Executivematters

INSIGHTS AND INFORMATION FOR TODAY'S BUSINESS LEADERS

MAY 2007

Need Creative Thinking? Call in a "Zero-Gravity Thinker"

If you need someone who is willing to take risks, overhaul processes, or challenge assumptions, you should look for a "zero-gravity thinker"; that is, someone who is not weighed down by the twin innovation killers—"GroupThink" and "ExpertThink." Such a person may already be within your organization, but he or she isn't burdened by tradition and can look at new ways around a problem, identify possibilities where no one else sees them, and spot potential problems before they spin out of control.

According to Cynthia Barton Rabe's book *The Innovation Killer,* a zero-gravity thinker possesses the following traits:

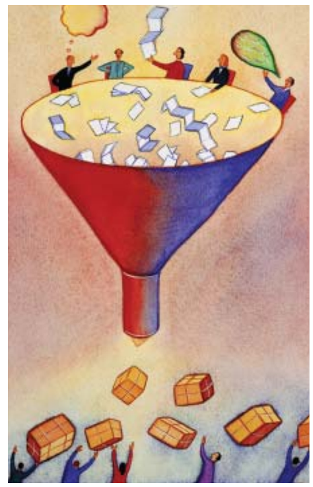
Psychological distance. An outsider from the group, this person is best positioned to challenge the status quo.

Renaissance tendencies. A wide range of experiences, interests, and influences more readily inspires innovative thinking. Related is a passion for learning.

Related expertise. Someone who is smart-enough-to-understand-the basics can stimulate a team of experts to think about a challenge from a "beginner's perspective" while also introducing insights from another field.

The Innovation Killer is published by AMACOM. For more information, visit www.amanet.org/books

The Numbers Game in Companies



Virtually every major company has some form of statistical or mathematical analysis in its business, but some—to their competitive advantage—take analytics much further than others. Thomas H. Davenport and Jeanne G. Harris explore how these "analytical competitors" have become top companies in their fields. Their book *Competing on Analytics* shows how analytics has been effectively used in marketing, innovative loyalty programs, customized distribution efforts, and consumer preference research.

Among the examples from the book:

- Barclays Bank applies analytics to the marketing of credit cards and other financial products to attract and retain the best customers at the lowest price.
- Through its analytical approach to marketing, Capital One is able to identify and serve new market segments before its competitors can.
- Through its search engine, Google uses analytics to serve advertisements that correspond to search terms used by potential customers.
- Harrah's entertainment used analytics to create the gaming industry's first loyalty program, emphasizing customer service, pricing, and promotions.
- Netflix uses analytics to predict customer movie preferences and is counting on its analytics to help it prosper in a virtual distribution world.

In their book, Davenport and Harris—both information technology and management thought leaders who have consulted to large organizations around the world—show how to compete on analytics and develop a roadmap for enhancing analytical capabilities. Thomas Davenport met with *Executive Matters* to explain how statistics and data modeling can position an organization to compete more effectively and efficiently.

"From an information and data standpoint," said Davenport, "it certainly seems as if we have had a lot of information for a long time. But, in fact, most organizations didn't have sufficient information to do a really good job of managing based on analytics until now." In Davenport's opinion, only now do we have enough data to really act.

What about intuition or gut-level decisions? In Davenport's opinion, "Those are more likely to be wrong. They are not tested." Davenport pointed to Capital One to prove his point. He noted how the bank does over 60,000 tests a year to try to decide what credit card solicitations a customer is more likely to respond to, what kind of customer is most likely to do so, and much more. Davenport added, "You know, Capital's ideal customer doesn't pay his or her balance every month because that's how the company makes its money—off of the credit card interest that it charges—so Capital wants to be able to identify such customers."

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It isn't just knowing to whom to market. As Davenport explained, "Analytics means that the company can save money by marketing to those individuals who are likely to actually respond to its credit card mailings, for example."

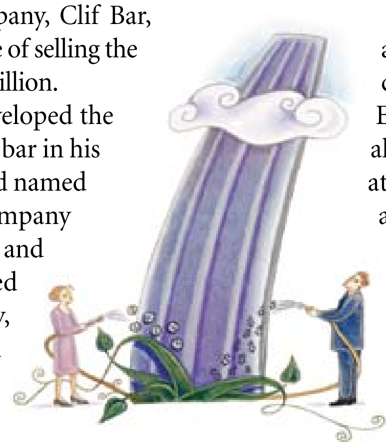
Davenport observed how companies that use analytics actually perform better. In one small study of only 32 companies, the more analytical the firm, the better its financial performance. In a much larger study of 400 firms, done with Accenture, the top performers were five times as likely to rely on analytics. Davenport said, "It could be that successful firms just have a lot of money to throw around, and one of the things they do is analytics, but I don't think so."

Davenport said, "People have been doing statistical analysis, but the work has always been buried in the bowels of organizations. You know, an insurance company might have some underwriters or some actuaries that understood analytics, but there wasn't a similar kind of activity in the executive suite or the quality department, or even in market research. What's really different about the companies that we're writing about is that they've moved analytics from the back room to the boardroom, and it's something that CEOs get very engaged in, that is written about in annual reports, and has become a major factor in competitive strategy."

Big Does Not Equal Great

Bo Burlingham, editor at large of *Inc.*, tells entrepreneurs: sooner or later, if your business survives, you will be led to believe that you have two choices: to grow your business as big as possible or sell out, take the money, and run. In his book *Small Giants* (Portfolio, 2007), Burlingham suggests that entrepreneurs have another option.

As a case in point, Burlingham writes about Gary Erickson, founder of a $39-million-a-year company, Clif Bar, who was on the verge of selling the company for $120 million.



Erickson had developed the recipe for the health bar in his mother's kitchen and named the product and company after his father. As he and his partner prepared to sell the company, Erickson found himself about to have a panic attack. Until that moment, he felt that he had no other choice but to sell. His two largest competitors had recently been sold to Nestle and Kraft, and he was terrified with competing head-to-head with multibillion dollar conglomerates. Erickson felt that selling to another conglomerate would protect Clif Bar and its employees, until that very moment when he learned that the new owner planned to move the firm from California to the Midwest.

Overcome with remorse, Erickson chose not to sell. He proposed to his partner that Clif Bar remain independent and operate as a relatively small private company despite the new marketplace in which it would find itself. Erickson faced opposition from his partner, whose 50% partnership meant Erickson had to pay out $65 million over five years—an agreement made at a time when Erickson had only $10,000 in the bank.

Erickson took over as CEO and began to rethink the company. Burlingham quotes Erickson, "'Morale was at an all-time low and dysfunction at an all-time high. I had to answer for myself, 'Why am I keeping this company? I decided that our reason for being here was to prove you can have a healthy, sustainable company."

Despite the debt it started with, the company more than doubled its sales, from $39 million in 1999 to $92 million in 2004.

What's the message here? Bigger isn't necessarily better, even if the only companies being celebrated by the business media are the biggest or the fastest growing. There's a place in our economy for private companies. With the right leadership practices, companies can resist the temptation to get bigger and bigger—and wind up better.

Words of Wisdom for Executives

William J. Rothwell, author of *Effective Succession Planning* (AMACOM, 3rd Edition):

"Organizational leaders need to think about aligning their staffing and leadership needs with the organization's future strategic objectives. If they do not take action to establish an effective succession planning and management program, they are likely to fall victim to the so-called "like me" problem. That is the dilemma in which people are biased to pick other people like themselves, viewing them more favorably.

"It is not intentional discrimination but, rather, human nature—to see the world through our own lenses. For that reason, men tend to prefer men, women prefer women, engineers prefer engineers, and so forth. The more ways that you are like your boss, the more likely your boss is to regard you favorably.

"Since there is a tendency to want to 'clone' job incumbents for successors, organizations must take steps to counteract that built-in bias, for the simple reason that the job incumbent of today, while perhaps perfectly suited for the business environment now, may not be suitable for the business environment of the future.

"For that reason, organizational leaders must take steps to determine how many and what kind of people are needed for the future so that succession plans can pick winners who can help the organization realize its strategic objectives."

STRATEGIC INSIGHTS

Piecing Together the Engagement Puzzle

BY DONNA J. BEAR

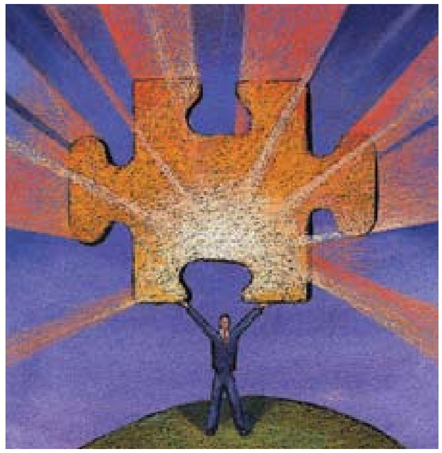
The gestalt principle tells us that the sum of the whole is greater than its parts, and that may be particularly true for organizations seeking to piece together the "engagement" puzzle. Since employee engagement is influenced by work, people, and environment, firms are using well-thought-out selection, assessment, and onboarding techniques to engage employees right from the start.

First, Identify the Four Cornerstones

Employee engagement can start even before a candidate submits a résumé. The employer's brand—as defined by its products and services, its community involvement, and its Web site—can serve as that important "first corner" in the engagement puzzle. It tells the world what kind of individual might be drawn to—and engaged by—this employer.

When organizations carefully define the competencies and credentials that will prepare a candidate for a successful work experience, they are, in effect, creating a picture of the skills and attributes that an engaged, challenged employee will be using on the job. Thus, the "second corner" has been placed.

Structured behavioral interviews are one vehicle for discovering whether candidates will do what they say they can do, and this can be the "third corner" of the



puzzle. HR consultancy Development Dimensions International maintains that interviewing for traits such as adaptability, emotional maturity, and positive disposition can produce applicants who "are 14 times more likely to be highly engaged employees" ("Searching for the Holy Grail," 2005).

Some firms are going one step further and tapping technology to take potential employees on a test run. Electronic simulations sometimes called "virtual job auditions, virtual job tryouts, or realistic job previews" are representative of the high-tech tools that companies such as Toyota Motors, Sun Trust Bank, and Quest Diagnostics are using to supplement hiring decisions, according to Connie Winkler (2006), author of two books on high-tech careers. While Winkler estimates that only about 5% of firms used such simulations in 2006, these tools might be the "fourth corner," as their value in determining candidates' likelihood of success might also, by extension, help identify those who will be engaged by their work.

Next, Provide the Frame

Another factor influencing employee engagement is the degree to which an individual "fits" the framework of the organization. A good fit with the culture of the firm is as crucial to engagement as a good fit with the challenges of the job.

Giving employees the right start and keeping them engaged and motivated is sometimes a product of trial and error. A well-designed onboarding process can help simplify this part of the puzzle.

A positive onboarding experience can give employees a head start toward engagement. Engaged employees not only become more productive more quickly, they tend to be more satisfied with their jobs and, therefore, stick around longer.

Donna Bear is editor of Strategic Insights for the Human Resource Institute. Adapted with permission of HRI. For more information, visit: www.hrinstitute.info

How Well Do You Take Advice? Ask Your Consultant

Mark R. Haas, CMC, chairman of the board of the Institute of Management Consultants USA, suggests that executives give serious consideration to how they respond to advice. As he explains, "Given the many challenges facing you, you frequently ask for advice. Sometimes, unasked, someone with whom you work gives you advice." In either case, he asks, how well do you react to the communication?

According to Haas, you can perfect your response to advice you get in both circumstances by considering the following questions:

- Why are you asking for advice—for instance, to get more data, to confirm a decision, or to identify options before you?
- Who are you asking for advice or is giving it—could it be a staff member, a member of your board, a peer, or an outside advisor?
- Is the advice conflict-free—that is, do you trust the ethical commitment of the individual offering the advice?
- Are you ready to hear the advice—in other words, how will you react to advice if you don't expect it or don't want to hear it?
- How will you turn the advice given into action?

Since consultants may be the most frequent source of advice you get, as Haas suggests, you may want to discuss these questions with your consultant.

The consulting business is changing. To understand the changes, and the implications to you, attend ConsultingWorld (www.consulting-world.org), a three-day conference at Lake Buena Vista, Florida. Sponsored by AMA and the Institute of Management Consultants, the conference focuses managing the consultant-client relationship.

Here's what you'll find on the

AMA Members-only Website www.amamember.org

MANAGEMENT

Managerial Rx—Getting Rid of Bad Apples. A new study shows that your company's bad apples aren't just annoying; if they're not properly dealt with they can easily spoil the entire corporate culture. It's up to managers to take decisive action to try to reform bad apples or, if that doesn't work, to toss them out.

PROFFESSIONAL DEVELOPMENT

How to *Finally* Take Control of Your Time. As the saying goes, if you don't take control of your time, others will do it for you. Brian Tracy shares secrets from his book *Time Power* that will help you stop procrastinating and start mastering your time *now*.

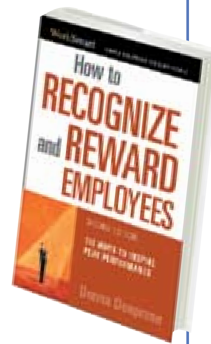
SALES & MARKETING

Say Goodbye to 11th Hour Negotiations. How many times have you thought you were about to close a big sale only to have your customer confront you with last-minute issues? Author Jeff Thull explains how to avoid those unpleasant 11th hour surprises.

GLOBAL PERSPECTIVES

Communicating Across Cultures. You have a big meeting coming up overseas. You've checked and double-checked your proposal, but unless you've also done some research into the country's culture, the deal may be doomed before you set foot on the plane.

Book of the Month:



***How to Recognize & Reward Employees: 150 Ways to Inspire Peak Performance* by Donna Deeprose.** Recognizing and rewarding employees isn't just a "nice thing to do;" it's a business imperative. This new edition features exercises, case studies, self-tests, lists, and worksheets to help you implement effective rewards programs.

For more information about this book and AMACOM's extensive catalog of business titles, visit www.amanet.org/books

AMA Conferences/Special Events Calendar

MAY 23, FREE WEBCAST • Do You Know Your Competitive Advantage? Jaynie Smith teaches companies how to differentiate themselves from their competitors. In this Webcast she presents valuable tips for uncovering your organization's competitive advantages and offers advice on communicating a compelling reason to choose your products or services!

JUNE 6-7, FREE WEBCAST • Secrets of Analyzing Financial Statements. Financial statements provide key information for running a company. They can warn of potential problems and when used correctly will provide you with the knowledge to run your business profitably. In this Webcast, revealing scenarios and practical rules-of-thumb will give you insight into analyzing income statements, balance sheets and cash flows.

JUNE 13, FREE WEBCAST • Using Talent Management to Build a Culture of Excellence. This webcast examines the building blocks of becoming an employer of choice. Lance A. Berger, author of the Talent Management Handbook, will describe the nuts and bolts of developing an effective TMS within your organization.

JUNE 20, FREE WEBCAST • Rebuilding Brand America. Other nations and cultures have singled out American businesses, government, and way of life for harsh scorn, widespread resentment, even violence. Join author Dick Martin and former DDBO Chairman Keith Reinhard as they explore the roots of anti-American sentiment and offer practical advice on what American business can and must do about it.

MAY 18, ATLANTA, GA and JUNE 1, SAN FRANCISCO, CA • Briefing: Creating Customer Loyalty through Service Leadership. These convenient briefings will explore the four factors required for your organization to successfully deliver high-quality service.

JUNE 24–26, Lake Buena Vista, FL • Consulting World: Grande Conference of the Americas. Developed with the Institute of Management Consultants (IMC USA), this conference focuses on the tools and techniques of managing the consultant-client relationship. It provides the perfect opportunity to learn from, network with and share practical knowledge with consultants at all stages of practice development.

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