FEDERMAN

Today's Leadership Secret:

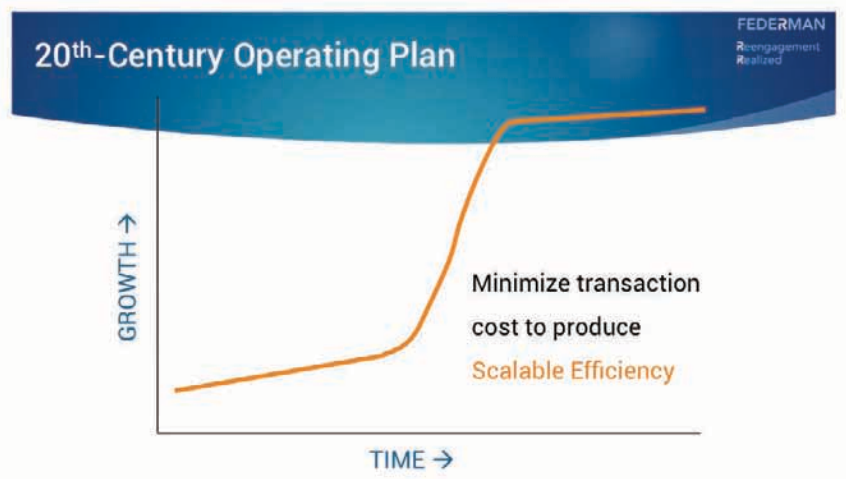What 21st-century leaders know that you don't—Yet!

The End of the Industrial Era.

Like many modern relationships, business's relationship with the 20th century could be summed up in two words: "It's complicated." And indeed it was: There was so much going on among customers and supply chains and plants and distribution centres and you-name-it that it was a challenge to keep track of it all. But that's the point: We *could* keep track of it all. We could plan, set goals to accomplish a mission, break down goals into manageable tasks, and provide attractive individual incentives. If everyone did their part and met their targets, the organization as a whole would accomplish its overall objectives towards fulfilling that mission year-by-year. Successful organizations – both public and private – grew and thrived by investing in large infrastructure that took years, and sometimes decades, to build. Once in place, that infrastructure began to return economic and other benefits driving tremendous growth and corresponding profit. Through learning that comes from hard-won experience, and the application of a variety of industrial efficiency methods and interventions, greater growth enabled ever more efficiency, productivity, and economic returns.

The 20th-century operating plan could be summarized by the image to the right: Invest, grow, and reap the benefits. Those benefits would be maximized if incremental transaction costs were minimized as the organization grew, thereby becoming ever more efficient, that is, attaining Scalable Efficiency. This "S-Curve" model defined the 20th century, not just in business, but in many other domains of human endeavour, from education to political movements to celebrity.

To be successful, this model needed three elements: predictability, stability, and control. Attaining a return on a long-term investment

20th-Century Operating Plan

FEDERMAN
Reengagement
Realized

GROWTH →

Minimize transaction
cost to produce
Scalable Efficiency

TIME →

means that future requirements must be predictable. Predictable requirements mean that organization dynamics and the general business environment must be relatively stable. Stability, at least within the organization and among its direct external stakeholders – customers and suppliers, for instance – means maintaining control.

Predictability, Stability, Control. Place these imperatives in the context of an industrial process mindset for the enterprise and you inevitably get the human resources management processes and practices considered "best" through the 20th century. Think about the standard management functions common to any business, regardless of size, scope, or segment: hiring, goal setting, task delegation, coordination, performance monitoring, feedback, motivation, development, correction, discipline, and departure—either at the employee's or employer's impetus. If you think about the ways in which these have been executed in most organizations over the past three to four decades or so, it's pretty clear that "best practices" have been best at the practice of predictability, stability, and control.

Through the 21st-Century Looking Glass

Then, something happened. Or rather, business began to notice the effects of something that had been happening for quite some time. It was marked by the turn of the millennium, and fueled by technologies that made the complicated but mostly *predictable* business world go haywire. Now, all sorts of financial, operational, market, regulatory, political, global, and local somethings *happen*: Unpredictably. Out of our control. Definitely destabilizing.

If you try to fix something over here, then something goes wrong over there. When you try to implement big initiatives, you might end up with a new system and new processes that replace old processes. But in reality, it's a lot like what happens when you rearrange the assembly stations on a factory floor—it's essentially the same factory floor. Yet sometimes, when something seemingly small – "nothing but a crazy kid's fad" – pops up, it turns out to be a complete game-changer that heralds a complete business transformation. Who would have ever. Who would have ever thought that an online bulletin board would eventually doom newspapers' classified ads? Or that a couple of guys hauling an air mattress out of a cupboard would threaten hotels? Or that people sharing rides would cause taxi industries all over the world apoplexy? Well-entrenched industry incumbents certainly didn't see Craigslist, Airbnb, and Uber coming, but come they did. In retrospect, perhaps leaders could have… should have… anticipated such massive, now obvious disruption. In retrospect, everything is obvious.

What if I was to tell you that another, retrospectively obvious disruption has already begun and is today affecting your business, your employees, and your leadership? What if I was to tell you that this disruption is actively being ignored by the overwhelming majority of enterprises? What if I was to tell you that the cumulative cost of this disruption is potentially tens, if *not hundreds of billions of dollars in lost productivity* over the next decade[1]?

This technologically driven disruption, of course, is the prominence of data and knowledge networks, bringing Peter Drucker's 1969 vision of "knowledge economy" to practical reality: The more knowledge is used, the more knowledge can be produced. Each person in a value

> … when something seemingly small – **"nothing but a crazy kid's fad"** – pops up, it turns out to be a complete **game-changer** that heralds a complete business **transformation.**

---

[1] Source: CivicAction Mental health in the workplace report, released April 18, 2016, http://civicaction.ca/mentalhealth/
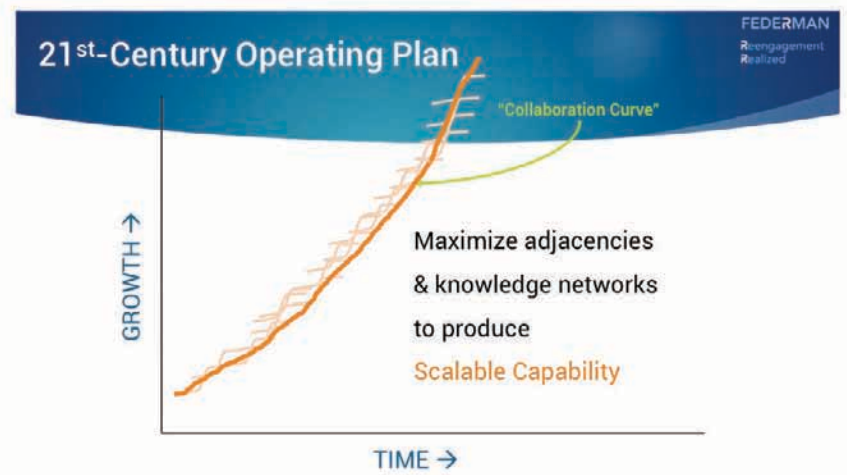
network builds on the knowledge of others, thereby increasing the overall value throughout the enterprise.

The limiting factor of the 20th-century model has been completely flipped on its head: Instead of being governed by the limitations of the *weakest link* in an industrial value chain, the 21st-century operating model is limited only by the capability of the *smartest node* in the value network. "Capability" in our contemporary context specifically means the ability to source, apply, transform, redeploy, share, and exchange knowledge. That capability must be able to grow exponentially through direct and indirect collaboration as the organization grows. In the 21st-century organization, scalable efficiency gives way to Scalable Capability as shown below—the more you grow, the more you know.

The Innovation Recipe— Instability, Unpredictability, and Emergence

By definition, today's business imperatives of innovation, invention, creativity, and "disruption" stand diametrically opposed to the stability, predictability, and control of the last century. The 2010 book, *The Power of Pull*[2], provides some good examples of how Scalable Capability can be nurtured. It also points out how managing people for predictability, stability, and control specifically work against creating Scalable Capability in the 21st-century business environment. An organization's growth becomes systemically hampered. Its resiliency in response to accelerating rates of change dwindles. The ability to capitalize on the environment of new opportunities shrinks.

2 John Hagel III, John Seely Brown, & Lang Davison, The Power of Pull: How small moves, smartly made, can set big things in motion (Basic Books, 2010).

In fact, whether you realize it or not, running your enterprise with management and human resources systems that enforce predictability, stability, and control is a limiting factor that has already affected your business, your employees, and your leadership. The cumulative cost of this limitation has already cost tens, if not hundreds of billions of dollars in lost productivity over the past decade, let alone over the next. And most certainly, it is the single largest contributor to the ever-decreasing lifespan of Standard & Poors 500 companies from last century to this—from 75-plus years down to 15 to 20 according to Innosight's 2012 study of the S&P 500 Index, led by its research director, Richard N. Foster[3].

The industrial era has ended.
Now what?

The Contemporary Leadership Challenge

Let me suggest that, among all the myriad tactical and strategic challenges facing contemporary leaders, the challenge to create conditions that promote Scalable Capability is relatively straightforward to overcome: Enable the organization and its people to be their best, fully engaged and actively committed every day, no matter what. Easy to say. Difficult to honestly admit that your organization might not quite be there. Profoundly challenging to enact, especially when a 20th-century management mindset meets the 21st-century business operating environment.

A 20th-century mindset might envision an organization to be its best when everyone's work is perfectly aligned and interconnected. Annual objectives are not only met, their delivery "exceeds expectations." Everyone's individual goals roll up to contribute to the organization's overall mission, which ultimately serves the leader's vision. The outcome is predictably achievable based on a well-conceived, stable plan in which everything and everyone is well in control. After all,

---

3 See "Creative destruction whips through corporate America: An Innosight executive briefing on corporate strategy" http://www.innosight.com/innovation-resources/strategy-innovation/creative-destruction-whips-through-corporate-america.cfm

without appropriate controls, how can everyone's work be aligned so that annual objectives are achieved and the organization's mission is accomplished? Without these, how can the organization ever realize its vision?

Those were important 20th century questions. However, the 21st century asks very different questions: Given the rapidly changing business environment, how can we be sure that our mission remains relevant once its component tasks have been achieved? How do we know that our vision is even appropriate when the future is more blurry than ever before? As a contemporary leader, where outcomes are unpredictable, the business environment is unstable, and there is very little that I can actually control, what is my role?

Let's begin with the challenge I suggested above, to enable the organization to be its best. What does a contemporary organization at its best sound like? Feel like? Look like? How would its members – workers, managers, executives, customers, suppliers, and others connected to it – describe an organization at its best? Here is one description, a composite developed by participants at one of my full-day, Contemporary Leadership sessions:

"An organization at its best inspires creativity and creative collaboration by exploring the new, the adventurous, and the exciting. This energy is generated through enabling common creative ground in which collaboration is coupled with autonomy, the opportunity to learn, to experiment and integrate our talents with those of other smart people. There is considerable trust and safety especially in the face of trouble— we know collectively that we can deal with anything, so long as the bosses assist and don't impede, we'll be successful. Our work is appreciated and acknowledged genuinely, demonstrated by the autonomy we are given to do meaningful work that contributes to the larger shared vision.

Does this sound like the type of organization for which you'd like to work? Which operating model – 20ᵗʰ-century Scalable Efficiency or 21ˢᵗ-century Scalable Capability – does this description characterize? Contemporary managers, directors, executives – leaders all – know implicitly that today's business imperative necessitates building Scalable Capability, and that means building an organization at its best. That necessity requires a new dynamic: autonomy among workers, collective responsibility towards common intentions, and mutual accountability for mutual commitments.

At the risk of quoting a cliché...

This. Changes. Everything.

This changes policies, procedures, and systems for deciding what should be done, collectively and individually. This changes how individual and group performance are tracked, assessed, and recognized. This changes how feedback and acknowledgement are given. This changes how tasks are delegated and coordinated. This changes how we engage and motivate workers and managers alike, and how personal and professional development occurs. This changes how we decide whom to invite to join the organization and for whom the organization isn't the right situation. This changes how we effect correction, remediation, and discipline so that each can be transformed from "difficult conversation" into empowering learning.

Irrespective of which mindset one adopts – 20th or 21st century, Scalable Efficiency or Capability – the basic management functions, mentioned above, do not change. Most, if not all, people are quite familiar with the basic, 20th-century approach to these functions. The Scalable Efficiency approaches may, in some cases, have been modernized to make them appear "softer"; their effects, more often than not, remain. On the other hand, the Scalable Capability column might appear somewhat radical, making it easy to reject out-of-hand as unworkable or idealistic. Nonetheless, they have proven to be surprisingly easy to effect for those who are committed to thrive as contemporary leaders.

Contemporary Management Functions
Then vs. Now

20th-Century Scalable Efficiency	Management Function	21st-Century Scalable Capability
Choose the applicant that best fits the job description and has specific prior experience doing precisely the specified job. HR department, hiring manager, and superiors conduct the hiring.	Hiring	Since each person makes the job their own, choose the applicant that best effects the intended transformation of the role, and that of the larger organization. Those with whom the applicant will most interact collaborate on the hiring.
Set annually as the basis of future assessment (i.e., compensation, continued employment). Goals determined either top-down based on decomposition of overall organizational objectives, or bottom-up, summing to total organizational objectives. Goals should be "Specific, Measurable, Attainable, Relevant, and Time-bound" so that employees can be objectively compared with each other.	Goal Setting	Set periodically in conjunction with reference group of closest collaborators, based on shared understanding of tactility and organizational intention. Often based in Appreciative Inquiry. Goals are designed primarily for qualitative, as opposed to quantitative assessment, reflecting intention, effects, and organizational trajectory rather than specific, measurable, complete (attainable) events.
Manager specifies & assigns tasks, deliverable expectations, & timeline. Intention is to enforce *compliance*, often based on the manager's needs.	Delegation	"Request/promise dialogue," enables employee to freely respond, "Yes," "Yes and… [here's what it will take to do]," or "No but… [here's what will make it possible]." Intention is to encourage *commitment*, based on the intersection of employee's aspirations and organizational intention.
Because achieving goals requires adherence to a specific plan, project management principles dominate via coordination meetings, deadline tracking, and regular checking up to make sure employee will deliver as expected.	Coordination	Cultural norms support individual autonomy & agency, collective responsibility, and mutual accountability. Regular, mostly informal check-ins occur among collaborators based on request/promise dialogue commitments. Plan, deliverables, and timeline changes are always negotiable because of the unpredictable, complex environment.
Results measured according to specific, pre-set metrics that are often subjectively evaluated and decoupled from actual business intention. Annual assessment conducted by individual's manager is primarily in service of determining compensation.	Monitoring / Assessment	Intended effects monitored to ensure business trajectory is on-track, and whether specific tasks and plans need to be modified. Individuals have periodic reviews with annual or semi-annual appreciative performance reflection conducted by reference group of primary collaborators.

20th-Century Scalable Efficiency	Management Function	21st-Century Scalable Capability
Good and bad reviewed at post-mortem or other meetings based on attaining, or not, manager's expectations.	Feedback	Acknowledgement of how/why the accomplishment contributed to what the individual considers important, in context of autonomy, collective responsibility, & mutual accountability.
Extrinsic via explicit or tacit rewards and sanctions	Motivation	Intrinsic via commitment to the larger purpose and intention
According to future needs of the job based on strengthening identified weaknesses or skill deficiencies.	Correction / Discipline	Sustained improvement via coaching, building on what went right, and reflecting on what was missing, what can be done, and what's needed from here.
Individual is terminated, often suddenly, with all connections immediately severed.	Departure	Manager, mentor, and peer coaching helps the individual understand their own motivation for choosing to remain – or not – according to appropriate interactions in the organization's trajectory. Decision to leave is respectful and mutual.

The Transformation to Contemporary Leadership

In the industrial orientation of the 20th century, the role of leader was to set a vision, from which the executive team created a mission, which led to specific annual objectives and specific plans, all counting on predictability and stability. Success therefore mandated systems of control—the management and human resources systems that engendered 20th-century, industrial workplace cultures.

In contrast, the best way to understand the 21st-century business environment is in the context of complexity. "Stuff" happens which disrupts plans, necessitates versatility and rewards resilience. Seemingly insignificant happenings ripple through the dynamic effects of knowledge networks. Entire industries are innovated out of existence, to be replaced by what once was an unimaginable future had it not already become a present reality. Specific goals that once seemed

imperative become instantly irrelevant. Notably, however, intended effects – how organizations touch and affect those with whom they interact – often remain consistent over time.

Throughout all of this, what do organizations need from their leaders? In other words, what is the role of the 21st-century leader? Simply this: A contemporary leader enables a conducive environment in which people come together to create shared experiences, and from those shared experiences an alternate future emerges. Because, if your organization does not need an alternate future, it only needs a 20th-century manager, not a 21st-century leader. If you want your organization to be part of the 21st century, the time to enable an environment of Scalable Capability and create your alternate future is now.

FEDE**R**MAN

I coach leaders on how to build commitment on top of team members'
signature strengths and core values. I coach teams on how to design and
power their collective future. I coach individuals, showing them how to bring
their "best self" to work – and to their life – each and every day,
no matter what's happening.

One-On-One Transition & Transformation Coaching
Group & Organizational Coaching
Customized Facilitation and Training

Contact me for a free, initial consultation with no obligation. 416.460.8474

I have helped many organizations and individuals
to (re)discover their own best and aspirational self,
to create the circumstances through which an
alternate future for their organization, their leadership,
their career, and their life truly becomes possible.
I can do the same for you and your organization.

Mark Federman, Ph.D
mark@ReengagementRealized.com
ReengagementRealized.com

**Reengagement
Realized**