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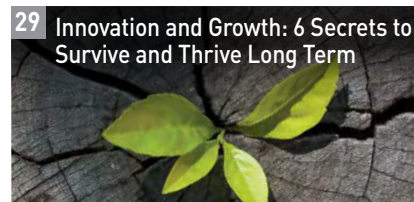


Emerging Skills for Developing an Innovative, Agile Culture

Agility and resilience, strategic thinking and planning, and innovation and design thinking need to be part of learning and development programs to foster an agile learning culture.



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Innovative Thinking Has to Be Done by Design

Where does innovative thinking come from? For me, my best thoughts often happen while standing in the shower. It's a common way many have an epiphany, according to scientists, who say that while the mind is engaged in autopilot, it is free to roam and cogitate on a problem. For businesses, however, the "shower method" won't produce a system that groups can use to advance organizational goals. That's where design thinking comes into play.

In this issue of *AMA Quarterly*, many of the articles offer a variety of strategies for employing design thinking. Lisa Kay Solomon shows how the power of design principles, practices, and discipline applied at scale can design a workplace where employees find meaning in everything they do.

Holly Lyke-Ho-Gland of APQC discusses the practical points about design thinking and how "empathic design" should not be the be-all, end-all way to mold processes, and that workers need to have agility.

Mauro Porcini, senior VP and chief design officer at PepsiCo, discusses how design is changing right along with the world, and how social media and the global market have given designers an incredible stage to play on.

Haywood Spangler brings up how design thinking cannot be formulaic. He tackles the reasons why creativity needs to fuel the design thinking process, and how to encourage that creativity in a business setting.

One of the Q&As in the issue is with author Jacqueline Carter, who talks about the methods of thinking employed by the best leaders, and ways to develop mindfulness.

Alex Vorobieff looks at why trying to tackle a problem from the outside in, instead of from the inside out, often leads to failure, and sets out the ways organizations can avoid this trap.

And AMA shares research in an infographic that describes how organizations, in this age of agility, must be able to innovate in order to compete, and that agile, customer-focused innovation techniques such as design thinking can help organizations rapidly prototype new products and services in response to market needs.

Though you may continue to get some of your best ideas while in the shower, don't discount the role design thinking can play in the life of your organization.

Christiane Truelove
Guest Editor, *AMA Quarterly*

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Emerging Skills for Developing an Innovative, Agile Culture

Continuous disruption, complexity, and uncertainty make organizational planning challenging. HR and business leaders rate building the organization of the future as a priority, yet building up the right set of skills and talent can be challenging. The never-ending search for best-in-class talent is driving companies to rethink their culture, organizational structure, and talent development strategy.

Thriving in this new world requires a shift in focus. In our work with Fortune 500 companies, we're seeing a renewed emphasis on:

- **Agility and resilience.** Today organizations generate roughly 2.5 quintillion bytes of data a day—a rate that creates more information in two days than was created in all of human history before 2003. Our employees are hyperconnected and constantly inundated with information. Being able to pull back and see the forest among the trees and to adapt and recover quickly from chaotic, ever-changing situations is crucial. By learning agile strategies, employees can improve their ability to sift through information and make decisions quickly—despite increasingly demanding environments.
- **Strategic thinking and planning.** Uncertainty and ambiguity can undermine traditional strategic planning techniques. Leaders today need strong critical thinking skills to recalibrate strategy in real-time in response to new information or shifts in the marketplace.
- **Innovation and design thinking.** Agile, *customer-focused* innovation techniques, such as design thinking, help organizations rapidly prototype new products and services in response to market needs.

L&D initiatives need to interweave a combination of these skills into their leadership development programs and offer ongoing, lifelong learning opportunities to foster an agile learning culture.

In addition to radical shifts in how companies think, organize, and plan, true agility requires highly collaborative cross-functional groups with strong soft skills. Employees need to learn sophisticated communication skills to uncover unmet customer needs and to develop and launch a new product. Unlike technical skills, cultivating strong collaborative skills requires a more immersive, experiential learning environment where employees can practice new skills and get feedback. Through experiential learning, organizations see a transformative change in behaviors and sustainable performance.

Many of our clients have embarked on their talent development journey with AMA. AMA has a full suite of thinking and innovation resources designed to enhance problem-solving and decision-making capabilities that will position employees and organizations to achieve improved performance. In addition, we offer a wide range of soft skill programs to build a strong foundation for an agile culture that is positioned to meet increasing customer demands and industry changes.

A handwritten signature in black ink, appearing to read 'Manny Avramidis', written over a light blue horizontal line.

Manny Avramidis
President and CEO
American Management Association

DESIGNING BETTER WORK

BY LISA KAY SOLOMON

Imagine a Monday morning. You're getting ready to start another busy week filled with high-stakes decisions, client visits, team meetings, and a company all-hands gathering.

But instead of the dread and stress that can accompany the anticipation of a new week, you feel excitement and eager readiness for what is to come. It's not because this is a special week of promotions or positive earnings announcements. Rather, you feel positive because you know that your time at work will be meaningful, productive, engaging, and fulfilling. Your ideas will be fueled by a deep understanding of how to drive value in the organization on behalf of your customers and partners. You will feel like your input is making a difference to the people around you and to the overall performance of your organization. And, here's the best part: Your colleagues will feel the same.

No, this is not the future of work fueled by AI-enabled calendaring software plugged into your neural network; this is the power of design principles, practices, and discipline applied at scale.

WHAT ROLE DOES DESIGN PLAY?

Traditional, linear business processes do not set us up to be successful in a future that promises to be more difficult to predict. Too often, we rely on static five-year strategic plans to dictate our decisions, historic data to project the future, spreadsheets and PowerPoints® to understand value creation, and competitive analysis and market studies to know what our customers need and want.

Design, in contrast, is a more dynamic, flexible, and resilient way of approaching value creation through the lens of human

needs. Design is a process that discovers value through investigative skills of observation and questioning. It teaches us to ideate to trigger new insights and allow time for the development of "aha" hunches. It asks that we create a point of view before there is complete data to back it up and that we communicate that idea to others in ways they will understand. Design demands that we rigorously gather evidence about our ideas through experiments and testing. And design allows us to go back to the beginning to apply our learning to a new cycle of creation, if we were not successful.

In short, design helps us become more imaginative, creative leaders and more discerning, robust critical thinkers.

In a world filled with increasing volatility, uncertainty, complexity, and ambiguity—this VUCA world—these skills are not just a nice to have; they are necessary to have. And with the accelerating pace of technological change and digital disruption, the world is not getting any less VUCA.

This more generative and resilient way of approaching value creation is very different from the way we are typically taught to lead and manage, particularly in large, traditional organizations. Most organizations do not reward leaders who question the status quo or spend time exploring industries outside their own. We do not meet with our customers or partners regularly, or understand their lives from their perspective. We are not practiced at creating a point of view from new and disparate information. We value execution over experimentation. We lack experience in telling stories



that capture the attention of skeptical listeners. And we rarely take time to build relationships outside of our function, industry, or geographic area.

Design is a teachable discipline—it has its own process, its own tools, and its own way of working. Design is useful not only in creating customer-facing value but also in helping to build flexible, resilient, and adaptive teams and organizations. It just has not been taught to most of us.

DESIGN BEGINS WITH DISCOVERY

Design starts with an open mindset. Designers understand that they are not approaching problems with a fixed solution in mind, but rather in the spirit of discovery. This can be a challenge, especially for leaders who earned senior positions by being right or by expertly delivering on existing strategy.

In a design process, it is critical to understand that you must first spend time learning about the problem. That means using a curious mindset to ask new, open-ended questions, observing customers in their own environments, and really understanding the full context of the problem through the customer's eyes.

All great design starts with a deep understanding and appreciation for the people you are trying to serve. Understanding can start by asking the right questions. Do you really know what they value in their lives? Have you spent time watching them or talking to them in their environment to understand what brings them joy and what causes them

pain? Can you understand and empathize with what the world is like from their perspective?

Marketing surveys, demographic studies, and industry analyses are not the same as really knowing your customers. Those tools may help you understand innovation opportunities directionally, but they will not help you obtain deep insight about what customers want, need, and value. To do that, you have to get up close and personal.

Jeff Bezos, founder and CEO of Amazon, has built one of the world's most valuable companies by being relentlessly customer-focused. This customer obsession can be found in the first of 14 leadership principles that Amazon uses to grow and scale at speed: "Leaders start with the customer and work backwards. They work vigorously to earn and keep customer trust. Although leaders pay attention to competitors, they obsess over customers."

To stay customer-focused, you need to be genuinely committed to learning what your customers need. This commitment shifts away from the internal focus of "How can we grow our existing business?" or "How can we cut costs?" to "What do our customers need?" and "How might we help them be more successful?"

Amazon is not the only company whose leader models this approach at the top. LinkedIn CEO Jeff Weiner is famous for regularly joining experience designers on home visits, to observe firsthand how their members use the product

in the context of their everyday lives. Jack Dorsey, founder of Twitter and Square, takes the bus and works as a cashier in the company café so that he can stay directly connected to the realities and daily context of his users' and employees' lives.

Without this continual investment in outside-in investigation, senior leaders stay overly focused on executing existing strategies and measuring if the work is done right, rather than on whether it is the right work. Internal meetings focus more on defending what they did than on proposing something new.

DESIGN CREATES CLARITY THROUGH ITERATION

Design's greatest super power is that it helps navigate the unknown through cycles of creativity and critical thinking. Unlike more traditional methods of problem solving, design assumes that we do not know the answer from the very beginning, which liberates us from going into the process with the promise of certainty. As such, there is inherent ambiguity in the process.

Design does, however, demand clarity—clarity around why we are engaging in the process and our purpose and intention. It also asks that we have alignment around our criteria for making decisions, including what is absolutely nonnegotiable in our potential solutions and what is off the table. (See “Overcoming 3 Obstacles That Keep Senior Leaders from Embracing Design” for design tools.)

Designers use their process of ideating—giving form to ideas and testing—to help them learn what is relevant and what needs improvement. Designers are masters of uncertainty; this is one of their secret super powers. If they find out that one of their ideas was not successful, well, that creates more data for the next round of designs. In fact, they invite dissenting opinions—often in focused design review sessions or critiques—to make the idea better.

No company is better at this than Pixar, whose regular “Braintrust” meetings are designed to give the movie director clear, direct feedback on a regular basis throughout the development of the film. In design terms, this is often called a “crit” (short for “critique”), where people with diverse

Overcoming 3 Obstacles That Keep Senior Leaders from Embracing Design



Even with the best of intentions, senior leaders may find that three common institutional obstacles get in the way of truly learning from their customers. Knowing and naming these obstacles is the first step in preparing to productively get around them.

OVERCOMING OBSTACLE 1: FROM NEAR-TERMISM TO FUTURE FOCUS

Nearly every established company favors and measures behavior that drives near-term results—quarterly earnings, annual goals, and projects that have deadlines right around the corner. Near-term investments are often most visible and easiest to measure and require little justification to others. But investment in future opportunities often requires time to discover new areas of hidden value or emerging growth areas that are not yet on the market's radar.

To overcome this short-term bias, we need to create real incentives for people to venture outside the building. This could include a specific allocation of free time—20% time to explore—or rewards for the executives who asked the most questions or had the most customer visits. By incentivizing discovery-oriented behavior that keeps the organization connected to the changing needs of its customers, we can overcome the systemic focus on short-term thinking.

perspectives are invited to share reactions and opinions on a given idea or project. It's one of the most powerful ways to accelerate improvement.

As Pixar's co-founder and president, Ed Catmull, describes in his book, *Creativity, Inc.: Overcoming the Unseen Forces That Stand in the Way of True Inspiration* (Random House, 2014), "One of Pixar's key mechanisms is the Braintrust, which we rely on to push us toward excellence and to root out mediocrity. It is our primary delivery system for straight talk. The Braintrust meets every few months or so to assess each movie we're making. Its premise is simple: Put smart, passionate people in a room together, charge them with identifying and solving problems and encourage them to be candid. The Braintrust is not foolproof. But when we get it right, the results are phenomenal."

When you bring a new idea to life, there are a lot of things you will want to understand before betting the company's strategy on it. The key is to learn as much as possible about the critical assumptions you need to test, and to do this quickly and inexpensively.

"Designers are masters of uncertainty; this is one of their secret super powers. If they find out that one of their ideas was not successful, well, that creates more data for the next round of designs."

There are three main areas you want to test: First and foremost, is it desirable? Is it something that people will find compelling—so compelling that they are willing to pay for it or give you their time and attention? Your team will also need to know if the idea is feasible (Can it be built?) and viable

OVERCOMING OBSTACLE 2: FROM POLITICS TO GENEROUS COLLABORATION

Politics are a reality in every company. It can be good politics, where people collaborate across functions and geographies to accomplish company-wide achievements, or bad politics, where everyone is focused on protecting "their" people, budgets, or accounts. Collaboration in the discovery and experimentation processes is crucial and must be encouraged and rewarded.

Setting a tone for good politics and collaboration starts at the top. Members of the executive team should go out of their way to demonstrate productive learning and investment in each other's success. They should proudly share stories that highlight generous collaboration and proactive support—not just for the visible "wins" like securing a large deal, but for the experimental and learning efforts too. The old saying is true: "People may not remember what you said, but they remember how you made them feel."

OVERCOMING OBSTACLE 3: FROM CAPABILITY GAP TO INNOVATION TOOLS AND TRAINING

Finally, most companies face a capability gap—the stark reality that we have never been taught how to do this. We say that we want to be more innovative and focus on growth, but we don't teach people the tools and the processes that can help them be effective innovators.

For example, my team and I were working recently with a large materials company that had been talking to its customers from a sales perspective but not from a discovery perspective. This was a very foreign concept to them and caused a level of nervousness among the top leaders.

When we were able to break it down and provide them with the tools to be effective, it changed everything. We taught them what a good

interview looks like, how to craft discovery-type questions, and how to structure the session so they could really listen and observe, without a preordained "sales" view attached to it. We helped them set a goal for their discovery process and even helped them work internally to identify customers they could learn from.

Finally, we encouraged them to give themselves time to practice asking these open-ended questions before getting in front of their customers. This was a new skill set for them, and they realized that they actually needed to take a few days to practice what a good discovery interview looked like. They worked in triads to role-play a discovery interview and gave each other feedback. By practicing in a safe space, they took some of the unnecessary friction and worry out of the process.

Amazingly enough, once they started to see the value of getting out of the building and having these sorts of discovery conversations, they became "addicted" and started asking different questions—such as "How can we do more of these?" and "How many of these interviews can we do?"

Really scripting the behaviors to get over those first hurdles, and securing some initial wins around the learning from getting out of the building, encouraged a whole new mindset and sparked the adoption of a new set of behaviors.

Any one of these obstacles is difficult to overcome. Together, they're like a three-headed hydra monster that's nearly impossible to defeat. Recognizing and naming them in your company is the first step to counteracting them. It's why any important innovation effort must start with strategic preparation—getting support from the top, recruiting the right team, and investing in learning the right skills, which is often the most critical step in any innovation process.

“Design’s seat at the strategic table is just the beginning. Increasingly, we are going to see the rise of design’s influence on strategy, organizational structures, culture, and business model innovation.”

(Is it financially sustainable?). Many engineers will gravitate to the question of feasibility, figuring out which features and functions it will require. Financial analysts will want to crank the numbers. However, feasibility and viability studies are a waste of time if you have not shown compelling evidence that the idea serves a real need for people (hello, Segway).

The best way to test something is to prototype it by bringing the idea to life in some concrete way. Prototyping can take many forms—a picture, a mocked-up version of the experience, a simple landing page that asks people to sign up for more information, etc. Prototyping something early is not about getting it right. The goal is to prompt learning and helpful engagement. The key is to identify which assumption you are trying to test, and how you are going to test it. And do not make your prototype elegant or polished; if it looks like there is room for improvement, you will get more honest comments and ideas.

So, designers become very comfortable with being uncomfortable, because they know it is an inherent part of the process. They use their ability to toggle between creative thinking and analysis to turn uncertainty into a strategic advantage.

DESIGN STARTS WITH YOU

The process of design is not just true for customer-facing functions, but also for informing internal choices and decisions that all leaders and managers make on behalf of the people with whom they interact—employees, contractors, suppliers, partners, investors, and the broader stakeholder community.

For example, as the leader of an organization or business unit, do you understand what the experience of working at your organization feels like to different types of employees? Do you know what your employees value? What brings them joy? What makes for a great day for them? What causes frustration or friction?

If you organize meetings that ask for others’ time and attention, do you ensure that the time spent together provides

value to everyone who attends? Do you send them materials ahead of time to help them understand why the meeting was called and to properly prepare them to get the most out of it? Do you routinely reflect and iterate on the format of regular meetings to make sure you are continuously improving the utility and value of the time spent together?

If you’re working on employee recruiting, team formation, or culture, do you know what employees care about outside of their job function? What makes for great conditions for work, and what creates distractions or deterrents? What matters to them for life fulfillment or personal development?

Learning how to apply the design practices of empathy, discovery, and iteration toward internal audiences is one of the important investments an organization can make. A recent Gallup report on employee engagement levels reveals that a staggering 87% of employees worldwide are not engaged at work. In contrast, the study shows that organizations with an engaged workforce outperform their competition by 147%. Deloitte Insights’ 2018 “Global Human Capital” report on global workplace trends cites the growing importance of holistic employee well-being, personalized performance rewards, and developmental growth experiences (not episodic training) as strategic priorities for all members of the executive team.

Design’s seat at the strategic table is just the beginning. Increasingly, we are going to see the rise of design’s influence on strategy, organizational structures, culture, and business model innovation. In a world of accelerating change and complexity, a designer’s ability to find connections at the deep human level and productively navigate the unknown through rapid cycles of learning will be the most coveted source of resilience and strategic strength.

We need leaders across all levels of the organization to embrace a mindset of possibility, optimism, and abundance—a confidence that their role as leaders is not to deliver a single, proven “right” solution, but to create the space, conditions, and team to bring to life something fundamentally new. When you as a leader learn and model the mindsets, skill sets, and tools of design, you will develop the capability to turn uncertainty into possibility and constraints into abundance.

And if you can develop that level of confidence in how your work—using methods that are empathetic, generative, flexible, collaborative, and productive—with the belief that others around you can do the same, Monday mornings may become the time you look forward to most. [AQ](#)

Lisa Kay Solomon is a renowned thought leader, educator, and expert on business leadership and culture design. The founding Chair of Transformational Practices and Leadership at Singularity University, Solomon works to help companies adapt to the forces of technological and social change, by emphasizing their underlying cultures as catalysts for (or detractors to) innovation.

Practical Points on DESIGN THINKING

It's Not Just Empathic Design

BY HOLLY LYKE-HO-GLAND

To get to the heart of the methods of design thinking, workers need to have agility as well as empathy.

The “design thinking” methodology has recently gained considerable popularity, partly because of its foundation in empathic design and ability to uncover the unarticulated needs of clients through a process of observation and interviews.

Empathic design is founded on the idea that people design products and services and don't know what the client really wants or needs. Therefore, an organization can use empathic design methods, such as observation, interviews, immersion, and guiding concepts, to link unknown or intangible needs with the company's capabilities and provide optimal customer value.

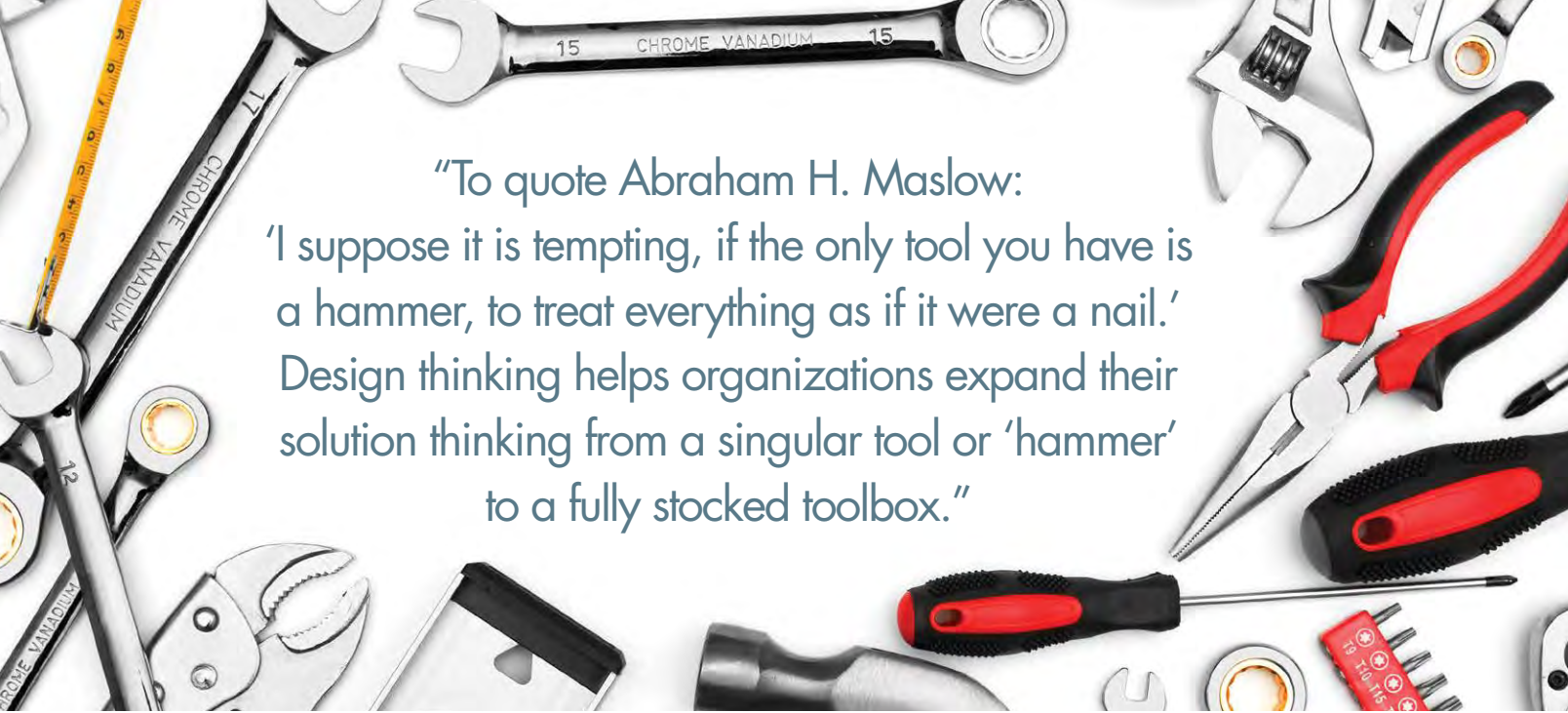
Although customer value and empathic design are at the top of the executive team's priorities, they do not stand alone. Accelerated changes in the business environment brought on by demands for agility and the adoption of advanced technologies also mean that organizations and their teams

need to make fundamental changes in their problem solving, ideation, and execution practices or risk losing relevancy.

According to McKinsey's global survey on organizational agility, organizations believe that “business environments are increasingly complex and volatile, with two-thirds of respondents saying their sectors are characterized by rapid change.” The same survey indicates that organizations need to improve agility at all levels. “On average, they believe 68% of their companies' employees should be working in agile ways, compared with the 44% of employees who currently do,” the report states.

Hence, Lean and other traditional empathic methodologies only address part of organizations' needs. Companies also require methods that enable collaboration between teams and rapid prototyping, and provide the means to address risk aversion in decision makers.





“To quote Abraham H. Maslow:
‘I suppose it is tempting, if the only tool you have is
a hammer, to treat everything as if it were a nail.’
Design thinking helps organizations expand their
solution thinking from a singular tool or ‘hammer’
to a fully stocked toolbox.”

Here is where design thinking stands out from other empathic design methodologies. Design thinking is a human-centric, solutions-based approach to problem solving. It is particularly useful for addressing complex or ill-defined problems and leveraging brainstorming and iterative prototype and test cycles. Although empathic design is at its heart, it also addresses the need for experimentation, speed, and testing of the viability of ideas to make them less risky.

There are traditionally five phases in this empathic design methodology:

- **Empathize:** understand the customers and their needs
- **Define:** scope the problem from the customer’s perspective
- **Ideate:** brainstorm potential solutions
- **Prototype:** develop minimally feasible models of potential solutions
- **Test:** conduct a series of assessments on the applicability of the prototypes

Although the design thinking methodology has explicit value and can be a boon if applied correctly, adopting any methodology is often easier said than done.

WHERE DO ORGANIZATIONS STRUGGLE?

In April, APQC conducted a short poll to better understand design thinking—in particular, how ubiquitous its adoption is, what functions are using it, and what pressing challenges organizations experience during adoption. We found that most organizations struggle with the foundational components of adopting any methodology: where to use it, who needs training, how it works with other tools, and what the ROI is (see figure on the “Top 4 Design Thinking Challenges”).

Three of the four challenges are interconnected and can be addressed by exploring how design thinking’s approach

matches roadblocks to organizational innovation and improvements. Once the organization understands the explicit value drivers of the methodology, it can figure out the right use cases, see how to integrate it with existing tools, and pinpoint who to train on the methodology.

WHERE DOES IT PROVIDE VALUE?

Organizations derive value in multiple ways from the adoption of design thinking. The first reason is rather explicit. By its very nature, design thinking is customer-focused. The first phase of design thinking establishes the needs, applications, and challenges of the customer—internal or

Top 4 Design Thinking Challenges



external. This means everything that follows is scoped and developed in the context of the customer.

The second reason leads to a rather familiar quote by Abraham H. Maslow: “I suppose it is tempting, if the only tool you have is a hammer, to treat everything as if it were a nail.” Design thinking helps organizations expand their solution thinking from a singular tool or “hammer” to a fully stocked toolbox. Unfortunately, our decisions tend to be colored by a multitude of biases. At one end of the spectrum, people are comfortable with the one or two methods they know and apply them regardless of fit. At the other end, people become fixated with the latest and greatest technique or technology (such as automation) to the exclusion of other solutions. The ideate phase of design thinking helps teams innovate and addresses these types of biases through group brainstorming, with the explicit goal of finding multiple potential solutions to test and refine.

The third reason lies in the last two phases—prototype and test—and their ability to help teams “fail fast” while assessing a wide array of potential solutions. Ultimately, this improves organizational agility and reduces the risk of experimentation. So where can organizations get the most value out of the methodologies’ ability to scope problems through the customer’s perspective, broad ideation, and rapid experimentation?

WHAT ARE THE COMMON APPLICATIONS?

Companies tend to apply design thinking in functions that are customer-facing and focused on organizational improvement (see figure on the “Top 5 Functions Using Design Thinking”). The use case of design thinking for each function lies at the logical extension of its core responsibilities: product development, customer services, process management, marketing, and strategic planning.

Product development is responsible for the product pipeline and innovation process. Its responsibilities include ensuring a viable pipeline of innovations, managing the innovation process, transferring new products to production, managing portfolio risk, integrating customer value into the innovation process, and driving a cross-functional stage-gate process. The inclusion of ethnographic methodologies and rapid prototyping is nothing new in product development. Design thinking is particularly useful in ensuring a viable pipeline of innovations. Furthermore, it’s a good fit for taking customer insights and moving from innovation based on technical feasibility—which results in feature-based products—to solution-based innovation that shows how the product addresses customer needs.

Customer service is responsible for managing customers before and after the delivery of services. Because customer service is directly engaged with customers, the empathic design components of design thinking are particularly applicable. Not only is customer service a doorway to gathering insights on customer needs, but it is also a

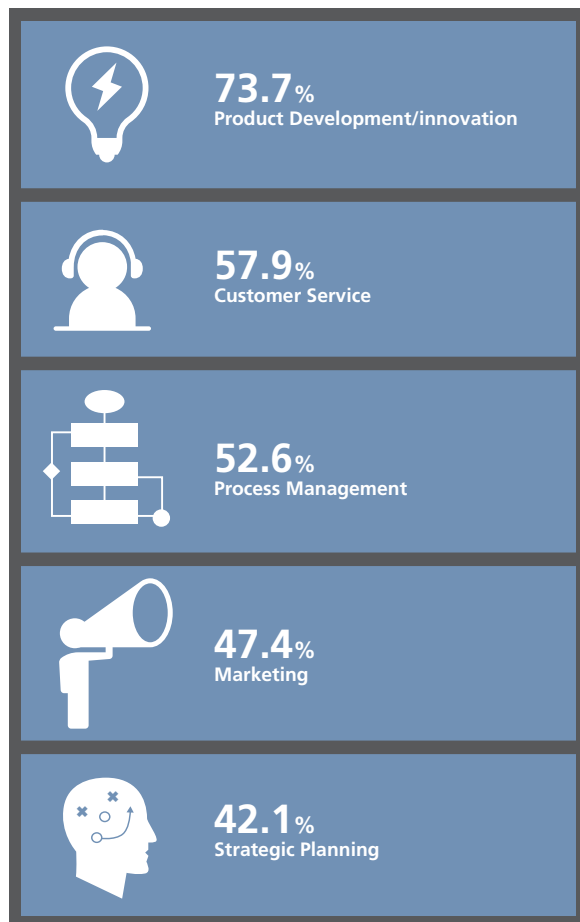
perfect target for applying the methodology for continuous improvements.

Process management, at its core, is the administrative activities aimed at defining a process, establishing responsibilities, evaluating process performance, and identifying opportunities for improvement. These responsibilities include providing training and consultative services on process management, process design and documentation, managing organizational performance monitoring and reporting, and supporting the continuous improvement efforts of the organization.

During APQC’s research on robotic process automation (RPA), we found that best-practice process management teams use design thinking as a methodology to assess organizational improvement needs and determine the right solution—be it automation, machine learning, new features in existing systems, or traditional process reengineering. The application of design thinking was directly aligned with the second and third values discussed earlier—expanding solution thinking and failing fast.

Marketing is responsible for marketing strategy, communications, sales support, brand development,

Top 5 Functions Using Design Thinking



customer understanding, and distribution channel management. Design thinking is particularly useful for marketing because it uses customer insights and data to drive the development of new products and services, helps understand the communication practices of customers, supports solution-based marketing and, similar to customer service, drives continuous improvement efforts.

Strategic planning has core responsibilities that center on developing strategic action plans and implementing them. These responsibilities include providing internal consulting, supervising market research and competitive analysis, developing strategies for organic and inorganic growth, managing the planning process, adjusting business models for new markets, assessing and developing long-term plans to address and mitigate risks, and implementing and monitoring action plans for the company to address challenges or stimulate growth.

One key application of design thinking for strategic planning relates to the organization's digital transformation efforts. It serves as a tool for assessing the potential fit of new and burgeoning technologies (such as natural language processes, process automation, and machine learning) and their ability to support organizational goals. For example, during our research on RPA we found that at many organizations, process automation is part of an overarching digital transformation strategy. With design thinking, the organization can move much more quickly from the potential business benefit of the type of automation (such as RPA or intelligent automation) to proof of concepts and ultimately proof of value. Importantly, this approach also positions the business opportunity—not the technology itself—as the driver of digital transformation.

Although these five functions are the most common applications of design thinking, organizations should not limit design thinking's potential. Instead, they should consider its applicability anywhere there are complex problems that would benefit from an in-depth understanding of the internal customers as well.

HOW DOES IT FIT WITH OTHER METHODOLOGIES?

The first challenge—how to integrate design thinking with other methodologies and tools—leads back to Maslow's inspirational quote about a hammer and nails. Organizations need to stay cognizant that they do not treat design thinking as the only hammer in their toolbox. In many ways, design thinking is a combination of multiple tools and methods already in use: customer insight development, brainstorming methodologies, and rapid prototyping.

But frankly, not all problems require the deep dive into customer needs and the iterative process of ideation and rapid testing that design thinking provides. In some places, customer needs are already well documented and organizations

have established tools to execute on those insights. Several methodologies are better suited to addressing well-defined problems in improving productivity; these include enterprise quality management, Lean, Six Sigma, failure modes and effects analysis, and process reengineering for continuous improvements. However, as more solutions are technological in nature, companies are adopting design to help the organization understand which methodology is the best fit for the current problem.

Design thinking is best fit for nebulous problems that do not fit neatly with current methodologies or situations where the organization wants to stretch its thinking about how to address problems—such as the case for assessing new technology applications or developing innovative product and service ideas. The key point is to look for complex, ill-defined problems that depend on a clear understanding of customer needs that are difficult to clearly quantify.

Design thinking is not a panacea for all of an organization's problem-solving needs. Instead, it is best fit for problems that are complex, ill-defined, or require a customer-centric perspective. Hence, customer-facing functions such as marketing, customer service, and product development can use its ethnographic techniques to understand the complex or unspoken needs of clients and design solutions rather than features. Strategic planning and process management can apply its ideate and prototype phases to tackle complex or ill-defined problems, find out-of-the-box ideas, and test their applicability quickly.

Organizations struggling to adopt design thinking should keep these considerations in mind:

Empathic design and customer insights are only part of the value of design thinking. Organizations can invest in and apply other methods to also yield these customer insights. By using rapid prototyping and testing, organizations can fail quickly and increase their problem-solving agility while providing enough evidence to alleviate concerns around the risk of a potential solution.

Organizations should start their adoption incrementally and pinpoint one or two functional groups for initial training and use. This allows the company to develop internal expertise and address adoption challenges prior to widespread adoption.

Design thinking is a good fit for ill-defined spaces such as the application of new and burgeoning technologies.

You can extend your thinking about applicability beyond customer-focused functions like product development and marketing. Support functions such as process management and knowledge management can use the same techniques to understand the needs and best-fit solutions for their internal clients. [AQ](#)

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The World—and Design—Are CHANGING

BY MAURO PORCINI



The world is changing, and at a rate never
before experienced.

We are more or less aware of this every day: We live this metamorphosis in the way we buy things, the way we communicate, the way we eat, the way we travel, and the way we work. In an extraordinary way, with an ability to adapt that is unique to the “human race,” today’s novelty becomes tomorrow’s routine. And our children, digital natives, are able to navigate their way around a tablet at a very young age with the same casualness that they might pick a flower or drink a glass of milk.

Yet just think about how the world was even only 10 years ago, and the astonishing difference between then and now becomes increasingly evident, almost tangible. Facebook

was emerging as a mass phenomenon, but it was still ignored by most people. Instagram didn’t exist, it would only be created three years later. Buying online was something for the few and definitely a risky business for most of those few, yet recently the *New York Times* trumpeted that Amazon had just bought Whole Foods. The online buys the offline, the digital marries the physical, and we don’t yet know what offspring will result from this union.

The global urban transport industry had not yet come into contact with Uber, and Airbnb was unknown in the world of hospitality. BlackBerry started competing with iPhone, but everyone knew that virtually nobody would get used to using



“Young people yesterday dreamed of a job for life, possibly in a major company. Today’s young people dream of starting their own major company.”

touch screens and the mechanical keyboard would continue to rule the roost...or maybe not? The iPad had not come into existence, and the thing that came closest to it was a tablet launched by Bill Gates with Microsoft that was very much like an iPad—but despite that, it failed miserably. Every car had a CD player, and people started to buy individual songs and create personalized playlists. Compared to cassettes and buying LPs, this was a real innovation!

These days, the term “burning,” which was brand-new just 10 years ago, sounds out-of-date and is barely understood by our children. Computers no longer have CD-ROM drives—they are Wi-Fi connected to services such as Apple Music, Amazon Music, Spotify, and Pandora, and instead of buying a music track, users buy access to the music service. The result is that the record labels are in a crisis, Spotify is flourishing, musicians have more power and potential, and music has become democratized.

Young people yesterday dreamed of a job for life, possibly in a major company. Today’s young people dream of starting their own major company.

We live in the era of startups. Big multinationals and brands no longer compete with each other in a predictable and clearly defined scenario. Today, anyone with an innovative idea can gain relatively easy access to three variables often unavailable in the past. First of all, funding is within reach (think of sites such as kickstarter.com or the proliferation and success of investment funds). Secondly, the cost of manufacturing has dropped exponentially. Finally, it is possible to create a communication ecosystem simply and effectively by leveraging social media. So the traditional entry barriers of patents and production costs, distribution, scale, and media buying crumble under the onslaught of new technologies that are leveling the world’s trading stage.

If you are reading this in the year in which it was written, you will find yourself in the scenario depicted here: You see it and you live it in your everyday reality. If, instead, you are reading this only five years from now, the scenario described here probably will be that of an already distant past. Many of the brands will have gone into orbit with exponential success, some will be gone, others will rise from their ashes.

And everything will have evolved and changed through the innovations that in years to come will change—and change again—the world we live in.

A few years ago, designers were known for designing furniture, lamps, clothes, buildings, and cars—and more recently computers, tablets, and phones. Today, in the era of startups and apps, they design interfaces, digital experiences, and intelligent objects. They also design food, governments, and virtual reality. Spotify, Uber, PepsiCo, Google, 3M, Facebook, Amazon, and many other companies and brands from both the old and the new economies have established significant internal design teams. Of these teams, most members have only a fraction of a portfolio of objects in the traditional sense of the term, yet design is a fundamental competitive asset for their companies, sufficiently so as to justify major investment in design.

In this global, hyperconnected, hyperaccelerated, and hypercompetitive scenario, the biggest challenges are those related to the ability to be relevant to users and consumers, to be so on a global scale, and to do it at the speed of light because everything is in constant, accelerated motion.

Traditional models of marketing innovation or research and technological development are in crisis, and this is a historic and unrepeatable opportunity for the world of design. The modern designer, who is now a 24/7 ethnographer, has the unique and exclusive ability to understand the needs and dreams of people and society both today and tomorrow. These designers then transform needs and dreams into meaningful and significant solutions connecting business, technology, and communication. The designer is thus also the composer who turns these solutions into poetry, amplifying their emotional and intellectual usability through a coherent, authentic, and tangible narrative that shines out from every touchpoint of the brand, from the moment of purchase to that of use, from the product to the packaging, from retail to digital, from promotional events to operating instructions.

But to play this role in an authentic, important, and sustainable way, our own community—from professionals to educational establishments and from the media to institutions—must evolve, develop, and adapt. Design is emerging with increasingly overwhelming and overpowering force from the narrow boundaries of traditional sectors, and business communities, sometimes with great enthusiasm, sometimes with mistrust, are welcoming and integrating it. It is now up to us designers to understand how to accelerate the integration and stabilize this momentum.

The world of the most traditional and historically most celebrated area of design has based itself for years around the chimera of cultural inaccessibility (i.e., niche/conceptual production that was difficult to understand by the masses) and/or economic inaccessibility (the world of luxury). Now, instead, more and more modern design is

becoming democratized, finding expression in the most disparate sectors and then going on to overturn the more traditional ones by inventing accessible yet sophisticated and fashionable brands in fashion and furniture, and in the hospitality and automobile sectors, to name just a few.

Many designers have experienced and continue to experience this democratization with suspicion and sometimes with an attitude of cultural snobbery. However, an obvious vested commercial interest linked to the scale of opportunity is starting to change this attitude on a broad scale, creating new respect for the enormous challenge of looking for innovation in products with minimal costs, vastly reduced margins, or worldwide volumes, with impacts and risks defined by figures that are hard enough just to write down. But this unique opportunity for the design community effectively transcends the mere business opportunity and raises the stakes to encompass much more noble horizons.

Everything around us has been designed by someone. We live in a world designed by designers. And as designers, it is through our products and services that we give the whole world moments of style, convenience, security, performance, joy, fun, and passion that vary according to the category of merchandise in which we live and work. Such moments, lived as experiences, radiate throughout our lives and if added together could become the potential component parts of a wider social contentment. If we as designers were all coherently united by the common dream of imagining solutions and projects that were more sustainable from an ecological, social, aesthetic, and spiritual point of view, we could therefore really and effectively design a better world, a cleaner world, and a happier world.

If we start thinking in this way, then our ability to penetrate more viable and potential markets (transversally of any category of geography and price) through our design sensitivity assumes not just the value of an interesting commercial and business opportunity but more significantly the ethical and moral value of the highest opportunity—and therefore responsibility—at a social level.

This new reality in which we now live—the world of social media, smart objects, and the global market—has given the design community an unexpected new stage, and with it, incredible potential. Let's transform this unexpected windfall that modernity has presented us with into a new and splendid gift that we in turn can pass on to the rest of the world. Let's unite in this mission and product by product, brand by brand, experience after experience, let's design a better, more beautiful, and happier world for ourselves and for future generations. [AQ](#)

Mauro Porcini is senior VP and chief design officer at PepsiCo.

Adapted from the introduction of "ADI DESIGN INDEX 2017," the journal of the ADI Design Permanent Observatory, an industry group for Italian design.



MAKING **CREATIVITY & INNOVATION** MORE THAN A SLOGAN

BY HAYWOOD SPANGLER, PhD



As I walked toward the general counsel's office, I noticed pennants that read "Innovate" dangling from the ceiling.

They fluttered playfully as people passed underneath. When I arrived at the general counsel's office door for a monthly "thought-partner" meeting, she greeted me, rolled her eyes, and said, "Can you imagine—lawyers innovating? We manage risk. We deliberately try not to innovate." The G.C. and I proceeded to have a conversation about how I might develop an innovation training for the legal department. Every department in her organization, a global manufacturer, was required to innovate.

This attorney's situation is not unique. While innovation has always been the purview of R&D, an increasing number of companies expect professionals in all roles and at all levels to innovate. Moreover, this attorney's response is not unique. Many accomplished professionals say, "Innovate? My brain has actually been trained to do the opposite. I'm supposed to keep things ahead of schedule and under budget." People feel perplexed, if not intimidated, by the imperative to "innovate." For many, coming up with new ideas—ideating—is the biggest challenge.

Enter creativity. Creativity is the key to ideating, and stimulating creativity is a key to innovating. Stimulating creativity to drive innovation is partly a matter of recognizing organizational and cultural obstacles in order to navigate around them. It's also a matter of deliberately engaging people in ways that leverage their strengths, creating a dynamic of constructive dissonance that fuels their thinking.

OVERCOMING OBSTACLES

Companies must address these organizational and cultural obstacles to creativity and innovation:

Macro-level obstacles. A macro-level paradox inhibits creativity and innovation for many professionals. The constant disruptions generated by technology and globalization require all companies to innovate. Yet most companies are not structured to facilitate widespread innovation. Creativity, the catalyst for innovation, can be hard to quantify, expressing itself through processes of trial and error and intuitive judgments. Creativity may require that employees at different levels have greater latitude than their companies currently accord them.

Where did this paradox come from? On the one hand, the financial news frequently reminds us that "markets do not like uncertainty." Given this reality, most companies have historically made themselves competitive by minimizing uncertainty, quantifying it as calculable risk. Companies have succeeded by organizing objects and people into preexisting categories. They have valued gradual and obvious changes because they promote stability. On the other hand, imaging

the next "big thing" necessarily involves uncertainty. (Who knew for sure that people would prefer smartphones to Blackberrys?) Disruption-driven innovation involves anticipating yet-to-exist categories. The pace of change in our economy today makes quick, unpredicted changes essential to a firm's survival.

Awareness of this paradox can itself stimulate creativity. Understanding the constraints within which many of us work can equip us to navigate around them. Knowing that our creativity takes place in an ecosystem that seeks certainty and predictability can help us frame strategic questions, such as "What kind of innovation do we really need in this situation? Does it have to be a breakthrough—something totally original? Or can it be incremental—an adjustment to something that already exists?"

Recognizing that innovations are on a spectrum from breakthrough to incremental makes innovating less daunting for many professionals. Moreover, incremental innovations often create exponential change. For example, when a consumer products company changed the color of its product, sales increased by 300% in two years.

Micro-level obstacles. At the micro level, an individual's assumptions and stereotypes about what creativity requires may present an obstacle. Creativity may seem to be relevant only for those who make things: art, movies, music, or new products. The truth is, initiatives throughout an organization require creativity. Projects such as developing a more user-friendly portal for retirees to review their benefits or developing a more engaging way for customers to wait for their coffee also require creativity.

There are, likewise, stereotypes about the kind of person who can be creative. A "creative" is often thought of as a young, risk-loving, wicked-smart person working independently to birth the new "big thing" that will have venture capitalists lining up. If you do not fit this profile, the stereotype implies that you will not be able to think creatively, ideate, or innovate.

The general counsel I coach had to rethink this stereotype. Although she was very intelligent and professionally accomplished, my client felt that, due to her age, education, and profession, she was inadequate for the task of innovating. Nothing was further from the truth. She had a profound capacity for creative thinking. Creativity is not a function of age, intelligence, risk tolerance, or work style. Moreover, great new ideas result from collaboration.

Like navigating the predictability-uncertainty paradox,



“Serious play functions differently. A number of companies have experimented with ‘innovation labs’ and design studios—places where employees can relax and brainstorm. Not all of these experiments have been productive.”

demythologizing these assumptions and stereotypes empowers people and thus stimulates creativity throughout an organization. Clarifying another common assumption, that creativity just “happens” and cannot be managed, also is important. In reality, you can create conditions that make creativity more likely to occur.

STIMULATING CREATIVITY AND INNOVATION

Here are some tools and techniques that encourage creativity:

Understand what creative thinking involves. The ability to think creatively—the ability to ideate—is not innate. It is a learned set of cognitive skills, including reasoning by analogy to adapt what exists and thinking metaphorically to imagine new possibilities. All of us can learn these skills and refine them through practice.

While creative thinking involves both the right and left brain hemispheres, many observers of 21st-century businesses would say that our work lives call for, and perhaps give more privilege to, cognitive functions that occur mainly in the left hemisphere: being sequential, literal, textual, and analytical. Consequently, our right hemisphere, which grasps patterns and “the big picture,” may need a metaphorical trip to the gym.

Exercising the right hemisphere is thus important for stimulating creative thinking. There are a number of effective, simple techniques to do so. For example, on your next workday commute, think of a favorite story or fictional character. Imagine how you would reset the character in a totally new context (say, Sherlock Holmes reset as a genius surgeon in a research hospital). This activity can be entertaining and actually help you practice analogical reasoning, which will, in turn, help the next time you have to ideate.

Allow for “serious play.” Isn’t this self-contradictory? By definition, play is fun, not serious. But consider games of

strategy, such as chess or football. Play can be fun and serious at the same time.

The word “play” in relation to creativity probably conjures up images of young creatives lounging on bean bags and playing ping-pong during business hours, or team-building activities involving Koosh balls or Play-Doh. Fun activities such as these do contribute to creativity and innovation by providing important mental breaks from concentration, which can allow for a “lightbulb moment” of insight.

Serious play functions differently. A number of companies have experimented with “innovation labs” and design studios—places where employees can relax and brainstorm. Not all of these experiments have been productive.

Experience is showing that play often has to be goal-oriented and related directly to an issue at hand. For example, suppose you need to create a new onboarding web portal. Serious play might involve taking on the persona of new hires and improvising a role-play with colleagues, in which new hires chat about their experiences with the portal. In this persona, you might ad lib which features new hires would complain about, and thereby gain insight into avoiding user challenges in the actual portal.

Leverage diversity when building creative teams.

Professionals sometimes start planning collaborative work by asking, “Who will get along most easily? Who has the same personality type? Who thinks the same way?” This is reasonable, because no one wants a group to be sidetracked by interpersonal disputes. However, when composing a team whose task is to create and innovate, it’s important to realize that new ideas often come from the collision of different, sometimes opposing points of views (visualize the vintage TV commercial in which peanut butter cups result from a person holding a jar of peanut butter colliding with a person holding a chocolate bar).



“Creative teams also function maximally when members differ regarding their working styles. Some members should be comfortable with uncertainty and iterative, nonlinear processes, while other members should prefer certainty and linear processes.”

Intentionally composing an intellectually diverse team is key. Try to avoid putting together people who all have similar areas of expertise and training. This can lead to groupthink and hinder the “collision” of ideas that is essential to creativity. Research regarding the sources of breakthrough innovations finds that creativity is cross-disciplinary. In studies of the most productive creative teams, the members each have a unique area of subject matter expertise and can relate to each other by shared, broad knowledge of one another’s disciplines. In essence, to stimulate creativity and ideate effectively, teams need members with expertise in multiple areas.

Creative teams also function maximally when members differ regarding their working styles. Some members should be comfortable with uncertainty and iterative, nonlinear processes, while other members should prefer certainty and linear processes. These contrasting working styles can create a synergy that succeeds in the ecosystem of certainty and predictability which characterizes many companies. Finally, consider including people with different professional skills, such as accounting and marketing.

Seek out constructive dissonance. People often seek like-minded participants for a team because they want to avoid conflict. Certainly, interpersonal conflicts are counterproductive. However, though it may seem counterintuitive, constructive dissonance stimulates creativity. Like leveraging diversity, intentionally orchestrating intellectual and experiential dissonance is often a catalyst for the collision of ideas that yields innovation. Use these techniques to develop constructive dissonance:

- **Mix team members’ experience levels.** The novice’s perspective playing off of the seasoned expert’s perspective fuels ideation. Combining experienced professionals with new, if not younger, employees and even outsiders from other departments is an effective way to produce an interplay of perspectives that can yield novel yet realistic solutions to problems.
- **Mix people based on what motivates them.** For example, a creative team can flourish when individuals with a strong promotion motive (the belief that one new, great idea is worth any number of mistakes) are counterbalanced by those with

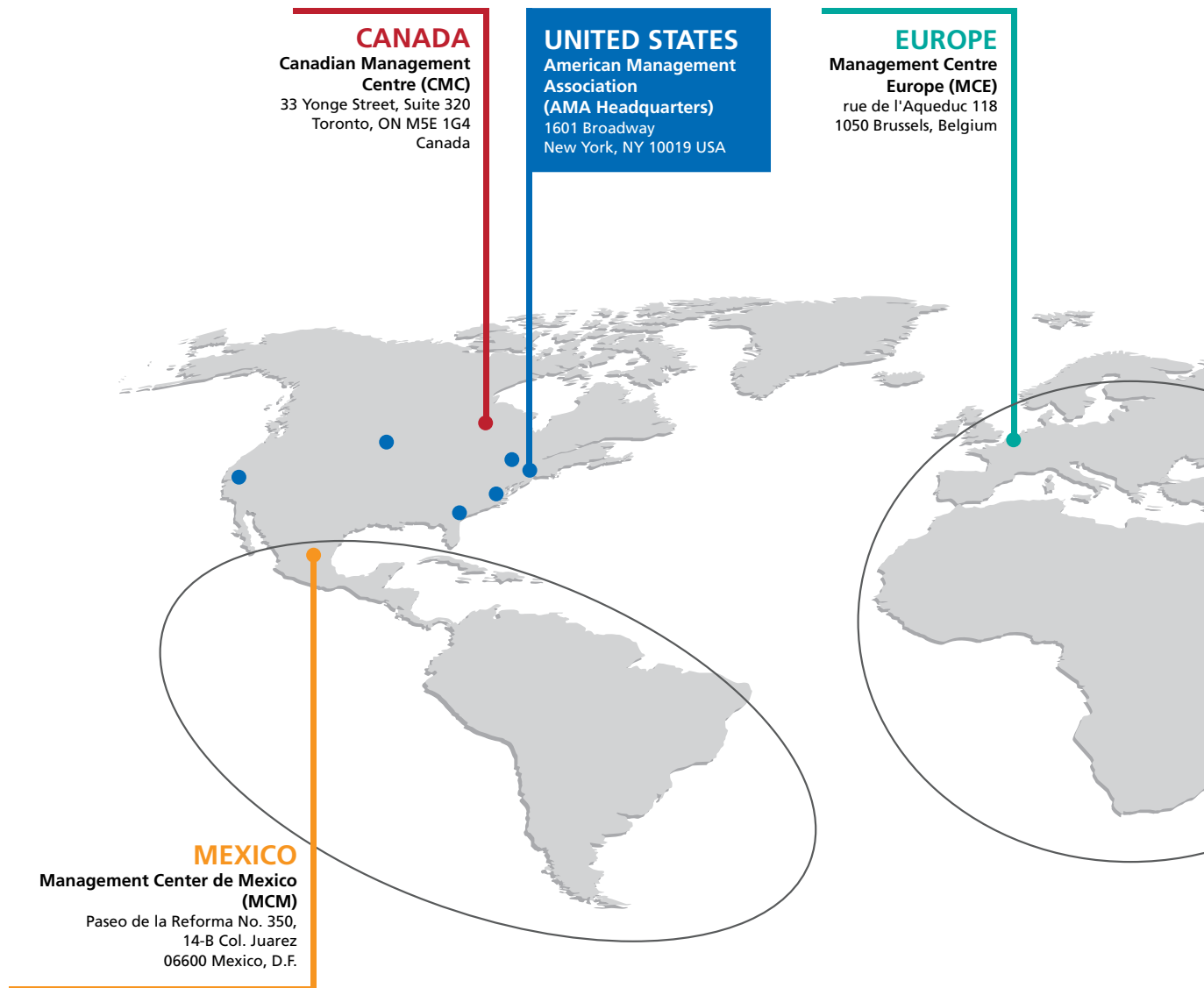
a strong prevention motive (the belief that most mistakes should be avoided by using proven ideas and techniques). Mixing individuals who possess a strong orientation to rules, policies, and compliance with individuals who like to experiment and occasionally break rules also is useful.

- **Look for a mix of thinking styles.** Consider partnering people who are timely and ask “how” questions—“How will we actually do this? Is it realistic?”—with people who prefer concepts and ask big-picture questions, such as “What if...? Why not...? What is the best-of-all-possible-worlds scenario?”
- **Pay attention to the roles individuals play in the team’s group process.** To be creative, a team needs people who are deliberate, think sequentially, and can anticipate the consequences of decisions as well as people who are agile and can change direction quickly, without feeling anxious about skipping or repeating steps in a process. Like any effective team, a creative team benefits from a mix of those who listen and reflect and those who are comfortable thinking out loud. To keep intellectual dissonance constructive, ensure that a creative team agrees to ground rules, such as “critique ideas, not personalities.”

Deliberately orchestrating intellectual and experiential dissonance, leveraging diversity, and paying attention to “serious play” are effective ways to stimulate creativity, making innovation a reality, not just a slogan on a pennant. Likewise, debunking stereotypes and recognizing that professionals of various backgrounds can enhance their creative thinking abilities is empowering. With enhanced creative thinking capabilities, people have the self-confidence and enthusiasm to generate the new ideas that allow companies to maintain the critical balance between stability and pivoting to overcome disruptions. [AQ](#)

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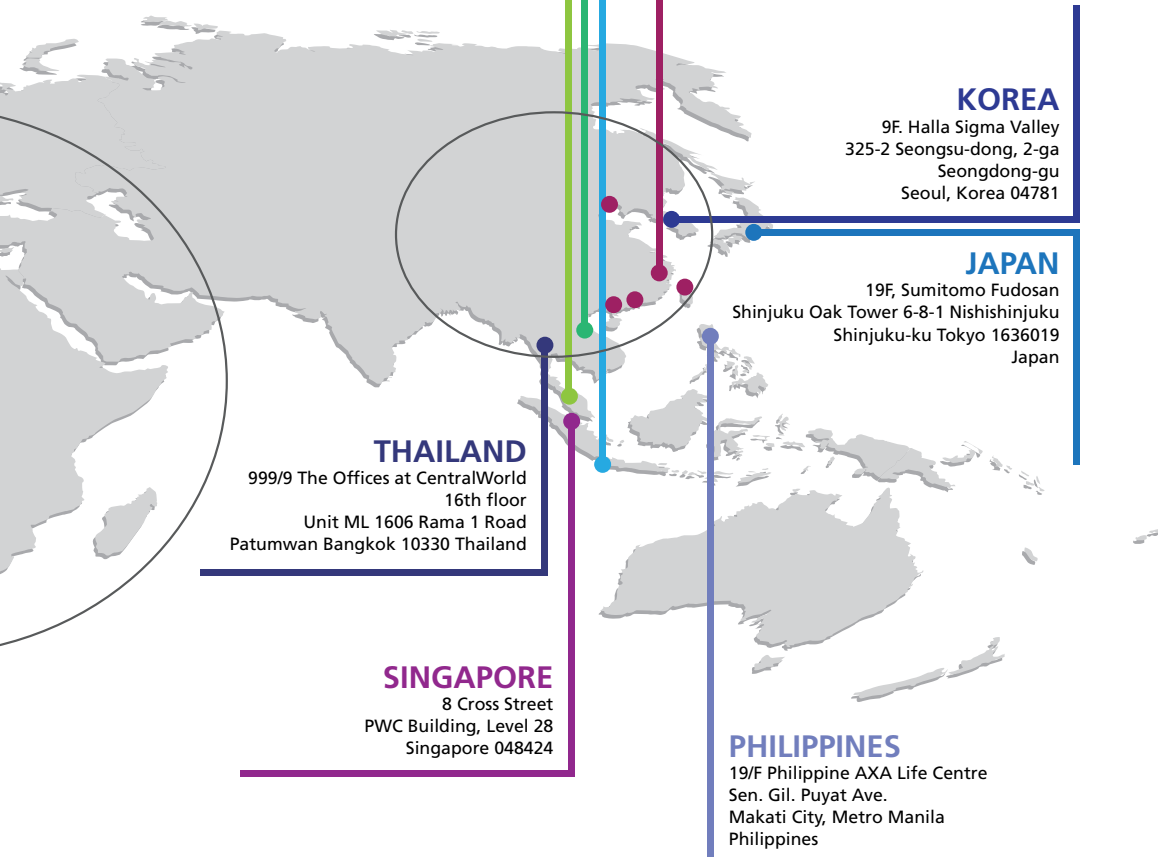
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AN INTERVIEW WITH

Jacqueline Carter

The Ways to Develop Mindful Leaders

BY CHRISTIANE TRUELOVE



AMA Quarterly spoke with Jacqueline Carter, the co-author with Rasmus Hougaard of *The Mind of the Leader: How to Lead Yourself, Your People, and Your Organization for Extraordinary Results* (Harvard Business Review Press, 2018). Carter spoke about the three qualities leaders need to possess, why they need those qualities, and organizations that embody them.

Why did you feel it was important to write this book?

JC: We've been working with Fortune 500 companies over the past decade, bringing mindfulness training to leaders and into organizations. What we found, around two and a half or three years ago, is that the leaders we were working with were under an extreme amount of pressure—whether it's globalization or digitization or engagement—and we were finding that the leaders we were spending time with needed more.

We wanted to do some research to find out what are the challenges facing leaders today, and whether it was just us saying, "Wow, leadership is getting to be a tougher job than it used to be!" That was one of the hypotheses we wanted to test out. Also, we wanted to find out what do leaders need today as foundational qualities to be able to not just survive—and a lot of them are in survival mode—but actually be able to thrive and be able to rise above this.

We assessed 35,000 leaders and interviewed over 250 C-suite executives. We engaged a lot of our global clients. And we asked the simple question of "What are the challenges you are facing and what qualities are critical to be able to be successful in the future?"

You've named some pressures that CEOs and others are experiencing. What are the things that are eroding mindfulness? That's one of the big concepts in your book.

JC: The simplest answer—and it wasn't so much for the C-suite executives that we met with, but they should be aware of it for their organizations—the No. 1 thing, I think, is distractions. There are too many. And I know it sounds so practical and so simple. Most of the executives we met with were pretty good about knowing that they needed focus time, undisturbed focus time, to get things done and to have big-picture perspectives.

One of the mantras we came up with was, "It's the survival of the focused right now," because if you are not focused, you are going to burn out. You're not going to be a good leader today and you certainly are not going to be a successful leader in the future. I think a lot of it is how distracted our environments are getting, and how inefficient that is and how ineffective, and how little time people have to be able to reflect and come up with creative ideas. They don't come from a distracted mind.

The other factor you name is compassion, and it seems to be that there is a big deficit of compassion in the world today. What kinds of things are eroding that, and what can you as a leader do to bring that compassion, to yourself and through your organization?

JC: I truly believe we are social beings. We want to care about each other, especially in the workplace. Even right now, as you are talking with me, I want us to do this together. That is strategic compassion. Of course I hope my heart is bigger in the bigger sense of compassion, but just in the practical sense of compassion in a business context, it makes sense. We've got to work together. Let's care about each other so we have each other's back.

I think what is eroding compassion, specifically to answer your question, is business. Too often, as a leader or a team member, we walk into a room and we see someone is having a bad day, and you say, "I don't have time for this." And that sucks, because that's not our nature. Our natural orientation is that human beings know we're stronger and better when we care about each other and are kinder.

I think the other thing that's eroding it, and this is another thing that we looked at, is a lack of social cohesion. We're not only seeing this in the U.S. We see that play out certainly not only in our political landscape, but we're seeing that in organizations. The organizations we were really inspired by, like Marriott, they get that if a housekeeper isn't happy and isn't smiling when somebody is walking down the hall, [the whole organization is] in trouble. In an organization like that, everybody matters, and we have to have a focus on our people and taking care of our people. The CEO isn't the one serving the frontline customers.

So, busyness, and a focus on shareholder wealth as opposed to employee health, are the two things that have gotten us a bit off on the wrong track.

You mentioned that focus on shareholder wealth. This seems to be happening even in supposed "people-oriented" industries.

JC: It's really crazy, the number of leaders we've met with that had to make tough decisions on a quarter-by-quarter basis they knew were stupid and knew were not strategic. This is why Howard Schultz of Starbucks said that he was not going to report quarterly anymore, because he needed more time to demonstrate that things that were put into place from a strategic perspective had a chance to be able to be successful.

We met with a roundtable of CEOs in Seattle, and some were saying, "I don't have a choice. My shareholders have me in a tough spot." And other CEOs were saying, "You've got to push back on that because it's going to destroy your company." That is the tension we've really heard a lot.

It's interesting, the strength we saw in some CEOs that we met with. They were going to stand up and say, "Yes, if we don't take care of our people, we're not going to have a company." It's specifically the long-term focus. And getting back to your question around compassion, the remote investor who doesn't see the person who's being impacted, they're only looking at if the share price went up or down and if they made any money today. They're too removed from what the CEO needs to be focused on, which is strategic decisions for the company.

One of the companies we were inspired by was Barry-Wehmler, a global manufacturing company. [They] said that everybody matters, and they need to treat people in the organization like they are family. So when a tough time comes, instead of laying people off, they look at strategies like all of them taking a little pay cut so they don't have to cut anyone, because they know business is cyclical—it's going to go down but then it is going to go up. [The analogy of CEO Robert H. Chapman is] when times are tough, you don't say, "Grandmother, sorry, we're going to kick you out of your house. There's no more food for you." We were really inspired by C-suite executives that were pushing back on the short-term shareholder value focus.

The third concept you wrote about is selflessness.

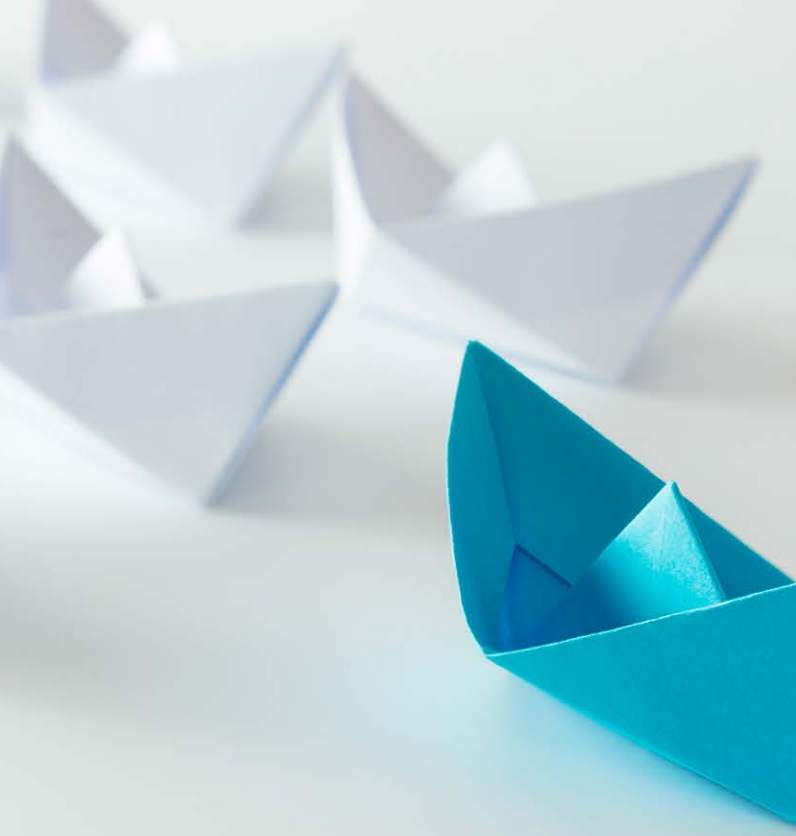
JC: This is one I think we were most inspired by. It's really interesting to write about. The mindfulness makes sense. We're living in a world of digital distractions and information overload—survival of the fittest, people just "got" that. Compassion as well, it kind of makes sense. But the selflessness really came out from our research. We were not looking for that, but it was really interesting.

What we know, and the science backs us up on this, is that as we rise up through the ranks of leadership, it actually has a negative impact on our brain. We actually start to think of ourselves as being pretty important. It makes sense. People respect us. One CEO said, "Once I became CEO, people started laughing more at my jokes. I don't actually think I am that much funnier." But you start to get this different level of attention and your ego starts to get inflated. And the really inspiring CEOs said the No. 1 job was to keep their own ego in check so that they didn't become egocentric.

The key thing that we found in the research is that it's hard to do that because our ego naturally grows as we rise up through the ranks of leadership. So keeping it in check is something that you have to be intentional about and continue to work at.

Do CEOs need their own court jesters, so to speak, to keep them humble and remind them who they used to be?

JC: Exactly! One of the stories that the CEO of PepsiCo [Indra Nooyi] tells is that on the day she was announced as



“CEOs will wake up and say, ‘Maybe we should start caring about our people.’ That’s one of the things we were inspired by, the idea of creating people-centric cultures, where people are actually at the center of your strategy because they matter.”

the first woman CEO and chairperson of the company, she came home and her mother told her, “Go pick up some milk.” She said, “But Mom, I’m CEO!” And her mother said, “Yes, but you’re still my daughter, and we need some milk. Go off now.” And the specific quote she shared was, “And by the way, when you come back, you can just leave that crown you just got in the garage, because it has no place in our house!”

The research shows that a big ego in leadership is natural, but it makes us easy to manipulate. If you know I have a big ego, you might tell me, “Jacqueline, this is really going to make you look good!” and I may do things that I may not necessarily want to do. It also makes me more vulnerable to criticism. If you tell me, “Jacqueline, I think you’re not very smart,” I’ll go, “Oh, my ego! That hurts!” And it narrows my vision. I’ll be looking for things that confirm how I want to see the world.

One leader said to us, “If I walk into a room, and I am just looking for things from my perspective, the world is too complex and too fast-moving, and if it’s all about me, I am just in so much trouble.” That was definitely inspiring to us.

So what do you, if you are a leader, need to do to encourage this mindfulness, compassion, and selflessness in your life? What can people do to remind their leaders that they need to be these things?

JC: First of all, these qualities have to resonate with you. They’re meaningless if they don’t have value for you. The encouragement that we have is for leaders to reflect on being more present, more focused—whatever word you want to use, if mindfulness doesn’t work for you—just if the idea of being more here, now, is that valuable to you. Is the idea of making it less about you, is that valuable? If it’s “all about me,” maybe then I shouldn’t be a leader! And do you value other people? Does caring about other people, being of benefit to others, wanting to have workplaces where people are kind and care about each other, is that important to you?

The first place to start is with intentions, and then the cool thing is, our brains are plastic, we can train them. There are simple exercises, going to the “mental gym,” where you could rewire your brain to become more focused, to be more other focused, to be more kind.

And the third thing is, to notice for yourself and for your people, when we’re in meetings, is everyone paying attention? Or is everyone just distracted? Let’s be practical about that, to really start to look for ways that you can introduce a little more focus, a little more kindness and compassion, and a little more selflessness into your culture.

Can you highlight any companies that could have really used these tactics in their leadership?

JC: Wells Fargo, it's really interesting to note, when they created a number of accounts they did not adhere to these principles. It's really interesting how they managed that whole thing. One, it makes sense, their salespeople were under so much pressure to make quotas, and somehow they crossed the ethical lines. Somebody thought it was a great idea to create these fake accounts, which were taking small amounts, but overall millions of dollars, from people. So there's the ethics around the organization and how they're managing the pressure people are experiencing.

And then it's about what becomes normal for a culture. It wasn't just a couple of people, but a significant number. In terms of one of the things we looked at, when you see John Stumpf reporting to Congress what happened, and his lack of compassion for the people that they basically robbed but also for the people that he fired. They did something wrong, but it was a cultural issue. It wasn't just those individuals, it was a whole system that was at play. That, for us, was a shining example of an organization that really did not bring in these qualities. It was under too much pressure, became very focused on themselves, and ultimately how they managed at the end was not exhibiting compassion.

One of the things we looked at, without being judgmental about it, was the difference in CEO pay compared to employee pay. The ratio has just skyrocketed. A number of years ago, a CEO made maybe 10 times more than a regular employee; now it's 400 times more, on average. CEOs do have a tough job, but are they really worth 400 times more than what the average person is making in the organization? How many more millions, how many more boats, do they need? How many more houses?

There are many leaders who are dedicated to doing good, whether it's the Gates Foundation or other organizations that are focused on sharing more wealth. But that to us is something that really needs to be addressed, because if a CEO is so high up on the pedestal, so far removed from his or her organization, that's not healthy for their mind and certainly not the organization.

You pointed out the CEO as a superstar phenomenon, and I think there have been studies done that show the more wealthy a person is, the fewer ethics they have. One study was literally about rich people being more likely to steal candy from a kid.

JC: I think it showed us something frightening about human behavior, but what was interesting for us all to know is that the more money you make, basically what the research says is the less charitable you are. Somebody with nothing gives way more in terms of either their time or their money than someone who very much has more than enough for their own survival. The science around this says it's natural

for that to happen. What can we do about that? We can be intentional about overcoming it.

So CEOs can become isolated by their wealth, isolated through their ego, and isolated from understanding what their employees are going through.

JC: Exactly, and if they're comfortable enough, OK. But a lot of the C-suite executives that we met with were saying, "I don't need another car! I can only drive one at a time!" So they have the idea of giving back to their employees and valuing them and spending time with them. Campbell Soup's [former] CEO [Douglas Conant] talks about "touchpoints," making a point of actually connecting with real people who were working to make the soup. That's one of the reasons he said he felt he was able to help the company turn around from the financial challenges they were facing.

When the Gallup poll continues to be depressing about engagement scores, it doesn't look like it's going to be turning around soon. And with only 13% of the global workforce feeling engaged, hopefully CEOs will wake up and say, "Maybe we should start caring about our people." That's one of the things we were inspired by, the idea of creating people-centric cultures, where people are actually at the center of your strategy because they matter.

What companies do you think are taking these lessons of mindfulness to heart? If you were to make a list, who would you put on there?

JC: Marriott is an amazing example. They have a simple business philosophy of "If we take care of our people, they will take care of our guests, and business will take care of itself." That was their philosophy in 1927 when they opened up a nine-stool root-beer pop shop, and now with over 700,000 employees, that is still their business philosophy. And we have seen that exemplified over and over again.

Accenture is another. A 400,000-person organization, they have rolled out in partnership with us a whole "truly human" initiative, trying to enable people to bring their whole self to work, being more mindful, being more kind, being more caring. It's not been easy, but it's been really inspiring to see that.

Another big organization that we work with is Cisco. They've had a strong focus on compassion in their culture. John Chambers, the former CEO, anytime in the organization that they've had a death in their family, he'd make a personal point of calling them or connecting with them, thanking them, asking if they needed anything.

Lego is another company we are inspired by, not only because they make cool products, but they also have a strong focus on their people and being able to bring these qualities into their organization. [AQ](#)

Ultimate Diversity Relies on Each Individual

BY CAROL SANFORD

The tendency to categorize, accompanied by the need to put people in their box, drives much that goes on in our minds, including in management practice.

Categorizing people and their activities is an artificial, invalidated idea—a distraction from inclusion and understanding and from diversity, in most cases. There is a much better way to understand each human being and how they are an integral aspect of a community. In my decades of design and practice, I've partnered with businesses to achieve extraordinary results in this way, and I'll be giving you tools to do the same.

The validity and value of my approach was recently confirmed in a decades-long study at Harvard School of Education. It found that there is no mathematical or organizing process for sorting human communities into natural groups that is valid or even useful—and that such attempts are likely destructive to understanding and inclusion. The culmination of the study is research work completed and organized into a book by Todd Rose. *The End of Average* (HarperCollins, 2016) is a scathing critique that shows there is zero evidence to support efforts to categorize people by type, approach to work, or racial heritage.

In fact, there is great evidence that seeing each individual as unique has great payoffs. Any form of category, be it competencies, learning styles, or ways of working, makes it difficult—and maybe even impossible—to see an individual for who they are and what they can bring. It works against individuals being able to understand and develop themselves as well. The greatest unifier is the process of seeing and engaging each human, discovering them as individuals—their singularity. One of one!

How does one achieve this? It feels like an overwhelming task. My practice with organizations, for more than 40 years, has been to teach them how to design work and to develop people around what I call “individual Essence.” It is that which, if everything else was taken away or lost, cannot be removed without losing who you are. This is not the same as one's strengths, which can be built over time and relate mostly to our ability to do, rather than our character and source of values.

ESTABLISHING ESSENCE

When helping organizations to begin working with Essence, I introduce three principles to guide the transition. Applying these principles works to elevate individuals and increase capacity across an organization, as I'll show by sharing stories from businesses that have succeeded with Essence. We'll look at each principle in detail, starting with designing work to enable individuals to express their Essence.

PRINCIPLE 1: Commit to work design that awakens Essence and gives individuals work to do that enables its expression.

Stop teaching/testing to find out what category people fit in or how well they are doing in meeting an aspirational group-defined mastery. Set people to defining their own contribution to the strategic work of the business and creating a plan for how they will measure themselves and engage others in reflecting on progress. These contributions need to be directed to changing the lives of stakeholders such as customers, as designated by the organization's market strategy.



When working with a company, I always start with the founding executives, particularly in a startup or with growth-stage entrepreneurs. Working with Jeffrey Hollender, founder of Seventh Generation, a producer of nontoxic household and personal care products, we found that three of his personal qualities had been embedded in the business's Essence. He truly pursued transparency, and this was core to his way of being in the world. He also was driven to bring about social justice and to expose systemic dissonance. This Essence allowed us to refine product and service offerings and invite each person in the company to contribute how they wanted to operate within this context.

The Essence of the founder becomes the Essence of the company by nature. It also awakens the personal Essence of each employee if they are connected to it and are asked where they want to contribute. Essence in individuals is often hidden when work is delegated and assignments happen. But it is alive and ready to work when people are asked to choose their contribution within the context of the Essence of the business and its strategy.

A small group at Seventh Generation was inspired by the exploration of company Essence to think about how they could make transparency one of the firm's differentiating points. The team was surprisingly diverse in race, background, and skills. The formation of the team was initiated from members' own choice to contribute in the same place, coming from personal agency and personal Essence.

The team members immediately figured out how to work

together to pull off this stretch goal for the organization. Looking to implement transparency, they examined the core of the company's different buyer classes and found one group with chemical sensitivities who mostly live in lower-income neighborhoods. The team members all learned about the cleaning chemicals that caused irritation and sometimes health problems. The team's first act was to put all ingredients on Seventh Generation's labels for all buyers to know what they were buying. This was not required and had never been done on a consumer product that was not food.

On the social justice side, another team at Seventh Generation found a California house cleaning company, WAGES, with all Hispanic women who were suffering from the day in, day out use of toxic cleaning chemicals. The workers also had little control of their own work. Seventh Generation not only educated the cleaning company and workers about toxins and their health, but also assisted in moving the cleaning company toward a co-op business model where self-determination was increased. The creation of this new initiative gave the team members who volunteered something they could be involved in and bond over, and something they could service together and, at the same time, learn how to understand one another.

The teams reported that what really made the exercise in Essence effective was that it focused on something they all served—customers. As the racially diverse teams worked side by side, they also looked at what each brought to the team that was unique. The process was designed to get employees to reflect on the value of each other's different

“When people are working individually and collectively, with each contributing their unique offering, the business is unified.”

offerings. As a result, employees found deep value in one another and learned why they needed one another to take on such significant changes. Additionally, all the team members learned about the lives of people of color and low income who were affected by sensitivity to product chemicals. This aroused empathy and put employees “emotionally” on the same team. From there, they were able to create meaningful change both in the business and in the lives of the people they served.

PRINCIPLE 2: Design work so the evolution of capacity is the direction, not the achievement of preset competencies that categorize people.

Wrapping the new capacity around the contributions that are promised by an individual provides the grounds for a developmental culture and paradigm of design. At Colgate Palmolive in South Africa, as apartheid in governing was beginning to be dismantled, the company had to deal with the new constitution, which called on all corporations to shift the makeup of their management to reflect the same percentage as the racial mix of the population at large.

Colgate chose to initiate a deep engagement and development process where everyone in the company made a promise to implement the new strategy. Colgate realized it needed to build capacity in critical thinking and business practice to shift the proportion of black managers to 95% of management. But white South Africans were skeptical and concerned, and if the company had simply forced the change, it would have created a competitive divide. Instead, both black and white employees started working together on challenging endeavors and were introduced to each other while they accomplished great work.

Colgate committed to oral health projects that would help create the new South Africa in economic and governing terms as well as health. Employees found that to build economic development for women in Soweto and Alexandra townships, and to reverse decades of poor oral health care, they needed each other. As a result, they co-created a great business and a great city, Johannesburg, where they lived.

There was only one white South African who left and did not fully engage in these projects. And within six months, Colgate had met the five-year deadline, with 95% black managers. No one was laid off or demoted. President Nelson Mandela acknowledged the company’s achievements with an award. With Colgate’s success, no company had an excuse. Colgate had proved it could be done, rapidly. There was great pride in how it had been done—not by structural change, but by building capacity and capability and making a difference in their communities through the business.

PRINCIPLE 3: Make ongoing education and development core to the organization.

Ongoing education programs not only cultivate top talent in all people, they also encourage inclusive work practices within the organization. Organizations that try to be inclusive but do so by working around or dividing people among different types actually are encouraging divisions. However, when people are working individually and collectively, with each contributing their unique offering, the business is unified.

Core to this development is building shared frameworks and a common language that has a unifying power, beyond any one individual. The members of the organization not only engage among themselves but beyond to their customers. These frameworks connect individuals to communities and the lives of their customers. The language goes from self-actualization to systems actualization. The language and frameworks are designed to disrupt patterns by breaking the categories and changing how members of an organization see each other in the world. It requires asking each person to engage in something more meaningful, where every individual contribution is needed.

Essence is only discovered by a meta-level exploration, where patterns of engaging are explored for an individual, most often in times of stress, struggle, or when rising up in the face of the unknown. These are the times in which we discover more about ourselves at a core level. Without such rare examination, we look at what makes us happy or at where we have done well and been appreciated. When you build shared frameworks and a common language of Essence into an organization’s practice, such developmental reflections become a natural part of the work of the organization—and the benefits of self-guided, individual contributions are felt throughout.

Essence often feels like a foreign and strange idea when first encountered because we are so used to looking at people and seeking to find their type, their style, and the category within which they fit, which is often set and predetermined. It takes practice and a redesign of work to bring forward the singularity of each person and to see it included in the work to be done, where inclusion really shows up every day. [AQ](#)

Carol Sanford is the author of The Regenerative Business: Redesign Work, Cultivate Human Potential, Achieve Extraordinary Outcomes (Nicholas Brealey, 2017). For 40 years, she has worked with leaders of successful companies, such as Google, DuPont, Intel, P&G, and Seventh Generation, helping them to innovate and grow their businesses by growing their people. Sanford is currently executive in residence and senior fellow in social innovation at Babson College.

INNOVATION AND GROWTH

6 Secrets to Survive and Thrive Long Term

BY HEIDI POZZO



If you had asked the leaders of Blockbuster, Toys R Us, and Sears about the future at the pinnacle of their business, they would have shared a rosy vision.

They were all innovative in their times. And they all missed a key shift in their markets that caused their demise.

If you want to grow and thrive over the long term, you must innovate.

The key to driving innovation and growth is not to become complacent after a success. Innovation must occur continually. And you must have a way to spot potential disruptors of your business model.

PROMOTING INNOVATION

The following six secrets will position your company to innovate and grow over the long term.

1 Determine how long your business model will be intact.

Many businesses fail to recognize when change needs to occur because disruption usually comes from outside the industry. This happens when solutions to customers' friction points are found by an outsider that recognizes the problem and addresses it through a new business model.

Amazon is the company that most people think of as the major disruptor today. It is dominating the retail industry. But why didn't Sears develop the platform? Sears was the Amazon of its day, only its delivery mechanism was a catalog.

Netflix is a major player in the content distribution market. But why didn't Blockbuster make the leap first? Blockbuster



“Although coming up with a vision for the future is important, so is helping customers see how they fit in and why that future will leave them better off than they are today.”

was the dominant player in its day, but it didn't see the shift in how content would be delivered.

Sears and Blockbuster missed the danger presented by disruptors. They both knew the disruptors were out there but misjudged the threat to their business model, which is the way a company makes money and delivers products or services to customers. To understand how long a business model will last, you need to have the following capabilities:

- A real perspective on customer friction points
- People who can spot disruption coming
- An external perspective on your business environment

Once you have those capabilities, ask these questions:

- How likely is our business model to be disrupted in the near future?
- What technological changes are being developed that may impact how business is done in our industry?
- Do we have the ability to react quickly if a new platform begins to disrupt our industry?

If you believe your business model will be in place for many years to come, you need an incremental innovation strategy. Incremental innovations focus on product or service enhancements. An easy way to think about these innovations is to look at how new smartphone releases are paced. New models that enhance performance or functionality are released every year or so.

Your industry may not have new innovations every year, but most innovations aren't much more than incremental ones. Over the space of 10 years, your entire product or service portfolio is likely to turn over. This means you need to conduct ongoing research and development to generate new products. Capital should be allocated to support new products or services. And your organization's support mechanism needs to keep pace with the changes in operations.

2 Don't jump too fast from today to the future. One of the greatest risks today is that a new CEO will completely

change the direction of a business to address concerns about not being innovative or strategic enough. There is a problem looming on the horizon—disruption is coming. But the customers who are buying the product or service don't fully see it yet.

The problem is, the products and services being offered today meet the needs of customers. The challenge for leaders is to keep customers engaged and participating as the company evolves. Customers need to see themselves in the future vision of the company. A bridge must be built that spans into the future with a series of incremental innovations as the building blocks.

You can see this challenge in the auto industry. Although automakers are increasingly interested in electric cars and fully autonomous vehicles, the bridge from today to the future is not yet entirely clear. Electric cars have a finite range before the battery must be recharged. While the infrastructure for recharging is fairly robust in urban areas, there are significant gaps in suburban and rural areas. With autonomous cars, all the potential situations must be programmed and tested. A few recent cases have demonstrated that more work needs to be done. Beyond that, other changes need to be considered, such as who owns and operates the cars and what the impact to infrastructure will be, including road maintenance and parking or waiting areas.

Although coming up with a vision for the future is important, so is helping customers see how they fit in and why that future will leave them better off than they are today. Missing this step will drive your customers away. But doing it well will cement your relationship as a forward-thinking, customer-focused organization.

3 Create an environment for idea generation. Walk into any popular coffee shop and you'll see nearly every seat taken by a person working on a computer. The buzz and energy drive the people there to be productive. The environment is ideal.

Ideas aren't generated in stale conditions and environments

that are devoid of stimulation. Furthermore, not all environments work for everyone.

When I arrived at Longview Fibre, the finance organization had an open environment—a large open area with a sea of old desks. The working conditions made it difficult to be productive. When new cubicles with updated furniture went in, productivity skyrocketed. People needed to concentrate, and the open space made it difficult to do so.

Understanding the conditions that bring out the best in your people is important to generating ideas. Once you know those conditions, you can create a physical environment that inspires ideas and supports interactions with co-workers.

4 Don't dilute your focus. How effective are you when you're working on 20 things at the same time? Probably not effective at all. But if you narrow your focus to prioritize one item at a time, you'll find you can make a lot of progress quickly.

The same is true with the need to prioritize ideas and innovations as your culture of innovation takes hold. It won't be possible for all the ideas generated to get resources, time, and money to move them toward completion. Nor will they all be successful.

It's important to have criteria for selecting the ideas that will move forward. If you are in a fast-follower position, someone else has already done a proof of concept. But if not, you will need to decide which products or services to move forward.

5 Hire curious people. Have you ever talked with people who have achieved great success? I have sat down with many successful leaders to discuss their success. Among many things they had in common, they were all curious people.

Curious people are constantly learning. They seek out new ways of doing things. They wonder about what can be and what hasn't worked in the past. Many curious people also have strong pattern recognition. They see patterns in one industry or application that can be applied in another situation.

My favorite story came from Mitzi Perdue, daughter of Sheraton Hotel founder Ernest Henderson and wife of Frank Perdue of Perdue Chicken. When she was reading an anthropological study about Vietnam, she found that men in successful villages knew about a particular algae that allowed rice crops to grow and thrive. They kept it a secret by not sharing it with women who would marry and take the practice to other villages.

The story wasn't about the algae, it was about the villages. But Mitzi Perdue saw the potential application of the algae in her rice farms in California—something that had never been done in the United States before. Through her connections and persistence, she was able to bring an innovative approach to rice farming because she was both curious and could apply patterns to new situations.

To innovate, you must have people who are both curious and

have pattern recognition. Do your hiring practices look for these traits? If not, you need to modify them to ensure you are attracting the right people.

6 Put top talent in places where they can have outsized impact. Leaders of high-performing companies know that it isn't enough to have top talent. These people also need to be in places where their contributions can be leveraged in a way that propels the organization forward farther and faster.

When I was chief financial officer at Longview Fibre, having top talent in the right places was critical. Talent had to excel when hired and have the bandwidth to grow along with the business. To do this, we hired strategically in a number of areas. One individual was hired with a sole focus on improving operations. He developed a long list of innovations and improvements and worked collaboratively with operations and finance to prioritize those that would have the largest impact and highest returns.

Individuals in marketing focused on new products being introduced by competitors and issues customers were trying to resolve. They then worked with operations to determine if products similar to those of competitors could be made on the existing equipment and with finance to determine if the margins would be adequate.

Innovations were both internal and external. They moved in tandem to ensure that the organization could keep pace in delivering products to customers. In all cases, systems and work processes were streamlined to move ideas forward more quickly and eliminate friction points that would slow down work.

Beyond the systems and processes, all of the individuals had a direct line to decision makers, ensuring that ideas were green-lighted and received resources and organizational support.

BRINGING IT ALL TOGETHER

It's easy to get off track and miss signs that innovation is faltering and customer friction is rising. Thus, building warning signs such as customer satisfaction and market insights into your business is critical.

The key to being successful is to understand the lifespan of your business model, get the right people in the right places, and create an environment that supports innovation. Thriving over the long term depends on your ability to shift and get ahead of changing customer and market dynamics.

How are you creating the conditions for your company to grow and innovate over the long term? What one action can you take right now to improve performance? What is holding you back from getting started? **AQ**

Heidi Pozzo is a leadership and high-performance expert. Before starting her own consulting firm, she helped engineer the turnaround of an \$800 million organization. To contact her, visit www.heidipozzo.com

REBUILD by DESIGN

Avoiding the Outside-In Trap

BY ALEX VOROBIEFF

The hotel meeting room was full. It was Monday morning, and people from around the country and various levels of the company had flown in for this critical meeting.

The company provided time-sensitive technical services across the country, but it was having trouble capturing the work it performed, billing its customers accurately, and collecting. Customers questioned invoices and refused to pay when they didn't align with their records. Everyone was frustrated. The billing department spent countless hours trying to decipher what events had occurred and what to invoice and then explaining charges to incredulous customers. The process needed to be redesigned.

The company had engaged a Lean process expert to redesign these processes. Over the next four days, the project team would create a 30-foot map of Post-it notes that identified each step and nuance of the current process and then put together a Lean process to remove the frustration.

Senior leadership was there for the kickoff on Monday morning. The Lean expert asked them to return at the end of the week. On Friday, the team presented the results, recommendations, and new process to senior leadership. It looked good, it made sense. The project team was congratulated for a job well done and left for the airport to return home. The cost for the project exceeded \$100,000.

A year later, nothing had changed. The process still looked like the 30-foot map of the original state. The frustrations had grown. I made the mistake of starting to redesign the business where the problems were most visible.

Wasn't that the logical place to start?

Most leaders start where the problems are most visible, on the front lines or the outside layer of the business where employees interact with customers and suppliers. It's the natural place to start, but it's a trap. A better way to rebuild a company is from the inside out, using the Alignment Pyramid.

WHY THE OUTSIDE-IN TRAP ENSNARES SO MANY

It's natural to focus on the pain rather than to identify the root cause of a problem. When you have a headache, taking a pain reliever is easier than identifying the cause of the pain. At the technical services company, we focused on our pain points. If a customer is angry, fix their problem. If employees are frustrated and quitting, then replace them with A-players who have more skills and expertise.

That's what Frank did, and he felt the pain with increasing intensity at every level of the outside-in trap. Frank's company distributed food products. One key customer was growing fast and helping Frank's business to grow at more than 30% a year. The growth was creating problems, and Frank's responses to the problems compounded his pain.

Frank was often away from the office, traveling to meet with customers and suppliers. The rapid growth quickly overwhelmed his frontline clerks who processed orders and coordinated deliveries. In response to the frontline problems, Frank thought the employees needed to be managed. He hired managers, but they never seemed to "get" how Frank wanted the business to run and what they were responsible



for. He wanted to be copied on all customer and supplier emails. Frank's relations with managers followed a similar pattern, culminating with a manager giving notice and Frank restarting the hiring and training process.

Frank tried to improve the company by implementing techniques and concepts he learned at his executive peer group. He tried tracking key performance indicators (KPIs) and implementing software programs to track activities and "enforce" processes.

The company was adding customers with different demands, which made training new team members more complex. It seemed to take forever until they "got it."

Eventually, Frank heard a presentation at his executive peer group about hiring "A-players." He needed more horsepower for his company, or "HumanPower," to build the structure necessary to handle the growth. Frank went about recruiting people with the industry experience his company was lacking in product development, sales, and operations. He paid some of these hires more than he was paying himself.

When the new employees arrived, things started to move faster. At first the HumanPower helped, but it wasn't long before the new people started to conflict with each other and Frank. When the new operations vice president gave instructions to the managers, Frank would question the instructions. The product development and sales leaders also started to conflict—at first via emails, when trying to price new products, and then openly in long, unproductive meetings.

The new HumanPower was pulling the company in different directions. It added new customers and suppliers, which required more coordination of efforts throughout the company. Meetings and emails started to ooze conflict.

There wasn't enough time and resources to get things done. Projects were taking longer and costing more than expected. The company's profits declined with the added HumanPower

payroll, and it was creating more headaches. Finally, one of the vice presidents asked, "Frank, what is our strategy?" That question led to more questions. Frank didn't feel they had time to step back to start pondering the answers to these questions, since there were too many fires on the front lines.

Frank was trying to fix his problems by evolving from the "outside in" in reaction to problems. Over time, he dug his way to the real starting line.

ESCAPING THE TRAP: THE INSIDE-OUT WAY OUT

There is a better way. And Frank found it when he started to rebuild the company from the inside out.

The strategy discussion led to deeper questions: Why does this company exist? What is our brand promise? What products fit with our core values? Heck, what are our core values? What behaviors fit our core values?

These are "inside" questions, and they are the starting point for redesigning a company. Frank hired a consultant that helped ask these inside questions. The answers seemed to build on each other. As shown in the figure (see next page), they were an inverse pyramid starting at the Core level and working outward toward the perimeter of the business. The answers make up the Alignment Pyramid.

Once the team and Frank started to address the inside questions, things began to get easier. It took a while to identify the purpose of the company. It followed the process outlined in Simon Sinek's *Start with Why* (Penguin Group, 2009) of needing to dig it out of the company's past. Then the leadership team defined the core values of the company. When they got to the second level of the pyramid, Survival, where the strategy is defined, the potential answers had some guidance and boundaries to align with the Core level.

Some products the company was developing didn't match its values and purpose. The team was able to quickly eliminate

The Alignment Pyramid



certain projects and felt good about doing it, even though it meant writing off time and money.

As the strategy started to become visible, definable, and explainable, the type of HumanPower (the third level of the pyramid) the company would need became self-evident. The company needed people who had the experience and expertise to develop new products and salespeople who were comfortable with presenting new concepts and ideas while competing on total value, not on low price. Some team members left. They could see that the direction did not match their comfort zones.

As the company started to align its actions and decisions based on the answers to the first three levels of the pyramid, it became clear they needed to track FeedBack, on the fourth

level of the Alignment Pyramid, for the product development pipeline, sales process, and in operations.

HumanPower could train the FrontLine managers and team members on how to deliver the value in alignment with the company's strategy, core values, and purpose. Some FrontLine personnel got it right away. Others resisted the change because they liked how they did things in the past. Some personnel left when they saw that all the leaders in the company were aligned around the same things, and that this new approach wasn't another management fad that would fade away.

FOCUS ON KEY QUESTIONS

Frank's company rebuilt itself from the inside out by answering a series of key questions. The most difficult part of this process is that the place to start is counterintuitive: away from where the fires are raging. It's also difficult to know what questions to ask and in what order. When things aren't going well, and there are plenty of fires to put out on the FrontLines, take a step back. It may seem counterintuitive, but to coordinate actions along a company's long perimeter, it helps to know and agree on what is important. When leaders have different answers, conflict and dysfunction compound.

If your company resists taking a step back to begin answering these questions, start asking Core and Survival questions in an objective, nonconfrontational way. It may get you some looks and some pushback, but staying stuck in the trap of trying to fix the company from the outside in will only cause more pain and wasted money. [AQ](#)

Alex Vorobieff is a business consultant whose methods eliminate frustration and propel companies past frustration and into success.

Elements of the Alignment Pyramid

Element	Questions Addressed	When Answers Are Clearly Defined
Core	Company purpose, vision, core values, culture. How the company solves big problems.	Company repels people that are not a fit and attracts the right people who are united to overcome obstacles to realize the company's purpose.
Survival	Defines the strategy, key decisions, and how the company is going to develop a competitive advantage.	Leadership team is better able to prioritize, focus, and coordinate their efforts.
HumanPower	Defines the type of horse power the company needs and how to recruit, train, and retain. Defines who is responsible for what.	Company does not lose key team members unexpectedly and strengthens competitive advantage with the right people.
FeedBack	What to measure, what the goals and objectives are, what systems and software to utilize. Defines and captures necessary customer and employee feedback.	Team knows what is important to track, why it is, and what to do when the feedback is negative.
FrontLines	What process to use to deliver value consistently to customers. What to do when things go wrong.	Team members "get it." They know how to do their jobs when things are going well and how to recover when they are not.

AN INTERVIEW WITH

Ajay Agrawal

The Role of AI in Prediction

BY DAVE SUMMERS



Ajay Agrawal, professor of strategic management and the Peter Munk Professor of Entrepreneurship at the University of Toronto's Rotman School of Management, spoke with AMA about the use of artificial intelligence (AI) in making predictions. Agrawal is co-author with Joshua Gans and Avi Goldfarb of *Prediction Machines: The Simple Economics of Artificial Intelligence*

(Harvard Business Review Press, 2018). He also is co-founder of NEXT Canada and NextAI, co-founder of the AI/robotics company Kindred, and founder of the Creative Destruction Lab.

You and your co-authors frame AI as primarily a cheap prediction capability. Aren't you selling AI short?

AA: My co-authors and I were all economists, and so we view the world through an economics lens. And one thing that economics can bring to the conversation on AI is this perspective [of] taking a technology, any technology, and stripping out all the fun and interesting bits and resolving each technology down to a single question, which is "What does this thing reduce the cost of?"

The reason that economists think AI is so interesting—that it's a technology in a very different category than virtually anything else that we've seen in the last 25 years—is because the thing for which it reduces the cost is such a foundational input. We use it everywhere, and that's prediction.

Once we take all the razzle-dazzle of AI and reduce it down to the rise of AI being recast as a drop in the cost of prediction, then we can use all our familiar tools in economics to figure out what to make of it. In other words, we know how to deal with something when the cost of it falls. So there's a set of things that follow when the cost of something plunges.

That's effectively what the modern renaissance in AI is. It's a prediction technology. And we define "prediction" quite broadly. Prediction is taking information you have to generate information you don't have. So it's what we would traditionally think of prediction, like forecasting, but it's also things like taking an image, a medical image of a tumor, and classifying the tumor as benign or malignant. We would call that prediction too. It's taking information we have, which is the medical image, and generating information we don't have, which is the classification information of what kind of tumor that is.

Can you walk us through some of the most recent or pertinent success stories that surround cheap prediction?

AA: When something becomes cheap, the first thing from economics is you think of your downwards-sloping demand curves; when something becomes cheap, we use more of it. We've seen applications of AI in things where we already had prediction, and now we just have better, faster, cheaper prediction—so in applications of AI in things like sales demand forecasting, in supply chain management. But where it's very interesting is where people have taken

the cheap prediction and transformed things that weren't prediction problems into prediction problems.

The one that I think [of], because it's had so much press, is the driverless car. We've had autonomous vehicles for a long time, and traditionally those were robots in controlled environments like factories or warehouses. The way engineers would do this is, they would have a floor plan and they would program the robot to move around inside the factory. Then they would give it a bit of intelligence. They would stick a camera on it, and they would program the robot by saying, "Okay, if a human walks in front of you, then stop. If the shelf is empty, then move to the next shelf." If-then, if-then. So it would have a series of "if-then" statements which were its intelligence.... Experts in the field were saying, even as recently as six years ago, "Those are great, but we'll never have an autonomous vehicle on a city street, an uncontrolled environment, because there's an infinite number of ifs. And so, even if we have an army of programmers sitting there and cranking out 'if' statements, we can't cover all the potential things."

Until somebody said, "You know what? We're solving this problem the wrong way. What if we replaced the infinite number of ifs with a single prediction question?" And the prediction is, "What would a good human driver do?"

Effectively, the way you can think about it is that you put a human inside a car and you tell the human to drive for a million miles. The human's driving, and you have data coming in through their eyes and their ears. They're processing their data with their monkey brains, and then they take actions. And the action set when you're driving is very limited. It's left, right, brake, accelerate. That's the "thens," and we have a very limited set of thens when we drive—lots of ifs coming through our eyes and ears, but only a small number of thens.

You can imagine putting an AI in the passenger seat beside the human. The AI doesn't have its own sensors, its own eyes and ears, so we give it some sensors by putting a camera, radar, lidar around the car. That's its sensor, so the data comes in. The AI has the data coming in, and the way to think of it is, every second the AI looks over and tries to predict, what will the human driver do next? I think she'll turn. I think she'll go straight. I think she's going to brake. And then, a second later, the driver does something. If the driver does what the AI thought, the prediction was right. If the AI driver did something else, the prediction was wrong. And when it's wrong, then the AI learns and updates its model and tries to get it the next time. So driving is an example of converting a non-prediction problem into a prediction problem.

Another example is translation. Translation used to be a linguistic problem. We solved it with linguistic rules and tons of exceptions to the rules that linguists knew. Now we've transitioned that to a prediction problem, or effectively we predict what a translator would do.

Another set of interesting examples of applications of AI: We have people that come to our Creative Destruction Lab from different parts of organizations, and the most interesting ones are HR people. We have lots of heads of HR coming in saying, "Hey, you know, we think AI is important. We need to learn about it so we know what kinds of people to hire, who we should stop hiring, what types of people we should start hiring, and how we can implement AI in different parts of our business. But we'll never be affected because we're HR, and HR is a people business."

Hiring, it turns out, is a prediction problem. You get a bunch of resumes and interview transcripts, and from those you predict which of the candidates will be the best in this job. Once you've hired people, the next thing is promotion. Promotion—turns out it's a prediction problem. You have a set of people that work in the organization, and you want to predict who would be the best in the next higher level job.

The next thing you do as an HR person is retention. You're going to have, let's say, 1,000 people work in your organization. You want to know which are the ones that are most likely to leave, and especially your stars. That's a prediction problem. And so, piece after piece after piece, companies that are focusing on where can they build an AI are turning problems into prediction problems.

We've talked about robots and AI and machines and stuff like that. Where do humans fit? Does human intuition play any type of role in this machine learning or AI-based learning in the near future?

AA: Our view is humans have a very big role to play, and you called it "intuition." In our book, we've put intuition into a term we call "judgment." And so, the answer is yes. Furthermore, there is a greater role than ever for intuition.

So two points on this: The first one is that when we encounter something new that we've never seen or an AI has never seen—and AI can only do what it does based on the data that it's seen—it doesn't have a model of the world, whereas we have a model. We have a cognitive model of how things work so that when we see things, something we've never seen before, we can take an educated guess of how that thing will work.

One definition of intuition is that model that allows us to go, what a statistician would say, outside of the scope of where the data that we've seen before would lead us. So that's one role for intuition. The second thing is just the intuition of what to do with the predictions. AIs make the predictions, but they don't have the judgment of what to do with them. We humans have the judgment that's necessary to know what to do with the predictions that AIs generate.

Let me give you an example. Think about the life and the role of an accountant when spreadsheets rolled into town. Before spreadsheets, accountants would be busy typing stuff. And we could kind of characterize the role as having two parts.

One was they would type stuff in and add. They had to be sort of fast at typing and adding. The second thing was to ask good questions of their accounting data.

For example, they might be trying to figure out the present value of an investment. And so, they would type in all the stuff, and then they would calculate the present value of that investment. Then they might say, “Well, what if interest rates were 1% higher?” or “What if the sales increased in the third quarter by 4%?”

So they have to change that variable, and then they have to go and retype the whole thing in again. Now, in come the spreadsheets. And if you were an accountant where your main skill was you could type really fast and add these things up really fast—that’s what you were good at—the value of that skill diminished a lot when spreadsheets came in, because now you could have someone who couldn’t add as fast or type as fast, but they just copy and paste and they are as fast as the fastest ever.

But if you were good at asking good questions from your accounting data—like, say, “Well, what if we increased interest rates by 1%,” “What if we did this by 4%,” “What if we could cut out 2% of the costs over here”—what would happen? Now you could ask so many more questions of your data because each one you could test quickly. You didn’t have to retype in everything like you did before.

So when spreadsheets came into town, they lowered the value of typing and adding, but they increased the value of being able to ask good questions. And similarly here, as AIs rolled into town, one thing that we do a lot of is we make a lot of predictions in our monkey brains, and...we’re reasonably bad predictors. There’s lots of evidence.

Here at AMA, we’re obviously purveyors of management leadership training, and we know that in the real world of business most learning takes place on the job. This is why having managers and leaders with strong soft skills and who are capable of coaching is so crucial. Can the same be said for AI? Is most of the learning done “on the job”?

AA: First off, yes, AIs learn on the job the way humans do. And the faster that we can deploy an AI out into the wild, the better. The problem is that just like humans, you don’t want to let a human out doing a job until they’re properly qualified.

For example, if the human is being trained to serve burgers and be the cashier at McDonald’s, they still go through a fair amount of training to do that job. But maybe that’s, you know, a few days or a few weeks of training. And then they are put out onto the front counter, even though everybody knows that they’re not fully baked yet. In other words, they’re going to learn and get better once they’re actually on the job.

Whereas, let’s say, for an airline pilot, we put them through much, much more training, even though we know once we

put them out, they’re still going...to learn and develop while they’re on the job.

Same with AIs. And the question is, which kind of job are we giving the AI? Is it more like a McDonald’s cashier or more like an airline pilot? If it’s like a cashier, we can give it some training and then put it out quite quickly so it can start learning faster on the job.

What’s in this book for somebody who is a new manager or an aspiring leader?

AA: Sure. I would say there are three things in the book for a new leader. The first is just the mechanics of getting started. The book’s in five sections. Section Three is called “Tools,” and in that section is a kind of “how to” to get started. We introduced this thing called the AI Canvas. The AI Canvas is a one-sheet form, and it breaks down the elements of an AI into seven parts. What we found is that for people who have no technical background—they’ve never written a line of code—they can sit there with the AI Canvas and go through the different parts of their business and figure out, “Okay... here’s one spot where we could put an AI. Here’s a spot where we could put an AI where a prediction tool would give us a significant lift in our business.” So part one is that there’s a “How to Get Started” tool for managers who want to do this.

The second thing is, I would say, this book hopefully gives a sense of motivation.... Somebody recently referred to this period, the development and advances in AI, as a Sputnik moment. They were referring to the U.S.-China competition in AI and comparing it to the U.S.-Soviet Union space race. They said, “This is our Sputnik moment.” And I think they’re right, but it’s not just for defense or military. It’s for everyone. In management, we get a Sputnik moment once in a generation. In other words, you don’t get one every year or even every few years. So for anyone who’s just entering that phase of their career, this is it. This is their moment.

Many will take a wait-and-see attitude, like let’s see how this unfolds and let’s see what other people do.

So I think the second thing this book does is it gives people, for those that are interested, the motivation that this is a Sputnik moment; it will come once in their professional career, and some fraction of those people will want to seize the moment and go for it.

And the last point that the book I think gives is a sense of urgency that, in other words, this is not a thing you can just wait and see [about]. It’s rolling into town, and it’s coming with a reasonable, swift approach. So for those that are inclined and interested, I think there’s a fair amount of urgency to lead in this domain. [AQ](#)

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Maintaining a Unique Culture **A Winning Strategy for MANAGING CHANGE**

BY MARCI EISENSTEIN

The professional services industry is experiencing rapid change due to shifting client and market demands, and the legal profession is no exception.

Companies can use their culture to weather monumental changes and come out stronger and healthier.

On a late January morning more than two years ago, I walked into our office expecting a relatively routine day. Within moments, I was facing a situation that—for our firm—was extraordinary. A group of long-tenured lawyers, some in leadership positions, abruptly announced they were leaving to start their own firm. What followed was much like a divorce—with all the good, the bad, and the ugly that accompanies such a dramatic split.

But that split was a catalyst for changes that helped bring us to where we are today. We are a stronger, more sophisticated firm now than we were then, buoyed by a bulletproof culture that helped us thrive through one of the more notable transformations in Schiff Hardin's rich 150-year history.

Of course, transformational change does not happen overnight, nor is it easy. It's a process that may require bucking some longstanding tenets of corporate or organizational culture and structure. As the first female managing partner of Schiff Hardin, a mid-size national law firm headquartered in Chicago, I understood that change is an imperative and can generate enormous opportunities. I knew that for us to succeed in an environment of both increased competition and significant pricing pressures, we were going to have to double down.

My mandate became clear: Identify and encourage the development of policies and practices to further deepen and enrich the aspects of our culture we value, adapt to the new realities facing our industry to remain dynamic and competitive, and position us for the future in a way that reflects on our storied past.

KNOW YOUR INDUSTRY

For starters, I had to take an inventory of where we stood. While the only constant in business is change, law firms today face existential change on a number of fronts. Gone are the days when a firm was virtually guaranteed success simply by building a stable of outstanding attorneys with loyal clients. In previous generations, the norm was that attorneys remained at the law firm they joined as entry-level associates for the duration of their careers, from promotion to partner and until retirement. That longevity enabled a law firm's culture to be developed and preserved over time. Now attorneys at every stage of their careers have opportunities to move, so law firms have to work hard to retain their homegrown talent.

Bringing on the best and the brightest remains important, but law firms also face significant challenges as a result of new technologies that make the practice of law more efficient through automation. Those innovations have also made the clients we serve more sophisticated, allowing them to review

and measure pricing, outcomes, professional histories, and more. This change has ratcheted up expectations and competition in the industry, creating a buyer's market.

While some law firms are responding to market changes by creating service behemoths through mergers and acquisitions, we purposefully chose a different path. We did not want to grow simply for growth's sake. We wanted to keep the positive aspects of our uniquely independent culture. So we set out to strategically invest where we were already strong, while nurturing a culture that values both independence and diversity and understanding what clients need.

AMPLIFY YOUR CULTURE

Our culture is what sets us apart, what attracts a certain kind of person to work at the firm and do business with us. In many ways, it is the glue that binds us together. Culture is especially important in a law firm partnership, which depends on collegiality, cooperation, and teamwork to deliver sophisticated legal services. Over the course of the firm's history, we have developed a specific set of values that are intrinsic to how we do business. These qualities are our foundation, and in the midst of change, it is especially critical to embrace and find ways to enhance them.

Clearly identifying what is nonnegotiable allows us to more easily map out our future course. For us, those concrete beliefs include treating our clients' issues as if they were our own, maintaining a collegial workplace in which we really support our colleagues throughout their careers, promoting diversity in all its forms and, importantly, hewing to our intention to remain independent.

First off, the professional services industry—at its core—is based on relationships, even in an environment that relies on email communication and artificial intelligence.

A March 2018 article in the *New York Times* gave some illustration of the value of personal service over even the savviest of technology. Finance writer Scott James conducted a "beauty contest" between a personal banker at a nearby financial institution and a robo-advisor, a piece of FinTech, or financial technology, that used a computer algorithm to choose investments. Although the computer model outperformed the banker by 50%, that factor alone—at least initially—did not win the day because of the strong rapport James and his spouse developed with the bank employees.

"That trust and personal touch was more important than just returns, and we were not alone feeling this way," James wrote, citing research by MIT's AgeLab showing that "when working with their financial advisers, investors value personalization over expertise."

In the battle of people versus FinTech, people won—at least temporarily. Ultimately, however, the writer went with the robo-advisor, as it produced better results.



“Our goal is to create an environment where our lawyers truly know one another and like working together whether they are with us for one year or their entire career.”



Although an algorithm can produce good financial results, there are no “robo-lawyers” that can deal with the intricacies of the law. This makes trust and personal touch with clients an even more important factor. In that same service-oriented spirit, we recently launched a new arrangement with a major client where we have hired and trained a group of attorneys to primarily service that one client. The program was designed to provide more predictability in the client’s legal budget, while allowing us to expand and deepen our knowledge of the client’s business needs and enhance our relationships with its internal teams. It is a win-win situation. Unique approaches like this have helped our firm adapt to a shifting legal market, strengthen the business, and prove to our employees that we mean what we say and will take risks as a result.

COLLEGIALITY COUNTS

Your employees are your brand ambassadors when they’re out in the world, so you want them to share positive messages about your workplace. They are our greatest assets and best investments, and we need to constantly support and nurture them.

I don’t want to paint too rosy a picture. There are difficult times in the life cycle of any organization that require saying goodbye to good people. But if you’ve done your job during the upcycles, even those who move on should have kind words about your company. Our goal is to create an environment where our lawyers truly know one another and like working together whether they are with us for one year or their entire career.

In a mid-size company like ours, no one has the luxury of fading into the woodwork. Everyone has to be engaged and invested in the firm’s success. At Schiff, we prioritize developing the careers of our attorneys and the next

generation of leaders. We appoint younger attorneys as deputy practice group leaders to provide them with professional growth opportunities, and we include them on the firm’s hiring and recruiting committees. Many of these younger voices are tech-savvy, allowing us to identify and apply technology to achieve operational efficiencies. We also offer a legal writing coach on staff, and our “Schiff University” program conducts lunch-and-learn opportunities that anyone can attend, either remotely or in person. Topics cover everything from how the firm works financially to tips on “managing up.”

Mentoring more junior employees, not only regarding their career paths but also in the finer points of client service, helps build trust and collegiality. To foster an environment of excellent client service, our practice groups conduct primers for attorneys in other practice areas. That way, all lawyers know what capabilities the firm offers and can confidently recommend a colleague to a valued client. These “tag teams” are also enormously helpful in giving our teams the full context of the issues our clients are facing so that we can serve them as world-class trusted advisors.

DIVERSITY DEFINES WHO WE ARE

Perhaps the most invaluable stronghold of our client teams and organizational culture through change is diversity. It is nonnegotiable for the long-term financial health of a law firm or any company that seeks to attract great talent. As the world becomes more interconnected, employing people of different races, genders, cultures, and religions creates a work environment that generates different perspectives on solving our client challenges. In fact, our clients prioritize diversity in their own ranks, and many require law firms to demonstrate their commitment to diversity before being considered for work.

Given that, diversity needs to be a way of thinking about your business and its potential. In a law firm, a consultancy, or any profession that requires the management of more than a handful of employees, diversity offers numerous advantages to the organizational culture and to clients or customers. I say this as someone who had few female role models when I started out in the legal profession more than three decades ago. It's why we have placed women in leadership positions across the firm and in our partnership, heading up practice groups, client account teams, and internal committees.

And we have built a comprehensive benefits package that puts our money where our mouth is. Our industry-leading policies for working parents are just one example. In 2013, we moved to a gender-neutral 18-week primary caregiver leave. We were an early adopter of the Mindful Return program, a series of online courses that help parents transition back to work after taking leave, and of Milk Stork, a service that helps nursing moms store and ship breast milk while traveling for work. And we recently announced a new policy that reduces our attorneys' hours requirements with full pay for the month before and after their parental leave.

COMMUNICATING THE NEED FOR CHANGE

Now for the hard part—convincing people to weather the storm in times of transition. How did we convince more than 300 attorneys and our professional staff around the country to support the firm's transformational vision?

Communication—early, often, and across all levels of the organization—is critical. People are naturally resistant to change, so having open lines of communication is essential to having everyone understand what we intend to do and why we intend to do it. This kind of transparency also creates an atmosphere where individuals are engaged in the organization's success.

During a period of rapid change, the rumor mill is your greatest adversary, with social media as its loudest megaphone. Transparent communication becomes your greatest ally.

When faced with what was a "new normal" for our firm, we worked hard to keep people at all levels in the loop through every change, along with providing thoughtful and logical reasoning on why change is necessary and even positive. We scheduled regular, frequent meetings with everyone from top to bottom—first in small group gatherings, later in all-hands meetings where we repeated our commitment to the firm's culture and core values. We explained our path forward and the rationale behind our strategy. And then, in perhaps the most critical component of our communication strategy, we listened.

The management team, including our seven-attorney executive committee, gained key insights as a result of those meetings. We found this approach to be so valuable that I now regularly meet with small groups of about a dozen

"Communication is critical. People are naturally resistant to change, so having open lines of communication is essential to having everyone understand what we intend to do and why we intend to do it."

lawyers at a time—including groups of our most junior associates—and just talk about issues that are facing the firm or are on the minds of my colleagues. In these smaller settings, people feel more comfortable expressing their thoughts and asking questions. I am fully committed to answering their questions as candidly as I can. And when I can't answer their questions, I explain why or get back to them with answers.

As a bold illustration of how well we have fostered this two-way communication in recent years, one of our senior associates gave a presentation at a recent all-firm meeting where he spoke candidly about why he had, during a period of choppiness, seriously considered leaving. Senior partners encouraged him to stay, and he eventually changed his mind after we talked. In all actuality, we mostly listened—a vital and too often overlooked attribute for managers that I can't emphasize enough. The critical factor is that he knew we heard him and that we wanted to understand his concerns. In the end, he renewed his commitment to the firm and now serves as an important ambassador.

BE AN AUTHENTIC LEADER

Navigating the ordinary-turned-extraordinary with your culture front and center means that you better have an authentic leader in the driver's seat. As a woman who came up in a male-dominated profession, I had to trust my own instinct, and frankly, go with my gut. Never underestimate the value of being forthright and transparent.

Finding my own voice as a leader was one of the most liberating experiences of my career. And more important, it became a catalyst toward the organization we are today—an atmosphere of mutual trust and respect with attorneys and staff. [AQ](#)

Marci Eisenstein is a managing partner, executive committee leader, and practice group leader, Class Actions, at Schiff Hardin LLP, a Chicago law firm. She remains among a handful of female managing partners in big law firms across the United States. Eisenstein is also a strong mentor and champion for diversity in the legal profession. She was a founding member of the firm's diversity committee in the early 2000s.

INNOVATION

In the New Age of Agility, Organizations Must Innovate to Compete

DISRUPTION
IS HIGH

Only **60**
of the **FORTUNE 500**
companies from **1955**
are still on the list.¹

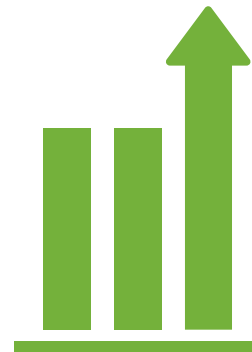


Between **2009** and
2014, large companies
lost **2.0 POINTS** of
market share—

\$18 billion
in lost revenue—to
smaller businesses.²



93%
of executives believe
that “**organic growth**
through innovation
will drive the greater
proportion of their
revenue growth.”³



Agile, **CUSTOMER-FOCUSED** innovation techniques, such as **DESIGN THINKING**, help organizations rapidly prototype new products and services in response to market needs.

¹ www.aei.org/publication/fortune-500-firms-1955-v-2017-only-12-remain-thanks-to-the-creative-destruction-that-fuels-economic-prosperity/

² www.foodnavigator-usa.com/Article/2015/04/06/Large-firms-fight-back-as-small-companies-steal-market-share-study

³ www.visioncritical.com/stats-product-innovation/
⁴ uis.unesco.org/apps/visualisations/research-and-development-spending/



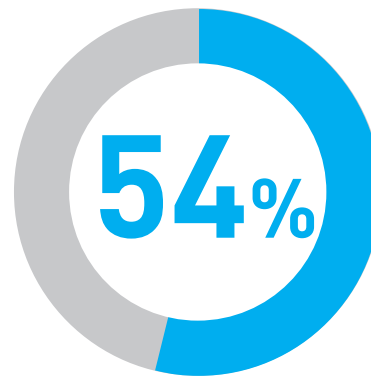
Innovation Requires More Than a Budget



Global spending on **R&D** has reached a record high of almost **US\$1.7 trillion**.⁴

Yet, **R&D SPENDING DOES NOT** necessarily **INCREASE PROFITS**.⁵

In fact, there is **NO** statistically significant **RELATIONSHIP BETWEEN R&D SPENDING** and sustained **FINANCIAL PERFORMANCE**.⁶

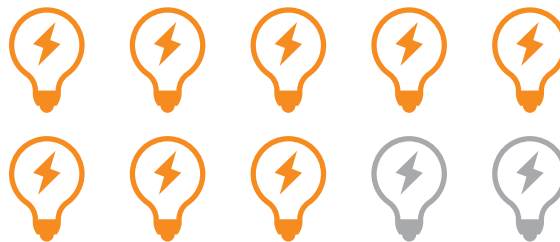


of executives struggle to align innovation strategy with business strategy.⁷

Organizations Must Build the Right Skills

Success in innovation depends on the effectiveness of a company's innovation and organizational processes.⁸

8 out of 10 successful "REINVENTORS" report having an exceptional ability to use data to identify unmet customer needs.⁹



For more information, check out **AMA's Thinking and Innovation Resources**
www.amanet.org

⁵ www.ipeg.com/rd-spending-does-not-necessarily-increase-profits/

⁶ www.forbes.com/sites/tendayiviki/2016/08/21/why-rd-spending-is-not-a-measure-of-innovation/#6c2ae479c77d

⁷ www.pwc.com/us/en/advisory-services/innovation-benchmark-findings.html

⁸ www.ipeg.com/rd-spending-does-not-necessarily-increase-profits/

⁹ public.dhe.ibm.com/common/ssi/ecm/98/en/98013098usen/incumbents-strike-back.pdf

DESIGN THINKING

A Customer-Centric Process for Rapid Innovation



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- Stimulate and harness the kind of collaborative energy around new ideas that's missing in your organization?
- Produce ongoing solutions to the underlying problems that have kept your business stagnant?
- Help your business survive and thrive?

Design Thinking is being adopted by the world's most dynamic companies as a way to help innovate more effectively, add economic value to the business, and solve some of the most pressing problems—whatever the industry.

When applied as a team or organization-wide strategy, **Design Thinking** provides a proven, repeatable, creative and collaborative problem-solving methodology to reframe problems and generate more rapid, empathetic and innovative products and services.

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The Design Thinking process includes:



Involving key stakeholders when conducting valuable research



Creating and testing ideas that put the customer front and center in the equation



Prototyping and revising your assumptions regularly to validate that the idea is viable



How (and Why) to Be a **BETTER CAREER MENTOR** to **WOMEN**

BY MILDRED HASTBACKA, PhD

If you want to help women get up the executive ladder, being a mentor involves more than giving pep talks.



“The right mentor can play a prime role in helping mentees prove their case that investing in them—through courses, training, fast-track programs, exposure to upper management, and the like—is the right move.”

Formal career development programs have all but disappeared as organizations have become flatter, employee mobility has skyrocketed, and the perks of a high salary and stock options draw talent even to risky, short-lived startup companies that do not encourage a steady career track. In the context of this dynamic career environment, aspiring women leaders and managers face a challenge: developing a convincing case for human resources and senior management that “investing in me is the right move.” In this situation, a skilled mentor can be a powerful ally to women mentees in their professional and career development.

Much more than a sounding board, the right mentor can play a prime role in helping mentees prove their case that investing in them—through courses, training, fast-track programs, exposure to upper management, and the like—is the right move. Moreover, mentors can help women mentees figure out what the right moves are at the right time. This article explores some new, unexpected, and overlooked ways that a mentor can be a more effective career development ally to women mentees.

THINK STRATEGICALLY, KNOW THERE'S A PAYOFF

Mentoring is one of the business processes available for managing employee resources, but too often, to a mentee, mentoring “looks” and “feels” as if it’s decoupled from business strategy. At best, mentoring seems tactical and, according to some, like a bureaucratic, check-the-box-type activity that drains management resources from the “important” moneymaking activities of the business.

All stakeholders in the mentoring process—the company, the mentor, and the mentee—benefit when mentors think and act strategically. And the benefits to a firm’s financial performance have been shown to be tangible and quantifiable.

What business roles have the greatest return on investment as measured by revenue and economic growth? The Peterson Institute for International Economics (PIIE), in collaboration with Ernst & Young (EY), explored this very issue. The scope of their study was broad and deep: approximately 22,000 publicly traded global companies, 91 countries, and a range of industries and sectors. The results

of the study were published in a 2016 report titled “Is Gender Diversity Profitable? Evidence from a Global Study.” Among the reported findings and related implications:

- An organization with 30% female leaders could add up to 6 percentage points to its net margin
- Payoffs from policies that enable women to rise through the corporate ranks could be significant
- The largest economic gain came from the proportion of female executives within a company, followed by the proportion of female board members
- There is a “robust and positive” correlation between having female management, and presumably a pipeline of female future leaders, and increased firm profitability

The Peterson research suggests that there is plenty of opportunity to improve the proportion of women managers across all the industry sectors studied. Among the firms studied, the highest proportion of female executives was only 16% to 18% (in the financial, healthcare, utility, and telecommunications sectors). The lowest proportion was 10% to 12% (in the basic materials, technology, energy, and industrial sectors).

Think about this: An organization with 30% female leaders could add up to 6 percentage points to its net margin. Mentors and managers, if you were challenged to add 6 percentage points to your company’s net margin, how would you do it? If you haven’t yet elevated the formal mentoring of women for the purpose of developing a pipeline of female future leaders, you’re ignoring a strategic business process with demonstrated power to improve profitability.

EXAMINE YOUR MENTORING PROCESS

You likely have all the necessary elements in place to implement an effective mentoring program. Whether you’re just beginning such a program or already have one in place, consider the following diagnostic checklist of effective mentoring practices to learn where you may want to make improvements to your process:

Is mentoring a priority? Mentoring is a management activity, not just a management responsibility. A mentor proactively and directly interacts with those being mentored.

If you're a mentor and your mentoring activities appear at least twice a week on your calendar, you are visibly and actively making mentoring a priority for both you and your mentee.

How visible are your mentee's assignments to upper management? Mentored employees should be assigned a "real" project as soon as they join their work units. The new staff member and the mentor need to quickly develop a sense of where and how the mentee can contribute to projects that matter.

If the mentee's project is important enough to show up on the monthly or quarterly general management review agenda, it's a highly visible assignment.

How and how often do you review progress on assignments with your mentee? Mentors should schedule a weekly review meeting for each project in which mentored staff members participate. Ask the new employees to prepare written weekly summaries in advance of the review meeting. The entire project team and the mentees benefit from this discipline of preparing written summaries in advance.

If your mentee proactively contributes to the review meeting discussion and development of next-step action plans, you know you've been effective with respect to advancing her personal professional contributions.

What resources are available to help your mentee learn and navigate the workplace culture? Mentors should introduce the new mentee to established staff members who can serve as resources for questions related to the key support tasks of daily life in the workplace. Some examples of these key tasks include timecard practices, ISO quality procedures, purchasing procedures and, equally important, the "unwritten" rules of life in the work unit and the company. Check back with the mentee to learn if there are any other procedures that need to be covered. If resources are available and in place for the mentee to tap into, you've effectively and usefully expanded her internal network.

How does your mentee learn about external market and industry dynamics that affect your business? Mentors should schedule regular one-to-one "touch base" meetings not associated with performance evaluation activities with mentees. These meetings should be office-based but without a formal agenda. The purpose is to allow time for the mentor to discuss company-related topics not necessarily connected with ongoing projects—and for the mentee to do the same. These more free-ranging conversations allow mentors to introduce forward-looking topics such as changing market or industry dynamics and the company's planned responses to them. If you're having touch-base meetings at least once a week in the first three to four months of the mentee's employment, you've increased your mentee's perspective and knowledge regarding issues affecting the business and, thereby, increased the value-add potential of her decision making.

What are the opportunities to transition a mentee to assignments with greater responsibility/autonomy?

Mentors should treat mentees as adults, even if they are "junior" staff based on age or experience. Mentored employees are with your company to contribute, and they want to contribute to the real project to which they've been assigned. If the mentee is surprised that she is successfully doing more advanced work or exercising more responsibility than she expected, then you've taken the first step toward making your mentee ready for greater responsibility or autonomy.

What access does your mentee have to needed domain or subject matter experts in the company?

Both mentor and mentee should recognize and use the goodwill that usually exists among more experienced staff toward new, less experienced staff members. As the need arises, the mentor should identify more senior people who can serve as a resource for project-specific issues that arise during the course of the work. For mentees, input from senior staff can help get projects "unstuck." For senior staff, having a mentee succeed after following the guidance they provided is gratifying. Watch for indications that mentees are engaging with senior staff, even if informally during coffee breaks or in the office. If you see this engagement, especially on a regular basis, you again have expanded your mentee's internal network in a value-added way.

Do your mentoring processes reflect needs unique to mentees "fresh out of school"?

Employees with little or no experience in a corporate work environment benefit from mentoring that addresses issues specific to that situation. Aside from all the items addressed in the previous diagnostic/checklist points, there is the additional issue of these new-to-business employees being unfamiliar with aspects of business that experienced employees take for granted. These aspects include company/business vocabulary, the company's business and financial objectives, top-down and horizontal communications, and the ways in which different departments interact with each other.

Review the content and format of your orientation sessions, perhaps with the input of a fresh-from-school employee who joined a year or two ago, to identify gaps in your existing onboarding practices and how to fill them.

Do you have a mentoring process that specifically addresses senior-level mentees?

A key marker of senior-level employees is strategic thinking. Thinking and acting strategically is a transferable skill—one that enhances a mentee's prospects for advancement to other roles in the company. Through all the mentor-led discussions described above, the mentee herself begins to think and act strategically, strengthening the alignment between her personal professional goals and those of the company.

If the mentee is fully engaged in producing outcomes the company values, she will be noticed—and noticed favorably—

by her colleagues. As a mentor, once you see that happening, you know you've contributed effectively to your mentee's career development.

ENLIST MODELS

As a mentor, you likely understand the difference between your mentee's potential for advancement in the company and her readiness for that advancement. In most organizations, there are three simultaneous prerequisites for formal career advancement: timing, opportunity, and sponsorship. Mentors can be involved in all three, but they can be "make or break" in regard to the timing issue. In fact, you may be the only one who can make an objective and persuasive case that your mentee is professionally prepared for promotion or for a new role at the time that it becomes available.

But what if your mentee's next role requires some additional new skills—skills so critical to success that you're uncertain about her readiness? For example, she's been an effective field sales representative but has no significant contract negotiation experience. Could you endorse her move up to regional sales manager? Or she's a bench scientist in R&D but has limited exposure to customers. Could you endorse her move out to a full-time field technical service representative?

Negotiation and customer-interface skills are only two examples of skill sets that can be learned on the job, through the exposure of your mentee to company colleagues who already successfully practice those skills and can serve as models. These collaborations can be flexible in form and limited in duration, since their function is focused on transferring knowledge and skills from the model to the mentee. Continuing with the "readiness" examples from above:

- The field sales representative is paired with one or two sales managers engaged in preparation and completion of several face-to-face negotiations over a period of one or two quarters. The field sales rep is essentially part of the company's negotiation team, led by the experienced sales managers.
- The bench scientist is paired with a full-time field technical service representative, forming a two-person team dedicated to responding proactively and reactively to field technical service issues over a period of two or more quarters.

A mentor who pairs a model of skills-in-action with a mentee in a successful working collaboration adds significant value to the business by increasing the likelihood of the mentee's success in the new role.

EXPAND METRICS

Business metrics can seem harsh to those subject to them: Annual sales targets are met or they're not; factory output of first-quality goods meets demand or it does not; projects are completed on time, on specification, and on budget or they're not.

These kinds of pass/fail metrics to evaluate corporate and individual employee performance aren't going anywhere. By themselves, however, they don't tell the whole story of the value added by employees. A mentor who views goal setting strategically can broaden the discussion around metrics with his mentee to include specific business activities and related time-based milestones that are necessary, if not sufficient, to achieve the ultimate goal.

Here is an example to illustrate this point: (1) Target sales goal: 10% increase in year-over-year sales; (2) business activities to achieve this goal: identify and call on "x" specific customers; reconnect with "y" former customers; survey "z" existing customers regarding their needs for complementary products and services. Goal 1 is the traditional quantitative sales metric. Goal 2 is the set of specific and measurable value-added activities that relate directly to achievement of Goal 1. Independent of whether Goal 1 is achieved, Goal 2 business activities lay the necessary groundwork for future sales growth. Once successfully completed, these business activity milestones are themselves accomplishments.

When performance metrics center on the "softer" side of employee performance, such as being a team player or knowing when and how to speak up at group meetings, you as mentor might be the only source of insight for your mentee into the unwritten rules that govern the workplace.

For example, what does being a "team player" mean in your environment? What are the signs of not being a team player? In regard to speaking up at group meetings, is the advice "just the facts, ma'am"? Under what circumstances, if any, would expressing opinions be welcome, even encouraged? Missteps in such cultural aspects of the workplace can quickly derail career advancement—and could potentially make an otherwise promising mentee feel discouraged and isolated. A mentor can ensure that her mentee is aware of cultural norms—and help her navigate them.

NOW IS THE TIME

Research findings from reputable firms such as PIIIE and EY continue to substantiate the position that facilitating the advancement of women results in improved business performance. Now is the time to redouble efforts to build and maintain a pipeline of female executives. One of the tools to do so is an effective mentoring process.

Mentors report that mentoring is one of the most rewarding experiences of their professional lives. There is a feel-good aspect to successful mentoring that isn't duplicated by any other management activity. The bottom line: Mentoring is doable, has a payoff to your company, and has a payoff to you as a mentor. Why wait? [AQ](#)

Mildred Hastbacka, PhD, is founder and managing member of Prakteka LLC, a business-focused technology consulting company.



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