

The Moral Bedrock of Management

Tom Peters
10 August 2014

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The Moral Bedrock of Management: Maximizing Human Capital Development

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**Note: There are two title pages. I couldn't decide which one to go with—so I decided to use both. Take your pick!
(FYI: I do not like the term “human capital” However, it appeals to those who define pretty much everything in terms of
financial outcomes—and, above all, the “people stuff” offers the maximum mid- to long-term financial returns.)**

to
Warren Bennis
(obviously)

Reader's Guide

Yes, it does. *“Hey, this looks a lot like a PowerPoint presentation,”* you say. *“Yes it does,”* I reply shamelessly.

PowerPoint is my medium. Pretty much everything I do resembles PowerPoint—I think and dream in PowerPoint. So consider this doc as a Word translation from PowerPoint. Why? Because it's, as I said ... **WHAT I DO.**

Furthermore, my company logo, two years in the making, is a



bright red exclamation mark ● (That's it. No words, no

music, just that RED exclam.) I once wrote *“Technicolor times call for Technicolor solutions.”* And I stand by that. So there you have it ... a PowerPoint file translated into a Word file



studded with ●●●●● Please do enjoy. These are indeed ...

**TECH-NI-COL-OR
TIMES.**

TP/TIB #1*: *Your principal moral obligation as a manager/leader is to develop the skillset (“soft” and “hard”) of every one of the people in your charge (temporary as well as semi-permanent) to the maximum extent of your/your organization’s resources. The good news: This is also the #1 mid- to long-term ... profit maximization strategy!*

* Note #1: TIB/This I Believe (formulation from pioneering architect Bill Caudill)

Note #2: It took me 35 years of frustration and struggle and disappointment to reach this level of “radicalization” on “the people thing.”

Note #3: Manager of a 4-person temporary project team (life expectancy three weeks) or chief of a 27,842-person behemoth.

Leaders and Societal Responsibilities

The discussion here is “simply” about the ... *moral responsibility* ... of leaders: **It is of the most profound importance to society.**

The ... *moral responsibility* ... of every leader is staggering—an opportunity to be of service to (literally) civilization.

Or not.

All leaders/all the time: By (voluntarily) **accepting the mantle** (of leadership of any sort), **one automatically embraces an enormous opportunity and likewise takes on an enormous** (moral) **responsibility** (for helping others achieve their potential).

In *Good Business*, Mihaly Csikszentmihalyi argues persuasively that business has become the center of society. As such, an obligation to community is front & center. Business as societal bedrock, per Csikszentmihalyi, has the RESPONSIBILITY to increase the ...

**“SUM OF
HUMAN
WELL-
BEING.”**

Business is **NOT** “part of the
community.” In terms of how adults collectively spend their

waking hours: **Business IS the community.** And
should act accordingly. The (REALLY) good news: Community
mindedness is a great way (the BEST way?) to have a spirited/
committed/customer-centric work force—and, ultimately, increase
(maximize?) growth and profitability.

(Csikszentmihalyi ups the stakes for you and me. “Increase the sum total of human well-being.” Yikes. But hold on. That’s precisely what we expect of and demand from our 7-year-old daughter Mary Anne’s 24-year-old second-grade teacher, is it not?)

Think about it. Use the precise language. “Increase the sum total of human well-being.” That 24-year-old teacher, Jeanette Johnson, a recent grad of the University of Minnesota’s ed school, might not use such grand language. But that is her charge and challenge. And it is: NOT OPTIONAL.

So if young Ms. Johnson is charged in no uncertain terms with “increasing the sum total of human well-being,” day in and day out, why not the Head of Housekeeping at the local Hampton Inn? Why not the shift boss at the Amazon distribution center? WHY NOT THE CEO OF GENERAL MOTORS OR GENERAL ELECTRIC? Day in and day out. “Increase the sum total of human well-being.”

Back to those Hampton Inn housekeepers. To increase the sum total of human well-being, each one of them must not only do their job, but also learn something new or improve a current skill. Right? Again, I ask you to think about it in the precise terms used here. And to think about the way your job as manager-leader can engender that learning and growth ... DAY IN AND DAY OUT.

The idea of this essay is to challenge you and me to think in terms like Mihaly Csikszentmihalyi’s. To re-think, maybe even radically re-think, our activities if necessary. To me, this is, I’ve concluded after years of pondering, the only possible story line.

Try putting yourself in Ms. Johnson’s shoes. And may I say it: If she can do it—must do it to earn her bread and butter—well, so can you. (I know you can.)

PAUSE:

This stuff.

Not “Nice.”

“Necessary.”

“A bureaucrat is an expensive microchip.”

—Dan Sullivan, *consultant and executive coach*

“Meet Your Next Surgeon: Dr. Robot”

—*Fortune/15 JAN 2013/on Intuitive Surgical’s da Vinci/multiple bypass heart-surgery robot*

“Human level capability has not turned out to be a special stopping point from an engineering perspective. ...”

—Illah Reza Nourbakhsh, *Robot Futures*

“Algorithms have already written symphonies as moving as those composed by Beethoven, picked through legalese with the deftness of a senior law partner, diagnosed patients with more accuracy than a doctor, written news articles with the smooth hand of a seasoned reporter, and driven vehicles on urban highways with far better control than a human driver.” —Christopher Steiner, *Automate This: How Algorithms Came to Rule the World*

Shades of Ned Ludd: ***“When Emmy [algorithm] produced orchestral pieces so impressive that some music scholars failed to identify them as the work of a machine, [Prof. David] Cope instantly created legions of enemies. ... At an academic conference in Germany, one of his peers walked up to him and whacked him on the nose. ...”***
—Christopher Steiner, *Automate This: How Algorithms Came to Rule the World*

“The root of our problem is not that we’re in a Great Recession or a Great Stagnation, but rather that we are in the early throes of a

Great

Restructuring.

Our technologies are racing ahead, but our skills and organizations are lagging behind.”

—Erik Brynjolfsson and Andrew McAfee, *Race Against The Machine*

“For most of the nineteenth and twentieth centuries, employment usually rebounded after each recession, but since the 1990s employment didn’t recover briskly after recessions. It’s not coincidence that as the computerization of the economy advanced, post-recession hiring patterns changed.”

—Erik Brynjolfsson and Andrew McAfee, *The Second Machine Age*

*“The median
worker is
losing the
race against
the machine.”*

—Erik Brynjolfsson and Andrew McAfee, *Race Against The Machine*

(“The greatest shortcoming of the human race is our inability to understand the exponential function.”—Albert A. Bartlett/
from Erik Brynjolfsson and Andrew McAfee, *The Second Machine Age*

I believe that the message of this essay is timeless. The obligation to develop people—and the profitability associated therewith—are facts that go back as far as you wish to look.

But the ante has been raised in the last couple of decades. And the Great Workplace Survival Game has just started. We are indeed, I feel certain, in the midst of a “great restructuring.” Robots and artificial intelligence have been eating into the employment of factory line workers and back room clerical staffers for almost half a century. But a threshold has now been passed. Robots and artificial intelligence are taking dead aim at tasks performed by the \$75,000-\$100,000 jobs—the sophisticated service jobs that are the backbone of the service economy and the bedrock of the middle class and upper-middle class. That fact—and it is a fact, I firmly believe—makes the moral requirement for focusing on the rapid growth of workers’ skillsets all the more urgent.

END OF PAUSE

1/4,096

“Business has to give people enriching, rewarding lives ... or it’s simply not worth doing.” —Richard Branson*

*Face it, I decided, PowerPoint is my medium of choice. Hence, I spent three years constructing a 23-part, 4,096-slide “Mother of All Presentations”/MOAP. Annotated with 100,000+ words, it is more or less “everything I know.” (It’s published and available for free download at excellencenow.com.) By definition, one of those 4,096

slides had to be ... FIRST: **#1 of 4,096**. The quote above is it. In this essay, I convert Branson’s assertion into nothing less than a ... Universal Moral Leadership Imperative.

(Your call! I have carefully culled these quotes from among the thousands available to me—moreover, the material expands by the week, or even day. Let’s suppose you buy into the general drift of this essay. If so, what do you do with, say, the Branson quote—or Csikszentmihalyi’s? The most likely result is a nod of the head, perhaps even an “Amen.”

But then what?

Here’s my hope: Not that you will “buy my act,” lovely as that would be, but that you will use the quote—or, preferably, the entire essay—as the basis for a series of discussions with your management team. Or your business partner in a 7-person enterprise. Or a gathering of the Deacons of First Presbyterian of Whatever Falls, Montana or Vermont. What’s the practical meaning and what are the implications of this idea of balls-out-people-development as the First Moral Responsibility of our enterprise. (Yes, my language above is crude—for which I apologize. But I am unabashedly trying to capture your attention and sound a 6-alarm fire gong.)

Yes, I’d love for you to launch a series of discussions that result in Concrete First Steps to Operationalize these ideas. And they can indeed be operationalized—as the likes of Mr. Branson illustrate.

(Another example covered later: Phil Sheridan runs a successful software company, and just wrote a book, *Joy, Inc.: How We Built a Workplace People Love*. He argues, “As ridiculous as it sounds—joy is the core belief of our workplace.” Too much? Fine ... but what about considering it before you dismiss it?)

To me, “all this”—moral commitment to developing people beyond their wildest dreams—is (professional) life or death, what your professional life will add up to. And, as I repeatedly suggest, also the best way to spur enterprise growth and profitability.

(I would be flattered if you’d go beyond “great quote,” and instead ponder putting these ideas to work.)

“The role of the Director is to create a space where the actors and actresses can become more than they’ve ever been before, more than they’ve dreamed of being.”

—Robert Altman, Oscar (lifetime achievement) acceptance speech; the role of the director—and in fact of any manager-leader in any organization of any size.

Do This NOW*: **How would you rate yourself as a manager-leader over the last 90 days in terms of having helped each & every one of your team members “*become more than they’ve dreamed of being*” ?**

***Damn it.**

“Groups become great only when everyone in them, leaders and members alike, is free to do his or her absolute best. ... The best thing a leader can do for a Great Group is to allow its members to discover their greatness.”

—Warren Bennis and Patricia Ward Biederman, *Organizing Genius*

“To be an effective leader, you have to first have a desire and abiding commitment to helping people.”

—Harry Rhoads, Co-founder and CEO, Washington Speakers Bureau. I’ve worked with Harry for 30 years. He means it!

***“We are a
‘Life Success’
Company.”***

—Dave Liniger, founder, RE/MAX, on the goal he puts ahead of the objective of creating happy home buyers; he figures that the best way to achieve the latter is by achieving the former. More, from Phil Harkins & Keith Hollihan, *Everybody Wins*, the story of RE/MAX: ***“The organization would ultimately win not because it gave agents more money, but because it gave them a chance for better lives.”***

“No matter what the situation, [the great manager’s] first response is always to think about the individual concerned and how things can be arranged to help that individual experience success.”

—Marcus Buckingham, *The One Thing You Need to Know* (FYI: You would be hard pressed to find a more thorough researcher than Marcus Buckingham—his work was long associated with the Gallup organization.)

“The greatest satisfaction for management has come not from the financial growth of Camellia itself, but rather from having participated in the vast improvement in the living and working conditions of its employees, resulting from the investment of many tens of millions of pounds into the tea gardens’ infrastructure of roads, factories, hospitals, employees’ housing and amenities. ... Within the Camellia Group there is a strong aesthetic dimension, an intention that it should comprise companies and assets of the highest quality, operating from inspiring offices and manufacturing in state of the art facilities. ...

Above all, there is a deep concern for the welfare of each employee. This arises not only from a sense of humanity, but also from the conviction that the loyalty of a secure and enthusiastic employee will in the long term prove to be an invaluable company asset.”

—*Camellia: A Very Different Company* (Camellia—the Latin word for tea—is based in London. While the firm includes manufacturing companies, distribution activities and a financial services arm among other assets, it sprung from the tea business—and is today the world’s second largest private tea producer. The company has revenues of approximately \$600M and after-tax earnings of approximately \$100M; that is, the tea business can be an extraordinarily profitable commercial venture. In the book titled above, Camellia’s leadership attributes that effectiveness directly to an obsession with employee and community development and a context in which, to say the least, such an obsession is far from the norm.

Oath of Office: Managers/Servant Leaders*

Our goal is to serve our customers brilliantly and profitably over the long haul.

Serving our customers brilliantly and profitably over the long haul is a product of brilliantly serving, over the long haul, the people who serve the customer.

Hence, our job as leaders—the alpha and the omega and everything in between—is abetting the sustained growth and success and engagement and enthusiasm and commitment to Excellence of those, one at a time, who directly or indirectly serve the ultimate customer.

We—leaders of every stripe—are in the “Human Growth and Development and Success and Aspiration to Excellence business.” “We” (leaders) only grow when “they” (each and every one of our colleagues) are growing.

“We” (leaders) only succeed when “they” (each and every one of our colleagues) are succeeding.

“We” (leaders) only energetically march toward Excellence when “they” (each and every one of our colleagues) are energetically marching toward Excellence.

Period.

*In 2007, I was invited by the Australian Institute of Management to keynote the first conference celebrating Peter Drucker’s life’s work. I felt an enormous sense of responsibility. Plowing through Peter’s early work, I was struck by his emphasis on the moral dimensions of management. I tried to reflect that in my remarks—including this hypothetical “Universal Oath of Office.”

Excellent organizations: **“CATHEDRALS”**
IN WHICH THE FULL
AND AWESOME POWER
OF THE IMAGINATION
AND SPIRIT AND
NATIVE
ENTREPRENEURIAL
FLAIR OF DIVERSE
INDIVIDUALS IS
UNLEASHED IN
PASSIONATE PURSUIT
OF ... EXCELLENCE. * **

***This also came from the Drucker speech just cited. If the language sounds extreme, it is because I think this idea trumps all other’s on the manger-leader’s agenda. (Cathedral is in “ ”; I mean this obviously not in a direct religious sense—though I think in fact that this moral imperative does have humanistic aims not unrelated to the underpinnings of religious dogma.)**

****Also see [Appendix ONE: “Reframing Capitalism”: A 15-Point Human Capital Development Manifesto/HCDM at the Enterprise and National Government Level](#)**

**A Celebration of the Life's Work of Peter Drucker
Australian Institute of Management/17 September 2007***

**Organizations exist to serve. Period.
Leaders live to serve. Period.**

Passionate servant leaders, determined to create a legacy of earthshaking transformation in their domain (a 600SF retail space, a 4-person training department, an urban school, a rural school, a city, a nation), create/ must *necessarily* create organizations which are no less than cathedrals in which the full and awesome power of the Imagination and Spirit and native Entrepreneurial flair (We are *all* entrepreneurs—Muhammad Yunus) of diverse individuals (100% creative Talent—from checkout to lab, from Apple to Wegmans to Jane's one-person accountancy in Invercargill NZ) is unleashed in passionate pursuit of jointly perceived soaring purpose (= win a Nobel peace prize like Yunus, or at least do something worthy of bragging about 25 years from now to your grandkids) and personal/community/client service Excellence.

Such Talent unbound pursue Quests (rapidly and relentlessly experimenting and failing and trying again) which surprise and surpass and redefine the expectations of the individual and the servant leader alike. The collective “products” of these Quests offer the best chance of achieving rapid organizational and individual adaptation to fast-transforming environments, and provide the nutrition for continuing (and sometimes dramatic) re-imaginings which re-draw the boundaries of industries and communities and human achievement.

In turn, such organizations, bent upon excellence and re-imaginings based on maximizing human creativity and achievement, will, more or less *automatically*, create cadres of imaginative and inspiring and determined servant leaders who take the organization to another level—or, equally or *more* important, leave to spread the virus of Freedom-Creativity-Excellence-Transforming Purpose by pathfinding new highways and alleyways which, through the potent process of “creative destruction” vitalize and revitalize Entrepreneurial Capitalism, which in turn is arguably the best hope for maximizing collective human Freedom, Happiness, Prosperity, and Wellbeing.

*From my Drucker/Australian Institute of Management Address.



Enterprise (at its best)*: *“An emotional, vital, innovative, joyful, creative, entrepreneurial endeavor that elicits maximum concerted human potential in the wholehearted pursuit of EXCELLENCE in service of others—e.g., employees, customers, suppliers, communities, owners, temporary partners.”*

*This optimistic-idealistic statement of enterprise-at-its-best is extracted from a presentation I gave in ... Novosibirsk, Siberia. (See the photo above.) Is this the likely state of affairs—in Siberia or, for that matter, on your chunk of turf? Probably not. But, wherever it may be there or in your place, I must ask relative to that statement ...

WHY NOT?

(Consider: If the above is “too much” for you, I’d urge you to imagine the opposite of each of the descriptor words. Will you accept a joy-LESS, UN-emotional, NON-vital, excellence-FREE, etc., State of the Enterprise? I’d hope not.)

Imagine looking back **2 years** from now on the prior

5 years: **What will you be
able to say (in
exacting detail!!)
about your ...**

PEOPLE

DEVELOPMENT

SCORECARD?*

*Trust me. I beg of you. It is the “people development stuff” you will remember most—and assess yourself on most—when you look back, at, like me, age 71, on your career as a leader. E.g., “*I gave Ellen Smith the boost at the right that launched her magnificent career.*” One hopes to have a rather lengthy list of “Ellen Smiths.”

Training = Investment #1

In the Army, 3-star generals worry about training. In most businesses, the top training post is a “ho-hum” mid-level staff slot.

Is your CTO/Chief Training Officer your top paid “C-level” job (other than CEO/COO)?

If not, why not?

Are your top trainers paid as much as your top marketers?

If not, why not?

Are your training courses so good they make you giggle?

If not, why not?

Randomly stop any employee in the hall (right now): Can she/he describe her/his development plan for the next 12 months?

If not, why not?

Training.

**Investment
Priority #1.**

Damn it.

**(If Not, Why
Not?)**

Sunday/NFL game day (as this was written): “Players are our most important asset.” “No shit, Sherlock.” Football is a competitive BUSINESS.

If “people first” is obvious for them, why not you?

Study/inhale Matthew Kelly’s book *The Dream Manager*. It’s about a fictional sanitary services company. But it’s not fictional. I met the company’s CEO.

If them, why not you?

Check out a Marine E-6 (senior sergeant): Ask him/her about training and development objectives, and the intensity of the approach thereto.

If him, why not you?

Want to understand training in a super high-tech business? Talk to the commanding officer (effectively CTO) of a “boomer”/U.S. Navy nuclear sub patrolling the sea with nuclear-armed missiles on board.

If them, why not you?

*Is your **CTO/Chief Training Officer** your top paid “C-level” job (other than CEO/COO)?*

Are your top trainers paid/cherished as much as your top marketers/engineers?

Gamblin' Man

Bet #1: >> 5 of 10 CEOs see training as expense rather than investment.

Bet #2: >> 5 of 10 CEOs see training as defense rather than offense.

Bet #3: >>> 5 of 10 CEOs see training as “necessary evil” rather than “strategic opportunity.”

**Bet #4: >> 8 of 10
CEOs, in 45-min
“tour d’horizon” of
their biz, would
NOT mention
training. * ****

***If you had *any* idea at all how much this pisses me off ...**

****I have used this as a slide dozens of time; few if any audience members—in country after country—will take me up on the bet.**

(It often seems to me that the attitude toward training is, “another damn cost item,” or “How bloody much do we have to do?” On the receiving end, given the half-assed attention to the product [the training itself], the attitude is, “How much of this shit do we have to go through?” Instead I imagine—and I think everyone should

*imagine—training as ... **THE COOLEST THING EVER.***

The matchless opportunity to help people grow—and to help our organization achieve Excellence, which in turn can be translated into Ecstatic Customers—and, then, Ecstatic Shareholders. This whole topic, as ordinarily approached ...

DISTRESSES ME OFF SOOOOOO MUCH I QUAKE & SHAKE.)

What is the best reason to go bananas over training?

GREED. (It pays off.)

Training should be an official part of the

R&D budget and a capital expense.

The Mauritius Doctrine

On 16 April 2014, I spoke to 1,300 SME chiefs in Mauritius at a conference organized by The National Productivity and Competitiveness Council, and that included the Vice Prime Minister. I upped the stridency of my tone relative *not* to government actions—but relative to business’ *obligation* to develop its work force. Moreover, I asserted this was as true for a 6-person business as for a 6,000-person outfit. Yes ... wee companies can (and ought) become “training/development maniacs.”

Honing my new/uncompromising message: Especially in uncertain times which are sapping global employment security, it is the ... foremost moral responsibility ... of businesses to abet the radical development of their employees.

National productivity improvement is less about a few giants than about incremental efforts by the great mass of small businesses.

My training (& development) message in general is radical. ***But the truly radical notion is that “training & development maniacs” applies to the FIVE-person enterprise as much as it does to the giant.***

Training #1: Bottom Line

NOBODY gets off the hook! *“Training & Development Maniac”* applies as much to the leader of the 4-person business as to the chief of the 44,444-person business.

Where the (Moral/Leadership) Rubber Meets the Road

If the regimental commander lost most of his 2nd lieutenants and 1st lieutenants and captains and majors, it would be a tragedy. *If he lost his sergeants it would be a catastrophe.* The Army and the Navy are fully aware that success on the battlefield is dependent to an overwhelming degree on its Sergeants and Chief Petty Officers. Does industry have the same awareness?

Re the argument here: While the men and women “at the top” are responsible for setting the moral tone/corporate culture, the vast majority of employees work for a first-line supervisor. Hence the transmission of—and the “walking of the talk” that matters—is set by the full cadre of 1st-line chiefs. Companies tend to take these jobs “seriously.” But such seriousness almost invariably falls miles and miles—and more miles—short of using this set of individuals as the singularly important transmitters of the corporate culture.

Hence the “moral duty” discussed in this piece is executed—first and foremost—by 1st-line chiefs.

Act accordingly!* (*I have argued elsewhere that the full cadre of 1st-line chiefs is no less than ... Enterprise Asset #1.)

*Is there ONE
“secret” to
productivity and
becoming a
“company worth
working for”?*

*YES! The Quality
of your Full Cadre of
... 1st-line Leaders.*

Great Recession Indictment: The Moral (Managerial) Deficit Writ Large

*“Managers have lost dignity over the past decade in the face of wide spread institutional breakdown of trust and self-policing in business. **To regain society’s trust, we believe that business leaders must embrace a way of looking at their role that goes beyond their responsibility to the shareholders to include a civic and personal commitment to their duty as institutional custodians. In other words, it is time that management became a profession.**”*

—Rakesh Khurana & Nitin Nohria, “It’s Time to Make Management a True Profession,” *Harvard Business Review*/10.08 (FYI: Nitin Nohria is now the dean of Harvard Business School. One wishes him well in taking on this issue.)

Too Much “Success,” Not Enough Character

- “Too Much Cost,
Not Enough Value”*
- “Too Much Speculation,
Not Enough Investment”*
- “Too Much Complexity,
Not Enough Simplicity”*
- “Too Much Counting,
Not Enough Trust”*
- “Too Much Business Conduct,
Not Enough Professional Conduct”*
- “Too Much Salesmanship,
Not Enough Stewardship”*
- “Too Much Focus on Things,
Not Enough Focus on Commitment”*
- “Too Many Twenty-first Century Values,
Not Enough Eighteenth-Century Values”*
- “Too Much ‘Success,’
Not Enough Character”*

Source: Chapter titles, John Bogle, *Enough. The Measures of Money, Business, and Life* (Bogle is founder of the financial services giant, Vanguard Group.)
(NB: I had the honor of writing the foreword to the paperback edition of this magisterial book.)

Maximize Shareholder Value? Sez Who?

“The notion that corporate law requires directors, executives, and employees to maximize shareholder wealth simply isn’t true. There is no solid legal support for the claim that directors and executives in U.S. public corporations have an enforceable legal duty to maximize shareholder wealth. The idea is fable.”—Lynn Stout, *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public*

“[A corporation] can be formed to conduct or promote any lawful business or purpose.”—from Delaware corporate code (no mandate for shareholder primacy), per Lynn Stout, *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public**

****Cornell law professor Lynn Stout’s brilliant and well received book is a breath of fresh air—and a pillar of support for the overarching theme of this essay. Shareholders may indeed demand maximized value, but the demand per se has no legal standing. The Board that can induce shareholders to take a different view is operating fully within its legal rights.***

*“Courts uniformly refuse to actually impose sanctions on directors or executives for failing to pursue one purpose over another. **In particular, courts refuse to hold directors of public corporations legally accountable for failing to maximize shareholder wealth.**”*

—Lynn Stout, *The Shareholder Value Myth*

“From a legal perspective, shareholders do not, and cannot, own corporations. Corporations are independent legal entities that own themselves, just as human beings own themselves. ... Shareholders own shares of stock. A share of stock is simply a contract between the shareholder and the corporation, a contract that gives the shareholder very limited rights under limited circumstances. In this sense, stockholders are no different from bondholders, suppliers, and employees. All have contractual relationships with the corporate entity. None ‘owns’ the company itself.”—Lynn Stout, *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public*

*“On the face of it,
shareholder value is the
dumbest idea in the world.
Shareholder value is a result,
not a strategy. ... Your main
concerns are your employees,
your customers, and your
products.”*

—Jack Welch (Yes ... **THAT Jack Welch** ...
long-time primo vociferous promoter of shareholder primacy/*FT*, 0313.09/p. 1.)

SERVICE ... is the most beautiful of words:

*Organizations
exist to serve.
PERIOD.*

*Leaders live to
serve.
PERIOD. **

*Leaders first serve the members of the organization—the principal argument of this essay. That service in turn maximizes the enterprise's contribution to society and stakeholders of all flavors.

Hard is soft!

Soft is hard!

NOTE ONE: People. Customers. Values. Corporate “culture.” Some—most?—call such “variables” “soft.” Instead they say with a near sneer: “*Show me the numbers and the plans!*”

Surely there is room (and need!) for the numbers and a plan. But *they* are the real “soft stuff”—malleable and manipulable. (As we saw time and again during the Great Recession.)

The truly “hard stuff” cannot be faked or exaggerated: The relationships with our customers and our own people and our communities. The spirit and grit of the enterprise. Integrity. A willingness to laugh at good tries that go awry—the heart of innovation success. And so on.

“Hard” is soft. “Soft” is hard.

*In Search of EXCELLENCE ... in just **SIX** words!*

(And, in my opinion, the epitome of “first things first”—more or less then, now, and tomorrow.)

NOTE TWO: Rich Karlgaard is publisher of *Forbes* magazine—and a Silicon Valley stalwart. He recently addressed this issue in “The Valley” in a brilliant book, *The Soft Edge*. I wrote the Foreword to that book—and have included it here as **APPENDIX TWO**.

TJP on twitter, tweetstream on “metrics”:

“Best
‘metric’? *‘It
is the morally
right thing to
do.’”*

You/Me: THE WORK MATTERS

The Moral Bedrock of Business, Individual Version Good Behavior More Important than Ever in ... “Brand You World”

In 1999 I wrote a three-book package we called “The Work Matters” series. Namely: *The Wow Project 50, The Brand You 50, The Professional Service Firm 50*. The idea was that the age of white collar security was ending—as we have seen with a vengeance in the last few years and which, in 2014, is still in its earlier stages. While I over-estimated, back in May 2000 in a *Time* magazine cover story, I wrote, “*I believe that ninety percent of white-collar jobs in the U.S. will be either destroyed or altered beyond recognition in the next 10 to 15 years.*”

The survival strategy becomes resilience and self-reliance. Or does it? Resilience in the face of generic craziness? Absolutely. As to the self-reliance, yes and no. Yes, you are in charge of directing your career in Brand You World. But your network becomes more important than ever, not less. Albeit its axis shifts close to 90 degrees. In place of “sucking up” is “sucking sideways.” That is, you will get your next job more through your network of peers than through a formal hierarchy.

Relative to the topic of this essay—Moral Bedrock—your integrity and reliability and ability to constantly grow will be far more important than in days past.

(Any number of people were critical of the Brand You idea because they saw it as a call to engage in noisy self-marketing. Nothing could be further from the truth. To make it as an independent professional calls for more teamwork than ever—you are as good or bad as your extended network—and the growth and relevance of your skillset. While you no longer have the purported lifelong protection that came from keeping your mouth shut in a giant bureaucracy, you in fact must, to succeed, be more of an engaged community worker than ever before.)

The story unfolds like this ...

Globalization1.0: *Countries* globalizing (1492-1800)
Globalization2.0: *Companies* globalizing (1800-2000)
Globalization3.0 (2000+): *Individuals*
collaborating & competing globally

Source: Tom Friedman/*The World Is Flat*

A professional ...

****ability to work unsupervised**
****ability to certify the completion of a job**
****ability to behave with integrity at all times**

Source: Subroto Bagchi, *The Professional: Defining the New Standard of Excellence at Work*

In the new individual-centric world order, or the Brand You World, many or even most will become de facto or de jure independent ... PROFESSIONALS. One-person ... PROFESSIONAL SERVICES FIRMS. Their “brand” will be primarily their skills, their skill-enhancement program, their network, and, most of all, their moral center/integrity. While this has obviously always been important, now it takes on a much enhanced role in defining us.

Personal Brand Equity Per Annum DEPRECIATION

15%?,
25%?
???

Therefore/NOT OPTIONAL/ “Investment Strategy”: **F.R.I.P./**

FORMAL Renewal
Investment Plan

“Worthy” Ambition vs. “Mere” Ambition per MILTON

“The difference is well illustrated by the contrast between the person who says he ‘wishes to be a writer’ and the person who says he ‘wishes to write.’ The former desires to be pointed out at cocktail parties, the latter is prepared for the long, solitary hours at a desk; the former desires a status, the latter a process; the former desires to be, the latter to do.”

—A.C. Grayling, *The Meaning of Things: Applying Philosophy to Life*

What we do matters to us. Work may not be the most important thing in our lives or the only thing. We may work because we must, but we still want to love, to feel pride in, to respect ourselves for what we do and to make a difference.”

—Sara Ann Friedman, *Work*

Matters: Women Talk About Their Jobs and Their Lives

“This is the true joy of Life, the being used for a purpose recognized by yourself as a mighty one ... the being a force of Nature instead of a feverish, selfish little clod of ailments and grievances complaining that the world will not devote itself to making you happy.”

—G.B. Shaw, *Man and Superman*

**The master in the art of living
Makes little distinction between
his work and his play.
He hardly knows which is which.
He simply pursues his vision
of **EXCELLENCE** in whatever he does.
Leaving others to decide whether
he is working or playing.
To him he is always doing both.**

Source: Zen Buddhist Text

THE PROFESSIONAL

SKILL

Skill Development Program (formal)

CURIOSITY

Insatiable appetite for learning

NETWORK (emphasis

horizontal/peers/clients rather than vertical/bosses) Network Development Program (formal)

EXECUTION (fanaticism)

WOW (enthusiasm, innovativeness)

Unwavering Commitment to

EXCELLENCE

Demonstrated and unquestionable

MORAL BEDROCK (ooze integrity)

Individual Standard:
EXCELLENCE

Excellence is **NOT** an
institutional choice.

Excellence **IS** a personal choice.
Or not.

Excellence is **NOT** a “goal.”

Excellence **IS** a way of life.
Or not.

Excellence is **NOT** an
“aspiration.”

Excellence **IS** the next 5 minutes.
Or not.

ADDENDUM: PRACTICALITIES

People & Profits*

(*This “People Stuff” Pays!)

From Twitter/David Spellman: *“Customers will only love a company that loves its employees.”*

BCMac: *“My corollary is, ‘How we treat one another is ultimately how we treat the clients.’”*

Vala Afshar: *“I’ve always said ‘You can’t remain a great company on the outside if you aren’t one on the inside.’”*

*“People
Stuff”
Pays!*

B(I) > B(O)

Translation: “Brand Inside” (the skills and attitude of our folks) is more important over the long haul than “Brand Outside” (e.g., the size of the marketing budget).

“You have to treat your employees like customers.”

—Herb Kelleher, upon being asked his “secret to success”

“When I hire someone, that’s when I go to work for them.”

—John DiJulius, *What’s the Secret to Providing a World-class Customer Experience*

“Employees who don’t feel significant rarely make significant contributions.”

—Mark Sanborn

Rocket Science. NOT.

***“If you want
staff to give
great service,
give great
service to
staff.”***

—Ari Weinzwieg, Zingerman’s

**Source: *Small Giants: Companies That Choose to Be Great Instead of Big*,
Bo Burlingham**

“An organization can only become the-best-version-of-itself to the extent that the people who drive that organization are striving to become better-versions-of-themselves.” *“A company’s purpose is to become the-best-version-of-itself. The question is: What is an employee’s purpose? Most would say, ‘to help the company achieve its purpose’—but they would be wrong. That is certainly part of the employee’s role, but an employee’s primary purpose is to become the-best-version-of-himself or –herself. ...*

“When a company forgets that it exists to serve customers, it quickly goes out of business. Our employees are our first customers, and our most important customers.”

—Matthew Kelly, *The Dream Manager* (Kelly’s book is written as a parable. However it is directly based upon a cleaning services company—I met the CEO.

Which is to say—**once more**—that “this stuff” is not just the provenance of the likes of Google and Apple.)

“The path to a hostmanship culture paradoxically does not go through the guest. In fact it wouldn’t be totally wrong to say that the guest has nothing to do with it. True hostmanship leaders focus on their employees. What drives exceptionalism is finding the right people and getting them to love their work and see it as a passion. ... The guest comes into the picture only when you are ready

to ask, ‘Would you prefer to stay at a hotel where the staff love their work or where management has made customers its highest priority?’”

“We went through the hotel and made a ... ‘consideration renovation.’ Instead of redoing bathrooms, dining rooms, and guest rooms, we gave employees new uniforms, bought flowers and fruit, and changed colors. Our focus was totally on the staff. They were the ones we wanted to make happy. We wanted them to wake up every morning excited about a new day at work.”

—Jan Gunnarsson and Olle Blohm, *Hostmanship: The Art of Making People Feel Welcome* (Hostmanship is not about hotels—it is a generic management approach. However, the authors purchased a hotel, declaring it to be the toughest environment imaginable to test and demonstrate their approach.)

**PAUSE. This is (I believe) a
PROFOUND
question:**

*“Would you prefer to stay at a hotel
... where the staff love their work or
where management has made
customers its highest priority?”*

**Please ponder this,
examine it with
colleagues, etc.
PLEASE!**

*“Some of our people spend their entire working lives in our agency. **We do our damndest to make it a happy experience.** I put this first ... believing that superior service to our clients, and profits for our stockholders, depend on it.”*

—David Ogilvy, on Ogilvy & Mather’s corporate culture

“It may sound radical, unconventional, and bordering on being a crazy business

idea. *However—as*

ridiculous as it

sounds—joy is the

core belief of our

workplace. Joy is the reason

my company, Menlo Innovations, a

customer software design and

development firm in Ann Arbor, exists. It

defines what we do and how we do it. It is

the single shared belief of our entire

team.”
—Richard Sheridan, *Joy, Inc.: How We Built a
Workplace People Love*

Tautology?

Happy (employee) **Experience**

Joy (in the workplace)

Happy Customers

Repeat Business

Growth

Profitability

Q.E.D.

*“Contrary to conventional corporate thinking, treating retail workers much better may make everyone (including their employers) much richer.”** *** ***

***Duh!**

****Cited in particular, “The Good Jobs Strategy,” by M.I.T. professor Zeynep Ton.**

***e.g.: The following **RETAILERS** (often the dregs as employers) are among those on the 100 Best Companies to Work For in America (*Fortune*) list ...

Wegmans (was **#1**
in USA)

Container

Store (was **#1** in USA)

Whole Foods

Costco

Publix

Darden Restaurants

Build-A-Bear Workshops

Starbucks

(Note: WEGMANS #1 ... *not* Google.
CONTAINER STORE #1 ... *not* Genentech.)

*“In a world where customers wake up every morning asking, ‘What’s new, what’s different, what’s amazing?’ ... **SUCCESS depends on a company’s ability to unleash initiative, imagination and passion of employees at all levels—and this can only happen if all those folks are connected heart and soul to their work [their ‘calling’], their company and their mission.**”*

—John Mackey and Raj Sisoda, *Liberating the Heroic Spirit of Business*

(Mackey is the founder and CEO of **Whole Foods**)

***EMPLOYEES FIRST,
CUSTOMERS SECOND:
Turning Conventional
Management Upside Down***

—by Vineet Nayar/CEO/HCL Technologies*

***The Customer Comes
Second: Put Your People
First and Watch 'Em
Kick Butt***

—by Hal Rosenbluth (former CEO,
Rosenbluth International) and Diane McFerrin Peters*

*Two superb books. Two superb leaders. Two superb companies.

WPP: Our Mission* ** ***

***TO DEVELOP AND
MANAGE TALENT;
TO APPLY THAT TALENT
THROUGHOUT THE
WORLD;
FOR THE BENEFIT OF
CLIENTS;
TO DO SO IN
PARTNERSHIP;
TO DO SO WITH PROFIT.***

*WPP is a giant London-based marketing services company.

**I typically cringe at such “values statements”—this one, however, works (BIG TIME) for me.

***STARTS with/emerges from TALENT. **Profit is**

IMPERATIVE but ... DERIVATIVE!

7+ Steps to Sustaining Success*

You take care of the people.

The people take care of the service.

The service takes care of the customer.

The customer takes care of the profit.

*The profit takes care of the
re-investment.*

*The re-investment takes care of the
re-invention.*

*The re-invention takes care of
the future.*

*(And at every step the only measure is
EXCELLENCE.)*

*To underscore the obvious, it all starts with: **“You ...
take care of the people!”**

Moral Bedrock: The/Your REAL “Bottom Line”

“In a way, the world is a great liar.

“It shows you it worships and admires money, but at the end of the day it doesn’t. It says it adores fame and celebrity, but it doesn’t, not really. The world admires, and wants to hold on to, and not lose, goodness. It admires virtue. At the end it gives its greatest tributes to generosity, honesty, courage, mercy, talents well used, talents that, brought into the world, make it better. That’s what it really admires. That’s what we talk about in eulogies, because that’s what’s important. We don’t say, ‘The thing about Joe was he was rich!’

“We say, if we can ...

‘The thing about Joe was he took good care of people.’”

—Peggy Noonan, “A Life’s Lesson,” on the astounding response to the passing of Tim Russert, the *Wall Street Journal*, June 21–22, 2008

(Note: Also see **Appendix THREE**/The Memories That Matter)

Appendix ONE

People (REALLY) First:

15 Point Human Capital Development Manifesto

“Reframing Capitalism”: A 15-Point Human Capital Development Manifesto/HCDM at the Enterprise & National Government Level

Tom Peters

14 June 2012

World Strategy Forum

The New Rules: Reframing Capitalism

Seoul, Korea

“Reframing Capitalism”: A 15-Point Human Capital Development Manifesto/HCDM at the Enterprise and National Government Level

“In some sense you can argue that the science fiction scenario is already starting to happen. The computers are in control. We just live in their world.”—Danny Hillis

“Human creativity is the ultimate economic resource.”—Richard Florida

“Every child is born an artist. The trick is to remain an artist.”—Picasso

“Knowledge becomes obsolete incredibly fast. The continuing professional education of adults is the No. 1 industry in the next 30 years.”—Peter Drucker

“If you want staff to give great service, give great service to staff.”—Ari Weinzweig

In mid-June 2012 I spoke at a major event in Seoul, Korea, World Strategy Forum/ The New Rules: Reframing Capitalism. Predictably the discussion focused on global financial infrastructure. To ignore that would have been insanity. On the other hand, I believe that employment/unemployment is even more affected by the changing nature of work—and the wildly accelerating effectiveness of technology, such as artificial intelligence, in encompassing activities that employ tens of millions of people, especially in the OECD nations. I believe this is, in the mid- to long-term, our #1 problem—and #1 opportunity. Confronting the nature and extent of future employment is required for reasons of economic survival and growth—and for reasons of social and political stability. Having created here in a single paragraph the oceanic basis for what follows, I must admit that it was a mundane question (Question #1) in an interview before my speech that triggered this “manifesto.” Namely: “Dr. Peters, how would you define the perhaps changing nature of corporate social responsibility in these uncertain times?” Herewith, in effect my response—which, quite honestly, came as a surprise to me:

1. “Corporate social responsibility” starts at home—i.e., inside the enterprise!

MAXIMIZING GDD/Gross Domestic Development of the workforce is the primary source of mid-term and beyond growth and profitability—and maximizes national productivity and wealth. (The profitability axiom: If you want to serve the customer with uniform Excellence, then you must FIRST effectively and faithfully serve those who serve the customer—i.e. our employees, via maximizing tools and professional development.)

2. **Regardless of the transient external situation, development of “human capital” is *always* the #1 priority.** This is true in general, in particular in difficult times which demand resilience—and uniquely true in this age in which IMAGINATIVE brainwork is *de facto* the only plausible survival strategy for higher wage nations. (Generic “brainwork,” traditional and dominant “white-collar” activities, is increasingly being performed by exponentially enhanced artificial intelligence.)
3. **Three-star generals and admirals (and symphony conductors and sports coaches and police chiefs and fire chiefs) OBSESS about training.** Why is it an almost dead certainty that in a random 30-minute interview you are unlikely to hear a CEO touch upon this topic? (I would hazard a guess that most CEOs see IT investments as a “strategic necessity,” but see training expenses as “a necessary evil.”)
4. **Proposition/axiom: The CTO/Chief TRAINING Officer is arguably the #1 staff job in the enterprise, at least on a par with, say, the CFO or CIO or head of R&D.** (Again, external circumstances—see immediately above—are forcing our hand.)
5. **The training budget takes precedence over the capital budget. PERIOD.** It’s easier and more satisfying to get your picture taken next to a new machine. But how do you get a photo of a new and much improved attitude in a key distribution center? The catch: The odds are 25:1 that the new attitude will add more to the bottom line than will the glorious state-of-the-art machine.

In the 3rd quarter of 2011 manufacturing output went up 4.7 percent—one heck of an accomplishment. But there was a catch, and a big one. Gross hours worked in manufacturing went down 0.6 percent. Such ratios are becoming commonplace—and in services as much or more than in manufacturing. As we automate damn near everything and as that trend accelerates (been in an auto plant lately—where are the people?), output is dramatically outstripping labor usage. Great for productivity, borderline terrifying for workers. This “manifesto” is written with such numbers in mind—not only does that not mean that it’s neo-Luddite, but in fact the opposite. Timid strategies will not address the employment issue. Education and job content must be turned upside down—in short order.

6. **Human capital development should routinely sit atop any agenda or document associated with enterprise strategy.** Most any initiative you undertake should formally address implications for and contributions to human capital asset development.

7. Every individual on the payroll should have a benchmarked professional growth strategy. Every leader at every level should be evaluated in no small measure on the collective effectiveness of individual growth strategies—that is, each individual’s absolute growth is of direct relevance to every leader’s assessed performance.

8. Given that we ceaselessly lament the “leadership deficit,” it is imperative, and just plain vanilla common sense, that we maximize the rate of development of women leaders at every level—little if anything has a higher priority. (It is an outrage that this has not been the case until now—and is still not the case in far too many institutions.) (And, while there are no guarantees, women are more likely dispositionally to take a shine to the imperative of maximizing human asset development.)

9. Maximum utilization of and continued development of “older workers” (to age 70—or even beyond?) is a source of immense organizational and national growth and wealth. The rapidly aging population, with oldies far more healthy and vital than ever, ought to be an opportunity rather than a pain-in-the-butt to deal with.

I was intimidated by the conference title “Reframing capitalism”—and the fact that a passel of Nobel laureates in economics would be addressing the issue. Then it occurred to me that the mid- to long-term “reframing” was more about recasting the nature of work/jobs in, for example, the face of 2020’s artificial intelligence than about whether the Spanish bailout is \$100 billion or \$400 billion—as nontrivial as the latter is. I.e., what the hell will the world’s four billion or so workers be doing, say, 10 years from now? I’m not sure that sophisticated econometric analyses will be all that helpful in determining an answer.

10. The practical key to all human asset development activities is the 1st-line manager. (“Sergeants run the Army” is an accurate, commonplace observation—supported by immense development resources.) Hence development of the full cadre of 1st-line managers is an urgent—and invariably underplayed—strategic imperative. Arguably, the collective quality and development trajectory of 1st-line leaders is an organization’s #1 human asset development priority. (Consistent with all the above, the 1st-line leader’s skill at “people development” is her or his top priority—for which she or he must be rigorously and continually trained.)

11. The national education infrastructure—from kindergarten through continuing adult education—may well be National Priority #1. Moreover, the educational infrastructure must be altered radically to underpin support for the creative jobs that will be more or less the sole basis of future employment and national growth and wealth creation.

12. Associated with the accelerated priority of the national education infrastructure is a dramatically enhanced and appreciated and compensated role for our teachers—this status enhancement must necessarily be accompanied by rigorous accountability. There is no doubt that “teaching” (instilling) insatiable curiosity, say, which is the #1 attribute of a creative person, is no easy task; however, there is no way that it can be ducked if one looks at future definitions of employability.

13. The majority of us work in small enterprises; hence national growth objectives based upon human capital development MUST necessarily extend “downward” to even 1-person enterprises. Collective productivity improvement through human capital development among small businesses has an unimaginably large—and undervalued—payoff. While many small businesses appreciate the notion, they are unprepared to take the steps necessary to engage their, say, dozen employees in seeking quantum leaps in creative work content and productivity improvements.

14. Needless to say, the activities imagined here will only be possible if abetted by a peerless National Information and Communication Infrastructure. Indeed, the work referred to here is being done—and the need is appreciated and reasonably well funded. The effort must not falter; the new information-based tools and accompanying infrastructure are the coin of the realm.

15. Associated with the above is a RADICAL reorientation of leadership education and development—throughout the enterprise/education/continuing education establishment. (E.g., Among other things, the MBA and executive education will require open-heart surgery—aimed at shifting focus from finance and marketing to human resource development.) To deal with the most likely future employment scenarios, leaders will need to be masters of the liberal arts—said arts are, again, the determinant of responding to the emerging world.

The agenda implied by the above “manifesto” is bold—and its moorings are a long way from where we are today. But this or something rather like it falls into a category labeled—not optional.

Appendix TWO

Foreword to Rich Karlgaard's ...

The Soft Edge

Bob Waterman and I were hardnosed guys. Both McKinsey consultants. Both engineers (Bob, mining, me, civil). Both Stanford MBAs. Life for us began and ended with beady-eyed analysis. We also had a McKinsey-ite's view of corporate America. Among other things, we worked in The Firm's San Francisco office, on the 48th floor of what was then the Bank of America's headquarters. A couple of floors above us were the palatial offices of the bank's CEO. Oaken doors, as I recall, that reached into the city's fabled fog. The chief was protected from humanity by a phalanx of underlings in Saville Row attire.

Nonetheless, we found ourselves one afternoon in 1977 driving 30 miles down U.S. 101, turning on to Page Mill Road, and turning into another corporate headquarters. That of Hewlett-Packard. HP had just crossed the \$1B revenue threshold at the time. We had an appointment, gained without the least bit of bureaucratic fol-de-rol, with HP president John Young. Upon arriving, John trotted out to greet us and ushered us to his office. Or is that the wrong word? It was in fact a half-walled cubicle, about 10 feet by 10 feet, that he shared with a secretary.

Hmmmm.

A half hour later, lightning struck. Mr. Young introduced us to what became a life-altering idea. Within the scope of the fabled "HP Way," it was a notion fondly called

"MBWA." Or Managing By Wandering Around. Getting the hell out of the office, hanging out with the engineers or purchasing guys or whomever, exchanging ideas, taking the pulse of the enterprise where the work was actually done.

Now jump ahead five years. Bob and I have written a book titled *In Search of Excellence*, and though it was the early days after publication, a lot of folks seemed to be buying it. We were in New York, heading for an early morning Bryant Gumbel interview on the *Today Show*. In the so-called Green Room, Bob looked at me with a wry smile and said, "Okay, who gets to say 'MBWA' on national TV?" He was my senior and I demurred.

After five years and hundreds of speeches and dozens of book drafts, Managing By Wandering Around had become a metaphor for all that was wrong—and all that could be right—concerning American management. We called it part of the "soft stuff." It stood for being in touch with your customers, in touch with your employees in even a big firm. It stood for high-speed innovation fueled by a willingness, without muss and fuss and infinite approvals, to cobble together a quick prototype and get everybody and her or his brother talking about it and playing with it at a fast clip. It was along long way from those mighty BofA oaken doors and assistants to assistants who still resided two floors above us in our San Francisco digs.

We were still engineers. (And proud of it.) And we still analyzed the hell out of any data we could unearth. (And were proud of that, too.) But now—thanks to HP and 3M and Johnson & Johnson and about 40 others of their ilk—we had a fuller picture of sustaining (more or less—nothing is forever) excellent performance. *Yes, the “hard stuff” damn well mattered. But it turned out, to horridly mix a metaphor, that the “bedrock of excellence” was that “soft stuff.” The values around engaging 100% of our staff’s effort and imagination, of intimately hooking up with and co-inventing with our customers, trying cool stuff in a flash without a thousand pre-clearances and shrugging of the inevitable screw-ups and getting on with the next try post haste.*

The times in the USA were tough in that 1977-1982 period when we were doing our research and writing. The Japanese were embarrassing us in the auto market with cars that worked, messing up our already sagging trade balance and, more important, messing with our morale—our Big 3 auto companies were, well, recall the immortal words of GM chief “Engine Charlie” Wilson, “As goes GM so goes America.” Whoops.

We’d lost the quality war in cars as the purebred analysts had reduced all of enterprise to numbers, that is bloodless abstractions, and led us into a frightening cul-de-sac. Likewise, starting a bit earlier, Robert McNamara’s numbers-drenched systems analysis had delivered 58,000 names to be etched on a wall in Washington D.C. and a numbing collage of tail-between-legs departure photos from the roof of the U.S. embassy in Saigon.

Bob and I had effectively waded into that quagmire, with our slide rules in hand (yes, slide rules, or primitive TI/HP calculators) and discovered things we hadn’t expected and that messed with our pre-conceptions. We had found the real and figurative likes of MBWA, or, rather, a heartening, humanist, non-abstract model of excellence at home—just as the best-selling management books (*Theory Z*, *The Art of Japanese Management*) were urging us to copy the Japanese approach before it was too late.

The ideas and stories from *In Search of Excellence* were hardly “the answer,” but we did help nudge a new model of enterprise management toward the forefront.

But times change—or do they? To be sure, the HP Way became tarnished, perhaps even unrecognizable, at an apparently rudderless Hewlett-Packard, circa 2013. And, as illustrated by the Enron-Worldcom and then sub-prime fiascos, the reality-free, numbers obsessed, models-r-us gang again ascended to the top of the economic pyramid and again caused unimaginable damage.

Time for a reset?

I think it is high time for a reset, and that brings me to the delightful task of cheering on the birth of a new and necessary revolution heralded by Rich Karlgaard's magisterial *The Soft Edge*. As publisher of *Forbes*, Rich, not unlike Bob Waterman and I, brings impeccable analytical and hard economics credentials to his task. And also like Bob and I, or even more so, in *The Soft Edge* he hardly runs away from the analytical side of things.

Rich offers and effectively defends a balanced triangle of forces: "Hard Edge" (the systems and processes that guide complex execution tasks). "Strategic Base" (you stumble and tumble fast if you don't have a clear strategic direction). And, his focus in this book, "Soft Edge" (oft ignored or underplayed, it provides humanism and resilience in a mind-bogglingly nutty world).

Let me précis the argument here in the author's words:

"I believe the business world is at a crossroads, where hard-edged people are dominating the narrative and discussion. ... The battle for attention and money boiling inside most companies and among most managers is that between the hard and soft edges. ...

"Far too many companies invest too little time and money in their soft-edge excellence. ... The three main reasons for this mistake are:

"1. The hard edge is easier to quantify. ...

"2. Successful hard-edge investment provides a faster return on investment. ...

"3. CEOs, CFO, chief operating officers, boards of directors, and shareholders speak the language of finance. ...

“Let me now make the case for investing time and money in your company’s soft edge:

“1. Soft-edge strength leads to greater brand recognition, higher profit margins, ... [It] is the ticket out of Commodityville.

“2. Companies strong in the soft edge are better prepared to survive a big strategic mistake or cataclysmic disruption ...

“3. Hard-edge strength is absolutely necessary to compete, but it provides a fleeting advantage.”

The heart of the book, not unlike the “eight basics” form the heart of *In Search of Excellence*, consists of chapters which examine in colorful and instructive detail the principal components of the Soft Edge:

***Trust**

***Teams**

***Taste**

***Smarts**

***Story**

While discussing the basic element labeled “taste” (which clearly underpins the likes of Apple’s mind-warping success), Rich Karlgaard offers an example that pulled the entire book together for me. Though the author lives and plies his trade at the epicenter of Silicon Valley, he purposefully reached out to every corner of the economy. Consider this telling remark by Robert Egger, the chief designer of Specialized Bicycles. Egger calls “taste” the “elusive sweet spot between data truth and human truth. ... If you don’t have an emotionally engaging design, no one will care.” The “hard edge” and “strategic base” are indeed in order—but they amount to little more than a piffle without the more or less sustainable differentiation contributed by the “soft edge.”

I must admit, in the softest of language, that I nothing less than love this book. I have been

fighting the “soft edge war” since 1977—that is, 37 bloody years. It is in fact a

“war” that cannot be “won.” I fervently and unstintingly believe in balance (c.f., Karlgaard’s triangle of forces). But I also believe that the default position will always favor the strategic base and the hard edge, and that the soft edge, without constant vigilance, will always be doomed to the short (often very short) end of the resource and time-and-attention stick. And yet, as is demonstrated here so brilliantly, in general and perhaps today more than ever, only a robust and passionately maintained commitment to a vibrant soft edge will up the odds of sustaining success and, yes, excellence, in these days of accelerating change.

In short, ignore the argument in this marvelous book at your peril.

Appendix THREE

The Memories That Matter

“I shall tell you a great secret, my friend. Do not wait for the last judgment; it takes place every day.”—Albert Camus

In a month, as I write, I’ll be 68. No matter how hard one tries to be forward focused, at that age there is a frequent urge to “sum things up.” As one does look back, there is a certain class of memories that stand out. I know my own story—and I’ve talked to many others. When you look back at “what really matters”—it’s rarely “the numbers.” Make no mistake, as you soldier on your tiny or huge enterprise must be profitable to survive. Wanna do great things? Well, check the “cash flow” statement first. True, but still “the summing up statement” is far more about the basics of human behavior and character than about the angle of incline of a market share graph. What follows is, then, in a fashion, “the memories that matter”—or will matter. Why point this out? Because to get the tally right on this one at age 68, the sorts of things enumerated here must have been “top of mind” throughout your career—i.e., today, tomorrow, this week, this month, this year.

The “memories that matter”/that *will* matter:

The people you developed who went on to stellar accomplishments inside or outside the company. (A reputation as “a peerless people developer.”)

The (no more than) two or three people you developed who went on to *create* stellar institutions of their own.

The longshots (people with “a certain something”) you bet on who surprised themselves—and your peers.

Selection of General Officers in the Indian (or Any Other) Army

It occurred during a seminar in Mumbai. I was having an exchange with a senior general officer in the Indian Army. In particular, we were talking about promotions to senior rank. I said that I thought the principal criterion was not “excellence at concocting strategy” or the like. Instead, I suggested that the “one question”/the first and most important query of candidates for a senior promotion:

“In the last year [or 3 years, duration of current job], name the ... three people ... whose growth you’ve most contributed to. Please explain where they were at the beginning of the year, where they are today, and where they are heading in the next 12 months. Please explain ... in painstaking detail ... your development strategy in each case. Please tell me your biggest development disappointment—looking back, could you or would you have done anything differently? Please tell me about your greatest development triumph—and disaster—in the last five years. What are the ‘three big things’ you’ve learned about helping people grow along the way?”

“Bottom line”/Accomplishment #1 = *The people we develop who execute and carry the torch for the things we care about—and then take the organization up, up and far beyond what we or they had imagined possible.*

The sort of/character of people you hired in general. (*And the bad apples you chucked out despite some stellar traits.*)

The people of all stripes who 5/10/20 years later say “You made a difference in my life,” “Your belief in me changed everything.”

A handful of projects (a half dozen at most) you doggedly pursued that still make you smile and which fundamentally changed the way things are done inside or outside the company/industry.

The supercharged camaraderie of a handful of Great Teams aiming to “change the world.”

Belly laughs at some of the stupid-insane things you and your mates tried.

Less than a closet full of “I should have ...”

A frighteningly consistent record of having invariably said, ***“Go for it!”***

Not intervening in the face of considerable loss—*recognizing that to develop top talent means tolerating failures and allowing the person who screwed up to work her or his own way through and out of a self-created mess.*

A stoic unwillingness to badmouth others—even in private.

Dealing with one or more crises with particular/memorable aplomb.

Demanding ... **CIVILITY** ... regardless of circumstances.

Turning around one or two or so truly dreadful situations—and watching almost everyone involved rise to the occasion (often to their own surprise) and acquire a renewed sense of purpose in the process.

Leaving something behind of demonstrable-lasting worth. (On short as well as long assignments.)

“Unremarkable” Except For ...

I was talking with a friend about another friend. We marveled at his results—frankly, he wasn’t a very impressive fellow in the traditional “boss-like” sense. But then my friend said, “You know, I’ve seen him working with people. He has what you’ve got to call a ‘magic touch.’ His quiet dialogues seem to leave the other person energized and confident.”

Impressive in conventional terms?

Perhaps not.

Impressive/awesome at “people development”?

Absolutely!

And that, in the end is the “name of the Great Results Game.”

“Bottom line”: **“Unremarkable” *except for* RESULTS. A superb people developer—her/his folks invariably amazed at what they’ve been able to accomplish.**

Having almost always (99% of the time) put “Quality” and “Excellence” ahead of “Quantity.” (At times an unpopular approach.)

A few “critical” instances where you stopped short and could have “done more”—but to have done so would have compromised your and your team’s character and integrity.

A sense of time well and honorably spent.

The expression of “simple” human kindness and consideration—no matter how harried you may be/may have been.

Understood that your demeanor/expression of character always sets the tone—especially in difficult situations.

Have never (rarely) let your external expression of enthusiasm/determination flag—the rougher the times, the more your expressed energy and bedrock optimism and sense of humor shows.

The respect of your peers.

A stoic unwillingness to badmouth others—even in private.

An invariant creed: When something goes amiss, “The buck stops with me;” when something goes right, “It was their doing, not mine.”

A Mandela-like “naïve” belief that others *will* rise to the occasion if given the opportunity.

An abiding appreciation that “tough times make the woman/man.” Expressions of character—and the moment seized—when the yogurt hits the fan and others slink into their closets or exhibit a nasty streak is the Ultimate Performance Measure.

A reputation for eschewing the “trappings of power.” (Strong self-management of tendencies toward arrogance or dismissiveness.)

Intense, even “driven” ... but not to the point of being careless of others in the process of forging ahead.

“Life is not a journey to the grave with the intention of arriving safely in one pretty and well preserved piece, but to skid across the line broadside, thoroughly used up, worn out, leaking oil, shouting ‘GERONIMO!’”—Bill McKenna, professional motorcycle racer

Willing time and again to be surprised by ways of doing things that are inconsistent with your “certain hypotheses.”

Humility in the face of others, at every level, who know more than you about “the way things *really* are.”

Having bitten your tongue on a thousand occasions—and *listened*, really really *listened*. (And been constantly delighted when, as a result, you *invariably* learned something new and *invariably* increased your connection with the speaker.)

Unalloyed pleasure in being informed of the fallaciousness of your beliefs by someone 15 years your junior and several rungs below you on the hierarchical ladder.

Selflessness. (A sterling reputation as “a guy always willing to help out with alacrity despite personal cost and with no desire whatsoever to get “points” for your effort.”)

As thoughtful and respectful, or more so, toward thine “enemies” as toward friends and supporters

Always and relentlessly put at the top of your list/any list being first and foremost ...

“of service” ... to your internal and external constituents.
(Employees/Peers/Customers/Vendors/Community.)

Treated the term “servant leadership” as wholly writ. (And “preached” “servant leadership” to others—new “non-managerial” hire, age 18, or old pro, age 48.)

Created the sort of workplaces you’d like your kids to inhabit. (Explicitly conscious of this “Would I want my kids to work here?” litmus test.)

A “certifiable” “nut” about quality and safety and integrity. (More or less regardless of any costs.)

A notable few circumstances where you resigned rather than compromise your bedrock beliefs.

Perfectionism just short of the paralyzing variety.

A self- and relentlessly enforced group-standard of “EXCELLENCE-in-all-we-do”/“EXCELLENCE in our behavior toward one another.”

Bon chance!

Remember: today, tomorrow, this week, this month ...

Tom Peters/0923.11A