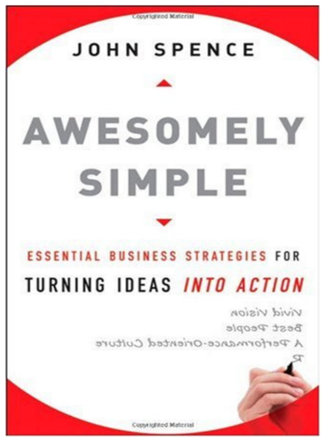
Awesomely Simple

Essential Business Strategies for Turning Ideas Into Action



Author/s: John Spence
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ISBN: 978-0-470-49451-6
188 pages

About the Author/s

John Spence is a leading authority in the areas of strategic planning, high performance teams, advanced leadership development, and delivering superior customer service. For 14 years, he has delivered his expertise in speeches, workshops, and in executive coaching to organizations including Microsoft, IBM, GE Capital, the U.S. Navy, and Qualcomm. He has also been a guest lecturer at more than 90 colleges and universities, including Harvard, Brown, and the University of Pennsylvania's Wharton School of Business. He is also the author of *Excellence by Design: Leadership – The Six Key Characteristics of Outstanding Leaders*.

■ The Big Idea

In **Awesomely Simple**, John Spence argues that business success rests on six simple principles:

1. *Vivid vision.* The company effectively communicates a vision statement of the company's future, a mission statement of its purpose and objectives, and a values statement.
2. *Best people.* Talented employees demonstrate competence, character, effective collaboration and communication, and commitment.
3. *Robust communication.* The company communicates its vision, mission, and values to all the stakeholders.
4. *Sense of urgency*. The company achieves agility through the simple formula of Clear direction + Free flow of information + Fast decision making = An agile organization.
5. *Disciplined execution.* The company may react with speed and agility, but, methodically pursues operational excellence and high standards.
6. *Extreme customer focus.* A company "owns" the voice of the customer. It determines exactly what the customer values; identifies the customer touch points, and enables employees to engage those customers.

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Features of the Book

Reading time: 4 to 5 hours, 188 pages

In Awesomely Simple, John Spence describes six seemingly-obvious principles of business success, ones which every organization recognizes but few execute. Each chapter is devoted to one of the principles.

Each chapter concludes with five key features aimed at turning the principles into action. These features include a “Summary of Key Points;” an “Effectiveness Audit,” which is a diagnostic tool to discover areas for improvement; a “Things to Think About and Discuss” section, which invites key members of an organization to brainstorm on improvements; a “Turning Ideas Into Action” summary of short-term strategies; and a “Case Study” from an organization that has successfully implemented the chapter’s principle. These case studies are compelling first-person accounts by CEOs from companies like Qualcomm, Xerox, and IBM.

Spence does not declare an intended readership, but makes it clear that employees at all levels are involved in improving processes and turning strategies into action. The author encourages a team of readers (i.e. small business owners, marketing teams, senior management teams) to work through the exercises that conclude each chapter. Managers at all levels can derive strategies from the book, and line-level employees would benefit from understanding their role in achieving strategies.

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INTRODUCTION

Any business will claim to have a vision for itself; it will also claim to have top talent, robust communications, and extreme customer focus. Likely though, its management gives itself higher marks in those areas than do its customers and employees. The challenge is not a lack of vision or desire for talent or customer satisfaction, but a lack of execution. As John Spence describes in Awesomely Simple, average business managers are extremely busy and, necessarily, task oriented. The result is that they work in their companies to fulfill immediate needs, rather than work on their companies to strategize and execute for long-term success.

Spence has consulted at both small businesses and Fortune 100s (including Microsoft and IBM), and has observed that the path to excellence in business is far simpler than it appears. The most successful businesses adhere to just six principles, but they actively execute every one of those principles. These principles are:

1. A vivid vision
2. Attracting and retaining the best people
3. Robust communication, both inside and outside the business
4. A sense of urgency
5. Disciplined execution
6. Extreme customer focus

As simple as these principles seem, they are not easy to execute. Companies who are able to execute these principles do so with a “consistent and disciplined application…day in and day out,” writes Spence.

VISION

A small retail shop, a sales team, and a multinational company each benefit from a vision. A clear and inspiring vision gives every employee and manager direction, and gives them the comfort of knowing that the business has a plan. Finally, it gives the customer an idea of what to expect. Spence distinguishes between a mission, vision, and values statement. A business must have all three because they are interdependent and comprise what Spence calls the M/V/V.

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The mission statement describes who the business serves, why it exists, and the benefits it offers to stakeholders (and the world). An example mission statement for a hospital is, “To provide exceptional patient care…supported by dedicated health care professionals who strive to advance the care and treatment of the sick through advanced medical research and discoveries.” The statement is clear in whom the hospital serves (the sick) and what it exists to do (provide exceptional health care).

The vision statement describes what the company wants to become. The City of Oklahoma describes as part of its vision that, “We are a family-friendly community of strong moral character, solid values, and a caring spirit.”

Finally, a values statement declares how the business acts and behaves along the way. A business might include in its values professional excellence, faultless integrity, compassion, innovation, and so forth. Employees at all levels must have a clear understanding of the company values in order to live up to them. As Spence observes, both Enron and WorldCom had values statements, but management “said they valued one thing and did the opposite.” They lost the trust of both employees and customers.

Communicating the M/V/V

Spence identifies four struggles that trace back to the lack of a well-communicated M/V/V:

1. Top management knows the vision, but no one else in the company understands its strategies.
2. There are problems with openly addressing challenges and looking adversity in the eye (like falling sales revenues, or admitting that a company is losing market share).
3. Companies enable mediocrity – tolerating missed deadlines and deliverables.
4. There is trouble following through on plans: the business has goals and innovative ideas in place but meets only a fraction of them.

Typically, a business makes the vision too complex, or fails to communicate it well enough. Business guru Guy Kawasaki favors a simple vision statement, one that can be a kind of “mantra.” An employee cannot be expected to repeat (or even remember) a 1,000-word vision statement, but can repeat one the length of a single sentence, and it is vital that employees can repeat that vision. If they cannot repeat the vision, they cannot be expected to adhere to it. They will instead waste time in efforts that do nothing for the company.

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A CEO who declares the vision statement once at a company meeting cannot expect the message to have "legs." Every board meeting, e-mail, department meeting, brochure, and webpage (among dozens of other channels) is a new opportunity to explicitly hammer home the vision statement. Plaques, speeches, banners, and recognition programs are also ways of reinforcing the company's vision.

A more implicit method of sharing the vision is with stories. Recall that the mission and vision statements are written with the customer in mind. Abbott Labs starts most major meetings with a video, featuring a doctor and a grateful patient who thanks Abbott employees directly for saving his or her life. This reminds employees why they are in business and whom they serve.

TALENT

"The future of your company is directly tied to the quality of talent you can attract and keep," observes Spence. Quality is commoditized and costs are fairly homogenous between competitors. Businesses distinguish themselves through 1) continuous innovation and 2) customer service, which only talented people can deliver.

Talent is more than creativity; it comprises five characteristics:
1. Competence – an insatiable desire to improve
2. Character – trustworthiness and honesty
3. Collaboration – an eagerness to engage in knowledge sharing
4. Communication – clear speech and focused listening
5. Commitment – a passion for the work and the mission

Competence is how most would define talent, but character and commitment are part of the package. Untrustworthy employees are a liability in customer relationships. Uncooperative and uncommunicative employees demoralize co-workers and hoard their expertise rather than apply it to the full benefit of the business. Uncommitted employees simply do not perform, or they work as they see fit rather than help the company fulfill its M/V/V.

Surprisingly, few businesses actively attract top talent; they do so passively, with ads in newspapers and on job boards. They wait for talent to present itself. A Top-performing company, however, makes talent acquisition a strategic thrust: they maintain relationships with top recruiters, the CEO takes highly talented people to lunch, they have internship programs to recognize raw but remarkably talented college students, and HR managers keep abreast of company needs and strategies, and seeks talent to fulfill them. These companies do not '

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condescend to interview candidates, rather, they treat talent as a rare commodity. In an ideal interview, "They are not trying to convince you to hire them; you're trying to convince them to come and work for you," said Bill Davidson, senior vice president of global marketing and investor relations at Qualcomm.

Also, surprisingly few companies will punish a lack of talent. The danger in this is that the lowest performer sets the standard for acceptable performance. As Davidson describes it, what a company owes its top performers is a lack of tolerance for poor performance, or else it has no business demanding teamwork and motivation.

A Culture of Talent

"Happy employees lead to happy customers and higher profits," writes Spence. In his experience, businesses with satisfied employees report higher profitability than those companies with less engaged employees. At companies with positive corporate cultures, like State Farm Insurance, GE, and the Mayo Clinic, employees enjoy a culture of pride in workmanship and an esprit de corps. In studying organizations like those, Spence observes five key elements of a positive corporate culture:

1. Meaning is less about profit than it is about purpose.
2. Respect is simply recognition, fair treatment, and the ability by an employee to be heard.
3. Empowerment is created when a business "gets out of the way" of employees, giving them the ability to exceed standards.
4. Transparency is communication with candor, empathy, and directness.
5. Fun is less about company parties than it is about an enjoyable work environment, in which employees like and esteem one another, and like and esteem what they do for a living. They look forward to the workday.

Leaders must be prepared to "compensate" employees in these five ways, but leaders are often out of touch with corporate culture; they will give themselves far higher marks for leadership than do employees. In one instance at a company at which Spence consulted, the leaders scored themselves between nine and ten for competence and honesty, while employees ranked them as low as 0.9. Spence was hired to identify the root cause of the negative corporate culture, then dismissed for revealing that it was the leadership.

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In most of his engagements regarding corporate culture, Spence conducts surveys of employees to find out what they value from their leaders. He finds that employees seek leaders who are:

- Credible – they speak with complete candor, and act on the visions they set forth
- Respectful – they are open to ideas and treat employees with dignity
- Approachable – they are willing and even eager to listen to their employees
- Team players they stand behind their teams, ask for help as needed, and admit their own mistakes
- Highly professional – they take their careers and the M/V/V seriously and are dedicated to fulfilling customer and employee needs

COMMUNICATIONS

Communication is key in turning any expectation, such as performance by an employee, quality goals by a department, or delivery time to a customer, into reality. Communication is both organizational (one to many, or many to many) and interpersonal (one-to-one). In either case, it must be active, and usually can be improved.

Spence conducted a poll of 600 senior managers and nearly 8,000 employees. The managers ranked themselves in the 90th percentile for clearly communicating the company vision, giving clear direction, and so forth. The employees ranked the managers between the 30th and 40th percentile. That gap is common, but it can be closed; businesses that have a strong communication culture do so by cultivating honesty, empathy, courage, safety, intellectual rigor, and transparency. Empathy is simply the respect that employees ask of their leaders; "Shoot straight with people, but don't shoot them between the eyes," advises Spence. Courage is a willingness to face the most difficult and uncomfortable topics, such as layoffs or a wrong-headed decision by management. In a safe environment, employees understand that the truth will not hurt them, and that they may speak the truth without being (as one woman described it to the author) "vaporized." Intellectual rigor is the quality of aggressively looking beyond the status quo, and transparency is sharing as much information as possible (and within reason) with key stakeholders.

In a real-world case, the author consulted at a manufacturing company at which the CEO unveiled a sales commission package which left no one (including the sales people) happy. Rather than foist it upon employees, he empowered the employees to write a plan that they thought was fair; he also promised to enact their plan without change. That CEO listened to employees, admitted fault,

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shared sensitive financial information, and empowered the employees to exercise their intellects. The final plan, written by an interdepartmental team, shared the benefits across the organization, and the entire organization was satisfied.

Interpersonal Communication

That CEO demonstrated the concept of expert questioning. President Jack Malcolm of the Falcon Performance Group, an executive training firm, believes that expert questioning makes a communicator more persuasive and fosters better relationships. “People like to talk about themselves, and they appreciate others who let them do so,” Malcolm advises. Similarly, intelligent people like problem solving; expert questioning (asking them what they see as a problem, what they see as a solution) helps them to arrive at conclusions in which they are wholly invested. This is known as “Socratic learning,” after the teaching style of the Greek philosopher Socrates, who questioned more than he lectured.

The CEO in the example above also listened, which won over his employees. Listening comes in four levels, from completely ignoring another person to deep listening – the kind typical employed between family and loved ones. In between these two extremes is listening while distracted (checking e-mail messages or otherwise multitasking) and focused listening, which is being invested in the logic, information, and emotions behind the conversation. Focused listening is the ideal in business communication; speakers are heard, validated, and valued and listeners show they are focused on the conversation by repeating the key concepts. Focused listeners are also empathetic and in touch with the speaker’s emotions. Emotions seem out of place in business communication, but someone who uses the approach of complete logic is liable to frustrate and alienate coworkers; those coworkers do not feel heard–they feel dismissed with facts and figures.

Listening is particularly vital in dealing with interpersonal conflict, either between employees, or between a manager and a dissatisfied employee. Skilled interpersonal communicators will not begin a conflict with a directive; they will attempt first to resolve the conflict in a way that leaves everyone feeling fulfilled and heard. These communicators will first listen with empathy, asking something like, “Will you please tell me your side of the story? I promise not to interrupt.” They will follow up with non-accusatory “I” statements, saying, “I feel unheard,” rather than, “You never listen.” They will attempt to negotiate a common ground barring that, they will attempt positive redirection, asking sincerely for cooperation. Only as a last resort will they use the no-alternative, “my-way-or-the-highway” response, “I listened, we can’t come to a resolution, and this is what you’re going to do.”

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The above describes an evolution of responses, from the most cooperative to the most firm, but the nature of an emotional response is that it does not evolve, it erupts. The author believes that those who remain cool in a volatile situation likely achieved that cool through practice. In between a negative stimulus and a response is a gap in which a person chooses how to respond. That gap may be less than a second, or it may be days. The choice of response is active, and it may be practiced and perfected.

URGENCY

Spence describes a simple formula:

Clear direction + Free flow of information + Fast decision making = An agile organization.

A business has no choice but to be agile. The modern business environment favors instant communication via email. Consumers expect delivery in one or two business days. A competitor can produce a decent knock-off of almost any product in weeks versus months. Speed equals success, and successful businesses have that sense of urgency in their culture.

This is where a clear vision comes into play. Knowing a desired outcome eliminates a myriad of possibilities. Consider the simple example of trying to identify a good restaurant: a hotel concierge may know of hundreds of restaurants, but giving the concierge a vision such as, “I want sushi, but don’t want to take a cab,” can narrow down the response to one restaurant within walking distance. A clear vision keeps the decision maker on track and fosters a rapid and effective response.

What delays an effective response is sheer bureaucracy – multiple layers of decision makers. Agile organizations eliminate any rule, report, process, or meeting that does not provide value. The reality of any meeting is that it holds high-value employees hostage, sometime for hours. Unless the meeting can provide the same value of the attendees’ hourly pay combined, then the meeting created a loss.

Spence describes four levels of decision making, with levels one and two enabling the most agility by spreading decision-making power across the organization.

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In a level one decision, a line-level employee makes a decision alone; perhaps a cashier makes the decision to accept an out-of-state check. Toyota famously enables its production employees to stop the production lines when they spot a defect. In level two decisions, an employee seeks some consultation (usually from an immediate supervisor) before making the decision. Level three decisions are team decisions: a manager garners experience and wisdom from several stakeholders. In level four decisions, managers may seek consultation, but will make high-level decisions (like strategic directions or a merger) on their own.

Those level one and level two decisions enable agility, but not every decision maker must be entirely self contained. A network of colleagues, mentors, and experts enables managers to “multiply the speed of [their brains],” Spence believes. These managers do not defer effective decisions but rather draw upon a greater pool of experience to make more informed decisions.

DISCIPLINED EXECUTION

Spence estimates that the typical organization executes only ten to 15 percent of its major goals. Management may console itself by thinking, “we shot for the stars and hit the moon,” but really, they have left money on the table. Dozens of research studies conclude that a lack of execution costs a business between 50 and 70 percent in lost revenues. These companies do not lack vision, but they hinder themselves with ineffective communication and by tolerating mediocrity.

Spence describes a nine-step process for ensuring disciplined execution:

1. Vision and values as outlined in the M/V/V statements.
2. Strategy consists of a short list (as short as possible) of ways to achieve the organization’s visions.
3. Commitment refers to employees’ dedication to those strategies, best achieved by a guiding coalition of the most respected people in the company.
4. Alignment ensures that all parts of the organization are working toward the same goals. The goals must be SMART: specific, measurable, agreed upon, realistic, and time-bound.
5. Systems ensure repeatable success; they enable consistent and excellent performance. Consider that the business practices of Total Quality Management, Six Sigma, customer relationship management, and standard operating procedures all aim for consistency.
6. Communication of priorities must be continuous and relentless, reminding employees what the strategies are.

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7. Support and training provide employees with the tools and skills to enact strategies.
8. Adjust/innovate improve upon the process and overall delivery. Toyota's kaizen philosophy involves employees at all levels who identify opportunities for improvement and are empowered to make those improvements. These are not grand-scale changes; kaizen tasks employees to improve upon their processes by one percent, every day.
9. Reward/punish. A business rewards and punishes based upon performance. Spence favors rewarding lavishly, with praise, celebrations, and small rewards. He also favors cautious punishment. "Truly great companies do not tolerate mediocrity," advises Spence. Rather, they hold people 100 percent accountable for their commitments and reward (or punish) as necessary.

In a case of nonperformance, managers must look first to themselves for culpability. Have they given those underperformers all the tools and training they need to perform? Have they exhausted the alternatives of training or a transfer to a more suitable position?

In his earlier career as a CEO, Spence crafted an approach that he called, "The Four Page Performance Review." He tasked underperformers to write on four pages 1) what they thought they could deliver to the business (expressed in measurable and specific deliverables); 2) the resources, training, support, and equipment they needed in order to deliver; 3) the rewards they wanted for delivering; and 4) what the ramifications should be for nonperformance. Most employees suggested termination. As former General Electric CEO Jack Welch once suggested, when leaders do their jobs well, termination is not a surprise to an employee; it is the only logical conclusion.

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CUSTOMER FOCUS

In Spence's experience, consistent and superior customer service drives an 85 to 104 percent increase in profitability, and customers are typically willing to pay a premium for superior service–as high as 25 percent.

After decades of customer-focused business initiatives like Total Quality Management, a few simple elements of customer satisfaction have evolved. These include reliability, professionalism, empathy, responsiveness, and ambience, particularly in retail and service businesses. The customer must be consistently delighted.

That seems easy, but it requires that every "touch point" (the interfaces between the customer and the business) must delight the customer. The touch points at a restaurant include the person answering the phone to take a reservation, the host or hostess, the wait staff, and the chef. At a software company, it includes the salesperson and customer support representative, and such non-human touch points as the voicemail system or online knowledge base.

The touch point is not the CEO. A shopper could not pick the CEO of a Publix supermarket out of a lineup, but has certainly met a cashier. The cashier is the face of Publix, as are the baristas at a Starbucks or the front concierge at a Ritz Carlton – both of which train their employees extensively to provide a positive experience.

Publix, Starbucks, and Ritz Carlton also cultivate a positive corporate culture, which contributes to positive customer response. A highly-engaged employee drives customer satisfaction, so, Spence advises, "Take great care of your people, and they will take great care of your customers."

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CONCLUSION: EVEN SIMPLER

Business is complex, but the rules for being a winning business are simple and universal. Both the owner of a filling station and the CEO of Southwest Airlines must delight their customers. Each must attract talented employees and reward their performance, and each must eliminate mediocrity. Business owners certainly intend to lead their industries and satisfy customers, and may have great ideas to do so, but ideas and intentions are valueless by themselves; a business must live up to those ideas and intentions, by turning them into action.

Southwest Airlines, GE, and Publix excel in customer service, and they write the idea of customer service into their visions, but they act on those ideas by turning them into visions, which they communicate ceaselessly to both employees and customers. They find people to execute those visions, then train and empower those people to act on behalf of the company (and for the customer). Finally, they systematically improve their processes until bad service is hardly possible.

A delighted customer base is a common vision, but the principles apply on any scale and to any vision. The CEO may envision “Delivering uniquely innovative products that save lives,” while a production manager envisions that “We deliver a zero-defect product, on time and with no returns.”

If the six principles of turning ideas into action are not simple enough, the author boils them down even further to three watchwords: 1) focus, 2) discipline, and 3) action. As Spence describes, “The amount of excellence is directly proportional to the amount of focused and disciplined action you apply to your journey.” With focus, discipline, and action, excellence (and profit) come naturally.

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