organisational structure is not all-powerful, and that the organisation is not bigger than the individuals who work for it. **It means everything is open**

to question on a daily basis. It accepts that culture is a product of the people in the organisation, and as people change and come and go, the culture changes.

Community and **culture are not things that are made;** they simply emerge and evolve. Organisations that do not demand loyalty have one focus: **the delivery of results to match the needs of its markets. Every part of the organisation has a market focus**.

Consequently, organisations based on **professionalism** involve these elements

- **the system itself is subject to accountability**
- **clear contractual expectations drive relationships**
- **there is market focus at all levels**
- **accountability is exact and identifiable**
- **individuals command their destiny**

- The "war for talent", ie **too few suitable people available**, has laid the basis for the changes to the structural forces and a paradigm shift; as Jason Cartwright, 2004 states **"…**

Old Reality	***New Reality***
People need the company	***Companies need people***
Machines, capital & geography are the competitive advantage	***Talented people are the competitive advantage***
Better talent makes some difference	***Better talent makes huge differences***
Jobs are scarce	***Talented people are scarce***
Employees are loyal & jobs are scarce	***People are mobile & their commitment is short-term***
People accept the standard package they are offered	***People demand much more***
HR is responsible for people management	***All managers, starting with CEO, are accountable for strengthening their talent pool***
We provide good pay & benefits	***We shape our company, our jobs, even our strategy to appeal to talented people***
Recruiting is like purchasing	***Recruiting is like marketing***
We think development happens in training programs	***We fuel development primarily through stretch jobs, coaching and mentoring***
We treat everyone the same and like to think that everyone is equally capable	***We affirm all people, but invest differentially in A, B & C players…"***

- On the other hand, several high-profile corporate collapses, such as Enron, have emphasised the need to rank and reward staff on **performance** more than talent and/or intelligence.
- **Success** does not come from how much one knows but **how well one learns**. The knowledge base is always changing, so acquiring knowledge has become less important than **knowing how to find** and **use the knowledge warehouses**. The ability to learn quickly and well and to keep learning

throughout one's life is the key. Furthermore, learning requires **time to reflect, assimilate** and **practise.**

- The development and sustenance of strong and mutually **beneficial relationships with major stakeholders** (customers, owners, community and employees) is vital in achieving peak-performance organisation. All stakeholders need to be **informed**, conduct **open** and **honest communications** and **recognise** the need to handle **change**, and that **change** is a **continuous process** that takes time, ie have developed and implemented long-term strategies.
- Furthermore, there is the corporate club of good citizenship or **corporate social responsibility (CSR) including climate change.** Organisations are expected to make a positive contribution to their employees, the environment and to society.
- Need to understand the **generational differences.** In fact, there is a trend to **"reverse mentoring"** where junior staff mentor senior executive on such topics as the use of the Internet and their generational aspirations
- With the uncertainty and turbulence in the world, staff members need to be "**comfortable with the uncomfortable** and **unknowns**" - to see them as positive challenges and opportunities and not as negative threats

Human Capital

- **As HR or Human Capital activities are hard to quantify, it is a challenge to determine how they add value to organisations**. Some suggestions include
  - **quality of senior management** (executive remuneration; succession planning; senior management turn-over; employee feedback, including morale)
  - **performance management** (application of performance management processes; rewards/ recognition on performance; employee feedback including morale; work ethic)
  - **investing in talent** (training employees; employee feedback including morale)
  - **productivity** (revenue per employee; HR effectiveness)
  - **employee engagement** (percentage of engaged employees)

"...companies with strong human capital numbers pay their executives differently, use incentives and rewards, set strategic goals, have distinctive leaders and have more engaged and confident employees than those with inferior growth records...... companies with double-digit growth have high engagement levels...... 20 percent higher than those with a single digit growth..."

Fabricuis as quoted by Brad Hatch, 2005

Furthermore, it is claimed that engaged workers are the key to competitiveness and sustainable business structure.

(Peak-Performance Organisations cont.)

5 Tightly focused on "decisive opportunities"

Introduction (trends)

- Some global trends (keep in mind the comments made earlier about differentiation between trends and fads) that will impact on Australian organisations include

(Refers to the megatrends that impact on the others, ie demographic changes via ageing population impacts on the war of talent, the need for more flexible workforce, increasing focus on work/life balance, sea change as retiring 'baby-boomers' move to the sea-side, outsourcing, etc.)*

- *globalisation (world economy of multinational organisations, ie

"...there were 7,258 multinational companies in 1969. In 2000, the number had increased to more than 63,000 and the multinationals account for 80 percent of the world's industrial production......most multinationals are not big. Rather, they are mostly small to medium-sized enterprises......only a fraction of multinationals are manufacturers. Banks are……the largest single group, followed by insurance companies......financial service institutions.......wholesale distributors (especially pharmaceuticals) and retailers..."

Peter Drucker, 2006a

Furthermore, globalisation means skilled labour migration and shortage; global outsourcing; low-value work, such as, manufacturing, moving to cheaper labour regions; impact of the Internet; "free trade" vs trade blocks like EU, the Latin American EU (MERCUSOR), etc; how to handle the uneven distribution of the benefits of globalisation, ie Peter Senge et al (2005) estimates that **only 18% of the world's population is receiving 85% of the benefits from globalisation** and has created

"...A global culture of instant communications, individualism and material acquisition that threatens traditional family, religious and social structures..."

Peter Senge et al, 2005)

- ***changing myths** (the dominant stories or myths that form the basis of western culture, such as reductionist science, redemptive religion, short-term self-interest, materialistic/technological approach, Anglo-Saxon/Christian dominance, hero leadership, etc, are under threat; also under threat is western domination, with the emergence of China and India; increasing inaccuracy of stereotyped images)
- ***urbanisation** (in 1820, just 5% of the American population lived in urban areas; about 1/3 of the world's population was urbanized in 1950; in 2004 it was around 45% - in OECD countries, around 80%; in 2020 it is estimated that around 60% for the world's population will live in urban areas)

(Peak-Performance Organisations cont.)

- ***demographic changes** (in many industralised countries there is an ageing population, falling birth rate, more women in the workforce as professionals, changing social expectations and low to zero population growth). For example**,** in Australia, over 25% of population will be over 65 in 2012. People in western nations are living longer and with fewer major health problems; they are more physically robust throughout their lives, making them more productive and fuelling unprecedented affluence across all levels of society. Furthermore, more adults are returning to study; there are increasingly flexible work situations (see below); and there are fewer examples of life-time employment in one industry or organisation.

  On the demographic front in Australia, the 55 to 64 age group is the fastest-growing ten-year age group (Lyndall Crisp, 2007a); some of their characteristics
    - have more discretionary income per person than any other page group
    - have spent more per person on discretionary goods and services than any other group
    - hold more wealth than any other group
    - it feels that its needs are least understood, and communicated, by consumer marketing companies
    - the proportion of all households headed by a person aged 55 and over will grow from 35 percent in 2004 to 43 percent in 2020
    - people aged 45 to 64 years, who make up 1/4 of the population, hold half the nation's total household wealth
    - each baby boomer has an average accumulated net wealth of $381,000 (compared with the average net wealth of $292,500 of all Australians), mostly stored in housing
    - 4 out all 5 baby boomers own a house
    - almost three-quarters of the people in the 45 to 64 age group carry a combined total of about $150 billion in debt, an average of $59,000 per household.)

  (NB In the developing world, the demographics are the reverse of those of the industrial world, ie higher proportion of young people, increasing birth rate, etc)
- ***"technophysio evolution" has changed the way we spend our money** and **time** (people in developed countries spend less and less of their income on pure survival, ie buying life essentials comprises less than 1/3 of American incomes, compared with more than 80% two centuries ago; increased leisure time with ordinary people able to enjoy activities once only the rich could afford, such as in USA, around 60% of the population owns a car, around 80% have a VCR or DVD player; control over people's time is becoming as important as their wages)

(Peak-Performance Organisations cont.)

"…if you measure it in hours, 160 hours of labour per year will buy all the food that a typical household needs. If you put food and clothing into the mix, you're into 320 hours but we're working about 1,700 hours. So the rest of what we're working for is to buy services, including a lot of leisure services, but also including health care and education……in 1880 men had an average of 1.8 hours a day for leisure activities, they had 5.8 hours a day in 1995 and will have 7.2 hours per day by 2040 …"

Robert Fogel as quoted by Luke Collins, 2005a

- ***pace** and **applications of technology change** (increasing rate of technological change, including the Internet, digitalization, etc; convergence and boundary-less nature of technology applications across traditionally different industries, eg IT/telecommunications /media; this is linked with growth of home entertainment in the developed world; the different uses and uptakes of technology by gender, different cultures, etc need to be understood: for example, American women are early adopters of wireless and mobile technology, and a majority of Americans (68%) use the internet for religious purposes. It is worth remembering Moore's Law that **states that technology knowledge is doubling every 18 months** which is illustrated by this quote**:**

"…more business traded worldwide in a single day than we did in 1974……more phone calls worldwide in a single day than in all of 1984……more Emails in a single minute than in 1994…"

Craig Rispen, 2006

An example of the impact of technology on lifestyle is shown by what children can do, ie **simultaneously** do their homework, listen to music and send instant messages!!!!)

- ***increasing commoditisation** (eg, **competence,** ie competitors can become as competent as you; **information**, ie computers and the Internet have widened the audience for information; **state-of-art technology**, ie technology can be bought, commissioned and surpassed)
- ***sustainable development** (emerging concerns with environmental issues, such as climate change, global warming, use of renewable/non-renewable sources of energy and resources, such as water (includes oceans), air, land, etc, biodiversity, etc; more and more people want to support a product/brand/service/firm that supports a good cause, such as sustainability of the environment; increasing price of fossil fuels; furthermore, the challenge to make capitalism sustainable)
- ***security** (increased terrorist activity resulting in military, emergency services, etc changing focus; concerns about security of data, information and knowledge)
- ***knowledge worker** (by definition, knowledge is very specialised; one of the challenges of management is to integrate knowledge workers into a productive team, as most knowledge

workers are soloists who desire to stay as specialists rather than become managers; knowledge is the basis for power; declining tenure and loyalty to organisations resulting in more ‘free agents” staff with the balance of power swinging away from large organisations)

- ***information age** (technology has allowed everyone direct access to all the information in the world so that people power will grow as it is increasingly difficult for governments, etc to hide and/or control information from the general public; the challenge is to make productive use of information)
- *__rise in fundamentalism around the world__ (mostly linked with religion; a backlash against trends like globalisation, impact of technological changes, etc; aims to preserve the status quo; linked with spiritual awareness)
- ***role of State** (centralise or decentralise decision-making, public vs. private allocation; greater transparency of decision-making owing to technology like Internet)
- *__increasing competition for talent__ (an increasing demand for talent coupled with a decreasing supply, as shown by the current shortage of skilled labour)
- **more outsourcing** (see globalisation above)
- **changing nature of work itself with an increasingly flexible workforce** (more self-employment/part-time workers, ie about 30% of the Australian work population is part-time, or contingent worker, and the majority is women. In the future it is expected that around 50% of those employed will be contract/casual/part-time workers, including those working from home; a move away from ‘knowledge and skill’ to ‘attributes and competencies’)
- **employees’ preference for ‘employer of choice’,** ie

“…leading culture and best practices that attract, optimize and hold talent and achieve stated objectives…”

Jason Cartwright, 2004

- **work/life balance** (prioritising and allocating time for different activities, such as work, family, interests, hobbies, health, wellness, etc; more of a focus on happiness than material wealth)
- **increasing competition for the consumer’s money** (retailers are now competing with entertainment – including sports activity - leisure, lifestyle items, etc; plus shifting interests and behaviours of consumers, such as NEOs (new economic order) who are

“…sharp thinkers and early adopters who value good design and quality, and hunger for peak experience – are exerting more spending power as the low-spending traditionalists fade. NEOs span the demographic groups, have the means, but will only buy if the message is crafted right…”

Narrelle Hooper, 2007a

(Peak-Performance Organisations cont.)

- **handling diversity,** (discrimination against mature-age workers, Indigenous Australians, those who use English as a second language, females returning to work post-family, etc)
- **positive action**, (managing talent from entry level through graduate to senior management)
- **continued focus on governance** (probity & diligence, such as more intensive reference checking plus police checks and media searches; handling conflict of interest; accountability and responsibility for action and words)
- **increasing importance of developing countries' economic miracles,** such as in China and India
- **more generational conflict in the workplace** (with 3 generations in the workforce at once, ie baby boomers, generation Xs and Ys)
- **more focus on corporate social responsibility** (see sustainable development)
- **sea-change role** and **the 'Big Shift'** (an extra 1 million Australians moving to the coast in the next 6 years)

• There are 2 types of futurologists: **those who attempt to predict the future** and **those who attempt to create the future!!!!!**

Technology

• Technology is the key to decisive opportunities - in fact

"…Any sufficiently advanced technology is indistinguishable from magic…"

Arthur C. Clarke as quoted by Michael Shermer, 2002

• **Technology**, especially computer and IT (information), **is making much conventional economic analysis outdated.** The conventional analysis is based on the **notion of scarcity or value determined by rarity.** Technology means that output used by one person does not preclude its use by another.

• Remember: **people change slower than technology**

• From now on, **technology** is expected to have most impact in these 5 areas

i) nano-technology (moving from chemical to atomic manufacturing)

ii) Internet (including the Web, E mail, E business/commerce, etc)

iii) digitilisation

iv) the human genome project (including biotechnology, such as integration of computers and the body)

v) sustainability development (includes using more renewable resources and more effective use of non-renewable ones plus making the "capitalistic system" sustainable)

• One of the **biggest challenges** of technology is to keep it **simple** and **user-friendly**. Technical tools are becoming more complex and inter-connected, and more central to operating a business. At the same time, we are suffering from **"information overload"**, a term which describes the gap between the volume of information and its effectiveness. It is suggested that technology will develop new sense-making tools that will help people **visualise** and **simulate**. **Visualisation** techniques will reduce vast and obscure pools of data into easily comprehended images. **Simulation** systems will become intellectual training wheels for executives, allowing them to experiment with strategies in the forgiving world of cyber space, just as the Gulf War pilots ran practice missions before flying the real thing. As Robert Kriegel et al (1999) states

"…in a world changing this fast, you never know when fantasy and reality will meet..."

- Remember:

"...Technical innovation requires social acceptance for behavioural change......Early stages of technology development……eg technology remains open to more than one interpretation...... at latter stages a social consensus emerges from unmarked social groups on the parameters of technology..."

Patrick Dawson, 2005

Furthermore,

"…our society relies on the power that comes from technology. It is this power that has reshaped the world and continues to do so. It is this power that holds the promise of great benefit - and unprecedented destruction. It is this power that drives wealth creation and the economic incentives for research and development. And it is this power to preserve a status quo that undermines human development in ways that few of us see. No matter how exciting more integral signs might be, little is likely to change until we understand the forces that have led to our dependence on modern technology and the part we all play in maintaining these forces. It is not just the desire for power that drives modern technology. It is a fear that we cannot live without it......modern technology produces the felt need to cultivate our own sources of power. After a while, power through our own technology is all that we know. There is nothing inherently wrong with technology: advances in technology can further our understanding of the nature of the universe as well as enrich our lives.......the dangerous aspect of a growing reliance on modern technology is the way it distracts attention from more fundamental sources of progress. The growing gap between technological power and wisdom arises not from technological progress……but from the way it interacts with more integrative human development......today, we basically define progress by new developments in technology rather than by any broader notion of advancement in well-being. Thus, the ever widening gap between our wisdom and our power is not incidental nor due to bad luck.......The most insidious side-effect of our reliance on a fragmented science and technology is the increasing complexity of our social and environmental

challenges ...... a corporate decision made on one side of the world can literally change lives on the other side..."

Peter Senge et al, 2005

Nano-technology

- **Nano-technology** involves re-arranging atoms and molecules that leads to new properties. It promises to have the greatest impact with the possibility of ending scarcity.
- Nanotechnology cuts across many disciplines such as engineering, physics, chemistry, biology and materials science

"...the concept is that by manipulating matter at molecular level, literally rearranging atoms and molecules, you can create new materials and products with extraordinary properties - fibres with 30 times the tensile strength of steel at a fraction of its weight, chemical detectors that can sense a single molecule, precision guided smart drugs, and computer memories 1000 times greater than we have today..."

Gardiner Morse as quoted by AFRBoss, 2004

- The nanotech's worth is

"…Between 1997 and 2005, investment in nanotech research and development by governments around the world soared from $US432 million to about $US4.1 billion……By 2015, products incorporating nanotech will contribute approximately $US1 trillion to the global economy. About two million workers will be employed in nanotech industries, and three times that many will have supporting jobs…"

Mihail Roco, 2006

- Some uses of nano-technology include
  - L'Oreal blending nano-particles into face creams to moisturise skin
  - in 2003, Intel sold $US 20 billion worth of Pentium 4 and other chips, all of which had circuit elements smaller than 100 nm; after using nanotechnology to overhaul an insulating layer
  - Levis, Dockers and Gap khakis use nano-fibres which bind to the cotton fibres in the fabric to create an individual barrier that protects clothes from liquid spillages and stains, such as coffee, wine, etc
  - IBM has developed for its computer hard drives a nano-component known as GMR that dramatically improves memory performance (GMR stands for giant magneto-resistive effect)
  - General Motors has used nano-fillers on its vans' running boards
  - Chevrolet replaced the rubber strip (molding that protects car doors from other car doors) of the Impala with a nano-composite version

(Peak-Performance Organisations cont.)

- Eastman Kodak has begun marketing a digital camera whose viewscreen includes a nano-component
- Konarka is applying nano-tech to photovoltaics (conversion of sunlight into electricity) to make nano-crystals coated with light-absorbing dye and embeds them in an electrolyte. Furthermore, they can be put it into plastics, foils, textiles and other surfaces
- Cabot uses nanotechnology to provide high-gloss coating on certain types of paper
- GM is altering the molecules of clay so that it can now adhere to previously "untouchable" oils
- GE sells plastic which includes nano-fillers that will allow paint to bind more readily to plastics in the automobile industry
- HP has devised a system for chip-making that uses infinitesimal wires in a "cross bar" pattern in such a way that molecules trapped between the wires become the equivalent of a bit of memory and/or switch into a logic circuit. This creates an architecture that can tolerate a relatively high degree of defects and still function more smoothly than the traditionally-made chips

Nicholas Varchaver, 2004

- It has been suggested that nanotech is going through 4 overlapping stages of industrial prototyping and early commercialization; the 4 stages:
  i) from 2000, **development of passive nanostructures** – materials with steady structures and functions, such as particles of zinc oxide in sunscreens, carbon nanotubes in ultra- miniaturized electronics
  ii) from 2005, **active nanostructures that change their size, shape, conductivity or other properties during use**, such as new drug-delivery particles that could release therapeutic molecules in the body only after they reached their targeted diseased tissues, electronic components, eg transistors
  iii) from about 2010, **cultivate expertise with systems of nanostructures**, directing large numbers of intricate components to specific ends for use in medicine (improve the tissue compatibility of implants, create scaffolds for tissue regeneration, use in artificial organs, etc)
  iv) around 2020 the field will expand to include **molecular nanosystems** (heterogeneous networks in which molecules and supramolecular structures serve distinct devices like proteins in cells to work together this way). Examples include computers and robots which will be extraordinarily small; medical applications will include genetic therapies and anti-aging treatments; new interfaces in electronic communications

(Peak-Performance Organisations cont.)

Internet

- The **Internet** is the dominant technical tool of the new economy. Some basic statistics on the web

"…The web is less than 2,000 days old and we have 3 billion Web pages, 100 million web sites and are sending 600 billion E mails in the USA alone every year. All these numbers are doubling every year. We are just at the beginning…"

Kevin Kelly, 2001 in AFRBoss

Furthermore, it was predicted

"...global email will reach 60 billion messages a day by 2006, and more than 500 million business users now rely on email as a primary method of communication…"

Chris Franklin, 2004

- **The Internet is democratizing innovation (see earlier section on Innovation)** and has created a "**global web of enterprises**", whereby smaller companies, irrespective of location, have the potential to be participants in virtual business units that cross national borders.
- Internet has changed the dynamics of the world economy of information

"...neither the postal service nor the telegraph made information public. On the contrary, they made it privileged communication. Public information - newspapers, radio, television - ran one-way only, from the publisher to the recipient. The editor rather than the reader decided what it was to print. The Internet, in sharp contrast, makes information universal and multidirectional rather than keeping it private or one-way. Anyone with a telephone and personal computer has direct access to every other human being with a phone and PC. It gives everyone practically limitless access to information......Internet customers are becoming a new and distinct market. In the early years of the 21st century, power is shifting to the ultimate customer..."

Peter Drucker, 2006a

- **The Internet has changed the information asymmetries equation.** Prior to the Internet, an expert knew more than others; thus information asymmetries were present and gave an advantage to the expert.

"...information is the currency of the Internet. As a medium, the Internet is brilliantly efficient at shifting information from the hands of those who have it into the hands of those who do not. Often......information existed but in a woefully scattered way. (In some instances, Internet acts like a gigantic horseshoe magnet waved over an endless number of haystacks plucking the needle out of each one)......the Internet has accomplished like no other consumer advocate could: it has vastly shrunk the gulf between the expert and public. The Internet has proved particularly fruitful for situations in which a face-to-face encounter with an expert might actually exacerbate the

problem of asymmetrical information - situations in which an expert uses his informational advantage to make us feel stupid or rushed or cheap or ignoble..."

Steven D Levitt et al, 2005

- Linked with the Internet is **information technology architecture**. IT architecture has a number of layers that need to be integrated smoothly. The first layer is comprised of **business goals, strategy** and **maxims** which shape the type of architecture needed. The second layer is **core business process** that aids the implementation of strategy. Finally, there is the layer that **includes data, applications** and **infrastructure**. Good IT helps the organisation to have better choices.
- Internet has changed the traditional approach to strategic thinking as no one can predict how long an advantage will last, ie **a competitive advantage is not sustainable but unpredictable.** Thus the need to develop **a framework for handling unpredictable markets** and **uncertainty by seizing fleeting opportunities**.

  "…The Internet portal space is a strategist's worst nightmare: it's characterized by intense rivalry, instant imitators, and customers who refuse to pay a cent. Worse yet, there are few barriers to entry.......Many......leaders in the new economy......rose to prominence by pursuing constantly evolving strategies in marketplaces that were considered unattractive according to traditional measures......the performance of these companies - despite unattractive industry structures, few apparent resource advantages, and constantly evolving strategies - raises critical questions. How did they succeed? More generally, what are the sources of competitive advantage in high velocity markets? What does strategy mean in a new economy?

  The secret strategy of companies like Yahoo are simple rules. Managers of such companies know that the greatest opportunity for competitive advantage lies in market confusion, so they jump into chaotic markets, probe for opportunities, build on successful forays, and shift flexibly among opportunities as circumstances dictate. But they recognize the need for a few key strategic processes and a few simple rules about them through the chaos......information economics and network effects are important, the new economy's most profound strategic implication is that companies must capture unanticipated, leading opportunities in order to succeed.......reverse some prescriptions of traditional strategy. Rather than picking a position or leveraging a competence, managers should select a few key strategic processes. Rather than responding to a complicated world with elaborate strategies, they should craft a handful of simple rules. Rather than importing uncertainty, they should jump in......Managers using this strategy pick a small number of strategically significant processes and craft a few simple rules to guide them. The key strategic processes should place the company with a flow of

opportunities……The processes might include product innovation, partnering, spin out creation or new market entry......Strategy, then, consists of the unique set of strategically significant processes and a handful of simple rules that guide them..."

Kathleen M. Eisenhardt, 2001

For strategy, there are **3 distinct options**, ie **position** (build a fortress and defend it), **resources** (nurture and leverage unique resources), **simple rules** (flexibly pursue fleeting opportunities within simple rules). The **simple rules are claimed to be the way of the future**. This is summarised by Kathleen M. Eisenhardt et al, 2001 in the following table

	Position	**Resource**	**Simple rules**
Strategic logic	Establish position	Leverage resources	Pursue opportunities
Strategic steps	Identify an attractive market Locate a defensible position Fortify and defend	Establish a vision Build resources Leverage across markets	Jump into the confusion Keep moving Seize opportunities Finish strong
Strategic question	Where should we be?	What should we be?	How should we proceed?
Source of advantage	Unique, valuable position with tightly-integrated activity system	Unique, valuable, inimitable resources	Key processes and unique simple rules
Work best in	Slowly changing, well-structured markets	Moderately changing, well-structured markets	Rapidly changing, ambiguous markets
Duration of advantage	Sustained	Sustained	Unpredictable
Risk	It will be too difficult to alter position as conditions change	Company will be too slow to build new resources as conditions change	Managers will be too tentative in explioting promising opportunities
Performance	Profitability	Long-term dominance	Growth

- Summary of “simple rules” approach is

“…in turbulent markets, managers should flexibly seize opportunities – but flexibility must be disciplined. Smart companies focus on key processes and simple rules. Different types of rules help executives manage different aspects of seizing opportunities…”

Kathleen M. Eisenhardt et al, 2001

There are **5 broad categories** for **simple rules** (**“how-to”, boundary, priority, timing** and **exit**), ie

Type	Purpose	Example
“How to” rules (must leave room for innovation)	They spell out features of how a process is executed – “What makes our process unique?’	**Akamai's rules for customer-service process**: staff must consist of technical gurus, every question must be answered on the first call or e-mail, and R&D staff must rotate through customer service **Cisco joint venture/acquisition rules**: share the same vision; potential for short-term wins with current products, with follow-up product generation; geographically close to Cisco; culture close to Cisco
Boundary rules, eg customer, geography or technology	They focus managers on which opportunities can be pursued and which are not for consideration. Staff are allowed great flexibility within the rules	**Cisco's early acquisition rule**: companies to be acquired must have no more than 75 employees, 75% of whom are engineers **Miramax movie-making rules**: every movie revolves around a central human condition, such as love; main character must be appealing but flawed; a clear storyline with a beginning, middle and end; firm cap on production costs **Lego rules**: Does the proposed product have the Lego look? Will children learn while having fun? Will parents approve? Does the product maintain high quality standards? Does it stimulate creativity? **Yahoo partnership creation rules**: deals can’t be exclusive; basic service is always free **EBay rules**: based on 2 values: egalitarianism (number of buyers and sellers and community must balance; must be transparent) and community (product ads not allowed; prices for basic services must not be raised; uphold high safety standards) **Ispat’s acquisition rules**: buying established, state-owned firms having problems; no geographical limitation; 2 process technologies – **DRI and electric arc furnaces**; potential cost savings (NB different from Cisco) **Intomi rules**: never produce a hardware product; never interface directly with end-users; always develop software for applications with many users and transactions
Priority rules	They help managers rank opportunities	**Intel's rules for allocating manufacturing capacity**: allocation is based on a product's gross margin
Timing rules	They synchronize managers with the pace of emerging opportunities and other parts of the company	**Nortel's rules for product development**: project teams must know when a product has been delivered to the leading customer, and product development time must be less than 18 months (Source: Kathleen M. Eisenhardt et al, 2001)
Exit rules	They help managers decide when to pull out of yesterday's opportunities	**Oticon's rule for pulling the plug on projects in development**: if a key team member - manager or not - chooses to leave the project for another within the company, the project is killed

(Peak-Performance Organisations cont.)
Remember: **simple rules should not be**

- **broad –** should be tailored to a single process
- **vague –** could any reasonable person argue the exact opposite of the rule?
- **mindless –** reverse-engineer your processes to determine your implicit simple rule
- **stale –** if your percentage of market share is falling, or if your share price is dropping relative to your competition, or if growth is slipping……

Furthermore, it is important to have the **right number of rules, ie between 2 and 7**. In a period of predictability and focussed opportunities, a firm should have more rules to increase efficiency. Conversely, in a less predictable an environment, fewer rules allow maximum flexibility. Generally new companies do not have enough rules, and thus, implementation is restricted; on the other hand, established firms have too many rules which restricts flexibility

- **E commerce businesses** need to develop a coherent strategic and operational framework for E-commerce. Around this framework there needs to develop a **particular culture** and **work environment**. If the culture and work environment resemble those of the traditional organisation, then the dynamic activity of E-commerce is hard to establish. For example, the annual budgeting and planning cycle of most organisations is far too long to effectively address the **high levels of uncertainty** and **rapid change in E-commerce**. Some organisations are adopting **90 day planning cycles with a scenario-based planning process**. They postulate a number of scenarios for how the business could develop, pick the most likely and base their plans on that assumption. In other cases, organisations pursue several options against a single opportunity, monitoring progress at 90 day intervals**. As a business environment changes, they revise their scenarios, probabilities** and **plan.**
- Furthermore, **budgeting** is tied to **a 90 day cycle in a continuous, rolling process**. After establishing an initial budget with a range of potential funding, it is adjusted on the basis of changes in the environment and in reference to a set of goal-oriented metrics such as growth, time to market, customer acquisition cost, traffic, revenue per customer, customer loyalty and success in meeting milestones. In addition, it is essential to keep close track of competitors' activities.
- E-commerce is encouraging a process entitled “**fail fast, fail cheap**”. This means that to stay competitive, organisations must learn to innovate quickly, cost effectively and in the real world. The marketplace becomes the testing and learning ground for product development and refinement. By doing this, little money is wasted if the project fails. On the other hand, if it is successful you will have to scale up and rebuild a number of times as the underlying architecture is all wrong. In other words, E-commerce initiatives are almost living creatures.

(Peak-Performance Organisations cont.)

Thus, **planning tends to be more strategic** and **less tactical, while budgeting is no longer an accounting-based control mechanism.** It is a way of accelerating the growth of online business within defined economic parameters. This approach emphasizes the long-term value of the customer base and the value of the online investments over a short-term focus on profit and loss.

- One of the challenges in E-commerce is to manage the **myriad partnerships** that are central to success and critical sources of value. These partnerships are fundamentally different from traditional partnerships as they change quickly and are very complex.

For E-commerce there are 3 main areas of value-creation:

- **transaction costs**
- **prices**
- **supply change effectiveness**

i) Transaction costs - current indications are that cost savings exceeding 25% are possible when fully integrated e-procurement systems (including purchasing and accounting processes) are deployed. In fact, John Kotter (2003) claims that for the US banking industry, the Internet has reduced the cost of each banking transaction from around $US 1.07 to around 1 US cent!!!!!

ii) Prices - low prices can be achieved where there are many buyers and sellers in products or services that can be adequately specified. On the other hand, prices can benefit sellers where products and services can be differentiated but are currently bought like commodities owing to a failure of marketing channels.

iii) Supply chain effectiveness - engaging all players in a supply chain with a common information architecture can enable closer alignment of production with real demand, greater customisation or responsiveness, faster quality recovery, faster product development cycles, lower inventories and transaction costs.

- A good way to identify decisive opportunities is to **understand** and **develop your supply chain**. To achieve this, focus needs to **get beyond relying on efficiency by cutting costs** and **speeding delivery to being agile, adaptable** and **aligned**.

"...Agility is about crisis management, designing a supply chain that is robust enough to handle short-term market volatility and external disruptions. Adaptability involves redesigning the supply chain as the structure of the market shifts by monitoring customers, competitors and opportunities. Alignment is about building good relationships throughout the supply chain, sharing risks, costs and gains with customers and suppliers..."

Hau L. Lee, 2004

(Peak-Performance Organisations cont.)

This involves developing a **'trusting' mindset to harness co-operation** rather than the counterproductive efficiency mindset which exploits supply chain partners

- The Internet is **turning business principles upside down** and is working its economic magic by:

- reducing the cost of getting information and **increasing its availability**

- reducing operating and transactional costs

- expanding potential market opportunities

Some examples:

i) On the Internet, the 98% rule applies. The old 80:20 rule stated that 80 percent of sales came from 20 percent of your sales staff; 80 percent of your problems came from 20 percent of your staff, etc.. Internet and niche sales work on the **98 percent rule, ie virtually all of the products are in demand and available at some time** and **at some level**.

"... the culture of music has been transformed in the last 10 years, from the blockbuster hit and music store to the iTunes. It has a completely fragmented audience, but a rich music world. The same with books: the notion 'out of print' is out of style. You can get anything you want on Amazon..."

Chris Anderson is quoted by Sheridan Winn, 2006

As the Internet makes everything available to everyone at any time, the bottlenecks that plagued traditional supply and demand are disappearing. This is sometimes called the **economics of abundance**.

ii) pharmaceutical giant Eli Lilly has changed the way it handles R & D, ie

"...two years ago, Lilly had 7,500 employees in its research and development wing. Today, it has nearly tripled the number - except they don't show up on the payroll.......Lilly created an online scientific forum in mid-2001 called InnoCentive, where the company posts thorny chemical problems, such as the best way to come up with a specific molecule, and offers cash to anyone who can solve them. By making the site open to anyone and available in numerous languages, it spurs solutions to problems that have stumped its own researchers. And Lilly pays for their time and effort only if they get the right answer. These purses run up to $US100,000..."

Timothy Mullaney, 2003

iii) JetBlue

"…Take three-year-old JetBlue, which in a time of airline implosion remains solidly profitable and grew 63% in the most recent quarter. The company uses only industry standard Intel servers and Microsoft software, and it automates every aspect of its operation that it can. It sells 71% of its tickets over the Internet. That's partly how it has kept its cost per seat mile to US6.25

cents, which is far lower than American's US11.39 or even Southwest's US7.5 cents. Its market cap of $2 billion is more than twice that of American and United combined…"

David Kirkpatrick, 2003

iii) Amazon

With ***"...Amazon using the Internet and state-of-the-art tech tools...... its competitors are......Wal-Mart, Sears and eBay. The benefits of its system: last quarter Amazon turned over its inventory at a rate of 19 times a year, vs. Wal-Mart's 7.6...."***

David Kirkpatrick, 2003

Digitilisation

- **Digital business design** - using digital technologies to expand your organisation's strategic options and solve your most pressing business issues. It will shift how your organisation operates in several important ways:
  - **from guessing to knowing**. Reliance on guesswork leads to unfortunate results such as stockpiled inventory, mark downs and blowout sales. With digital business design, the basis of your decision-making shifts to knowing exactly what customers want before having to start the wheels of manufacturing and distribution. This will improve customer satisfaction and allow real time customer information to test opportunities
  - **from mismatch to perfect fit**. Digital business design enables organisations to offer customers a perfect fit rather than having to choose from a fixed production line.
  - **from lag time to real-time**. There is an important need for speed in obtaining information and sharing it within the organisation. Digital business design shifts the information flow to real-time
  - **from supplier service to customer self-service**. Increasingly, customers prefer the convenience of on-line ordering and customer service to relying on the supplier to perform tasks.
  - **from low value-added work to maximum talent leverage**. Digital business design will shift the use of staff's time to more productive, customer-centred tasks, ie shifts staff from repetitive, costly and un-interesting tasks to customized, online training programs.
  - **from 10% improvement to 10 times productivity**. Digital business design will result in quantum leaps in productivity rather than incremental improvements in efficiency.
- To initiate digital business designs, Slywotzky and Morission (2001) asked the following questions:

"…- ***what are the most important business issues facing your organisation today? What are the smartest business designer choices for responding to them?***

- how might digital (particularly on-line) technology open up whole new strategic options for your organisation? How could you take advantage of such options to become unique in the eyes of customers?…"

(Peak-Performance Organisations cont.)

- Digitilisation - not for its own sake, but in support of business strategy to leap ahead of competitors in productivity and profitability - that is the critical point.
- Fortune Magazine (2000) correctly anticipated that the next step with Internet and digitalisation would be **broad bandwidth** (high speed network able to carry video and voice). It is important to understand that wireless is different from the fixed-line Internet world.

Human genome project

- It is claimed by Robert Winston & Lori Oliwenstein (2000) that this century is going to be the century of **biotechnology** (human genome project) as the last century was defined by physics. Furthermore, currently

"…biological evolution operates at a snail's pace compared with technological evolution (the former is Darwinian and requires generations of differential reproductive success; the latter is Lamarkian and can be accomplished within a single generation)..."

Michael Shermer, 2002

Sustainable development

- **The concept for sustainable development is based on how Nature works**

"…Everything that is an output of a process is food for some other process…"

Karlson Hargroves et al, 2005

- Need to understand the **4 states of natural** and **living systems**: **closed systems, steady-state systems, complex adaptive systems,** and **turbulence (chaos)**, ie

"...in human equivalents, the first three of the states all require that the system has material capital (materials), social capital (relationships, community customs and institutions), and spiritual capital (meaning, values, purpose)......closed systems just recycle their input and output and nothing really changes......the steady state has some movement, and some inward and outward flow, but it is the balance. Everything in the system is balanced and predictable......complex adaptive system......is constantly adapting..."

Danah Zohar et al, 2004

The **complex adaptive system**, such as an organisation, is not in a steady state and is continually influenced by both internal and external factors, including turbulence. If turbulence becomes too much, the system disintegrates.

- The important question around sustainable development for the private and public sector is

"…How best can we shift from a culture of performance, both for ourselves and for the biosphere that sustains us?..."

Edward O. Wilson, 2002

(Peak-Performance Organisations cont.)

- **There is a misconception that sustainability will work against economic growth.** On the other hand, **some factors that will allow for higher than expected economic growth from sustainable development are**

  "...First,......great opportunities from increased resource productivity, and large radical resource productivity gains often cost less than smaller resource productivity gains. Second, obviously many of the direct and indirect costs of large-scale environmental damage and resource depletion will be avoided at significantly less cost and the economy will be protected from environmentally induced destabilization. Third, during the transition to a fully operational, ecologically sustainable economy, which would be a period of several decades at least, the economy would have a strong structural tendency to higher levels of employment. The structural tendency to favor high employment is caused by three things: (i) the recycling of revenues from eco-taxes to reduce payroll taxes or other costs of employing labour; (ii) the greater labour intensity of new ways of doing things when the technology and the manufacturing and operational techniques are not yet highly refined; and (iii) the pump-priming effect of investments brought forward to replace scrapped capital.

  Fourth, the strongly green economy will enhance the dynamics of the economy to favour the greatest source of productivity improvement in the modern economy – the information sector. To create economic wealth with significantly lower physical resource inputs and environmental impact is going to require clever development; and clever development depends on a strong information economy. Skilled labour, sophisticated machinery and technology, and lots of top-quality information will be needed. Fifth, contrary to the intuition of many economists and the ideology of many politicians, wise social spending has contributed to, rather than impeded, economic growth. This is one of the conclusions of a recently published respected historical study by Peter Lindert called Growing Public: social spending and economic growth since the 18th century. This extensive study on whether social policies that redistribute income impose constraints on economic growth concluded that, contrary to traditional beliefs, the net national cost of government social programmes are virtually zero. Sixth, corruption around the world is widely regarded as one of the biggest impediments to sustainable development. Removing corruption will not just help to create a more just and sustainable world but would also assist economic growth. The World Bank development report summed it up well in 1997 when it discussed how corruption also harmed economic growth especially in the long-term as it leads to sub-optimal decision-making by governments. Seventh, properly designed eco-taxes can be used to increase level of productivity and economic growth. Many papers including OECD reports have

shown how revenues raised by eco-taxes are expected to create virtually fully offsetting output and productivity gains in other parts of the economy provided that they channel back into the economy in the most effective way......Eighth, newly designed sustainability ideas on how to build the built environment will be summarised into books such as Green Development: integrating ecology and real estate, can have remarkably positive effects on a nation's GNP, because construction and the built environment make up a very large fraction of GNP - for instance 9% in the U.S. and 18% in Japan. Therefore, even small improvements in construction techniques can have effects on the national income that are large compared with more exciting basic science discoveries. The lesson from the remarkable growth rates of Japan over a significant part of the last 40 years is clear: seemingly mundane forms of applied research, such as design work or product and process engineering, can have large cumulative benefits for the firm that undertakes them and even larger benefits for society as a whole...

Karlson Hargroves et al, 2005

- Businesses can be both **competitive** and **achieve sustainable development** (environmental and social). **The assumption that business will have to relocate to the lowest environmentally regulatory cost havens is being disputed**. Furthermore, there is evidence that companies and nations who pursue best practice in sustainable development improved their productivity and competitive advantage. Stringent product standards and tough environmental rules and regulations are not a hindrance but provide an opportunity to innovate to improve products and services.

"... detailed case studies of hundreds of industries, based on dozens of countries, reveal that internationally competitive companies are not those with the cheapest inputs or the large-scale, but those with the capacity to improve and innovate continually. Competitive advantage, then, rests not on steady efficiency or on optimizing within fixed constraints, but on the capacity for innovation and improvement that shift the constraints..."

Karlson Hargroves et al, 2005

- **Organisations need to see beyond the short-term cost of dealing with tough standards** and **see the long-term benefits in terms of innovation**. For example, the imposition of higher environmental standards by Germany resulted in more than 700,000 jobs in the economy and increased exports to other countries (in particular to countries that do not have such stringent controls). Furthermore, it creates more up-market jobs such as in the knowledge industry and adds value so that a premium can be charged on the goods and services
- One of the fastest-growing markets is the area of **sustainable solutions**

(Peak-Performance Organisations cont.)

"...firms can achieve further competitive advantage through greater resource productivity, the eco-design of products (reducing processing costs) and production of 'clean and green' goods and services (product differentiation)......For example, BP has exploited its marketing and technology management capabilities, developed through the fossil fuel businesses, to build a marketing leading position in renewable energy technologies, particularly solar cells…

Michael Porter et al as quoted by Karlson Hargrove et al, 2005

On the other hand, competitors to BP in the fossil fuel industry have stayed with fossil fuels and actively resisted the adoption of effective climate change policies

- The next wave of innovations is expected to be around **sustainability development that involves radical resource productivity, eco-design, whole system design, bio-mimicry, spatial information, lean thinking, green chemistry, industrial ecology, renewable energy** and **green nanotechnology.**

6 Resilience

Introduction

- **Resilience is defined as to an organisation's ability to respond** and **adapt quickly to threats posed to the organisation** and **it workforce.** Furthermore, it is linked with sustainability (see above)
- All organisations need to have

"…resilience, ie the ability to dynamically reinvent business models and strategies as circumstances change……Resilience refers to a capacity for continuous reconstruction. It requires innovation with respect to organisational values, processes and behaviours that systematically favour perpetuation over innovation......Strategic resilience is not about responding to a one time crisis. It's not about rebounding from a setback. It's about continuously anticipating and adjusting to deep, secular trends that can permanently impair the earning power of a core business. It's about having the capacity to change before the case for change becomes desperately obvious……Successful companies, particularly those that have enjoyed a relatively benign environment, find it extraordinarily difficult to reinvent their business models. When confronted by paradigm-busting turbulence, they often experience a deep and prolonged reversal of fortune......Imagine a ratio where the numerator measures the magnitude and frequency of strategic transformation and the denominator reflects the time, expense and emotional energy required to affect that transformation. Any company that hopes to stay relevant in a topsy-turvy world has no choice but to grow the numerator. The real trick is to steadily reduce the denominator at the same time. To thrive in turbulent times, companies must become as efficient at

renewal as they are at producing today's products and services. Renewal must be the natural consequence of an organisation's innate resilience..."”

Gary Hamel et al, 2003

- **In less turbulent times, established companies could rely on the momentum of their success to sustain their success. In recent times, this has not been enough**. Despite this, there is still enormous value in having loyal customers, a well-known brand, the industry know-how, preferential access to distribution channels, proprietary physical assets, robust portfolio, etc. On the other hand, this value has **dissipated owing to technological discontinuities, regulatory upheavals, geopolitical shocks, industry deverticalisation** and **disintermediation, abrupt shifts in customer tastes, many non-traditional competitors, etc**. Furthermore, executives previously had the luxury of thinking that their business models had achieved permanent status. Organisations had to improve themselves but seldom got different - not in their core or essence.

"...today, getting different is the imperative. It's a challenge facing Coca-Cola as it struggles to raise its "share of the throat" in non-carbonated beverages. It's the task that bedevils McDonald's as it tries to rekindle growth in a world of burger-weary customers. It's the hurdle for Sun Microsystems as it searches for ways to protect its high margin server business from the Linux onslaught. And it's an imperative for the big pharmaceutical companies as they confront declining R&D yields, escalating price pressure, and the growing threat from generic drugs..."

Gary Hamel et al, 2003

- Part of resilience is **zero trauma**. This requires an **organisation to be constantly making its future rather than defending its past so that revolutionary change happens in lightning quick, evolutionary steps** with no calamitous surprises, no convulsive re-organisations, no colossal write-offs, and no indiscriminate across-the-board layoffs, etc.

Globalisation

- **A clear global focus** prevails as both challenges and opportunities are vigorously pursued, such as new perspectives on global markets, product offerings, organisational structures, business processes and greater mobility and flexibility of managers. **Globalisation** has increased **interdependence** and **diversity** and requires organisations to adapt to **new competition from non-traditional sources**, both locally and internationally, and operate with more regulatory reforms. On the other hand, there is a corresponding increase in **localisation** as expressed by **regionalisation, tribalisation, fundamentalism** and **marginalisation** as seen in the old Soviet Union and its former satellites, like the Balkans, and in Africa, the Middle East, Iraq and Afghanistan.
- **In extreme cases of marginalisation, the response can be terrorism.** These types of activities will increase as local communities strive to maintain identities while coming under increasing pressure for

uniformity from **globalisation** and **westernisation or Americanisation,** ie dominant culture of privatisation and entrepreneurship. Another way to describe **Americanisation** is

"…America is the only country in the world that has a business culture…"

Janet Guyon, 2001

and Americans are not concerned

"…about whether they are doing the right thing about making money or about whether it's going to shorten their chances of getting into heaven…"

Janet Guyon, 2001

The challenge for developing countries is to use Western know-how to assist the development of their truly local cultures without importing Western culture, ie **can Western know-how** and **Western culture be divorced?**

- The paradox of simultaneous **globalisation** and **localisation** is best expressed by

"…think globally but act locally…"

- In fact, it has been stated

"…There is no such thing as a global company: companies aren't global - businesses are..."

Jack Welch as quoted by Jack Welch et al, 2001

Global risks

- A resilient organisation needs to understand and to handle risks. For example, the **top 25 global risks identified at the World Economic Forum on Global Risks** (2006) were, ie

"… - economic, such as oil prices/energy supply; asset prices and indebtedness; US current account deficit and US dollar; coming fiscal crisis (failure and market crashes); China (integration, protectionism and dislocation); critical infrastructure (power outages, data blackouts and attacks)

- environment, such as tropical cyclones (East Asia and North Atlantic); earthquakes (Japan and California): climate change; environmental degradation and loss of ecosystem services

- societal, such as regulation (changes); corporate governance (failures); intellectual property rights (piracy, etc); organised crime (counterfeiting)

- pandemics, such as slow and chronic diseases in industrialized countries (obesity, cardiovascular, cancer, etc); developing world diseases (HIV/AIDS and TB); liability regimes (insurance capacity)

- technological, such as converging technologies (privacy issues); nanotechnology; electromagnetic fields; pervasive computing (RFID)

- geopolitical, such as international terrorism; European dislocation; current and future hotspots (general Middle East stability, Iran, Iraq, Saudi Arabia and Korea)

Most likely short-term risks with highest severity: New HIV/TB infections of 5 million people

Most likely long-term risks with highest severity: incidence of HIV/TB flattens in sub-Saharan Africa, but rapidly expands elsewhere; incidence of HIV/TB infections flattens, death remains high

Risks just outside the top 25 are

Space weather (solar radiation)

Loss of biodiversity…"

as quoted by Tim Mendham, 2006

Four challenges

- Linked with **resilience** are **4 challenges**

  i) **cognitive challenge** (an organisation must move away from denial, nostalgia and arrogance. It must understand and be aware of the changing trends and the impact these trends will have on the organisation)

  ii) **strategic challenge** (the ability to create a range of new viable options as alternatives to the current strategies)

  iii) **political challenge** (be able to divert resources from current to future programs/projects/ services/products, etc. Need to invest in "**what should be**" rather than "**what is**". Most organisations

  "...devote too much marketing energy to existing customer segments while ignoring new ones; they pour too much development dollars into incremental product enhancements while under-funding breakthrough projects; they lavish resources on existing distribution channels while starving go-to-market strategies......the root cause is always the same: current strategies have powerful constituencies; embryonic strategies do not...... A persistent failure to distinguish between new ideas and risky ideas reinforces a company's tendency to over-invest in the past...... a detailed study of diversified companies by business professors Hyun-Han Shin and Rene Stulz found...... a business unit's investment budget was largely a function of its own cash flow and, secondarily, the cash flow of the firm as a whole...... if the forces of preservation really trounce the forces of experimentation, it will soon find itself over-investing in moribund strategies and outdated programs. Allocation rigidities are the enemy of resilience..."

  Gary Hamel et al, 2003

  iv) ideological challenge (optimisation of current business model is not enough; need a creed that extends beyond operational excellence and flawless execution). Irrespective of the techniques or tools used, optimisation has the goal of

(Peak-Performance Organisations cont.)

"…Do more, better, faster and cheaper…"

Gary Hamel et al, 2003

Optimisation is sufficient as long as there is no fundamental change in what the customer wants. **Organisations need to care more about resilience than optimisation.** This is more than **operational resilien**ce (ability to respond to the ups and downs of the business cycle or to quickly rebalance product/service mix). It is more about **strategic resilience**.

Impact of denial

- **Denial** works against resilience. For many organisations

"...the future was less unknowable than it was unthinkable, less inscrutable than unpalatable......denial puts the work of renewal on hold, and with each passing month, the costs go up..."

Gary Hamel et al, 2003

- To handle **denial**, one needs to understand 3 things

i) **need to visit places where changes happen first**, ie see changes close-up and experience it for yourself. Based on these experiences, you need to think through the consequences

ii) **check the filters in the organisation,** ie ensure staff are aware of future challenges and that awareness is not being censored by the custodians of the conventions and/or traditions

"...you should be wary of anyone who has vested interest in your continued ignorance, who fears that a full understanding of what is changing would expose his own failure to anticipate it or the inadequacy of his response..."

Gary Hamel et al, 2003

iii) **face inevitability of strategy decay**. There are **4 reasons** for this

- **replication** (as strategies get replicated, they lose their distinctiveness and their power to produce above-average returns)
- **supplantation** (good strategies often get supplanted. With an increasingly connected economy, there is an increasing trend for new strategies to become old sooner)
- **exhaustion** (as markets become saturated, customers get bored, or optimisation programs reach the point of diminishing returns, strategies can become exhausted)
- **evisceration,** ie being deprived of vital or essential parts (with the Internet, customers are reaping the benefits in productivity, ie better value for their money, such as lower prices and/or improved products and services, such as in the travel industry with airlines, hotels, etc)

(Peak-Performance Organisations cont.)

Other issues linked with resilience

- **Importance of variety**

"…Variety matters. Genetic variety, within and across species, is nature's insurance policy against the unexpected. A high degree of biological diversity ensures that no matter what particular future unfolds, there will be at least some organisms that are well suited to the new circumstances......put simply, if the range of strategic alternatives your company is exploring is significantly narrower than the breadth of change in the environment, your business is going to be a victim of turbulence. Resilience depends on variety..."

Gary Hamel et al, 2003

Furthermore, organisations

"...should steer clear of grand, imperial strategies and devote themselves instead to launching a swarm of low risk experiments..." sometimes called ***"...stratlets..."***

Gary Hamel et al, 2003

On the other hand,

"...the aversion to unplanned variability has metastasised into a general antipathy towards nonconforming and the deviant. This infatuation with conformance severely hinders the quest for resilience..."

Gary Hamel et al, 2003

- For resilience to work, organisations need to invest in new projects that have **the potential to substantially change customers' expectations and/or industry economics**. **Furthermore, there needs to be a broad portfolio of experiments, rather than betting on one big idea.**
- Traditionally the prerequisite for instigating an evaluation process for new ideas is that they have to have a boss who is on side; the idea has to be "big enough" to warrant senior management attention; executives who are willing to divert funds from existing projects; an mentor to bring the whole thing together. **Owing to the cumbersome nature of this process, most new ideas do not make it!!**
- Organisational size is only a barrier to resilience if it allows the organisation to delude itself that success is self-perpetuating. Any organisation that

"...can make sense of its environment, generate strategic options, and realign its resources faster than its rivals will enjoy a decisive advantage. This is the essence of resilience...."

Gary Hamel et al, 2003

- According to John Pearce et al (2006) part of resilience involves 2 rules for survival, ie making the **organisation recession proof** and **fighting, ie**

  a) organisation recession proof by

i) position the organisation among the less vulnerable customers by diversifying into multiple markets and regions

ii) plan to confront declining sales by quick diagnosis and cost cutting

b) fighting

iii) promote products aggressively by maintaining advertising expenditure

iv) invest in the future by introducing new products and attracting new customers

(source: Bill Synnot, Successful Organisational Transition (2007) – a practitioners guide, BSA)