

/// People...The *ULTIMATE* Competitive Advantage!

We have all heard it...the corporate “value” that states so piously “*Our People Are Our Greatest Asset*”. We have also seen (more than we care to admit) the banners and slogans that talk about employee “Empowerment”! But let’s be honest here...how many times do we actually see organizations managing the business to these standards? How often are we forced to witness business decisions and organizational actions that clearly do not support the rhetoric? These values are not wrong by themselves; indeed, they are admirable. The disconnect we experience is in the hypocrisy we witness between what these values represent and what we so clearly see as the true values demonstrated by the actions of the management team.

Can we do anything about the impact that this is having on our organizations and our competitive positions? I believe the answer is emphatically yes! But we have to change the way we think about our people and what they offer. We can no longer just pay lip service to the concepts of empowerment and employee value. It’s time to move beyond the slogans and banners proclaiming our commitment to empowerment and actually engage our people to their fullest potential. My experience is that we think we are empowering our people but in reality (if we were listening) we would find out they feel no more empowered now than before all the hyperbole. Even worse, in some cases, people who actually try to make contributions based on the “stated values” are penalized or actively discouraged by management. Being willing to listen to what our people have to say is perceived by some senior managers and leaders as risky or even threatening. “Old School” thought is that the manager is supposed to be the subject matter expert in his or her area and should be the source of all critical information or direction. After all, isn’t it our job to tell our people what to do and ensure it is done properly?

The Next Big Competitive Advantage

We can no longer just talk about how important our people are to us. *People* are far more valuable than just assets! We need to once again begin using our people and their talents to help create new ideas faster than anyone else. This increase in the velocity of idea creation and the delivery of something of value is where significant advantage can be found. Organizations that can increase the speed with which they accomplish this will always do better than the organizations that are slower, more bureaucratic, or simply reactive to the marketplace. These concepts are not new but the time is now to refocus on the fundamentals and redirect our priorities if we want to establish a truly significant competitive advantage.

Many, if not most, managers and business leaders believe they are already doing this. But the data, and our people, beg to differ. It requires using the brainpower of every individual in the organization from the CEO to the newest member of the team, and most importantly, in a cross functional environment. One can see virtually unlimited opportunity for organizations that can figure this out faster than their competition.



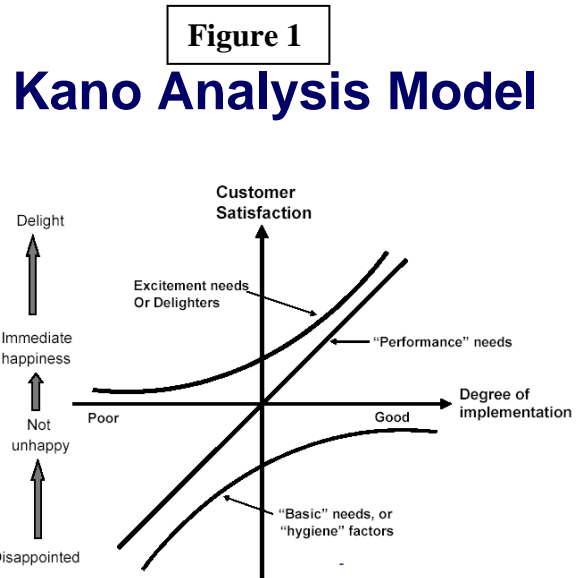
We unfortunately train and condition our employees to “keep their heads down and their mouths shut” by our actions and our decisions. Do you remember when you first joined your current organization? In all likelihood you had several great ideas that you thought would “help”. Do you remember the response you got to your ideas? How long did it take you to learn that there was a gap between what management said they wanted you to do and what their actions proved they *really* wanted (which is too often simple compliance)? The sad truth is that we hire good people and then rapidly turn them into “employees”. In the not-so-distant past, people were more important to us and played a larger role in our organizational success. However, as technology began to accelerate, the focus began to shift from people and services, to technology and “features”. Today our focus is almost entirely on the next big “gadget”, the next great “breakthrough”.

For us to realize why this is critical, we need to understand that the velocity of technological advances and innovations are accelerating at rates undreamed of only a few years ago. Moore’s Law, as established by Gordon Moore, former CEO of Intel, stated that *“the complexity for minimum component costs has increased at a rate of roughly a factor of two per year ...Over the longer term, the rate of increase is a bit more uncertain, although there is no reason to believe it will not remain nearly constant for at least 10 years. That means by 1975, the number of components per integrated circuit for minimum cost will be 65,000. I believe that such a large circuit can be built on a single wafer”*. [Electronics Magazine](#) 19 April 1965.

This is “Geek Speak” for “chip capability and speed will roughly double and cost will decrease by half every 18 months”.

Moore’s Law has proven to be accurate for far longer than the ten years Mr. Moore first postulated back in the 1960s. It is still in place and *accelerating*. Moore was prescient in that this concept has not only been proven in the marketplace involving computer chips but for technology in general. Today it is recognized that Knowledge itself is doubling almost every 18 months and is expected to accelerate even faster. It has become virtually impossible for any one person to keep up with the rate of technological change in the workplace today even within narrowly defined disciplines. College students that begin a four-year course of study today find that when they graduate, the information they learned in their first two years is already out of date and obsolete.

As a result of this incredible rate of innovation and development, technology, by itself, is no longer a sustainable competitive advantage. Companies and organizations that developed a “new breakthrough” or a new product in the past could rely on a two-to-three year advantage over their competitors while the competition “caught up” or developed a counter product or service. Today, the normal competitive product or service cycle has shrunk to months and sometimes weeks. We can no longer rely on technological breakthroughs and developments alone to assure



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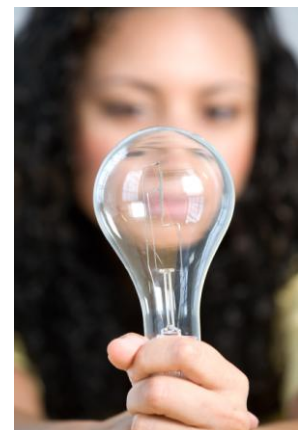
our organizational survival in the realm of ideas. If we apply the KANO Model found in **Figure 1** (a theory of product development and customer satisfaction developed in the 1980's by Professor Noriaki Kano) to technology itself, we see that technology has already shifted from a "Delighter" to the "Performance Needs" mode where "more is better". We now are witnessing it transition from "Performance Needs" to the "Basic Needs" mode where I believe it is simply becoming a hygiene factor. People simply "expect" technology to rapidly improve. I believe this is why our people and their capabilities are so important in today's uncertain environment.

So What Do We Do?

How do we manage to maintain an "edge" in the marketplace? We have to realize that our dependence on "stuff" is no longer enough to keep us out front. The fact is that there are too many people developing too many products and services that are all competing for the same limited dollars and resources. This realization demands that we alter our approach if we are to survive and thrive. We have to have something in addition to simply providing good technology and services. We have to increase our ability to develop our people's ideas and innovative thoughts much faster and reduce the cycle time in bringing goods and services arrive to market. **TLS** (**T**heory of Constraints **L**EAN Six **S**igma) is an ideal approach to accomplish this increase in velocity and improvement in value. Our focus must shift from simply capitalizing on our technology to realizing that it is our people that provide this capability. A case in point is the *iPhone* from Apple. The "new and improved" version was developed and produced by the Apple Team and was marketed to rave reviews and HUGE customer demand. The technology was hot! People were lined up for hours outside the stores the night before it went on sale. It suffered a huge black eye because of poor execution and poor people service. Getting the new *iPhone* "initialized" and activated was a nightmare for many reasons we won't go into here. What is germane is that a tremendous opportunity was lost due to the inability to engage the people part of the equation to good effect.

The most worthless thing in the world is a great idea! Almost everyone has at least one great idea each day. In fact, they are a dime a dozen in the marketplace. However, the rarest commodity to be found is a great idea that is driven through to effective implementation. It doesn't impress to have an idea. It should only impress to do the hard work of bringing that idea to life and making it work in the toughest laboratory in the world...the world of commerce!

We need to develop a cultural acceptance for more team-based brainstorming and idea development sessions in our day-to-day operations. The typical approach of having the engineer and the manager put together some thoughts in a conference room is hardly effective but is most often the first approach to problem solving and idea generation. The reason organizations like the Skunk Works, Dream Works, and other similar organizations have the reputation they have for innovation and thought leadership is their willingness to use all of their people and to allow them to congregate in small teams to brainstorm and "cook". Rapid Prototyping and Rapid Experimentation techniques are not new but they are badly underutilized in the workplace today. Far too often, short-term schedule and labor cost concerns drive us to overlook or ignore opportunities that can ensure our long-term success. Multiple studies have proven that a team of any six people has a collective IQ higher than the highest single person IQ ever recorded. This has dramatic implications for those of us who are serious about tapping the potential of our people.



To successfully accomplish what we are discussing will require a major cultural change in most organizations and will require strong leadership and a willingness to invest in our people at the expense of the short-term focus on the budget. It will also require management to embrace multi-disciplinary and cross-functional teams in ways that may be uncomfortable. We have to move beyond managers seeing this as a threat to their positions and security and begin encouraging and rewarding their ability to contribute to the larger organizational goal.

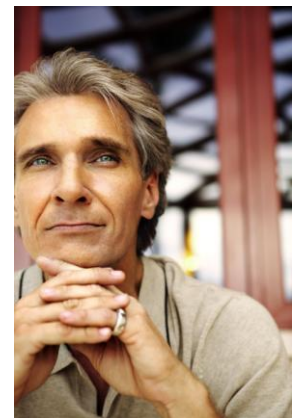
Nothing I'm suggesting here is actually new or even "rocket science". What is new is that the time for us to begin is now. Seldom have we had the opportunity that we have today to change the way we do business. If we hesitate or falter, significant changes are going to be forced upon us by others. What I find incredible is that so many can see how to manage our peoples' labor and yet fail to realize we are also paying for their minds as well! Using the mental creativity of our workers has virtually unlimited potential and is a resource we are already paying for so the investment capital required to take advantage of this is negligible. Technology and all that it affords will be there to support these ideas and concepts.

One major change that will be required to take full advantage of this opportunity will be how we deal with failure and less than stellar results. In the past, failure was often punished and those responsible were ostracized. If the failure is a result of negligence or "intellectual laziness", that may still be appropriate. However, what we are talking about changing is the way we encourage our people to try new things, to experiment, and challenge them to explore the "art of the possible". Most importantly, they should learn from every experiment. We have to create a culture that demands creativity! At Toyota, every employee is required to come up with several new ideas on a regular basis to make his or her work flow better or increase the value to the customer. Is this true of your business? Do you have a suggestion box? How often does it overflow? How often do you or your employees come up with a great idea that goes nowhere? We need to begin challenging these aspects of our people management skills to create an environment where ideas and learning are both expected and encouraged.

Attitude Versus Potential

All businesses today are facing two enormous pressures: Economic Uncertainty and "Boomer" Brain Drain. The good news is that even in times of economic prosperity businesses face large challenges that are virtually identical to the ones we face now. Such as: how and where to invest limited amounts of capital and resources, what to market and where, how to increase margins and decrease risk. Today the risks are higher but so are the opportunities!

The second factor is just as pressing. Our most experienced people are beginning to leave in droves due to the aging of the Baby Boomers. The only silver lining is that in the face of current uncertainty, some people are delaying their much anticipated retirement. But the fact remains: how do we develop new talent and new expertise to replace what we are losing through attrition? I believe the answer to be the same as we have been discussing. Creating the organizational capability to rapidly develop new ideas and bring them to the marketplace will always be a significant competitive advantage and it is entirely dependent upon our people! The team-based approach is also viable here to facilitate the transfer of knowledge and skill from our most experienced people to our newer members. Allowing our most experienced people to work closely with several "Tiger Teams" that utilize brainstorming techniques and problem solving tools will ensure the new generation learns how the more experienced person thinks as opposed to just learning their processes by rote.



Conclusion

While this may be nothing new to most of us, I believe it is a critical aspect of our business where we need to refocus, redevelop. And re-implement business fundamentals. Simple solutions well executed are often the most effective in practice. We need to unleash the creativity each of us brings to the team and allow that potential to create advantages and increased value in the marketplace of ideas. It will mean something different to each organization and will be as varied as it is powerful. Yet, those who are successful in understanding and implementing this simple technique will most certainly survive and thrive to become the business legends we will be discussing and studying years from now!

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