

"Know How"

Ram Charan

Notes by Dave Kraft

Ram Charan is a world-renowned advisor to business leaders and corporate boards, a bestselling author, and an award-winning teacher. He is the author, or co-author, of fourteen books

How often have you heard a vision that turned out to be nothing more than rhetoric and hot air? (2) Can you **judge people** by finding their best talents based on facts and observations and match them with a job? Are you **molding a team** by getting highly competent leaders to submerge their egos and coordinate seamlessly? Can you set **laser-sharp priorities** by defining the specific tasks that align resources, actions, and energy to accomplish the goals? (3) lifting you out of your comfort zone of expertise by developing skills that prepare you to do what the situation requires, not just what you've traditionally been good at. (4) Leaders who are disciplined, determined, consistent, and persistent in developing these know-hows tend to be successful on a sustained basis. In that sense, leaders are made. (8)

Like all successful leaders, she is a continuous learner, self-aware and able to reflect on her experiences and observations, thereby distilling what she has learned and converting ideas into action. There are dozens of personal traits that can affect leadership and some, namely integrity and character, that are absolute. But in my years of experience I have observed that the ways leaders develop and deploy the know-hows are especially influenced by a handful of them: ambition, drive and tenacity, self-confidence, psychological openness, realism, and an insatiable appetite for learning. (14) Over-ambitiousness, combined with a lack of integrity, can lead to undesirable behavior and even corruption.

Underlying fears and insecurities can be just as detrimental to your know-hows as can excessive self-confidence in the form of narcissism or arrogance. (15) Leaders who seek out new experiences and learn from them will build their know-hows faster than those who don't. (17) Many leaders love the world of big ideas but can't link them to the specifics of how they will be achieved... (18)

POSITIONING AND REPOSITIONING THE BUSINESS

Knowing how to position and reposition a business is among the most demanding requirements of the twenty-first century leader. (26) To be a successful leader psychologically, you have to be open, receptive, and active in searching for the signs that the business is being shifted or needs to be. You need to be surrounded with people whose conversations with you help you wrestle with these issues in a brutally honest manner. (41) Jobs (Steve) has an unusual ability to imagine things that don't yet exist and win people over to his vision. (42) The cognitive ability to pinpoint the exact source of uncertainty and the magnitude and timing of risk and the psychological comfort to deal with the consequences if the risk comes to pass differentiates successful leaders. (45)

It became clear that while Franklin-Covey was telling people to work on the things that matter most to their employer, most people didn't know what the most important things were. (48)

PINPOINTING AND TAKING ACTION ON EMERGING PATTERNS OF EXTERNAL CHANGE

It is this know-how of pinpointing external change that allows you to make a sound judgment about where the world is going and put your business on the offensive. (53) Only by looking out far over the horizon and taking into account developing trends that may not seem directly relevant now can you really do the kind of analysis necessary to prepare for rapid change and new opportunities. You need an insatiable curiosity and interest in the world, and an intense drive to find out what you don't know. (55) The fruits, however, will belong to the realists, to those who can pick out key variables amid complexity, seeing how they might combine and getting a viewpoint about where the external landscape is going. (56)

The know-how of pinpointing *and* taking action on changes in the external environment is one of the most important skills you must master in your job. (58) One way to become effective in the know-how of seeing emerging patterns is to be an active listener who continually searches for what is new and different. Seidenberg has said that in every conversation he looks for ideas he has never heard before. (60) If you can perceive changes as opportunities, you'll be more likely to see things as they really are. (62) This is the know-how that differentiates a Seidenberg, an Andy Grove, a Jeff Immelt, or a Steve Jobs, all of whom have superb know-how for pinpointing patterns in the external environment. It is part of what differentiates leaders who succeed from those who don't. They have the drive and consistent dedication of time and energy to get exposure to new ideas and new information. (63)

In my observation, people who create organic growth that is profitable and sustainable connect the dots sooner and are on the offensive. (68) Periodically rethinking what is happening to the external landscape is a requirement of the top job at GE, and Immelt, by his own estimate, spends some 20 percent of his time just thinking and reconceptualizing what is happening in the world. (69) Alert to hot-button issues like executive compensation and corporate governance, he has made transparency and accountability part of GE's modus operandi for the future. (70) The challenges, then, are to keep your perceptual and psychological lenses open, to actively search for what you don't know or is not yet clear, to avoid relying too much on the past for indications of what might happen in the future... (71)

MANAGING THE SOCIAL SYSTEM OF YOUR BUSINESS

Your own performance depends on your ability to get other people to commit to and deliver their common goals. (79) Every company—from a big business to the smallest two-person shop—has a social system. You probably don't call it that, but that's the term I use to describe the various ways people come together to do their work. (80) Whenever you see a company that is doing something consistently well—creating one good product after another, delivering on time day after day, or steadily driving down costs—you can be sure that there is an effective social system behind it. (81)

If you're not doing your job of managing the social system, chances are information flow is inadequate, differences don't get surfaced and resolved, decision making slows, and things that should happen either don't or take too long. Execution suffers. (86) Most companies' social systems are a mishmash of operating mechanisms that are poorly designed and disconnected from each other, and behavior in them is left to chance. (87) ...your success will depend on how well you've developed your know-how in managing the social system. (88) Through his questioning he was able to assess whether they had the right people in the room, the team was functioning well, conflicts were being surfaced, and the decisions were reflecting good compromises. (92) People are far more likely to buy into a change when they fully understand the reasons behind it.

Operating mechanisms are a powerful way to win commitment by giving people a fuller picture of the business and its context. But you have to be willing to expose the reasoning behind your decisions and overcome your fear of the response and ensure that people really "get it." (102) As Nardelli selected leaders, he kept a keen eye on their know-how in managing a social system and their tendency to be psychologically open, willing to be influenced by others, and intellectually honest in keeping the group focused on the business purpose. (110)

JUDGING, SELECTING AND DEVELOPING LEADERS

What had earned him the most respect, though, was his ability to know where a person would flourish, what (115) the person needed to develop more of, and how to bring out each individual leader's personal best. (116) There are others who do precisely what Tim did with his younger leaders: go on the offensive and actively search for people with leadership potential and create opportunities that leverage their abilities, test them further, and allow them to grow. Your ability to deliver results depends on how well and how consistently you grow (119) other leaders. But it takes know-how to judge people accurately, imagining what each person's potential could be. But the know-how of selecting leaders and helping them reach their potential means focusing on people first, not jobs.

You have to develop and improve your judgments on people, which means spending time and energy on it daily, weekly, monthly, not just during once-a-year talent reviews or succession-planning sessions. You have to create a view about the person's competence in the know-hows, but also look at him more broadly to see what makes him tick: what he loves to do, how he things, how he behaves around others. It's up to you to spot leadership talent, grow it, and build a pipeline of leaders. (120)

The job of a leader is to see the person as a whole, over time, in a variety of situations, and work backward from what you observe to determine what that person's individual gifts really are. When you find the pattern or common thread in a person, people agree that it's right. Even that individual will agree that yes, that's me. Only then should you decide whom to bet on. (121) Even Jack Welch, legendary for his good instincts about people, had to work at it. In his autobiography, Welch describes some of his hiring mistakes early on, but by the end of his career, he was a master at selecting people, getting the best out of them, and rooting out those individuals who were in the wrong jobs. By his own admission, Welch in his younger days was often seduced by a person's appearance, speaking ability, or academic credentials. But over time, he began to cross-check his judgments by soliciting different viewpoints about key people... (122) You should first nail down the person's natural talents and tendencies, and then look for situations that will allow those things to develop and take off. (123)

The best judgments come when five or six people who know the person well sit together to compare their observations and ask questions of each other, drilling for specifics. (124) Once the group has zeroed in on a person's natural talents, they try to think creatively about where those talents might be applied. (126) But pinpointing individuals' God-given talents and brainstorming about where those talents would flourish opened their eyes to a wider range of possibilities.

Most companies have these kinds of sessions, but you get more out of them by focusing on fewer people in more depth, zeroing in on the positives, and drilling for specifics. (127) Group processes for pooling observations and opinions are tremendously important for getting to know people. (130) Jeff Immelt spends 30 to 40 percent of his time on coaching, training, and managing people at GE... (131) Helping people realize their potential as leaders means clearing a path for them to grow, but it also means identifying what they need to work on in the current job. This is where leadership gets very personal. There's no substitute for ongoing face-to-face dialogue with people about what's going well and what isn't. You can't let fear of their response undermine your know-how in helping leaders grow and improve. (132) The 360 evaluations many companies use can be helpful, but you have to be thoughtful about how you use them. Don't try to cover everything; zero in on one or two things the person has to work on. As you're moving leaders to new jobs, you have to know the person, but you also have to be sure you understand what each job really requires to succeed in it. Contrary to common belief, long lists of criteria don't clarify what's required. (133)

You have to have a laser-sharp view of what is absolutely required for a person to do well in a job, and define the three or four non-negotiable criteria, things you cannot compromise on. To get the organization to perform, you have to get the non-negotiable criteria of leadership jobs exactly right. (134) While you have to be sure that leaders meet the non-negotiable criteria, you can't focus only on the requirements of the job and lose sight of developing people. You have to actively search for and maybe even create jobs to stretch people and be willing to make creative moves that may seem risky but that can have a big payoff. (137) ...the president was also aware of the risk, and from the beginning, he was very explicit about what success would look like. (138) You make better judgments about people, find more creative ways to deploy and develop their talents, and make a greater human impact when you take a sincere personal interest in each leader's development. (139)

Many business problems are the result of letting things slide, ignoring the fact that the job is evolving while the person isn't or vice versa, or that the decision to put the person in the job was wrong in the first place. There are all kinds of psychological reasons for avoiding such situations, whether it's fear of the person's response, or a sense of loyalty, or your need to be liked. (143) Most sizable companies have some kind of talent-planning process, but the specifics of those processes vary greatly. They are often out of tune with current and future business needs, tend to focus too much on absolute personality traits, and aren't geared to unearth the specifics of a person's know-hows and behavior. You should be sure that the criteria for spotting leaders are consistent with how you're positioning the business and that the processes for assessing people have enough rigor in them to get to the truth about a person's performance and potential. GE revised its criteria for leadership to include the following:

- Can create an external focus that defines success in market terms. (148)
- Is a clear thinker who can simplify strategy into specific actions, make decisions, and communicate priorities.
- Has the imagination and courage to take risks on people and ideas.
- Energizes teams through inclusiveness and connection with people.
- Develops expertise in a function or domain, using depth as a source of confidence to drive change. (149)

You have to reflect on your accuracy in crystallizing what a person is good at, what his or her potential is, and what he or she needs to improve. (152)

MOLDING A TEAM OF LEADERS

As the leader, you have to get your direct reports to submerge their egos, aggression, and personal agendas so they're pulling together. (155) You have to help the group create a picture of the total business and correct any divisive behaviors in the presence of the team, so you need the emotional strength to direct and stand up to powerful individuals on whom you depend. (156)

"There was a lot of give-and-take. In the end the final solution was not a democratic one, but when the decision was made, people rallied around it, and we walked out of the room as a team as opposed to walking out of the room as a set of individuals who then second-guess the decision." (160)

I try to get them to talk about their insecurities. I expect those leaders to bring me their 'reds,' not their 'yellows' and 'greens.' I want to hear what you're working on that's a challenge. What's at risk, and what do you need help from me on? It's my job as a leader to power them up. And a lot of times it's just a matter of a conversation. Having all the right people and great processes isn't enough. You also have to have the right behaviors. (164) The hard truth is that if you want to mold a team of leaders you must have the inner courage when an individual's behavior is destroying the team to confront that person head on and say it isn't acceptable and has to change. You can, of course, handle such disputes by simply decreeing a decision. But the value of a team and your ability to lead it is that a decision can be reached that allows everyone to voice an opinion, debate the merits, and the right choice emerges. (166)

Once an issue has been adequately framed in early group discussions, it often is useful to divide the team into groups of two or three, pose a few relevant questions, and have the small groups go off to formulate alternative answers. The social dynamics change radically within such small groups. The fear of being challenged evaporates, informality sets in, and individuals gain confidence. When the small teams return to the group, the architecture of the group discussion has changed. Mental attitudes have been realigned beyond each individual's narrow spectrum, the pros and cons are articulated and discussed honestly, and the group is able to consider second- and third-order consequences of a given action. Often a commitment to finding a solution develops. If a clear alternative does not emerge as the consensus of the group, the leader can always call the shot and ask for commitment. (167)

Paliwal knew he would have to increase the level of candor so that the issues could be resolved head-on. It goes without saying that building a team means having the right people on it. As the foundation, you must have people with obvious qualities such as technical competence, decisiveness, the ability to deliver on commitments, the respect of other members of the team, and the skills to lead subordinates. Perhaps as important are receptiveness to new ideas and the willingness to work horizontally with others, (168) submerging ego and personal agenda to make trade-offs that are best for the entire organization.

"We (Novak) found they leave for two reasons: they don't like their boss and they don't feel appreciated." Teaching managers to be "coaches" rather than "bosses"—asking questions rather than just telling someone what to do—can go a long way toward solving the first problem, and embedded processes that recognize peoples' contributions can help with the second problem, he says. (169) Feedback is most effective when given in written form and given frequently, but you must realize that human beings typically can change only one or two behaviors at a time.

It won't take long for you to observe who in the group are the energy drainers and who are the energy generators. (170) It requires inner security and courage to be able to bring a high-ego individual who is performing well but disrupts the team in line so that the team as a whole benefits.

It's an essential part of team building to remind the team members of the core values they have agreed upon and the behaviors that are to be followed, and to reinforce those values and behaviors when necessary. (171) The single biggest reason for teams not performing effectively is the psychology of the leader. It often lies in a profound discomfort and even fear of giving the candid feedback that helps mold direct reports into a team. Many business leaders have a deep longing for loyalty from their subordinates and will go to great lengths to encourage it, including withholding criticism. (173) ...one of the most powerful advantages of teamwork is the team's ability to identify and bring to the surface conflicts that must be resolved. The leader may simply lack the intellectual horsepower or emotional fortitude to withstand the powerful arguments that talented subordinates can make in the presence of the group. (174)

He demonstrated, for instance, the importance of candor and his own willingness to overcome his ego by not becoming offended when someone had an opinion that differed from his own... (176) Everything we've covered so far—positioning and repositioning, the external landscape, linking the two with moneymaking, changing the social system, improving your personal ability to (179) judge leaders and building a leading team—needs to be translated into results. The first and most critical step in execution is choosing the right goals. This is where the buck starts. Many leaders are conceptual, high-level thinkers, but they fail in choosing the right mix of goals. It matters. Goals align people's energy. How to choose the right goals is a special know-how, which is the subject of the next chapter. (180)

SETTING THE RIGHT GOALS

Once stated clearly and communicated to the organization, goals align people's energy, and when they're linked to rewards, as they usually are, they have a powerful effect on people's behavior. selecting the *right set of goals* is the ultimate juggling act. The goals have to be of the right type and magnitude to be both achievable as well as motivational. (183) ...the best way to judge the quality of any leader's goals is by the quality and rigor of thinking that underlies them. (184) Immelt demonstrated the four key points you need to focus on when setting goals. First, he was looking down the runway to see what opportunities lay ahead for GE. Second, he took into

account the organization's capabilities—now and in the future—to achieve the goals. Third, he understood the relationships among the goals and ensured they could be achieved simultaneously. Finally, he skillfully kept his long-term goals in balance with short-term goals. (188) Goals should reflect the opportunities that lie ahead and what is possible *for your business* as it goes forward; but the goals must be clearly defined with specific time frames at the start. You have to dig deep to be sure the goals are internally consistent. (189)

When you set the goals, you have to understand what actions and behaviors will follow as people try to achieve them. (195) But it may be equally true that the superiors didn't think through the unintended consequences of the decision. Sometimes the view from below is a wake-up call for high-level leaders. (196) The point is not to get people to work harder. Rather, it is to get people to do things differently and thus raise the capability of the organization. (198) Having the right goals is inherently very demanding when customer demand shifts frequently (202) A leader who changes goals because he is indecisive creates confusion and loses credibility. But goals that start out right can end up being wrong simply because the world changes. Adjusting goals because reality has significantly changed is the sign of a leader's know-how. If you have an exceptional know-how you will take a broad look at what is on the horizon two or more years out, then work backward to visualize what you think the organization can achieve in that context, both over that longer term and in the interim. Setting goals is never as objective and analytic as it sounds on paper. In real life, leaders have emotions and their own psychological quirks. (204) Ambition, pride, and in some cases excessive narcissism, often lead to setting a single goal that is bold, ambitious, captures the imagination, and is easy to communicate, but is ultimately bad for the business. (205)

Businesses have become so complex that leaders end up with too many priorities, or are overwhelmed when it comes to picking the right ones. It's choosing a few, and the right ones, and sticking with them that creates excellence in execution. (209)

SETTING LASER-SHARP DOMINANT PRIORITIES

Setting Laser-Sharp Dominant Priorities - Priorities are the pathway for accomplishing goals. They provide the road map that organizes and directs the business toward its goals. The right priorities, combined with appropriate follow-through, keep the truly important things from being driven off the radar screen in the day-to-day hurly-burly of life (213) Without priorities people are apt to try to do everything, wasting precious time and energy on things that aren't important. Goals are set at fifty-thousand feet. Priorities are set at ground level. Once set, you must repeat the priorities over and over again and follow through on them to be sure that people understand them, buy into them, and act on them so the organization executes them and doesn't deviate from the course the priorities set. (214)

When you select priorities you have to choose among four criteria: what is important, what is urgent, what is long-term versus short-term and what is realistic versus visionary. But if you

have the inner conviction that your judgment is right and that you don't have to be liked by everyone you can make the right choices. Some people set too many priorities in the mistaken belief that they must do everything. They dilute the entire effort by giving equal weight to everything and not determining which are the most important factors in reaching a goal. (215) And others, fearful of making a mistake, don't choose at all, preferring to procrastinate and make excuses, such as a lack of sufficient information. There may be hundreds of action steps to take to meet those goals, but the leader has to determine which four or five are absolutely vital to the company's survival and then take them immediately. (216) If you are a leader who likes to be liked, you may not have the psychological courage to set the right priorities or the skills to convince the people in the organization that they are the right priorities. (218) "As much as we would all like to do things the old way, the old way isn't working. We've got to change and we can't do it slowly or incrementally. The world is changing too fast and if we want to be a part of it, we have to change just as fast." (220)

It is people who must bring the priorities to life. Therefore, whenever you set new priorities, you have to ask, Do we have the right people to carry them out? (221) Zetsche imposed order on the chaos by carefully and methodically selecting the right people for the right jobs. Getting the right people—that is, finding and developing people who have the potential to become growth leaders--... (222) ...it takes time and effort to get everyone on the same page so that the priorities can be executed. "A very important part of this process is to be very specific and very clear," she (Ferré Rangel) says. "We learned that you have to repeat things a lot. You have to create communications channels that have consistency to keep the priorities from changing. At first, people understand them differently depending on their mindset. You have to be repetitive and consistent until they all understand exactly what they need to do." (225) "If everybody thinks the same way, then the new ideas and the questioning and the reframing of the questions don't happen." She knew that first and foremost she wanted people who were both independent thinkers and team players. Anyone can state a priority. It is only when resources are applied to it that it really becomes one. (226)