

Excellence in Financial Management

Discussion Board Articles – Organizational Development

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Organizational Development

Turnarounds for Distressed Organizations

Let's hope your organization doesn't find itself in a distressed situation. However, the first step is to recognize the early warning signs of financial distress. They include:

- Escalating inventory levels.
- Cash balances are relatively low.
- Some payables are paid 15 days late.
- Sales margins have dropped.
- Production has become inefficient and requires improvement.
- The Bank has called and asked for recent financials and additional information.

If you fail to take corrective action, than serious symptoms will occur:

- Cash balances are dangerously low.
- Checks are overdrawn at the Bank.
- Vendor payments are extremely late.
- You can barely make payroll.
- Layoffs have started.
- Employee morale is falling.
- Some of the better people are beginning to resign.
- Creditors and banks are requesting meetings.

When you reach serious levels of distress, you will be forced to implement a Turnaround Plan. The single biggest source of financial distress is by far due to bad management. So a change in management is critical within a Turnaround Plan. Bring in new partners, outside consultants, or someone who can think differently; someone NEW has got to enter into the picture! A second component of a Turnaround Plan is restructuring your organization so it can survive for the next 90 to 120 days. This requires extreme cost cutting, immediate liquidation of assets, and negotiating new terms on outstanding debts.

Next you will need to determine if the organization has a "going concern value" in excess of its liquidation value. Can your organization reorganize and generate values in excess of the values from selling off all of your assets? If yes, than you need to implement a long-term reorganization plan. If you are unable to reorganize and you can't meet your obligations, than you may have to consider Chapter 11 bankruptcy. However, voluntary reorganizations are preferred over Chapter 11. Finally, recognize the sources of organizational distress. They include bad management, inability to compete, too much debt, under capitalization, and lack of innovation.

Strategic Planning: Your First Step in Building a Balanced Scorecard

The foundation for Balanced Scorecards resides in a complete understanding of what is important to the future success of your organization. Critical success factors are identified through strategic planning. Strategic planning is a formal process whereby you prepare your organization for the future. Building a strategic plan is like building a pyramid from the top down. You start at the top with your mission statement and work your way down to the bottom by completing an Operating Plan. The layers in between represent strategic objectives and goals.

The overall process for building a strategic plan usually requires that you assess your current situation. A SWOT approach is quite common - Strengths, Weaknesses, Opportunities and Threats. Due to the enormous changes now taking place, I like to add a fifth area which I call Emerging Trends. Next you will isolate critical issues and categorize issues according to their probability of occurrence and significance to the organization. The following format can be used:

Place each critical issue within a grid according to Probability of Occurrence and Degree of Impact to Organization. Use three levels: High, Medium, and Low. Critical issues that are placed as High Probability of Occurrence and High Degree of Impact to the Organization must be addressed within the Strategic Plan.

You now have to reach agreement on how you will address these critical issues. This can involve scenario playing or simply establishing strategic goals. Some organizations will restructure the organization in order to meet critical issues. In any event, the end result is a draft strategic plan that clearly communicates direction and vision. Sometimes more critical issues will pop up when participants have a chance to read draft copies of the strategic plan. So make sure you encourage a flexible and open process. Strategic planning is very dynamic.

As a minimum, your organization should develop a strategic plan once a year. And you need to think strategically on a continuous basis. If you are new to strategic planning, a good place to start is with the [Strategic Planning Workbook for Nonprofit Organizations](#). This book includes forms to walk you through the entire process. I use this book for **all** types of organizations, not just non-profits. You can order the book by calling 1-800-274-6024 (1-612-659-6024 outside the U.S.A.) or visit www.wilder.org.

The Importance of Knowledge Management

Most companies are focused on producing a product or service for customers. However, one of the most significant keys to value-creation comes from placing emphasis on producing knowledge. The production of knowledge needs to be a major part of the overall production strategy.

One of the biggest challenges behind knowledge management is the dissemination of knowledge. People with the highest knowledge have the potential for high levels of value creation. But this knowledge can only create value if it's placed in the hands of those who must execute on it. Knowledge is usually difficult to access – it leaves when the knowledge professional resigns.

“The only irreplaceable capital an organization possesses is the knowledge and ability of its people. The productivity of that capital depends on how effectively people share their competence with those who can use it.” – Andrew Carnegie

Therefore, knowledge management is often about managing relationships within the organization. Collaborative tools (intranets, balanced scorecards, data warehouses, customer relations management, expert systems, etc.) are often used to establish these relationships. Some companies have developed knowledge maps, identifying what must be shared, where can we find it, what information is needed to support an activity, etc. Knowledge maps codify information so that it becomes real knowledge; i.e. from data to intelligence.

For example, AT&T's knowledge management system provides instant access for customer service representatives, allowing them to solve a customer's problem in a matter of minutes. Monsanto uses a network of experts to spread the knowledge around. Employees can lookup a knowledge expert from the Yellow Page Directory of knowledge experts.

In the book Value Based Knowledge Management, the authors advocate that every organization should strive to have six capabilities working together:

1. Produce: Apply the right combination of knowledge and systems so that you produce a knowledge based environment.
2. Respond: Constantly monitor and respond to the marketplace through an empowered workforce within a decentralized structure.
3. Anticipate: Become pro-active by anticipating events and issues based on this new decentralized knowledge based system.
4. Attract: Attract people who have a thirst for knowledge, people who clearly demonstrate that they love to learn and share their knowledge opening with others. These so-called knowledge professionals are one of the most significant components of your intellectual capital.

5. Create: Provide a strong learning environment for the thirsty knowledge worker. Allow everyone to learn through experiences with customers, competition, etc.
6. Last: Secure long-term commitments from knowledge professionals. These people are key drivers behind your organization. If they leave, there goes the knowledge.

Knowledge professionals will become the dominant force behind the new economy, not unlike the farmer was once the key player behind the agricultural age. By the year 2010, one-third of the workforce in the United States will be comprised of knowledge professionals. It is incumbent upon all organizations to embrace this need for managing knowledge. Just take a look at those organizations that seem to create value against the competition. You will invariably find a strong emphasis on knowledge management.

SWOT Analysis the Baldrige Way

Assessing your organization on a regular basis is a pre-requisite to strategic planning. One of the most widely accepted approaches for assessing strength's, weaknesses, opportunities, and threats (SWOT) is the Malcolm Baldrige Model. The Baldrige Model provides a structure for measuring and assessing organizational excellence by assigning points to various categories:

2000 Baldrige Template for SWOT Assessment

1. Leadership (125 points)
 - 1.1 Organizational Leadership
 - 1.2 Corporate Responsibility
2. Strategic Planning (85 points)
 - 2.1 Strategic Development
 - 2.2 Strategy Deployment
3. Customer and Market Focus (85 points)
 - 3.1 Customer and Market Knowledge
 - 3.2 Customer Satisfaction and Relationships
4. Information and Analysis (85 points)
 - 4.1 Measures of Organizational Performance
 - 4.2 Analysis of Organizational Performance
5. Human Resource Focus (85 points)
 - 5.1 Work Systems
 - 5.2 Employee Education, Training, and Development
 - 5.3 Employee Well Being and Satisfaction
6. Process Management (85 points)
 - 6.1 Product and Service Processes
 - 6.2 Support Processes
 - 6.3 Supplier and Partnering Processes
7. Business Results (450 points)

- 7.1 Customer Focused Results
- 7.2 Financial and Market Results
- 7.3 Human Resource Results
- 7.4 Supplier and Partner Results
- 7.5 Organizational Effectiveness Results

Let's quickly review the above template:

1. Leadership – An organization must have direction and guidance from an overall leadership system. Leadership systems include a balanced and strong executive management team, an effective organizational structure, and other attributes that allow the organization to move quickly without over-reliance on one single leader (such as the Chief Executive Officer).
2. Strategic Planning – Strategizing must be an integral part of the business and strategic planning drives much of what happens. Additionally, strategic planning has a quick turnaround; i.e. people spend most of their time trying to execute strategies as opposed to developing strategies.
3. Customer and Market Focus – You must clearly identify your customer and understand the marketplace. Customer requirements and their satisfaction are critical, but you must go beyond this and build customer alliances and relationships for customer retention.
4. Information and Analysis – You must collect quality data and transform it for timely and effective decision making. A performance measurement system (such as the Balanced Scorecard) and competitive intelligence are two primary components behind information and analysis.
5. Human Resource Focus – An overall human resource management system must be in place for maximizing human resource capital. This can include numerous components – hiring practices, compensation plans, recruiting, job design, reward / recognition programs, training, safety, and employee satisfaction.
6. Process Management – Products and services require various business processes. Numerous issues must be properly managed: Supply chain efficiency, consistency in delivery of products / services, quality improvement, control over defects / complaints, performance measurement, etc.
7. Business Results – The final category within the Baldrige Model are the results of the business. This is “proof positive” that you are successfully executing on the other six categories and as a result, almost half the points are assigned to this category.

The Baldrige Model has received worldwide acceptance as a means for gauging the health of an organization. Using the Baldrige Model as part of your strategic planning process is often considered a “best practice” in strategizing. You can also expand

your analysis for more detail audits, leading to compliance with ISO standards.

Finally, the Baldrige Model may not cover all the information you need to properly assess your organization. For example, intellectual capital (culture, technology, knowledge, brand recognition, etc.) is becoming increasingly important. Don't forget to include these critical areas in your SWOT analysis.

Note: You can download Assessment Templates for applying the Baldrige Quality Model. Go to www.exinfm.com/training and download the supplemental material for Short Course 10. Case studies can be downloaded from www.baldrigeplus.com/eight.htm. Also visit www.efqm.org to download the EFQM Excellence Model.

Let's Define Best Practices

One of the most overused terms in business has to be: Best Practices. It seems everyone (including myself) is always labeling something as a "best practice." Thanks to Hackett Benchmarking, a common definition has emerged for best practices. According to Hackett Benchmarking, a best practice must:

- 1) Place the company in a top percentile ranking within its industry.
- 2) Leverage and take advantage of technology.
- 3) Improve quality and speed, and also lower costs.
- 4) Give management more control and influence.
- 5) And finally, it has to be working; i.e. it can't be planned but not implemented.

If you can measure up to these five standards, then you can truly boast about a best practice. And the benefits of having such a best practice will separate your company from the rest of the competition.

What makes this so appealing is that the gap between average performing companies and best in class companies is widening. According to Hackett Benchmarking, once a company has met the five standards for a best practice, it begins to pull away from the competition as it becomes easier to initiate improvements while average companies continue to struggle with process improvement programs. Making improvements without measuring up to best practice standards is like being in a row boat race. The best practice rowboat keeps moving ahead while you try to catch up at a slower rate of speed.

A good example of this is the financial analysis function. According to Hackett Benchmarking, average performing companies spend about half their time collecting data for analysis and the other half of their time actually analyzing it. Companies with best practices spend about 13% of their time collecting data for analysis and the remaining 87% analyzing and producing high quality information for decision-making. Therefore, the gaps between average and best practices can be significant.

Many companies that are considered best in class often follow similar strategies. For example, using one single standard throughout the entire organization seems to be a recurring theme. In the case of Enterprise Resource Planning (ERP), most organizations force fit many of their processes to the ERP application, thereby achieving standardization, consistency, and lower costs.

Another common theme is the use of self-service for both internal and external customers. Once again, technology plays a central role behind this best practice. Examples include having employees (internal customers) administer their own benefits through a web based application and having outside customers resolve their questions through another web based application.

Therefore, many best practices seem to strive for things like consistency, standardization, simplifying the process, zero redundancies, leveraging technology, single source for all data, and moving processes over to the internet. Finally, don't get discouraged – only a few companies can measure up to best in class. Now that you understand what it is and why it is important, you can begin your journey from average performance to best practices.

Elements of Sustainability

Long-term survival of any organization requires successful execution of strategies that secure or “lock-in” elements of sustainability. Unfortunately, not all organizations have made the distinction between sustainable strategies vs. short-term tactics that undermine sustainability. For example, the business model of amazon.com is somewhat predicated on becoming the lowest cost provider of books and CD's. In order to grow the business and make a profit, amazon must continuously increase volumes. This approach to strategy is not sustainable since it chases a lower and lower profit margin while at the same time, amazon must desperately try to make-up for the loss through higher volumes. A sustainable strategy tends to “lock-in” a company's future by doing things that don't exhaust the company, but set it apart from the competition. Hanging your strategy on easy to duplicate tactics such as lower costs usually doesn't work since the barriers to competitors are minimal.

Contrast this to a company that hangs its strategy on strong relationships with its customers, building loyalty and retaining existing customers. This “customer relationship” approach does a much better job of securing a company's long-term future. Therefore, elements of sustainability tend to be harder to execute on, but have much more lasting and enduring effects, adding to a company's long-term survivability.

Another important element of sustainability is branding of the business. As competition increases, it becomes increasingly difficult to get the attention of the customer. Therefore, strategic branding is now very important to many businesses.

Without name recognition in the marketplace, holding on to market share is considerably difficult.

Perhaps the single most important element of sustainability is the ability of the organization to change. An organization must adopt and move with changes in the marketplace. When a company can react and suddenly run in a different strategic direction without significant lead-time, then it has a much higher chance of prospering within the changing marketplace. For example, years ago Microsoft dismissed the internet as insignificant. However, once Microsoft realized that the internet was the future, the company adapted to marketplace changes and responded quickly by changing its overall strategy. What makes this remarkable is that Microsoft is no small company – it was able to shift suddenly, becoming a leader of internet technology. This type of fast strategic redirection is truly one of the key elements of sustainability. After all, strategy is conditional on other things happening. And if what you think doesn't happen, then you have to move quickly in a new direction.

This article has touched on three elements of sustainability – customer relationships, strategic branding, and the ability of the organization to change. Each organization is unique and elements of sustainability will vary from organization to organization. The common theme behind sustainability is to secure a future through strategies that move a company away from the competition; i.e. competitive advantages that are difficult for others to replicate. Too often companies make decisions that undermine their sustainability – cutting costs in areas like research, marketing, and product development or embracing strategies that are easy for competitors to duplicate. Sustainability is more about making “value” decisions that are right for all stakeholders over the long run and carefully observing trends and changes in the marketplace, giving the company insights into how it can outlast the competition.

The Art of Game Theory

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

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

“Challenged as never before with designing a high-value company game plan,

executives often get blindsided by competitors' moves they failed to anticipate. To safeguard against nasty surprises, you must think carefully about what actions competitors might take. Strategic Gaming – a structured, comprehensive approach to putting yourself in your competitors' shoes – enables you not only to play the competitive game more effectively, but also to create one that improves your value prospects by influencing other players' actions.”

- Shaping Winning Business Strategies with Game Theory by Paul Papyoanou, Financial Executive Magazine, March / April 2003

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

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

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

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

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

“For many organizations it is a dog-eat-dog world. In every commercial organization, there are talented people planning strategies to increase their business at the expense of the competition. Many noncommercial organizations find themselves under threat from those who provide their funds. The successful organization studies external threats and formulates a strong defense. It adopts this value: Know thine enemy.”

- Unblocking Organizational Value by Dave Francis and Mike Woodcook

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

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

- Co-opetition by Brandenburger & Nalebuff

Appreciating 'Appreciative Inquiry' – Part 1 of 2

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

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

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

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

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

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

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

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

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

“Appreciative Inquiry is both a process and a philosophy. It represents a frame of mind and a fundamental approach to life that is grounded in the positive, while being a process by which to appreciatively see and co-construct the world. In other words,

as people share with each other what they believe and think, they influence each other's views of the world. Together, people socially construct the worlds they live in creating meaning through social interaction. In an organizational context, as people talk to each other and share their views of the company, their work together, and their compensation plans, they create a shared understanding of the company – fundamentally the company as they see it.”

- Appreciative Inquiry: An Alternative Lens for Rewards in the New Economy by Lia Bosch and Gervais Goodman

Appreciating ‘Appreciative Inquiry’ – Part 2 of 2

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

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

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

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

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

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

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

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

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

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

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

Is Knowledge Really Power?

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

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

“It is evident that knowledge is rapidly becoming the firm’s primary instrument of progress and competitiveness. Existing knowledge defines our productivity and competitive skill in the present; new knowledge determines our productivity and competitive skill in the future.”

- Information, Organization, and Power: Effective Management in the Knowledge Society by Dale E. Zand

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

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

“Companies survive on their ability to adapt when necessary, and it is increasingly necessary for them to do so. Successful adaptation is not, however, a chameleon-like response to the most immediate stimuli – a quick switch to a new enterprise or an impulse acquisition. Rather, successful adaptation seems to involve the thoughtful, incremental redirection of skills and knowledge bases so that today’s expertise is reshaped into tomorrow’s capabilities.”

- Wellsprings of Knowledge: Building and Sustaining the Sources of Innovation by Dorothy Leonard-Barton

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

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

“Attempting to build a knowledge organization, however, is neither a short-term effort nor a one-off project. The process of becoming a knowledge organization can be visualized as traveling along the knowledge organization path. Some organizations are not even on the path, others are just starting on the path, and still others are further along. The underlying assumption is that those companies on the knowledge organization path envision and behave differently from the more 20th century companies. Those with knowledge orientation focus on ideas, creativity, and knowledge. They speak of ‘intellectual capital’ as opposed to traditional assets. Most important, the leaders of knowledge organizations fully realize that their most important assets walk out the door every night. Whether those assets show up the next day is of vital importance to the future of the knowledge organization.”

- Leading with Knowledge: The Nature of Competition in the 21st Century by Richard C. Huseman, Ph.D. and Jon P. Goodman, Ph.D

Creating Creativity – Part 1 of 2

All people and all organizations possess creative talent. However, the world we live in can actually constrain creativity. This can range from organizational boundaries that limit our freedom to learn and grow to a society that tells us what to wear, what to eat, and what to look like. The real world of creativity has few boundaries, placing a high value on the spirit of new ideas. This invariably requires a large influx of mistakes and failures. Contrast this to the “non-creative” world where success is placed in a huge spotlight and the notion of failure is greeted with great displeasure.

Failure is a pre-requisite for creativity because real learning can only take place through a series of failures. So if you want high levels of creativity, then you must remove yourself from the many distractions that dumify the creative mind. It’s

almost like wiping the slate clean and challenging the assumptions that have guided all of your decisions up to this point. You keep asking the question – Why? You never really come to an answer, but you know you have to try just to learn from the experience. And in a few instances, a stroke of luck emerges and you discover something new. Therefore, creativity is very much a persistent pursuit of never being satisfied with the current set of solutions in place.

In his book *Flow – The Psychology of Optimal Experience*, Mihaly Csikszentmihalyi notes that people are most often creative when they enjoy what they are doing, but are challenged at or slightly above their skill level. Csikszentmihalyi says: "The best moments usually occur when a person's body or mind is stretched to its limits in a voluntary effort to accomplish something difficult and worthwhile. Optimal experience is thus something we make happen."

Some of the best lessons regarding creativity come from a study of the most creative people. Sylvia Nasar documented the brilliance of John Nash, a Princeton Nobel laureate, in her book: *A Beautiful Mind*. The contributions that people make are to some extent determined by what we choose to learn vs. what we choose not to learn. Thus, the way people work and live is paramount to one's creativity. Nasar observed that John Nash was compelled to learn through experience. Learning without experience removes the element of failure, giving you a false reading on creativity. Nasar also noticed that Nash pursued those things not solved. Therefore, some of the most creative people have an appetite or thirst for solving things no-one else can solve.

Creative minds and organizations do have certain characteristics worth noting. Moshe F. Robinstein and Iris R. Firstenberg do a good job of documenting these creative attributes in their book *The Minding Organization*:

- Strong capacity for abstract thinking
- High tolerance for complexity
- Respect for facts and the ability to obtain meaning in a higher context
- Not distracted by unplanned events
- Usually possess high confidence levels to get through the creative journey
- Embrace the discovery of learning
- Able to assimilate opposites

Finally, creativity is extremely hard work. The most creative people work very hard! It's like trying to squeeze blood out of a turnip – you work with great intensity for that one random spark that can change so much. To ease the creative challenge, it's often best to start with an attempt at building on what's already out there. Innovation and ideas usually originate by looking at something already in place, but not looking at it in the same way. In Part 2 of this article, we will outline the Creativity Model for defining the full range of creative talents.

“Creativity drives growth, and creative people drive every great enterprise. It’s not too trite to say that. These days, we’re all too easily caught up in the tactics of competition. We can forget that sustainable advantage is ultimately a function of a company’s ability to consistently generate, develop, and sell valuable new ideas. Which is to say, creativity is at the heart of work and business.”

- John A. Byrne, Editor – Fast Company Magazine, December 2004

Creating Creativity – Part 2 of 2

One of the great misconceptions surrounding creativity has to do with new ideas. Most forms of creativity are not about new ideas. In reality, there are all types of creative talents that contribute to results. Creativity exists everywhere at all levels. The key is to understand these variations and know how to tap into them for creating value. Therefore, creativity is more about the full range of outcomes, not that one big idea. This broader approach to creativity is much more sustainable than the traditional and narrow approach of seeking some breakthrough idea.

The entire range of creative outcomes is well documented in the book Breakthrough Creativity by Lynne C. Levesque. Levesque has extended the Myers-Briggs Type Indicator into eight creative talents, providing us with a comprehensive “Creativity Model” for integrating creativity into everything the organization does.

1. Adventurer – Very spontaneous, detail oriented, and highly skilled in getting around obstacles.
2. Navigator – Somewhat cautious and calculating, righteous, very practical, and consistent.
3. Explorer – Enjoys discovering new things, brings about change, and likes to brainstorm.
4. Visionary – Sees things way into the future, can grasp complex situations, highly focused.
5. Pilot – Enjoys managing projects, decisive, clarifies how to get things done.
6. Inventor – Somewhat internal and private, great thought into how things work, good at creating conceptual models.
7. Harmonizer – Good at getting people to work together, builds consensus, diplomatic.
8. Poet – Strong value system, deep thinker, good communicator, somewhat reflective.

The real challenge is to recognize and leverage all of these eight creative talents. For example, a “Harmonizer” is very useful for nurturing a situation that has conflict and different viewpoints. A “Pilot” is very useful for outlining the detail steps for getting a project completed. Knowing how to place and mix these creative talents together is the key to unleashing enormous value associated with creativity. So one of the best roadmaps to creativity is to embrace the eight creative talents. Most people are gifted with two creative talents, a primary creative talent and a secondary creative talent. Therefore, if an organization wants to leverage all eight creative hot spots, then you

will need a diverse group of people for covering all eight creative talents. The interplay of all creative members working together is the hotbed engine for creative results.

Once you have the full range of creative talents in place, you can use a team approach for maximum creative outcomes. To make sure the creative process works, you may want to set some creative ground rules for your teams:

1. Continuous flow of ideas – Initial ideas are often marginal and you must keep pushing and brainstorming around each idea to get to the next idea. It's also a good idea to walk away from your session and then come back a few days later refreshed. This helps produce the highest quality ideas from your brainstorming sessions.
2. Clearly defined problem or objective – Make sure you drill down to the source of a problem. Root cause analysis or simply going through the so-called Five Why's can help.
3. Not afraid of conflict – Given a highly diverse group of people, expect some conflict. Conflict is not bad as long as you manage it properly. For example, never get personal in the process – try to stick to the factual information involved, things that are relevant.
4. Solid collaborative dynamics – Make sure the team is really working well and not stuck in some kind of food fight. If you have certain folks holding the creative process back, then deal with these issues immediately.
5. Implement the Team Recommendations – If the creative team process makes specific recommendations to solve a problem, then you should try to implement it; otherwise why did you form the team. If the team sees that its outputs are going nowhere, then the whole process will dry-up fast.

In conclusion, most of us seem trapped within a narrow definition of creativity, looking only at certain types of outcomes, such as great music or artwork. Creativity is much more than great music or artwork. Creativity takes any form that adds value to the current situation. And the best structure for understanding this creative process is to embrace and build on the eight creative talents. This is a well-grounded model that any organization can start using today.

“We should also acknowledge that often society itself resists creativity. The artist or thinker may challenge long-standing beliefs or behavioral and political norms. Many of our greatest achievements occur precisely because a group of individuals acting in concert elevated the ethical, intellectual, creative, and social character of each group member.”

The Hothouse Effect: Intensify Creativity in Your Organization Using Secrets from History's Most Innovative Communities by Barton Kunstler, Ph.D