The following is a highlighted summary of the book, **What Matters Now: How to Win in a World of Relentless Change, Ferocious Competition, and Unstoppable Innovation...** by Gary Hamel *The statements below are key points of the book as determined by James Altfeld and have been made available at no charge to the user*.

What Matters Now: How to Win in a World of Relentless Change, Ferocious Competition, and Unstoppable Innovation... by Gary Hamel

Do you think you can manager or govern innocently?
Positions of power carry complicated responsibilities.

Right versus Right. Which right do you choose?
It is not about an illegal decision but a right versus might decision.

Managers are the ethics teachers of the company. They define the defining moments and how to deal with them.

What matters now more than ever is that managers embrace the 5 responsibilities of stewardship: (being responsible for the management and well being of someone elses property.

1. Fealty. To view the things and people s/he commands with trust, not personal gain.
2. Charity. To put the interest of others ahead of oneself.
3. Prudence. Safeguard the future. Not taking too great advantage of others or the present.
4. Accountability. A sense of responsibility for one's actions.
5. Equity. Rewards are distributed based upon contribution and not power.

We need a values revolution in business . In a 2010 Gallup Study, only 15% of respondents rated the ethical standards of executives as high or very high. Nurses came in first at 81% and corporate lobbyists at 7%.

The question for us all in business is: Are you going to be a Values Leader or a Values Laggard? It's easy to nail the other guy, especially when he gets caught, but what about you? To be a good steward means having and holding to good values.

We all have our own self-interests. It's what makes us human. Which is where our values come in to play. Having a set of ethical principles can ensure that our enlightened self-interest doesn't go unchecked and cause a meltdown within the company.

As a manager or executive, your stewardship obligations extend far beyond yourself and your family. With that in mind, let's assume the following five things to be true:

1. Your widowed mother has invested her life's saving in your company. She's the only shareholder and that investment is her only asset. Would you ever think of sacrificing the long-term for a quick payout or taking a gamble that could cost her everything?
2. Your boss is your older brother with whom you get along. Would you ever hesitate to be open and honest with him? Would you ever feel a need to suck up to him?
3. The people who work for you are your old friends since grade school. You grew up with all of them. Would you ever treat them as just Human Resources in the company? And like with any friendship, isn't it really a two-way street?
4. Your primary customers are your kids. Would you ever deceive them or take advantage of them? Would you ever exploit them?
5. You are wealthy beyond all your dreams. You have so much money that it's obscene. You work because you want to, not because you have to. Knowing this, would you ever sacrifice or compromise your integrity for a promotion a better performance review?

Why not think this way even though all of these things are not true? We need to make decisions based upon a bedrock of values.

Too many bad things tend to happen when self-interest slips the knot of its ethical moorings.

Capitalism is about making money which means it is also about feeding our self-interests. However, untamed by moral self-discipline it can easily become mendacious. When that happens, the powerless get abused and the ignorant get duped, legislators get bough and safeguards get trampled.

As a manager, supervisor or executive, it is up to you to have the moral courage to hang on to your values, your ethics and your integrity in spite of what you may see going on around you. This means having to speak out when you find your own values and your own integrity being compromised.

If we are to have a world worth inhabiting, each and everyone of us must have the courage to do a "fearless moral inventory".

Business and capitalism are getting a well-deserved, self-inflicted bad rap because it has lost its ethical mooring.

John Mackey, the founder of Whole Foods decided he wanted to build a company based upon trust, generosity, and forbearance.

Why is it that as managers, we are perfectly willing to accept the idea of a company dedicated to timeless human values, like love, generosity, fun, trust, etc., but are, in general, unwilling to become practical advocates for those values within our own organizations? Why, when it comes to work, should those things feel so wildly out of place?

Mistakes Rule: If it were not for mistakes, accidents and mutations, none of us would be here right now!

As a Manager, ask yourself and your employees to list all the thoughtless little ways we irritate our customers and what we can do to change that? Then ask, what are all the small, unexpected delights we could deliver to our customers at virtually NO additional cost?

On Innovation: Successful innovators have ways of looking at the world that throw new opportunities into sharp relief. They have developed, often by accident, a set of perpetual habits that allow them to pierce the fog of "what is" and catch a glimpse of "what could be." How do they do this? By paying attention to the following four things:

1. Unchallenged Orthodoxies - They challenge the beliefs that everyone else takes for granted. They ask tough questions like, What makes our business model indistinguishable from our competition? To what extent is our value proposition, service bundle, pricing, customer service, customer support, distribution, or supply chain differentiated? What aspects of our business model offerings have remained unchanged over the past 3-5 years.
2. Underappreciated Trends - Innovators pay close attention to emerging trends. They don't waste a lot of time speculating about what might change. They pay a lot of attention to the little things that are already changing but have pretty much gone unnoticed. They are always on the lookout for discontinuities. They look in places that the competition doesn't. The innovators go out into the world to seek new ideas and learn new things. They never confine themselves to inside their own company. They ask themselves, what things that I've seen, read or heard about are surprising me and why? Which ones seem to have momentum behind them? Are there expanding trends? What chain reactions do I see happening as a result of what is now just occurring? How can we exploit them?
3. Underleveraged Competencies and Assets - Innovation gets stymied when a company defines itself by what it does rather than by what it knows or owns. To innovate, we need to see ourselves as a portfolio of skills and assets that can be endlessly combined to form new products, services and businesses.

4. Unarticulated Needs - The goal with innovation is to amaze customers with something they never could have imagined, but having once experienced it, can't live without it. To do that, you must uncover their unspoken needs. You can't ask them what they want because like everyone else, they are prisoners of the familiar. Instead, we need to observe them and reflect upon what we've learned. Where are we wasting their time? Where are we making things overly complex? Where are we treating them like numbers instead of people? Where are we forcing them to solve problems we should solve for them? We need to be able to read the emotional state of the customer. To do that, we need to go out and spend time with them.
    a. Discovering: How does a customer become acquainted with our products and services? What prompts their awareness and outreach?
    b. Learning: How does a customer get smart about our products and those of our competition? Where do they go to learn and compare?
    c. Buying: How does a customer transact with us? What are the dynamics of the purchasing process?
    d. Acquiring: How does a customer take delivery of our product or service? What are the logistics involved in getting it from here to there?
    e. Using: How does a customer use our products and services? What do they have to do to take advantage of the benefits we provide?
    f. Connecting: How does a customer interact with our company post-purchase? What interactions promote loyalty and affection, versus frustration and disenchantment?

As a customer do they feel:

Valued and Trusted
Informed and Respected
Informed and Confident
Involved and Engaged
Amused and Engaged
Empowered and at Ease

Or

Neglected and Mistrusted
Misinformed and Belittled
Ignored and Confused
Bored and Alone
Helpless and Anxious

Ask your team to identify a product or service that dramatically reshaped their expectations – something that made them go WOW!! THAT'S AMAZING!! Next, ask them what were the attributes of that experience that made it so memorable. How did it defy expectations? How then can we leverage this information and ideas to redefine customer expectations in our own industry. (Ideas like an on line algebra course that is as engaging as World of Warcraft? A grocery store with a dedicated check out line for frequent Gold Card buyers? What can you do to look beyond the ordinary?

So, how does YOUR company shape up under this comparison:

Be Passionate	Be Rational
Lead, don't follow	Be Cautious
Aim to surprise	Aim to Satisfy
Be Unreasonable	Be practical
Innovate incessantly	Innovate when necessary
Sweat the details	Get it mostly right
Think like an engineer	Think like an engineer
And feel like an Artist	And feel like an Accountant

Too often we equate good value with low price. Instead, good value should mean OUTSTANDING VALUE for the price!!

One of the most important questions to be asked is: Are we changing as fast as the world around us? For far too many, the answer is a resounding NO! It's the insurgents who are winning, not the incumbents. It's Google, not Microsoft. It's Hundai, not Chrysler. It's Amazon, not Barnes and Noble. It's Apple, not Nokia. It's Vizio, not Sony.

Mobil phones went from Motorola in 1983, to Nokia, a decade later, to the Blackberry in 2002, to Apple in 2007. Social media went from Friendster, to MySpace to Facebook in less than a decade.

The only thing that remains certain is that your company will be challenged to change in ways for which there is no precedent. Your company will either adapt or falter, rethink its core assumptions or fumble the future. And chances are it's going to be a fumble. It all comes down to how well your company is prepared to adapt.

If your company has taken off like a rocket, the challenge is to keep it in orbit. Otherwise, its trajectory path will see it go way up and come down hard. It all comes down to adaptability and seeing the future. Best Buy missed it and Netflix took the delivery of movies to the home. Coke missed it and Gatorade took the sports drink market. GM missed it and Toyota took the Hybrid.

An adaptable company is always reinventing itself and pioneering new markets. It is constantly exploring new horizons and thereby attracting and retaining talent. When a once successful company begins to list, the most talented don't stick around. And an adaptable company is proactive in responding to their customers' emerging needs.

Most companies are taken hostage by their own heritage and locked up in the prison of precedent. (NOT GE). We hit institutional inertia. We get run over by change. We are either moving forward or going backwards, but there is no standing still. Things used to stay the way they were for decades. Not any longer.

Too often, the organization will get better but it doesn't get different, which in the long run will prove to be its demise.

"But this is how our business works!" Yeah, until it doesn't. We need to be confronting the future, not discrediting it.

The point of a newspaper is to connect people with the events that are shaping the world, not to distribute newsprint. For NCHS, it is to improve the quality of life for its patients, not deliver product. For colleges and universities, it is not to provide a grand setting in which a small number of carefully screened and highly privileged students can acquire the exclusive credentials they will need to penetrate the ranks of other similarly elite institutions. It is there to provide an education! What if instead of educating a few 100 MBA students each year, the goal was a few thousand!

Too often, the leadership has sworn allegiance to the status quo and strategy decay sets in. they get defensive. They become inflexible in their thinking and openness to change. They become fossilized in their thinking. They think they are way smarter than anyone else out there because they're making money. And then, they're dead.

Just what ARE your competencies and incompetencies?

This	Versus That
Don't screw it up	Don't play it safe. Play to win, don't play not to lose.
They wish they had our Resources	They're glad they don't have our fixed costs
This is how we make money	So far as we know.
We're the leading player In our segment.	How are we different from all the companies that Used to be the leaders in their segments?
Strategy is easy. Execution is hard.	Strategy is easy because we haven't created one that Truly differentiates us.
We are outspending our nearest Competitors 2:1.	Do customers think we are out innovating our Competitors 2:1?
That's not part of our strategy	Because it's dumb or because it threatens the status quo
We're the biggest	So was the Titanic
Our most valuable asset is	How would the competition turn that into our greatest liability?
We're really focused on…	What else are we then not focusing on?
That's how we built this company	What got us here won't get us THERE!

Government versus the Private Sector:

Think about your last experience going to the DMV. How did it match up to the experience you had buying a Kindle through Amazon? Without the threat of defecting customers, hostile take overs, and bankruptcy, the only thing that keeps public sector bureaucrats on their toes is the surveillance of more senior bureaucrats, who are even further removed from the point of service.

Do companies die untimely deaths? No. they die when they deserve to die. When they have shown themselves habitually unable to meet the demands of their stakeholders. They don't die from natural causes. They may die from predictable causes, but predictable is not the same as inevitable. They usually die from suicide, from the decisions made, and not made, that rendered the institution unfit for the future.

You can't outrun the future if you don't see it coming.
Companies miss the future not because it was unknowable, but because it was disconcerting. The future is an invisible place until you start thinking about it and your own realities. Having your emotional equity invested in the past will kill any company. Spend an hour a day or a couple days a month checking into the future. Get outside your company and talk to others. Go future hunting!

An adaptable company requires adaptable minds.
Challenge assumptions. Think about how you can Enchant your customers, rather than just satisfy or please them.

Diversify.

Minimize the cost of your experimentation. You want to take more bats at the plate, but to do that, you will need to learn how to experiment more cheaply. Learn early, learn cheaply, learn fast –

Morning Star tomato processing company has a culture of self-managed people and no bosses. Their org chart is as flat as a pancake.

Flexibility: Keeping a diverse portfolio is a great idea. It allows you to decouple its fortunes from the fate of any particular market or product category. This requires having a definition that is elastic and extensible and built upon competencies and not products and services.

Adaptability: It means having variety and trying lots of things. It means decentralization. It means marrying resources.

Incongruences: How do you feel about a doctor who kills more patients than s/he cured? Or a teacher whose students get dumber throughout the school year. How about a police detective who commits more murders than he solves? What if you realized that this was not the exception but the rule. You'd be outraged and perplexed to say the least.

Why then are we complacent when all the data shows that the majority of managers are more likely to douse the flames of employee enthusiasm than to fan them?

In the 2007-08 Global Workforce Survey conducted by Towers Perrin, barely 1/5th of the employees surveyed were truly engaged in their work, in the sense that they would go the extra mile for their employer. Nearly 4 out of 10 were mostly or entirely disengaged, while the rest were somewhere in the middle. So, why is it happening and why are we tolerating it?

1. Ignorance: May be that the managers don't even know their employees have become disengaged.
2. Indifference: May be the managers just don't care.
3. Impotence: May be that they feel there isn't a damn thing they can do about it, even though they'd like to.

In a world where customers wake up every morning asking, What's new, what's different, and what's amazing?, success depends on a company's ability to unleash the initiative, imagination and passion of employees at all levels, and this can only happen if all those folks are connected heart and soul to their work, their company and its mission.

The Hierarchy of Human Capital at Work

Level 6: Passion
Level 5: Creativity
<u>Level 4: Initiative</u>
Level 3: Expertise
Level 2: Diligence
Level 1: Obedience

You can't build a winning organization with just Level 1-3. They are global commodities you can buy anywhere. Employees with initiative don't wait to be told, they jump in and fix it. Creative types are hunting for great ideas and always challenging conventional wisdom. And the passionate ones see their work as their calling and a way to make a difference in the world. Where other employees are present, passionate employees are engaged. Also, these people need to be seen as gifts, for you cannot command someone to be passionate, creative or take initiative.

Throughout history, which does not go back all that far, managers have seen their primary task as ensuring that employees serve the organization's goals – Obediently, Diligently and Expertly.   Today, instead of Organization first, humans second, we need to flip that. We need to be building organizations that deserve the extraordinary gifts that employees could bring to work. The Most Important Task for any Manager today is to create a work environment that inspires exceptional contribution and that merits an outpouring of passion, imagination and initiative.

In the Towers Watson study, it actually showed that 86% of the people loved or liked their jobs. The three things found to hold employees back were: A. The lack of opportunities for growth or advancement. B. The company's reputation and commitment to making a difference in the world. C. The behaviors and values of the organization's leaders.

The study showed that only 38% of employees believe that senior management is sincerely interested in employee well being. Fewer than 4:10 agree that senior management communicates openly and honestly. And 44% believe that senior management tries to be visible and accessible. Less than half believed that senior management decisions were consistent with the company's values.

The problem is not that the work sucks, it that management sucks!

We trust those who have our best interest at heart and mistrust those who seem deaf to our concerns.

There are fundamental things that hold all companies together and that's Values. They define how we're going to treat each other and trust is at the center of it. The values embedded within a company tell you what behaviors get rewarded and reinforced and which ones get discouraged. The values tell you immediately if this is a company that believes in and encourages its people. Does it foster a collaborative or competitive spirit? Does it encourage knowledge sharing? The key here is not just to have values but to live up to them. If the actions of the people, especially the senior management is out of synch with the values, you have trouble.

MANAGERS

A top heavy management structure is not only tyrannical, it's expensive. The idea of Managers managing other managers is not the best situation. Sounds much like the government, doesn't it? In most situations like this, managing accounts for about 33% of the company's payroll. And for this amount, they are expected to do what? Keep the organization from collapsing under the weight of its own complexity!!

The most powerful managers in most organizations are the ones furthest away from frontline realities. Give someone monarch-like authority, and sooner or later there will be a royal screw up.

Finally, multi-layered management structure creates friction. Proposals made low in the ranks have to face an approval gauntlet that they make their way up the hierarchy. More layers mean longer decision cycles (with NCHS it could take an eternity) slower reaction time and potentially missed opportunities. Managers at the top too often impede rather than expedite.

What does a company get in return for its managers efforts. The first is control. But with a self-managed employee mentality, do you really need that? The other is coordination. Managers harmonize, synchronize and integrate, at least they are suppose to. They are the rivets that hold an organization together, by connecting activities, teams, programs and departments. These people are to sit above the fray and see the big picture from above. But truly, how often does that happen?

Why can't we have coordinated human activity without top down control? Every day, people get fed in NYC, Chicago and Los Angeles with no one at the top directing anything. Everyone just knows their job and their role, from the farmers, to the packers, to the wholesalers, truckers, supermarkets, employees, restauranteurs, and caterers. There is no one orchestrating this symphony. It just gets done.

Welcome to Morning Star. It has 400 employees and no bosses. Everyone is self-managed and his or her own boss.

Will be self-managing professionals, initiating communications and the coordination of their activities with fellow colleagues, customers, suppliers, and fellow industry participants, ABSENT DIRECTIVES FROM OTHERS!

Every employee is a key element of the company. With each member of the business unit having his or her own personal mission statement and being solely responsible for fulfilling it, we are moving one step closer to having a self-managed department. A self-managed person initiates communications and the coordination of their activities with fellow colleagues, customers, suppliers and fellow industry participants, ABSENT DIRECTIVES FROM ABOVE. Those last four words mean they are not relying upon you for direction. They know. This allows YOU to spend more time working ON the department than working IN the department.

In addition, everyone gets to read and see everyone else's Mission Statement and can provide input and suggestions. Each person, because they are solely responsible for their own mission, may or may not accept the suggestions, but they do have to hear them.

FROM THERE: This is where the MAPPING comes in. Each person needs to see and understand what it takes for them to complete their Mission. So often, we all get bogged down just doing the job, that we fail to see all the people, departments and papers we touch. That Map does that for them. They get to see not only the people they touch within Reimbursement, but in all the other departments, as well as those outside the company. Where we need to go with this is to create contractual agreements. That each person in Reimbursement, armed with their Mission Statement and Value Stream Map, must then sit with each person within NCHS that directly or indirectly impacts their ability to complete their mission and come to terms and agreement with them. That both parties not only agree that from this day forth, we will provide X by Y, put it in writing and sign it.

Both the Mission Statement and Contracts get reviewed/revised annually. Before that happens, your team meets as a group to discuss the challenges it has faced, how the program has worked, and share personal development goals each of them has set for themselves.

And the way people advance within Morning Star is through personal improvement. The better they get and the broader their capabilities, the higher the reward and the greater the responsibilities. It is not a matter of concern for the title or the Position, but about a sense of accomplishment and getting really good at something. Master, Craftsman, Apprentice. It's about competency and reputation, not the office held.

Leaders need to create an environment that allows people to be passionate about their work. It isn't about telling people what to do, it's about trusting your people to think for themselves, after being educated, trained and taught. Then it is up to them to improve on what they have. This means providing each and every employee with as much information as you can. To do the right thing, people need information in order to know what Right Is.

What's more, people have the authority to spend money, but must justify it. And others may ask, WHY and question the spending at any time. And if a business unit makes a bad investment, you can bet they will be ridiculed for it. They will also have a hard time selling their case again in the future. Furthermore, no one person can kill another person's ideas.

In settling disagreements, two parties will select an internal mediator. If that does not satisfy the situation, it then goes to a panel of six colleagues to settle it. If that doesn't work, the owner will step in, hear both sides and make the call. It is a very fair process.

Also at MS, no one can defer a decision to someone else. If it's your call to make, you are expected to make it and you will also be held accountable for it. It is not a place for the timid or weak.

http://www.youtube.com/watch?v=qqUBdX1d3ok

One Company's AudaciousOrg Chart: 400 Leaders, 0 Bosses

At Morning Star, the world's largest tomato processor, employees make all the decisions--from how they'll do their job to what resources they need to do it. By Leigh Buchanan | Apr 18, 2013

Morning Star, the world's largest tomato processor, is flatter than a pancake leveled by a steamroller. There are no managers. No directives from above. No promotions. No titles.

Instead, there is the philosophy promulgated by Morning Star's founder (don't dare call him CEO), Chris Rufer. More than 40 years ago, Rufer launched a trucking company to haul tomatoes to canneries. The work did not lend itself to the management theories he had learned as an M.B.A. student at UCLA. "How do you manage truck drivers, anyway?" Rufer muses. "Put a supervisor in every truck? It was just, I do my thing; everyone else do your thing. That seemed to work."

What worked then for a one-truck business works today for a company that swells to more than 2,400 employees in tomato season. "Quite good, high-performing people love it here, and they flourish," says Rufer. "That is our competitive advantage."

"It's a beautiful way of structuring a workplace. Management is not nearly as necessary as it thinks it is." --Ben *Cohen*

Morning Star calls what it practices self-management. But it is also mutual management. Employees' decisions about what they will do are determined largely by their commitments to others. You know what you need from me to do your best possible work, and I know what I need from you to do mine.

Those commitments are embedded in peer-to-peer contracts known as colleague letters of understanding, or CLOUs. The keystone of each CLOU is a "personal commercial mission," crafted by each employee to describe her contribution to Morning Star's success. (Rufer's PCM is "to advance tomato technology to be the best in the world and operate these factories so they are pristine.") The terms of how everyone will work with everyone else are negotiated by the people doing the work.

When he first learned of Morning Star's bossless model, "I thought it sounded pretty cool," says Brian Hagle, whose job involves evaporating water from tomato juice. Twenty-two years later, he still feels that way. "It's almost like every one of us is manager or CEO," says Hagle. "We set our goals high, and they're our goals, so when we meet them, there's a real feeling of achievement."

Autonomy extends beyond deliverables. Need equipment to do your job? Buy it. See a process that would benefit from different skills? Hire someone. Colleagues consult one another and then simply act.

The ballast to autonomy is accountability, which can take many forms. Perhaps most important, employees want to perform because reputation is the coin of the realm. In a company with no promotions, people earn more by getting better at their jobs. Employee-elected compensation committees set pay levels after measuring colleagues' performance against their CLOUs and other metrics. Morning Star can pay 15 percent more in salaries and 35 percent more in benefits than the industry average because it's not paying managers and productivity is so high.

"We take our cues from the world," says Paul Green Jr., a colleague at the Self-Management Institute, a research division within Morning Star. "In society, you have individuals essentially pursuing their own deals but figuring how to come together in a relatively organized way. It's beautiful."

ACCORDING TO THE MS EMPLOYEES:

More initiative is taken because people are encouraged, not frightened to take it.
More Expertise. People are encouraged to develop deep skill levels and constantly improve while building upon what they already know.
More Flexibility. Teams, groups and people will come together for a short period of time and then disappear. (Reminds me of Ghenghis Khan and his bands of horses. Get in, get out and go away.)
More collegiality. We are not competing with one another for that corner office. There is no corner office and there is no title or position. We are truly all in this together.
More Judgment. Rather than pushing decisions upward, they push expertise down. It is easier and more effective to equip employees with decision making tools than it is to equip senior execs with situational awareness. The doers and the thinkers are the same people.
More Loyalty. With a chance to grow and contribute, you build loyalty and trust.
Less Overhead. Too many managers are very expensive. In the case of MS, every employee is a manager in his or her own right.

At MS, every colleague is responsible for safeguarding quality, efficiency and teamwork by calling out colleagues who violate policies and norms.

http://muraliprasanna.wordpress.com/2013/07/02/succession-management-a-model-that-helps-recruit-retain-high-performers-by-terina-allen/comment-page-1/#comment-4902

Most companies are boss-managed, not self-managed. They are bureaucracies. To get past this, ask each employee to write down a personal mission statement: Ask them, What's the value you want to create for your colleagues? What are the problems you want to solve for other team members? Challenge your people to think expansively and to focus on the benefits delivered rather than activities performed.
Next, have them share and discuss as a group one another's statements.

Second, ask, What are the policies and procedures that handicap you in achieving your mission?

Thirdly, Ask them what information they need to achieve their mission. The thought process must change from A Need to Know to A Right to Know. And that includes financial data.

Fourth, ask them what they can do to make the next person's job easier?

Finally, and the most difficult, find ways to erase the distinction between those who manage and those who are managed. Get the leaders to be held accountable by the led is where you need to go with this.

(NCHS has Command & Control in place with the least qualified in control!!)

We must destroy the concept of the CEO. The notion of the Visionary, the Captain of the Ship is bankrupt. We are telling the employee, You are more important than your manager. Value gets created between the employee and the customer and management's job is to enable innovation at that interface. To do this, we must Kill command and control.

Go before the Managers and ask point blank why:

- Do you suck as managers?
- Why do your strategies suck?
- Why aren't you living up to the values we've established?

Story:The Best-Laid Plans: Radical Transparency and Unprecedented Participation in Business Forecasting

By Shubhi Mittal - Enabling Sales Excellence at HCL Technologies Ltd.
April 12, 2010 at 9:46am

business planning budgeting hcl technologies employee engagement openness leadership engagement management 2.0 setting strategy and direction defining values and aspirations strategy high-tech

Moonshots

Embed the ethos of community and citizenship
Increase trust, reduce fear
Reinvent the means of control

Summary

HCL Technologies overhauled its annual business planning process, turning it into an opportunity for a) grooming future leaders, b) pushing the envelope of organizational transparency, and c) leveraging the collective wisdom of thousands of employees in order to create realistic forecasts informed by the “new normal” facing business as the economy emerges from the recession.

Context

• HCL Technologies is a leading global IT services company that draws on a quarter-century of engineering excellence to create innovative solutions for clients in ways that affect or redefine the core of their businesses. • It also is an organization actively engaged in reinventing how you run a business. It seeks to develop radical management practices that enhance the value created for customers. • The company’s central management philosophy – “Employees First, Customers Second” – turns traditional management thinking on its head. It also upends traditional organizational hierarchy: Managers are ultimately accountable to employees. • HCLT’s bold management experiments – which engender a rebellious entrepreneurial zeal among employees – have enabled the company to grow during the worst economic downturn in 80 years. And the experimentation continues, as the company prepares for the radical “new normal” that will characterize the post-recession business environment.

Triggers

• Beginning in 2005, HCL Technologies underwent a transformation: A once-successful company that had lost its competitive edged became a world leader in IT services, growing at a rapid rate even during the worst economic crisis in 80 years. • It should have been a moment for savoring the success and raising a toast to the CEO Vineet Nayar, who had catalyzed the revival, right? • Wrong! Instead of clinking glasses, HCLT chose to throw open the door of the corner office and create 300 new CEOs in-house. The rationale: If just one CEO could achieve this much for the company, imagine what 300 could do, given half a a chance! • The company's leaders realized that the business planning process was becoming dated, dependent in many ways, on a few wise heads staying abreast of the times – no longer possible as the industry faced major and rapid changes. • Planning the next five years of the company's future could therefore no longer be limited to a select few senior managers with an aggregated view of company operations. They needed to incorporate trench-level details of the business and business environment. • Furthermore, CEO Vineet Nayar was asking himself critical questions about the sustainability of the planning process, in which he was faced with the review of 300 business plans every quarter: Why should I be the one to review all of these plans? What do I know about the businesses of these 300 managers? How can I really provide each of them developmental feedback? What value am I adding? • Similar questions were echoed by other senior business leaders: • How can I develop leaders in my business practice? If the sales managers for key customer accounts are representative of HCL's best line of offense, why not get them to start thinking like "business owners" rather than senior employees? Why not convert the annual revenue forecasting exercise into a method for integrating the sales teams and the delivery teams (the people who work directly with customers to implement HCLT's IT solutions)? • Can we reconcile accounting principle-based forecasting with actual revenue opportunities – in advance? Although the finance team had traditionally played the lead role in the annual goal-setting and monitoring activity, shouldn't actual business "owners" marry the financial planning with a factual, on-the-ground view of current revenue opportunities? • How can we make the significant effort put by key account managers into planning worth their while? Is there a system in which their valuable work wouldn't be a) merged into a larger indistinguishable whole and/or b) remain unexamined – with little value extracted – because it was ultimately overshadowed by rule-based financial forecasting based on the past and not the foreseeable future!

Key Innovations & Timeline

Summer 2005 • The roots of the new business planning system – or rather its label, "MyBlueprint" – date back to the strategic transformation initiated in the summer of 2005 by new CEO Vineet Nayar. • HCL Technologies had a glorious history that began with the garage startup of its parent company in 1976. But though HCLT continued to enjoy rapid growth in the early 2000s, it was falling behind its Indian rivals and risked being made irrelevant by a changing business environment. The company was “shaken” by its eroding competitive position but not “stirred” enough to make bold changes. • So Vineet called together a group representing the 100 best and brightest people in the organization to answer the question: “What next, together?” The three-day meeting in Delhi, which came to be known as the Blueprint Meeting, was in fact a stirring event, by most accounts. • Younger employees who were there (we were still in business school at the time) recount an amazing scene. A plan to completely transform the company was being sketched out – and the discussion there in a super-cooled Delhi banquet hall was heated, to say the least. • But though the long-term planning process was exciting, it represented strategy-setting by the elite. And one of the ultimate outcomes of that meeting was the philosophy that came to be known as “Employees First, Customers Second.” One of the central features of EFCS is that it transfers ownership of change within HCLT to the trenches – to the customer-facing employees who directly interface with customers. That’s because the interactions between front-line employees and customers take place in what we call the “value zone,” where value is created for both HCLT and customers. • The problem: Despite the tremendously successful transformation that HCLT underwent following that 2005 Blueprint Meeting, the company’s business planning process stayed pretty much the same. June 2008 • Consider, for example, the business planning process for FY2009, which took place in June 2008: • Several hundred account managers – each responsible for one or more HCLT clients – would work with their sales people to put together a business plan for the coming year. • Each of these would be reviewed in a meeting that included at least four senior executives: typically, the account manager’s direct boss, an executive responsible for some or all of the accounts in a particular industry, another responsible for some or all of a particular geographical region, and ultimately someone from the office of the CEO. • There were some problems with this system, some more obvious than others: • Bringing managers from around the world to a single location for these meetings was expensive, difficult to schedule, and time-consuming. • The nuance of the account manager’s presentation – not to mention the questions and responses of the senior executives – wasn’t captured in the only documentation of such meetings: the account manager’s slide deck. • In many cases, the account manager’s thoughtful rationale for sales targets and assessments of business opportunities/threats were trumped by a corporate financial plan that was agnostic about such detailed information from customer-facing employees – so long as the company made its aggregated revenue numbers. • The planning process was totally at odds with the “Employee First, Customers Second” philosophy, which puts organization power into the hands of front-line employees because they are the source of insights that generate value. April 2009 • We were part of a relatively young “sales excellence” team charged by the CEO’s office with driving functional excellence in the sales management process – and the problem in the business planning process seemed like a good place to start. • Our goal was to develop a process that responded to a number of questions: • Why not tap into the collective insights into customer behavior that thousands of front-line employees possessed? • Why not use the planning process as an opportunity to convey true ownership of the business back to the employees who were directly responsible for its success? • Why not move away from a mind-set that considered business planning to be an exercise performed at a fixed point of time and instead realize that it is an evolutionary process that gets increasingly better as insights into customers increase? June-July 2009 • The business planning process for FY2010 looked very different from the one used in the previous year: • The sales managers for the largest customers – about 150 clients, representing some 70% of HCLT revenue – work with the delivery managers for those accounts to develop a business plan. • The presentations are posted on the MyBlueprint portal on the HCLT intranet, along with recorded spoken explanations by the account managers. • These are reviewed by the handful of relevant senior executives but are also available for review by another 8,000 HCLT employees – including people below the account and delivery managers in the traditional hierarchy. • This allows the plans to be enhanced not only by an account manager’s sales people (who have always helped her put together business plans) but also members of the delivery team. This input, from people who are working with customers on a daily basis, opens up new horizons of customer insights – for example, overlooked customer needs that the sales team wouldn’t be aware of. • Finally, the CEO Vineet Nayar records a response to each account plan, offering suggestions based on his experience as a leader and his meetings with key customers – again, something that those 8,000 HCLT managers, many of them aspiring leaders, can listen to. • The game-changing 2005 Blueprint Meeting lent its name to MyBlueprint. But the new business planning process is no longer about a handful of elite managers creating a blueprint for the CEO. Rather, it’s about but rather about the account manager – aided by input from people throughout HCLT – creating a planning her blueprint that maps the value zone that exists at the interface between HCLT and her customer.

Challenges & Solutions

Challenge: Creating an online tool that • Was inexpensive • Would allow content to flow easily through company networks • Wouldn't be difficult for account managers to learn • Would be available "on demand" to interested parties Solution: Used existing, familiar, and easy-to-navigate company platforms: • A MyBlueprint homepage accessible through the Myhcl.in intranet interface • Microsoft Live Meeting software to record the voice-over to the slide decks Challenge: Uniformity of content to address key requirements Solution: Account management template socialized with clear expectations from management team Challenge: Ensuring the quality of the information presented Solution: Peer visibility that fosters high quality information and analysis Challenge: Convincing account managers that the information wouldn't flow to unwanted audiences Solution: Limited access to MyBlueprint based on seniority and role

Benefits & Metrics

Business Benefits • Transparency around individual business plans leads to: • Consistency of purpose and performance metrics across accounts • Continuity of purpose when account leadership changes • Horizontal and vertical cross-collaboration for additional revenue opportunities • Integration of traditional financial projection with revenue plans informed by customer-driven insights and opportunity spotting • "Open-source" development of business plans Organizational Benefits • The "My Blueprint" label highlights the importance of customer-facing employees – is an explicit acknowledgement that "the business planning process belongs to me," not senior executives, that in fact "I am the business." • The transparency of the process – the democratization of information – creates both honesty and accountability in the development of business plans • The opportunity for aspiring leaders to watch at close range seasoned leaders in action (for example, the give and take on individual business plans between account managers and senior executives), as well as offer their own feedback on the plans, helps people a first-hand feel for art of leadership and managing relationships. Metrics are being developed as the process is rolled out in the current fiscal year.

Lessons

• Be bold in rethinking long-accepted processes • Realize where real value is created in your business – which is likely to be at the interface between employees and customers • Tap the value that individual employees can offer when they information is made widely available

Credits

Shubhi Mittal, Sameer Chandira-Mani

HCLT created Employee First Councils. Plus 32 issue specific councils focused on key business and technology topics. STRIKE TEAMS with the ability of making on the spot decisions, quickly!!

At HCLT, Vineet has declared that the CEO's role is to become the Management Architect, someone who continually asks, What are the principles and processes that can help us surface the best ideas and unleash the talents of everyone who works here?

The old processes were focused on running the business. We needed new processes that were focused on changing the business.

Most employees in today's world are like zoo born lions, only knowing their cage. We can't imagine the sweet grasses and blue vistas of an organizational savannah where human beings are actually free to flourish.

We need to be creating high-trust, low fear organizations and cultures, where risk taking is encouraged, information is broadly shared, and contentious opinions are freely discussed and expressed. We need to be building organizations filled with individuals capable of self-discipline.

The management systems of the future will need to value diversity, disagreement, and divergence as highly as they do conformance, consensus and cohesion. They may also no longer be the ones making strategy but instead work to create conditions in which new strategies can emerge and grow.

To become more adaptable, companies must disorganize into smaller units and create more fluid, project based structures. Reorgs should be happening on a continuous basis. We stifle ourselves and our creativity with rigid boundaries, functional silos and political fiefdoms.

Too often, top down thinking causes us to outweigh experience at the expense of new thinking; giving followers too little influence in the choice of their leaders; perpetuating power disparities that can't be justified by differences in capability; creating incentives for managers to horde authority when it should be distributed; and undermining the self-worth of those who have little formal power. Rigid must turn to dynamic.

Leaders must no longer be seen as grand visionaries, all wise decision makers, and heroic dealmakers, but rather as social architects, constitution writers and entrepreneurs of meaning. They must see their primary responsibility as creating work environments that encourage their associates to collaborate, innovate and excel. (Great Leadership Defined.)

Those on the front line of the organization should be the best informed rather than the least. All employees need access they need to act in the organization's best interest and to fulfill their missions.

The job of the Leader is to energize and empower the community rather than to manage it from above.

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