

Know-How. The 8 skills that separate people who perform from those who don't.

Ram Charan—2007.

Chapter 1: know how

Chapter 2: the foundation, positioning and repositioning the business to make money.

- Positioning is the central idea of your business and the foundation for whether or not you are making money. The true test of your positioning is the real world. If people like what you have to offer and you can sell it at a profit.
- Wal-Mart's positioning at its core is to give consumers a wide assortment of good-quality merchandise at the lowest possible prices. ‘
- In contrast, Target has a different positioning for its business. It aims to be a cut above Wal-Mart, a little bit better in store appearance,
- For example, Novartis under Daniel Vasella has been on the offensive, moving from strictly patented drugs to become the second-largest producer of generics and into vaccines to fit new external realities.
- By the end of 2005, Apple had sold an astonishing 42 million iPods and 850 million songs. And reshaped the entire music industry.
- 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.
- **When the CEO** and the CFO abruptly left, he found himself in charge of doing the workout. It was an agonizing part of his life, but it dawned on him one morning that he wasn't asking the right questions. He had been asking, "What costs can we cut?" He realized that a better question was "Where could we win?"

Chapter 3: before the point tips. Connecting the Dots by Pinpointing and Taking Action on Emerging Patterns of External Change

- 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.
- What is changing and for whom? Where is the opportunity in that change and for whom?
- 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, to absorb and digest complexity, and to shape or let the patterns emerge as they will, even if they present unpleasant realities.
- Seven simple questions can help you sort through and detect patterns in the complex world around you.
 - 1. What is happening in the world today? The most significant trends affecting business transcend company and industry. They cross borders and infuse all areas of civil society. Take India as one example. The Internet has made it easy for corporations to link operations in Manhattan and Mumbai, exposing villagers in India to Western brands such as Dell and Levi's. While India's rapidly growing boom in IT-related software and

services is well known, many are also watching carefully as the government gradually opens up other sectors of the economy, such as retailing, to foreign investor participation.

- 2. What part of my frame of reference has worked for me? What hasn't worked for me?
- 3. What does it mean for anyone?
- 4. What does it mean for us?
- 5. What would have to happen?
- 6. What do we have to do to play a role?
- 7. What do we do next?

Chapter 4: herding cats. Getting People to Work Together by Managing the Social System of Your Business

- There are four pertinent questions you need to ask about the operating mechanisms that make up your social system.
 - 1. What is the purpose of the existing operating mechanisms and how do they and their linkages combine to help deliver results?
 - 2. Which ones should be kept, eliminated, or combined?
 - Which require a total redesign and a new way to lead them?
 - 4. Are there new operating mechanisms that should be installed?
- One of the shifts Charron made in the social system was to establish an operating mechanism to tap two things from his creative people: first, their personal perceptions of the market and trends in fashion; and second, their creativity about what will sell in their own area of expertise. Charron established weekly intelligence meetings to bring together marketers, designers, and merchants across the brands to discuss design, price points, and choices of garments in several customer segments
- In the first review, Breen told the division chief that he had one hour in which to make his full presentation, uninterrupted. Then he told the others in the room that they should each prepare three written questions about the division's strategy. Breen collected all the questions, read each to the entire group, and selected as the basis for the ensuing dialogue a few key ones that got to the heart of the issues facing the division.
- 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."

Chapter 5: how leaders are made. Judging, Selecting, and Developing Leaders

- If they reach a limit—maybe because certain know-how's didn't develop properly or personality traits got in the way—you then deal with this issue as well. The usual way of deploying other people's leadership talent is to start with a job opening and see who can fill it. But the know-how of selecting leaders and helping them reach their potential means focusing on people first, not jobs actively searching for leadership talent throughout your organization, creating for those individuals' career moves that test their ability to take on more complexity or learn new skills, and creating processes to do it on a disciplined, regular basis. 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 thinks, how he behaves around others. Then you can match the leader to a job in which that person will shine and strengthen business performance.

- But pinpointing individuals' God-given talents and brainstorming about where those talents would flourish opened their eyes to a wider range of possibilities. The whole orientation has shifted from defending whether someone should be in a particular job to trying to see the person as a whole and finding a good fit between the individual and the job.
- Instead of "cutting people down in front others, signal what was good, 'then make specific suggestions about what to improve.
- 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.
- GE revised its criteria for leadership to include the following:
 - Can create an external focus that defines success in market terms.
 - 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.
- **How to spot the future leaders of your business:**
 - They consistently deliver ambitious results.
 - They continuously demonstrate growth, adaptability, and learning better and faster than their excellently performing peers.
 - They seize the opportunity for challenging, bigger assignments, thereby expanding capability and capacity and improving judgment.
 - They have the ability to think through the business and take leaps of imagination to grow the business.
 - They are driven to take things to the next level.
 - Their powers of observation are very acute, forming judgments of people by focusing on their decisions, behaviors, and actions, rather than relying on the initial reactions and gut instincts; they can mentally detect and construct the "DNA" of a person.
 - They come to the point succinctly, are clear thinkers, and have the courage to state a point-of-view even though listeners may react adversely.
 - They ask incisive questions that open minds and incite the imagination.

Chapter 6: unity without uniformity. Molding a Team of Leaders

- The centerpiece of this know-how is getting your team to ^understand, focus on, and commit to the total business. You have to help them create a common granular picture of the business in its external context as you see it. That way, they'll know how their respective areas fit together, and

they'll have both the motivation and information they need to keep their efforts aligned. You have to mold people's behavior as well. Too often, talented and ambitious people have a single-minded focus, little aware of what their colleagues in other silos are doing, at worst deeply suspicious of them. Resources and information are hoarded, and communication is sporadic and formalistic. You're the one who tolerates or challenges narrow self-interest, big egos, and dominant personalities.

- Most of the work of molding a team happens in group settings, which may require that you change the way you lead. You can't just work with your direct reports one to one, setting their budgets and goals in private and coaching them individually as you shift your attention from one part of the business to another. 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.
- "I told them it isn't a question of weakness that you have concerns, it's a question of maturity and leadership to be able to put the issues on the table in front of the rest of your colleagues and then let us wrestle with that so we can come up with the best solution for the company."
- Once the positioning was clear to everyone and the execution had begun, Fields established operating mechanisms to ensure that everyone kept their eye on the ball. All his direct reports would meet at the beginning of the year to share one another's objectives, something few companies do. It's a tedious, time-consuming process, but it's the differentiating factor in building teams since it creates transparency between the intersections of the moving parts of the business.
- Mark Fields's experience demonstrates the principles involved to mold a team of leaders:
 - 1. Share numbers, reasoning, and results to shape a common view of the business and its context.
 - 2. Have the psychological courage to confront behaviors that harm the team's effectiveness.
 - 3. Anticipate, surface, and resolve conflicts.
 - 4. Pick the right people.
 - 5. Provide prompt feedback and coaching.
 - 6. Recognize and avoid derailers.
- **What's at risk, and** what do you need help from me on? So those conversations become not just indicators of risk but also conversations about performance and accountability. . The goal is to get them to put it on the table and to admit where they're feeling psychologically weak, because 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. The group chairman and his team have articulated the behaviors that will give them an edge. He says, "As a management team, we have thirteen behaviors for working together and strive to use them consistently. This is what makes breakthrough teams work, and we're going to become a breakthrough team. We're moving toward rating each other on them every quarter, and I reinforce those behaviors by being an active participant in meetings, because that's where words on a piece of paper come to life."
- Keep a mental inventory of the skills and methods for getting things done for each member of your team. One team member may be too blunt in arguing a point with others, another may be too shy to participate in debate, and yet another may have a habit of holding back information

essential to reaching a good decision. All these impediments to effective teamwork must be clearly identified to the individual, and he or she must be counseled in overcoming them. 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.

- “You don’t want to wait until a cataclysmic event,” hi so we should be coaching them every day.”
- “I know it can work but we can do a lot better.” Instead of raising the bar, he settles.

Chapter 7: the Buck starts with you. Determining and Setting the Right Goals

- And above all, the goals must reflect the opportunities in the external world, while taking into account the existing and potential ability of the organization to pursue them.
- Immelt used his extraordinarily wide cognitive bandwidth to see GE in the context of the global economy. Shortly after the beginning of the twenty-first century, total world GDP was \$40 trillion
- As Immelt and his team did the market and geographic segmentation, he pondered what those markets would need as they tried to develop.
- Goals should reflect the opportunities that lie ahead and what is possible for your business as it goes forward. You have to choose more than one goal to keep the organization in balance, and the goals don’t all have to be financial and quantitative.’
- To focus people on the right projects and activities, he brings together his division and line managers to discuss the options several times leading up to annual goal setting and at least quarterly to rebalance during the course of the year. To T ensure the discussion remains fact-based and doesn’t get sidetracked by simple emotional appeals like “This technology could be huge!” he requires each participant to come armed with business plans, metrics, and data.
- Setting the right goals means frequently rethinking every assumption about the market, the competition, and the business environment. You have to be cognizant that there are factors far beyond your ability to control, such as foreign exchange rates, commodity prices, and fiscal and monetary policy that will impinge on the business. 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.
- **The smarter approach is to under-**promise and over-deliver.

Chapter 8: it’s Monday morning – now what? 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. When the priorities are unmistakably clear and specific, people know what to focus on and, therefore. What should get their attention, resources, and follow-through. 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 at work where everything can seem urgent and important. The right priorities help you rise above the constant demands that create stress and contusion. They enable you to provide clarity and focus for yourself and the other people in your organization. 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 where you must have the tenacity, attitude, and willingness to probe the messy details to think through and define what the

most important actions should be and what their second- and third-order consequences will be. Priorities determine how resources are allocated and thus have the potential for touching off clashes as resources are moved from one person to another.

- **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.
- 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?
- “A very important part of this process is to be very specific and very clear,” she 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.”
- Anyone can state a priority. It is only when resources are applied to it that it really becomes one. The flow of resources people and money – is a leading indicator of where the company is headed in the short and long-term.
- He was getting calls every day from existing customers who were saying they needed more of this component or another version of that component, and the pressure to meet customer demands took all of his engineers’ time—a critical resource in high tech. The engineers were supposed to be spending some of their time working with the sister division that was trying to build the new capability because the technologies overlapped, but day after day, it wasn’t happening.
- In some organizations, those kinds of problems go unrecognized and unaddressed, but Creviston created a short, focused Monday morning meeting of all his direct reports to root out such problems and get adjustments made in real time, transferring people and other resources in line with what was happening in the business that week to ensure the priorities were coming to life. Creviston says: “By getting everyone to understand everyone else’s problems, goals, and priorities, we’re able to get a much better rhythm for synchronization.”
- The way to do that, he determined, was by compressing the six-week budgeting and resource allocation process into just three days. The purpose was not just to compress the time frame, but to use the process as the vehicle to get seventy leaders working as a team, simultaneously looking at the total picture in detail, debating options, and internalizing the reasons underlying trade-offs. The key is total immersion. . Everyone is on the same page on both the internal and external environment and understands and participates in the reasoning behind resource allocation and the commitment to goals.
- Priorities are drawn from among four criteria: what is important, what is urgent, what is long term versus short term, and what is realistic versus visionary. If you don’t make choices among them because you want everything, the organization will lack focus.
- **Having too many** priorities is the same as having no priorities.

Chapter 9: in the court of public opinion. Dealing with societal forces beyond the market

- No matter how much you dislike dealing with special interest groups, you can’t regard them as distractions from your day-to-day work of leading the company. You have to overcome any psychological aversion you might have to the ambiguities of such political and societal discourse and become, in Lafley’s words, constructively engaged.

- The know-how of dealing with forces outside your control is to identify new interest groups that are emerging and to discern which groups are gaining influence and have legitimate issues. You have to build relationships and understand the real motivations and attitudes of those groups and their leaders. You have to look for ways to communicate, knowing that if you bridge the gaps soon enough, you can help reshape the issues and outcome. If the issues are legitimate, you should respond, maybe by building coalitions among your peers so the industry doesn't continue to be attacked. While you have to be prepared to resort to legal channels and, frequently, negotiated settlements, you can't depend on them, because many battles take place in the court of public opinion and are won on the basis of emotional appeal rather than legal argument. Each move requires new analysis, like an evolving chess game where you have to see several moves ahead to predict the opponent's causes, power base, and passion. If you lack the will to get in the game, there's a high risk you could lose.
- **One can argue that** it was a failure of understanding on both sides, but in a pitched battle between a marketer and societal concerns, the societal concerns will almost always emerge triumphant. You have to be able to see your business through those eyes.
- There is an emerging trend where two or more special interest groups have a deep passion for a societal issue affecting an industry or company in a way that their stands are directly opposite to each other. In such situations, the business leader is caught in a cross fire and may have extreme difficulty finding a win-win solution acceptable to all parties.

THE EIGHT KNOW-HOWS

1. Positioning and Repositioning: Finding a central idea for business that meets customer demands and that makes money.
2. Pinpointing External Change: Detecting patterns in a complex world to put the business on the offensive.
3. Leading the Social System: Getting the right people together with the right behaviors and the right information to make better, faster decisions and achieve business results.
4. Judging People: Calibrating people based on their actions, decisions, and behaviors and matching them to the non-negotiable of the job.
5. Molding a Team: Getting highly competent, high-ego leaders to coordinate seamlessly.
6. Setting Goals: Determining the set of goals that balances what the business can become with what it can realistically achieve.
7. Setting Laser-Sharp Priorities: Defining the path and aligning resources, actions, and energy to accomplish the goals.
8. Dealing with Forces Beyond the Market: Anticipating and responding to societal pressures you don't control but that can affect your business.

PERSONAL TRAITS THAT CAN HELP OR INTERFERE WITH THE KNOW-HOWS

- Ambition—to accomplish something noteworthy BUT NOT win at all costs.
- Drive and Tenacity—to search, persist, and follow through BUT NOT hold on too long.
- Self-confidence—to overcome the fear of failure, fear of response, or the need to be liked and use power judiciously BUT NOT become arrogant and narcissistic.

- Psychological Openness—to be receptive to new and different ideas AND NOT shut other people down.
- Realism—to see what can actually be accomplished AND NOT gloss over problems or assume the worst.
- Appetite for Learning—to continue to grow and improve the know-hows AND NOT repeat the same mistakes.
- A Wide Range of Altitudes—to transition from the conceptual to the specific.
- A Broad Cognitive Bandwidth—to take in a broad range of input and see the big picture.
- Ability to Reframe—to see things from different perspectives.