New-School Thinking

Three old-school principles—
ego, speed, and solutions—
are hurting organizations
and must be expelled.

By Steve Smith and Dave Marcum

Before you can engage in new-school thinking, you have to recognize old-school thinking. Three old-school business addictions are ego, speed, and solutions. They're popular, but dangerous. If business were a class and the professor handed out grades right now, few would be on the Dean's List. Many would be failing. "But wait a minute," you say, "how could we be getting an *F*? It can't be all that bad. How are companies surviving if we're all failing?"

We don't fail all of the time—just most of the time. The pain, and even awareness, of the failure is often swallowed up in anticipation of our next success which, according to the numbers, isn't likely. Businesses fail, new products crash and burn, training and performance initiatives get sideswiped, projects are abandoned, and we often chalk up the failure to the status-quo cost of doing business. What drives the failure? Here are some of the lowlights.

What businesspeople do

More than one-third of all business decisions are driven by ego. According to a businessThink **businessthink.biz** survey conducted by Paul Nutt at Ohio State, 81 percent of managers push their decisions through by edict or persuasion, not by the power or relevance of their ideas. Only 7 percent of businesspeople consider long-term priorities or confer with colleagues when making decisions. Eighty-seven percent of people are confident in themselves, but only 27 percent are confident in others with whom they work. We trust *us*; we just don't trust *them*.

What companies get

Fifty-percent of all decisions inside companies fail. Almost 95 percent of all new products fail. Sixty-five percent of strategic acquisitions and mergers have been abysmal failures, resulting in negative shareholder value and market share, according to the Synergy Trap. Sixty-percent of all new businesses fail within the first six years of operation, reports the Small Business Administration. Globally, 82 percent of companies go under by their 10th anniversary, says Dun & Bradstreet.

Compounding the problem, 91 percent of businesspeople say they're as confident as ever in their ability to make the right business decisions, yet the success of their decisions hasn't improved for decades. The scary (and sad) thing about all of the failures is that we're not learning from them, which is probably the biggest failure. Confidence is up, success is down. We need a reality check. The good news is that a lot of the failure is unnecessary. There are habits, if not addictions, we all have in business that get in the way of new thinking that improves results. These habits are the power we wield (or perceived lack thereof), our lack of curiosity in the name of playing it safe, ego, politics, being defensive, crowding out others by our arrogance, speed for the sake of speed, being busy—the list could go on for way too long. Many of those addictions have embedded themselves as standard operating procedures in companies—and in our thinking—for decades and often feel like the only tools we have left to deal with the dysfunction. Not true.

When we did our research for writing and developing our book, *businessThink*, we were in search of *the* driving force behind failures. We didn't find just one, but we did find one certainty: Failure starts with our thinking. We didn't study organizations, we studied people—individual human beings all over the world and their thinking, communication, and collaboration (or lack of) in meetings, team projects, and one-on-one conversations. A set of rules developed that separated the ordinary workers from the extraordinary businesspeople. What keeps people in their old-school paradigms and limited by functional ceilings are three common and dangerous addictions.

Addiction 1: Ego

If you think ego and politics hurt government, you should see what it does to your company. The best ideas often don't win in an organization because people don't leave their egos checked at the door when they walk into a meeting. Even great ideas often get watered down and compromised for the sake of preserving someone's ego, often the boss's. The result is that bad ideas win, or the real issues that desperately need candid discussion don't get put on the table or aren't explored honestly and openly. As people work together, signs arise that great ideas and new insights are being sacrificed at the expense of ego:

- Being defensive. Rather than truly exploring an opposing view, people dig in to prove they're right and the other person is wrong.
- Showcasing brilliance. Instead of staying focused on the real issues, people are more interested in getting their own points of view accepted and funded, often driven by personal insecurity or arrogance and not what's in the best interest of the business.
- Seeking approval. The quietest, smoothest meetings are often the most dangerous. It can be a sign that a storm is brewing and will hit the minute the meeting is over. People often cave in, go with the flow, or kiss up to a bad idea at the expense of the company's growth and profit.

This Strength	Multiplied By Ego	Breeds
Confidence	=	A sense of infallibility
Quickness	=	Hastiness
Sharp wit	=	Abrasiveness
Alertness	=	Narrow focus
Dedication	=	Workaholism
Control	=	Inflexibility
Courage	=	Foolhardiness
Perseverance	=	Resistance to change
Charm	=	Manipulation
Ambition	=	Coercion
Power	=	Autocracy
Flexibility	=	Ambivalence

Source/Adapted and modified from John R. O'Neil's *The Paradox of Success*

Being defensive. Every year since Stephen Covey's *The Seven Habits of Highly Effective People* was published, Franklin Covey, our parent company, has had thousands of people take what's called a 360-degree effectiveness survey. The essence of the survey is that your colleagues rate you on 78 different items of effectiveness. For more than a decade, the two items that appear dead-last (meaning people get rated lowest on these two items) are "receives feedback without getting defensive" and "is open to constructive criticism."

The essence of being defensive is when your idea is challenged and that instead of being open to ways to improve personally or professionally, you hold onto what you think is right regardless of the situation and launch a counter-attack. Think for a moment about the arrogance of that stance: "I have little or no room to improve. If you tell me otherwise, I'll show you your weaknesses so they somehow make mine pale in comparison." The question you may want to ask yourself when feeling defensive is, What am I being defensive about? Is it because you feel that protecting your weaknesses makes you stronger or an alternative viewpoint increases the validity of your own? You may want to consider what drives you to be defensive.

Showcasing brilliance. The second ego warning sign is showcasing your brilliance—if it is, in fact, brilliance. That means your primary goal is to show what you know and how smart you are. Such people might have the attitude that they don't have a problem with the fact that 50 percent of decisions fail, because 50 percent of theirs were right; everyone else screwed up.

Seeking approval. People don't tend to think of seeking approval as a sign of ego, as it's often cleverly disguised. Many people are preoccupied with personal acceptance and having people approve of their ideas, so they don't share their best ideas or thinking. They feel that if their ideas are rejected, they're rejected personally. An idea is simply an idea.

One insidious form of seeking approval comes from people who try to manipulate others by doing whatever's politically necessary to get their ideas adopted, regardless of their merit, and aren't honest or authentic about their intentions. When enough people take that approach, the culture breeds personal competition and distrust rather than openness and collaboration.

Businesspeople often fail because they're unwilling to recognize that though they have strengths and talent, they also have weaknesses. They spend a lot of time protecting or hiding their weaknesses through their egos, so they lose sight of the opportunity to improve or recognize better ideas when they're staring them in the face. Talent, gifts, confidence, aspirations, and ambition can keep us in the holding pattern of ego and deteriorate into weaknesses. The problem can be subtle and hard to detect.

For example, Jack Welch, former CEO of General Electric, could be considered one of the best CEOs of our time. Just because he was a great CEO from humble beginnings doesn't mean it was easy getting there or that he did it perfectly along the way. Welch points out that the biggest mistake he made while at GE was when he was "just full of himself" and let his ego drive a decision to acquire Kidder Peabody, then one of Wall Street's oldest and premier investment banking firms. Counter to the experience and advice of two of his most trusted directors who knew the financial industry better than he did, Welch's ego crept in causing him to think that he could make anything work because his track record had proven it. The acquisition saddled GE with a US$350 million disaster. It was one of Welch's darkest hours, by his own admission.

Some people may dismiss ego as a soft subject that belongs to the business philosophers of the world. We disagree. Nothing could have a harder or bottom-line/top-line financial result on business than ego. So, if you need to make a great decision or land on the right solution, you'd better have your ego in check. But how?

Humility is the antidote to ego and a powerful ally. Humility isn't a weakness. Einstein said, "Nobody knows everything about anything." People need collaboration, which you won't get when people are working harder to overcome ego issues than producing great ideas. Jim Collins, in his bestselling *Good to Great*, describes what it takes for companies and people to move from being good to great and how some make the leap while others don't. One compelling reason he found that companies make that leap to greatness is that the leaders are humble and there's a culture of humility in the company. It's important to remember that becoming humble has to be an authentic pursuit. We can't fake it. People will detect the difference.

Addiction 2: Speed

Business is moving at a faster and faster pace and if you can't keep up, you're out. This fast talk usually leads to bad results. Political pressure or the intensity of a decision often prevents people from facing facts that are crucial to the company. Because of pressure, decisions are rushed and pushed through without much thinking, which typically leads to the first option being taken instead of the best option. Given current failure rates in most companies and a less than stellar economy, maybe speed isn't everything. As we watch people work, most people are obsessed with activity, busywork, and getting stuff done fast. If they feel busy and overwhelmed—and are working fast—they feel productive. We call it "addicted to speed," and many businesspeople need rehab.

The consulting firm of McKinsey and Company studied 80 Internet companies—the biggest dealers of speed and those that would seem to need it most—to find out just how much speed helped those companies succeed. The study found that "speed was an advantage for only 10 percent of them, and only when certain conditions were present. For the rest, moving too quickly presented no discernable advantage and resulted in wasted resources, missed opportunities, and flawed strategies."

Addiction to speed can be a big problem, but speed itself isn't always bad. Maybe the need for speed is real and justified; maybe it's not. Sometimes, you run into the exact opposite: People suffer from analysis paralysis and don't want to rush into anything for fear of making a mistake. Both approaches can be dangerous.

Solutions, projects, or initiatives created in the name of speed can be abandoned nearly as fast. When asked about the speed of decisions, four out of five managers and other professionals we polled say that the number of decisions they have to make is at an all-time high and that they miss opportunities because they don't make decisions fast enough. These are the same managers whose decision-making confidence is in the 90th percentile and whose decisions fail half of the time. Despite the downside of absolute speed, people wish they could decide faster. Our advice is to slow down, think through the issues, and ask whether the need for speed is real and justified. Don't let speed give you a brain freeze no matter how excited or enthusiastic you are about an initiative.

Every decision you make is on trial. If it doesn't go to trial with you first, it will definitely be on trial when you take it to the rest of the organization, when you ask for funding, or when it hits the marketplace. Before then, you need a compelling case with evidence that the problem or opportunity you believe needs a solution actually does need a solution. If you don't have evidence, there's no reason to do anything—period. Without valid data, an accurate and complete assessment of problems or opportunities becomes virtually impossible. You must look for practical illustrations of evidence that tell you if something is bona fide. Slowing down to obtain evidence says, "Oh yeah? Show me. Prove it!" Of course, you should say that with much higher emotional intelligence and the right intent, but that's the essence. If you eventually take action on your decisions, your thinking had better be supported by the evidence that proves that you should take action and what action you should take. No one will care about a fast, irrelevant solution.

Addiction 3: Solutions

Let's talk about the last addiction we discovered in our research and clarify the difference between a real solution and what we call an event. What hurts businesses and departments, often fatally, is to focus on the things they could be doing and not enough on the things they should be doing. There is a scene in the movie *Jurassic Park* in which Jeff Goldblum, who plays mathematician and theorist Dr. Malcolm, is invited by the park's inventor and creator John Hammond to scientifically evaluate Jurassic Park. As Malcolm and other colleagues are having dinner, Hammond explains the great discoveries of science that have never been made before. At that point in the conversation, Malcolm interrupts and says, "I'll tell you the problem with the scientific power that you're using here. It didn't require any discipline to attain it. You stood on the shoulders of geniuses to accomplish something as fast as you could and before you even knew what you had, you patented it and packaged it and slapped it on a lunchbox. Your scientists were so preoccupied with whether or not they could that they didn't stop to think if they should."

When we do our homework and apply good business acumen and new-school thinking, it answers the Jurassic Park question: Of all of the things you could do as a business, what are the vital few you should do? Are you so preoccupied with *coulds* (events that keep everyone busy but are really distractions to the business) that you don't stop to think about the *shoulds* (actions with strategic, relevant progress)?

With unlimited choices and limited resources, *coulds* have killed a lot of businesses. Making the move from all of the *coulds* to the relevant *shoulds* means your decisions will lead to solutions, not distractions, that produce significant return or impact for the time, people, and money invested. That's where the business reality of ROI enters the picture. Business isn't solely a cause with great ideas. Causes and great ideas can be compelling and inspiring, and still go out of business quickly; just ask a few startups. It's not just about a mission. In business, there is no mission without money.

The top and bottom lines

"Profit is like oxygen, food, water, and blood for the body; they are not the point of life. But without them, there is no life," wrote Jim Collins and Jerry Porras in their book, *Built to Last*.

That doesn't mean you should dismiss your mission, ideas, talent, creativity, intellectual freedom, vision, or anything else. It does mean that unless those qualities result in ROI—unless they deliver impact—they're dead. We're not saying that's good or bad. It just is. If ROI is embraced and ideas frequently don't work at your company, then the ideas and decisions need more attention. The missing piece in many decisions is an accurate, complete picture of the *R* (return) part of the ROI equation.

Think about the last key decision you made or solution you saw ignited. How clear was the *R* to you and others? How clear was the return or impact to clients or the market? In far too many cases, the *R* isn't easy to find and many people don't know how to achieve it, or they have hastily and prematurely set their sights on the *I* (investment) part of the equation, often because they don't really believe in the return. The *I* turns into a *C* (cost), and costs without any return are always too high.

When people don't stop to think through the real, underlying issues that need to be addressed by any solution, here are some of the downsides:

- Scarce, limited resources are siphoned from real solutions to distractions.
- Everything becomes a priority, and almost nothing gets enough attention to succeed.
- Chronic problems aren't solved, and the pain of the symptoms becomes embedded in the daily culture that everyone, slowly, just lives with.
- Costs are driven up.
- New, compounded problems arise from the wrong solution.
- Time and attention are diverted to competing *coulds*.
- Activity is mistaken for productivity and progress.
- The crucial underlying business issues remain uncovered.
- You're relegated to being a functional worker and lose invitations and opportunities to have a seat at the strategy table.

If the addiction to fake solutions is so paralyzing, why is it so difficult to break the habit?

Imagine for a moment that you're four years old and someone makes the following deal with you: He or she will give you a big, yummy marshmallow right now, no strings attached. It's all yours. But if you can wait a few minutes and not eat the marshmallow while the person runs a quick errand, you'll get two marshmallows when he or she gets back—a great return-on-investment. It's enough to try the mettle of any preschooler. That very proposal was made in real research conducted by Walter Minshel at Stanford University in the late 1960s. Four- and five-year-old preschoolers were brought into a room with a small table and chair and asked to wait 15 to 20 minutes (an eternity to a child being tempted by a treat) while the researcher "ran an errand." If you had been watching from behind a two-way mirror, here's what you would have seen:

For some of the kids, there was no space between stimulus and response. It was as if there were a string attached from the door to the marshmallow and from the marshmallow to their mouths. The moment the researcher left the room and closed the door, gulp! For other children, you could see the struggle. They wanted to eat the marshmallow now, but they also wanted two. A few pretended the marshmallow wasn't there and wandered around the room. Some sang, others talked to themselves. From across the room, the marshmallow seemed to beckon, *Eaaaaat meeeee!* Some kids just licked it. Others sat in front of the marshmallow with their hands covering their eyes, occasionally peeking between their fingers to see if the marshmallow had moved. The ultimate in resistance was when some kids climbed under the table and fell asleep.

After observing their reactions, researchers followed these children over the next 20 years and found that those who had resisted their impulses and waited for the second marshmallow later in life showed better skills under stress, embraced challenges, and pursued goals rather than giving up in the face of difficulties. They were also more confident, trustworthy, dependable, and willing to take more initiative than those who ate the marshmallow instantly. They also scored an average 200 points higher (out of a possible 1600) on the Scholastic Aptitude Test college entrance exam. Amazing. The researchers concluded that though young children typically can't delay gratification, they can use strategies to shift their focus or attention to something else for a better ROI. Jumping on ideas too quickly or simply being busy is the business version of the marshmallow. Businesspeople are the kids, impulsively waiting to devour the the next project or idea. The real solution, the best idea with the highest ROI, is the whole bag of marshmallows, but they can't resist. They don't think first; they grab what's in front of them and run with it. The thunderous, new-school thinking wake-up call to all of us as businesspeople is, "Don't eat the marshmallow!" The one idea, project, initiative, solution in front of you could be nothing more than a distraction—not a solution. Wait for the real thing. Intellectually, it's not too hard to grasp this concept. Psychologically and emotionally, it's difficult to accept and follow. "There's perhaps no psychological skill more fundamental than resisting impulse," wrote Daniel Goleman in *Emotional Intelligence*.

Being busy and engaged with a lot of activity is tempting. Talking about an event gives us mental adrenaline, so there's a mutual conspiracy among everyone to talk about a solution before we really understand the underlying issues, evidence, and financial impact of what would create the solution we need.

No more events

David House, a former Intel executive who left to become the CEO of Bay Networks, a troubled manufacturer of high-tech equipment that was competing against such giants as Cisco and 3Com, moved his company off the marshmallow. When House took over Bay Networks, rather than doing the typical turnaround stuff like announcing layoffs, liquidating divisions, revisioning, remissioning, retooling, centralizing, and decentralizing, he taught courses. He personally taught courses on what he believed to be fundamental and basic to business: thinking like businesspeople—making the right decisions, disagreeing

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openly, engaging in straight talk, managing for results, focusing on what's important.

House applied his version of business thinking to the company's most serious problems and taught people new ways of working. With well-trained businesspeople, real solutions took over events. The best ideas were funded, events were cancelled, and resources were reallocated to real, priority issues. Bay Networks began to develop a shared "mental operating system" that led to a culture of business-ready, decision-savvy people. Bay Networks recovered from its $285 million loss in fiscal 1997, posting $89 million in profits in the first six months of fiscal 1998. The following June, Nortel agreed to buy Bay Networks in a deal valued at $9 billion.

In telling that story, we don't intend for you to believe that once you start thinking in new ways and work harder to make the right decisions, the sun, moon, and stars will somehow magically align. Nortel is currently tanking, House is no longer at the helm. If you had bought $1000 worth of Nortel stock one year ago, as of this writing it would now be worth $49. If you had bought $1000 worth of Budweiser (the beer, not the stock) one year ago, drank all of the beer, and traded in the cans for the nickel deposit, you would have $79. Stuff happens, conditions change, and your thinking always needs to be responsive in order to evolve with the feedback each decision elicits. Because a solution's physical creation rarely unfolds as it was envisioned in the mental creation, perfectly intended consequences are rare.

To overcome these addictions and earn more respect as a businessperson from the new school, what skills do you need to break your reputation as a functional worker from the old school? Let's ask the people that hire and run the companies that write the checks.

The right stuff; do you have it?

The consulting firm Accenture did a human performance study not too long ago. They interviewed 500 executives worldwide and asked this question: "What skills will you need from people in your organization to compete over the next three to five years?" Sixty-eight percent of those executives said, "Business skills." So, like good consultants, Accenture asked, "What do you mean by business skills?" The executives said, "Making decisions, working cross-functionally, staying focused on customers, and managing projects effectively." In essence, what they need can be summed up in one, simple statement: Get the right things done. Who cares if you get the wrong things done at the speed of light or you can make brilliant decisions but never get them executed? Right but never done is just as bad as dumb and done. Interestingly, the executives said they themselves needed those skills, and they perceived them to be difficult to find and didn't believe they had them in their companies to a significant degree. Look at what showed up at the bottom of the list in answer to what skills would be needed to stay in business: self-motivation (18 percent), leadership (6 percent), and functional expertise (3 percent; pay attention, training and HR people!). It's not that those traits aren't important; it's that executives don't perceive them to be all that difficult to find. As a matter of fact, if you were to stop reading this article right now because you found out you just lost your job, and you went to a résumé building course, it's almost a guarantee that the instructor would help you create a résumé that would show the world you are a "self-motivated leader with functional expertise." That's OK; it's just not valued that much by the executives who will be paying money to find those skills.

The skills that are in high demand, but low in supply, will require of each of us a new kind of business intelligence or quotient for thinking about business. The results you get are driven by the activities you engage in. Your activities, at some point, are driven by your decision to engage in them. Your decisions are driven by your thinking. So, new-school thinking is the nucleus of business DNA that will have to be restructured—at least, it's the first step in the new school of thinking. TD

Steve Smith *and* **Dave Marcum** *are the authors of the bestselling book* businessThink. *You can take a free businessThink profile for you or your organization by visiting www.businessthink.biz.*