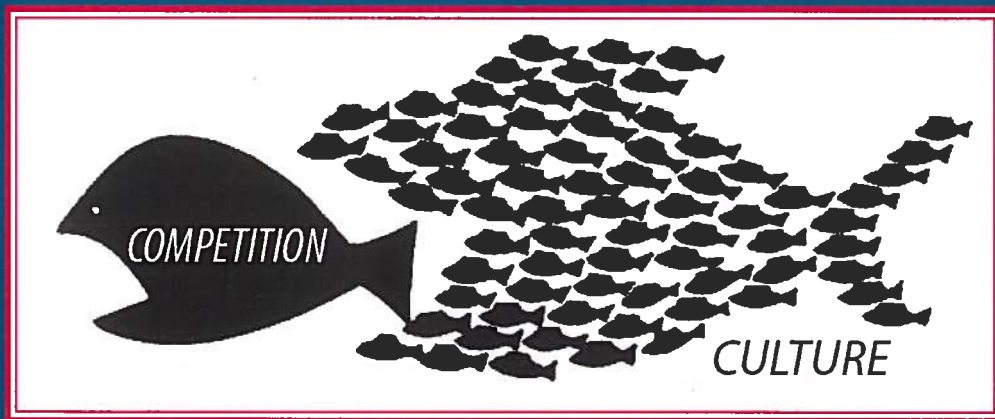


Culture



“Culture eats strategy for lunch.”

—Peter Drucker

Columbia University

Peter D. Kaufman - September 23, 2015

It's Really Quite Simple...



*“What the pupil must learn, if he learns anything at all,
is that the world will do most of the work for you, provided you
cooperate with it by identifying how it really works and aligning
with those realities.*

If we do not let the world teach us, it teaches us a lesson.”

—Joseph Tussman

At Glenair we have a saying,

“Where There Is Mystery There Is Margin.”

Another way of expressing this same idea is the saying,

“When You Do As Everyone Else Does, Don't Be Surprised When You Get What Everyone Else Gets.”

This hand out contains simple cultural principles few others ever employ.

They can be the source of sustained advantage,
optimal relationships, and superlative margins.

It's so simple, yet so profound: we can get the world to do most of the work for us, or we can struggle against its unconquerable power, for a lifetime. But, we can only enjoy the positive force of Niagara Falls *by identifying and aligning with how the world really works.*

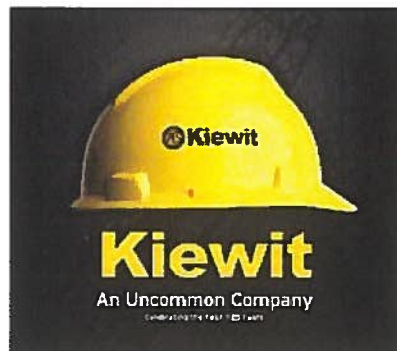
Culture

I was asked by our outside directors at Glenair for suggestions how they could be of greater value. This was such a good question, I prepared an entire written report in response.

I'm delighted to share it with you.

At a talk to Capital Group executives recently, Charlie Munger stated the following:

“The three best operating companies I’m aware of are Costco, Kiewit and Glenair. There is nothing remarkable about the product or field for any of these three. But there is something remarkable about the cultures of all three.”



From Charlie's statement it might be inferred that if someone wanted to truly understand any of these exceptional companies, their focus would best be placed not on the product or field, ***but on their cultures.*** Indeed, I think this is the proper pathway for a Glenair director to be of optimum value: coming to understand, with deep fluency, the unconventional Glenair culture, and the specific ingredients—large and small, obvious and hidden—that join together to create such a “leaping emergent effect”. ***They would then be in a position to perform one of the most valuable tasks a director can ever perform - guarding against drift in the culture.***

To follow are fourteen critical aspects of Glenair culture. Their simplicity is reflective of one of my favorite lines, from Andy Benoit:

“Most geniuses—especially those who lead others—prosper not by deconstructing intricate complexities, but by exploiting unrecognized simplicities.”

Twelve Cultural Values We Honor At Glenair:

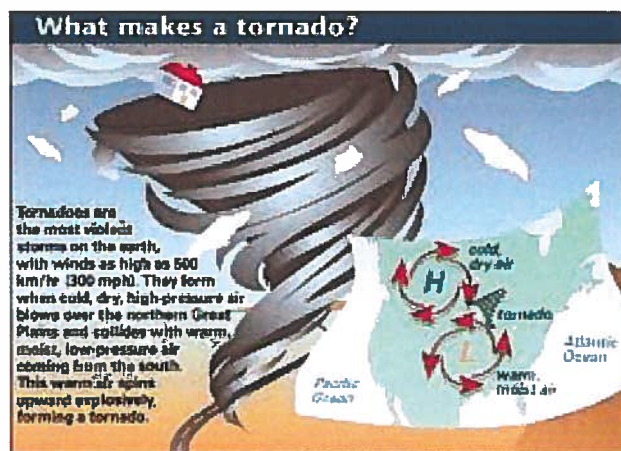
1. We Honor The Priceless Opportunity Of “Leaping Emergent Effects”

A foundational concept in science is the term, “Emergent Effects”. Everything is an emergent effect—a table, a flower, you and I—the outcome of *higher level* qualities “emerging” when a number of *lower level* component factors are joined together. Most emergent effects are easily predicted through a description of the ingredients and how they are joined together. A small subset however are far more difficult to predict: *Emergent Effects that stunningly “leap” great distances from the qualities of their constituent factors.*

My favorite example of a stunning, leaping Emergent Effect leap is a tornado. Could we ever predict a leaping result like a tornado by merely looking at its individual constituent ingredients—warm air, cold air, clockwise, counter-clockwise, high pressure, low pressure, north, south? No, to someone who has never seen or heard of a tornado, the idea that such mundane factors could lead to such enormous forces is crazy.

But the exact same thing is true of human life outcomes—especially cultures. They are also Emergent Effects of constituent pieces, and if you put just the right factors together, novel, unexpected, leaping group outcomes can result. *Teams—like the 1980 U.S. Olympic Hockey team—so effective they can “lift the house and move it down the block”.*

Just like a tornado, those who’ve never encountered such a thing would swear it couldn’t be done, certainly not through mundane factors like trust, security, caring, fairness, reciprocation, etc.



A Tornado Is An Amazing “Leaping Emergent Effect”

A Team Can Be As Well

Take the ordinary topography of the Great Plains. Add cold, dry, high-pressure air moving clockwise from the north. Then add warm, moist, low-pressure air moving counter-clockwise from the south. What do you get?

A Tornado—A “Leaping Emergent Effect” That Can Lift A House And Move It Down The Block!



“I’m not looking for the best players, Craig. I’m looking for the right players.”

—Herb Brooks to Jim Craig

The underdog U.S. hockey team—who likely did not have a player that could have started for the Soviets—overcame their powerful rivals in a thrilling upset at Lake Placid.

Cultures Can Themselves “Leap” If You Get The Aerodynamics Right



It May Look “Bulky And Expensive”, But Leaves Rivals In The Dust

As in the photo above, enormous ingenuity and expense have gone into designing motorcycle airfoils that minimize turbulence, drag, noise, load, heat and volatility, thus optimizing “flow” and “lift”. Such airfoils are extremely counterintuitive—they require enormous time to build and can be as much as 10X thicker than “lean” structures. Yet they leave their rivals in the dust.

Similar Ingenuity Is Employed By Leaders Who Understand “Cultural Aerodynamics”.

Those with shallow fluency sit by and scratch their heads—mystified at how rivals with “bulky and expensive” trust, unity and abundant sharing models leave them in the dust.

Tolstoy said, “All happy families are alike; each unhappy family is unhappy in its own way.”

Happy teams and companies are likewise all alike.

They are the few able to blend “factors rarely seen together” to reliably enjoy stunning leaps of group accomplishment.



A Stunning Leap Of Group Accomplishment

“Our attitude has always been that if you hire good people and provide good wages and good jobs and more than that – if you provide careers – that good things will happen to your company.”

—Jim Sinegal, Costco

2. We Honor That The Most Important Ingredient In Any Culture Is Trust



"Few delights can equal the mere presence of one whom we trust utterly".

—George MacDonald

Want to create a team "Leaping Emergent Effect" like the U.S. Olympic Hockey team? How important is total "trust"? *It's so important that whatever is in second place is not even visible!* Yet, this towering reality of "how the world really works" is flatly ignored by most organizations. Instead of putting this simple truth to work, and enjoying the power of Niagara Falls at their back, "*life teaches them a lesson*", and they are continually hamstrung. A couple of unrecognized, simple puppy illustrations bring this issue into crystal clarity.

Imagine bringing a puppy home. Our goal is naturally to wind up with an engaged, contributing new member of our household. But the first night, the poor thing is over quaking in the corner. How do we solve this problem? Well, it's no great mystery, nothing could be more obvious.

We must create calm, security, reassurance—"*a safe environment*". We must communicate well. We must share our water and food. Above all, we must be continuously consistent in delivering these things. And if we are, in due course, after maybe a week, that little puppy will trot over and attach itself to us. And despite being a different species altogether, for the rest of its life, *it will be willing to die for us!* Talk about a "Leaping Emergent Effect! Talk about getting the world to do most of the work for us! We invest less than a week, and get another species willing to die for us!

Is there a lesson here with respect to leadership and team building? *Yes. With one minor exception, human beings behave no differently.* We too will go from quaking in the corner to becoming attached and be willing to die, *provided we also perceive a "safe/transparent/sharing environment"*.

The one exception? For dogs, the "irreducible minimum amount of time" required to achieve such a leaping effect is a week or so. For human beings, the irreducible minimum is more like six months.

Yet, do most human institutions honor this simple reality when they “bring home” a new employee or supplier? Are they kind, soft, and caring to create security, reassurance and safety? Do they communicate well? Do they share their water and food? And even if they do these things, do they do them for the minimum time of six months? Hardly! As if they had a rolled up newspaper in their hands, they regularly strike out at suppliers and employees, *creating an environment of zero trust*. And yet, they are perplexed as to why suppliers and employees “continue to quake in the corner”!



A Great Relationship Is Not Just Finding The Right Partner, It's Being The Right Partner Yourself

“They won't commit until they know you care.”

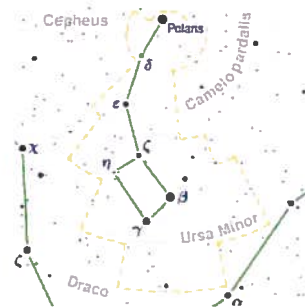
—Anson Dorrance

What a paradox! Even though we are not dogs, we accept the towering reality that only *a totally safe environment*—transparency, sharing, absolute, continuous trust—introduced via an irreducible minimum of one week, will lead to a dog totally committing to a relationship. But somehow we think we can abuse the people around us, yet expect them to be productive, loyal, caring, etc.

Biologically-Stored Ancestral Knowledge: The Know-how Is Already There



Golden Retriever pups are born already knowing how and when to “retrieve”. How? Phylogenetic Knowledge. Their genes endow them with full knowledge for being a retriever, even if they are separated at birth from other dogs.



Indigo buntings migrate annually over long distances. The fount of this spectacular adaptation is a rich source of information that natural selection, over evolutionary time, has packed into the birds' genes—in particular, information about the rotation of the stellar constellations.

—Helena Cronin

Our second illuminating puppy story has to do with pups who can be separated at birth from their parents, yet still know how to point, herd, retrieve, etc. How can they do these things without ever being shown or taught? The answer—a fundamental principle in any university biology department—is what's called “Phylogenetic Knowledge”. As in the case of the Golden Retriever pups or migrating buntings above, *there is task-based knowledge passed through the DNA of all sentient creatures*. Enormously counter-intuitive, most leaders overlook how critically important such “Biologically-Stored Ancestral Knowledge” is, omitting it altogether from how they approach their leadership activities.

No differently than pups retrieving, or birds migrating, humans also have innate “Phylogenetic” abilities from birth. One of the most important is assessing the quality and fitness of our “alphas”.

And in terms of such assessments, we are innately wired to seek leaders—whether heads of households, sports teams, businesses, societies, etc.—that, like Atticus Finch of To Kill A Mockingbird, are principled, trustworthy, strong, courageous, resilient, calm, fair, loyal, sharing, and with a track record of “winning”.



Want to be a great leader? Easy enough. Simply honor this ultra-simple reality of “how the world really works”. Nothing is more important for a leader than to align with the “Phylogenetic Knowledge” wiring in the heads of their counterparties, by demonstrating trustworthiness, fairness, reciprocation, caring...and winning.



#1 For Good Reason

Atticus Finch is consistently ranked in polls as the #1 fictional hero of all-time. And why not?

As if from a Phylogenetic checklist, he exhibits every quality innately craved by humans in their leaders.

It’s our lifelong quest. *We’re wired, at the DNA-level, to seek great, trustworthy alphas—they are life’s most valuable commodity.* Like puppies, we eagerly search for genuine leaders, seek to attach ourselves, and are even willing to die for them.

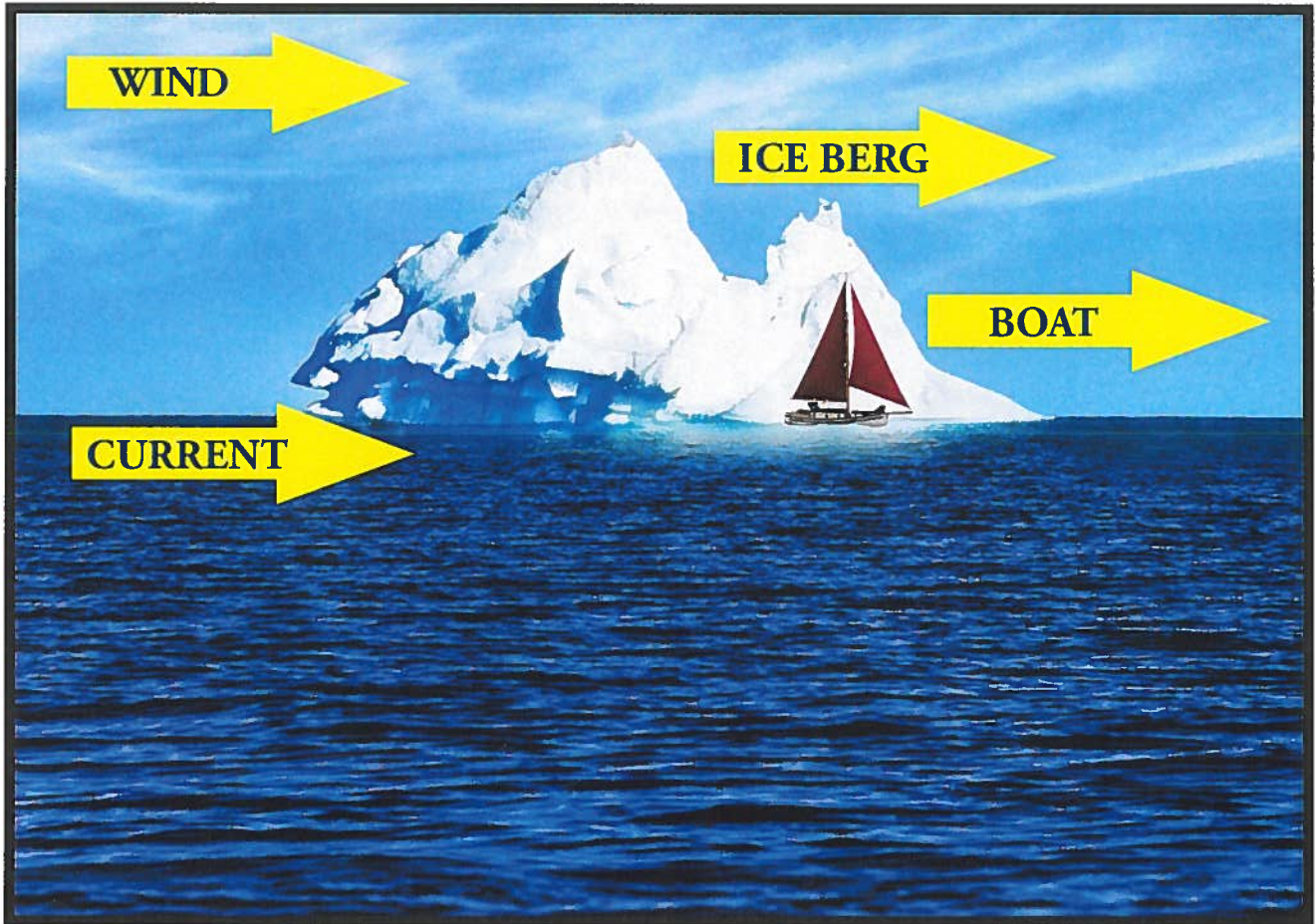
We’re also wired to know what constitutes bad alphas—the untrustworthy, unfair, bullying, two-faced, cowardly, selfish, disloyal, “losers” who attained their elevation by deceit. Not only do we try to avoid them like the plague, if stuck with one we’ll do our best to “do them in”. So, it’s really quite simple: No differently than dogs, powerful, innate self-preservation instincts compel us to seek good leaders and avoid bad ones.



Winning: Pure Oxygen To Any Human Group

“A commander does what is necessary to accomplish his mission, and nearly 80% of his mission is to arouse morale in his men”.

—General George Patton

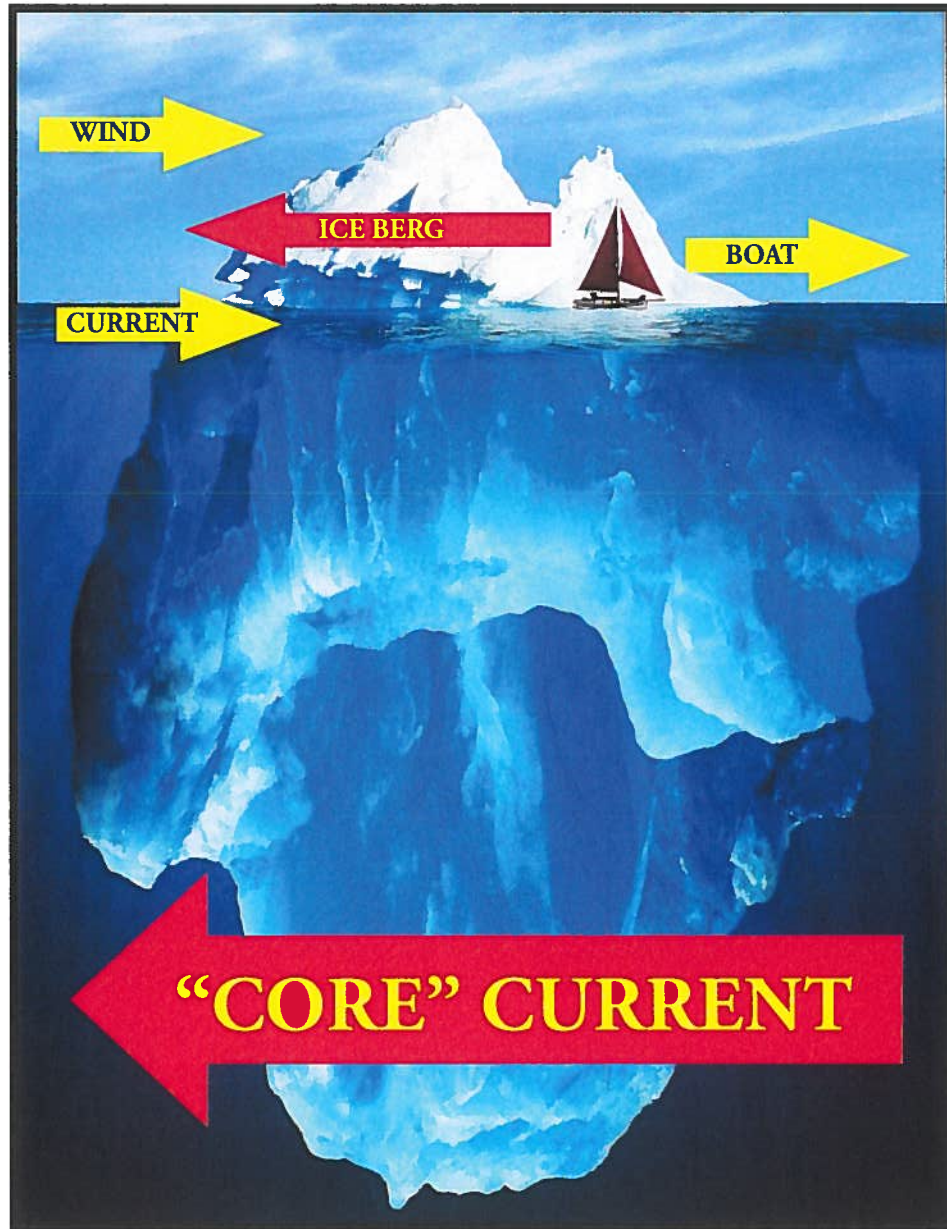


The above image is one half of one of a great illustration of the innate, “core” wiring and instincts that drive the behavior of all sentient creatures—dogs, horses, birds and human beings.

Imagine you are on this boat up in the Arctic Circle. The wind is moving east, the current is moving east. You and the boat are moving east. And that ice berg next to you is also moving east.

Yet, if you spend enough time in the Arctic Circle, you will run into a most perplexing situation. While the wind, current, you and the boat are all still headed east, at times the ice berg will be headed in the opposite direction, west!

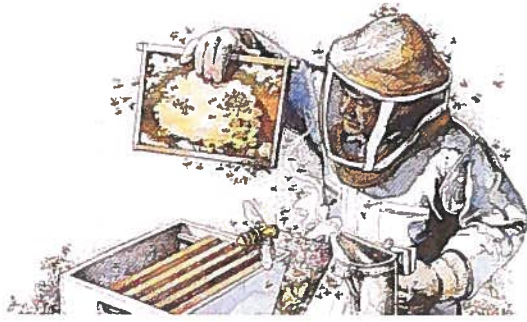
What can possibly explain this seeming rebuttal of the laws of aerodynamics? Before you turn the page to see the illustration’s second half, recall the discussion we’ve just had about core wiring, deep innate cravings, compulsions, etc. It provides a big hint as to the explanation....



This Is What An Ice Berg Really Looks Like!

And this is also what the human beings you are trying to understand look like—
endowed with deep, deep core “currents” at the innate, DNA-level.

Don't get fooled by what appears to be happening at the “surface” as you deal with others.
Human beings—much more so than dogs etc.—are highly skilled at masking their true “core” feelings,
keeping what is deep a secret, coiling like a spring, one day to let go with dramatic consequences...



Job #1: “Getting The Air Right”

“Every manager should be something of a psychologist— what makes people tick, what they want, what they need. And much of what people want and need resides in the subconscious. The job of a manager is to help the people accomplish extraordinary things. And that means shaping a work environment that stimulates people to explore their own potential.”

—Kenneth Iverson

I like to say that ***management*** is how you deal with the allocation, direction and oversight ***of things***. ***Leadership***, by contrast, ***is how you deal with people***—the body of inter-personal values that collectively equal the “culture” of a group. Similar to my term, “Cultural Atmosphere”, in *The Lives of a Cell*, Lewis Thomas talks about ***“Getting The Air Right”***. Advising heads of research teams how to produce better science, Thomas wrote:

“If you want a bee to make honey, you do not issue protocols on solar navigation or carbohydrate chemistry, you put him together with other bees and you do what you can to arrange the general environment around the hive. If the air is right, the science will come in its own season, like pure honey.”

My nearly four decades of organizational experience mirrors Thomas’. While systems, processes, protocols, procedures and technologies certainly must be honored, if you allow them to become your primary focus, you are dealing in ***management***. If you keep people your primary focus, you properly deal in ***leadership***.

In Thomas’ analogy, ***managers*** focus on protocols for navigation and chemistry, ***leaders*** on “the general environment around the hive”—the human factors, “Getting The Air Right”.

In my experience, a high-morale group, properly motivated and incentivized, can out-perform a low-morale peer group by a factor of ***5x*** or more. ***The typically untapped, latent potential of human beings is stunning, and can be reliably unleashed by the right cultural framework.*** Unleashing that latent potential is how, over three decades, Nucor and Glenair have respectively posted seemingly impossible compounded returns of 17% and 18%, with no losses or layoffs.

3. *We Honor That Good Leaders, And Their Teams, Are “All-In”*



“The art of leadership lies in simple things—commonsense actions that ensure high morale and increase the odds of winning. Show me an organization in which employees take ownership, and I will show you one that beats its competitors.

Our USS Benfold beat nearly every metric in the Pacific Fleet. And we did all this playing the same hand my predecessor held. We didn’t fire or replace anyone.

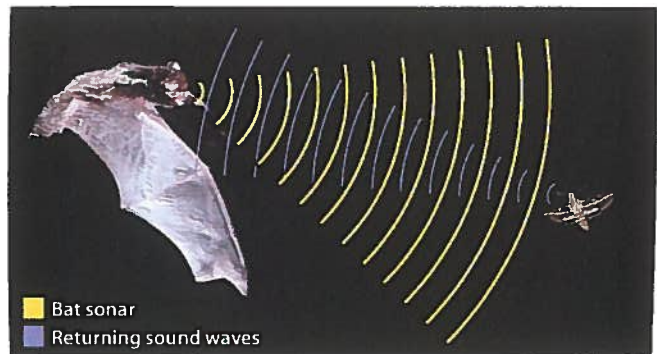
We tapped the potential that had never been recognized”.

—Michael Abrashoff, It’s Your Ship

I recently heard a story that ideally conveys what is happening when “a puppy attaches itself to us and for the rest of its life is willing to die for us”. ***That puppy is going, “All-In”.***

There are enormous implications when individuals and groups go “All-In”. Being “All-In” is an essential ingredient in achieving a human “Leaping Emergent Effect”. ***It can’t happen without it.***

This amazing story concerns a blind professor, Daniel Kish, Kish taught himself to use “echolocation”, the method used by bats, in order to “see” even though he is blind. By emitting clicking sounds with his mouth, Kish senses the shape and distance of objects by how their echoes return to him. He can even ride a bike!



Kish has taught this skill to other blind people. He was once asked whether he thought a sighted person could learn it. No, he replied, ***you have to be “All-In”***, in this case blind. And herein lies a great insight to optimal team performance:

The quality of being “All-In” is necessary for any group to rise to the Leaping Emergent Effect level of a tornado—to enjoy the kind of unified energy, productivity, collaboration and ingenuity that can lift a house and move it down the block. Through an environment of trust, caring, sharing, etc. we want to create conditions that induce our team members to go:



“All-In”



Snow White: A Team That Was “All-In”

“The place was expanding so fast it seemed as if it would burst at the seams.

Each new picture contained breathtaking new improvements; the effects were better, the animation had more life, and the whole studio had an upward momentum.

It was like being a player on a winning team!

To us, all this was pure magic.

Our dedication was the greatest thing in the world—

our dedication to Walt

and the product, our unquestioning attitude.

No one ever said to Walt,

‘Au, that’s too much work, I don’t want to do it.’

Oh, no, you’d take it home

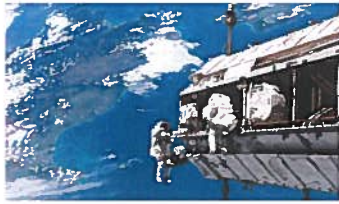
and spend all night if you had to.

Walt had something, that power.

It was just his personality, his genius, I guess.”

—1930’s Snow White Animator

4. We Honor That Good Leaders See Through The Eyes Of Their Groups

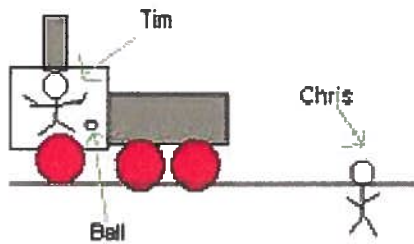


**Necessary For
Grasping Any System:
Getting Outside Of It**

At the equator, the surface of the planet Earth rotates at approximately 1,000 miles per hour, while the entire Earth itself is orbiting the sun at something like 67,000 miles per hour -- not to mention that our entire solar system is flying through an expanding universe of empty space at an astonishing rate. So, if we're moving at such an incredible velocity at all times, why do we ever feel the sensation of stillness? It's because of Galilean Relativity -- we are part of a vast inertial framework that anchors us all to a common experience of stillness.

—Science Channel

Why do human beings tend to get an “A” when dealing with dogs, but an “F” in dealing with their fellow human beings? Why do dogs tend to get an “A” when dealing with human beings, but an “F” when dealing with fellow dogs? The answer is what’s called Galilean Relativity.



In Physics, “Galilean Relativity” says it is impossible to truly grasp or define any system *that you yourself are a part of*. The classic example is a man on a 50 mph train with a ball in his hand. Ask him how fast the ball is moving? It’s at rest he replies. But to an outside observer, like the train, the ball is traveling 50 mph. This is to say, “distance gives perspective”, *and one must be outside a system to ever fully understand it.*

We have arrived at our simple answer as to why humans treat dogs better than fellow human beings: *we’re on a different train than dogs, outside their system, but the same train as fellow human beings.* Similarly, dogs are on a different train than human beings, but the same train with fellow dogs.

This need for distance is why there is so much value in being “other-oriented”, i.e., able to see “through other people’s eyes”. This is why the most valuable business education any leader—or human being in general for that matter—can usually receive is not in a classroom, but inside a human organization itself, moving through its ranks, becoming intimately familiar with “how the world looks through the eyes” of all of its members.



*Necessary For Grasping Any System:
Becoming Unanchored/Getting Outside Of It*

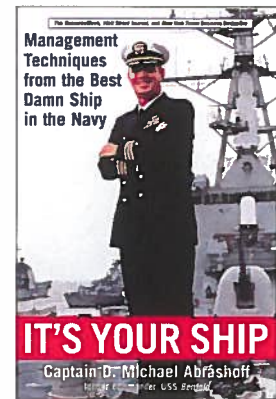
John Singer Sargent used to look, upside down and through a mirror, at his in-process portraits, “getting outside the system” so as to better understand any shortcomings.

I experienced the value of “seeing through other’s eyes” firsthand. As a teenager, for one long, hot summer, I washed pots in the Hoag Memorial Hospital kitchen. Up every morning at the crack of dawn, while most of my friends slept-in, I made my way to that “crummy summer job”.

Along side me on many occasions was “Gabriel”, an immigrant from Mexico who spoke zero English. Day after day Gabriel and I scrubbed those pots in that steamy, sweaty dish room, *and day after day I came to better understand both Gabriel’s foreign language—and him.*

Fast forward ten or so years, and I was being thrust into a senior leadership position at Glenair while still in my twenties, with hundreds of employees under me. Imagine my surprise, delight—and relief—to find that *most of these workers were “Gabriels”*, people who had virtually the exact same background and characteristics as my pot washing compatriot. Did I have a sense of how the world looked to them? Did I know how to converse and to truly connect with my new group? I’ll say I did—I even spoke their language, slang and all—and did they ever appreciate it!

A classic line from clinical psychology clearly demonstrates the value of “seeing through other’s eyes”. Why are others are behaving in ways that seem so alien to us?



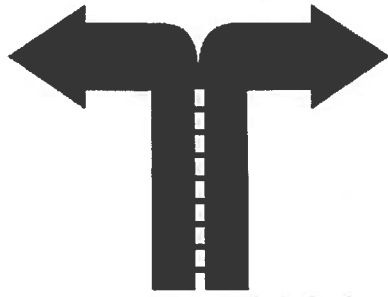
*One Of The Best Books
On Leadership Ever Written*

*“The most important
skill a skipper can have is
the ability to see through
the eyes of the crew..”*

—Captain Michael Abrashoff

*“If you could see the world the way I see it,
you’d understand why I behave the way I do”.*

5. We Honor That Only The Win/Win Is Sustainable



*When Someone Isn't Winning,
Sooner Or Later The Jig Is Up*

"Time Discovers Truth".

—Seneca The Younger

"If You Want To Go Quickly Go Alone.

If You Want To Go Far Go Together".

—African Proverb

Here's another towering life simplicity, *again so obvious in its presence in everyday life*. In any biological system (and that means all human systems) *sustainability is everything*. If you are an organic life form, nothing at all matters, nothing, if you don't pass the "test of time", if you don't endure.

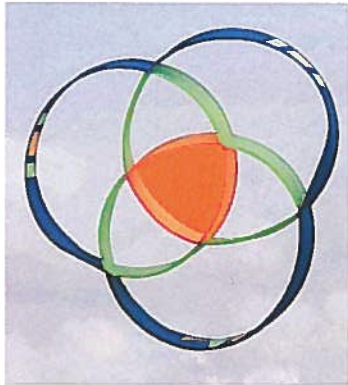
The clear logic here—routinely ignored—is so simple as to be painful: There are four and only four potential kinds of relationships:

- 1) Win/Win
- 2) Win/Lose
- 3) Lose/Win
- 4) Lose/Lose

How many of these categories are "sustainable indefinitely"? This is to say, which of the four are by their very design and structure resistant or impervious to decay and demise with the passage of time?

The answer of course is obvious—only the first, the Win/Win. Yet, how many human systems, *by their structural design*, are unavoidably going to result in other than Win/Win? Virtually all of them!

Graphically Seeing The Win/Win By Looking Through Others' Eyes



Venn Diagrams graphically describe—using overlapping bubbles—sets and their intersects. Once we can see through others' eyes, we can visualize their needs, aspirations, desires and requirements as Venn Diagrams, and see how they might overlap with our own interests.

The center orange area is the key., the optimal “Win/Win”, the sweet spot, the ‘deal’ we want to do.

Any other proposition, lacking overlap, is by definition not Win/Win—perhaps satisfying one party's needs, while completely missing the others'.

The win/win is an honest, trustworthy, fair **long-term** deal, viewed in any direction. The needs, desires, aspirations of all parties are considered and honored. Win/Lose, Lose/Win or Lose/Lose? Somebody always winds up unhappy, **“negatively coiled or springloaded”**. Then, in classic “Reciprocation” fashion, those who feel they were taken advantage of lie in wait, itching to make up for it, **time, manner and place yet to be determined.**

Nobody wants to part from a truly winning arrangement, they are hard to break up even with dynamite! But a Win/Lose arrangement? **The strongest super glue in the world can't hold it together!**

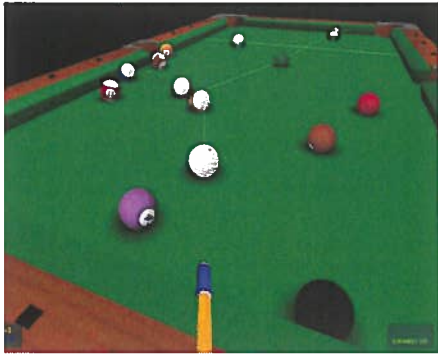
Whether you are an employer, employee, customer or supplier, you simply never want to be viewed by your counterparties as a reason for their “losing”. I see this madness all the time in my industry—employers, employees, suppliers, customers—all behaving as if deceit, doubledealing and squeezing out the last dime are shrewd, savvy, “best practices”. **Their untrustworthiness acts to cause the best of their counter-parties—often the most valuable “intellectual capital” around—to “vote with their feet” and leave.**



Win/Lose: A Shipwreck In The Making
“Each man makes his own shipwreck”.

—Marcus Annaeus Lucan

An ominous reality, overlooked by most of the world, is what I call “The Iron Rule of Counter-Party Selectivity”, an axiom that applies not just to business, but equally to friends, spouses, even countries: “If you impose harsh, win/lose, zero-sum terms on your counter-parties, the only counter-parties you will keep are the most desperate ones”.



“The Reputational Cue Ball”

Non-Win/Win tactics are akin to playing a billiards tournament with a focus on sinking only the first shot or two. Billiards—or life—is a multi-shot game. When we fail to consider the future consequences of mistreating our counterparties in a current “deal” or first phase, it can wind up leaving our “reputational cue ball” ill-positioned for the next shot—the next deal or phase to come down the pike.

Remember this on your first job or any new assignment; any new kid on the block, any new “change agent” can come in and sink the first couple of billiard balls by simply throwing their weight around. But, who’s interested in sinking only a few balls? We want to sink them all, we want to “run the table”.



Win/Win: Better In Every Respect

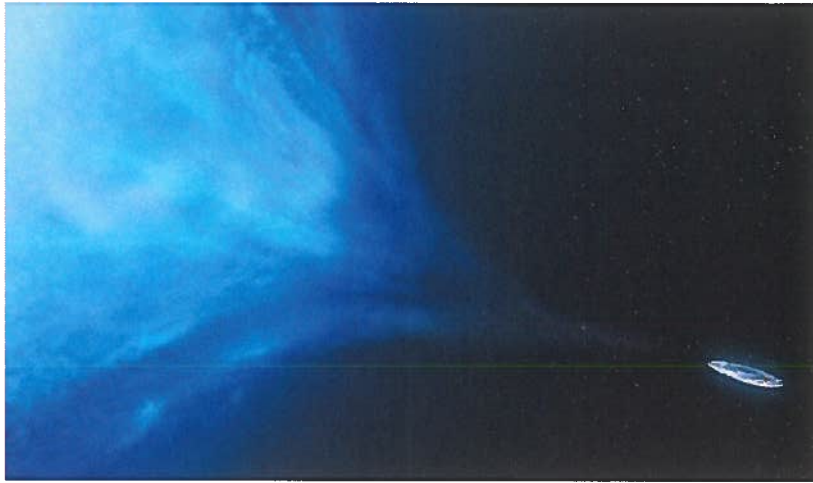
“Why do people leave an organization? I assumed that low pay would be the first reason, but in fact it was fifth. The top reason was not being treated with respect or dignity; the second was being prevented from making an impact on the organization; third, not being listened to; and fourth, not being rewarded with more responsibility.”

—Michael Abrashoff

If the history of human interaction shows us anything, it is that the most capable, honest, contributing, clear thinking counterparties—the very people we should want to stay attached to most—*will be the first to vote with their feet and leave when they sense they are “losing”*. Now, I ask you, could there be a simpler reason to avoid non-Win/Win methods like the plague? *Over time, they separate us further and further from life’s most potentially valuable relationships!*

Ben Franklin had a wise “life backwards” observation regarding the pain incurred by those who have lost a key relationship as a consequence of non-Win/Win behavior: ***“An empty well teaches the value of water.”*** So often, the real value of a key relationship becomes apparent only *after* it has been lost.

*The Benefits Of Being A Benevolent Black Hole:
If They Only Knew...*



“If rascals knew the value of honesty and fair dealing, they’d be honest and deal fairly”.

—Michael Novak

Employing an astronomy metaphor, a true Win/Win framework can ultimately have your organization functioning as a **“Benevolent Black Hole”**. The high-grade counterparties you have attracted through earned reputation begin to increasingly view their relationship with you as “a local maximum”—*so satisfactory a situation that they see no need to “shop for a better deal.”*

In the finest spirit of “recognizing useful simplicities”, eight centuries ago Moses Maimonides observed that understanding human behavior is not difficult at all, just watch them: they move towards what they find agreeable, and away from what they find disagreeable. Attracting and holding the very best customers, employees, suppliers is thus very simple:

*Continuously position your organization as the most “agreeable” around—
a true “Win/Win”—and not only will you induce the very best counterparties to move
towards you, once they do, they will never leave!*

Southwest Culture



“A Local Maximum”

“A business absolutely devoted to service will have only one worry about profits. They will be embarrassingly large.”

—Henry Ford

6. *We Honor That Reciprocation Is How The World Works*

**KARMA'S ONLY
A BITCH
IF YOU ARE.**

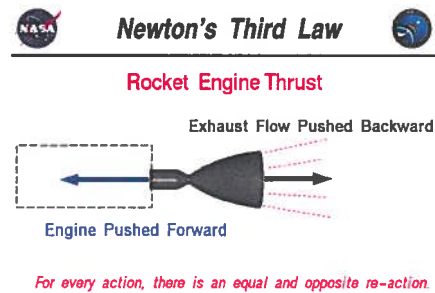
*“For every action there is an
equal and opposite re-action.”*

—Newton's Third Law

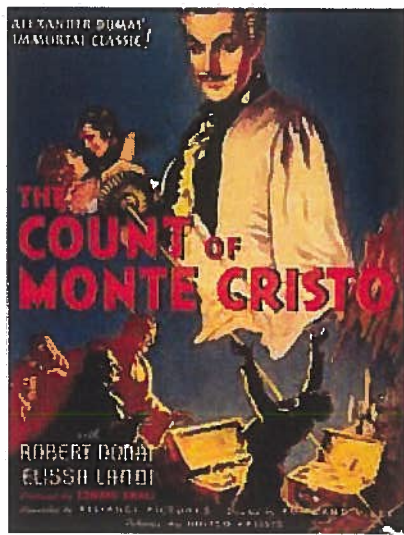
When it comes to “trust”, can we come up with as a general rule for “how the world really works”? Large sample sizes are a statistician’s best friend. By contrast, small domains and sample sizes are a decision maker’s worst enemy. Let’s divide the world into three convenient categories, each representing the biggest sample sizes possible and see what we might find out about how it has always worked. The three categories are: inorganic systems (the physical universe) 13.7 billion year sample size; organic systems (biological life on earth) 3.5 billion year sample size; and human systems (human history) documented reasonably well for about a 20,000 year sample size.

In inorganic systems, Newton’s Third Law of Motion is a “simplicity” that has invariably applied for 13.7 billion years: when one object pushes on another, the other “pushes back”, with equal force. Put a glass on a table, and it pushes down on the table with force X . But counter-intuitively, the table equally pushes back up, also with force X !

In organic systems, there is the humor of Mark Twain’s line, “*A man who picks up a cat by its tail learns a lesson he can learn in no other way.*” For 3.5 billion years, all sentient organisms have behaved the same way—*push Mark Twain’s cat with force X , and it will push back with force X .*



The Count of Monte Cristo: Revealing The Inner “Simplicity” Of Reciprocation



The Count of Monte Cristo is an adventure novel by French author Alexandre Dumas. Completed in 1844, it is one of the author’s most popular works, along with The Three Musketeers.

The story takes place from just before the Hundred Days period (when Napoleon returned to power after his exile) and spans through to the reign of Louis-Philippe of France. An adventure story primarily concerned with themes of hope, justice, vengeance, mercy and forgiveness, it focuses on a man who is wrongfully imprisoned, escapes from jail, acquires a fortune and sets about getting revenge on those responsible for his imprisonment. However, his plans have devastating consequences for the innocent as well as the guilty. In addition, it is a story that involves romance, loyalty, betrayal and selfishness, shown throughout the story as characters slowly reveal their true inner nature. —Wikipedia

As for human nature, what do 20,000 years of civilization show? Do human beings tend to equally “push back” when pushed? ***You bet, with enthusiasm.*** We’re just more clever about it than the animal world. Like Dumas’ Count of Monte Cristo, we tend to bide our time, lying in the weeds until we get the right chance to exact our “Reciprocation” on those who have betrayed our trust. (The English language has 16 different ways to express revenge!)

Wise people know “like is generally returned for like”, ***be it positive, neutral or negative.*** Give people trust, kindness and respect and you will likely receive the same in return. ***Give them nothing, and nothing is likely what you will get back.*** Ditto with abuse—abuse people and they will abuse you back.

Trust Is The Key Ingredient In How The World Really Works

Give Out Trust To Get Trust Back



Rare Genius Wooden Got It: Give It Away To Get It Back

“There is a wonderful, almost mystical, law of nature that says three of the things we want most—happiness, freedom, and peace of mind—are always attained when we give them to others. Give it away to get it back.”

—John Wooden

“Listen if you want to be heard”.

7. We Honor That Incentives Matter, And Must Be Aligned With Human Nature



Additive-Sum: “Out Of Thin Air”

“If you have an apple and I have an apple, and we exchange apples, we both still have one apple. But if you have a [valuable] idea, and I have a [valuable] idea, and we exchange ideas, we each now have two [valuable] ideas.”

—George Bernard Shaw

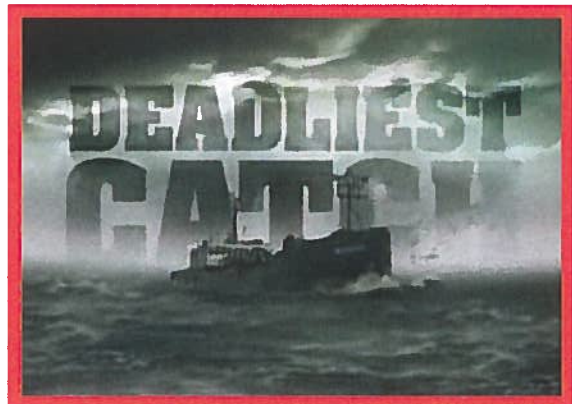
Nowhere is “Culture” more important than with “incentive systems”. Effective motivational systems employ **six basic principles** to ensure **proper channeling** of innate human nature characteristics, especially powerful core drives such as hierarchical and self-preservation instincts.

Arranging things **to truly be aligned** with people’s basic drives activates “an additive-sum”, not “a zero-sum” game. **Bingo, the pie is no longer finite.** Additive-sum systems unleash morale, interest, enthusiasm, excitement, energy, ideas and productivity, **as though out of thin air.**

The incentive systems in place at most organizations are **zero for six** in terms of the characteristics needed to be truly aligned with core human drives. **And they wonder why morale and productivity are so low?** In stark contrast, like Nucor and Glenair, the Alaskan crab fishing boats featured in the television show *The Deadliest Catch* score **a pure six for six.** And just like Nucor and Glenair, **they enjoy among the highest blue collar worker productivity in the world!**

Do *Deadliest Catch* boats have unmatched worker productivity because they fish for crab? Because they’re on the Bering Sea? Nucor because they are in the steel business? Because they are located in rural America? Glenair because we make aircraft parts? Because we are located in Southern California?

No, the reason these three examples have out-of-this-world labor productivity can be traced primarily to one factor and one factor alone: Each has a highly unconventional worker incentive compensation program **that is six for six** in the ingredients necessary for an incentive program **to be in pure alignment with the immutable laws of human nature.**



“Where There Is Mystery There Is Margin”

“Understanding human behavior is not difficult: people move towards what they find agreeable, and away from what they find disagreeable.”

—Moses Maimonides

To follow are the six incentive system principles that must be present in order to be in pure alignment with human nature. Each is “*necessary but not sufficient*”, meaning no aspect by itself will get the job done, all six are needed for optimal results.

1) **Simple:** An easy to understand plan; grasped by everyone. The proper test is: can all participants explain the plan themselves?

2) **Significant:** Offering a truly meaningful potential payoff, big enough to get both blue and white collar employee’s attention, or why would they even try? I like to use the California state lottery as an example—when the prize money gets up to \$30 million or so, ***there is a line at the liquor store to buy the tickets.*** Think of the members of that “line” as your target audience. When the numbers get big, they’ll become plenty interested.

3) **Timely:** Immediacy is a must for rewards to work—monthly at least. ***The usual year-end is far too distant.*** The “Goal Gradient Effect” (see sidebar) is an under-noticed factor in structuring effective incentive systems. A common mistake is to set reward intervals—“finish lines”—too far away. A reward or penalty promised a year from now is a weak motivator compared to one set for tomorrow morning.

Perhaps the best example of the physiological impact of Goal Gradient Effect psychology is a marathon runner. After 26 miles plus of labored running, the effort to take even one more step can be herculean. ***Yet, let the finish line come into view, and the same exhausted runner often breaks into a sprint! Talk about perceptual change resulting in physiological change!***



Extremely Interested

“Extreme outcomes—good or bad—often educate best.”

—Charles Munger



Approaching A Reward

***“You got enough to win the race?”
“I don’t know. Right now he can smell
the front, and anytime a driver can
smell the front, it’s worth a half a second
in lap times”. —Fatback McSwain,
Crew Chief for Bobby Labonte,
Nascar Pocono June, 2004***

4) **Certain (a): (Non-Gameable by Payer).**

Certainty is a must, or, again, why would anyone even try? (The group cannot fear that, like Charlie Brown, the promised 'football' will get pulled away at the last minute. James Madison in 1778: "What farmer or manufacturer will lay himself out without assurance that he will not become victim *to an 'inconstant government'?*")

5) **Certain (b): (Non-Gameable by Payees).**

A cheat-proof plan is a must to prevent false accounting and bad ethics. (You inadvertently destroy the integrity of your own culture by creating conditions ripe for cheating!) As in the Cobra Effect sidebar at right, unless plan designers have deep fluency in how groups will react to incentives, they can actually make things worse rather than better!

6) **Territoriality:** As on a fishing boat, the reward pool

must be **earned as a group**, with graduated payments to individuals as appropriate. No individual can be allowed "to win" while the rest of the group is "losing". If so, huge hidden agendas, politics, submarining, etc. will certainly develop. **Nearly all organizations get this aspect wrong—never shifting the natural human "territorial" focus from "me" to "we"**. (Note: Iverson and I have been continually asked whether our "group-wide structure" introduces "free-rider" problems.

Our experience: **the groups actually police themselves**, allowing you to be "the good cop".

As one Nucor manager put it, "We discovered that just like on the farm, the horses make the mules work harder".)

As Joseph Tussman says on our inside cover, "*The world will do most of the work for us, provided we identify how it really works and align with those realities*".

The above six factors are a clear and powerful example of the way the world really works.

**Don't fight them, take advantage of them,
get them to do the work for you!**



It Takes Savvy To Design Non-Gameable Incentive Systems!

Beware Of The Cobra Effect:

The term cobra effect stems from an anecdote set at the time of British rule of colonial India. The British government was concerned about the number of venomous cobra snakes in Delhi.[3] The government therefore offered a bounty for every dead cobra. Initially this was a successful strategy as large numbers of snakes were killed for the reward. Eventually, however, enterprising persons began to breed cobras for the income. When the government became aware of this, the reward program was scrapped, causing the cobra breeders to set the now-worthless snakes free. As a result, the wild cobra population further increased. The apparent solution for the problem made the situation even worse.

—Wikipedia



***When You Get The World To Do The Work For You,
It Doesn't Cost, It Pays!***

*"We pay much better than Wal-Mart.
That's not altruism. It's good business."*

Jim Sinegal, Costco

8. We Honor That Good Leaders Are Engaged

A superb model for leadership is what I call, “Touching The Medium”. When parents come home from the hospital with their first baby, the truth is they haven’t got a clue how to care for it. Likewise, the baby certainly doesn’t know how to care for itself. *Yet, provided the parents are properly engaged, the baby—the medium—through rapid feedback loops, teaches the parents how to care for it!*

The same is true of all of life’s “managerial jobs”—*the best source of guidance are the rapid feedback loops of the medium itself*. Everything you need to know about “raising your child”—a job, a department, a whole business—will be readily apparent if you are properly engaged, at the “touching the medium/terrain” level. Jim Sinegal of Costco was one of the best in the world at this: *“If a customer’s calling and they have a gripe, don’t you think they kind of enjoy the fact that I picked up the phone and talked to them?”*



“Touching The Medium”
“Command can be exercised with extreme facility, provided commanders are willing to get close enough to the front to know and see what is going on”.
—General George Patton

David Packard Of Hewlett-Packard/Ken Iverson of Nucor Steel: Experts At “Touching The Medium”



“I spent most of my time on the factory floor to make sure every step was done properly. That was the genesis of what became “management by walking around” at the Hewlett-Packard Company.”

—David Packard

“Whenever I’ve run a plant, I’ve made it a practice to get around and talk with every manager in the plant each morning. I’d sit and chat and drink coffee with people all over the facility. I might not get back to my own office and my own pile of work until late in the morning, and I’d arrive there with my caffeine quota for the day. But it was always worth it. During my morning stroll, I might talk with a dozen or more people. I’d get an up-to-the-minute picture of what was going on in each and every part of the operation. Even more, I’d find out if people were feeling confident or anxious; see first-hand how well our technology was working; and get a sense which managers were struggling and which might be ready to take on more responsibility. This was also a good way to get people used to seeing me, so I wouldn’t scare them when the day came (as it surely would) that I needed information from somebody honestly and quickly. By taking those strolls, I always knew what people thought. I had a strong sense of who they were, what they could do, and what they cared about. They knew the same things about me. I can’t imagine staking my success on a group of people and not knowing them. It would be like trying to fly a plane with one wing.”

—Ken Iverson

9. We Honor That Good Leaders Are A Blend Of Characteristics

Tin and copper represent two of nature's weaker elements, *and are also "factors rarely found close together" in geology.* Now at some point in history, somebody had the bright idea, "I wonder what would happen if we reached way over here and got some tin, and way over there and got some copper, and put them together?" The Mohs Scale of hardness assigns values to the strength or toughness of basic elements on a scale of 1 to 10. Talc, the weakest is a 1, Diamond, the hardest is a 10. Tin is a meager 1.5 on the Mohs Scale, and Copper only 3.0. What would you expect to get out of such a tin/copper blend? 1.5 plus 3.0 divided by two? 2.25?



No. When they brought these rarely coupled elements together, *they got a totally unexpected "Leaping Emergent Effect": **Bronze (6.0), a material stronger than pure iron (5.5)!***

For millions of years, long before human beings figured out that amazing, leaping Emergent Effects were possible when the right inorganic materials were alloyed together, Biology had this art mastered. For reasons not entirely understood, "*Hybrid Vigor*"—the "outcrossing" of different organic materials—routinely results in seemingly impossible outcomes: far superior plants, trees, prize cattle, bulls, horses, etc.



Hybrid Vigor - (Genetics):

The tendency of a crossbred organism to have qualities superior to those of either parent.

—*The FreeDictionary.com*

When applied to a leader's own personal development, this "blending" model from Chemistry and Biology can be enormously valuable. Indeed, you might be shocked at the powerful kind of "bronze" that results when a leader—or team—possessing "hard" traits like toughness, drive, conviction, and so on, reaches way across and blends in "soft" characteristics like humility, unity, empathy and respect.

It's a case of two plus two equalling ten: The result is 'authenticity'—the hallmark of every great leader and team in history—a real, balanced individual or group, deservedly earning the trust and respect of all counterparties, and, hence, truly connecting with them.



“Be Hard-Headed And Soft-Hearted”

—David Packard

“The most important thing in good leadership is truly caring. The best leaders in any profession care about the people they lead, and the people who are being led know when the caring is genuine and when it is faked or not there at all”.

—Dean Smith, The Carolina Way

When the right “hard characteristics” and “soft characteristics” blend together as one in a leader something transformational takes place:

A tough leader yes, but one with a heart.

The group has found their “Phylogenetic” ideal: a leader—like Atticus Finch, George Marshall, Jim Sinegal or Mary Sue Coleman (University of Michigan president)—who is tough when necessary, yet has a heart.

Because the leader is exhibiting exactly the menu of traits the group is wired to look for, they now go “all-in”, committing totally.

In the same way a tin and copper alloy can beat pure iron, or the right combination of breeding stock can create a vastly superior steer or thoroughbred race horse, or a tornado can lift a house and move it down the block, ***by “bringing together factors rarely found together” into ourselves and our teams we can “get the world to do most of the work for us.”***

What Is The Most Important Ingredient A Leader Needs To Blend In?

I was once asked the above question. My answer:

Courage

Churchill said that courage was the most important virtue because possession of it leads to all the other virtues.

Real leaders display courage and resilience, especially when the chips are down, realizing that to not display these qualities is to violate the basic covenant all leaders have with their groups.

Groups grant extraordinary perks of position and power to their leaders, and have no problem doing so, so long as the leader fulfills their part of the bargain: getting out in front and being there for them when the group faces change/adversity/danger.

Robert Frost said it well, “The best way out is always through”. Great leaders get out in front, and lead, not drive, their groups through change/adversity/danger, etc.



10. We Honor That “The Bottom Of The Organization” Is An Often Overlooked Resource



“The Most From The Least”

*Super Bowl XLVIII MVP
Malcolm Smith was a 7th round pick,
the 242nd player picked in 2011.*

“We have guys who started pushing shopping carts out in the parking lot for us who are now vice presidents.”

—Jim Sinegal, Costco

Over the course of two weeks of playoff football in January, 2014, I witnessed two classic examples of “exploiting unrecognized simplicity”. The illustrations concerned an approach to personnel we likewise employ at Glenair, a focus the rest of our industry niche ignores, with enthusiasm.

We seek to not only get the best from the best, but also “the most from the least”.

The Axiom of Freeway Design says, “You can’t design a freeway to only be navigable by expert drivers”. The corollary is that the proper test of efficacy of design of a freeway is, “how does a below average or average driver do in navigating it?”. So, how do average and below average members fare in most human organizations? Not very well—overlooked, unclear as to organizational goals, they tend to be unmotivated, even disruptive.

Most leaders focus on “getting the right people on the bus”, “expert drivers” who can “move the needle”. Meanwhile, other than cutting costs or thinning the ranks, little attention is given to the average and below-average drivers who populate the bottom half of their organization. *Yet, the best opportunity to “move the needle” usually resides exactly there—within “the back half of the roster”.*

Take Ajit Jain, “expert driver” reinsurance manager for nearly forty years at Berkshire Hathaway. At this point, is there anything Warren Buffett could say to Ajit that would materially improve, or diminish his daily performance? No, this expert driver will continue to superbly navigate no matter what. *But what about Warren paying personal attention to those who populate the bottom of Berkshire’s insurance ranks?* Would personal attention by Buffett himself likely “move the needle”? The question answers itself.

To follow are testimonials to two coaches who have exploited this very unrecognized simplicity. By employing a “freeway design” that optimizes contributions from the “average drivers”, not just the experts, *they show us an unrecognized path to decisive advantage in an otherwise hyper-competitive field.*

I. Bill Belichick of New England Patriots



In winning 11 AFC East Division titles in the 14 seasons he has coached the New England Patriots, Bill Belichick has been a master of consistency. The 2013 season marks the 13th consecutive year in which the Patriots have finished above .500. The next longest such streak in the NFL is a mere four seasons, held by the Green Bay Packers.

Prior to the season, there were already questions about whether New England had all of the pieces of the puzzle necessary to contend for a championship. The roster was littered with rookies and undrafted free agents, and no one knew how well they would perform.

Yet, this team earned the #2 seed in the AFC playoffs, just one game behind the 13-3 Denver Broncos, a team they beat 34-31 in overtime at Gillette Stadium in November. For such an achievement, Belichick ought to receive serious consideration for NFL Coach of the Year, regardless of what happens in the playoffs.

—CBS Sports

New England Patriots versus Indianapolis Colts, Jan. 11, 2014:

Dan Dierdorf: “Rob Ninkovich in there with the hit...Ninkovich in many ways just embodies these Patriot players. Is he a linebacker? Is he a defensive end? You saw him drop back in coverage. It’s versatility and fitting a role and just so critical.”

Greg Gumbel: “He’s basically whatever Bill Belichick needs him to be”.

Dan Dierdorf: “As are about twenty different guys like this.”

Greg Gumbel: “You’ve often said that the difference in the New England Patriot teams are in players what—thirty three to fifty?”

Dan Dierdorf: “Well, yeah. I don’t know that anyone pays as much attention to the back half of his roster as does Bill Belichick. Because he’s got a vision for how they’re going to fit in. And in August, when you’re in training camp, it takes some real vision to look out and see, well this guy’s going to contribute to me in December, in this role.

I really think Belichick is bit of a visionary in the way he’s able to do that.”



“The Roster Was Littered With Rookies And Undrafted Free Agents, And No One Knew How Well They Would Perform.”

II. Pete Carroll of Seattle Seahawks

Colin Cowherd/Trent Dilfer ESPN
Radio Interview, Jan. 21, 2014:



Trent Dilfer: “There is a wisdom that Pete Carroll has accumulated that a lot of other coaches don’t have. It takes his life experiences into the coaching world and allows players to do their best. He’s very into the psychology of sports.”

Colin Cowherd: “Bill Parcel was too, Parcel was a psychologist”.

Trent Dilfer: “Pete has taken from all the great people he’s been around, his own personal experiences. And there’s so much more to being a great coach than just having charisma, and fighting the right way with the refs, and how you handle press conferences. He realized that is, *‘getting the most from the least and best from the best’*.”

“That is coaching, and sometimes it takes guys years to develop the wisdom which Pete has to know how to communicate that to a lot of different types of people. And that’s why I was so blown away by last night is you can have Richard Sherman be Richard Sherman, and just be outspoken and crazy at times. You have Marshawn Lynch say nothing. You have Russell Wilson be the poster boy for goodness, and everything in between, and that all works for Pete Carroll and his methodology.

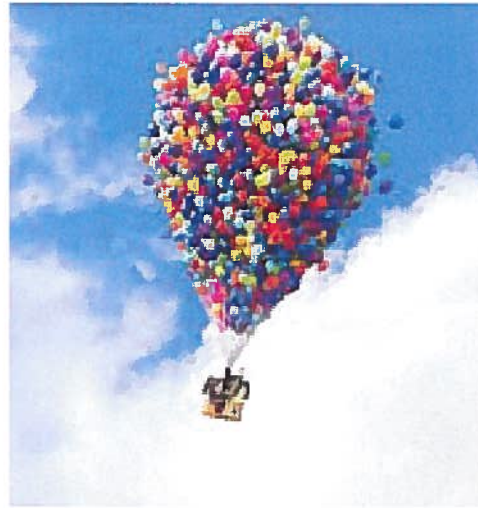
“He creates an environment where you’re always playing with confidence. You’re always playing with freedom. There’s no fear to fail. I think at the end of the day you look at a team and you say hey, this is what I have, if I can maximize its potential, if I can get Doug Baldwin to play his best football, it doesn’t matter where he’s drafted. If I can get Byron Maxwell to play his best football, it doesn’t matter where he’s drafted. If I can get Cam Chancellor, and whoever, Bennett, just go down the list of all their players. It doesn’t matter where they’re drafted, it doesn’t matter others spot of them, it matters can I get their best out of them.

*“Because if I can get their best all the time,
their best is going to be better than a first round picks fill up day. And that’s what he does.”*



“At the beginning of each year, the Seahawk coaches have a ‘swear-in meeting’. They all shake on it: ‘We are a developmental coaching staff- you are going to develop the players at everyone of your positions better than anyone in the league.’ That’s why Marcus Burley plays like he does, that’s why Chancellor and Sherman and Maxwell do. These middle round players explode on the scene because these coaches take great pride in watching them develop.”
—John Gruden, *Monday Night Football*,
Oct. 6, 2014

The vocabulary used to describe layers within organizations is telling—the bottom is often dismissed as “slow, heavy, a drag on the top”. Organizational bottoms tend to be viewed as “lead”, not surprisingly, given how they tend to be treated.



Let's take an example of a big organization with a top and bottom: an aircraft company. The top half has the more glamorous aspects of the work—designing and selling the airplanes and dealing with Wall Street. Meanwhile, the “back of the house” has the often gritty job of building airplanes on time and on budget.

A key question then becomes, *will the company's “back half of the roster” be “lead” or “helium”?* This is to say, will the bottom lift the top to perform at a higher plane by quickly and efficiently producing first quality airplanes, making it even easier for those designing and selling them to win more and more orders? Or will they instead act as a “drag”, pulling their associates down to a lower plane by failing to perform on-time and on-budget?

The question answers itself. *An enormous opportunity to “move the needle” is missed—whether at an aircraft company or any other enterprise—when the “back of the house” is neglected in terms of unity and clarity of purpose.* And the responsibility for awakening that sleeping giant lies not within those segments, but with the leadership that presides over them.



Awaken The Sleeping Giant!

“Get those blankets and stoves and every other damn thing that’s needed out tonight, not tomorrow morning, and not two weeks from now. I don’t care what regulations are upset or anything of that character. We are going to take care of the troops first, last, and all the time.”

—General George Marshall

11. We Honor That Good Leaders Encourage And Embrace Change

“It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change”.

—Charles Darwin

Two stories do a great job in conveying our need to constantly be open to change. “Kent Kresa’s Grandfather” is a cautionary reminder that all of us are “anchored to the circumstances that surrounded us as we grew up”. The John Hench story is a marvelous litmus test for when it is okay to proceed with change.

1. Kent Kresa on the need to be open to change:

“My grandfather, as long as he lived, refused to ride in an elevator that did not have a human operator. He said, ‘these new-fangled automatic elevators are a cockamamie idea, and inherently dangerous.’ My father, as long as he lived, refused to ride on a train that did not have a human engineer. He said, ‘these new-fangled automatic train cars are a cockamamie idea, and inherently dangerous.’ And I suppose that I will likely never ride in a car or plane that does not have a human operator. I’ll probably say, ‘these new-fangled automatic cars and planes are a cockamamie idea, and inherently dangerous.’ The point is, we develop life outlooks based upon the specific circumstances of our life experience. This is to say our nervous systems can get anchored in the past, the next generation develops its own concept of what is appropriate and normal.”



“In a time of drastic change it is the learners who inherit the future. The learned usually find themselves equipped to live in a world that no longer exists”.

—Eric Hoffer

The beauty of Kent’s story is that whether we realize it or not, we are all Kent Kresa’s grandfather!

Our nervous systems are anchored to the life circumstances surrounding us as we grow up. Those who deal with broad ranges of customers—as we certainly do—must be particularly cautious of “anchored nervous systems”. The solution? A mix of age groups represented in the leadership, all given voice and listened to.

Should we always do as they suggest? Absolutely not, many “status quo, anchored principles” are anchored for good reason, the last thing we should do is abandon them. But when those “automatic elevator” situations come along, we simply must adapt to them or risk losing “relevancy” with our marketplace. ***And losing relevancy is doom.***

“If the external rate of change is exceeding your internal rate of change, you’re in trouble”.



A 1999 Rehab Reveals The Principle For When Change Is Okay

The Red Wagon Inn was the name of the restaurant at Central Plaza, originally sponsored by The Swifts Premium Meat Company in Kansas City. RWI also originally included an area with a VIP lounge, a wet bar, and bathroom for Walt's special guests. This area became a hospitality center for Goodyear when they were a sponsor, then converted into offices, and finally destroyed in a 1999 rehab.

—Davelandblog.com

2. John Hench on when it is okay to proceed with change:

The conversion of Disneyland's Red Wagon Inn to The Plaza Inn was done by John Hench. Walt Disney had specifically asked John to do this important project, despite his objections that he "knew nothing about food". So dedicated was John that, in a classic example of "going All-In", he went to culinary school to get up to speed, and created a masterpiece of an interior.

When Kim Irvine, John's young mentee, learned that his magnificent interior work would be destroyed in a 1999 rehab, she was sick at the prospect of informing him. "I couldn't imagine how I was going to tell John. Week after week I waited, One day I got up the courage. His response bowled me over, and changed forever my outlook on 'change'. I don't fear it now as I used to".

For rather than being upset, Hench was instead positive, saying, "Change can be good, it's ok to update and revise. The principle is:

'You have nothing to fear, so long as changes are conducted with equal to or greater thoughtfulness as was put in the original work in the first place.'



When Change Is Okay: History Agrees With Hench

"Out of very hundred new ideas ninety-nine or more will probably be inferior to the traditional responses which they propose to replace.

So the conservative who resists change is as valuable as the radical who proposes it—perhaps as much more valuable as roots are more vital than grafts.

It is good that new ideas be heard, but it is also good that new ideas be compelled to go through the mill of objection, opposition, and contumely; this is the trial heat which innovations must survive before being allowed to enter the human race. Out of this tension comes a creative tensile strength, a stimulated development, a secret and basic unity and movement of the whole.'

—Will Durant, The Lessons of History

12. We Honor That “Fresh Sets Of Eyes” Are An Invaluable Asset

“The history of mathematics is a history of horrendously difficult problems being solved by young people too ignorant to know they are impossible.”

—Freeman Dyson

One of the most overlooked assets an organization can have are the “Fresh Sets Of Eyes” possessed by newcomers. Nathan Rosenberg, an engineering professor at Stanford University, once did a white paper on “Innovation in the Medical Equipment Field”. ***He found that every major innovation - MRI machines, X-Ray equipment, Computer Diagnostics - all came from OUTSIDE the medical field!*** While the logic is unassailable that we must remain as open as possible to external input, most organizational cultures are exactly the opposite: ***They make it abundantly clear that “rookie/newbie” input is unwelcome.***

The following story is perhaps the ultimate example of both the value of “Fresh Sets Of Eyes” and “Exploiting Unrecognized Simplicities”. In Paramount, California, we have a vendor that does manufacturing work for Glenair. I went down one day several years ago to have lunch with him. Now, Paramount’s a grimy, industrial section on the outskirts of L.A., and as we drive down the main street towards the restaurant, right there on the curb is the downtown bank.

He points at it and says, see that bank over there? Until two years ago, for the longest time, it was on the FBI’s top 10 list of the most robbed banks in America! That is, until two years ago. Up until two years ago, they had tried to deconstruct every intricate complexity they could. They brought in high price consultants. They added extra security guards. They put in more sophisticated alarm systems. They even put bulletproof glass in front of the tellers. They tried everything.

But, even after spending all this time and money, they’re still on the FBI’s top 10 list. And then one day some young “newbie” to the department, ***armed with a fresh set of eyes***, asked this simple question:

“You know, I was at the police yard the other day and I happened to notice, don’t we have an extra police car sitting around back just gathering dust? Well, why don’t we take it to the car wash, get it cleaned up, and go park it right at the curb in front of the front door of the bank?”

Do you know what happened after they did that? The bank robberies went to zero. ZERO. All those years, all those bank robberies. Proust said, ***“The journey of discovery is not so much about finding new landscapes as it is about finding new sets of eyes.”*** I love this story because it shows you that there’s lots of unrecognized simplicities out there just waiting to be exploited. ***Exploited by those with fresh set of eyes...***

Take advantage of those eyes! It is malpractice not to do so!

Deconstructing Intricate Complexities Versus Exploiting Unrecognized Simplicities



Special Alarms, Guards, Bulletproof Glass...



Or A Surplus Police Car...

“Most geniuses—especially those who lead others—prosper not by deconstructing intricate complexities, but by exploiting unrecognized simplicities.”

—Andy Benoit

My brother Marcus had what I think is the best cultural framework for encouraging “Fresh Sets Of Eyes” input. While working in a bicycle repair shop as a young man, the turnover was high. Marcus would greet each new repair employee by saying:

“I’ve always learned something from everyone I’ve ever worked with, and I’m looking forward to learning a lot from you. I hope during our time together, you are as open to learning from me as I am from you.”

Could there be any better way to get a new relationship off on the right foot? It’s fantastic - instantly creating a channel of open communication and lessening the “hierarchical” challenges of newcomers to any organization. The humility shown by those who employing this line, and meaning it, are so well conveyed in the old saying:

“Wisdom flows into the humble man like water flows into a depression”.



No more useful words were ever spoken. Humility leads to openness, while a lack of humility closes the mind. Humility leads us in the perfect direction for acquiring the fluency and understanding we are after.

13. We Honor That Good Leaders Are Generous In Sharing Recognition

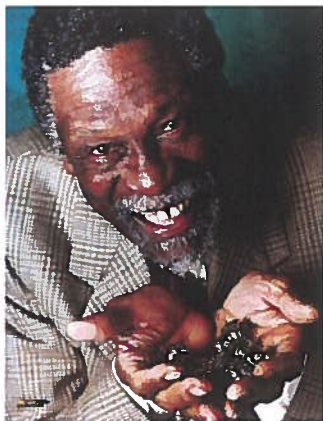
*The leaders who work most effectively, it seems to me, never say “I.”
And that’s not because they have trained themselves not to say “I.”
They don’t think “I.” They think “we”; they think “team.”
They understand their job to be to make the team function.
They accept responsibility and don’t sidestep it, but “we” gets the credit....
This is what creates trust, what enables you to get the task done.*

— Peter Drucker

An issue that is perhaps the most difficult of all for “strong Alpha-type leaders”—sharing recognition and credit. There is a powerful tendency among those who have risen to the top, or who aspire to do so, to have what I call “**Lime-Light Deficit Disorder**”, believing that any credit bestowed on others creates a potential diminishment in credit available to themselves.



This kind of “me/zero-sum” outlook is not only death to any culture, **it is ironically suboptimal to the “me-centric” team members as well.** For thousands of years “karma” has shown that human systems work best—for groups and their leaders—when a different kind of outlook is used altogether: **a “team/additive sum” outlook.**



Bill Russell (left, with his eleven NBA Championship rings) was the long-time center for the Boston Celtics basketball team, and was named by *Sports Illustrated* as “the greatest team player of the past century”. Post retirement, Russell was asked to address the current Celtic team. As they gathered around him in the locker room, he told them they likely had a very mistaken impression of him. “I told them that despite so much that had been written about me as being the most unselfish player, ***I was the most egotistical player they would ever meet.*** But my ego is not a personal ego—it’s a team ego. ***My ego demands—for myself—the success of my team.***”

Recognizing the value of having high aspiration/high capability “alpha” types represented in their groups, good leaders cleverly seek to create entirely different, alternative “hierarchical scales” for them to climb. Rather than the customary scales that honor, measure and reward “**the me**”, they fashion, as Bill Russell did, a new kind of framework altogether, one that awards its recognition for efforts on behalf of “**the we**”.

“What you honor, measure and reward tends to be what you get.”

14. *We Honor That Good Leaders “Never Say Anything Unless They Really Mean It”*

“If you’re going to say to all the people that you’re working with, ‘We want you to treat the customers honestly; don’t lie and don’t cheat,’ it is somewhat hypocritical if you’re not following the same rules.”

—Jim Sinegal, Costco

We conclude with a question I am sometimes asked by fellow CEO’s. “Why do my groups follow my directions in some cases but not in others? For instance, I tell them to go ahead and spend extra money if necessary to satisfy the customer, but they won’t do it! What is going on?”

The answer can be found in the following illustration:

*I hold my hand up with my palm open, fingers extended.
I say to my hand, “Hand, make a fist.” My hand duly makes a fist.
I then say, “Fist, hit me as hard as you can!” My fist remains stationary, it does not move. I repeat, “Fist, hit me as hard as you can!” Again, no action on the part of the fist.*

*I give it another go. “Fist, go back to an open hand.”
Fist restores to an open hand. “OK, hand, make a fist again.” Hand duly makes a fist again. “OK, fist, hit me as hard as you can!” Nothing.*

Embedded in this little account is the answer to the CEO’s quandary. Why does my hand follow my directions in certain aspects but not in others?

Because In The “Hit Me” Aspect Here,

It Doesn’t Think I Really Mean It.

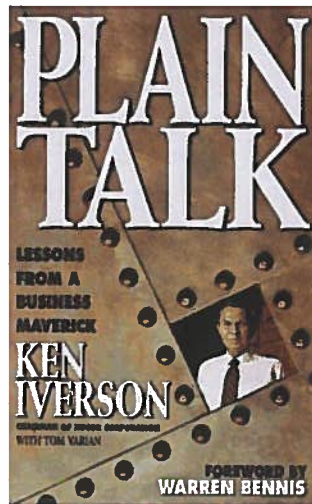


This problem is common in organizations “run by the numbers”. The group knows all too well the terrible career risk for those who fail to meet their numbers, *even if the reason was to provide extra service to satisfy a customer, as the CEO directed them to do*. Like the fist, when groups “don’t think the CEO really means it”, they seek to avoid addressing their directives. *Wouldn’t you?*

(Another classic example is the student-athlete, told that success in the classroom is just as important as success on the field. With good reason, they don’t think the coaches really mean it!)

What to do if you have this problem? The CEO must initiate direct, honest, no consequences dialog with group members, running through the hand/fist illustration above. Group members—who can respond anonymously if they like—are then asked, “Is there anything I’m asking you to do that you think I don’t ‘really mean’?” Using their input, clear up the confusion.

And in the future, “Never Say Anything Unless You Really Mean It”



Iverson Recaps Leadership And Culture

Some of the best suggestions I've seen for leadership and culture come from the Epilogue presented below, from Kenneth Iverson's *Plain Talk*. Iverson compounded earnings 17% annually over his 30 years at Nucor Steel. He not only achieved these stunning financial returns in a mature, at times dying industry, but he was revered by his hourly employees.

“What seems like a small thing to you as a manager often is of great significance to employees.”

Here are some of the subjects that might form the core of first-year MBA curricula:

- ***Earning Employees' Trust and Loyalty***—*Far too many managers have no clue how their employees feel or even what their people's work lives are like, day to day. Employees pick up on this lack of insight in a heartbeat, and that realization taints everything their managers say to them from that point forward. Conversely, employees clearly give the benefit of the doubt to managers whom they see as understanding “what's really going on” and “what we're really up against.” That's only natural. I'd suggest, then, that every MBA candidate be required to spend at least a few weeks engaged in manual, clerical, and/or other forms of nonmanagement labor. Further, they should be required to keep a journal of their experiences—the kinds of problems they encounter, their frustrations, their successes, and so forth. They will find that what seems a small thing to them as managers often takes on great significance to them as employees.*

Developing managers should also contemplate the implicit and explicit commitments they will make to the people who work for them. They should understand their obligations under those commitments as well as the limitations of those obligations. And they should grasp the consequences of failing to be consistently trustworthy.

- ***Active Listening***—*Listening is among the scarcest of all human skills, in and out of management. Listening requires concentration, skill, patience, and a lot of practice. But such practice is a very sound investment of the developing manager's time. Real listening enables managers not only to hear what people say to them, but to sense what may be behind what is said (i.e., employees' emotions, assumptions, biases).*

Better still, their reputation for competent listening will encourage others to bring them information. Listening proficiency is an immense advantage to any manager. No MBA should be sent forth into the business world without it.

- ***The Hazards of Hierarchical Power***—*Inexperienced managers tend to lean heavily on formal, hierarchical sources of authority. This is understandable. They have not yet had the opportunity to develop other forms of authority such as experience, expertise, and seniority.*

The problem is, young managers don't often comprehend the hazards of hierarchical power. They do not understand that, by setting themselves above and apart from their employees, they may actually be digging themselves into a hole. I think it is only fair, then, that we warn inexperienced managers of the hazards of hierarchical power.

- ***Principles of Equitable Treatment***—*Few managers receive much in the way of explicit instruction in the principles of equitable treatment of employees, either in business school or in the course of management development. All too often, managers fill that vacuum with their own self-serving precepts of what is equitable. A few common-sense principles, clearly stated and strongly advocated in the business schools, could make the business world a better, more equitable place for employees and managers alike.*

The notion of an internship for managers has a precedent in medical education, of course. Doctors intern for a number of years before they are turned loose on the world. There ought to be a comparable transitional step in completing the requirements for an MBA. Further, that transition should focus on providing the management candidate hands-on experience. Any MBA who ventures into business with the intent of managing people should first develop his or her skills under the watchful guidance of an experienced manager.

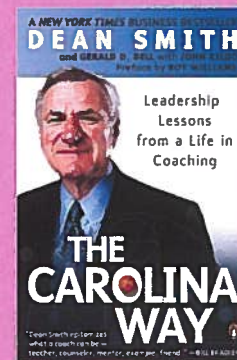
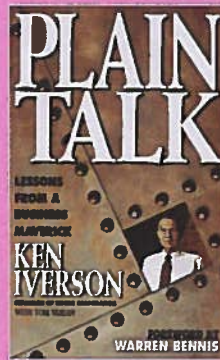
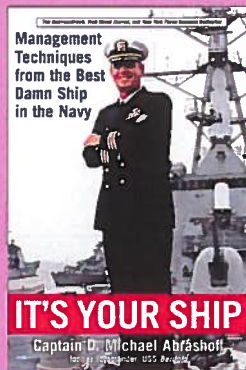
The fact is, few business school professors have ever managed anything, and their lack of hands-on experience shows in their students. Medical school faculties, in contrast, are comprised of the best and most respected practicing physicians.

MBA candidates should preferably complete their internships within relatively small, self-contained operations, so they can perceive the operation in its entirety and grasp the overall dynamics of a business. People throughout the corporate world lament that other parts of their company don't understand them or what they do. They're usually right. It takes an extraordinary individual to understand aspects of a business to which he or she has never been exposed. We are expecting far too many managers to be extraordinary.

Readers are strongly encouraged to obtain and deeply understand the three books referenced below, as their cultures mirror our own. Despite widely different fields and completely different circumstances in terms of “context”, the leadership and cultural principles set forth are virtually the same as ours.

BOOK RECOMMENDATIONS:

THE THREE BEST BOOKS ON LEADERSHIP AND TEAM BUILDING.



MICHAEL ABRASHOFF

KENNETH IVERSON

DEAN SMITH

** Ken Iverson grew Nucor from almost scratch into a huge integrated steel company; Dean Smith, by the very nature of college athletics, had automatic annual turnover in personnel, Michael Abrashoff had the toughest hand of all—turning the worst performing ship in the Pacific fleet into the best in the Navy, without changing a single crew member.*