

# CHAPTER 1

## A Shining Light

### *The Blind Spot Revealed*

Humanity's most valuable assets have been the non-conformists. Were it not for the non-conformists, he who refuses to be satisfied to go along with the continuance of things as they are, and insists upon attempting to find new ways of bettering things, the world would have known little progress, indeed.

—JOSIAH WILLIAM GITT

Corporate life is quickly accelerating toward an inflection point. Many people talk of feeling “it”: an uneasiness about the future and a palpable sense that a momentous shift of some kind is taking shape in the business world around us. Basic industries, and portions of our knowledge work, continue to move offshore, leaving a vacuum that must be filled. Even worse, selfishness and greed have grown like cancers, destroying iconic corporations and tearing at the social fabric of once great and caring companies. A house divided ultimately fails.

This inflection point represents an onrushing shift. As in past shifts, new businesses will assuredly spring up to replace those that fail or are commoditized. As the twenty-first century unfolds, knowledge workers will staff these new businesses, and their productivity will become the primary management challenge for America and the developed world.

Peter Drucker saw this coming:

The most important, and indeed the truly unique contribution of management in the 20th century was the fifty-fold increase in the productivity of the MANUAL WORKER in manufacturing.

The most important contribution management needs to make in the twenty-first century is similarly to increase the productivity of KNOWLEDGE WORK and the KNOWLEDGE WORKER.

The most valuable assets of a 20th-century company were its production equipment. The most valuable asset of a twenty-first-century institution, whether business or non-business, will be its *knowledge workers* and their *productivity*.<sup>1</sup>

## A Race to the Bottom

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But this new dawn remains just a glimmer of light. In today's information economy, a key lever of value creation—collaborative information technology (IT) projects staffed by knowledge workers—still fails or underperforms at an alarming rate. Decades of research, trillions of dollars of experience, and pundits galore, but we still have deplorable success rates and limited business satisfaction.

Although we have effectively created the raw materials of this unfolding era—semiconductors, storage, networking, software, process models, and lots of knowledge—we have not been successful at inventing a postindustrial leadership model to leverage its most important ingredient: the knowledge worker.

Something as essential as the productivity of our twenty-first-century workforce remains poorly understood. Knowledge doubles every few years, while our ability to store and retrieve information doubles every 18 months, but our ability to unfailingly leverage knowledge and experience across teams of highly skilled individuals remains stalled. As an economy, we must learn to reliably turn knowledge into opportunity. Today, teams of individuals do that; today, our value creation track record, as far as IT is concerned, is very poor because corporate America has ignored the social and emotional levers of productivity. We have been consumed with “self,” insensitive to the needs and feelings of others. The industrial era allowed us to master things, not people. Fortunately, this leadership blind spot will quickly disappear under the lights of applied science and human-centric leadership practices.

As we journey farther into the information economy, we look back and see that industrial-era capitalism has reached an evolutionary endpoint: double-entry accounting from the fifteenth century, process-focused models rooted in industrial engineering, command-and-control leadership hierarchies, and the commoditization of workers within a global labor pool. At this juncture we have perfected economies of scale, continuous process improvement, quality engineering, and supply chain management, which have in turn created the likes of Walmart, General Electric, IBM, and Ford—all leading players in their markets. But make no mistake, the endless pursuit of efficiency pits them in a human capital race to the bottom.

It becomes more difficult and costly to constantly squeeze further leverage out of a process-focused mentality and culture. Businesses both great and

small have been created, and great wealth has been produced, yet we now see the undesirable consequences of our process orientation and our need to count everything: the dehumanization of the workforce. As Einstein said, “Not everything that counts can be measured; and not everything that can be measured counts.” Just imagine if we had to quantify the return on investment of a hug?

Because of this dehumanization, our most valuable asset of all—our knowledge workers—are disillusioned, and corporate is unraveling. We have expunged all emotion and feeling so that our human assets more closely resemble industrial robots (which, by the way, come from the Czech word *robota*, meaning drudgery, or slavelike labor). Dilbert resonates far and wide.

The physical means of production—computers, corporate infrastructure, labor, and process methodologies—are now easily copied. As a result, a downward pricing spiral is in motion. Businesses are effortlessly replicated in low-cost countries such that supply often exceeds demand, technology improvements endlessly lower the cost of entry for new competitors, and the victory of capitalism continuously brings new countries and labor into a global free market. Industrial capitalism, we see, has itself become a commodity.

## Human Understanding Enters the Workplace

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Psychological research and neurological studies of the brain reveal that the mind is highly modular, and intelligence is a kaleidoscope of capabilities. Authors and researchers like Daniel Goleman, Martin Seligman, Howard Gardner, Joseph Ledoux, and countless others, are allowing us to see ourselves in the rainbow of a new light.<sup>2</sup> As with any emerging area of understanding, there are camps and debate. But the time has come for this research, and what it reveals, to be applied in business, creating a new branch of management science. The current body of research makes a strong case for a leadership style where the happiness and emotional well-being of workers must be a top priority, not just in thought but also in deed. We are entering a time where leaders will become the servants and productivity will flow like a wellspring.

It seems clear that Drucker’s challenge will be fully answered with a warmer, human-centric approach to management that is discernible in today’s research concerning mind and emotion. Literally, we are on the precipice of a productivity revolution, not unlike what was unleashed by Frederick Taylor<sup>3</sup> and the Efficiency Movement. Our focus must now shift to building and managing productive social systems where our professionals can flourish; we must ensure that our “talent infrastructure” is operating as well as our networks and equipment; we must educate our leaders to understand the human factors, and apply them, just as they apply Six Sigma and process standards like COBIT and Information Technology Infrastructure Library (ITIL); we must finally heed the advice of

Abraham Maslow<sup>4</sup> and Frederick Herzberg,<sup>5</sup> who counseled that humanism was needed in the workplace.

But today, leaders are uninformed about the wealth of findings uncovered by decades of research into the most important part of every company: its talent. In IT, although 60 to 70 percent of operating expense goes to talent, that talent remains heavily underutilized.

Imagine a factory where 65 percent of your operating costs were for complex equipment, yet:

- You don't have a single operators' manual.
- You have no idea if it will work successfully the next time you use it.
- You can't track return on investment for each unit.
- You have no idea how to measure and tune the equipment's performance.
- The people responsible for networking your equipment together have never been trained to do this.
- There is a wealth of available research that describes how to optimize the use of your equipment, yet everyone ignores it.
- Your equipment is constantly replaced with less expensive units, even though the existing equipment has been painstakingly programmed over years, at great expense, with all of the institutional knowledge.
- Your equipment has to be networked together to create output, yet there is no wiring diagram, and no one has any idea if the connections are working.
- Each piece of your equipment is unique, yet your managers mistakenly believe the machines are interchangeable parts and move them whenever they feel it is necessary.
- Every year you invest money to add new capabilities to your equipment, but no one tracks this investment, so the increased value is ignored when replacement is evaluated.

If you run an IT organization (or most any organization for that matter), all of this is true. Even though the bulk of the expense is on talent, we have no human capital accounting; most of the research into social psychology and neuroscience is ignored; and we invest the bulk of our energy into maintaining and improving our computing environments, software, networks, and storage. In that case, we know every patch and configuration level for every server and device, yet we track almost nothing about our people. Our focus is unbalanced: The server is \$5,000 and the database administrator is \$100,000. We must be expert at both.

Shouldn't we invest more time to optimize our talent infrastructure, given that it is the past, present, and future source of our competitive advantage?

Shouldn't we know vastly more than we do about our human capital? Shouldn't we understand the opportunity cost of so inefficiently managing our human capital? Shouldn't we eliminate this blind spot?

Yes, we should. Corporate America has simply failed to create a working environment where people count. According to research by Robert Hurely, published in 2006, roughly half of all managers surveyed did not trust their leaders (and the numbers are no doubt higher now), based on a survey of 450 executives across 30 companies.<sup>6</sup>

## We Have Been Taught Not to See or Feel

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Quite simply, our industrial past enabled us to perfect the use of the computing infrastructure but left us blind to the human infrastructure. The management beliefs and practices that caused this blindness have flowed from one generation of leaders to the next, forming an unbroken chain of inheritance back to Frederick Taylor and our industrial past. We involuntarily embrace the operational, organizational, and administrative norms that emanate from a time where the focus was unfeeling machines, assembly lines, and production processes and controls and where the sensations and emotions of the workers were inconsequential to the bottom line. This culturally transmitted blindness causes a condition where our *knowledge workers* and the *social systems* that bind them together are invisible, because *we have been taught not to see them*.

The source of this blindness is not just work but our educational system as well. All the way through school, we were *taught to think but not to feel*. People often say "I think I feel" instead of "I feel." Consequently, no one has learned to feel, understand, and productively use their emotions, let alone see them in others. It is an enormous blind spot because emotion is critical to both personal and professional success, especially if you become a leader, at which point social intelligence is a crucial tool. No one can flourish without fully understanding themselves and their impact on others. Although we live and work in a world driven by emotion, most people are left to discover it on their own.

Humans also have limited conscious capacity. The world of early humans was a very dangerous place, so we are wired to focus on a few critical things. Think about how an easily distracted mind would have made humans a much easier prey. This concentrated focus is clearly a survival skill.

As a result, most people today can concentrate on something if you tell them to. A famous psychological study called the Invisible Gorilla shows the strength of this phenomenon. In this experiment, a group of observers are asked to carefully watch a three-and-a-half-minute movie and count how many times a basketball is passed between a group of players. During the

short film, a large man in a gorilla suit walks right across the screen, stops, waves, and then exits the scene. You would think no one could miss him, but half the observers do. Why? They are doing what humans do very well: focusing on precisely what they have been asked to focus on. The human factors of productivity are the gorilla in our room, and these are equally large and waving right at us from the research.

Unfortunately, the behavioral and psychological aspects of social collaboration clash with the insensitive nature of our leadership style. Knowledge work is incompatible with the inhumane practices of the industrial era, causing today's low returns on human capital and high levels of disengagement. The world of work has changed, but our practices have not.

## Unlocking Human Potential

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Social systems designed for productive human interaction must assume the same position that assembly lines held during the industrial revolution. To lead these contemporary “production lines,” a generation of prosocial leaders who selflessly focus on the needs of others will step to the forefront and set the pent-up human potential free; they will understand that it is more valuable to unlock productivity than to contain it; and they will artfully shape behavior and emotion so that human interaction becomes *socioproductive*<sup>7</sup> by design. The emotional dam will be broken, and higher cognitive functions, so constrained by emotionally toxic environments, will begin to flow freely.

We need to care about our talent and nurture its potential. In the industrial era, we worshiped our machines and all they could do for us, because we controlled them, and understood every productivity driver. Americans stood in awe of mechanization and what it accomplished, not unlike how we today worship our devices. We always marveled at our power to produce mass quantities of physical goods at ever-decreasing unit costs; at our ability to control and manage output; and at our ability to leverage process, counting and measuring everything. Now we must become equally enamored with the human infrastructure and understand the research that shows how knowledge workers actually produce something. (In Chapter 4, I show how IT is more art and emotion than engineering, but the emotional side, the *art*, has been overlooked, with damaging consequences.)

Another reason we have overlooked the human factors of knowledge worker productivity is that they are not easily quantified. Trust is a critical lever of productivity when groups of knowledge workers collaborate—yet it is ascribed no value and isn't measured; blame and other antisocial behaviors stimulate the amygdala, impairing a worker's ability to think by creating fear and stress, but because we cannot measure the productivity impact, this detrimental behavior

is ignored; transparency and honesty create safe environments where people can relax, collaborate freely, and solve problems, but the benefit is tough to quantify, so it is ignored. The list goes on and on.

I have walked into organizations where a toxic, antisocial leader had done the equivalent of powering down the network and data center. The human infrastructure had literally lost power—emotionally drained, disengaged, and depressed—the social network was frayed, and information moved slowly between people, if at all; the factory of minds and emotions was barely operating. You could see the low energy in the workers' lifeless faces, disconnected from their coworkers by pervasive and palpable distrust, going through the motions, the bonds with management severed. On paper, more hours of labor were being consumed than ever—attendance was good. Yet, in a thought-based business, presence doesn't matter, only a productive state of mind does. Our human resource practices are so inadequate to the task.

## Dawn of a New Productivity Model

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We must embark on a mission to ensure that human capital is the best understood, most appreciated, most productive tool in the workplace, not the least—collectively unleashing an era lush with understanding and compassion. People aren't interchangeable parts, and they probably should have never been used this way, but it happened, and to a large degree they remain *human resources* (just another resource like capital, raw materials, energy, etc.) today. Viewing them as parts, or resources, has unintended consequences as it encourages selfishness. *If you are just an interchangeable part, then you don't matter. And if you don't matter, then I will focus on my needs, not yours.* Deeper understanding about the corrosive nature of our practices will launch a productivity revolution and, in the process, human understanding in the workplace will be seen not as a love-in but as the most efficient and productive way to increase the return on human capital.

The human factors of productivity, shaped by millions of years of evolution, are central to collaboration and knowledge worker output. We are on the verge of a breakthrough—an inflection point where the unseen becomes suddenly visible. The layer of human productivity drivers that sits above the process layer bequeathed by the industrial revolution is manifesting itself and will drive corporate America to transform from a cold, process-focused entity to one infused with the warmth of human understanding.

I see it happening, glimmers of light visible in many areas. Judging by the warm reaction I get to my talks and the calls I get to come in and speak to organizations, I conclude one thing: There is both a recognition of and thirst for an antidote to the feelings created when professionals are treated as

interchangeable parts. *Trust, collaboration, sharing, caring, empathy, compassion, unselfishness, prosocial behavior, humor, meaning, harmony, openness, social acceptance, mutual respect, and transparency*, flowing within a *blame-free* culture, are powerful sources of competitive advantage. They heal emotionally unhealthy environments and allow the productivity potential to be reached and IT workers to flourish. These are the humanistic drivers of a neuroscientific/behavioral productivity model evident in today's research and proven absolutely effective across the turnaround transformations I led.

As for leaders, research shows they need to be authentic, trustworthy, empathetic, selfless, caring, upbeat (mood is contagious), capable of giving work meaning, possessing an ability to speak with candor (openness) and a desire to maintain open lines of communication; they must model prosocial behavior because behavior is contagious (people don't do what you say, they do what you do!); and, last, they must clearly see the big picture, as this awareness enables them to communicate the importance of the work rather than just the assignment. None of this is to suggest there aren't great leaders—there are. But not many have embraced and used this new understanding. Great ones can be greater still.

When you create an organization with these characteristics, people are happy, motivated, upbeat, and highly productive, displaying a high degree of social cohesion and sharing information freely. The more they share and help one another, the faster work moves, especially if you have cultivated deep and intimate institutional experience and retained it, because it is so costly to acquire. Any good leader in IT who came up from the trenches has witnessed the incredible productivity, and solutions, generated by enthusiastic employees with deep experience and high aptitude. They are fast, consistently 10 times faster, according to the research.<sup>8</sup>

Unfortunately, all too often, these talented, highly experienced workers are traded for junior offshore resources, as if strong talent with deep institutional experience were a commodity. It isn't. High aptitude talent is always in short supply, and great talent is rarer still. Once lost, experience has to be regrown; but with commodity talent, the experience develops slowly and then is lost again and again through turnover. How uninformed these practices are! Knowledge workers are assets, not expenses, and like any asset, they should be grown.

Economic theory and most business practice see manual workers as a cost. To be productive, knowledge workers must be considered a capital asset. Costs need to be controlled and reduced. Assets need to be made to grow.

—PETER DRUCKER

## Working Social

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To me, this breakthrough has arrived and is fully visible. To realize the full benefit, corporations must transform their cultural focus from “self” (selfish) to “group” (unselfish) and at long last unlock the value trapped within today’s dysfunctional social systems. Reward systems must evolve from “What’s in it for me?” and “I win, you lose” to “What’s in it for us?” Socially corrosive forces must be replaced by sensitive, outwardly focused cultures that eliminate the insensitivity handed down from the industrial era. And, at long last, trust must be recognized by corporations as the glue that tightly bonds individuals together so that groups of knowledge workers can reliably create value. Most important, antisocial leaders who destroy trust must embrace new behaviors or be pushed aside into an individual contributor role, or out the door.

Consequently, the leading corporations of tomorrow will embrace prosocial behavior and caring cultures as the new means of production—the modern equivalent of a fast and efficient assembly line. These prosocial enterprises will focus on increasing the frequency and value of truly collaborative interaction, and will seek a new generation of leaders who are socially intelligent and unselfish enough to design, build and manage a social system. High-return, high-frequency interactions need to become the rule, not the exception.

As this new paradigm emerges, we will go back to the future, finding within ourselves the social skills that formed millions of years ago as early humans evolved into social animals. All workers share a common evolutionary heritage, rooted in tribes, culture, and social behavior—a core part of our being that enables us to very naturally form a social unit where the whole is greater than the sum of the parts. The good news, based on my experience, is that today’s cold, dysfunctional, and unproductive social environments snap quickly back to their organic shape when a caring, prosocial, and authentic culture is created. They have been deformed, not destroyed.

Industrial management hierarchy will give way to a new organizational paradigm, the *social hierarchy*, where teams become *social units*, the elementary building blocks of larger *social systems* (formerly departments), which in turn roll up to form a *social complex* (formerly division), the building blocks of the *social enterprise* (yes, driven for profit, but shared more equitably, because that is the most productive design).

In order for these social enterprises to operate efficiently, a social climate conducive to open interaction will become the design imperative. Leaders will embrace the human factors of productivity to enable high-return group interaction—with a constant emphasis on collective outcomes. Professionals will embrace *organizational citizenship behavior* (covered in depth in Chapter 9), thereby forming strong relationships, fully opening connections among contributors so that knowledge flows and collective thoughts and ideas are given meaningful

expression. Understanding, gratitude, and outflowing concern for others (empathy and caring) will animate the social fabric of productivity, and people will no longer have to check their emotions at the door. The collective intelligence will be tapped to create new and exciting products and services, generating stronger and more sustainable returns on human capital and improved profitability.

## The Social System Is the Factory

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Each knowledge worker is a unique thread of talent, different from every other, with different cognitive abilities, behaviors, and emotional intelligence. But the great news is that we share emotional needs. It is these shared human factors of productivity that provide a framework we can embrace to drive engagement and organizational effectiveness. As noted, the human factors provide a whole new perspective on how to view the organization: Departments are actually social systems, where social skills and the social climate enable (or hinder) the formation of relationships and productivity.

Each social system is actually a loom upon which threads of mind and emotion are woven together to form teams; the tighter the weave, the greater the productivity. The individual threads of talent are held together by trust, forming a tightly knitted social fabric that accelerates the sharing of knowledge and experience between individuals and teams. Every thread that remains unwoven represents a significant loss of human capital. Unfortunately, few managers know how to build trust, while many are skilled at destroying it.

The more trust flourishes, the tighter the weave becomes, and the greater the strength of the social fabric holding the professionals together. Out of this unity grows meaningful teamwork and collaboration, a critical productivity driver of the postindustrial era. The social system is indeed the modern factory!

The major replacement for the Taylor system will be self-directing teams of workers.

—JOSEPH M. JURAN

Tight bonds will finally replace tentative connections, trust and caring will give way to harmony, and the highest form of social interaction will materialize as the social units gel into truly high-performing organizations. This is how you create organizational effectiveness in IT: Let high-value labor fluidly exchange thoughts and ideas within corporate cultures sensitively tuned to the needs of these producers. Done effectively, the smile index will signal that the “factory” is running well and the “machines” are operating at peak efficiency. Tools will emerge to track how investment turns into experience, helping to fine-tune the social climate so that the experience turns into value.

This new paradigm will be built on top of existing best practices (all of which are very important, and an indispensable foundation). Although collaboration is already valued, knowledge workers themselves are still viewed as “human resources” that must be process controlled to “maximize” productivity and reduce risk. They are merely “interchangeable parts” that turn inputs into outputs, performing manual activities within otherwise automated processes; our industrial heritage remains in the foreground, enforcing rigid, quantitative, process-centric management practices that cannot accommodate such abstract measures as emotion, bonds, feelings, harmony, trust, and meaning. Rather than confront them, we ignore them.

The productivity needs of this era of intense collaboration, hyperspecialization, creativity, lengthy time to competency, and emotionally driven productivity will cause us to broaden our view of what counts. In a *New York Times* article, “Do Happier People Work Harder?” the authors make reference to a Gallup poll that shows our workers are more disengaged than ever.<sup>9</sup> According to the article, Gallup’s Healthways Well-Being Index is based on a daily poll of 1,000 adults since 2008. Americans feel worse about their jobs and work environments than they ever have before. It is estimated by Gallup that this disengagement crisis is costing the economy over \$300 billion a year. That sum is truly staggering, and no doubt underestimated, when one realizes that a worker’s number one desire is to be appreciated. This has shown up in exit interview statistics for years (i.e., people do not want to be treated like interchangeable parts). Social systems tuned to maximize human interaction must be viewed like the assembly lines and process controls that kicked the industrial revolution into high gear. To drive this “soft assembly,” a generation of prosocial leaders will come to the forefront and set the pent-up human potential free. They will understand it is more valuable to unlock productivity than to contain it, so they will artfully shape people’s behavior and sensitively influence emotion so that human interaction becomes *socioproductive*. The emotional dam will be broken.

Let the corporate social revolution begin! Its arrival will address the most prominent cause of IT project failure, an all-too-common occurrence, as highlighted in the next chapter, finally unlocking the knowledge worker productivity waiting to be tapped.

## Notes

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1. Peter Drucker, *Management Challenges for the 21st Century* (New York: Harper Collins, 1999). See “Knowledge-Worker Productivity,” 135–159.
2. Daniel Goleman is an author, psychologist, science journalist, and lecturer who is most famous for his 1995 book *Emotional Intelligence* (New York: Bantam Books). That book sold over 5 million copies and brought the notion of EQ (Emotional Intelligence Quotient) versus

- IQ (Intelligence Quotient) into the mainstream, although that topic had been written about and researched extensively prior to the release of Goleman's work.
3. Martin Seligman is the director of the Positive Psychology Center at the University of Pennsylvania. He is the author of numerous articles, newsletters, and the book *Flourish* (New York: Free Press, 2011).
  4. Frederick Taylor was the first person to discover that work was worth studying. He launched the Efficiency Movement and ultimately management science. Taylorism had an enormous impact on work, and Taylor was confident that his efforts would lead to greater worker happiness and engagement because the understanding of process would make their jobs more interesting. In fact, Taylorism did just the opposite. Workers were reduced to interchangeable parts, and process control lowered the level of employee engagement by removing task control from jobs.
  5. Abraham Maslow is a famous psychologist who served as the chair of the department of psychology at Brandeis University from 1951 to 1969. Today he is well known for his Hierarchy of Human Needs, although he published many books and articles on a variety of subjects. He was a humanist who believed that people should be happy and self-actualized, fulfilling more than their basic needs. Frederick Hertzberg is a psychologist who became famous for his writings on motivation. One of the first management articles I read was a *Harvard Business Review* piece by Hertzberg on motivator-hygiene theory that made a strong case that managers need to stop doing unproductive things in order to release the productivity potential of the organization. It always stuck with me and was an early influence on my orientation toward leadership. Hertzberg was widely published in the 1970s and 1980s.
  6. Robert F. Hurley, "The Decision to Trust," *Harvard Business Review* (September 2006): 55–62.
  7. *Socio-productive* as used in this book describes a work environment where the social chemistry and human interaction have been artfully designed to unlock the untapped human productivity potential that is freely available (waiting to be tapped) to corporations. Socio-productive practices increase the return on human capital.
  8. Many studies have shown a 10× productivity factor between the best programmers and worst programmers, and between teams. See the work of Harlan Mills, who authored *Software Productivity*, published by Little, Brown in 1983. He personally achieved coding rates 10× the average today. Earlier studies by Sackman, Erikson, and Grant (1968) actually showed a 20× difference. These considerable differences in productivity were also shown by Bill Curtis (1981), whose research paper, "Substantiating Programmer Variability", revealed a 10× difference in capability on a debugging task. More recently, Tom DeMarco and Tim Lister showed the difference across teams in *Peopleware* (New York: Dorset House, 1999). The research is extensive and significant aptitude-driven performance differences hold true across professions as shown in other studies. In IT, team composition and the work environment are enormous drivers of productivity, in addition to aptitude, as discussed throughout this book.
  9. Teresa Amabile and Steven Kramer, "Do Happier People Work Harder?" *New York Times*. Available at [www.nytimes.com](http://www.nytimes.com).