

February 2, 2015

LOL: FCG's Secret Weapon

We are re-issuing this LOL for two reasons: 1) so I can eat a large helping of "Crow" because I predicted a win by the Seahawks in the earlier draft. New England really adjusted well to the Seahawks vaunted defense and pretty much neutralized it. Nice job, Patriots. So, in the future I will stick to insights about investment leadership and culture and avoid forecasting, which is dangerous especially when it is about the future. (Yogi paraphrase) 2) my comment that our latest white paper has been "put to bed" caused some readers to think that it was available NOW. Sorry. It will be a few weeks until it is prettied up and published. The rest of the LOL stands as written! ☺

I realize that none of us is supposed to think about anything this weekend except the BIG GAME, but let me commit a little heresy and share some wisdom from FCG. I'll try to sprinkle in comments about the Super Bowl to remain holy and proper.

Ok, so our white paper on "The Investment Challenge: Remaining Relevant through Compelling Value" is put to bed, so I can get back to my weekly LOLs. Do read the white paper, or least the Executive Summary. It has some really good ideas.

Speaking of which, I want to tell you about FCG's secret weapon: appreciation. We joke about our industry having ADD: Appreciation Deficit Disorder. But it's true. When asked about this deficit, CIOs respond with straight faces that more appreciation will result in 1) less work, and 2) demands for more money. Seriously. We hear this from otherwise intelligent, decent people.

Appreciation is a greatly under-utilized tool in the leader's toolkit. The simple act of appreciating your staff will pay huge dividends. And it's free, last time we checked. Some CIOs respond, correctly, that they don't want to walk around the floor giving false praise. Good instinct. We agree. But here's a different approach. Appreciation can simply be the act of paying close attention to someone. Webster defines appreciation as: full awareness or understanding of something. So, you could practice appreciation by simply asking a staff member how their work is coming. And then, this is the key, paying close attention to their response. The skill of "active listening" (i.e. listening very closely to someone) is based on appreciation. And this behavior—active listening—can take a grand total of 30 seconds. And it requires no artificial flattery. Just give your people full attention. Simple.

But there is more to appreciation. And this is where it gets really interesting. Appreciation is a powerful cultural tool for positive change. As investment professionals, we've all been deeply immersed in the "problem solving" paradigm. We are good at analyzing situations, and then extracting the problems: what's wrong with this company? What's wrong with this industry? What's wrong with this employee? It's so embedded in our psyches that we can hardly find language other than: what's the problem? What's the root cause? Where are things screwed up? But there is another, more effective approach. It is called "Appreciative Inquiry" and has been researched and practiced for several decades. And it works.

The basic difference between “problem solving” and “appreciative inquiry” is shown in the chart below:

<p><b>Problem Solving...</b></p> <ul style="list-style-type: none"> <li>&gt; Identify Problem</li> <li>&gt; Conduct Root Cause Analysis</li> <li>&gt; Brainstorm Solutions &amp; Analyze</li> <li>&gt; Develop Action Plans</li> </ul> <p><i>Metaphor: Organizations are problems to be solved</i></p>	<p><b>Appreciative Inquiry...</b></p> <ul style="list-style-type: none"> <li>&gt; Appreciate “What is” (What gives life?)</li> <li>&gt; Imagine “What Might Be”</li> <li>&gt; Determine “What Should Be”</li> <li>&gt; Create “What Will Be”</li> </ul> <p><i>Metaphor: Organizations are a solution/mystery to be embraced.</i></p>
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The big difference between these two approaches is the focus of attention. Traditional problem solving focuses on the defects, i.e. what’s wrong. Whereas appreciative inquiry focuses on the successes, i.e. what’s right. As logical as it sounds—to focus on the positive—we get great resistance from investment teams because they are SO conditioned to solve problems. Mind you, we are not throwing analytical skills out the window! They are valuable. But the research is clear: what you focus on grows. So, if you focus on problems, they get bigger! Let’s be clear: if you want to fix a flat tire, you must focus on the flat tire and find a new functional tire to replace it. The mistake comes when you treat people—or teams—as machines (i.e. tires, engines, etc.). When you do this, you fall into the trap of reinforcing the negative.

An example may help. Imagine your tribes are experiencing turfism, jealousy, and conflict. You decide to have a team-building intervention as recommended by traditional conflict resolution consultants. This sort of intervention would call for:

“Managers to articulate why they see one another as troublesome or problematic. Following the perseverance effect in social cognition theory, once one puts forth a causal explanation for one’s belief, the belief is actually strengthened. Therefore, if one were to say one sees a co-worker as crabby and unapproachable because the co-worker is selfish, moody, and insecure the chances would be greater that, merely because one formed and articulated this causal explanation, one’s belief about the co-worker would be stronger. Once becomes even more convinced that the co-worker is selfish, moody, and insecure.”<sup>1</sup>

And often these kinds of intervention make the problems worse. Because you focus on and re-inforce the “stories” about one another. FCG uses a different approach--the appreciative one--with good

<sup>1</sup> David Cooperrider, “Generative Metaphor Intervention: A New Approach for Working with Systems Divided by Conflict and Caught in Defensive Perception” Available from FCG if you wish to read it.

results. A recent example involves the two big department in a state agency: investments and benefits delivery. We met with the department leaders and their senior teams for an intervention. And instead of dragging in the “elephants” and slaying them one by one, we worked with the appreciative approach: what’s working? We largely ignored the stated problems and went directly to: what successes has the agency experienced? What are you most proud of? Team members spent a few minutes privately writing them down, then shared them with a neighbor. The positive energy in the room was palpable. We then asked what had happened since our last meeting (two months before) that was positive. Again, the group was able to name lots of changes and behaviors that contributed to better communication, more trust, higher effectiveness. Our questions to the group were aimed at teasing out the best practices. So, when one pair of team members talked about their improved communication, we asked questions like, “What specifically allowed for the improvement?” And then their attention naturally went to the things that were working.

Admittedly, the agency had made changes to their personnel during this time period. And it helped. They moved out the people who were underperforming. FCG does not believe that Appreciative Inquiry replaces the need to have strong players in the right roles.

So, if the appreciative approach is so much more effective than traditional problem solving, why isn’t it used more often? One explanation I think is that traditional problem solving makes us look more intelligent. And don’t we love to look smart! Studies in this regard are telling. A clever researcher asked a control group to read Broadway Theatre Reviews. Participants were asked to sort them into two piles: smart reviewers and not-so-smart reviewers. When the piles were analyzed, the results were clear: critical reviews were considered “smart” while complimentary reviews—“your family will love this show. It is a really feel-good experience.”—were put in the not-so-smart pile. Here’s the catch: all the reviews were written by the same person! We look smarter when we are being critical. Again, we love to look smart.

We also resist the appreciative approach to change because it smacks of “polyannish” thinking. How can we solve the hard issues, when we are simply rolling around in this positive fluff? Let’s be clear: FCG is not recommending that you ignore tough issues. (Or stay with underperformers.) Quite the opposite. Acknowledge them and resolve them. Just don’t fall into the trap of “worshipping the problems,” as one of our clients calls it. Also, sometimes the feelings about bad team dynamics run so deep that a period of venting is needed. The classic, “get it off your chest” catharsis. Fine, but then return to the appreciative premise: what’s working in the organization, or the team?

Further, don’t confuse this approach to improving team dynamics with the critical thinking that helps with investment decisions. That sort of critical thinking is very valuable when used appropriately, say in the analysis of investment decisions. The trick is to turn off that critical thinking when you move to interpersonal issues. You won’t help a team perform better by criticizing them. And you won’t help an individual raise her game by dwelling on her flaws.

And, by the way, this appreciative approach works great with kids and significant others! I know, I've experimented with it often, and with good success. Honey does work better than vinegar.

(I've removed my errant prediction in this re-do...) But if you want to read a laugh-out-loud column that really spoofs the Super Bowl hoopla, follow this link:

<http://www.chicagotribune.com/news/opinion/huppke/>

Stay curious and if I lapse back into sports predictions in a future LOL, pay no attention...

JW