

A New Key Competence: Managing Perceptions for Greater Effectiveness

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For some time now there has been a climate of growing disconnect between employees and top management, fueled by massive lay-offs in the midst of reports of executive dishonesty and greed. In this environment, how can you be sure that your (remaining) team members are committed to your strategy and will, indeed, execute effectively? By uncovering and managing the single biggest indicator of potential success or failure, namely your peoples' perception of you, your team, and your strategy. Why is this so important? Simply because your people don't behave according to strategies and instructions; they behave according to their perceptions of strategies and instructions.

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1 Introduction: The Corporate Trojan Horse

Most people know the Greek legend of the Trojan horse. According to the legend, the Greeks had been unsuccessful in taking the city of Troy until they devised the plan of constructing a huge wooden horse, large enough to hold a number of men. The horse, filled with warriors, was left outside Troy with a dedication proclaiming it to be a sacrifice to Athene, and the Greeks sailed away. The dedication appealed to the Trojans, who dragged the horse into their city. That night, the warriors inside the horse climbed out and opened the gates of the city to the Greeks, who had returned in the night. However, not many people remember that there was at least one senior person in the hierarchy of Troy who was suspicious of the horse. His name was Laocoon and he tried very hard to persuade the Trojans to first inspect the horse before bringing it into the city.

In my almost 20 years of working closely with top management teams, I have realized that there is always at least one person on the team who sees a threat where others see an opportunity. Sadly, very often this person suffers the same fate as Laocoon: no-one wants to heed the warning. Instead, he or she is often labeled a pessimist, if nothing worse. Consider a Trojan horse incident in your own organization. With hindsight, is it not clear to you that one of the following four situations must have existed at the time?

- (a) No-one spotted the threat.
- (b) Someone did suspect something, but kept quiet.
- (c) Someone did suspect and did speak out, but was not heard.
- (d) Someone did suspect and was heard, but ignored (as being a discredited source, for example).

And therein lies the problem: no organization or team can hope to be truly effective if any of the above four points apply to it. Obviously, it is rather difficult to do something about point (a), but it is within any leader's power to do something about points (b), (c) and (d). The solution is to be found in how the leader deals with the perceptions of the people involved.

2 The Reality of Perceptions

2.1 Definition:

*People don't behave according to strategies and instructions; they behave according to their **perceptions** of strategies and instructions.* This truism is the cause of many a leader's frustration and many a manager's irritation. And yet, we all use the term perceptions quite glibly. So, what exactly are perceptions? Perception can be defined as the way we process, interpret and give meaning to the information we receive via our senses. But to what extent does that which a person perceives correspond to reality? Surely, we can only refer to perception as being objective if there is agreement in all respects between what really exists in the world around us and our perception of it. To achieve this state means that we must add nothing, leave nothing out, distort nothing, and misrepresent nothing in what we perceive. Yet, every individual reconstructs and interprets reality by relying on his or her past experiences. In other words, there is no reality without interpretation.

Furthermore, if every person makes his or her unique interpretation of reality, then *there are as many realities as there are people!* Intuitively, we know this cannot be. For if each person was totally unique in his or her reconstruction of reality, then communication with each other would be impossible. To ensure that at least some form of communication is possible, people have come to share a common meaning of reality. Through these shared meanings, the perceptions of different people become similar. This merely means that people have reached consensus about how reality will be perceived and interpreted. For example, we may all have our own way of perceiving a

barking, four-legged animal, but we have given it a shared meaning, namely the word "dog".

Different societies can, and do, reach different consensus as to their shared meanings of reality. For example, Eskimos have three different words for what they see as three different types of snow. If a Californian were to visit with Eskimos, she would only see 'snow'. Yet, if she had to live as an Eskimo for some time, she would come to 'see' the different types of snow.

What conclusions can we draw from the above? Firstly, if we understood what sort of perceptual categories operate within specific communities, we would better understand the realities they perceive. (And this could lead to a reduction in interpersonal conflict.) Secondly, perception is not merely a response to a stimulus situation. It is a skill that can be learned.

2.2 Perceptual errors:

People work in teams to achieve something together. It should be obvious, then, that perceptual differences between team members can impact on the team's ability to be effective. Consider the following: The greater the degree of shared meaning of reality, the better the communication between team members. However, the greater the degree of shared meaning of reality, the higher the risk of groupthink¹. This is only one example of why it is so important for team leaders to understand and manage perceptual errors.

What are perceptual errors? These are errors in the way we interpret reality, which leads to errors and distortions in our thinking about reality, which in turn leads to ineffective responses or behavior. What causes these errors? Simply, mental laziness. We are all cognitive misers: we will do the minimum amount of mental work we think is required. Much of this behavior we can blame on information overload. And so we have created mental short-cuts, called heuristics, to deal with this overload. Heuristics are simple decision-making rules which we use to quickly make inferences and draw conclusions. However, when we use mental short-cuts, we tend to make up our minds without considering all relevant information and thus run the risk of making errors. For example, biases are errors and distortions in thinking that often derive from heuristics.

On pages 20 and 21 are 12 common perceptual errors of which any team leader should be aware. These are presented merely to demonstrate how perceptions and heuristics can impact on the dynamics of a team and thus on its effectiveness. More detail on these and other errors can be found in most text books on social psychology.

2.3 Perceptions and group behavior:

There are four main characteristics of organizations and teams which encourage the formation of certain group behaviors. These group behaviors trigger group perceptual errors, which make seeing possible differences clearly rather unlikely, in so doing creating obstacles to effectiveness and success.

2.3.1 The danger in being normal: Every organization and team has an unique culture, an unique *the-way-we-do-things-here*. The culture is meant to smooth the way things are done by

¹ Groupthink is defined as a situation which develops within teams where the desire for consensus and mutual agreement overrides the realistic and objective appraisal of alternatives.

defining what is acceptable or “normal”. However, the culture also forces conformity in thinking and behavior with the aim of stamping out unacceptable or “abnormal” behavior. And therein lies the danger: the culture which is meant to make the organization more effective, tends to inhibit innovation and change:

Abnormal is so defined by those players in any society (organization or team) who are numerous and powerful enough to make the definition stick. Therapists run the risk of delaying or inhibiting social change and paradigm shifts by trying to “cure” abnormal behavior. It is often this same abnormal behavior, perceived as “normal” in a different social context, which triggers change.

2.3.2 The curse of kingship: You can be sure that the people in your organization and team understand the ground rules of organizational life. The most important rule is that as long as you, the boss, decides on our salary increases, our bonuses, our promotions, we must keep you happy at all cost and at all times. The kings of old showed us how bosses react: the bearer of bad tidings was rewarded with the loss of his or her head. Hints as to what sort of behavior we can expect from those in power have conditioned us to pass on good news rather than bad, to rather tell the king what we think he wants to hear, to let some-one else lose his or her head. And so the poor boss must make decisions of great import based on a steady stream of good news. Mr David Fackler, in a letter to *The Economist*, put it succinctly:

Large organizations languish and die because the top executives listen only to echoes. History suggests the curse of kingship is the need to be wary of your own counselors.

2.3.3 The prejudice of the like-minded: Organizations are truly strange entities. They are staffed with people who agree to strive for collective objectives in exchange for individual rewards. In doing so, we agree to a code of behavior, a code of dress and, above all, we agree to follow instructions. Those who do not accept the purpose as mutual, the codes as worthy or the instructions as important, are shown the door. Unless, of course, they find it first. (It is not surprising that relatively few people are shown the door. After all, do we not in the first place appoint people who are already like us?)

At best, the organization becomes a place where those who *do* think differently, learn to conform. At worst, it becomes staffed with like-minded people. Like-mindedness inclines towards prejudgement and prejudice. And so we have created a place where people with preconceived opinions pass judgement without proper inquiry; where the person who critically assesses proposals and ideas is labeled an obstructionist; where the one who speaks the truth is said to be undiplomatic; where the expert who was hired for his knowledge is told that we’ve always done it this way; where the one who agrees with us and tells us what we like to hear is promoted; and where the one who continues to express a different view is transferred or fired.

Can like-minded people, who pre-judge the world from the same inclination, spot the opportunities visible only from other angles? And will they spot the threats?

2.3.4 We, the enemy within: We know that success comes from paying attention to what customers want and that the only way to learn about customers' wants is to listen to them. We know that paying attention to what our competitors are doing can uncover potential threats. These are rules of the game and we give our time and energy to obey them. We also know that we should heed the people inside our organization. But most of the attention we pay them is in the form of instructions, rules and regulations. Demanding effectiveness through procedures, we get like-mindedness from obedience. In enforcing instructions, rules and regulations, we spend an incredible amount of time on attempting to neutralize opposing internal forces which sap our strength and drain our energy.

When we fail to see our repetitive internal struggles as odd behavior, then we have become the enemy within. And we remain the enemy as long as we deny that we are the creators of the energy blocks.

2.4 Perceptions and expected behavior:

A CEO or team leader who wants to be effective is one who should always be interested in action and outcome. Action and outcome are both products of individual and team behavior. But effectiveness is not depended on merely any behaviors or actions, but depended on specific behaviors and actions which lead to the realization of organizational objectives. In other words, a CEO is likely to have certain expectations of subordinate behaviors and actions.

Consider the word 'expectations'. It has two meanings: It can mean *anticipation; regard as likely* or it can mean *look for as due*. In other words, it can mean likely-to-happen or ought-to-happen. The typical CEO, being human, is prone to all the human perceptual errors resulting from mental heuristics and cognitive miserliness. Combine these errors with years of training (about the 'true' nature of subordinates) and experience, and it is not surprising that in the CEO's mind, the ought-to-happen expectation of subordinate behavior is outweighed by the likely-to-happen expectation. In other words, the CEO knows what behavior is required to be effective, but she 'knows' (expects) that some other (ineffective) behavior is more likely to occur.

Although this two-fold expectation of another person's behavior is common to all of us, a CEO has an added difficulty: Not only is the CEO likely to have expectations of behavior, the CEO is also in a powerful position to *create* expectations in others of what behavior is likely to be appropriate. This point is best illustrated by the story of Eliza Doolittle, the flower girl in George Bernard Shaw's play *Pygmalion*. In the quotation below, Eliza complains to Colonel Pickering about the way Professor Higgins treats her:

You see, really and truly, apart from the things anyone can pick up (the dressing and the proper way of speaking, and so on), the difference between a lady and a flower girl is not how she behaves, but how she is treated. I shall always be a flower girl to Professor Higgins, because he always treats me as a flower girl, and always will; but I know I can be a lady to you, because you always treat me as a lady, and always will.²

What this means is that people intuit what behavior is expected of them and behave accordingly. They react in a certain way *because* they sense this behavior is deemed appropriate by other people, especially if these other people are significant others (i.e. a CEO or a team leader) in their lives. Here an important point must be stressed. Eliza's "flower-girl" behavior with Professor

² *Pygmalion* by George Bernard Shaw (1916); Middlesex, England: Penguin Edition (1981) p 127

Higgins and her "lady" behavior with Colonel Pickering are the result of her *intuiting* what behavior is expected or appropriate. It is not the behavior the two gentleman implicitly instructed her to perform. In other words, her intuition or sub-conscious guessing could be wrong and could lead to her acting inappropriately. The problem is that Eliza, like all people, tends not to differentiate between what is really "out there" (facts) and the deduction she makes from the facts. Hence she will most likely continue to act like a flower girl in front of Professor Higgins long after he has stopped treating her like one.

This can cause a bit of a vicious cycle: The (often subconscious) expectations a CEO has of a subordinate's behavior can determine how the CEO treats that subordinate. In turn, that treatment will affect how the subordinate responds, which merely reinforces the CEO's expectation of behavior. However, the CEO is more than just a significant other in the lives of subordinates. The CEO is the all powerful figure who shapes the lives of subordinates by deciding on aspects such as salaries, bonuses, promotions, career prospects and retrenchments. This means that the CEO's top-down, likely-to expectation of behavior will tend to be the trigger of the vicious cycle in that it 'creates' the bottom-up, ought-to subordinate behavior.

2.5 Perceptions and probable thoughts of a thinking CEO:

The most important function of a CEO is undoubtedly to ensure organizational continuity. That should be the one key measure of CEO effectiveness. To achieve continuity in a constantly changing business environment, the CEO must continually re-invent the company and deploy company resources accordingly. With this in mind, I suggest that the thinking of a CEO striving for effectiveness will be along the following lines:

2.5.1 *As the CEO, I am the creator of the corporate vision. This vision is not merely the raison d'être (reason-for-being) of my organization. More importantly, the vision is my dream-statement of what my organization can become. As the creator of this vision, I am the one person who sees the vision clearly and understands the vision fully. (Key word is understand.)*

2.5.2 *As the CEO and the creator of the vision, I am the one person who is wholly committed to my vision. This must be so, for not only did I envision it, I also have the power to re-create it. In this sense, I am my vision. (Key word is commit.)*

2.5.3 *As the CEO and the embodiment of my vision, I am the one person who constantly and consistently expresses this vision through all my actions. (Key word is action.)*

2.5.4 *However, as the CEO, I face obstacles in turning experience into learning. This is so, firstly, because the outcomes of the actions I have triggered are normally experienced at a distance from me (elsewhere in the organization, with customers, in the marketplace, etc.). Secondly, and more importantly, this is so because the experiences which do come back to me are colored by the nuances, biases and perceptions of the people providing the experiential feedback. In other words, I know they tell me what they think I want to hear. (Key word is learning.)*

2.5.5 *As the CEO and the custodian of the company's future, I recognize that for me the circle is not closed: Without experience and learning, I cannot revise or re-create my vision. Without revising or re-creating, I cannot express it clearer and more effectively. I recognize that unless I close the circle, the continuity of the company is at risk.*

2.5.6 *But I wonder about the people who report to me. These people are critical to me and my organization. Not only are they responsible for the operational results of their divisions, they are also my interface with the lower levels of the organization. It is through them that people and assets are deployed, controlled and influenced. They, more than any others, give texture to my vision, shape the style of the organization, and define the culture of the way-we-do-things-here. In this sense, they are my channellers, because they channel information such as results, instructions, customer feedback, philosophies, market intelligence, procedures up and down the hierarchy.*

2.5.7 *The problem I face with my channellers is that they are not pure channels. Like all humans, they prefer to pass on good news rather than bad; they tend to add their own interpretations, nuances, perceptions to the message. Therefore, as the CEO, I feel I must ask the following questions about my top executives:*

2.5.8 *Do my executives understand my vision so fully and thoroughly that they can become co-creators of the vision? (Key word is understand.)*

2.5.9 *Are my executives committed to what should now be our vision so passionately and wholeheartedly that they, like me, 'become' our vision? (Key word is commit.)*

2.5.10 *Do my executives express our vision so consistently and accurately through their actions so that our vision comes alive, becomes real? (Key word is action.)*

2.5.11 *Do my executives, who are closer to that magical space where vision becomes reality, experience the implementation so honestly and cleanly that their learning is unbiased? (Key word is learning.)*

2.5.12 *In other words, do my executives help me to close the circle and so ensure effectiveness and continuity?*

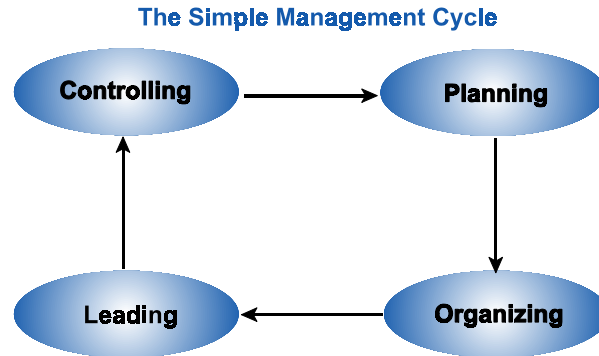
This sort of CEO reasoning seems plausible enough. However, to grasp why I believe this sort of thinking is critical to effectiveness and continuity, we must next look in depth at what I call the "invisible" success factors.

3 The "Invisible" Success Factors

3.1 Management as a cycle:

According to the traditional, theoretical view, management is a process of *planning*, *organizing*, *leading* and *controlling* to achieve some stated goal. At the start of the process, managers must think about their goals and consider what action is required to achieve these goals. In other words, managers are supposed to *plan* what they are going to do, and how they are going to do it, before they do it. They must then assemble and co-ordinate all the corporate resources, including people, as required by their plan. In other words, they must *organize*. However, managers do not *do*, they get others to *do* through a technique called *leading*. Finally, *controlling* is the means by which managers check whether the organization is actually moving towards achieving the stated goals.

It is useful to show this process as a cycle, because in theory a manager should not organize until he has planned, he should not lead until he has assembled the resources and organized them into the appropriate system and structure, and he should not control until he has lead at least one person into doing something. And, of course, whatever the process of controlling uncovers could result in a revision of the plan.



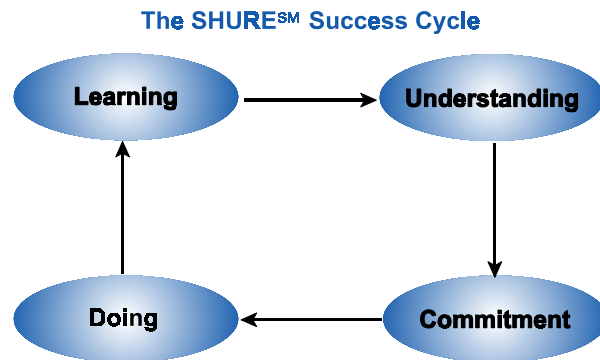
In practice, however, these four steps are iterative and not necessarily sequential. For example, the process of organizing can highlight a flaw in the plan, resulting in the plan being revised before it is implemented; the process of organizing must take into account how actions will be controlled.

3.2 Identifying the “invisible” success factors:

Normally, when we strive for success in some or other venture, we tend to focus on those factors which directly and visibly impact on the outcome. But there are factors which are so obviously necessary that they become ‘invisible’ and are then ignored. It is the very taken-for-granted-ness of these factors which turns them into potential handicaps to success. Here is a different way of explaining this:

*The presence of certain factors do not necessarily ensure success,
but their absence ensures failure*

So what are these factors for success, which are so obviously necessary that they become ‘invisible’ and are then ignored? They are simply *understanding, commitment, doing, and learning*. Before you do anything, it is best that you *understand* what is to be done, why it is to be done and how it is to be done. This understanding must result in you being willing to *commit* to a certain planned and measurable *doing* or action. Finally, to ensure ongoing improvement, the actual doing must lead to *learning* which in turn must lead to a refined *understanding*. Success is thus the result of the relationship and iterative interaction between understanding, commitment, action and learning:



In reality, if all the elements are present, then it is more correct to speak of a spiral and not a cycle. A success spiral is born when learning leads to a new understanding on a 'higher plane', as opposed to merely a better or refined understanding. In this sense, learning leads to new insights and revelations. A 'flat' cycle would be an efficiency cycle where one gets better at doing the same thing; in the words of Peter Drucker, *doing things right*. A spiral, on the other hand, would reflect an effectiveness cycle, where one does what is now required by *doing right things*. Ongoing success is then a combination of the two, namely *doing right things right*. This should be intuitively obvious, because one can be efficient without being effective, but one cannot be effective without being efficient. However, like most obvious things, we forget this and more often than not focus on being efficient whilst ignoring the need to be effective.

Yes, the SHURESM success cycle is similar to the management cycle: planning must result in understanding, organizing includes committing resources, leading is about getting things done, and controlling is to ensure that it is done right. The problem is simply that the one cycle is handed down as professional sense; the other is accepted as common sense. And promptly forgotten and ignored. This is why I feel compelled to stress that, although it is management's responsibility to plan, organize, lead and control,

*it is the CEO's (or team leader's) role to ensure that everyone understands,
everyone is committed, everyone does, and everyone learns.*

3.3 Success is Simple Hygiene:

Have another look at the statement: *The presence of certain factors do not necessarily ensure success, but their absence ensures failure.* Some (older) readers might recognize the thinking of Frederick Herzberg in this statement. Herzberg first introduced a wider audience to his theories on motivation when his article, *One more time: How do you motivate employees?* was published in the January/February 1968 issue of Harvard Business Review. Herzberg used the term *hygiene factor* to describe a factor whose *absence* would result in people feeling unhappy at work. The presence of an hygiene factor is neutral, until it is absent. It is the absence of the hygiene factor which results in, not *dissatisfaction*, but *no satisfaction*. (On the other hand, it is the presence of *motivator factors* which leads to satisfaction.) In this sense, the opposite of job satisfaction is not *dissatisfaction*, but *no satisfaction*. This is important and not mere semantics.

In a similar vein, I reason that there are certain factors which are hygiene success factors. However, there are two major differences between Herzberg's hygiene factors for job satisfaction and the hygiene factors for success. Firstly, as with the *no satisfaction* of Herzberg, the absence of an hygiene success factor will be experienced as *no success*. But only initially. If the absence is

not addressed, then the ultimate outcome is *failure* and not merely *no-success-as-yet*. Secondly, a hygiene success factor is not neutral. Its absence, or a even a mere weakness relating to it, is a handicap which will ultimately lead to failure. More importantly, its presence is vital for success. The hygiene success factors are those 'invisible' factors stated previously: *understanding*; *commitment*; *doing*; and *learning*.

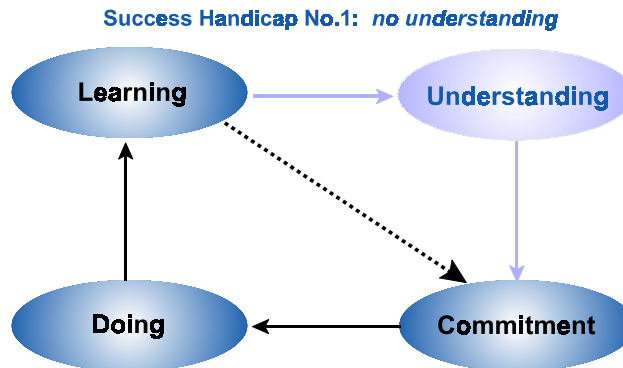
3.4 Simple Success Handicaps:

There are quite a few permutations of understanding-committing-doing-learning. For example, I can understand and do, without committing or learning; I can understand, commit and do, but without learning from the experience; and so on. However, it is more useful to explore what impact the absence of one element has on the others and thus on the potential for ongoing success.

3.4.1 Success Handicap No.1: *no understanding*

It is possible for me to understand something without being committed to it, without doing anything about it and without learning from it. For example, I understand how to mow the grass, but I am not committed to keeping it short, I am not going to do it and I am definitely not interested in learning how to do it better.

But what if you lack understanding? Take the example of yourself as a new recruit. Most new recruits are eager, ready for action and often too impatient to listen carefully to instructions and explanations. A lack of understanding does not initially reduce your commitment, you do what is required with enthusiasm and you might even learn from your mistakes. You could even find the learning exciting as you realize that you are getting better at what you are doing, your motivation is high and your commitment remains strong.



However, like any new recruit, sooner or later you will begin to wonder about why you are doing what you are doing the way you have been told to do it. Once you begin to question your understanding, can you remain naively sure of what you are doing? Can you remain committed once it dawns on you that you might not really understand? Can you then still perform with your old gusto? And how do you then know that what you seem to be learning is of any real value?

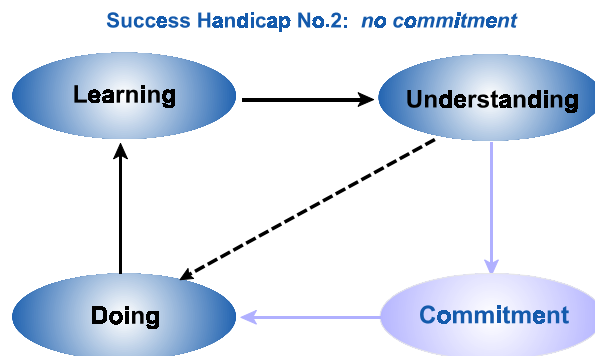
Understanding comes only through direct experience and direct experience is learning through doing. In other words, doing and learning is critical to understanding. If whatever learning which does happen does not influence understanding, then instead of an upward spiral of constant renewal, there is a downward spiral into stagnation.

As was mentioned previously, ongoing success depends on being efficient as well as being effective. Efficiency has to do with doing it right, whilst effectiveness has to do with doing the right thing. Without understanding, there can be no certainty that the right thing is being done right and therefore there can be little hope for ongoing success. Understanding can be seen as the initial spark of knowing which triggers the upward spiral.

3.4.2 Success Handicap No.2: *no commitment*

It is possible for me to be committed to something without understanding it, without doing anything about it and without learning from it. For example, I am committed to nature conservation, but I don't fully understand it, I don't do anything active about it and I am not learning more about it. But I still believe it is a good idea.

What if you do understand, you are willing to act and to learn, but you are not committed? This often happens when you do not believe that what is proposed is 'right'. In other words, you believe that something else should be done, or that what is proposed has no meaning, or that top management has it wrong, or you could have a moral objection. Although you are not committed, you might still be prepared to do what is requested, possibly because you don't feel that strongly about the issue, but more often than not this happens because of fear. The fear of being disciplined, of not getting a salary increase, of being demoted or transferred, of even being fired can be a great spur to do things you would not normally want to do.

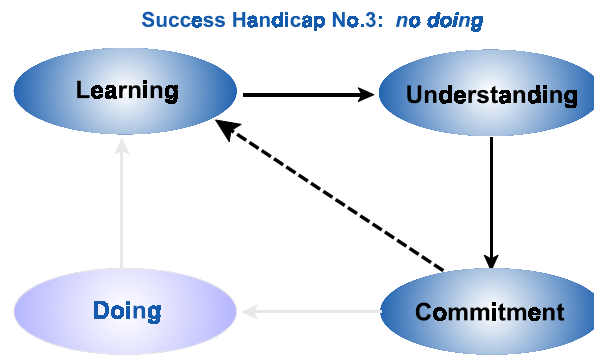


However, without the motivation that flows from being committed, your performance will be below par. Poor performance will lead to inadequate learning and ineffectual learning will create little, if any, refinement in understanding. And if your understanding has not changed, then it is unlikely that you will suddenly feel committed. Without commitment, there is no willingness to do the right thing right and therefore there can be little hope for ongoing success. If understanding is the initial spark of knowing which triggers the upward spiral, commitment is the latent energy which can power it.

3.4.3 Success Handicap No.3: no action

It is possible for me to do something without understanding it, without being committed to it and without learning from it. For example, I don't understand why my wife wants to go dancing or what the point of dancing is, I am not committed to go dancing nor am I interested in learning how to dance properly, but sooner or later I know I will have to go dancing, if only to keep the peace.

There are, of course, people who prefer theory to practice, dreams to action, and then some are merely lazy. But what if you understand and you are committed, but do not do what is expected, or as expected? For example, if you have not been trained to physically perform the expected task correctly, your feelings of incompetence may inhibit action. This happens in spite of your understanding what must be done and feeling committed to making it happen. Unexpected or inadequate performance can be witnessed both in inappropriate action and insufficient progress. Without action, there can be no measurement, no way of confirming success and therefore no understanding of the need for corrective action.

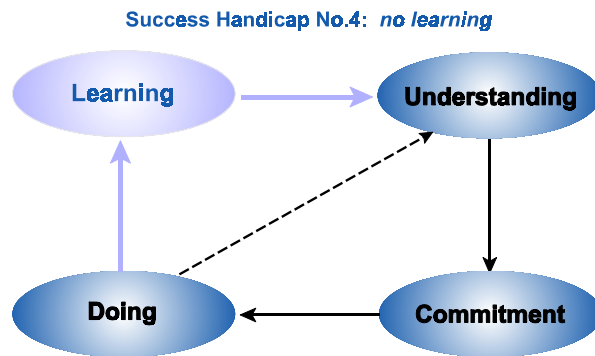


If there is no doing, then any learning is vicarious, indirect and second-hand. This is learning acquired through watching others perform or through reading books and articles. If any learning does take place, it lacks depth and does not stick: indirect learning is never as lasting as direct experience. If understanding is the initial spark of knowing and commitment is the latent energy, then doing is the directed force which turns the spiral.

3.4.4 Success Handicap No.4: no learning

It is possible for me to learn something without understanding it, without being committed to it, and without doing it. For example, there were a few subjects at school which I learnt parrot-fashion merely to pass the examinations. Enough said.

What happens when you understand, you are committed, you perform, but you don't learn from the doing? Firstly, without learning, there can be no getting better at what is already being done and efficiency declines. Secondly, the business environment is never static, but is ever-changing. Actions which might have been acceptable yesterday, might not be effective tomorrow. If there is no learning which can revise understanding, then effectiveness will decline.



As stated previously, initial understanding is never complete and ongoing success depends on understanding always being refined and modified through active learning. If understanding is the initial spark of knowing, commitment is the latent energy and doing is the directed force, then learning is the illuminating flash of insight which lights the spark of understanding.

4 Focus on Effectiveness

4.1 Why strategy (still) matters:

Every organization has a strategy and a plan. Even when it is not formalized or written down, it still exists. Thus, your starting point should always be “Is your strategy working for you? Is it delivering the planned results? Can it be more effective?”

Strategy is about profitability³, which is why strategy is about creating a sustainable competitive advantage. And this is why strategy is about making choices; choices to be different, especially in the wallets of customers. You had better not have the same strategy as your competitors, for if you are trying to do the same sort of things that your competitors are doing, then you are not being clever. You are merely being arrogant in believing that you can do better at delivering the same basic product or service as your rivals. You cannot build sustainable superior profitability on efficiency alone. What is required is a very clear strategic direction and continuity of that direction to create sustainable competitive advantage, as well as continuous operational improvement (efficiency). Developing the right strategy is not easy. It is complex because our world has become complex. And it is difficult because it is about making choices and making trade-offs. Most managers are very good at being operationally efficient, for they practice this daily. In the same way, you can become better at strategy-making if you practice it more often. And if you do, it is likely to become easier.

4.2 Efficiency is not a strategy...:

Lately, operational efficiency has been presented as a strategy, as a strategic response to the market. It is not. Operational efficiency is what every business should be doing as a matter of course. Your competitors are likely to be doing exactly the same things to be operationally efficient; things such as total quality management, just-in-time, re-engineering, six sigma.

Efficiency is normally defined as the ratio of useful work done to total energy expended. At best,

³ In the case of not-for-profit organizations, strategy is normally about positive cash flow.

efficiency is about doing more with less; at least, it is about doing things right. It has to do with getting better at what is already being done and has nothing, or at least very little, to do with innovation. Innovation has to do with newness, whereas efficiency has to do with sameness, albeit 'better' sameness.

The Internet and other information era tools have finally destroyed the ability of organizations to thrive on sameness. Why? Because consumers and investors now have access to information quickly and globally. This means that purchasing and investing can change rapidly. Therefore, to bet on the incompetence of your competitor, as you are doing when you compete on efficiency, is not only stupid, it is downright dangerous. Furthermore, if all competitors are trying to use operational efficiency as a strategy to entice customers (through lower prices), then industry profit margins will fall automatically as consumers shop on price.

4.3 ...effectiveness is:

Effectiveness is about outcome and results. But more importantly, it is about consequences. Effectiveness is almost a synonym for success. As with success, effectiveness depends on ensuring that the right things are being done correctly and efficiently. Keep in mind that it is possible to be efficient without being effective, but it is not possible to be effective while being inefficient. In other words, you can do the wrong thing very well, and call yourself efficient. But you cannot do the right thing poorly, and call yourself effective. How does an organization become effective? By determining what the right thing is which must be done; and then doing it right. The finding of the right thing is what *strategy-making* is all about. The right strategy for your organization, coupled with focused execution and continuous improvement (i.e. efficiency), results in effectiveness.

Why do I think CEOs would want their organizations to be more effective? Well, as I stated above, effectiveness has to do with outcomes and results. And the first result or outcome of effectiveness should be profitability. Or at least positive cash flow. These are outcomes which all shareholders and most CEOs seem to treasure. Secondly, an effective organization has a tremendously positive impact on customers, because effectiveness impacts on all aspects of customer service. Thirdly, I have seen what effectiveness means to employees: it brings clarity, focus and meaning to what they do daily, with less wasted effort and time. But I am sure that you have your own suspicions of what increased effectiveness could do for you and your organization.

5 The Concepts in Action

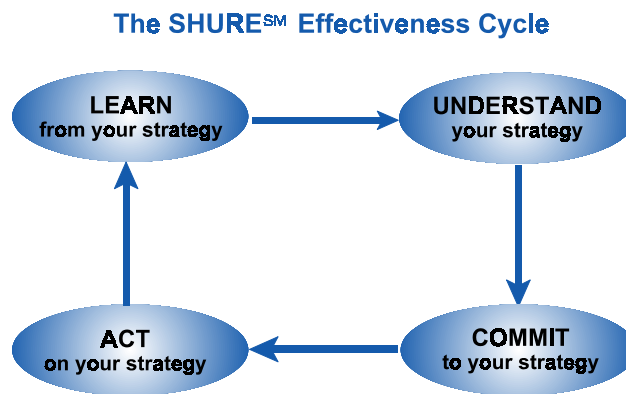
5.1 The probable thoughts of the imaginary thinking-CEO (*continued*):

I have learnt that, as a CEO, I cannot merely ask these questions about understanding, commitment, action and doing of my executives. Every one of them will answer YES to every question. After all, who in his or her right mind will state bluntly that he or she does not share my vision, does not implement it? Now, if I had a method of uncovering the true opinions of my executives, it would help me to focus my energy where it will be most effective in ensuring that my vision for growth and development, and thus continuity, is implemented as I intend.

Why is it so important for me to focus my energy on my executives and other employees? Well, as the CEO, I am responsible for the effective utilization of all the assets at my disposal. It is expected of me to report regularly to shareholders on how much leverage I achieve on corporate assets. I recognize that all corporate assets are managed by my people. That means, if I can use and exploit my people more effectively, I get the leverage I want out of the company's non-human material. However, I see myself as an enlightened CEO, and therefore I apply the concept of effectiveness as it relates to use and not abuse, and exploit as in brilliant achievement and not as in to the detriment of.

5.2 Make or break your strategy:

There are 4 main factors which will make or break your strategy. These are the degree of *understanding* of your strategy; *commitment* to your strategy; *action* on your strategy; and *learning* from your strategy. Depending on the degree, these are either *contributors* or *handicaps* to the success of your strategy. The presence and strength of a factor does not necessarily ensure success, but its absence or weakness ensures failure.



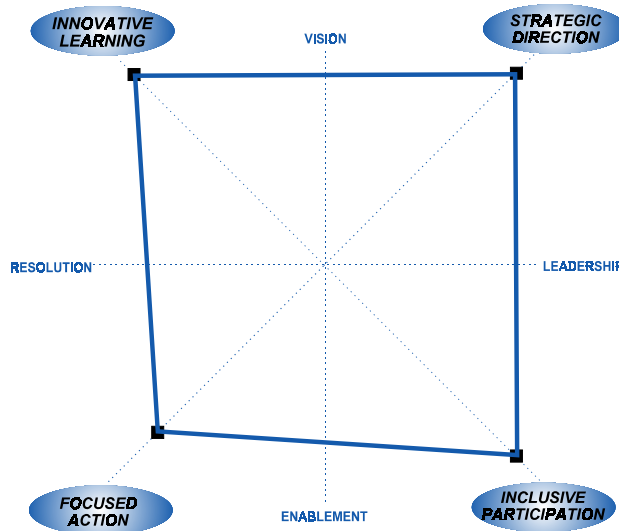
Of these factors, the most critical over the short term is *action* (execution of strategy). Many brilliant strategies have failed because of poor execution, and many inferior strategies have been effective because of brilliant execution. Look at it another way: People in the organization must understand the strategy. That is obviously important. But deep understanding, real nitty-gritty understanding which empowers, is only gained through learning. Effective learning only happens through experience and experience is only gained through direct action.

What is the likely outcome of action driving learning, and learning resulting in better understanding? Either your people are now committed to the strategy and the goals to be achieved, or they are not committed. No more grey areas, no more maybes. They are either in or out. You are left with those who want to do, because they have “learnt to understand” and now “know that it is right”.

This may sound simple and straightforward. And in theory it is. But as I stressed previously, people don't behave according to theories, they behave according to their interpretation of reality. In other words, they act on their perceptions. Yes, it is important for your company to have a strategy of where it is going. But what is very important are peoples' perceptions of that strategy, because effective implementation of that strategy hinges on the individual perceptions of the strategy. This is where top management normally loses the hearts and minds of the people who must act on the strategy: they ignore perceptions. The likely outcome? The plan is poorly executed, the strategy gets the blame and another strategic planning session is scheduled.

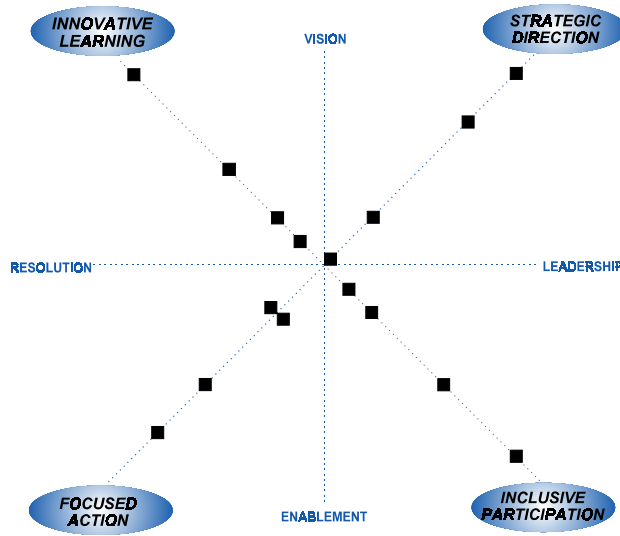
5.3 A case study:

In this section, I will explain how I combine the concepts of perceptions, invisible success factors and strategy to help an organization achieve greater effectiveness. Although I will be demonstrating a specific proprietary tool, it is the best way of conveying the impact to you. The specific tool was developed in 1990 and is called the DEWYSM Profile.⁴ The case study is of an organization with four executives. As part of a strategy validation exercise, each executive was asked to complete the DEWYSM Questionnaire from which the DEWYSM Profiles were constructed. The first profile shown below is that of the CEO. It is a very positive profile – it is balanced around the quadrants and far away from the center. What this profile tells us is that the CEO does not perceive that his colleagues have any problems with understanding the strategy, committing to the strategy, acting on the strategy, or learning from the strategy:

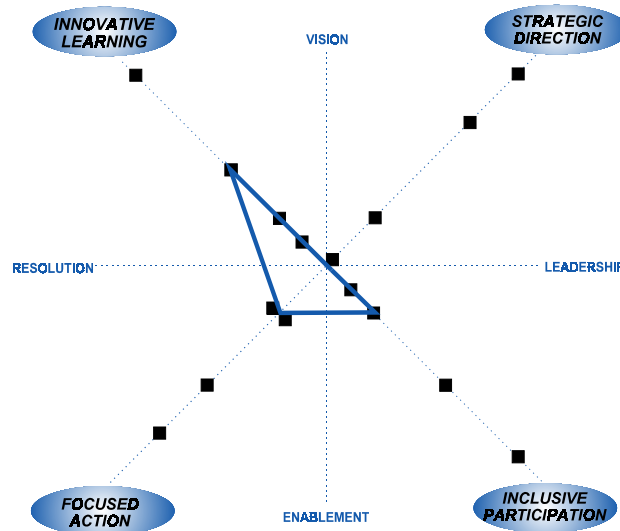


Our imaginary thinking-CEO is likely to reason as follows: *This profile is all very nice, as it is exactly what I would have expected. But what about my colleagues? How do my colleagues perceive the organization?* This is shown below:

⁴ The DEWYSM Profile is an executive management tool which promotes organizational effectiveness by validating strategies and securing commitment for the execution of focused action plans. As a perceptual management tool, it profiles the disparity between the formal strategy and the perceived strategy, and between the planned operational activities and the perceived operational activities. DEWY stands for **D**ecline **E**arly **W**arning **Y**ardstick: It means that if certain inappropriate behaviors of an individual or a team continue, then the performance of the individual or of the team can be expected to decline over time.



The first aspect which catches the eye is the spread of dots, which represent the spread of individual perceptions. This tells us that there is not much congruence within this team concerning understanding of the strategy, commitment to the strategy, action on the strategy and learning from the strategy. These individuals do not seem to be on the same path to greater effectiveness. In fact, this profile should remind you of the story of the Trojan horse. The only problem is, who on this team has the most accurate perception of reality? To find out more, we must identify each individual's perceptions of the four invisible strategy success factors. Below is the profile of one individual's perceptions:



The key question here, of course, is how can one team member differ so radically in opinion from the CEO? Note, for example, that this individual perceives a serious problem with the strategic direction (zero score), whilst the CEO believes it to be fine (maximum score; see first example on page 18). This is where it would be useful for the CEO to consider the individual perceptual errors (point 2.2), especially the false consensus effect (point 2.2.1), the MUM effect (point 2.2.7), and the

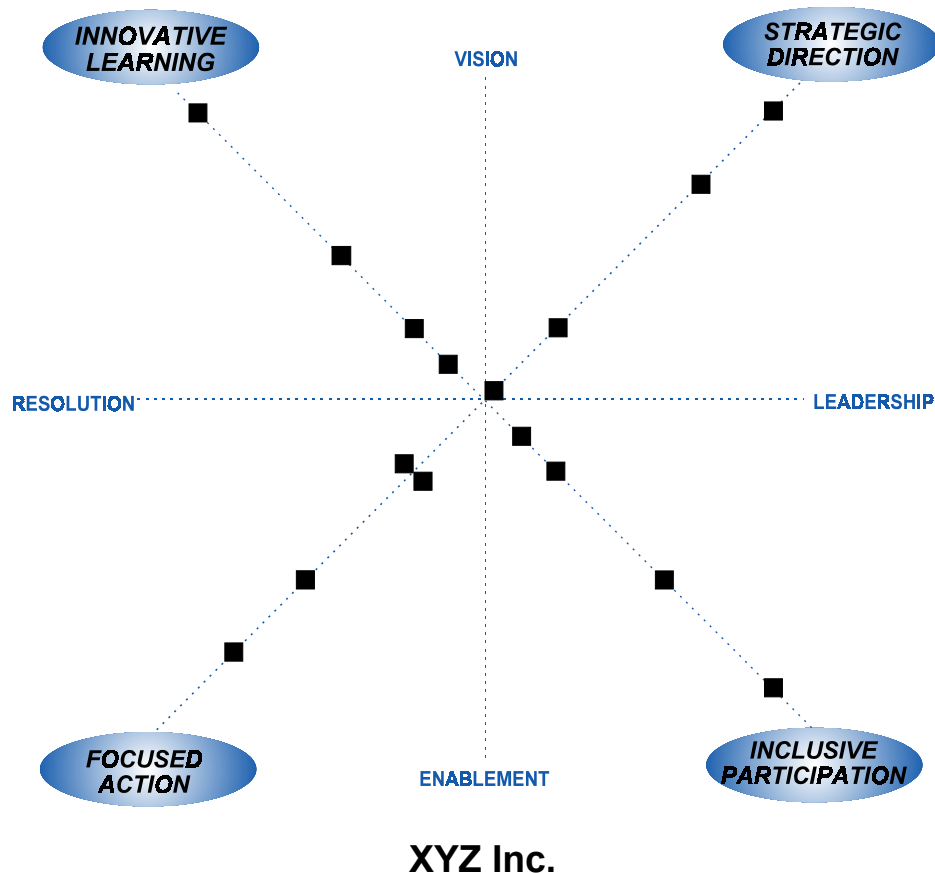
balance theory and reciprocity (point 2.2.9); the four group perceptual errors (under point 2.3); and also perceptual expectation of behavior (point 2.4).

Given this information, how high would you rate this team's chances of making their organization more effective? That is why I stress that every CEO must understand the power of perceptions in strategy making and in strategy execution, and manage accordingly. And if you were the CEO, would you now know where to focus your energy for maximum effect? Based on only this information, I would suggest that this CEO do the following:

- (a) validates the existing strategy and changes it as appropriate;
- (b) secures commitment to the strategy;
- (c) validates that the operational plans and actions do indeed support the strategy; and
- (d) ensures that his team and the organization learn how to improve the strategy and learn how to maintain operational focus on the strategy.

For additional information and clarity, the following pages show two of the examples with most of the detail which the DEWYSM Model analyzes.

THE DEWYSM PROFILE of the Executive Team



Participants: X; Y; Z; and W

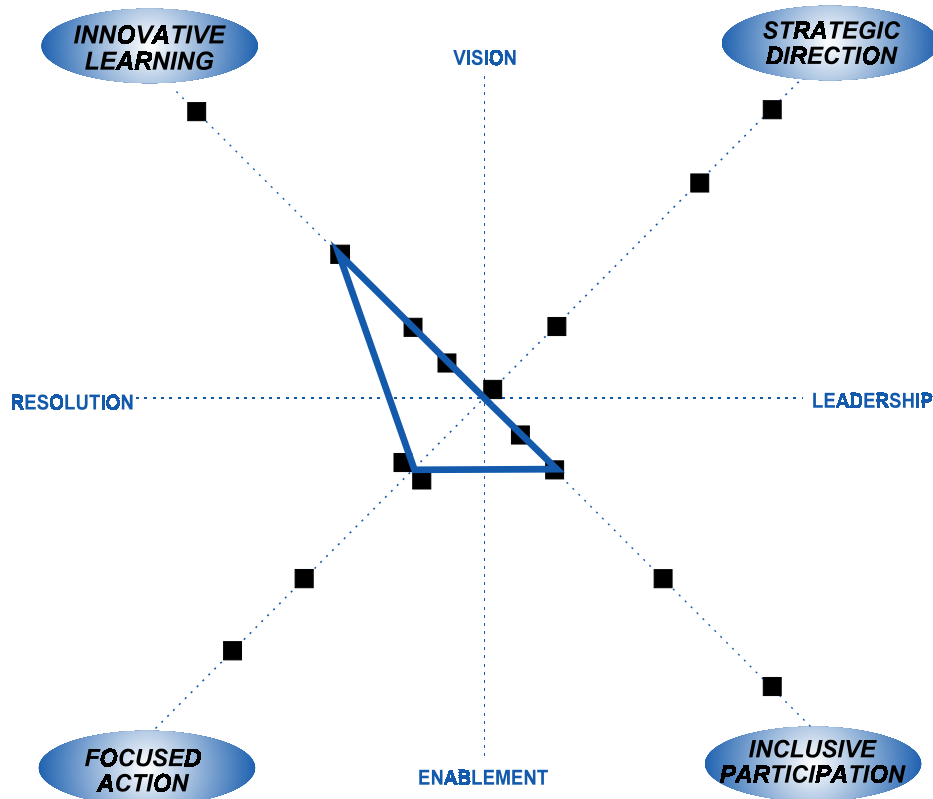
Date: July 2002

Overview: This group profile shows quite a spread of individual perceptions. In each quadrant, there is at least one individual who perceives the team far more favorably in that quadrant than two of his colleagues. In other words, one person sees favorable characteristics or behaviors where others see weaknesses.

Specifics: There are only two specific factors which this team perceive as strengths within the team. Firstly, the team members appear to *buy-in* and, secondly, there is *effective definition of tasks*. However, the following factors stand out as areas of real concern: *inadequate knowledge of the external environment; risk to organizational (or team) continuity; poor team work; little individual empowerment; ineffective allocation of tasks; poor actual performance; ineffective measurement of progress; abuse of power; tendency to group think; and an inadequate follow through on new ideas.*

Solution: This is a team analysis; it does not identify individual perceptions, nor why an individual feels strongly about a particular issue. (For example, in the Strategic Direction quadrant, there are two individuals at exact opposite poles of each other: one with an extremely positive view and one with decidedly grave concerns.) It is now critical for the ongoing success of this team that the team members discuss their differences openly and honestly. There are three reasons for this: Firstly, if those individuals with concerns are right and not heeded, then XYZ's long term success could be in jeopardy. Secondly, if those with concerns are wrong and not convinced to change their views, then their motivation and commitment could suffer, making them potential liabilities to the team. Thirdly, now that these disparate perceptions have been highlighted, individuals will not automatically find common ground; instead, the situation could deteriorate rapidly. However, there is a **very positive aspect:** With such a wide range of perceptions, these individuals can learn much from each other, especially if they are given an opportunity to explain their disparate views within a structured and controlled format. Then this team will be able to decide constructively on the most effective action to secure their ongoing success.

THE DEWYSM PROFILE of an Executive Team Member



XYZ Inc.

Participant: Mr X

Date: July 2002

Overview: Your profile shows that XYZ has a serious weakness in the area of setting strategic direction, as well as weaknesses in the areas of getting people to participate in achieving strategic goals and ensuring that actual performance delivers the planned results. A positive is the reasonable strength reflected in corporate learning. This shows that management at XYZ could be willing to learn from experience and to use this input to explore a new strategic direction. However, if these weaknesses are not addressed timeously, the openness to learning without a clear direction could deteriorate into confusion. This will easily be exploited by competitors and so put XYZ's success and continuity at risk.

Specifics: The only specific factor which you perceive as a strength within the management team is that they do not appear to *resist change*. However, you perceive the following factors as weaknesses: *unclear corporate purpose; inadequate knowledge of the internal and external environment; risk to organizational continuity; poor team work; little individual empowerment; poor actual performance; ineffective measurement of progress; and an inadequate follow through on new ideas*. The following factors are also potential weaknesses: *ineffective corporate culture; low individual buy-in to XYZ; ineffective definition and allocation of tasks; abuse of power and a tendency to group think*.

Solution: You have raised many warning flags. These should be explored for two main reasons. Firstly, if you are right and not heeded, then XYZ's long term success could be in jeopardy. Secondly, if you are wrong and not convinced, your motivation and commitment could suffer, making you a potential liability to the company. Therefore, it is critical that you are given an opportunity to explain your concerns, objectively and honestly. Equally important, your colleagues must be given the same opportunity to express their views in a similar structured format. Only then will you, as a team, be able to decide on the most effective action to secure XYZ's ongoing success.

Twelve Perceptual Errors

- 1 The false consensus effect:** People tend to assume that others behave or think like they do to a greater extent than is actually the case (e.g. smokers tend to believe that more people smoke than the number of people who actual do smoke). Why do we do this? Firstly, we like to think that others agree with us because this means that we are "right". Secondly, we tend to choose friends who share our views. (Note that although it is comforting to assume that others think and behave like we do, there are times when we prefer to stand out from the crowd.)
- 2 The fundamental attribution error:** We have a strong tendency to explain other people's behavior or actions in terms of internal (dispositional) causes rather than in terms of external (situational) causes. For example, when we see someone trip in the street we are inclined to see that person as being clumsy (internal cause) rather than to assume that the person tripped over some physical object (external cause). Yet, if *you* tripped in the street, you would most likely attribute this to an external cause and not to being clumsy. Why do we do this? When we observe other people's behavior, we tend to focus on their overt actions, while treating the context in which the action takes place as less important.
- 3 The actor-observer effect:** This is closely related to the fundamental attribution error. The actor-observer effect is our tendency to explain our *own* behavior in terms of external or situational causes and to explain the behavior of *others* in terms of internal causes or traits. For example: you fell, but I was pushed. Why do we do this? It seems that we are quite aware of the external factors that effect our own behavior and thus see these as causes of our behavior. But when it comes to others' behavior, we seem to ignore situational causes and attribute behavior to personality traits.
- 4 The self-serving bias:** We tend to view success or good outcomes as due to our own doing or characteristics (internal causes), while we tend to blame failure or bad outcomes on chance or external causes. Why do we do this? If we can claim responsibility for good things, then our self-esteem and our public image are enhanced. And if we can blame failure on external factors then we can protect our self-esteem and our public image. An added problem caused by the self-serving bias is that when we make a mistake, these are seen as not that serious. But if someone else makes a mistake, we tend to view it as serious. In other words: "I can do no wrong and you can do no right". Research has shown that the self-serving bias is especially prominent in behaviors that are very important to the person (i.e. ego-involving). And that men are more likely than women to show the self-serving bias.
- 5 The self-reference effect:** We tend to process, remember and recall information relating to ourselves more easily than other types of information. Why do we do this? Simply because we pay more attention to information about ourselves.
- 6 The representativeness heuristic:** We often make judgements based on how similar something or someone is to what we view as typical. For instance, the more similar we think someone is to typical members of a given group, the more likely it is, we believe, that the person belongs to that group. Why do we do this? Because we are mentally lazy, or to use the correct jargon, because we are cognitive misers.

- 7 The MUM effect:** People do not like being the bearers of bad news. This is called the MUM effect, because people tend to either keep quiet about bad news or to distort it to make it more palatable. Why do we do this? Apparently, it is not because we feel personal discomfort about sharing bad news or because we feel sorry for the recipient of the bad news. It is because we realize that bad news results in bad feelings and we feel we risk being disliked for passing on bad news.
- 8 The reinforcement-affect model:** It seems obvious enough that people like anything and anyone that makes them feel good and dislike anyone or anything that makes them feel bad. But less obvious is the fact that we also tend to react to whatever we merely associate with our feelings. For instance, if you receive good news the chances are that you will like the person who merely happened to be with you at the time, even though he or she was not responsible for the good news in the first place. Why do we do this? We tend to transfer an emotional response to people or even to neutral objects.
- 9 Balance theory and reciprocity:** According to the balance theory, balance is created when two people like each other and express similar views. But imbalance results when they like each other and disagree. Imbalance, like dissonance, is an unpleasant state and each individual is then motivated to do something to restore balance. One person could now convince the other to change his or her views. Or they could decide to dislike each other. Once they dislike each other, they become (relatively) indifferent as to whether they agree or disagree; and a state of non-balance is created. Why do we do this? We tend to like people who express similar attitudes and evaluations as ourselves because they are providing "evidence" that we are correct. And it feels nice to be correct. Obviously, if someone disagrees with you, it will have the opposite effect. A concept closely related to that of balance is reciprocity: if you like me then I like you. Almost everyone likes a positive response from others and dislikes any hint of disapproval.
- 10 Framing and Anchoring:** Our judgements concerning people or events are often strongly influenced by the way information is presented. This is known as framing. For example, if we are told that a project has a 40% chance of success, we tend to view it more favorably than if we were told initially that the project has a 60% chance of failure. Anchoring is similar to framing. It refers to the tendency for a starting value to unduly influence judgements or decisions. If we are told that a project is likely to take three weeks, we tend to start negotiating to get more time. This means we have accepted the three weeks as a reference point and we have then 'anchored' our thinking around that point, instead of discussing how much time is realistically needed to do the project properly. In both instances, framing and anchoring, our judgments are influenced by information which should rationally not have any effect.
- 11 Primacy and Recency:** Impressions we form are more strongly affected by information we receive first, even when information still being received contradicts earlier information already received. Why do we do this? Obviously, information we receive first is used to interpret information received afterwards. But more importantly, once we have some information, we don't bother to pay as much attention to additional information.
- 12 Priming:** After watching a late-night horror movie, every creak in the dark house sounds ominous. And every time we read about another corporate earnings restatement, we suspect fraud. Why do we do this? Being cognitive misers, we process information based on what we can easily recall from memory.

About the author:

James McIntosh is an executive consultant with VSP Inc. in Richmond, VA. Since 1990, his consulting purpose has been simply to make organizations more effective, mainly through his proven ability to uncover what an organization can become and then to assist management in creating it. He has more than 20 years consulting experience in different business environments, including the public sector and non-profits. During this period he has been directly involved in diversification strategies, the integration of acquisitions, start-ups, the sale of business units and corporate turnarounds from bankruptcy.

VSP is the follow-on to a consulting business which James founded, with his current partner at VSP, in 1990 in Cape Town, South Africa. Building on James' experience in developing customized strategic planning processes, they developed a perceptual analysis tool and a strategic planning process which together link execution directly to strategy. This process, which they have used with great effect since 1990, is now available to all VSP Inc. clients.

James has an MBA and an Honors degree from Stellenbosch University, and a BS in Agricultural Economics from the University of Pretoria, South Africa.

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