



Know- How

The 8 Skills That Separate People Who Perform from Those Who Don't

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Author's Bio: Ram Charan is a highly acclaimed speaker and advisor. He is the coauthor of *Execution* and the author of *What the CEO Wants You to Know* and many other books. A noted expert on business strategy, Ram has coached some of the world's most successful CEOs, and for more than thirty-five years has worked behind the scenes at companies like GE, KLM, Bank of America, DuPont, Novartis, EMC, Home Depot and Verizon, helping them to develop, shape and implement their strategic direction.

Author's big thought: This breakthrough book links know-how - the skills of people who know what they are doing, with the personal and psychological traits of the successful leaders. The eight know-hows are the fundamental leadership skills needed for success in the twenty-first century.

Notes:

Chapter 1: KNOW-HOW: The Substance of Successful Leaders

- Know-how is what separates leaders who perform—who deliver results from those who don't. It is the hallmark of people who know what they are doing; those who build long term intrinsic value and hit short-term targets.
- What gets in the way of finding people who can perform is the appearance of leadership.
- Intelligence, self-confidence, presence, the ability to communicate, and having a vision are important. But personal attributes are just one small slice of the leadership pie, and their value is greatly diminished without know - how, the eight interrelated skills that bring leadership into the realm of profit and loss.
- The know-hows do not, however, stand alone. That's where personal traits, psychology, and emotions enter the leadership picture.
- Know-How is about what you must both do and be to lead your business in what is shaping up to be the most challenging business environment in decades. It plants leadership squarely on a foundation of profit and loss, capital utilization, productivity and customer satisfaction while never losing sight of the fact that leaders are human beings.

- In today's environment of lightning fast change and transparency, leaders who lack substance get discovered sooner, but the damage they do in the meantime can be greater.
- Successful leaders learn, practice, hone, and refine the know-hows until they become natural. Mastery comes with lots of rounds of practice.
- Leaders who do not practice these know-hows will be less effective than those who do. But over time, with lots of development, the know-hows become automatic, instinctive, and superb, and judgment improves.
- While it is unrealistic to expect every leader to become superb in every know-how, you need a basic understanding of each in order to know where your strengths and weaknesses lie and what kind of expertise you may need to support you.
- There are dozens of personal traits that can affect leadership and some, namely integrity and character that are absolute.
- The ways leaders develop and deploy the eight know-hows are especially influenced by a handful of them: ambition, drive and tenacity, self-confidence, psychological openness, realism, and an insatiable appetite for learning.
 - *Ambition* - to accomplish something noteworthy BUT NOT win at all costs.
 - *Drive and Tenacity* - to search, persist, and follow through BUT NOT hold on too long.
 - *Self-Confidence* - to overcome the fear of failure, fear of response, or the need to be liked and use power judiciously BUT NOT become arrogant and narcissistic.
 - *Psychological Openness* - to be receptive to new and different ideas AND NOT shut other people down
 - *Realism* - to see what can actually be accomplished AND NOT gloss over problems or assume the worst.
 - *Appetite for Learning* - to continue to grow and improve the know-hows AND NOT repeat the same mistakes.
- These personal traits interact with one another and with the know-hows, for better or worse, and that in excess, they have a dark side. The point of course is to become aware of whatever human characteristics are blocking you from perceiving things accurately, making sound judgments, or taking effective business actions. Dissolving the blockages and expanding your cognitive range are essential for the know-hows to improve.

Chapter 2: The Foundation: Positioning and Repositioning the Business to Make Money

- Positioning is the central idea of your business and the foundation for whether or not you are making money. The true test of your positioning is the real world.
- Even if your positioning is on the money today, there's a good chance it won't be tomorrow. The frequency, depth, and abruptness of change in the world today means that you will be frequently shaping and reshaping your business so that it fits with the ever-changing landscape in a way that delivers your moneymaking aspirations.
- Knowing how to position and reposition a business is among the most demanding requirements of the twenty-first century leader. While all eight know-hows that make up this book are important, the know-how of positioning is first among equals. If you don't get it right, the foundation of the business eventually crumbles.
- It's the basic question you must always know how to answer: What are we offering customers, why is it better than the other options available to them, and how will we make

money from it? It takes a leader with know-how to answer it with the kind of laser-sharp clarity and specificity that ensures the business will thrive.

- The know-how of repositioning requires you to be on constant vigilance to detect early warning signals and interpret them correctly, whether they indicate a change is an aberration, an opportunity, or a threat.
- Positioning is figuring out what the new composition of revenues will be, from what sources, and what the new cost structure will be to continue to make money. When repositioning a business, you have to look at it in a different, usually broader context. How you look at it is conditioned by your cognitive bandwidth and your personality. Are you on the offensive or in a defensive mode? Are you looking at it as the same old game or is your game being subsumed by one that is bigger and radically different?
- No matter what, the acid test of your choice of how to position your business rests simply on whether it meets your moneymaking aspirations.
- In its essence, to exist over time, every business from the Fortune 500 to a small proprietorship in your local community—has to sell something, make a profit, have more cash coming in than is going out, and earn more than the cost of using other people's money (the bank's or shareholders') to be in business. The basic moneymaking elements of revenue growth, margin, velocity (use of capital per dollar of revenue), cash, and return on invested capital are universally the same for every business, of any size or type, anywhere in the world.
- The essence of the know-how of positioning is to know when a change needs to be made, to determine the shape of the change, and to tightly link it with the fundamentals of moneymaking. In addition, the leader may need more: the psychological comfort to dismantle that which made him or her successful earlier.
- To be a successful leader psychologically, you have to be open, receptive, and active in searching for the signs that the business is being shifted or needs to be. You need to be surrounded with people whose conversations with you help you wrestle with these issues in a brutally honest manner. Here self-awareness really matters: Are you willing to psychologically wallow in this part of the job and do you devote enough time to it? Are you passionate to develop and hone this know-how:
- Repositioning is not just a mental challenge, but also a psychological one; you need the confidence to move on it when success isn't guaranteed.

Early-warning signals that the positioning of your business may need to change to take advantage of emerging opportunities:

- Nascent industries emerge.
- Nontraditional competitors start to appear.
- The positioning of a key competitor changes.
- The rise of new customers.
- Consumption patterns are being influenced by affordable new offerings from new technologies (think iPod).
- Customers are defecting.

- Loss of market share in select key segments.
- Emergence of new business models and new management models.
- Pressure on profit margins.
- Unexpected decline in cash flow from operations.
- Decline in customer satisfaction.

Chapter 3: BEFORE THE POINT TIPS: Connecting the Dots by Pinpointing and Taking Action on Emerging Patterns of External Change

- Business has always had to contend with a changing world, but the pace and abruptness of change is new to this generation of business leaders.
- The know-how of pinpointing external change allows you to make a sound judgment about where the world is going and put your business on the offensive.
- Never before have macroeconomic trends had such fast and devastating impact on companies and whole industries.
- On the other hand, the opportunities have perhaps never been greater for those who are ahead of the curve and able to take action ahead of the competition.
- Only by looking out far over the horizon and taking into account developing trends that may not seem directly relevant now can you really do the kind of analysis necessary to prepare for rapid change and new opportunities. You have to look at
- your business from the outside in and be psychologically open to the patterns you detect and their implications for your business.
- The fruits will belong to the realists, to those who can pick out key variables amid complexity, seeing how they might combine and getting a viewpoint about where the external landscape is going.
- The know-how of pinpointing and taking action on changes in the external environment is one of the most important skills you must master in your job.
- Some leaders develop mental processes and convictions that drive them to find solutions through iteration and reiteration of scenarios, reframing questions and looking at the same phenomena through a variety of lenses. They realize that the answers they seek are qualitative in nature and cannot be solved with a quantitative formula. The changes they are seeing are unprecedented in their scope and create unique opportunities and threats.
- Seeing the total picture and taking realistic action is an underappreciated combination of cognitive bandwidth and know-how that few possess.
- One way to become effective in the know-how of seeing emerging patterns is to be an active listener who continually searches for what is new and different.
- The mental exercise involved in this know-how requires that you recognize how you have obtained information in the past. You must also recognize that information is asymmetrical, that is, it may be only partial or distorted. You need to continue searching to fill the gaps until the light bulb goes on and the important things come into focus.
- The earlier you can detect changes, the more time you will have to generate and test hypotheses, mobilize resources, and, if necessary, reposition the business to achieve your money-making targets.
- Anyone can begin to hone this skill by simply reading the "What's News" column on the front page of the Wall Street Journal each weekday morning. This means reading each item

carefully and slowly and then thinking about what it means for your company and your industry. What is changing and for whom? Where is the opportunity in that change and for whom? It's a simple exercise that over time helps condition your brain to detect patterns from these observations and what they mean for various businesses and industries.

- This know-how is a source of confidence for going on the offensive.
- According to the author's observations, people who create organic growth that is profitable and sustainable connect the dots sooner and are on the offensive. The greatest challenge today is finding new opportunities for profitable and sustainable growth in a complex and tough environment. To achieve an objective like this you have to be psychologically comfortable to go beyond traditional thinking about an industry and sense what is happening on the outside, connect the dots, and discover what the new opportunities are.

Seven simple questions can help you sort through and detect patterns in the complex world around you.

1. What is happening in the world today? The most significant trends affecting business transcend company and industry.
2. What part of my frame of reference has worked for me? What hasn't worked for me? When you experience a failure in detecting a change—and you will—you need to reflect on why you missed it.
3. What does it mean for anyone? Leaders with well-honed business acumen keep looking at trends through different lenses and from the perspectives of other key players.
4. What does it mean for us? Once you have the big picture. You can begin to examine what it means for your own company's strategies.
5. What would have to happen? For macroeconomic trends to create opportunities, certain things have to happen.
6. What do we have to do to play a role?
7. What do we do next?

Leaders who connect the dots:

- Have a methodology for anticipating and detecting breaks in the continuity of the external landscape.
- Imagine one or more pictures of the future and pinpoint the gaps that make the picture incomplete.
- Have a reliable, diverse social network—both inside and outside the business—people with different perspectives who help them see their business through a new lens.
- Talk to their network for ideas about how to close gaps that they identify.
- Have the personal imagination to construct patterns from emerging disparate trends, always searching for the missing links and missing ingredients.
- Are psychologically self-aware of potential bias on their part or that of people they associate with to be overly optimistic or pessimistic, thereby distorting a realistic perception of external trends.
- Connect patterns of change with the question of whether the positioning of the business could become irrelevant or obsolete.

Chapter 4: HERDING CATS: Getting People to Work Together by Managing the Social System of Your Business

- Perhaps the biggest untapped opportunity for your success as a leader is shaping the way people work together to deliver the numbers. Your own performance depends on your ability to get other people to commit to and deliver their common goals.
- Every company— has a social system, the term the author uses to describe the various ways people come together to do their work.
- Managing the social system has two parts. You have to be able to determine what critical decisions and trade-offs must get made, and by whom, to accomplish your business goals. Then you use that insight to design disciplined routine, regularly scheduled meetings (operational mechanisms) to bring the right people together at the right frequency with the right information to make those decisions.
- The other part is to actively shape the behaviors that are displayed in making those decisions. In the course of those interactions, people may be hoarding information, going off on tangents, and not getting to the nub of the issues. They may also be driving individual agendas, not surfacing conflicts, and failing to reach clear resolutions. You have to shape the content of these discussions and ensure that the right behaviors are taking place in them and the output links to results. In short, you have to actively design and lead the social system of your business, which comprises all of the operating mechanisms, the connections among them, and what happens in them.
- Know-how in diagnosing, designing, and leading the social system is how some leaders are able to mobilize people to deliver results and transform an organization from, say, a bureaucracy to a well-oiled machine, as Jack Welch did as CEO of GE, or from an entrepreneurial culture to one that coordinates actions without sacrificing flexibility.
- Look at the interaction among people, the information flows, and the anatomy of decision making. You have to be able to map your operating mechanisms, ensure that each of them is geared around a business result, and diagnose how each of them is actually working. If the people are not having the right discussions in them or behaving in the right way, it's your job to correct those behaviors, using persuasion, power, and rewards, whether money, recognition, or promotion, as necessary.
- That's how the social system changes—through your conscious actions in designing and redesigning the operating mechanisms and conducting the dialogue in a way that shapes people's behaviors. As you do this repetitively, with discipline, you change the quality and substance of business decisions, and because the behaviors that get shaped in the operating mechanisms carry over to people's everyday work, you sustain a change in how people work together.
- The know-how of managing the social system involves your leadership in building operating mechanisms at critical intersections—the places where information must be exchanged, conflicts must be surfaced and resolved, and tradeoffs and decisions must be made for specific business purposes. You need to enforce the right behaviors in them, then ensure that the output from one operating mechanism (say, the changes to strategy that come out of a strategy review) become integrated into others (such as talent reviews and budgeting sessions, where resources are allocated).
- You also have to establish and enforce what behaviors are acceptable and which are not. You do this through conducting dialogue. People learn, for example, when contradictory views are

really welcome, whether conflicts are to be aired or suppressed, whether it's OK to sidetrack or dominate discussions, and whether decisions are based on facts or personal power. It is in the conduct of these sessions, guiding the dialogue and flow of information, in which leadership becomes a performing art.

There are four pertinent questions you need to ask about the operating mechanisms that make up your social system.

1. What is the purpose of the existing operating mechanisms and how do they and their linkages combine to help deliver results?
 2. Which ones should be kept, eliminated, or combined?
 3. Which require a total redesign and a new way to lead them?
 4. Are there new operating mechanisms that should be installed?
- If you are going to do an effective job of leading your social system, you will have to design operating mechanisms around your most important business activities, such as serving new markets and achieving growth. Each operating mechanism must have a clear business purpose. With that purpose in mind, you have to determine who should be required to attend and how often they should meet. If you are not personally conducting the dialogue, you have to be sure you assign a leader who has the skill to shape both the content and behaviors.

Does Your Social System Pass The Test?

- The built-in conflicts that are part of every organization are being surfaced.
- These conflicts are resolved in a timely way by people committed to delivering results.
- Information flows horizontally across silos and is not hoarded or deliberately distorted.
- The right questions are raised so that you can look at your business from both "50,000 feet" (the big picture) and at ground level and conduct brutally honest dialogue.
- Operating mechanisms are designed so that they result in high quality, timely decisions and help deliver the aspired results.
- You know the points of intersection where operating mechanisms are needed for people to make trade-offs and share information.
- Appropriate and continuous improvements are made in the working of the operating mechanisms creating new ones, combining some, eliminating others.
- Each operating mechanism is connected in an unfiltered way to sources of external information.
- Leaders have the psychological courage to confront reality and shape behavior of participants in line with the values of the business. The right behavior and values are reinforced and those who deviate are dealt with.

Chapter 5: HOW LEADERS ARE MADE: Judging, Selecting, and Developing Leaders

- A sure sign of the know-how of selecting and developing leaders is that you leave the organization stronger relative to the competition than it was before you took over.
- Go on the offensive and actively search for people with leadership potential and create opportunities that leverage their abilities test them further, and allow them to grow.
- Your job as a leader is getting it done, not doing it yourself, however you decide what the "it" is. Your ability to deliver results depends on how well and how consistently you grow

other leaders. But it takes know-how to judge people accurately, imagining what each person's potential could be. You then must take the initiative to provide opportunities for them to not only contribute to the organization, but also to be tested and hopefully expand.

- The know-how of selecting leaders and helping them reach their potential means focusing on people first, not jobs - actively searching for leadership talent throughout your organization, creating for those individuals career moves that test their ability to take on more complexity or learn new skills, and creating processes to do it on a disciplined, regular basis. You have to develop and improve your judgments on people, which means spending time and energy on it daily, weekly, monthly, not just during once-a-year talent reviews or succession-planning sessions. You have to create a view about the person's competence in the know-hows, but also look at him more broadly to see what makes him tick: what he loves to do, how he thinks, how he behaves around others. Then you can match the leader to a job in which that person will shine and strengthen business performance.
- So you have to be psychologically open to continuously update your judgments on people and their fit with the job.
- The job of a leader is to see the person as a whole, over time, in a variety of situations, and work backward from what you observe to determine what that person's individual gifts really are. As you develop your skill in observing people's actions and behaviors and check your observations with other people's perceptions, you can get very close to the truth of a person. What is the pattern of their actions, decisions, and behaviors?
- You improve your judgments on people by reflecting on your mistakes and becoming aware of your own psychological blockages.
- Judgments have to be intellectually honest and balanced, but the focus should be on the positives. Everyone has wrinkles. You should first nail down the person's natural talents and tendencies, and then look for situations that will allow those things to develop and take off.
- If the negatives are really getting in the way of job performance or growth, you can give the person coaching to see if they can be corrected. Sometimes people have a blind side in a particular know-how, or they have a bad habit, for example, of cutting people off before they finish their sentences. These things can often be corrected or compensated for. Expecting people to be perfect is unrealistic.
- The best judgment can come when five or six people who know the person well sit together to compare their observations and ask questions of each other, drilling for specifics. This kind of process gives everyone a fuller, more-accurate picture of the individual's positives and negatives and under what circumstances these things tend to come out.
- The multiple viewpoints and insistence on specific examples drive out personal biases and other psychological distortions.
- Most companies have these kinds of sessions, but you get more out of them by focusing on fewer people in more depth, zeroing in on the positives, and drilling for specifics.
- Helping people realize their potential as leaders means clearing a path for them to grow, but it also means identifying what they need to work on in the current job. This is where leadership gets very personal. There's no substitute for ongoing face-to-face dialogue

with people about what's going well and what isn't. You can't let fear of their response undermine your know-how in helping leaders grow and improve.

- The 360 evaluations many companies use can be helpful, but you have to be thoughtful about how you use them. Don't try to cover everything; zero in on one or two things the person has to work on.
- As you're moving leaders to new jobs, you have to know the person, but you also have to be sure you understand what each job really requires to succeed in it. Define the three or four non-negotiable criteria, things you cannot compromise on.
- While you have to be sure that leaders meet the non-negotiable criteria, you can't focus only on the requirements of the job and lose sight of developing people. You have to actively search for and maybe even create jobs to stretch people and be willing to make creative moves that may seem risky but that can have a big payoff.
- You make better judgments about people, find more creative ways to deploy and develop their talents, and make a greater human impact when you take a sincere personal interest in each leader's development. Leaders with this know-how look for those informal opportunities to get to know people better and to provide coaching.
- Selecting a person for a job is always something of a bet. Honing your skills in judging people cuts the risk, but it's impossible to know for sure that the person will grow into and with the job and that his or her shortfalls (everyone has some) won't get in the way. People problems are never straightforward, but ignoring them causes setbacks for the organization and to your own progress as a leader.
- People often have temporary periods of disappointments, so you don't want to remove a person from a job too soon if there are things you can do to get the person on track. But many business problems are the result of letting things slide, ignoring the fact that the job is evolving while the person isn't, or vice versa, or that the decision to put the person in the job was wrong in the first place.
- Familiarity is no substitute for careful thought about how the leader you handpicked for a job is really faring. While there's an advantage in knowing someone well, familiarity can lead to sloppy thinking about how a person is progressing.
- Sometimes a feeling of indebtedness gets in the way.
- When a mismatch becomes evident and someone is failing in a job, it is important not to jump to conclusions. When you first sense a problem, you have to get to the root cause. Maybe the person has a psychological blockage, a know-how that's missing, or bad chemistry with a key person in another function. Sometimes the fault lies with a boss who fails to provide direction.
- Sometimes, and often in smaller companies, finding a job that matches the person's talents is not an option. That's when you have to make it clear to the person that his future is elsewhere. You have to know when and how to de-select people.
- The most successful leaders leave a legacy by establishing a pipeline of leaders that is better than what they inherited and, in addition, becomes the standard against which the rest are compared.
- Criteria alone don't ensure the right set of leaders. You have to work with others to develop the processes for calibrating and developing people, and you have to revisit them often to test whether they're working the way they should, just as you would for any other business activity.

- Money spent on training and development alone does not ensure a pipeline of leaders who are able to take the business in the direction you set.
- The idea is to be sure the high-potentials receive assignments that stretch their abilities and expand their knowledge, exposing them to a variety of markets, cultures, consumers, and business circumstances.
- Your know-how in judging, selecting, and developing leaders doesn't automatically improve just because you hire and fire a lot of people. You have to reflect on your accuracy in crystallizing what a person is good at it, what his or her potential is, and what he or she needs to improve. How good is your judgment compared with the judgments other leaders make on the same individual? You also have to reflect on whether the individuals turn out to have the potential you saw in them. When you repeatedly practice making judgments on people and reflect on why you missed in some cases, you're on your way to becoming a master of this know-how.

How to spot the future leaders of your business:

- They consistently deliver ambitious results.
- They continuously demonstrate growth, adaptability, and learning better and faster than their excellently performing peers.
- They seize the opportunity for challenging, bigger assignments, thereby expanding capability and capacity and improving judgment.
- They have the ability to think through the business and take leaps of imagination to grow the business.
- They are driven to take things to the next level.
- Their powers of observation are very acute, forming judgments of people by focusing on their decisions, behaviors, and actions, rather than relying on initial reactions and gut instincts; they can mentally detect and construct the "DNA" of a person.
- They come to the point succinctly, are clear thinkers, and have the courage to state a point-of-view even though listeners may react adversely.
- They ask incisive questions that open minds and incite the imagination.
- They perceptively judge their own direct reports, have the courage to give them honest feedback so the direct reports grow; they dig into cause and effect if a direct report is failing.
- They know the non-negotiable criteria of the job of their direct reports and match the job with the person; if there is a mismatch they deal with it promptly.
- They are able to spot talent and see the "God's gift" of other individuals.

Chapter 6: UNITY WITHOUT UNIFORMITY: Molding a Team of Leaders

- As the leader, you have to get your direct reports to submerge their egos, aggression, and personal agendas so they're pulling together.
- The centerpiece of this know-how is getting your team to understand, focus on, and commit to the total business. You have to help them create a common granular picture of the business in its external context as you see it. That way, they'll know how their respective areas fit together, and they'll have both the motivation and information they need to keep their efforts aligned. You have to mold people's behavior as well. Too often, talented and

ambitious people have a single-minded focus, little aware of what their colleagues in other silos are doing, at worst deeply suspicious of them. Resources and information are hoarded, and communication is sporadic and formalistic. You're the one who tolerates or challenges narrow self-interest, big egos, and dominant personalities.

- Most of the work of molding a team happens in group meetings, which may require that you change the way you lead. You can't just work with your direct reports one to one, setting their budgets and goals in private and coaching them individually as you shift your attention from one part of the business to another. You have to help the group create a picture of the total business and correct any divisive behaviors in the presence of the team, so you need the emotional strength to direct and stand up to powerful individuals on whom you depend.
- When they all see the same facts, discuss their own observations and thoughts, and come to understand the interconnectedness of their functions and skills. They're able to raise the bar, setting higher goals and achieving them faster.
- An ineffective team becomes not only a powerful competitive advantage, it also becomes a source of satisfaction that is a great device to retain the best people.
- A team of leaders starts being molded when everyone is on the same page. If the entire team needs to know what you know. In traditional one-on-one top-level relationships the leader, whether consciously not, usually does not share the full picture of the business with all his direct reports. But even when you share information with the team, it takes an enormous effort and sustained repetition to get every member of the team to arrive at the same point.
- The key is to develop an internal team dialogue in which each member contributes to the discussion that shapes the team's common view of the business—its challenges and opportunities and the resources available. The common picture channels the team's energy and, more important, provides a reference point for future dialogue as team members influence and are influenced by their colleagues. The stage is set for collaboration.
- Having all the right people and great processes isn't enough. You also have to have the right behaviors.
- Leaders often avoid conflict, hoping that a problem with one their direct reports' behavior will somehow resolve itself. They seldom do.
- The hard truth is that if you want to mold a team of leaders you must have the inner courage when an individual's behavior is destroying the team to confront that person head on and say it isn't acceptable and has to change.
- Organizational structure divides people. It results in inherent conflicts that can take several forms, some more corrosive than others. Task conflicts—who will do what—and process conflicts—how do we get this done—are among the most common and easily resolved. Conflicts over resource allocation are less common, but more corrosive since resources are, by their nature, limited. Priorities and goals change, resulting in someone being given more resources, necessarily at the expense of someone else. Any one of these conflicts, if not resolved, can culminate in personal conflicts, the most corrosive of all.
- The value of a team and your ability to lead it is that a decision can be reached that allows everyone to voice an opinion, debate the merits, and the right choice emerges. Handled like this, conflicts are powerful team-building tools because people recognize that the group makes better decisions than individuals and no one person has all the information.

- Surfacing such conflicts begins with the agenda you set out and the early team dialogue. But people can be reluctant to offer opinions or comments in a group setting where they may be challenged or, worse, ridiculed. Those who do speak out can become committed too early to a position and be unshing or unable to retreat. As the leader, you have to be sure at an overly competitive team member doesn't exploit another's vulnerability when discussing problems or concerns.
- Once an issue has been adequately framed in early group discussions, it often is useful to divide the team into groups of two or three, pose a few relevant questions, and have the small groups go off to formulate alternative answers. The social dynamics change radically within such small groups. The fear of being challenged evaporates, informality sets in, and individuals gain confidence. When the small teams return to the group, the architecture of the group discussion has changed. Mental attitudes have been realigned beyond each individual's narrow spectrum, the pros and cons are articulated and discussed honestly, and the group is able to consider second- and third-order consequences of a given action. Often a commitment to finding a solution develops. If a clear alternative does not emerge as the consensus of the group, the leader can always call the shot and ask for commitment.
- It goes without saying that building a team means having the right people on it. As the foundation, you must have people with obvious qualities such as technical competence, decisiveness, the ability to deliver on commitments, the respect of other members of the team, and the skills to lead subordinates. Perhaps as important are receptiveness to new ideas and the willingness to work horizontally with others, submerging ego and personal agenda to make trade-offs that are best for the entire organization.
- It takes time and effort to find, recruit, and keep the right people.
- One of the biggest problems team leaders face is maintaining the continuity of the team. Once the right people are in place on your team, how do you keep them there in the face of their own ambitions and solicitations from other companies?
- Teaching managers to be "coaches" rather than "bosses"—asking questions rather than just telling someone what to do— can go along way toward solving the first problem, and embedded processes that recognize peoples' contributions can help with the second problem.
- Keep a mental inventory of the skills and methods for getting things done for each member of your team.
- Feedback is most effective when given in written form and given frequently, but you must realize that human beings typically can change only one or two behaviors at a time. Some team members will need more coaching and feedback than others.
- It requires inner security and courage to be able to bring a high-ego individual who is performing well but disrupts the team in line so that the team as a whole benefits. The trick is how to do that without unduly bruising the person's ego, but at the same time showing the other team members that you are willing and able to exercise the leadership necessary to build the team.
- People with this know-how are very direct and to the point. When they give feedback to their direct reports, there is no mistake about whether that person understands the feedback. It is an essential part of team building to remind the team members of the core values they have agreed upon and the behaviors that are to be followed, and to reinforce those values and behaviors when necessary.

- In addition to helping each member of the team become better at making the team more effective through feedback and coaching, the leader needs to link improvement in the individual's team behavior to tangible rewards and recognition.

Nine Questions to Ask Yourself

1. Many people espouse the merits of building a high performing team but actually prefer to deal with people one-on-one. Be intellectually honest. Are you really willing to invest your emotional energy and time to mold your direct reports into a high-performing team?
2. Are you psychologically uncomfortable dealing with your direct reports as a team rather than one on one? Can you overcome your discomfort?
3. Do you have the confidence and temperament to confront one of your direct report's behavior when it is not conducive to the team, even if that person is a high performer and/or a strong personality?
4. Have you articulated and communicated the expected team behaviors and got your team to commit to them? Do you reinforce them consistently? Are they linked to rewards?
5. Do you include as the basis for selecting and evaluating your direct reports not only competence and performance in their particular area, but also their unmistakable willingness to make the team more effective even if their area is adversely affected, their ability to contain their ego, and their cognitive bandwidth to see the total picture?
6. Do you build openness, trust, and intellectual honesty among your direct reports by ensuring that conflicts are surfaced and resolved without making poor compromises, giving feedback and coaching on team behavior, and pushing as many critical issues as possible into the group setting?
7. Do you encourage your direct reports to communicate and make trade-offs directly, rather than having to go through you as the leader?
8. How well has each of your direct reports internalized the total business as you see it? Are you willing to help create for your direct reports the same total picture of the business that you have?
9. On a scale of 1 to 7, where 7 is the highest, how would you rate your direct reports' ability to function as a high-performing team? What will sustain the high-performance functioning?

Chapter 7: THE BUCK STARTS WITH YOU: Determining and Setting the Right Goals

- Goals are the destination you want to take your business to. Once stated clearly and communicated to the organization, goals align people's energy, and when they're linked to rewards, as they usually are, they have a powerful effect on people's behavior. Goals set the tone for decisions and actions that follow and greatly influence the business results that get delivered.
- Selecting the right set of goals is the ultimate juggling act. The goals have to be of the right type and magnitude be both achievable as well as motivational. They have to be acceptable to investors, most of whom care more about the short term, but also ensure that the business can make money in the long term. Because the pursuit of one goal necessarily affects the others—and the individual goals have to be balanced with one another. And above all, the goals must reflect the opportunities in the external world, while taking into account the existing and potential ability of the organization to pursue them.

- The best way to judge the quality of any leader's goals is by the quality and rigor of thinking that underlies them.
- There's a know-how to setting the right goals, in the right combination, with the right time frame, and at the right level. You can't set goals by looking in the rearview mirror at what was accomplished last year and adjust this year's numbers accordingly, and you can't go by what is being projected for the industry or the economy overall. Goals should reflect the opportunities that lie ahead and what is possible for your business as it goes forward. You have to choose more than one goal to keep the organization in balance, and the goals don't have to be financial and quantitative.
- The goals must be clearly defined with specific time frames at the start. Then you must be willing to adjust them as the world changes and the opportunities and organizational capabilities expand or contract.
- You have to be very clear in your thinking about what is really required to deliver the chosen goals. You need to assess whether the goals are do-able. When you assign goals to lower levels of the organization, you need to anticipate what decisions are likely to follow. At the same time you should not be impervious to real world difficulties lower levels will face. By saying "meet this goal—or else," you may be authorizing the systematic destruction of a perfectly good business.
- Many middle managers get caught between meeting the goals they've been given and doing what they know is best for the business. Of course, it's common for anyone at the receiving end of goals to feel some pressure. But when people are d accountable for goals that cannot be accomplished constructively, the emotional toll is very high, and the business suffers. A revolving door of managers is symptomatic. When you set the goals, you have to understand what actions and behaviors will follow as people try to achieve them.
- Keeping the dialogue open with the people whose goals you assign helps ensure that you're not missing something, and that the goals you set are motivating rather than discouraging. Dialogue gets the assumptions behind the goals into the open and lets you be a coach who helps people think through how they might respond. While you may not have the same detailed knowledge of the business as the person who works for you, dialogue can help you steer through two concerns: that you're being sandbagged by goals that are too low, and that the goals are unattainably high.
- Confronting the possibility that a goal is not right requires courage on the part of both the subordinate and the superior. The courageous subordinate must be willing to initiate discussions with her superiors about a questionable goal. It may be she didn't fully grasp the logic on which the decision was based. But it may be equally true that the superiors didn't link through the unintended consequences of the decision. Sometimes the view from below is a wake-up call for high-level leaders.
- Dialogue prevents you from dodging another uncomfortable issue: the need to confront some leaders who are not performing. All too often, leaders ratchet up the financial goals of their high performers to make up for what the laggards fail to deliver. Instead of growing their businesses, the high performers are forced to make drastic cuts. Such situations are not sustainable over the long term and drive away the best leadership talent.
- Some people are resistant to goals simply because they don't understand or agree with the logic of the goals. That's another reason why repetitive communication is so important.

Dialogue gives you the chance to show that the goals really do make sense given the pressures and constraints that exist elsewhere in the organization.

- Sometimes you might want to set goals that build the self-confidence of the organization. Usually that means goals that you are almost certain can be accomplished. When they are, the organization gets energized. Over time you can increase the goals as you simultaneously increase the self-confidence, and eventually you can begin setting stretch goals.
- Stretch goals show people that they can accomplish more than they thought they could. More rarely leaders employ stretch goals that are strategic. There is an art to setting those kinds of goals. Judgment, practice, and perceptual abilities come into play. Stretch goals can fire up people's imaginations and bring energy to the organization, but only if they are do-able. The point is not to get people to work harder. Rather, it is to get people to do things differently and thus raise the capability of the organization. You have to be sure that people are prepared to think differently and have sufficient resources to accomplish the goals.
- Having the right goals is inherently very demanding when customer demand shifts frequently and multiple silos have to continually coordinate to deliver on them. Keeping goals meaningful and the organization on track to achieve them under such conditions is challenging but very possible.
- Setting the right goals means frequently rethinking every assumption about the market, the competition, and the business environment. You have to be cognizant that there are factors far beyond your ability to control, such as foreign exchange rates, commodity prices, and fiscal and monetary policy, that will impinge on the business. If you have an exceptional know-how you will take a broad look at what is on the horizon two or more years out, then work backward to visualize what you think the organization can achieve in that context, both over that longer term and in the interim.
- Setting goals is never as objective and analytic as it sounds on paper. Leaders have emotions and their own psychological quirks. But emotions also can sometimes block clear thinking when it is needed most.
- Different leaders faced with the same set of circumstances will make different decisions about which goals to pursue based on their psychology and cognitive abilities. You have to expand your observational lenses and weigh many factors, including your own psychology, personality, and cognitive skills before you can be sure your goals are right, or healthy, for the organization.
- Ambition, pride, and in some cases excessive narcissism, often lead to setting a single goal that is bold, ambitious, captures the imagination, and is easy to communicate, but is ultimately bad for the business. Compensation schemes can exacerbate the problem by allowing leaders to declare and achieve a single goal that has devastating effects later.
- People new in a job can be especially tempted to shoot for high, sometimes unattainable goals in order to impress others. But this failure to deliver the touted goal results in devastating effects on the individual and the company. The smarter approach is to under-promise and over-deliver. People who use this approach are no less ambitious than their boastful competitors, but are more likely to have a longer-term set of goals that are continually evolving and being refined as external conditions change.

Chapter 8: IT'S MONDAY MORNING - NOW WHAT? Setting Laser-Sharp Dominant Priorities

- Priorities are the pathway for accomplishing goals. They provide the road map that organizes and directs the business toward its goals. When the priorities are unmistakably clear and specific, people know what to focus on and, therefore what should get their attention, resources, and follow-through. The right priorities, combined with appropriate follow-through, keep the truly important things from being driven off the radar screen in the day-to-day hurly-burly of life at work where everything can seem urgent and important. The right priorities help you rise above the constant demands that create stress and confusion. They enable you to provide clarity and focus for yourself and the other people in your organization. Without priorities people are apt to try to do everything, wasting precious time and energy on things that aren't important.
- Goals are set at fifty-thousand feet. Priorities are set at ground level where you must have the tenacity, attitude, and willingness to probe the messy details to think through and define what the most important actions should be and what their second and third-order consequences will be.
- Priorities determine how resources are allocated and thus have the potential for touching off clashes as resources are moved from one person to another. While the priorities must be absolutely clear, very specific, and, above all, doable, that isn't enough. Once set, you must repeat the priorities over and over again and follow through on them to be sure that people understand them, buy into them, and act on them so the organization executes them and doesn't deviate from the course the priorities set.
- When you select priorities you have to choose among four criteria: what is important, what is urgent, what is long-term versus short term and what is realistic versus visionary. If you don't make choices among them because you want to do everything, the result will be muddled. You have to have the psychological conviction to choose the right balance among them, knowing that some may not be popular and will draw opposition. Others may change the balance of power among people. But if you have the inner conviction that your judgment is right and that you don't have to be liked by everyone you can make the right choices.
- There is enormous energy generated inside the organization and among those who work with the organization, such as suppliers, by setting the right priorities. Conversely, enormous tolls are taken by the wrong priorities.
- Some people set too many priorities in the mistaken belief that they must do everything. Others choose the wrong priorities because they don't have enough information. Certainly ego can play an important role in the selection of the wrong priorities. Some people don't do the mental work that goes into sifting, sorting, and selecting the right priorities out of a morass of complexity and possibility and reducing them to stark simplicity. And others, fearful of making a mistake, don't choose at all, preferring to procrastinate and make excuses, such as a lack of sufficient information.
- You can have the right goals yet select the wrong priorities. But when you choose the wrong goals, your priorities will certainly be wrong and the business will be in danger.
- It may be necessary for you to choose unpopular priorities that are nevertheless important for reaching your goals. Priorities hit people where they live on an everyday basis and are highly visible in terms of resource allocation and shifting power bases. When people disagree with the priorities you set, it's one of the times when leadership becomes a

performing art and you have to sell your ideas and get buy-in from those people who have to carry them out.

- It is people who must bring the priorities to life. Therefore, whenever you set new priorities, you have to ask. Do we have the right people to carry them out?
- Anyone can state a priority. It is only when resources are applied to it that it really becomes one. The flow of resources— people and money—is a leading indicator of where the company is headed in the short and long term. Leaders who don't have a handle on the flow of resources aren't really holding the reins.
- Anytime you shift priorities you have to assign accountability and resources to the new ones. That almost always requires reshuffling or reallocation of resources. It also implies that the power of some people may be shifted. In real life, people announce priorities but find it psychologically difficult to take resources from someone and give them to someone else. They hate conflict and avoid it. You need to have a process to ensure that the necessary shifts take place.
- The greatest psychological challenge in setting and acting on priorities has to do with resource allocation. Whether in a group meeting or through conventional budgeting and capital approval processes, you have to demonstrate judgment and courage in making resource allocation decisions that reflect your business priorities and in following through to ensure that the things that should be happening in fact are. You have to do the analytic work to separate out the facts and assess the opportunities and risks, but you also need to call upon your inner strength and judgment.

Chapter 9: IN THE COURT OF PUBLIC OPINION: Dealing with Societal Forces Beyond the Market

- Every business today operates in a complex societal and political milieu that demands more of it than just profits. In the twenty-first century, business leaders will be required to deal with issues that go beyond the market.
- Companies that are on the wrong side of an issue can suffer immense damage if it gains traction, which many special interest groups know how to accomplish. Even an individual can exert influence through a blog.
- We live in an age of "moral liability" that imposes new responsibilities on companies to behave not just legally, but ethically as well.
- The challenge is to keep abreast of changing societal expectations and adapt your business accordingly, while avoiding the landmines.
- Dealing with external constituencies may not create shareholder value, but the failure to do so most certainly can destroy it.
- Like all the other know-hows a leader must have, this one requires experience, yet it is the one know-how in which very few leaders get sufficient experience before reaching the CEO's office. They simply aren't prepared for the psychological stress and frustration of dealing with the ambiguities and the lack of control that characterize the company's relations with such interest groups.
- The know-how of dealing with forces outside your control is to identify new interest groups that are emerging and to discern which groups are gaining influence and have legitimate issues. You have to build relationships and understand the real motivations and attitudes of those groups and their leaders. You have to look for ways to communicate, knowing that if

you bridge the gaps soon enough, you can help reshape the issues and outcome. If the issues are legitimate, you should respond, maybe by building coalitions among your peers so the industry doesn't continue to be attacked. While you have to be prepared to resort to legal channels and, frequently, negotiated settlements, you can't depend on them, because many battles take place in the court of public opinion and are won on the basis of emotional appeal rather than legal argument.

- You'll never master the know-how of managing external constituencies if you're not psychologically willing to deal with the inherent ambiguities and lack of control.
- The most effective leader is psychologically open and willing to negotiate, adept at understanding that no matter how rational the interest group's position may seem, it makes perfect sense to the opponent. The ability to listen with an open mind and determine what the group or its leaders are relying on is essential, because listening itself can defuse an issue and because it helps you understand what "winning" and "losing" really mean to those parties.
- Imagining what an outside group is really after requires being ultimate in reframing, seeing things not just through a different lens but with a whole different logic and set of values.
- Before you can deal appropriately with interest groups and stakeholders, you have to understand their cause and analyze their power base. Their skillful use of the media can greatly affect public opinion, which in turn affects government and the actions of regulators and legislators and even juries.

How not to be between a rock and a hard place

- Get the management team psychologically prepared for the fact that societal issues will arise and can pick up steam fast given today's high transparency and the Internet.
- As you examine your company's positioning, you need to anticipate what societal issues might be raised and what kinds of advocacy groups might raise them.
- Develop a methodology for dealing with such issues, first in terms of your personal psychology, and second, for the organization. What are your methods for picking up early warning signals of issues that are just emerging or gaining traction? How will you assess the power of various causes?
- Be prepared to exchange information and build bridges with advocacy groups to help shape the issues and solutions. Go on the offensive.

Summary:

The Eight Know- Hows

1. *Positioning and Repositioning.* Finding a central idea for business that meets customer demands and that makes money.
2. *Pinpointing External Change.* Detecting patterns in a complex world to put the business on the offensive.
3. *Leading the Social System.* Getting the right people together with the right behaviors and the right information to make better, faster decisions and achieve business results.
4. *Judging People.* calibrating people based on their actions, decisions, and behaviors and matching them to the non-negotiables on the job.
5. *Molding a Team.* Getting highly competent, high-ego leaders to co-ordinate seamlessly.

6. *Setting Goals*: Determining the set of goals that balances what the business can become with what it can realistically achieve.
7. *Setting Laser-Sharp Priorities*: Defining the path and aligning resources, actions, and energy to accomplish the goals.
8. *Dealing with Forces Beyond the Market*: Anticipating and responding to societal pressures you don't control but that can affect your business.

Personal Traits that Can Help or Interfere with the Know-Hows

- *Ambition* - to accomplish something noteworthy BUT NOT win at all costs.
- *Drive and Tenacity* - to search, persist, and follow through BUT NOT hold on too long.
- *Self-Confidence* - to overcome the fear of failure, fear of response, or the need to be liked and use power judiciously BUT NOT become arrogant and narcissistic.
- *Psychological Openness* - to be receptive to new and different ideas AND NOT shut other people down
- *Realism* - to see what can actually be accomplished AND NOT gloss over problems or assume the worst.
- *Appetite for Learning* - to continue to grow and improve the know-hows AND NOT repeat the same mistakes.

Cognitive Traits that Improve the Know-Hows

- *A Wide Range of Altitudes* - to transition from the conceptual to the specific.
- *A Broad Cognitive Bandwidth* - to take in a broad range of input and see the big picture.
- *Ability to Reframe* - to see things from different perspectives

Recommendation: This is a very practical book on the eight "know-hows" that are the foundation for leadership performance and success. This summary is meant to whet your appetite to read the book in its entirety.



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Frumi is a trusted advisor and leadership coach. She has a passion for helping business leaders, especially entrepreneurs and financial services leaders. She helps them find clarity out of chaos, communicate effectively with their teams, and accelerate their business results. Frumi is a former CEO and CFO herself and has an MBA and a PhD in business administration. She is known as a catalyst for change and when Frumi shows up with dynamite and band aids, change is bound to happen!

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