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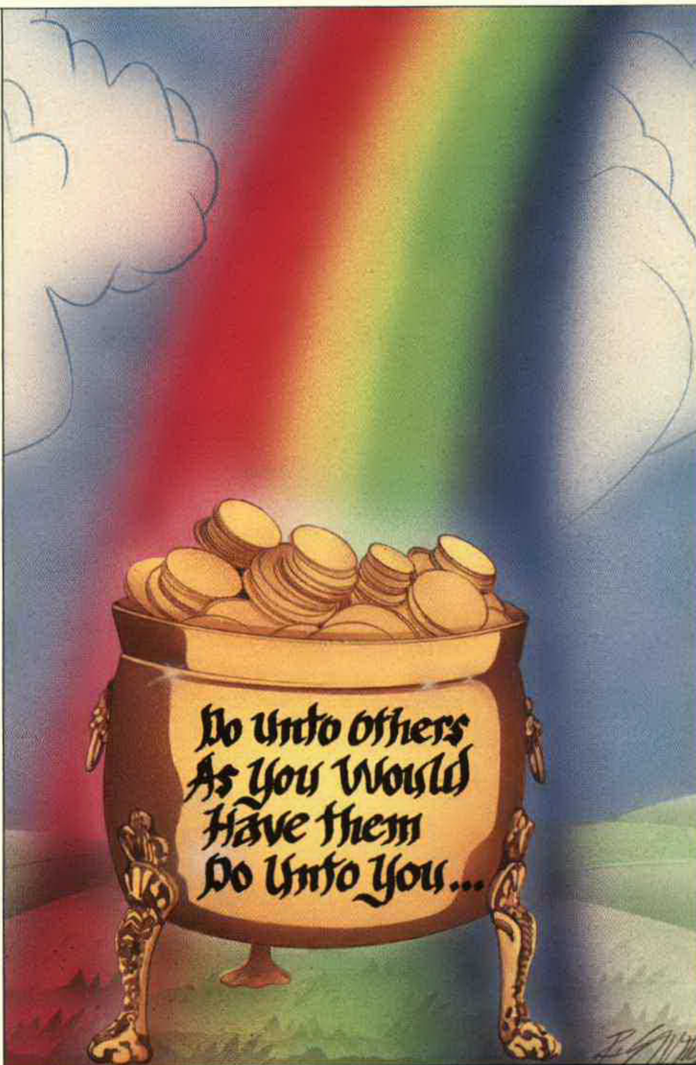


The proverbial pot of gold at the end of the rainbow way well be inscribed with the golden rule and applied to partnerships and all other relationships with internal and external stakeholders in the joint pursuit of the mutual win. See all articles in this issue.

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

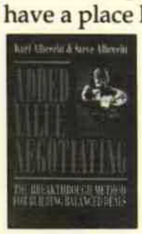
Partners: Worth Their Weight in Gold

In the **Old West**, a partner was someone you never double-crossed—and lived to tell about it. The partnership was the one sacred relationship—not that partners don't have serious differences to reconcile.

For example, in the movie, *Paint Your Wagon*, partners **Clint Eastwood** and **Lee Marvin** share the same wife, house, and gold claim; while they manage to work things out at first by negotiating, fighting, and compromising, eventually their differences become irreconcilable, causing them to split.

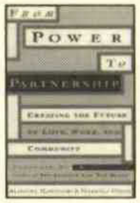
In the **New East**, most executives find managing relationships between internal and external partners to be equally challenging. As **Stephen R. Covey** reminds us, an interdependent partnership requires a higher form of maturity and a higher level of trust founded on both character and competence. He suggests that fierce independents, colorful mavericks, and rugged individualists learn the habits of win-win interdependency, empathy, and synergy to avoid becoming obsolete or out of step.

The signal is clear: "If you can't work well in teams with partners and customers, you don't have a place here."

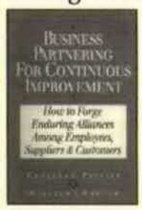


In their book, *Added-Value Negotiating: The Breakthrough Method for Building Balanced Deals* (Business One Irwin), **Karl Albrecht** and **Steve Albrecht** recommend exploring alternatives with honesty and empathy by clarifying interests, identifying options, designing deals, selecting the best alternative, and perfecting win-win arrangements, using plain-language agreements to build trust. "Westerners still batter one another with elaborate, verbose, formal, legalistic, and boring documents. The best deals are simple deals, and by far the best agreements are simple agreements."

All teams need coaches, and in his book, *The Corporate Coach* (St. Martin's Press), **James B. Miller** (with **Paul B. Brown**) tells us how to have loyal customers and happy employees. He notes that while "innovation creates opportunity and quality creates demand, teamwork makes it happen." In his "final checklist" for coaches, Miller advises us to "scout the competition, create a bottom-up strategy, select quarterbacks who can handle a huddle, make sure the passer and receiver can play together, schedule practice sessions, plan for the kickoff, let team members run with the ball and get out of their way, work the clubhouse, and celebrate wins together."



In *From Power to Partnership: Creating the Future of Love, Work and Community*, **Alfonso Montuori** and **Isabella Conti** welcome us to the beginning of "a partnership system that makes us aware of the connections among such seemingly disparate issues as women's rights, the environment, economic and political change, war, and the search for happiness and fulfillment. A partnerships draws our attention to what goes on around us all the time that we have trivialized and neglected—those people and actions that we have taken for granted for so long—and invites us to learn from them."



In *Business Partnering for Continuous Improvement* (Berrett-Koehler), **Charles C. Poirier** and **William F. Houser** tell us how to form enduring alliances. They say that the winners among the global competitors parlay attention to "stretch achievements" supported by team efforts into greater sales and profit. "For us the challenge is how to surpass that kind of success in spite of our national reverence for individual performance. The answer has crystallized as a system of stretch objectives (continuous improvement) supported by a network of logical alliances (business partnering)."

In this issue of *Executive Excellence*, **Lou Tice** rolls dice and comes up with a winner. **Stephen J. Holoviak** brings back the golden rule perspective. **Stephen R. Covey** cites Ghandi to sell the need for win-win partnerships. **Rosabeth Moss Kanter** wonders if men and women will ever by equal partners. **Aubrey C. Daniels** draws a bigger circle to make more winners. **Andrew Sikula, Sr.** talks to junior executives about taking the moral high road. **Jim Shaffer** writes about the leadership gymnastics leading to partnership. The duo of **Ed Oakley** and **Doug Krug** next address shared winning. **Charles Garfield** suggests an open-field style with win-win systems. **Marshall Sashkin** pins the win-win tail on the compensation donkey. **Wolfgang R. Schmitt** says that partners who cry "wolf" destroy trust. **David Noer** notes that wise managers say "yes" to four new realities. **John H. Zenger** and **Ed Musselwhite** sing the praises of team-leading, and **Joel C. Peterson** pipes the noel of winning agreements. **David Bywaters** tells how to let bygones be bygones. And finally, **Bob Rockey** finds gold in the hills of strategic partnerships.

My hope in all this is that partners will prove that they are worth their weight in gold.

—Ken Shelton

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LOU TICE

To Be a Winner

In a work force of winners, managers think like leaders. They mentor and coach others to bring out their best and encourage them to stretch their capabilities.

NOT LONG AGO, I OVERHEARD an exchange between a friend and his teenage son. The boy wanted to borrow the family car to attend a special event in a nearby town. It meant his father would have to take the bus to work and reschedule a meeting with a potential customer. After some discussion, the father agreed to let his son have the car—provided he would put in eight hours cleaning the garage the following Saturday. "That way," the father asserted cheerfully, "we both win."

"I guess so," his son replied, sounding doubtful, "but if you look at it another way, we both lose. I lose a whole Saturday and you lose a chance to make a sale."

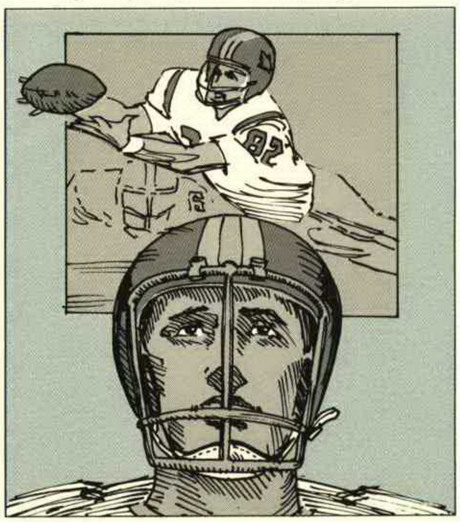
Their dialogue sticks with me because it dramatizes something I've believed for most of my life: a win-win situation can exist only if all parties involved feel like winners. And we can feel like winners, no matter what others tell us or how favorable the circumstances, only if being a winner is consistent with our self-image—in other words, only if we see ourselves that way.

The question that naturally follows is one with tremendous implications for us all: *Why do some people see themselves as winners and act accordingly, while so many others can only see—and be—far less?*

The answer, according to studies coming out of Harvard, Stanford, the University of Pennsylvania, and other institutions, is that people *learn* to see themselves as winners.

Learning to Win—and Lose

Learning to feel like a winner happens primarily as a result of having successful experiences and thinking self-affirming thoughts. When we believe our efforts will be successful, we become venturesome and are most likely to undertake an activity or task. Because we expect to succeed, we persist in our efforts until we do. This successful experience causes self-affirming thoughts, which, in turn, boost our self-esteem and perceived self-efficacy, make us feel good, and lead us to believe we will do well if we attempt more in the future. Thus, we do attempt more, and the upward spiral continues. It's a very efficient internal system that appears to be designed, if it's used properly, to help us grow and develop as human beings—a kind of natural continuous quality improvement program.



There is, however, the possibility of an equally powerful downward spiral that can interrupt the natural, growth-seeking process, if we believe we are likely to fail. Because of this belief, we undertake activities tentatively, expecting a negative outcome. We feel anxious about our performance, and we look for opportunities to avoid or remove ourselves from anxiety-producing situations as soon as possible. When we fail, we say "I told you so" to ourselves and make a (usually unconscious) mental note to avoid similar situations in the future. We feel less and less competent, we behave accordingly, and down and down we go.

The roots of downward spirals can usually be traced to early life. When we're very young, we have little, if anything, to say about the experiences to which we're subjected or the messages we receive from the world. The authority figures in our lives often exercise the power to shape our earliest thoughts and feelings for us, whether or not they do so consciously. If we are conditioned to believe that the world is not a friendly place, that we have to struggle to get our basic needs met, that we are not loved (lovable), valued (valuable) or competent, there isn't much we can do about it. Years pass and the pattern repeats many times. It becomes part of who we are, imprinted in our brains, and our internal voice, our self-talk, takes on the sound of our harshest critics. We play out the negative conditioning we received, and we no longer think about it.

Changing the Rules

When we become adults, however, the game changes. We can acknowledge these painful early experiences for what they were, let go of them, and move past the self-defeating thoughts and behavior they cause. We can opt for a new and better way of life—choosing not only what we think, but also how we think and how we will respond to our experiences.

Albert Einstein said "No problem can be solved from the same consciousness that created it. We must learn to see the world anew." As adults with God-given free will, we can learn to think like and be winners, even if we were taught to believe something else. And we can choose to win in a way that makes no one else a loser. To make these choices intelligently however, we need to know what our options are, how to begin the growth process, how to deal with setbacks and obstacles, how to fuel the process for the long haul, and where to get the tools—the information and resources—we need.

I am more convinced now than ever that most people know on some level that they could be living vastly more fulfilling lives and—if they are given the option, the proper tools, and a supportive environment—they will choose to do so.

How Winners Think

Over the years, my work has brought me into close and often extended contact with a great many people who are unquestionably "winners." You would immediately recognize some of their names because they are sports stars, politicians, or world leaders. Most of them, however, you've never heard of, and many have neither sought nor earned great public recognition or material possessions, but they're highly successful at what they have chosen to do with their lives. The single common characteristic is not *what*, but *how* they think.

Through an amazing variety of experiences and with a dazzling array of individual differences, all of them have learned the importance of a clear vision and sense of purpose for both the short- and long-term future. They have each discovered that clearly envisioned and articulated goals help them speed up their drive toward accomplishing that purpose. They have developed tremendous resiliency, great faith in their ability to get things done, and self-talk that constantly affirms their own success and value as human beings. What's more, they feel deeply connected to the world in which they live and fully accountable for their actions. In other words, they have learned to think like winners.

Whether we're talking about a sports team, a corporation, a nation, or just you and I, the best tools and the latest information won't help us tap into our richest potential until we accept that we, and no one else, are ultimately responsible for who we are, what we do and who we become. This means that we are willing to give up looking for someone or something to blame and abandon any hint of victim mentality that we may have acquired.

Why We Avoid or Achieve Success

If we have learned to think like losers (or pessimists), we unconsciously create situations that reinforce our beliefs. When, every once in a while, we expect failure and actually manage to succeed anyway, we toss it off to luck or a fluke, say it's only temporary, and hold on to our negative beliefs for dear life.

We do this because it's far more important for us to stay sane than to succeed, and by sanity I mean a state of being where our mental picture of reality actually matches reality. If the dominant picture we hold of ourselves is as losers or failures, we will do whatever we can, consciously or unconsciously, to make sure reality supports our view. Deviation from that picture, even if it means positive change, makes us very uncomfortable, producing anxiety and an almost overwhelming desire to get back where we belong.

On the other hand, if our picture of reality is that we deal with obstacles well and persist until we succeed, we will do whatever it takes to make that picture match the outside world. We will seek out challenge, enlist help, get very creative coming up with problem-solving strategies, and refuse to quit until we have achieved our goal. We will see change as opportunity and ourselves as able to successfully adapt. We become exhilarated with life and if success eludes us, we won't interpret it as failure. Defeat doesn't match our picture. Instead, we will see it as useful information about what doesn't work, a temporary setback, and we don't take it personally or believe it will rub off on other areas of our live.

What if We Put the Horse First?

Doesn't it make good sense to change our internal picture before we go around trying to change the results we're getting—certainly before we start trying to change other people's (or our own) behavior in ways that don't fit their inner picture of who they are? Studies tell us that subjects with an optimistic view of their own capabilities (high self-efficacy) out-perform those who are doubtful as well as those who are simply more "realistic," even though their actual abilities are virtually identical. They don't give up as easily, they don't worry about obstacles or setbacks because the final outcome is never in doubt, and they see themselves as creative, resourceful problem solvers. In short, they believe themselves into being more. They see themselves as winners, so they act like it.

If the much-neglected principles affecting the behavioral side of quality are acknowledged, the results will surprise many.

In a business setting, it is certainly desirable to teach people how to do their jobs well, but unless their inner picture is one of competence, it doesn't matter how good your teaching is, you won't get competence—unless, of course, you're willing to stand over them all the time. You'll have to stand over them because the minute you don't, they'll revert to their dominant picture. It's simply human nature.

Even if a worker does have an inner picture of quality and competence, be ready for some surprises unless that picture closely matches the one held by management and co-workers. Achieving that match takes concerted effort, but it isn't hard to imagine how much easier managing that matching process becomes if all the people involved have learned to think in ways that are compatible and optimistic.

If the much-neglected principles affecting the behavioral side of quality are acknowledged, the results will surprise many. Where quality programs are working well, I find a keen managerial understanding of these all-important "human factors" and a sensible system in place to apply them and make them an integral part of the culture. This happens not only because of its bottom-line impact, but also because, quite simply, the managers care about the well-being of the people who work for them. They know that how their employees think and what they think matters a great deal, and they behave accordingly. On the other hand, stories abound of expensive and extensive programs producing, at best, lackluster results for companies that give little thought and minimal investment to prepare their work force for new ways of thinking and behaving.

Managers Who Think Like Leaders

Executives who think like leaders understand the importance of empowering their employees, and they are committed to helping the individuals in their organizations grow and develop. They create a common vision or purpose, and work to keep it dynamic, responsive, and uppermost in people's minds. They learn what environment is needed for a particular group of people to do their best work, and they do their best to provide it, along with meaningful rewards and incentives. Finally, they care about their own personal growth and development, and they behave as a matter of course in ways that inspire others.

If we are going to compete—and cooperate—successfully, our workers and managers will have to learn to think like winners. This revolution in thinking is happening now in many organizations. But their way of thinking and behaving needs to become the norm, not a notable exception. If we want to create a work force of winners, we must be willing to change the way we think, come out of the dark ages of human behavior, stop regarding crucial psychological factors as "soft," "touchy-feely," or otherwise irrelevant, and start giving them the consideration and full weight they deserve. We must learn, as Einstein suggested, to see the world—and ourselves—anew. **EE**

Lou Tice is chairman of the Pacific Institute (800) 426-3660.

STEPHEN J. HOLOVIAK

Golden Rule Perspective

The recognition and rewards paid to individual winners can be counterproductive in interdependent, team environments.

OUR CULTURE PUTS GREAT emphasis on winning. No greater compliment can be paid than to say that someone is a "winner." We do little at work that is not framed to exalt a winner. Our performance appraisal systems, bonus plans, sales measurements, and contests are slanted to find the top employees. Even seemingly innocent recognition programs tend to reinforce individual winners versus a win-win environment for the team.

The Lure of Winning

We pay huge salaries to athletes for being winners. We pay a similar bounty to the executives of our companies to be "winners." The net effect of pursuing individual reinforcement versus the win-win balanced approach is extreme difficulty in gaining uniform commitment to goals.

Unfortunately, to be in a win-win mode with our peers and coworkers and to be a "winner" in the traditional sense are at opposite ends of the spectrum. You can't be the "winner" in our typical cultural sense and merely add another person on the other side of the equation to have "winner-winner" scenario. There is a significant difference between the *win* and being a *winner.* In one thesaurus, the first synonym listed for *winning* was "attractive," followed by "charming," "engaging" and "delightful."

The lure to be a winner is powerful and intoxicating. No wonder the attempts to achieve *win-win* scenarios are so difficult. It takes self-sacrifice and willingness to go beyond self-indulgence to help the other person win. In the *win-win* world, I win only if you win. In the win-win world, no achievement reserves a place for only one person at the top.

As a young man I spent many years in the orient, mostly in Japan. I marveled how difficult it was to find out who won their sporting events. They often would not even mention the final score in the news articles. While this has shifted somewhat, the emphasis is still on the game, not who won. Our corporate settings reinforce the typical winning environment and yet want teamwork.

If I am a winner, then someone is a loser. The loser can create more internal problems in terms of quality, morale, and productivity than the winner can offset in the other direction. Plus, we have to

spend considerable time, effort, and money to rebuild the self-esteem of the loser. Simply reframing goals into group settings can remove many problems. And yet, few executives do such reframing.

The Wisdom of Golden Rules

The Golden Rule asks us to treat others as we would wish to be treated. I know few people who opt for lower self-esteem and losing. Yet, we set up countless situations whereby we create the win-lose scenarios. For many personality types, the competitive environment is distasteful and "turns them off." Our goal in win-win is to create a sense of harmony and mutual acceptance of organization goals.

Win-lose situations are easy to pick out. Remember, any time a system spotlights one person it is a win-lose scenario. You can't reinforce individual achievement and have successful win-win environments. A win-win environment is a very adult-adult type encounter and presents a nature corporate culture. It takes far more effort to nurture and grow adult environments. It is far easier to set up individual reward systems and let people fight it out. But this short-term thinking does not foster lean organizations capable of successfully riding out business cycles.

Golden Rule management is about respect, dignity, and fair treatment of people. It's not about "he who has the gold, rules." It means *doing unto others as you would have done to yourself.* It is a very simple philosophy of life. Don't ever put anyone in a position you wouldn't want to be in. There are no magic formulas, accounting systems, or certification programs. But there is the notion that all people are valued and all jobs are important. It is the ultimate win-win approach. By following the simple Golden Rule guide lines, we will never commit an action that will lower the self-esteem of another worker.

The world marvels at the Japanese effort to maintain a policy of full employment. In July 1993, their national unemployment was only 2.2 percent despite their economic hardships. Most large Japanese companies maintain a policy of lifetime employment, and small and medium size firms, while not guaranteeing it, behave as if they have such a policy to attract talented workers. This is a living example of the Golden Rule.

U.S. companies routinely use layoffs to offset balance-sheet dilemmas. Yet, few events damage our sense of self-worth more than to be laid off—especially when we read that while our fellow workers are being laid off, the senior executive crew is still getting a bonus. No act is more difficult to reconcile in the minds of employees or customers.

On the heels of these actions, organizations are printing slogans about teamwork, quality, and corporate family. We must do more than generate PR campaigns. To achieve success, we must treat people as we would like them to treat us.

Training, certifications, expensive consultants, total quality programs, and "customer first" programs are all nice. But they will fail if people are not treated as valued assets. Many organizations experience the "Hawthorne" effect when starting new programs. The initial quality goes up along with productivity. The workers begin to push for more change and autonomy. But the managers want the next quarter to be even better and aren't interested in creating a true win-win environment or fostering real employee growth and independence. In due time, the Hawthorne effect diminishes, and productivity and quality return to prior levels. The managers are confused about the events, and workers are emotionally drained from another roller coaster ride on the latest management fad.

Easy Use, Golden Results

The Golden Rule approach to management does not require complex or expensive actions to institute. There is no special training. No certifications or systems to learn. Certainly training in various skills will help. But the key is attitude and the guiding principles of respect, dignity, and win-win treatment. The Golden Rule approach can be used in conjunction with any quality or participative management program currently in use. It may well be the spark that ignites new life in the program.

I often compare all the expensive systems to the hardware and the Golden Rule to the software that drives it and makes it work. I have gone into many organizations where they have trained and trained people but can't seem to get out of the starting blocks. Upon investigation it appears that despite the fine systems training, the supervisors and team leaders are stuck in old paradigms of how to treat people. When we give them permission to drop the old paradigm and substitute the simple guide of the Golden Rule, we begin to move forward. We encourage people to treat each other as they would like to be treated.

The results of Golden Rule management are dramatic. Soon people are moving forward and utilizing the just-in-time training, the statistical process control training, the team leader skills, and all the other win-win systems training they have received. The Golden Rule is not magic. Supervisors and team leaders report it "feels comfortable." It's "like an old friend." Their response is correct. They began to hear it as children in "Sunday School" irrespective of particular faith or philosophy. The Golden Rule is very much a part of our culture outside of our jobs. But there is no reason why there needs to be a psychological wall that keeps out this comfortable concept from our work life.

The concept costs little to implement. In fact, Golden Rule Management is frequently a "grass roots" movement that works its way up the hierarchy. The ultimate win-win style means each of us feels a sense of creativity about our jobs. Our work becomes a meaningful part of our life at every hierarchial level and in every job classification. The ultimate win-win style means excellent quality, strong productivity, and job satisfaction is strong. The Golden Rule is a natural to reach the win-win environment. **EE**

Stephen J. Holoviak is a professor at Shippensburg University (717) 532-1722 and the author of Golden Rule Management: Give Respect, Get Results.

STEPHEN R. COVEY

Win-Win Partnerships

The win-at-all-costs strategy doesn't work; the better business approach is win-win partnership with all stakeholders.

LAST YEAR AT THIS TIME, I WAS reading the book, *Ghandi, The Man,* and was profoundly influenced by the account of this principle-centered leader.

In the book, Ghandi described what he found to be the secret of all success. He said, in effect, *"It's win-win—to always seek the interests of all parties."* His leadership role was not to add fuel to the adversarial fighting and feuding, but rather to be a peacemaker and to create solutions for all parties that were better than any of those proposed initially.

Also during this time, I was working with an organization that was going through a very tough time. The leaders of the company acknowledged that there were bad feelings on all sides, and that some people inside and outside the company were winning at the expense of the people doing the real work of making the products and supplying the services.

So I visited with the leaders and basically said to them, "Let's practice in depth Habits 4, 5, and 6: Let's commit to go for *win-win,* to *seek to understand* each other first, and *create synergistic solutions* to chronic and acute problems."

Leaders who practice these habits are highly effective because they become interdependent with other stakeholders in the success of the enterprise. That means, of course, that there is no ruling class or privileged party within the company because the principle of equity prevails.

I reminded them of a scene in the film "Ghandi" when he was just beginning to get a vision and sense of mission about injustice. One day he was walking around his experimental community with a *New York Times* reporter who said, *"I hear that you also participate in preparing the meals and cleaning the toilets. Is that part of the experiment?"*

"Yes, it's one way to learn that each man's labor is as important as another's."

Ghandi then noticed that his wife was upset about something. He excused himself and joined his wife, who was wondering why she, too, must rake and cover the latrine.

"Everyone takes their turn."

"But it is the work of untouchables!"

"In this place, there are no untouchables, and no work is beneath any of us."

"I'm your wife."

"All the more reason."

"The others may follow you, but you forget I knew you when you were a boy."

"It's not me. It's the principle. And you will do it with joy or not do it at all."

"Not at all, then."

This reaction hits Ghandi's hot button, and he becomes irate. Physically, he throws his wife out of the house. As he's shoving her out the door, she turns and says, *"What are you doing? Have you no shame? I am your wife."*

Ghandi then comes to his senses and takes responsibility for his anger. He's self-aware and sensitive to his conscience, and he acts on the basis of his principles. He swallows his pride and apologizes in such deep sincerity that it transforms them both. He then says, *"I must get back to that reporter."* And she says, *"And I must rake and cover the latrine."* At that point, Ghandi was no longer being controlled by his own need to control.

I once met with a CEO whose company had won the Malcolm Baldrige Award. I asked him, *"What was the hardest part of the whole process?"* He said, *"To give up control. I've always had this need for control. That was the toughest part."*

Ghandi gave up control. That was tough for him as well because he was human. But he subordinated himself to principles.

In another scene, we see Ghandi put Habits 4, 5, and 6 in action. There are thousands of angry Indian people, up in arms, filled with win-lose thinking. Three British officials are also present, and they, too, are filled with win-lose thinking. And when win-lose is pitted against win-lose, that usually means war. Only one man, Ghandi, thinks win-win. He understands the arguments on both sides, and in graphic language he describes exactly what they're feeling. They know he understands them, and so he gains great influence with them. His logic resonates with them and stirs their consciences.

"In this cause, I too am prepared to die, but my friends, there is no cause for which I am prepared to kill. Whatever they do to us, we will attack no one, kill no one. They will imprison us; they will fine us; they will seize our possessions; but they cannot take away our self-respect if we do not give it to them. I am asking you to fight against their anger, not to provoke it. We will not strike a blow, but we will receive them; and through our pain, we will make them see their injustice. And it will hurt, as all fighting hurts. But we cannot lose. They may torture my body, break my bones, even kill me—then they will have my dead body, not my obedience."

Ghandi invites them to enter into a solemn vow not to fight. Many give up their lives. *This "public victory" was a product of his "private victory" over self.*

Win-Win Relationships

Ultimately, business is all about the relationships between suppliers and customers. Every person is a supplier of his or her talents. Employees are suppliers of their talents and labors. The best companies invest heavily to establish and maintain win-win relationships with internal and external suppliers.

I once spoke to a group of people who represented about 200 nonprofit companies. The conference was held at a Marriott hotel in Colorado Springs. The hotel had received two Quality Awards. In setting up the conference, the small staff of the Nonprofit Association told the Marriott manager, *"We need to make this a successful three-day conference; we're very anxious to see it done right. We'd like to meet with some of your key staff people."*

When the eight people from the Nonprofit Association showed up at the Marriott for the meeting, they entered the manager's office. The receptionist told them that the meeting would be held in a different room. When they opened the door, they saw 150 Marriott people there to serve them. That level of commitment to the relationship blew their minds.

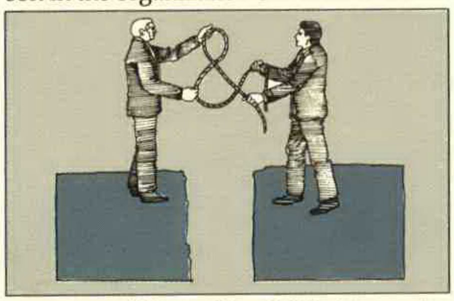
When I met recently with the executives from a major communications company, I asked them, *"How do you define quality?"* They gave me a good answer. *"Ultimately we have to listen to the customer and define quality in terms that are meaningful to them."*

"And what happens if you profess to listen to customers but don't show empathy or achieve a win-win synergy with employees?"

Again, they gave me a good answer: *"If we don't have empathy and win-win partnerships with our people, they will never produce quality consistently for the customer. The external customer may define and demand quality, but unless the internal customers, our employees, feel that they are partners—that there's a win in it for them—we won't have a quality culture to produce the quality products and services for external customers. We may talk the language of service quality, but it just won't happen unless everyone wins along the way."*

The Win-Win Agreement

The win-win agreement is the heart of employee empowerment. The win-win agreement is a clear, mutual understanding and commitment regarding five things: *desired results, guidelines, resources, accountability,* and *consequences.* An important consequence of the win-win performance agreement is that every person in the organization can answer six



questions: *Why am I here? What is expected of me? What are my objectives? How am I doing? Where do I go for help?* and *What's in it for me?*

Involve people in setting the standards and when evaluating performance, use discernment more than quantitative measurement. Allow people to judge themselves after they receive feedback from stakeholders—all the people they interface with. And make sure the performance agreement is reinforced by structure and systems, with both natural and logical consequences.

Rewards should deal with four basic human needs: 1) physical and financial (benefits and money) ; 2) social and emotional (recognition and relationships); 3) mental (learning and growth opportunities); and 4) spiritual (expanded stewardship, responsibility, influence, freedom, latitude, contribution, and legacy).

In a win-win relationship, you don't always get your way, even if you're the CEO. Often, you have to do as Ghandi did and just swallow your pride, and apologize. Why? Because you value the relationship. If the relationship is damaged, you must make deposits into the "emotional bank account" of the other person and win back their trust. Trust is the cement of win-win partnerships, and to build trust in the culture, partners must prove themselves trustworthy. Trustworthiness is made up of our character, what we are, and our competence, what we can do. Both are absolutely necessary.

In organizations, we're dealing with an interdependent ecosystem. We simply can't afford to think in terms of parts, of independent realities, when we're working in whole, interdependent entities where everything is related to everything else. And everything is dynamic because the environment is constantly changing. But if you have a set of changeless, "true north" principles not only inside the character and competence of individuals but also inside the structure and systems of organizations, then you can build a high-trust culture composed of complementary, interdependent teams—where the strength of one compensates for the deficiency of another.

I often observe executives telling one flower (the team) to grow, but then watering another flower (individual achievement). They tell people: *"If we'll all pull together and work together, we'll all make more money. And we'll like our jobs more and like each other more."* Then, at the end of the pep talk, they pull a curtain. On the wall is a travel poster. *"Now, who's going to win the trip to Bermuda?"*

A win-lose compensation system will beat out win-win rhetoric any day. Often in trying to get cooperation, we promote people, systems, structures, and styles focused on competition. We try to establish a value around cooperation, but the paradigm is one of individual success around competition. Consequently, people are not thinking ecologically. They are not thinking win-win. They are thinking *win-lose, piecemeal, competitive, quick fix.*

Centuries ago, the scientist Copernicus wrote: *"By long and frequent observations and by following a set of fixed principles, I have discovered not only that the earth moves, but also that the orders and magnitudes of all stars and spheres, nay the heavens themselves, are so bound together, that nothing in any part thereof, could be moved from its place without producing confusion in all parts of the universe as a whole."*

Everything is so related to everything else that the moment we start to influence one element of it, we impact everything else. We must deal with the interrelated nature of reality. Significant advancements in solving the challenges and problems we face come primarily from thinking and acting interdependently. **EE**

Stephen R. Covey, author of The Seven Habits of Highly Effective People *and* Principle-Centered Leadership, *is chairman of the Covey Leadership Center (801) 377-1888.*

ROSABETH MOSS KANTER

Men and Women: Equal Partners?

We face many dilemmas of diversity, but the chief challenge of the workplace is to put men and women on equal footing.

As women and men work side-by-side as peers, they confront daily the problems that occur when people who are different must collaborate. An oft-quoted statistic indicates that by the year 2000 up to 80 percent of all new entrants to the workforce will be minorities and women. However, non-minority, white males who are already in place will still dominate the upper ends of pyramids, though they may no longer claim exclusive occupancy. Women still have to work harder to become part of the team.

Transition Unease

As I show in the widely-used training video *A Tale of "O": On Being Different*, the presence of just one representative of a social category in a group—let's call that person an "O" among many "X's"—creates performance pressures, makes the dominant group more self-conscious, and does not by itself change the cycle of disadvantage for the "O," the lone woman or single minority. The "O's" achievements can be written off as exceptions to the rule that the "O" group does not really belong among the "X's."

But the next step up form tokenism—groups in which several more"O's" are present although "X's" still dominate—can create even more problems: backlash, resistance, and complaints of "reverse discrimination." Research shows that dissatisfaction and tension are greatest in groups in which there are several women or minorities, but not enough to fully balance the numbers or to create a routine expectation of diversity.

Tokenism is hard on the sole representative but poses no threat to the majority group. Add just a few more "O's," however, and the temperature rises. "X's" realize that circumstance are changing and that they could be replaced by "O's" competing for "X" slots. A trickle of "O's" can thus create backlash and taste for discrimination to accompany the "X" group's greater awareness of a threat to its dominance—to its monopoly over opportunity and power, its ability to define the culture and values.

Comfort Levels

The second dynamic that interferes with automatic acceptance of diversity is the human tendency for managers to pick those with whom they feel most comfortable to serve as confidantes or trusted aides. Comfort derives from common backgrounds as well as similarity in life outside of work.

> *Success today is increasingly a matter of effective management of relationships.*

Diversity can mean diverse lifestyles: homes in different parts of the city, among different communities (sometimes as a result of housing discrimination or ethnic clustering); membership in different homogeneous clubs (overtly social but with a business tinge); or idiosyncratic leisure pursuits. Furthermore, many minorities identify with their own ethnic group, despite entering corporations where that group is scarce, and in private lead lives very different from the majority, just as women join networks of other women. The larger the number of dimensions of difference, the greater the problem of establishing points of commonality to produce trust.

The comfort factor is especially important in higher risk jobs. The best leadership positions are fraught with uncertainty. The judgment quotient is high and the measurable technical content low. The time frame for asserting the impact of decision is long, and the trust factor more critical. Therefore, managers exhibit a bias, sometimes unconscious, toward people resembling those already in leadership positions. The persistent problem for women and minorities has been to find someone who would take a chance on them, backing them for a risky assignment.

Reasserting Dominance

Threatened members of dominant groups sometimes express their discontent at shifting numbers by harassing the newcomers or trying to put them into their traditional subservient places. Unique to women in the workplace is the problem of sexual harassment. Always just below the surface, the problem rose to public consciousness with Anita Hill's accusations against presumptive Supreme Court Justice Clarence Thomas in his Senate confirmation hearing; sexual harassment was already prohibited by company policies and subject to legal remedies.

Experts hold that incidents of sexual harassment involve dominance and power, not sex: gestures from hierarchical superiors to those below, older men to younger women.

The more women, it seems, the more potential for harassment, and the more it handicaps the women and distracts them form their tasks. In one company with which my colleagues worked, senior women professionals reported that "casual sexism" was pervasive. Each one had examples of insulting or biased behavior that was culturally acceptable and largely unnoticed, from jokes to thoughtless remarks; most of the women just ignored them.

A 1992 national survey of women lawyers by Prentice Hall was typical in its findings: 45 percent of women trial attorneys and 62 percent of those in firms of 50 or more attorneys had been sexually harassed by a client in the past five years, ranging form being called "sweetie" to being groped sexually: 56 percent said they were harassed by colleagues; 56 percent by opposing counsel; 89 percent felt that a lack of women in influential positions at client companies hurt outside women lawyers' prospects. Respondents said that older white men were most uncomfortable dealing with women.

Entering versus Winning

Demographics are on the side of women, as they are for American minorities. But the transition problems I have identified show that increasing the numbers who enter does not ensure success.

Success today, for professionals and entrepreneurs as well as corporate employees, is increasingly a matter of effective management of relationships: mobilizing networks of contacts to build business, negotiating the division of labor with suppliers or venture partners, serving on cross-functional problem-solving groups, or working effectively in departmental teams. It is not surprising, then, that the companies "best" for women and minorities are those that devote resources and attention to team-building—providing a common vocabulary and tools to help people communicate effectively, organizing work in project clusters that make people interdependent, and providing training to make teams work effectively.

Where these factors are absent, it is that much harder to manage diversity effectively. The executive committee of a leading professional firm, for example, was concerned because many of the talented women they hired did not make the cut to partner status, some of them leaving in frustration even before they reached eligible ranks. Six months of careful research, reviewing hiring records and interviewing staff and clients, revealed that the firm was disorganized and generally uncollaborative. Its poor teamwork stemmed form a "free market" ideology: people should sink or swim based on individual ability to ferret out information and make connections.

But the firm's free market turned out to be a free-for-all. Male associates found it easier to get close professionally to male partners than female associates did—and neither men nor women found the firm sufficiently team-oriented.

To make it easier for men and women to work together on equal footing, the firm formalized its informal ways of decision making, ensuring that important matters were brought up publicly with ample notice for all; invested more in formal training and professional development, making sure that all senior people looked after the careers of junior people; and built teams around every area of its practice, making sure that a range of people was included, with expert facilitation to help them work together.

Attention to the quality of working relationships makes it easier for people to see each other as individuals, not members of social categories to be viewed with distrust or stereotypes, and for women or minorities to get access to assignments that build their credibility as full contributors.

Companies take giant leaps forward in managing diversity when they also build competence at managing teams. **EE**

Rosabeth Moss Kanter holds the class of 1960 chair as professor at the Harvard Business School, where she has taught since 1986. Her 11 influential books include When Giants Learn to Dance: Mastering the Challenges of Strategy, Management and Careers in the 1990s; The Change Masters; *and most recently,* The Challenge of Organizational Change. *This article is based on the 1993 edition of her book,* Men and Women of the Corporation *(Basic Books). Her popular video about diversity, A Tale Of "O": On Being Different, is available in English, Spanish, and closed-captioned versions from Goodmeasure, Inc. (617) 621-3838.*

AUBREY C. DANIELS

Making More Winners

If you want more winners, simply draw a bigger circle that includes everyone who meets the criteria for reward and recognition.

RECOGNITION PROGRAMS designed to showcase a "winner" often backfire. Why? For one thing, there can be only one winner at a time. If you have 30 employees and you name one of them the winner, you've just told the other 29 that their efforts were less than what they should have been.

Four Principles

You will create many winners, not just one, when you observe these four principles.

• *Specify what people must do to win the award.* The first step in guiding employees toward superior performance is: Let them know what activities and results contribute to superior performance.

Make sure that desired behaviors are clearly expressed and known by all. Being "nice to the customers" is not at all specific. An effective award system is based on performance criteria; criteria that are well known by each employee and every manager and can be met by every employee; criteria that directly support organizational goals and tie the success of the managers to the success of the subordinates.

• *Recognize performance immediately or frequently.* Make reinforcement specific, immediate, and frequent. An effective award system has elements of reinforcement that allow for frequent recognition of appropriate behavior and immediate rewards for accomplishing goals. If the objective of recognizing superior performance is to encourage it to be repeated and even increased, then recognition must take place immediately after the behavior occurs or while it is occurring.

If we ask people to perform certain tasks, then we must reinforce them for their performance more frequently than once a month. We applaud athletes every time they make a good play in the game. Sometimes we applaud when they fail, but "gave it a good try." Shouldn't this sort of frequent reinforcement apply to the performers we depend on to make our business successful?

• *Find out what forms of reward and recognition are attractive to your people.* Find and use forms of recognition that are reinforcing to the individual. Sometimes, what one employee sees as a reward may be viewed by another as embarrassing or even as punishment.

Give every employee the tools and the incentive to be a winner.

Many times I have seen people skip banquets where they were to receive an award or deny their own performance when given praise publicly by their boss. If we want to reward good performance, we need to find out what is reinforcing to the performer, not what is convenient or positive for the giver. Managers must look for things that "turn people on," make them feel good about coming to work, and make them excited about doing their best.

• *Recognize more than one person at a time.* Establish criteria for superior performance and recognize all employees who meet them. Competition, a natural aspect of human behavior, is most productive when it is directed toward the competition, not other members of the team. If an award pits employee against employee, it is counterproductive. At a time when every company is preaching teamwork and fighting for market share, it makes no sense to create internal conflict.

Any system that excludes even one employee from the potential to be recognized as a winner is unacceptable. Every organization should give every employee the tools and the incentive to be a winner and be prepared to recognize and reward each one who enters that group.

You don't need to create losers to recognize winners. Expand the size of the winner's circle and fill it with champions. **EE**

Aubrey Daniels is president of Aubrey Daniels & Associates, Inc. (404) 493-5080.

ANDREW SIKULA, SR.

Ethical Excellence

Executives get themselves in serious moral and ethical binds whenever they ignore four principles of moral management.

MANY EXECUTIVES INVOLVED in crimes often feel no remorse: *They feel their only mistake was getting caught.* Why are business ethics dangerously low or even disgustingly lacking? Why are scruples not what they should be?

Part of the problem is that *winning* is embedded in the American culture, attitude, and experience—and winning can't take place among equals. By nature, people want to be bigger, stronger, smarter, faster, prettier, and more successful than their peers. This often results in a win-at-any-cost mentality, even if cheating is involved. Sometimes this *will to win* is mistaken for a *search for excellence.* But a win-at-any-cost mentality results in moral decadence, not excellence.

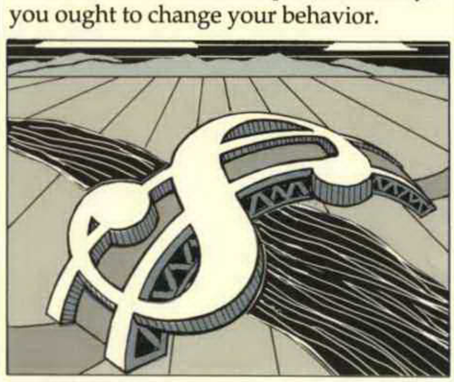
Another reason for unethical behavior is the lack of linkage between ethical theory and practice. Much precept from philosophy and religion exists, but application to the real world leaves much to be desired. To fill the void, we need a "morality bridge"—an ethics standard and guide for individual behavior and corporate activity.

Four Master Principles

How can executives replace decadence with development? They need a bridge to gain passage over the abyss, to get from a point of moral morass to the position of moral management. This involves the step-by-step implementation of four master principles.

• *Dignity.* All human beings have both intrinsic and extrinsic value and should be treated with courtesy and respect. People possess abilities and talents deserving of merit. Every individual has a quality or sum of qualities rendering him or her important, valuable, and useful. In addition, people have a character or quality of being honorable and noble—an inherent grace and stateliness. Even though such qualities may be dormant or underdeveloped, treat people with decorum, politeness, and respect.

• *Scrutiny.* Any decision made, any matter spoken or written, and all actions taken, must withstand close scrutiny, media attention, societal examination, and public appraisal. Executives should assume that their behaviors will be subjects to media coverage and public debate. Having front-page newspaper coverage or prime-time television reports on your behavior is a good test of the wisdom of your decision or action. Power and position invite publicity and scrutiny. If your behavior can't withstand public scrutiny, you ought to change your behavior.



• *Humanity.* All human behavior should render meaningful benefit or contribution to humanity and the community. Such contribution causes the society in general to gain, advance, or develop. *Significant societal service* is a constructive but difficult requirement to fulfill on the way to moral maximization because it is threefold in nature: Behaviors must be significant or meaningful; they must benefit society; and they must also make a contribution to humanity.

• *Accountability.* This principle suggests that ultimately some person or entity has final authority and power and will eventually judge the morality of one's thoughts (ideas), decisions, and actions. The "final authority" figure to whom one is responsible, answerable, and explainable may be God, conscience, the public, or one's constituency. People have both an obligation to perform and a requirement to report to this final authority figure who is the last element in a process, the highest judgment. Issues at this point are incapable of being further analyzed or divided. Ultimate accountability is a decisive principle—it is final, absolute, fundamental, and supreme.

While executives must adopt all four principles if they hope to attain moral management, the accountability standard or benchmark is the most difficult test. Ultimate accountability is the only principle which can substitute for the other three as the main gate and master determinant of moral management.

If implemented sequentially and collectively, these four principles result in "moral maximization"—behaviors, actions, and decisions resulting in the greatest advancement of individual and collective human rights, freedoms, equity, and development.

The Morality Bridge

Moral maximization is not a black-or-white issue—it is applied and implemented in degrees. Moral morass is the absence and moral management the presence of moral maximization. Sadly, moral management is often the "ideal" theory, but moral morass is the "real" practice.

The four master principles—which collectively make up the morality bridge—act as a rudder which steers human thoughts, decisions, and actions toward moral maximization and moral management. The more we navigate using the four principles, the closer we come to the ideal of moral management.

The morality bridge serves as a transition, passage, and movement from moral morass to moral management. Moral management advances human *rights, freedoms, equity* and *development.* Sometimes we will find it tough to determine if a human thought, decision, or action will advance or retard these four conditions. To the degree that these conditions are satisfied determines the extent of the implementation of moral maximization.

We are presently in the condition of moral morass, moving toward moral decadence. Typically, moral decadence proceeds fast and easily. It involves travelling the lower level of the morality bridge—and this traffic flow is not blocked or restrained by moral principles. By contrast, moral development is slow. It involves taking the upper level of the morality bridge, passing through the four bridge parts and four master principles.

Traffic from the lower level can be switched to the upper level and reversed in flow when a principle morally impacts a human thought, behavior, or action on the road toward moral management. **EE**

Andrew Sikula, Sr. is the former Business School Dean and now Professor of Management at California State University, Chico, CA (916) 898-5880.

JIM SHAFFER

Leading to Partnership

Leaders set direction, open communications, and provide the resources people need to create a partnership with customers.

TO BREATHE LIFE INTO THEIR companies, enlightened leaders need to upset the equilibrium between their frustrated employees and their program-bound organizations. If they don't, they're likely to join the once-great and not-so-great institutions that failed—all the while maintaining "it could never happen to us."

Three Demands

The demands of enlightened leadership are simple and direct.

• *Create a clear, shared externally-focused vision.* A vision is a concise expression of what the organization wants to become. A vision embodies the values that drive the behavior in the organization; it serves as rules of conduct. It focuses externally on customers. It links them to the organization.

A vision is both compelling and optimistic. A clear, shared vision is not merely a written statement that's tacked to the corporate walls. Rather, it represents the condition the people within the organization are working toward every day.

"Shared" means that when asked to describe the vision and its implications to the organization, each member of the leadership team can do so consistently because the team has agonized over every word and phrase in the vision, debating what each means and doesn't mean to the person in the mail room, to the receptionist, to the brand manager, to the vice president of operations.

A major reason why quality or organizational change efforts fail is that the leadership has failed to agonize over the real meaning of the vision to the organization. They've created a cluster of words and phrases, but they've failed to agree on the organizational implications of those words and phrases. When individual members of a leadership team try to communicate their interpretation of the vision, the aggregate communication from the organization's leadership is muddled, inconsistent, disconnected and confusing.

The process of operationalizing the vision, putting it into specific behavioral terms, is one of the most difficult exercises we've seen organizational leaders tackle. It represents raw, revealing introspection, conflict and challenge. It represents the tough, down-in-the trenches execution that can't be sidestepped if the organization is serious about quality or

change. It's this execution that largely differentiates those who have the stomach for real leadership from those who want to take the easier, fad-oriented, programmatic approach to "leadership." Real leadership can't be sidestepped!

• *Lead by communicating.* Communication is a leadership tool.

Once the vision and its implications are agreed upon, the hard work starts. There are no shortcuts.

Whether it's Mike Walsh at Tenneco, Jack Welch at GE or Irv Hockaday at Hallmark Cards, the success of major organizational change depends as much on superior communication from the top as on any other single factor.

Strong leaders understand the new structure of communication in high performance organizations. That structure is:

• *People need a context for change.* They ask: "Why is this change necessary?" Strong leaders respond with externally-driven, customer-focused arguments for dramatically improving the organization.

• *They need to understand the vision.* They ask: "What do we need to become?" Strong leaders paint the future state. They explain the values needed to win. They energize their people. They excite them. They balance the hard stuff with the soft stuff. They use hard data and tough-nosed business reasons to address the need to trust each other and respect customers.

• *People need to understand the linkage between their own needs and those of the organization.* They ask: "How will I benefit?" Leaders know that people have intrinsic and extrinsic needs, that they need to know how the organization's vision and values connect with their own sense of purpose, and they need to know how they might gain in terms of opportunity and reward when the organization is financially successful.

• *People need to understand what action is expected of them.* They ask: "What is my role?" Enlightened leaders provide that information through values, goals, standards and measurement.

• *People need to know they will receive support from the organization.* They ask: "How will I be enabled? Leaders answer by building an infrastructure that provides resources and tools and provides for guided autonomy and self-expression.

Communication from the leadership must be focused, consistent and unrelenting. Unrelenting means a long-term commitment to communication, not a speech or two and then the job is done.

When Mike Walsh was at Union Pacific, he used a variety of media, from leadership conferences, town hall meetings, video-conferences, barrier reduction exercises, videotape distribution to homes, chance hallway discussions, small group meetings with union leaders and multiple publications. He insisted that the organization's structure, reward systems, training efforts and the like work together to send consistent messages, and that enabled change to occur. For six years, his effort was focused, consistent and extremely successful.

At Tenneco, using much the same techniques, Walsh is once again demonstrating the powerful role "candor, clarity and credibility" play in reforming a large industrial company into a world-class global competitor.

• *Remove obstacles and provide resources.* Leaders know that customers want to buy quality products and services. And, they know employees want to deliver quality products and services and be proud of their work and the organization with which they're associated.

Leaders know they can facilitate this natural partnership between customers and employees by creating an organization that brings the two stakeholder groups together.

Creating the partnership requires eliminating the friction that gets in the way of people earnestly trying to do a good job. Friction comes in all forms: petty policies, procedures and stupid little rules that have nothing to do with much of anything that's important. Level upon level of unnecessary hierarchy. Functional silos that restrict people's ability to work together to create new ideas. Unnecessary approvals to steps in processes. Systems that are out of alignment with the strategic goals of the organization. For instance, a strategic goal may be to improve quality, but the reward system honors quantity.

Leaders know that the best friction finders are the people doing the jobs every day, so they enlist their help in finding and eliminating the friction.

In the late 1980s, Jack Welch began engaging GE in a barrier reduction process known as Work-Out. Its objective, in his words, is to get rid of thousands of bad habits accumulated since the creation of General Electric. "We've got 112 years of closets and attics in this company," he says. "We want to flush them out, to start with a brand new house with empty closets, to begin the whole game again."

Hallmark Cards' Irv Hockaday looks for every opportunity he can to communicate "The Journey." After his remarks, he often is the one to ask questions. His questions center around: "What's getting in your way of creating a better company? What's preventing you from being the best you can be? What do I need to do to help us with The Journey?"

Many companies are creating focused teams, re-engineering processes and task forces to reduce the friction in the organization that prevents people from performing quality work. Increasingly, organizations are identifying critical customer satisfaction drivers and then creating cross-discipline teams to improve processes that can influence those drivers.

World-class leaders clearly communicate their goals and provide the resources for people to improve processes.

World-class organizations are obsessed with that partnership. Once they've established it, they nurture it and improve on it. **EE**

Jim Shaffer is a vice president and principal of Towers Perrin, an international management consulting firm (703) 351-4750. He is co-leader of the firm's Quality Center for Excellence and specializes in large-scale change.

ED OAKLEY AND DOUG KRUG

Shared Winning

An enlightened leadership approach is to share winning and find solutions by asking the right questions at the right time.

REACTIVE LEADERS—PEOPLE WHO thrive on crisis and need to feel intense urgency before taking action—often ask some pretty dumb questions of their people: *What's your problem? Why are you so far behind the other team? Who isn't keeping up? Don't you know better than that?* Such questions don't exactly pump people full of enthusiasm.

Reactive leaders tend to shut down the energy and intelligence of people around them. This causes staff paralysis, which plays to the strengths of reactive leaders (crisis management) and tends to add to the myth that they are indispensable. Staff members lose their ability to act as a cohesive team, and leaders are limited in their ability to manage change and create success.

Creative leaders have a proactive mindset that focuses on finding solutions rather than solving problems. They know that finding solutions is the result of creating a positive, proactive mindset in members of the team. Creative leaders constantly seek input by asking questions that activate innovative thinking and empower team members to participate in a shared win with their leaders. Such questions might include: *What have you accomplished on this project so far that you are most pleased with? What do you attribute that success to? How would you describe the way you want this project to turn out? What will be the benefits to customers, to the company, and to you if you can meet all these objectives?*

Asking effective questions is the ultimate empowerment tool because such questions bring out the best in people by helping them discover their own solutions to problems. Effective questions are more the result of *intent*—where leaders are coming from when asking them—than *content*, the words used to phrase them. Intent is critical because the attitude of the person asking affects the attitude of the person answering.

Five Suggestions

Follow these five tips.

• *Pick the right time to ask the right questions.* The time to call a meeting is when things are going well, when there is something to celebrate. Ask open-ended question that enable people to share their success with others. Validate people's efforts by providing a forum for them to talk about their contributions to team achievements.

• *Focus forward.* Direct effective questions toward finding solutions rather than solving problems. Energy improves when people focus on, "What's needed to get where we want to be?" instead of, "What's wrong with where we are?" Forward-focused questions generate forward-focused answers.

• *Seek open-ended answers to "what" or "how" questions.* Your people are the real experts, but they often need help in coming up with solutions. Open-ended questions challenge people to engage their thought processes. Avoid "why" questions because they tend to generate resistance and defensiveness. A "what" or "how" question encourages openness and tends to generate multiple answers.

• *Remember that people learn by answering questions.* Ask effective questions not only to get input, but also to give people the chance to clarify their own thinking and to hear their own answers. The answers that are most effective for people are their own.

• *Listen with empathy to demonstrate that you are open and willing to hear input.* By demonstrating openness and interest, you build trust and more effective relationships with your team members. Sincerely listening to employees—your organization's true experts—provides solutions while enhancing the self-esteem of team members. Other benefits include improved morale, increased productivity, and higher profits. When it comes to creating shared wins, effective questions are the ultimate empowerment tools. **EE**

Ed Oakley and Doug Krug, authors of Enlightened Leadership, *are president and CEO of Enlightened Leadership International, Inc. in Colorado (800) 798-9881.*

CHARLES GARFIELD

Win-Win Style and Systems

Out of the whirlwind of change comes a new context for business where cooperation and shared wins are key to success.

AN UPHEAVAL IS TAKING place at every level and in every department of the corporation, as businesses transform themselves to cope with changing economic and social realities. Information technology is shifting the balance of power from the executive suite to the factory floor. Rigid, authoritarian styles of management are being discarded in favor of greater employee participation in decision making, resulting in less hierarchical, more fluid organizational forms. Unions and management are being transformed from adversaries into allies. Command-and-control managers are becoming coaches and counselors.

The central theme of these changes is this: *a partnership in which everyone wins.*

To many who are caught up in the whirlwind, the changes sweeping the corporation today are bewildering, frightening—and seemingly random. But out of the whirlwind, out of what appear to be isolated, piecemeal attempts by corporations to cope with an unfamiliar and unpredictable world, a coherent pattern is gradually emerging, a new paradigm of business is being born.

What we need is not a resurrection of tried-but-no-longer-true strategies, or even the sincere application of new strategies within old structures and cultures. What we need is an entirely new context for doing business using more powerful, more appropriate guidelines.

While the details remain to be explored, one thing is clear: *the focus is on cooperation, on group accomplishments that integrate individual efforts.* This new paradigm acknowledges our interdependence and emphasizes the role of partnership in achieving shared goals. From this view, the corporation is seen not as an isolated, independent entity, but in its context as part of a complex, interconnected world.

Paradox of Competition

Corporations are coming to grips with a fundamental paradox of business life: *to compete, we must cooperate.* Businesses are joining forces with one another to produce economic synergy; adversarial relationships are giving way to partnerships at every level, and to partnerships with customers, suppliers, distributors, and other key outsiders as well.

With technological, geographic, and political barriers to business competition crumbling, there is now an enormously expanded buyer's market. In this environment, only companies that delight customers by constantly developing product and service innovations can hope to win their favor—and their dollars.

Creating a hospitable climate is critical if innovation is to blossom. Innovation can spring up in the most controlled environments—just as flowers can force their way through the cracks in a sidewalk—but for innovation to thrive, for it to be continuous and consistent, the organizational climate must encourage and nurture it.

Innovation is the product of knowledge (of customer needs, of market trends, of competitors' offerings, of distributors' concerns, of changing technologies) and empowerment, the combination of autonomy and responsibility. Innovation is most likely to flourish in a climate where employees are encouraged to accumulate knowledge continually, where open communication is the norm, where employees have easy and complete access to information, and where all employees are empowered to act on their accumulated wisdom to generate continuous innovation.

Manco, Inc. is headquartered in Westlake, Ohio, a suburb of Cleveland. The $60 million company, which markets tapes, weather stripping, and mailing supplies, competes head-on with such industry heavyweights as 3M. Manco's CEO, Jack Kahl, credits his company's success to its relentless commitment to service and to its close partnerships with employees, suppliers, and customers.

Wal-Mart is one of Manco's top customers, and Jack Kahl makes no secret of the fact Wal-Mart founder Sam Walton, his friend and mentor, taught him much of what he knows about running a business and providing exemplary service. Any conversation with Kahl is filled with references to Wal-Mart and to the Manco duck—the corporate symbol and the heart of the organization. The duck, which was inspired by customers who mistakenly referred to one of Manco's main products as "duck tape," now provides inspiration for Manco. Referred to by Kahl as "Dale Carnegie in feathers," it appears on packaging, newsletters, (including Duck Tales), promotional materials, and company events. Speaking of the partnership between Wal-Mart and Manco, Jack Kahl says:

When Wal-Mart opened its first store in Ohio in 1990, just 70 miles west from Port Clinton, we had a lottery, and sent the winning people there to celebrate and help open the store in grand style. On the morning of the opening, we had 70 people on a bus, and we also took the Manco Duckmobile, our van, all painted up with the corporate symbol. We participated in the opening, did the Wal-Mart cheer, and got into the spirit of partnership between our two companies.

That kind of partnership is at the heart of our customer service philosophy—CARE, which stands for Customers Always Require Excellence. The eight women in our Customer Care Department decided they wanted that word to define the way they came to work every day. I call them our intensive care nurses.

You can't provide excellent service every day without having people coming to work every day who know that they're important to you—and coming to work with a good attitude. You can't do it. It's impossible to ask anybody to call a customer, to get on a phone, to go sell something for you unless that person knows he's valued and trusted in this family.

In 1977, Manco was still a very small company with gross sales of $4 million. In 1978, we set aside every single thing that was not up to our CARE standard. We published our *mission statement. It stated who we are, what we stand for, and we gave it to each of our customers. We talked to hundreds of store owners—hardware store owners and others—asking them questions about product lines, what they liked and didn't like. We discovered lots of things that were wrong with our products in terms of packaging and product quality. So we got involved in setting quality standards in packaging.*

We went to Ace Hardware when Ace was changing a lot of their packaging and helped them write a new set of packaging standards. We even helped design their new packaging. We gave it to them, even though it cost us something like $20,000, because it was part of the partnership. Ace chose us as their first-ever Vendor of the Year.

Manco thrives in an industry that has witnessed an enormous shakeout over the past decade, with more companies expected to fall by the wayside. In the midst of the shakeout, Manco continues to grow and prosper, counting among its customers some of the nation's most successful retailers, including industry leader Wal-Mart. Manco thrives because of the strong service ethic that permeates the organization—an ethic that is maintained by putting employees first. Kahl asserts: "The customer does not come first. Your employees do. The quality of your service over time will directly reflect the quality of care, support, and concern you demonstrate to your own people."

Kahl understands, as few executives do, that service, like quality, cannot be mandated; it must be volunteered. As a rule, instead of focusing on service policies and procedures, he strives to build within Manco a caring culture that will naturally elicit high-quality service. "We share a complete, universal understanding from top to bottom in this company that the customer is king," says Kahl. "We also share a complete, universal understanding that the way to serve the customer is to internally take care of one another."

Innovation, service, and quality all blossom in favorable climates of partnership. When employees are given free access to information, when they are allowed and encouraged to enter into partnerships and learn with others inside and outside the organization, innovative ideas multiply, quality increases, service excellence is achieved. A company's most important gains often spring from such partnerships—with other employees; with customers, suppliers, distributors; even with the community in which the organization operates. And everyone wins. **EE**

Charles Garfield, contributing editor to Executive Excellence, is president of the Charles Garfield Group in Oakland, CA (510) 272-9500.

MARSHALL SASHKIN

Win-Win Compensation

We are hooked on appraisal and merit pay because of the values of American society, culture, and organizations.

OUR CULTURE IS FIRMLY based on the value of individual effort and achievement. We are a nation founded on individualism. While it is only fair that individuals should benefit from their efforts and receive rewards that are in some way proportional to their contributions, this should not come at the expense of cooperation and teamwork. Indeed, the truly amazing achievements of America—including development of most new knowledge and innovations and of the highest standard of living in history—are based not simply on individualism but on the demonstrated capacity of Americans to work together in teams.

Many exemplary organizations have tried to modify their appraisal and reward systems to be more consistent with their team philosophy and approach. The challenge for all executives is to find ways to redesign these systems to more fully support their improvement efforts.

Two Changes Required

Two basic changes are required.

• *First, we must change the traditional approach from one of judgmental appraisal to one of feedback for improvement.* Such feedback must involve far more than an annual or semi-annual meeting to review performance. Individuals both deserve and need to know the outcomes of their actions, on a real-time basis. That's the only way to make changes that will improve quality. This sort of feedback must focus on measurable performance actions and outcomes, factors that individuals can control, not on gross judgments of how "good" or "poor" a rating one should receive for this or that "dimension" of performance. Finally, performance feedback can't be tied to rewards. Doing so invariably results in the performance measure being determined by the reward that a boss has determined an employee "deserves."

• *Second, there must be rewards for results.* When people do not share in the outcomes of their efforts, a pervasive climate of unfairness is created. But this doesn't mean just rewarding individuals for individually-measured results. Rewards should be tied to contributions toward *quality improvement,* not simply to productivity or output. And rewards should be team- and organization-based, not just individually-determined. This makes reward system design much more

The ultimate key to productive change is leadership based on principle.

complicated. But difficult is not impossible. Many organizations provide gainsharing and profit-sharing rewards on a team and all-employee basis. Some are beginning to use individual quality improvement contributions as the basis for rewards.

AT&T's Universal Card Services division permits employees to earn quarterly bonuses of up to 12 percent of their base wage, based on measures of the quality of performance (managers earn up to a 20 percent bonus, on the same basis). But the use of team-based quality improvement rewards is still rare.

Of course, the ultimate key to productive change is leadership, leadership for quality, based on principle. And such leadership can be rewarded on the basis of success in creating sense of purpose and direction, setting clear expectations, delegating authority and responsibility, providing feedback, and serving as a resource. Only when executives design and carry out win-win performance assessment and rewards will organizations develop the cultural foundation required to sustain total quality. **EE**

Marshall Sashkin, Ph.D., is principal partner in Marshall Sashkin & Associates, specializing in consulting with top management on issues of quality and leadership (301) 552-9523. His most recent book is Putting Quality Management to Work *(Berret-Koehler).*

WOLFGANG R. SCHMITT

The Ethics of Partnerships

Ethics in retail partnerships is not an oxymoron. In fact, partnership implies ethical relations between partners.

AT RUBBERMAID, WE BELIEVE that ethical and creative partnerships with our consumers, customers, suppliers, communities, shareholders, and associates will enable us to improve the value we create to delight our partners.

To me, *value* is the key word. We excel together when we make consumers happy, and we make them happy by delighting them with our value. And *value* must be interpreted using a value pyramid consisting of dual price, service, timeliness and innovation.

Consumers have a limitless appetite for greater value. If we together can improve value and delight our customers, we grow together. Real growth and improvement are the primary sources of wealth, and wealth creation need not be a zero-sum game.

What makes free enterprise so unique, so successful, and so widely embraced around the globe, is that an individual can acquire wealth in ways that do not harm others, but actually benefit them.

We believe that the only way to consistently create wealth is by satisfying the material needs of others (delighting customers). Profits reward all of us for successfully fulfilling the legitimate expectations of our business partners. This belief makes money-making ethical.

Trust Plays a Key Role

Only through consistent ethical behavior can we establish the trust which allows genuine business partnerships to form and to grow. Trust has the lead role in reducing the unpredictability of mutual behavior as commitments made are honored. Trust facilitates dealing with unforeseen events in a mutually acceptable manner. And trust economizes the cost of bargaining, monitoring, and settling disputes. A healthy, trusting partnership allows us to meet the ever-higher value expectations of our consumers—the duality, price, service, timeliness and innovation equation.

We see three types and levels of trust.

- *Mutual or contractual trust*—each partner adheres to written or oral agreements.
- *Competence trust*—partners expect and act on the premise that the trading partner will perform its role competently.
- *Goodwill trust*—the mutual expectation and commitment of being responsive to requests from your partner. Both partners respond to any possible opportunity to improve value. To prove themselves worthy of goodwill trust, partners must be ethical in all transactions and take initiatives to continuously improve value while refraining from taking unfair advantage. Goodwill trust behavior consists of actions that increase one's vulnerability to another whose behavior is not necessarily under one's control.

> *The carrot of heaven and the stick of hell must be replaced with rewards which can be brought to bear here and now.*

When ethical behavior is present in all three types of trust in your partner relationships, you can best improve value continuously. In fact, I submit that the governing rule of thumb for ethical partnerships is this: *Does any given action create better value for our mutual consumers?*

Two Major Theories

Let's look at two major theories in moral philosophy: deontological and teleological theories.

As Hunt and Vitell describe in *A General Theory of Marketing Ethics:* Deontologists believe that "certain features of the act itself, other than the value it brings into existence" makes an action or rule right. A prime example of this approach is the *Golden Rule* attitude, or the "Do unto others as you would have them do unto you."

Teleologists, on the other hand, "believe that there is one and only one basic or ultimate right-making characteristic, based upon the consequences of the decision." In other words, it is "the comparative value of what is, probably will be, or is intended to be brought into being." Teleologists propose that we would determine the consequences of various behaviors in a situation and evaluate the goodness or badness of all the consequences. Our behavior then is "ethical" if it produces a greater balance of short- and long-term good-over-evil than any available alternative.

Successful business partners engage in both deontological and teleological evaluations in making ethical judgment calls.

Practical Standards

Because we live in a constantly changing world and must continuously deal with new people in new places, simply using prescriptive ethical input won't allow us to deal successfully with the many complex ethical issues. We also need more descriptive ethical inputs from the industry and organization and from personal experiences—to see the ethical problem, to develop creative alternatives, to assess the consequences, and to make the best ethical decision to achieve a win-win resolution with your partner.

Today, people are more secular in their everyday lives and decisions. Many people, given the opportunity, are not much dissuaded by spiritual values and motives from secularism, materialism, hedonism, and greed. And so we need to reorder our priorities and develop more powerful justifications for ethical behavior for our organizations in a secular world.

The carrot of heaven and the stick of hell must be replaced or supplemented with rewards and consequences which can be brought to bear here and now. Leaders must clearly identify the rewards and consequences and communicate them broadly.

To create an ethical partnership, partners must achieve three things: 1) *clarity*—what do we expect from one another? 2) *equity*—what's in it for each of us? and 3) *justice*—where do we go to resolve ethical issues? The leaders must believe that good ethics is good business, set the moral tone, lead by personal example, abandon the language of coercion—"Do this or else"—and develop a language of choice, "Let's try this."

Successful ethical partnerships find ethically-driven compromises, not power-driven compromises. They reward and reinforce good behavior, define consequences for bad behavior, deal globally at both the macro and micro ethical levels.

I would advise you to select your business partners very carefully. Simplify your relationship with candor. Trust but verify that both partners are meeting their commitments. Demand fairness from your own organization and your partners.

Create, train, reward, and reinforce partner teams. Balance the drive for profit with both a short- and a long-term view. Review your compensation system to be sure it supports your ethical partnership philosophy and strategies. Maintain confidentiality on one another's proprietary information. Share the risks, share the problems, and share the rewards with your partners.

Remember, even a negative result, when dealt with properly, can strengthen the partnership. Genuine business partnerships result in a healthy interdependence where the walls that separate two organizations are either eliminated or dramatically reduced.

Negotiating Differences

The most difficult part of partnering is negotiating and resolving the inevitable differences between partners. Rather than adversarial or arms-length negotiations, I highly favor the approach of principled negotiations. Principled negotiations can occur only where there is trust, candor, and forthrightness in a relationship, where both partners will spell out their musts and their wants so that a true win-win alternative can be developed.

Principled negotiation is much like negotiating with jujitsu. Rather than resisting the force of the other side, you conspire to use your skill to channel your energies into exploring interests and inventing options for mutual gain.

The rules of principled negotiation are straightforward: *Don't bargain over positions; separate people and personalities from the problem; focus on interests, not positions; invent options for mutual gains; insist on using objective, agreed-to criteria; and know your best alternative to a negotiated agreement if your ethics are about to be trashed by a powerful, yet unscrupulous, partner.*

When we follow the rules of principled negotiations, we can be successful in both the short as well as long term. We, like historical economists, know that trust resulting from ethical partnerships is crucial to achieving competitiveness and industry leadership. Much of the economic backwardness and failure in the world can be explained by the lack of ethics leading to a lack of trust. Achieving ethical, win-win partnerships is a continuing journey—one only we can lead. **EE**

Wolfgang R. Schmitt is chairman of the board and CEO of Rubbermaid Incorporated (216) 264-6464.

DAVID NOER

Four New Realities

Since there are productivity perils aplenty among a survivor workforce, smart executives promote four new realities.

WHETHER YOU CALL IT downsizing, rightsizing, delayering, or "de-staffing," you are describing a major tactical response to global competition and bloated structures. It's all about "taking out people" to eliminate costs—as if people are no longer long-term assets to be grown and nurtured but rather costs to be reduced.

Most leaders make a direct connection between layoffs intended to make organizations "lean and mean" and increased profits and productivity. What they overlook is the effect on those who remain. Layoff survivors don't feel "lean and mean." Most feel "sad and angry" or even "depressed and violated."

From a profit and productivity perspective, these people are risk-adverse and productivity-poor. Nonetheless, many leaders put wounded and depressed teams of survivors onto the playing field—seemingly blind to four new realities.

1. Situational Employment

The new psychological contract between organization and individual is more situational and short-term: the employee does not sign up for a career, and the employer does not assume long-term caretaking. Leading and creating systems that support this new reality is very unconformable. It involves behaving in accordance with a new reality that runs contrary to a set of values that have been programmed into us over time.

Systems are now needed that are compatible with the new realities.

• *De-emphasize or discard inappropriate trinkets.* Tie bars, cuff links, bracelets, wall plaques, and other symbols that celebrate tenure give the wrong message when an organization is looking for a flexible, situational relationship. One well liked production supervisor who received her ten-year bracelet on a Monday and was laid off on a Friday!

• *Celebrate achievement.* "Catch people doing things right" and find a way to publicly reinforce the achievement. There is nothing wrong with trinkets, awards such as dinners or theater tickets, or simply public pats on the back. It isn't the awards themselves, it is what they are used to celebrate. The new contract bonds around goal achievement, excellence in customer service, and "good work," not around remaining employed.

• *Celebrate departures.* Under the new contract, leaving is a cause for celebration, not lament. If the goal is a "just in time" work force, there will be a continuing flux of arrivals and departures. Leaving is a planned event, a celebration of achievement. The leaving ritual should be more than just a quiet departmental lunch; it should be an organizationally sanctioned rite of passage.

What spends in the new reality is task investment, job enrichment, participation, and a shared vision.

• *Eliminate distinctions between "classes" of employees.* Today, in some organizations, it is impossible to tell whether an employee is a "temp," a "contract," a "part time," or a "full time." Artificial distinctions in terms of pay, benefits, and status of these classifications don't fit the new reality.

2. Motivation by Participation

Promotion was the currency of the old realm. What spends in the new reality is task investment, job enrichment, participation, and a shared vision.

• *Job enrichment is an old idea whose time has come.* This does not mean adding the duties of departed employees to those who remain. It involves eliminating nonessential task and investing employees in relevant useful, achievable work. Doing good work in an enriched environment replaces promotion as a motivating factor in the new paradigm.

• *The philosophy of quality—good work, performed by empowered people, that serves others—is the essence of the new employment* *contract.* This shining theme runs through the philosophies of all the quality gurus. The central idea is the same: *empowered people, linked together by good work, in the service of others.*

• *Self-directed work teams.* The core luster of self-directed work teams is that managers move to a helping, facilitating, and coaching role while empowered teams bond around good work, uninhibited by the bonds of the old paradigm.

3. Empowering Leadership

Most executives don't like to think of themselves as paternalistic, but many take pride in "taking care" of "their" employees. Employees who are "taken care" of become dependent. In the new reality, such dependence is hazardous to their health. It is akin to the fate of wild animals who, having been taken care of in captivity, are returned to the wild where they lack the skills to fend for themselves. An exciting and liberating part of the new contract is the opportunity for all employees to develop the skills and perspective to take care of themselves, increase self-esteem, and break the limitations of limited co-dependent relationships. Executives can do three things:

• *Don't condition employees to be dependent.* If you expect employees to be responsible adults, they will behave that way. Just as with teenage children, employees need guidance and limits, but, most of all, they need trust and independence. At some point, parents need to let go. Just as it is not healthy for families to create unnecessary dependence, it is not in the best interests of organizations to attempt to hold on to employees.

• *Eliminate unnecessary support systems.* A good rule is that if the community provides the service, the organization should not. On the surface, there is nothing wrong with services such as social clubs, sports leagues, and co-op purchasing plans. The problem is that they are another link in the dependency chain. Empowered, independent employees will find their own services.

• *Resist the temptation to do detailed, long-term career planning.* Long-term career plans are an artifact of the old contract. Job planning, not career planning, is the stuff of the new paradigm. In the past, organizations responded to employee requests for maps to get to the top by detailed, elaborately prepared, professionally illustrated prescriptions as to what tickets needed to be punched. In the new reality, organizations are flat, growth is not hierarchical, systems are temporary, and careers are short-term and situational. Detailed career planning makes no sense when organizations can neither guarantee employment continuity, nor have the ability to forecast the situational and rapidly evolving skills needed over a 30-year career.

4. In-and-Out Careers

Two tenants of the old lifetime contract were: "I am grateful for my job" and "I will plan a career within the organization." The reciprocal strategies were: "We will take care of our employees" and "We will only promote from within." Two new realities are: *Organizations can't keep their end of the bargain,* and *The results of only promoting internally are a narrow and unresponsive work force.* The new paradigm demands flexibility, employee choice, and non-traditional career paths.

• *Eliminate penalties for returning.* Some organizations either won't re-hire employees who have left, or, if they do, penalize them through benefit-waiting periods or vacation accrual. In/out career paths are a vital part of the new reality, and benefits and support services should not discriminate between those who remain and those who return.

• *Develop processes to stimulate leaving.* You might conduct career reviews every three years or so to allow employees a chance review their life and career options in a safe, objective manner. It works best if done by "outsiders." The result may be a decision to "re-enlist" in the same job, to explore different options internally, or to leave the organization. Regardless of the mechanics, the process should be okay, guilt free, sanctioned, and accepted by the organization.

• *Tell the truth up-front.* The organization can't guarantee that if they do a good job, employees can count on employment until retirement or when they choose to leave. New employees can be offered the opportunity for learning, challenging work, and a safe and clean work environment. Anything beyond that is conjecture. Truth telling should include setting boundaries and establishing a straight, non-dependent relationship with the organization.

Creating the systems to provide a structural immunity to the ravages of layoff survivor sickness is not easy. It is often an against-the-grain experience for executives but a necessary pre-condition to productivity and profitability in an era of the new psychological contract between employee and employer. **EE**

David Noer is vice president of Training and Education for the Center for Creative Leadership in Greensboro, NC (919) 288-7210 and the author of a new book, Healing the Wounds: Overcoming the Trauma of Layoffs and Revitalizing Downsized Organizations *(Jossey-Bass).*

JOHN H. ZENGER AND ED MUSSELWHITE

Leading Teams

How can managers make themselves vital once again to companies whose goal is improving performance through teams?

EXECUTIVES TODAY MUST master five new skills and muster personal commitments to lead effectively in team environments.

• *Develop self-motivated people who set their own ambitious goals and evaluate their own efforts.* Team members must be self-starters, motivated to achieve team goals, and capable of solving problems. Build skills and confidence by delegating new tasks, and helping people set goals, evaluate performance, and take corrective action—thus turning workers into true owners of a piece of the business.

• *Help diverse people generate ideas and implement their own best ideas.* Charge teams not just with generating ideas, but with selecting, implementing, and tracking the impact of ideas.

• *Build self-managing teams.* Share decision making power in order to build teams that manage more of their own day-to-day work.

• *Champion cross-functional efforts to improve quality, service, and productivity.* Learn to see peers and parallel units as internal customers and suppliers, and concentrate improvement efforts at the points of overlap between units.

• *Manage change.* Initiate, anticipate, and respond to changes dictated by outside forces. Tune in—and helps employees tune in—to crosscurrents, to key business trends, and to evolving customer needs. Then, like a good conductor, "cue" team members to play the right notes to meet the expectations of paying customers.

These five leadership skills are all a manager needs to turn the ore of workers into the bullion of high-performing teams. **EE**

John H. Zenger is president and Ed Musslewhite is executive vice-president of Zenger-Miller, an international training and consulting firm in San Jose, CA (408) 452-1244.

JOEL C. PETERSON

Winning Agreements

Since trust is the foundation of all agreements that work, executives especially need to understand the dynamics of trust.

AGREEMENTS ARE SERIOUS business. Stability, profitability, and harmony all depend on enduring agreements. It is not always clear why some arrangements create equilibrium, growth, and gain, while others end in broken promises, confusion, or worse. Yet, sifting through the rubble of broken commitments, one invariably finds an agreement that failed to develop its most powerful underpinning—trust.

Many business negotiations resemble hard-fought battles, with clear winners and losers. One reason is that trades typically center on five issues: price, terms, time frames, warranties, and remedies. Not only is this list hardly the stuff of trust-building, but its brevity and nature make too-easy the calculation of wins and losses, and too-great the temptation for zero-sum negotiations in which one party's gain means the other's equal loss.

The good news is that, by understanding the dynamics of trust and by screening our trading partners, we can improve the odds of crafting agreements that work over the long term.

Mutual Gain

Life's sturdiest agreements have at their center a continuing commitment to mutual gain. They are "evergreen" because they handle unforeseen events in mutually acceptable ways. Just as the framers of the American Constitution secured its durability through the "Elastic Clause," negotiators in today's commercial world hope for long-term vitality in their accords. Some try to provide for it by drafting exhaustive legal provisions to handle imagined eventualities. Others devise workable processes to facilitate inevitable change. Still others rely on the trust earned in past dealings—or anticipated in future ones—to mold past agreements to fit present realities.

This last works only if trust is well-founded. Well-founded trust in others depends on three conditions: 1) being able to count on their integrity, 2) believing that they respect our interests as their own, and 3) knowing that they have the power to deliver on promises.

In the presence of all three conditions, trust is a potent force for continuing agreement. Under these conditions, agreements age gracefully because people communicate before issues degenerate into serious conflict. In addition, people are moved to seek mutually beneficial solutions when conflicts do arise. Finally, trust empowers people to create and implement refinements to agreement.

> *Mutually beneficial agreements founded on genuine trust will save time, money, and wear-and-tear.*

Oddly, the mutually beneficial agreement succeeds most readily at either end of the spectrum of relationships—in already trust-rich alliances where win-win dealings are almost reflexive, or in isolated trades, where trust is of limited importance.

An example of the former can be found in the easy flow of agreements between family members or between long-time, interdependent business partners. In these reciprocal trust relationships, the expectation of mutual gain is a given.

But many real-world business agreements are made in neither the context of a preexistent trust relationship nor in the transactional world of the one-time trade. Rather, they are made in relatively unproved relationships to be fulfilled over time. Here, unfamiliarity makes us take baby-steps until we assess the realistic potential for mutually beneficial and trust-governed arrangements. Alas, our wariness often inhibits the development of trust as well as limits the exploration of mutually beneficial options. Unfortunately, abandoning our caution will not necessarily prompt trustworthiness; nor will applying win-win techniques guarantee win-win agreements. A more productive course is to select carefully those with whom we make agreements whenever possible.

Look for Three Traits

The most reliable deals depend less on any win-win problem-solving approach, trusting attitude, or expanded issue list than they do on working with people who have three characteristics:

1. *They value reputation.* Integrity and character are not easy to assess—especially in the context of negotiations. Because it takes time for the marketplace to link discrete dealings into a reputational whole, some people will seek short-term negotiating gains by misinforming, threatening, hard-trading, or seeking for unfair advantage. By insisting on making agreements only with those who rely on their reputations for their livelihood, you make a reasonable (if imperfect) assumption of integrity.

2. *They are smart.* The smartest negotiators take a certain responsibility for each other's interests because they know that agreements that do not make economic sense tend to fray. Negotiators who do not understand the financial or behavioral implications of their agreements make lasting ones only inadvertently.

Smart negotiators tend to explore and expand the range of benefits; and, they recognize that disagreement is often the basis for agreement. To motivate win-win bargains, they often encourage each party to make its own "bet," rather than come to agreement on economic values or facts. Because this process of generating complexities and overlooking differences is often subtle and tricky, making agreements with people who are creative, intelligent, and experienced often improves the odds for protecting one's own interests.

3. *They are powerful.* Many novice negotiators prefer feel-good statements of attitude or intention to the less visible realities of empowerment. Only reliable people may make reliable agreements. Unempowered negotiators—whether by imposed limits or by self-doubt—are simply unreliable and, therefore unable to make trust-based agreements (no matter their good intentions). The decision to negotiate with those who have support for the bargains they make and the self-confidence to make timely judgments is vital to forging trust-based, win-win agreements.

Mutually beneficial agreements founded on genuine trust will save time, money, and wear-and-tear. We can increase the number of winning agreements that govern our lives when we honor trust's underpinnings ourselves, and when we evaluate those with whom we make agreements for their character, intelligence, and empowerment. **EE**

Joel C. Peterson is CEO of Peterson Interests, Inc., and is associated with Peninsula Advisors, Inc. (415) 322-1800.

DAVID R. BYWATERS

Addressing Conflicts

Intelligent people should be able to grapple with the problem, understand the views of others, and work toward a "win-win" solution.

THE BATTLE LINES ARE DRAWN. Opponents are enlisting supporters. Management and support staff know that dissension is rife. Rumors abound. Productivity is down.

These symptoms are familiar to every executive. Some companies have this as a chronic condition; others experience occasional outbursts of the problem.

The easy thing is to ignore it. The hope is that something will "work out." Perhaps one of the peacemakers will talk some sense into the heads of the leaders of the two factions. Unfortunately, this seldom happens. Most often, the problem does not go away. It either festers, is openly addressed, one or more people leave the company, or sometimes, the company gets in major trouble, especially when the conflict is deep. If it is not that deep, executives still face hassle, frustration, and conviction that the company is not running smoothly.

The "Head On" Approach

One approach is to confront conflict head on in a group session. The goal is to resolve different view points, add new insights, allow participants to ventilate their feelings, give others the chance to hear both sides, and finally, achieve consensus. It can happen, but it won't always happen. In fact, occasionally it even gets worse. It depends on the tolerance for confrontation on one hand, or continual agitation on the other.

Should you be interested in taking the disagreement head on in a management session, here are some helpful guidelines.

• *Appoint a facilitator* (preferably an outsider) who can maintain a strictly objective point of view.

• *Convene the group of leaders on both sides of the issues along with their major proponents.* Some highly respected parties should be included who have not yet committed themselves. A group of 12 is as large as you will want to deal with sensitive issues.

• *Prepare the group for disagreements at the outset.* Make sure everyone understands that they can disagree without being disagreeable. They can state positions forthrightly and persuasively without inferring that those who hold counter convictions are vicious, unprincipled or imbeciles. Point out that conflict comes from people who care about the organization, its culture, and its standards. Note that people come to any management team with different backgrounds, personalities, and perspectives. Profiles can be developed that measure personality types that are significantly different and lead to different positions on issues. Some people approach problems from a highly methodical, rational way, while others are more intuitive. Some people rush to make a decision and form judgments, while others prefer to think things through, gather other information, and delay making a decision. Some find it easier to verbalize and articulate their positions, while others tend to be reticent.

• *State the issue in objective terms, with as much background as is relevant.* Implications of the possible future decisions should be hypothesized. No matter how objective the analysis, each side will probably want to elaborate on one or two points. Then, the dilemma should be stated and recorded clearly and succinctly. Make sure everyone agrees that the problem is accurately stated.

• *Allow each side to state their position* and their rationale behind their thinking (justifications). This should not be hurried. Keep notes of the major points on a flipchart. The other side should be attentive during the presentation, is free to make their own notes and should be courteous. If emotions arise, humor will frequently be an effective tool to diffuse the situation.

• *Begin an analysis phase.* Generally, there are some consistencies. Probably both sides are trying to raise quality, save money, increase profits, strengthen the market positioning, hire or retain additional skills, serve customers better, and assure a better future. These consistencies may provide building blocks for future consensus.

• *Identify points that are, perhaps, irrelevant.* Frequently, points made by one side or the other deal with subjects already decided or policies already written. Even if current, they may not be on target with the subject at hand. These should be stricken. Frequently, one side will suggest arguments favoring the other side. Note these and begin building on this "meeting of the minds."

• *Ask group members to brainstorm solutions* and write these on a flipchart without discussion or defensiveness just to get things rolling. Also ask participants for causal factors that have not been mentioned. These can be most illuminating. They may go back to corporate culture, client conflicts, family confrontations, or involvement with people who are no longer part of the organization.

• *Look for win-win solutions.* These can be suggested by anyone. They may require some creative bargaining, but avoid the feeling that someone must capitulate or that there must be a clear winner or loser.

• *Before closing, summarize accomplishments and agreements.* Enumerate the issues that need reflection.

• *Set the time for another meeting.* If an agreement can't be reached at one meeting, you might recommend more research, invite others in the organization to contribute something, or suggest a cooling off period. Perhaps the group has simply run out of time or energy. Letting some time pass, allowing arguments to sink in, providing a chance for peacemakers to counsel with opponents, can be beneficial.

Whatever the results, end on an upbeat note and leave everyone with the conviction that the conflict can be resolved. **EE**

David R. Bywaters is president of Lawrence-Leiter and Company (816) 474-8340.

BOB ROCKEY

Strategic Partnerships

To thrive in increasingly competitive markets, we all must find innovative ways of doing business with strategic partners.

STRATEGIC ALLIANCES AND partnerships will soon characterize the way most companies do business.

Effective strategic partnerships originate at the executive level. Because partnerships are time-consuming and work-intensive, they require a clear endorsement from top management to mobilize people. Strategic partnering may require a total mindset change on the part of both partners. In our case, it has meant a fundamental reversal in the basic nature of our relationship with retailers—from adversarial to collaborative.

You may ask, "If such partnerships are so difficult, why bother with them?" We bother because the goal of partnerships is to increase sales and profits. We've just scratched the surface on how partnerships can improve returns. When both parties commit to work toward each other's success, everybody wins, and wins big.

Identifying Strategic Partners

In choosing strategic partners, common, or at least consistent, goals and values are imperative. Our partners must share five commitments with us to create the environment for a successful strategic partnership:

- *Both parties must be dedicated to a consumer-focused business approach,* with every effort made to give consumers what they want, when they want it. We must agree on this approach toward the ultimate consumer—our shared customer.
- *There must be a common goal of driving unnecessary costs from both sides.* This goes back to what I said earlier about working for each other's success.
- *There has to be support and buy-in for each other's business visions and strategies,* with no conflicting strategies.
- *Partners must play an integral role in each other's businesses success.*
- *Both parties must be committed to breaking down barriers for sharing information,* with agreement about who acts upon information and when.

Readying Your Organization

At Levi Strauss & Co., when we first started looking at strategic partnerships 10 years ago, we knew we had to make some changes. We knew we had to make customer service our number one priority, and we set out to do so by vastly

improving our systems and technology and reengineering our internal operations to get products to customers faster.

To improve our service, we're now offering a wide range of services to our retail partners, helping them make better purchasing decisions and control inventory and costs. By handling ordering, invoicing, and other transactions with our retail customers electronically, we're making these relationships more efficient and productive overall. Improving delivery performance and working on systems to provide merchandise "floor-ready," allows our retailer partners to unpack shipments and place them directly on the selling floor with no delays.

All the changes we're making are aimed at providing preeminent customer service. We want our retail partners to say, "Of all my suppliers, Levi Strauss & Co. works the hardest for me." These changes continue to improve our ability to partner with retailers.

Customizing each strategic partnership requires hard work and dedication up front to get rid of existing road blocks. In the strategic partnerships we have with retailers, we have essentially created an entirely new organization, made up of "knowledge workers" from both companies that drive the partnership process. These people match up function-to-function to look at opportunities, troubleshoot problems, and analyze every aspect of our working relationship, from shipping to marketing to technology. Together, they look at every step from product development to customer satisfaction.

Keys to Success

Strategic partnerships hinge on four success factors.

- *Shared commitment to serve the ultimate customer.* In each area of our shared business, we're looking for ways to maximize opportunities for both of us. One example of this is "dedicated" space at retail for our Levi's and Dockers products, which we've developed with our partners. This concept of integrated presentation of our tops and bottoms in a single, dedicated location at retail has resulted in a significant increase in sales.
- *Collaboration, especially in the planning process.* Dedicated teams of people work together to come up with one combined business plan, instead of two separate plans for each company, which ensures cohesion in marketing, sales promotion and other areas of the business.
- *Shared information.* Our retail partners have a tremendous grasp on the consumer's needs and wants, and their insights have helped us track trends more effectively and create products that consumers will buy. We have technology that can help retailers make purchasing decisions based on their actual inventories. By sharing information, our shared business can be vastly improved.
- *A consumer-focused approach—with a strong shared consumer orientation.* We're constantly looking for ways to improve the shopper's experience. The consumer will notice a more dramatic presentation of our product. As we continue to do in-store training seminars, retail sales associates become more knowledgeable about our products.

We view these relationships as a requirement of doing business. We are seeing them pay off for both parties every day. These partnerships will continue to evolve and develop as time goes on, but one thing is certain: Maximizing the opportunities presented by these alliances will position us for success as we move into the 21st century. **EE**

Bob Rockey is president of Levi Strauss North America (415) 544-6000.

OFF THE CUFF

"We are going to win and the industrial West is going to lose out. There's nothing much you can do about it, because the reasons for your failure are within yourselves.

"With your bosses doing the thinking while the workers wield the screwdrivers, you're convinced deep down that this is the right way to run a business—getting the ideas out of the heads of the bosses and into the hands of labor.

"For us, the core of management is the art of mobilizing and pulling together the intellectual resources of all employees in the service of the firm. We have measured the scope of the technological and economic challenges—we know that the intelligence of a handful of technocrats, however brilliant, is no longer enough to take them up with a real chance of success.

"Only by drawing on the combined brain power of all its employees can a firm face up to the turbulence and constraints of today's environment.

"This is why our large companies give their employees three to four times more training than yours. This is why they foster within the firm such intensive exchanges and communications. This is why they seek constantly everybody's suggestions and why they demand from the educational system increasing numbers of graduates as well as bright and well-educated generalists—because these people are the lifeblood of industry."

Mr. Konosuke Matsushita
Executive Advisor
Matsushita Electric Industrial Co., Ltd.
Japan

THINK WIN-WIN:

A win/win character consists of three traits:

- **Integrity**
- **Maturity**
- **Abundance Mentality**

Think Win-Win

The character traits most critical for developing a win-win attitude are:

- Integrity – Habits are congruent with values, words with deeds, expressions with feelings.
- Maturity – courage balanced with consideration.
- Abundance Mentality – there is plenty out there for everybody.

A person with these character traits can be genuinely happy for the success and accomplishments of others.

Think Win-Win

THE GOLDEN RULES

(It's true in all faiths)

Brahmanism: This is the sum of duty: Do naught unto others which would cause you pain if done to you.

Mahabharata 5: 1517

Zoroastrianism: That nature alone is good which refrains from doing unto another whatsoever is not good for itself.

Dadistan-i-dinik 94:5

Buddhism: Hurt not others in ways that you yourself would find hurtful.

Udana-Varga 5:18

Judaism: What is hateful to you, do not to your fellowman. That is the entire Law; all the rest is commentary.

Talmud, Shabbat 31a

Confucianism: Surely it is the maxim of loving kindness: Do not unto others what you would not have them do unto you.

Analects 15:23

Christianity: All things whatsoever ye would that men should do to you, do ye even so to them; for this is the Law and the Prophets.

Matthew 7:12

Taoism: Regard your neighbor's gain as your own gain and your neighbor's loss as your own loss.

T'ai Shang Kan Ying P'ien

Islam: No one of you is a believer until he desires for his brother that which he desires for himself.

Sunnah

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EMPOWERING OTHERS
Paradigms, Principles, and Processes

By Dr. D.H. (Dee) Groberg

COVEY
LEADERSHIP
CENTER

EMPOWERING OTHERS
Paradigms, Principles, and Processes

By Dr. D.H. (Dee) Groberg

"That's the last straw! This empowerment nonsense doesn't work!" Steven Groves had just received the sales report for the previous month. Sales were down again. Three salesmen hadn't even reported their results. Groves was furious. "If I don't do it myself nothing gets done right." Four of the five sales managers in the room hung their heads. The fifth, David Jensen, spoke up.

"We're not getting enough direction from you, Steve. I'm not sure what you expect from us. You have to tell us what to do." This brought on an icy silence. Groves' voice reflected his frustration.

"The whole idea of empowerment was to let you and your people decide what to do. How can I empower if I'm controlling all the time? Can't you people do anything on your own?"

Bruce Brown looked up. He didn't like being blamed for the poor results. After all, this empowerment thing was Groves' idea. "I've been doing the best I can at empowering my people. I told them that now they're in charge and two of them didn't even turn in their reports. And Jack Jacobs decided he'd lower our prices and stop doing credit checks! Thought it would increase sales."

"Who gave him the authority to do that?" Groves yelled. "This whole thing is out of hand. I'm laying down the law. Bruce, you better whip Jack back in line or I'll find somebody who will. And I want those missing sales reports on my desk first thing in the morning. All of you better get things back under control or some heads are going to roll!"

"But what about empowerment?" Dave asked. Groves' answer reflected his impatience. "Forget that nonsense and get the job done. You're empowered enough for that, aren't you?"

As vice president of marketing, Groves had had a mixed history. He did well at first, but as things grew, he began to lose control. His recent history was bad. Several salesmen had left for greener pastures in a company that had a so-called "better culture." Many others seemed to be disgruntled. Then Groves heard about empowerment. "Release the potential in your people. It'll be more fun for them, less work for you, and you'll get better results." That's the way Groves interpreted it. He could hardly wait to get started.

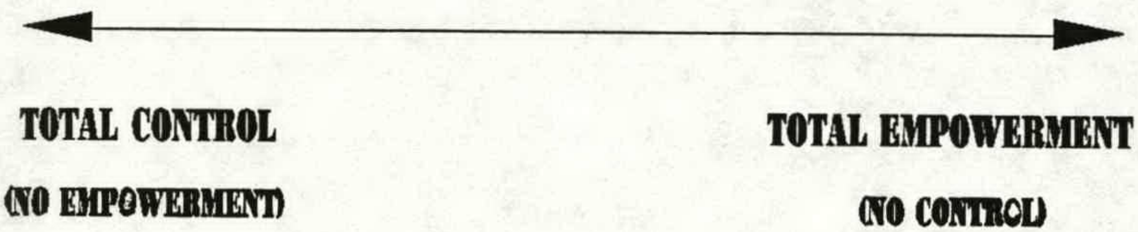
Now, six months later, things were worse than ever. If this was what empowerment meant, Groves could do without it. He would still "talk" empowerment, but he resolved to get things back under control even if he had to fire the whole sales force and do everything himself.

Most managers would rather empower than control people. They would rather adopt a release-style, than use a control-style of management. But even today, most managers don't do it. The reason they don't is usually because they have tried empowerment and it didn't work. And when it didn't work, like with Groves, they do the only reasonable thing--they revert back to control. But the reason it didn't work can be corrected. It's a matter of correcting the Paradigms, Principles and Processes.

CONTROL VS EMPOWERMENT PARADIGMS

Control-style managers are usually disillusioned idealists. At one time they got the idea of empowerment, were excited about it, and tried it. But they didn't get the results they expected. Either people did nothing--because they were so used to being controlled they had lost the initiative to work on their own (like the salesmen who didn't turn in their reports)--or they did too much, abusing the new power and influence they assumed they had (like Jack Jacobs dropping prices and credit checks). The disillusioned manager then views empowerment as license for chaos--the opposite of control.

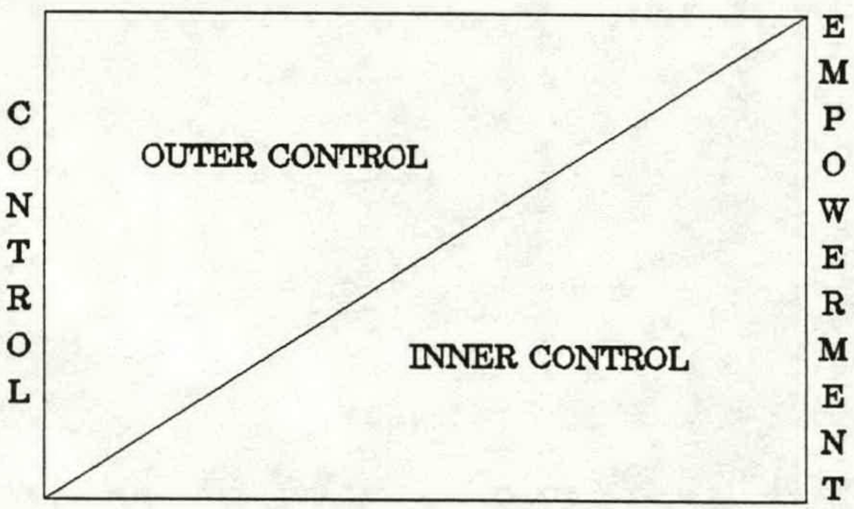
CONTROL VS. EMPOWERMENT



The problem with this way of looking at control and empowerment is that it makes it seem that by empowering, one loses control, and by retaining control, one can't empower. It is seen as a dichotomy: you can have either control or empowerment, not both. You have to give up one to get the other.

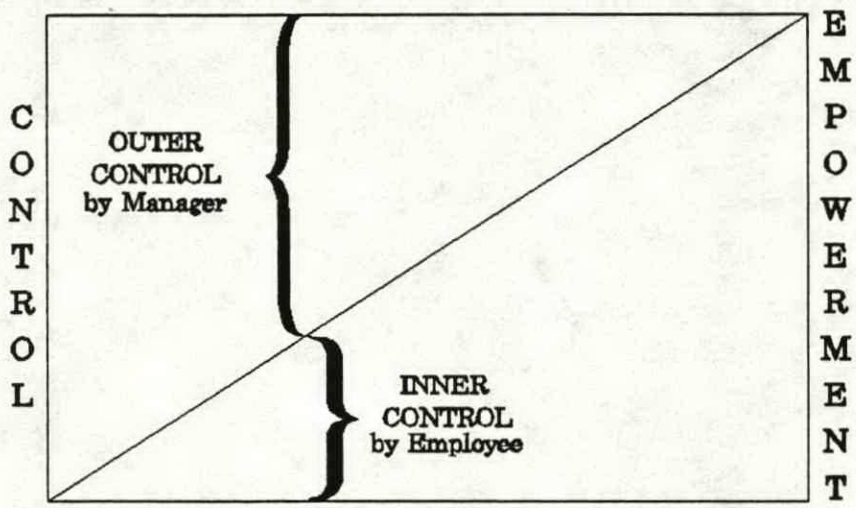
This is not the only way to look at it, however. If we look at control as being comprised of two parts, an outer control and an inner control, we have some new options.

OUTER VS INNER CONTROL



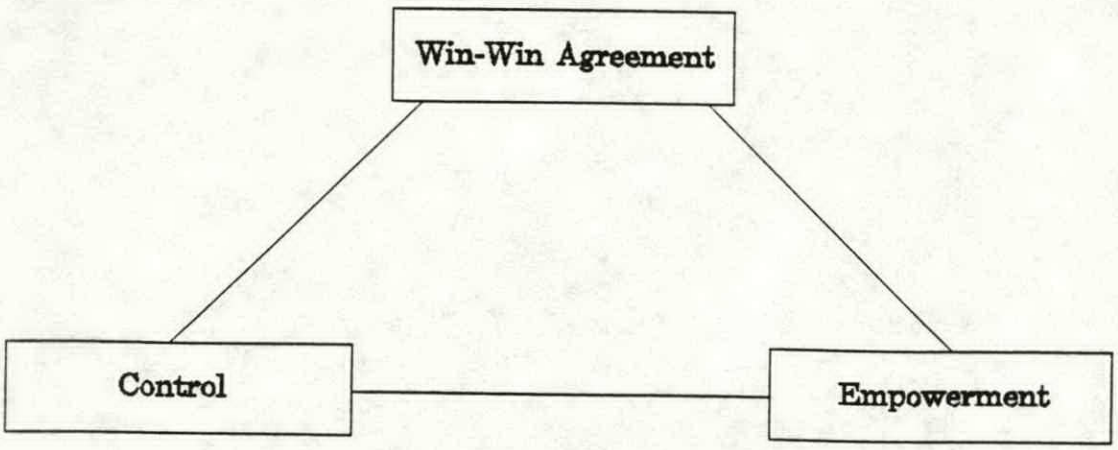
On the extreme left, all control is imposed from the outside (the boss controls). On the extreme right, all the control is inside the employees (they are empowered). Looking at control and empowerment this way, we find that we can have our cake and eat it too. We can give up control and still retain control. <u>Outer control</u> by the manager is given up only as it is absorbed as <u>inner control</u> by employees. We <u>can</u> have both control and empowerment. It's not an either/or anymore. It's a third alternative.

For example, a manager might have total control over the financial expenditures in her department. Every expenditure would have to be approved by her. But she could give an employee inner control over a certain portion of the budget. As the employee demonstrated that he accepted that responsibility and controlled that portion of the budget within the limits set, the manager might increase the inner control without losing the overall control. Empowering while maintaining control.



By looking for the third alternative--not the either/or control vs empowerment--we can achieve <u>both</u> control <u>and</u> empowerment. A third alternative that helps to accomplish this is called a Win-Win Agreement.

WIN-WIN EMPOWERMENT PROCESSES



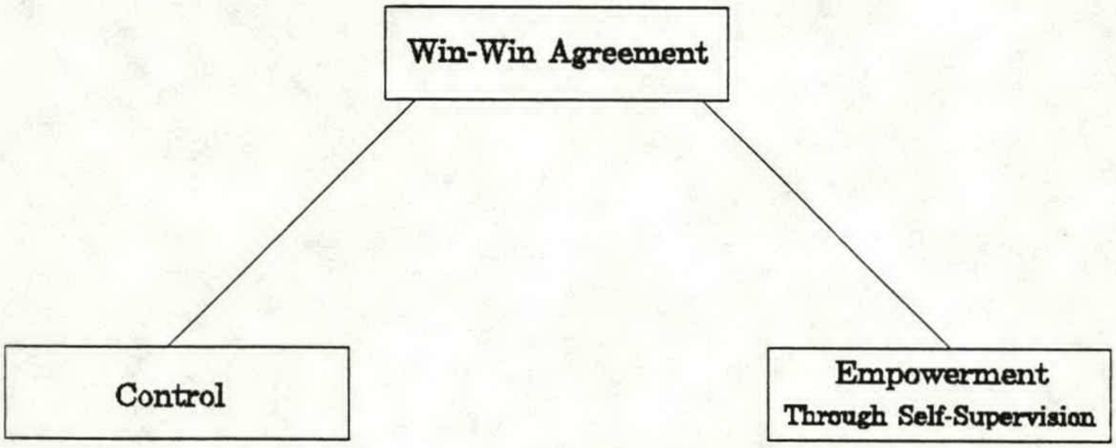
Win-Win Agreements are a third alternative

A Win-Win Agreement assures that the released control will be internally absorbed. It is like a statement of mutual understanding. A Win-Win Agreement specifies five things:

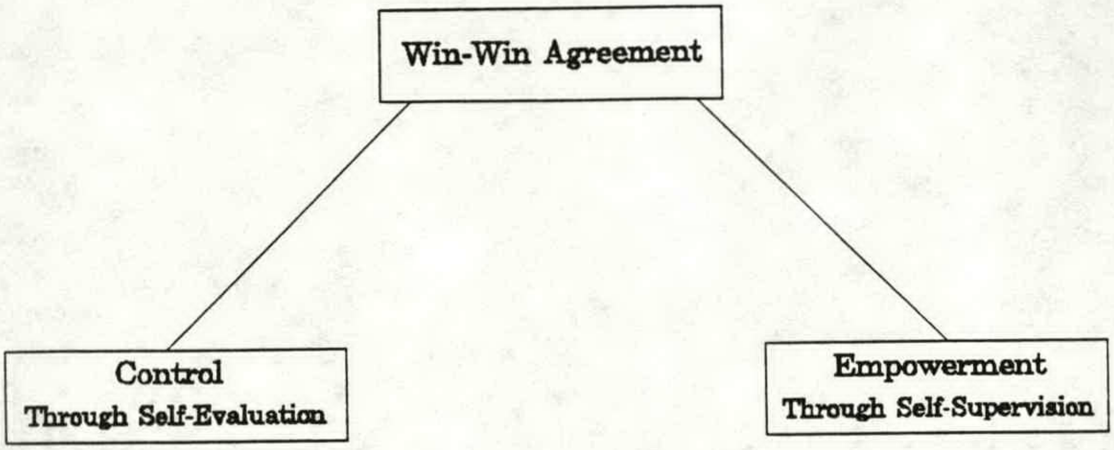
- **DESIRED RESULTS**
- **NECESSARY GUIDELINES**
- **AVAILABLE RESOURCES**
- **ACCOUNTABILITY**
- **CONSEQUENCES**

Establishing a Win-Win Agreement is done as follows: The manager who wants to empower an individual or a work group sits down with that person or persons and agrees with them on all of the above items.

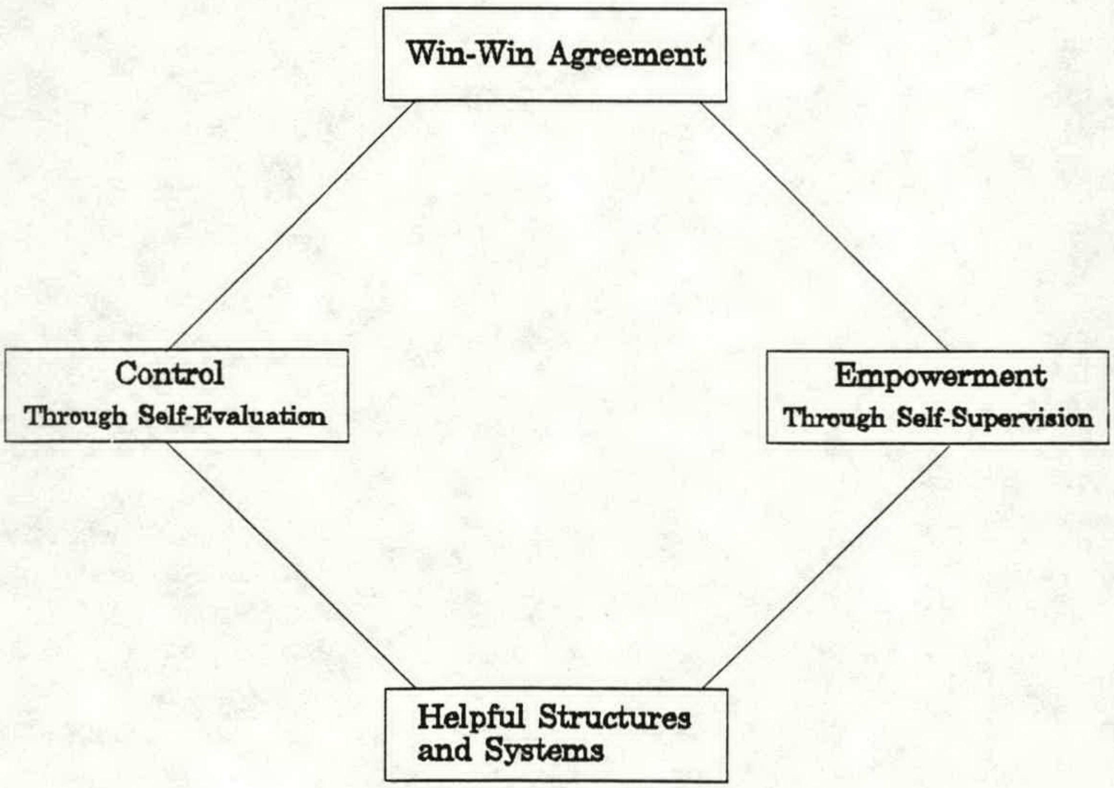
1. **DESIRED RESULTS.** By agreeing on the results that both parties want to achieve, a shared vision and mission are established. The employee can figure out the best way to achieve the desired results and effectively supervise himself. By specifying the desired results, the usual conflicts between manager and subordinate are largely gone.



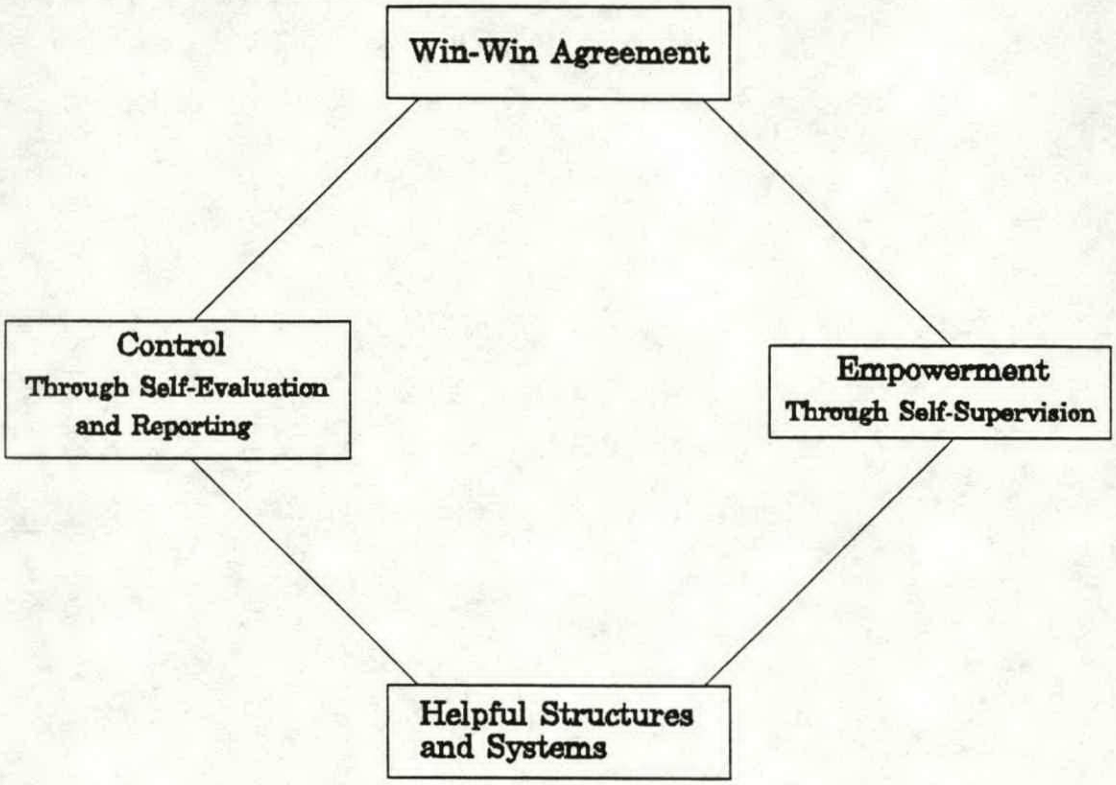
2. **NECESSARY GUIDELINES.** Empowerment implies letting the person or the work group decide their own way of achieving the results. However, in almost every organization or situation, there are certain necessary guidelines that must be followed. These might be legal requirements, procedural requirements, organizational sacred cows, and so forth. By specifying the guidelines under which the results are to be obtained, the necessary control is given to empowerment. The person being empowered can then supervises himself in order to achieve the results within the guidelines.



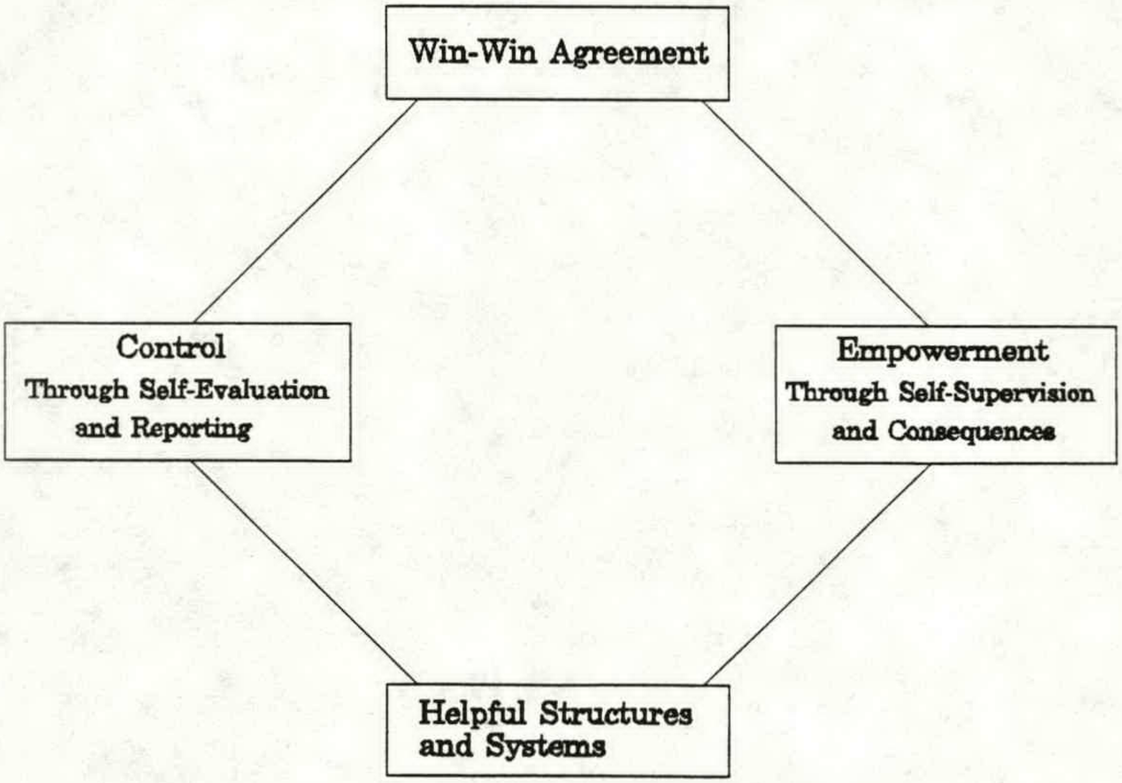
3. **AVAILABLE RESOURCES.** Empowerment requires that the people who have the responsibility to achieve the results also have the resources available which will enable them to accomplish the results. This might involve modifying some of the systems or structures in the organization that currently make it difficult for the person to operate effectively. Or it might simply mean, making the resources available, along with the method of accessing them.



4. **ACCOUNTABILITY.** Adding accountability further facilitates the person to evaluate himself and periodically reporting the progress to the manager, the manager thus retains the needed control while continuing to empower subordinates.



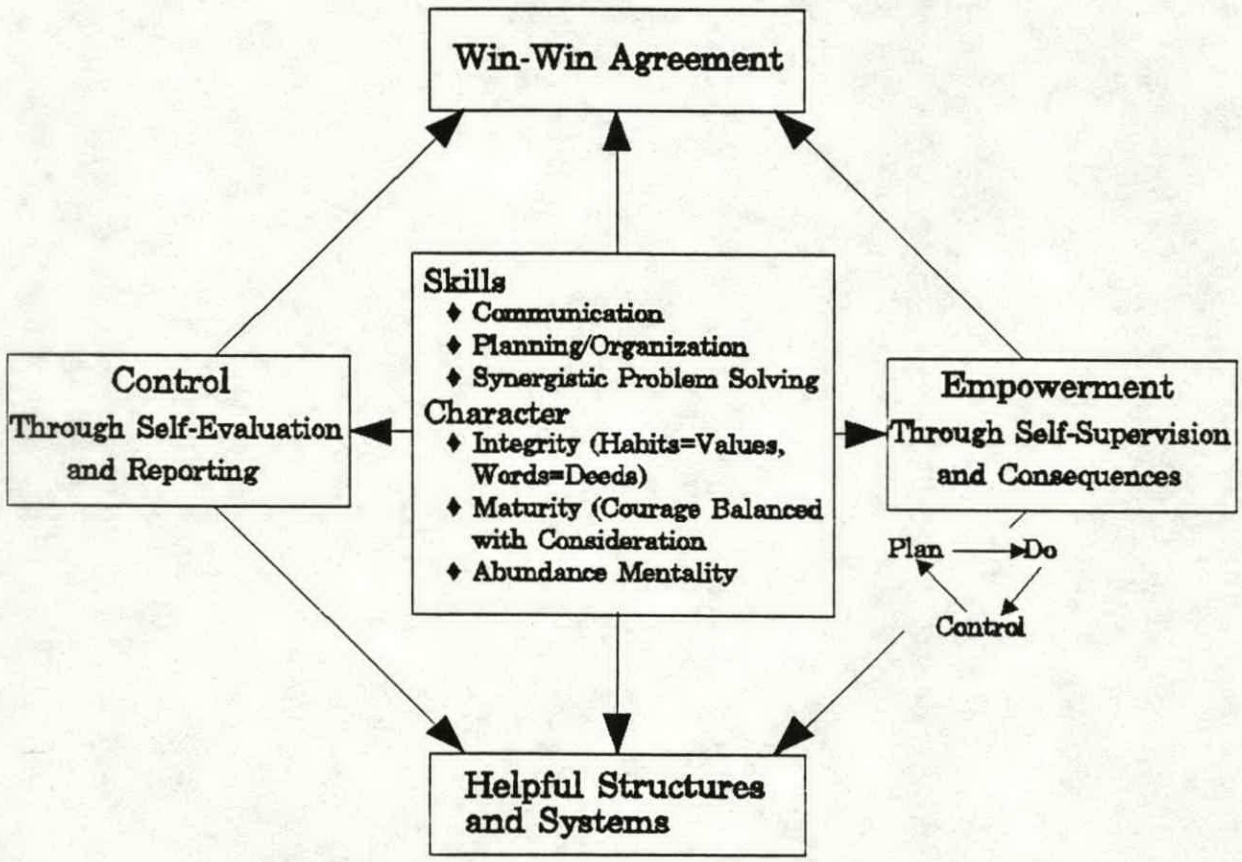
5. **CONSEQUENCES.** By agreeing on consequences before hand (both positive and negative), incentives are heightened, self-supervision and self-evaluation are sharpened, and the likelihood that the empowerment process will succeed is increased many fold.



PRINCIPLES OF EMPOWERMENT

There are still two items which must come into play before the empowerment process will work. These are the foundation or core principles of the empowerment process. Since they at the core we will put them in the center.

First, the basic **SKILLS** of communication, planning, and synergistic problem solving. Finally, the whole process, including the skills, must be based on a **CHARACTER** foundation. This involves the principle of integrity on the part of all those entering in on the agreement. It also involves the principle of maturity, which is defined as courage balanced with consideration. And finally, the principle of abundance mentality rather than one of scarcity.



So the empowerment process starting from the core is:

1. Building character
2. Developing needed skills
3. Working on Win-Win Agreements
4. Empowering through self-suppression and consequences
5. Creating helpful systems and structures
6. Control through self-evaluation and reporting

So, Steven Groves, with these paradigms, principles, and processes, let's give empowerment another try.