

## 5. From a “Production-Company” to an “Innovation-Company”

*The purpose of innovation is to add value. The purpose of good innovation is to eliminate tradeoffs (M. Zelený, 2000).*

The word “innovation” occurs very often in the promotion materials of many firms. Ask their managers how the innovation process in their company is created, how many people they have already trained in the innovation area and which metrics they use for measuring the innovation performance, how they allocate finance for new ideas and innovation experiments which top managers are responsible for the strategic innovations. Their answers will be often tentative.

**The world of innovations resembles more and more a casino with the following rules:**

- The only thing we can do is to increase the probability of success
- We have to gamble frequently, to play various innovation games with a small investment at the beginning and gradually increasing the investments
- The sum of winnings has to be greater than the sum of losses

During the recent 10 years we have carried out analyses of innovation potential in more than 190 companies and revealed the following causes of low innovation performance:

- Particularly the larger firms and their top managers are afraid of failure. The orientation on certainty, avoiding risky experiments even though they may be promising. And that is why the smaller companies are quicker in the area of innovations.
- The bureaucracy – a lot of creative people and innovators turn into clerks in the companies who only follow the deadlines, budget and work out reports about the project development
- The operative tasks, everyday business and services for the current customers often rob people of the energy to look for new opportunities and innovations
- The “intellectual incest” – a too narrow specialization and repeating the “old truths and solutions”, lack of inspiration from the outside world and other branches
- The innovation is running only from the point of view of the development specialists, the knowledge of the customers is missing, their processes, way of thinking and the real problems they are solving
- The lack of freedom, the inspection culture and defining the goal and tasks from the top management, insufficient collaboration between the departments
- The inability to innovate on the level of the whole business model – only the product or service is innovated without any linkage with the innovation of the manufacturing processes, communication with customers, distribution, etc.
- The incorrect organisation of the innovation process, ignorance of modern innovation procedures and methods
- The conceptual phase of the innovation process is weak. In this phase even before making decisions we create and assess conceptual variants. We often “leap” directly to detailed

processing and the realisation of the first idea and this results in projects with frequent changes, delays and increased costs

- The owners sometimes want the money invested into innovations to be adequately appreciated. However, the investments into innovations often have the character of gambling. The successful players play several games at the same time and if the cards are bad they always stop the game in time. They raise the stakes in games where they are successful. A lot of games are lost, however, in summarising they are always in the black.
- The innovations require a good idea but their success is often threatened by an inability to launch them onto the market or to sell a critical amount. A lot of companies organise brainstorming sessions and innovation workshops but they lack the ability to fine-tune the details and draw the results into successful business cases.
- A lot of firms speak and present innovations but no new values for the customers are created. Some companies consider innovations as various tricks to betray the customer.

It is important to keep in mind that innovations do not arise in a system where people are trying to plan and manage everything perfectly, where they are afraid of risk, where there is no willingness to devote time and money for experiments, where all are the same and they think in a similar way. In the same way as certain plants in nature need a suitable environment in order to flourish and bring harvest, also innovations need a suitable climate and conditions for their development.

It is necessary to support diversity in people's way of thinking and how they act. To join together the old and young people, the experienced and inexperienced, people with analytical and creative thinking, the bosses and their subordinates, the firm's employees with people from outside the company. It is necessary to link people who understand machines with people who understand human beings. If you want to compete globally, you have to understand that more than 80 % of people do not have a white skin, and more than 50 % of people worldwide are not males, says the founder of the DiversityInc Magazine Luke Visconti. In our firms we have to structure a similar world to that which surrounds us – varied, heterogeneous and free. It is necessary to not only listen to the voices from the top company floors but also to the voices of people who are on the periphery of the organisation, the voices of new people who have come to the firm from a different environment, the voices of young people who view the world in a different way.

The heterogeneity of opinions and views of the world is very important for innovations. People in many enterprises are locked in their own problems and opinions on how to solve them. It is necessary to send them out, to meet people, to attend seminars and discussion forums, to visit other firms, customers, suppliers, into a different environment. It is also beneficial to invite people from the outside – students, consultants, new employees.

The innovation climate also requires time and space. How to create these? This is the question of those who are flooded with mails, operative meetings and tasks, calls and resolving problems every day.

The company has to develop 6 basic abilities in the area of innovations:

1. The ability to identify opportunities
2. The ability to create, suggest, design and plan the innovation changes
3. The ability to realise and launch the innovations onto the market

4. The ability to learn
5. The ability to cooperate
6. The ability to lead and control the whole innovation process.

Four key areas for creating a functioning innovation process are as follows:

1. The organisation of the innovation process – generating and assessing the ideas, their linking with talented people, innovation project management
2. The innovation procedures and methods – to direct the innovation appropriately, to define and solve the contradictions, to reveal invisible trends, to recognise the innovation principles, to recognise the tacit requirements of the customers – WOIS, Creax, IDEO, TRIZ, etc.
3. The development of people and talents – the innovations do not mean project charters and excel tables rather they are about adventurers, talented businessmen, learning, motivation, multi-functional teams and the ability to realise things
4. The innovation culture – accepting the heterogeneity of opinions and performance, freedom, time, space for development, communication, experiments but also for errors.

Many companies link the operative and strategic processes. This causes certain schizophrenia in the activities of the development engineers, designers and technicians who are working in parallel on the customer adaptation of the products, on optimising the existing technology and yet at the same time they are expected to invent new, revolutionary solutions for the future. It is not only a problem of capacity, but also a psychological problem. The first type of activities requires high productivity; it runs under time pressure according to exactly defined standards. The second type of activities is oriented strategically, where a high creativity and an environment that supports it, is required. The assignment is often contradictory (more for less), experiments and failures are allowed because they often lead to revolutionary solutions. The final result is often preferable to that of the time factor. And the conclusion? These two processes need to be separated.

So, how do we create a functional innovation process in the company?

1. Let's create a company market for entrepreneurial ideas. A free, fair and open market which is not a privilege of the chosen few in top management.
2. Let's remove risk from the opportunities and experiment to a small extent but frequently. Don't let's look at the fact of how many times we have succeeded but instead what value a successful business has brought. The important thing is not to punish people for mistakes because we are dealing with new, original ideas which have resulted from a lot of mistakes and failures.
3. Let's enable people to participate in the success and thus hold on to the entrepreneurial talents. It is necessary to give a chance to sound and talented people and to be adept at skilfully connecting creativity with entrepreneurship. It is necessary to nurture management talents but also entrepreneurial talents as well in our firm. It is reasonable to facilitate people participating in the results of successful projects in the form of a share, career promotion or partnership.
4. Don't let's try to fight the competition or to imitate it. Let's try to oust it from the game by creating a new market and new rules. It is not enough merely to innovate the products and processes, but rather we should compete through a new entrepreneurial system.

5. Let's create a market for the development capital. The capital for financing entrepreneurial experiments, further development. Our own as well as the foreign ones. If the project is good, everybody should have a space to apply for resources to finance it. Having a market of innovation ideas is not enough - it is necessary to have a capital market for their commercial utilisation.
6. Let's accelerate the creation of new knowledge and create wealth through different views of the defined paradigms, let's reveal invisible trends in the customer needs, in new technologies, let's search for analogies and inspirational resources. Let's develop our knowledge.

Professor Milan Zelený says as follows:

Innovation is a strategic necessity in the global era. The process of innovation must be integrated and embodied within the entire cycle of the business process. It has to be continuous, purposeful and strategically coherent. Innovation cannot remain an isolated function of selected, qualified individuals or departments. It cannot wait for inspiration or creative enlightenment, nor can it be dependent on certain attributes or characteristics of "innovative" individuals.

Every individual works in and is a part of some key corporate processes; all of these processes are subject to both continuous and often discontinuous improvement. That means that continuous (quantitative) and discontinuous (qualitative) innovation drives must be embodied in each individual and embedded in the system of their daily interaction and work. The whole company, with all its employees, whether production or service oriented, must become an Innovation Factory.

Knowledge is the purposeful coordination of action. Achieving an intended purpose is the sole proof or demonstration of knowledge. Its quality can be judged from the quality of the outcome (product) or even from the quality of the coordination (process).

If we can engage in any activity in a purposeful and coherent way, then we demonstrate knowledge or we know. Such purposeful action can be both physical and mental, ranging from doing and behaving to speaking and thinking. In order to coordinate our action, we have to embody certain enabling structures, like neural patterns, physical and mental dexterities, appropriate concepts, distinctions and guiding images, and so on. All such enabling structures can be embodied through inheritance, learning, training or similar processes. A more comprehensive definition of knowledge would then read as follows:

- Knowledge is an embodied complex of action enabling structures, externalized through a purposeful coordination of requisite activities.
- Information is a symbolic description of action. Whenever we describe, in words, numbers, pictures or symbols, past, current or future action, we have created information.

Information is not knowledge. What we do is knowledge; what we say we do is information. All knowing is doing, and all doing is knowing. Information is an input into the process of coordination of action, into knowledge.

Managing a company through information, that is, through symbolic descriptions, is quite inappropriate in the global era. No business adds value through descriptions, but only through action. Managing action is different from managing statements and other symbolic descriptions. Reading a cookbook (information) is fundamentally different from knowing how to cook (knowledge). Innovation is not just about ideas, inventions and designs, but about the entire, selfenhancing Understand-Design-Implement-Operate cycle. Innovation is about action because it is about adding value and value can only be added through action.



Knowledge is measured by added value. Added value is produced by customer satisfaction expressed by the purchase. Otherwise, no added value has been realized. Only the purchase brings money. So, knowledge is measured by added value, i.e., by the money paid for it by the customer. Innovation adds value through knowledge.

Innovation is not to be only a breakthrough technical solution. Generation of technical changes on the product or technological advantage in the production process have not necessarily led to success. Many companies have a perfect product, produced by an excellent technology. They have the only limitation – the customers don't see any reason to buy them. They did not find the customer value. Innovation must generate “something new” for the customer life – simplicity, risk elimination, convenience, better price, fun, image and emotions, style or environmental friendliness.

All systems contain contradictions - something gets worse as something gets better (e.g. strength versus weight). Powerful, breakthrough innovative solutions are the ones that don't accept the trade-offs. Such solutions are actively focused on contradictions and they are looking for ways of eliminating the trade offs.

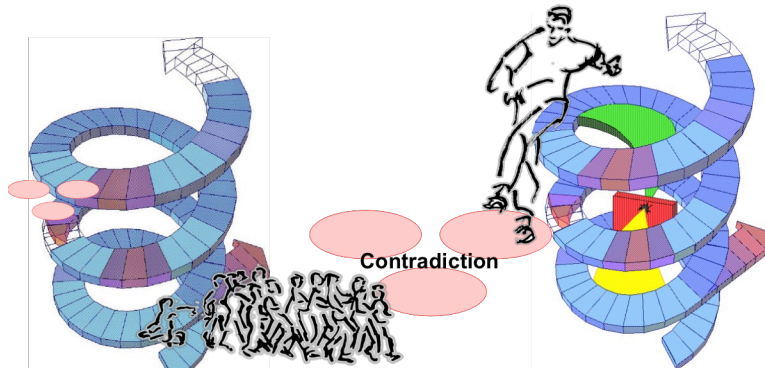
<b>Customer Benefits↑ (Higher)</b>	<b>Costs (Constant)</b>
<b>Customer Benefits (Constant)</b>	<b>Costs↓ (Lower)</b>
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<b>Customer Benefits↑ ↑ (2 x Lower)</b>	<b>Costs↑ (Higher)</b>
<b>Customer Benefits↓ (Lower)</b>	<b>Costs ↓ ↓ (2x Lower)</b>

D. Mann defines two ways of thinking regarding innovations:

<b>Trade-Off Thinking</b>	<b>Breakthrough Thinking</b>
High Quality <b>OR</b> Low Cost	High Quality <b>AND</b> Low Cost
Affordable <b>OR</b> Customized	Affordable <b>AND</b> Customized
First Cost <b>OR</b> Life Cycle Cost	First Cost <b>AND</b> Life Cycle Cost
Flexible <b>OR</b> Rigid	Flexible <b>AND</b> Rigid
Big <b>OR</b> Small	Big <b>AND</b> Small
Adaptor <b>OR</b> Innovator	Adaptor <b>AND</b> Innovator
<b>A OR B</b>	<b>A AND B</b>

**Benchmarking, Competition,  
Follow up Others, „Red Ocean“**

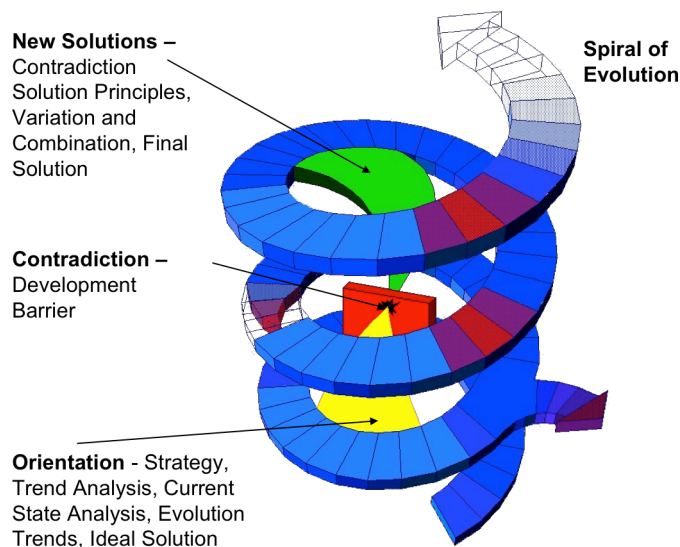
**...Breakthrough Innovations,  
Business Leadership, „Blue Ocean“**



Overcoming tradeoffs through contradictions (Linde, WOIS)

The basic conditions and principles of successful innovation are:

- The innovation project starts with deep analyses - market analysis, product trends, analysis of technological trends, process analysis, analysis of production and assembly trends, trends in sales and service systems, analysis of the product as a system and its environment, analysis of system functions, analysis of existing solutions (patents, competitive solutions, solutions of other areas, generation of solution maps, benchmarking), analysis of system generations and evolution.
- Integrated, team based design and development process – marketing concept, product and process are designed by the same multifunctional team (marketing, design, process planning, production, logistics, controlling, customer).
- Use of the knowledge of the system evolution and system generations – strong orientation on the past and future development trends. Not only a new products or processes are created, but also the knowledge and strong learning effect is generated through the innovation process.
- Culture of creativity, acceptance of failures, space for experiments, prototypes, testing new ideas.



Contradiction based innovation strategy WOIS (Linde)

### An Example of the Product/Service Innovation Process in the Innovation Company:

Step	Description	Methods
<b>1. Customer definition</b>	Defining market segments and customer groups	Market analysis, Ideal Final Solution (IFR), S Curve Analysis, Function and Attribute Analysis, Problem Evaluation, TOC – Thinking Process, Kano Model, Customer Requirement Analysis
<b>2. Customer requirement definition</b>	Defining real customer requirements on the product/service in each group	Physical or technical contradiction, constraint, conflict, missing function, excess function, opportunity analysis, risk minimisation, cost reduction, function optimisation, WOIS, Ideal Final Solution (IFR)
<b>3. Trend analysis</b>	Analysis of the trends on the market, analysis of the product/service evolution trends,	S curves, evolution trends, forecasts, fashion trends and lifestyles , new market needs, new research results and inventions, analysis of competitors, new technologies
<b>4. Product analysis</b>	Product/service analysis and comparison with ideal solution (maximisation of the useful functions / minimum costs and harmful functions)	Analysis of product evolution potential, product structure and component analysis, mind mapping, brainstorming
<b>5. Function analysis</b>	Analysis of useful and harmful functions on the product/ service	Functional analysis, constraints, conflicts, missing function, excess function, optimisation, risk minimisation, cost reduction
<b>6. Parameter analysis</b>	Analysis of parameters of useful and harmful functions on the product/ service	Morphological analysis, pair comparison, function and relationship modelling – sufield analysis
<b>7. Analysis of costs for the functions</b>	Cost analysis for creation or improvement of useful functions and elimination of harmful functions	Cost analysis, value analysis
<b>8. Definition of contradictions</b>	Defining basic contradictions, their overcoming will create new, higher or different customer value	Contradiction matrix, physical or technical contradictions, TOC conflict cloud, brainstorming, current reality tree
<b>9. Solution of contradictions and generating innovative solutions</b>	Solution of contradiction, design of new solution	Inventive solution principles for technical or physical contradictions, sufield analysis, evolution principles, resource analysis, DIVA, knowledge and principle database,

		ARIZ, brainstorming, lateral thinking, Osborn list, Scamper, Synectics, bionics
<b>10. Product and process development</b>	Product and process development, testing and evaluation	LPPD – Lean product and process development, DFMA, DFx, Critical chain, Simultaneous engineering, technologies for product and process simulation, A3 reports
<b>11. Start of production and market penetration</b>	Start up production, logistics, distribution, marketing	Ramp up, simulation, project management, A3 reports

There are some new paradigms on the development of the companies today:

	<b>Yesterday</b>	<b>Tomorrow</b>
<b>Corporate strategy</b>	Productivity	Innovation
<b>Corporate processes</b>	Standardisation	Improvement
<b>Change management focus</b>	Best practices, benchmarking, increase customer value	New Practices – Blue Ocean, create new customer value
<b>Employees</b>	Focus on the “employee’s muscles” (performance – physical intelligence) and brains (kaizen – mental intelligence)	Focus on the employee’s heart (self motivation, emotional intelligence) and soul (moral and ethics – soul intelligence)
<b>Competitive factors</b>	Hardware, software	Brainware, co-ware
<b>Corporate culture</b>	No mistake and error culture	Culture of trials and experiments
<b>Intercompany relationships</b>	Competition, fight	Co-operation, partnership
<b>Improvement concepts</b>	Lean Manufacturing, Six Sigma, TOC	Systematic Innovation, Lean Product Development
<b>Innovation focus</b>	Product and Process innovation	Business and Thinking Innovation
<b>Management focus</b>	Quality, Productivity, Flexibility	Innovation and Knowledge Management
<b>Management principles</b>	Management by objectives, process and project management	Management by opportunities, company as a living organism

Each company has two basic functions:

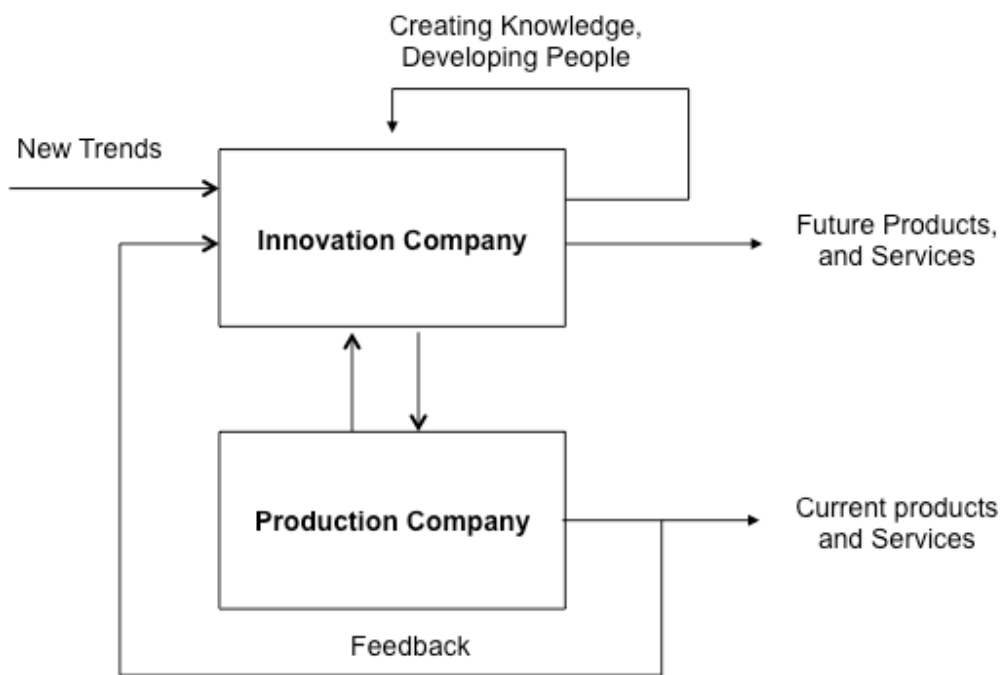
1. Production and development products and services – this is the prerequisite for earning money, making profit and growing company.
2. Self reproduction - creating knowledge and development of people – this is the prerequisite for long term mastering of the function 1.

Each firm should interconnect two firms:

1. A product-type firm which makes design and re-design (product design, development, process planning, development), produces them and delivers them to the customer (traditional model of a firm).

2. An innovation-type firm which permanently innovates products, processes, entrepreneurial system, innovation procedures, ways of thinking and people in the company.

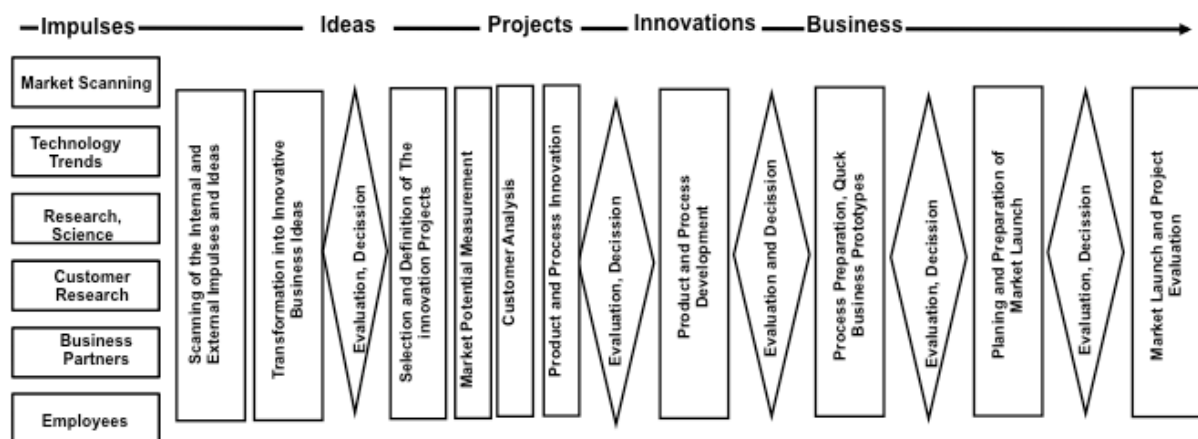
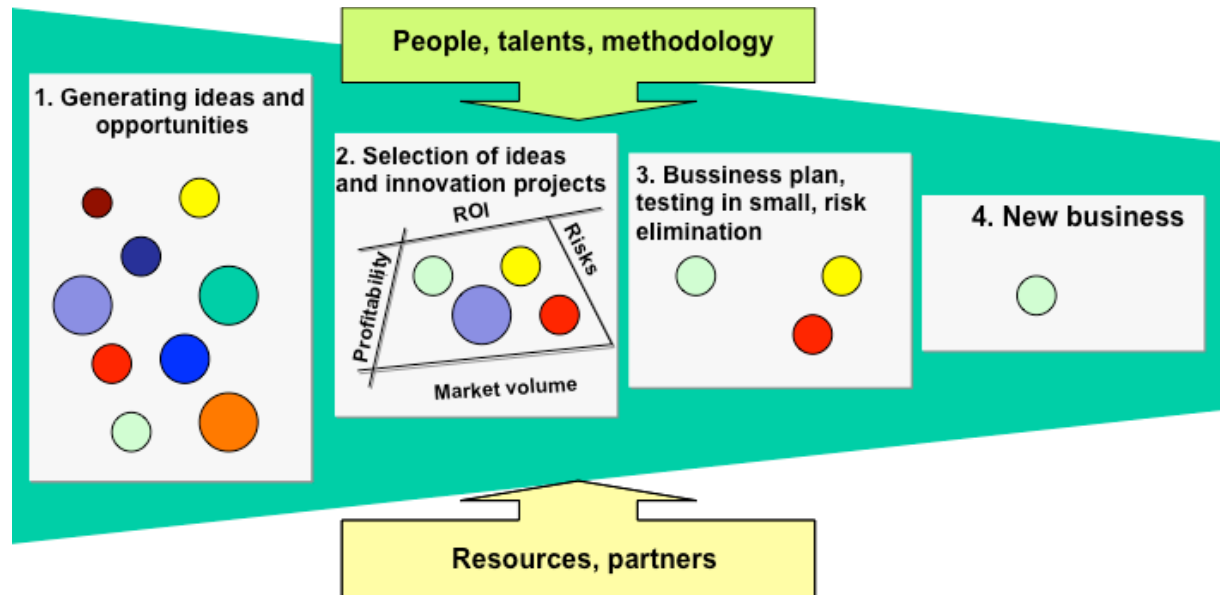
Product-type firm	Innovation-type firm
Current profits	Future profits
Servicing the customer	Customer's surprise
Discipline, standards and inspection	Attempts, experiments, freedom
Productivity	Creativity
Managers	Entrepreneurs
High process utilisation rate	Low process utilisation rate
Uniformity	Heterogeneity
Human resources	Talents and personalities
Price and low costs	Exceptionality



Two “firms” in one – a question of short-term and long-term survival.

What actually do the companies have to do? Exactly what happens in human society and in the environment – to learn, to give the knowledge to each other, to improve our capabilities. The problem is that the knowledge cannot be handed over on CDs, in databases or Power Point presentations. Let's have a look at small children in the age from two to five years. Their huge ability to learn, their unlimited imagination and creativity is not given by the fact they have an “unloaded” brain. A small child uses both brain hemispheres without restraint – the rational as well as the creative one. Then later adults and the school system deprive them of asking “silly” questions, of using their limitless imagination, to dream and play. The

transfer of a child to an adult, to rationality and seriousness is often a systematic killing of the creativity and ability to make something new. The development of the left hemisphere on which the whole educational system is built, the gradual taking over by routine patterns for solving situations do not develop the ability to solve new situations, to look for revolutionary solutions. We have to bring the world to our schools and companies, the world in which our children will grow – a world of games, experiments, creativity and imagination.



Innovation process in the company

Also the management and the firm organisation are to be innovated. Benchmarking and best practices without looking for our own original solutions can lead to many failures.

**Here are a few examples – How to ruin a company systematically?**

Seminars and books often present success stories and Decalogues of success that do not usually work. But more than 80% of business innovation projects are "unsucces stories". Unlike advice guaranteed achieve success, steps leading to a failure work quite well in most cases. No manager and no businessman come to their office in the morning with the intention to err, to do harm and destroy their

company. But they still do it very diligently and thoroughly. How come? Here are some of the errors that can ruin any company.

**1. Follow the Slogan “The Customer is Always Right (The Customer is King)” and Just Satisfy All the Requirements of Your Clients**

Doing exactly what the customer wants can be the fast track to destruction of your company. Wide and unclear range of products offered by many manufacturers, complicated logistics and manufacturing – these are common consequences of a clueless business and marketing. It is good to have a broad spectrum to offer for customers to choose something what is good for your company. Toyota, for example, carefully analyses actual needs of customers in a specific segment. The result is a standard model that contains all the major requirements raised by most buyers. Non-standard designs are then assembled often at the dealer’s place. Knowing the wishes and secret desires of customers or copying blindly what they tell us to do – these are two different ways. The first way helps create value for the customer, The other one leads to loss of both productivity and innovative ability.

**2. Create a Perfect Vision, Mission and Strategy for Your Company**

Firms are full of perfect visions, missions and strategies – carefully kept in managers’ archives and computers. Many companies apply a reversed Pareto principle to develop and pursue their strategy – 80% of time is devoted to develop vision, mission and strategy; 20% to their implementation. There is a dense fog between drafting and pursuing a strategy. The fog separates a small group that drafted the strategy from a big group of people supposed to implement it. In most cases, implementers are not familiar with goals, they have no definite approach and motivation and instead of pursuing the strategy they rather struggle with each other. Assume that only 4 out of 11 football players know what their objective is and where the goalpost of the opponent team is; just 2 of the 11 are interested in it (the others do not care); only 2 out of 11 know what their position is and how they should play; 9 players out of 11 compete somehow with their team mates more then with the opponent. This is a statistical result of a survey aimed at strategy implementation conducted in thousands companies, made by Franklin Covey & Harris Interactive.

**3. Try to Have All Your Workers Productive and Make Them Do As Much As Possible within a Given Period of Time**

Effort to have done as much as possible within a given period of time is simply wrong. Productivity does not mean to do things quickly. It is more important to choose proper activities and to do them properly. Productive people look at a compass more often then they look at a watch. There are certain principles that apply to human efficiency. Productivity goes down unless you know them or follow them. The compass shows us where the North is, it helps us find the right way, but it also shows our limitations and restrictions in the time and space given. So, productivity does not mean running fast like rabbits in the field, but it means walking the right way in the right direction. The compass tells you to pay attention to valuable and important things; the watch tells you to give priority to urgent matters. Resolving this dilemma is a path leading to performance and happier life.

**4. Cut Costs Rigorously and Radically**

“Cost cutting at whatever cost” – this is a slogan that can be heard in many firms with a little bit of humorous exaggeration. Often, the result of this is thoughtless outsourcing that brings lower costs per product or service on the paper, but total costs eventually grow up. Attempts to reduce numbers of overhead workers are funny, too. For example Japanese experts, say that there should be one “over header” per 15 workers in production and his task would be to improve process. The ratio of benefits and costs of such “over header” usually is 4:1. If you want to enhance performance of a firm, first you need to concentrate on increasing its throughput(value added in the process per unit of time). This will result in higher production volumes and utilization of resources. In step 2, focus on inventory reductions and process synchronization. Reduction in operating costs comes only in step 3.

Consultants, who do “miracles upon request” in the reversed order can achieve some effects in the short term, but they usually do harm to the company in the long run.

#### **5. Send Your Workers to Attend Trainings to Implement State-of-the-Art Methods and Procedures in Order to Increase Company's Performance**

Trainings should be attended mainly by bosses and owners of firms so that they would become more familiar with specific methods, procedures and relationships between them in more detail. Then they would understand that less is sometimes more. There is no sense in implementing all the novelties presented at conferences and in books. The result is likely to be a “mix” of most diverse features – process management, BSC, reengineering, Kaizen, Lean, Six Sigma, ABC, etc. This does not mean that these “ingredients” are harmful; it means that you need to know the dosing. Many “advanced methods” are often nothing more than good old common-sense methods wrapped in a new packaging. Rather than their name, it is more important to know that you cannot sow too many seeds in one field. The farm law applies here, which says that “there is a season to everything” – a time to sow, a time to dung, a time to hoe and a time to reap. Implementing new methods and procedures in a company takes time for preparations, but mainly for setting down, maturing, striking roots. Accelerating this process can result in big losses.

#### **6. Continuously Innovate Your Products and Business Processes**

There is no doubt that no firm would survive in the long run without innovating its products, services or business processes. Where is the problem then? The word ‘continuously’. Usually, innovation is a change implying an extensive scope, with effects on customers and employees, who face any change with a certain degree of opposition. Changes in companies must be balanced and they must follow a certain rhythm. Radical and huge changes must be combined with continual and small changes. There is no sense in bombarding customers with innovations they are not interested in; there is no sense in cannibalising successful products by new ones if their time has not come yet; there is no sense in bothering the staff with changes in inappropriate time. Considering innovations, it is important to decide what and how will be changed in a product or service and how business processes will be reorganized, but also how to schedule such change properly. There are many cases of failed innovations that brought about important solutions and progress, but people refused to accept them because the changes simply came in the wrong time.

#### **7. Invest into a Perfect Information System to Have As Much Information and Reports from Business Processes as Possible**

If you ask in a firm about things that do not work, the most likely answer would be – information system. However, this answer is not formulated correctly. An information system is not a sort of a magic machine that generates information once it is turned on. The problem is not in information systems as such, but rather in their inadequate implementation. A firm does not need an information system, but information. Present information systems focus on fast processing of data, or transforming them to information in a better case. The typical result is a myriad of reports and tables that accurately and quickly compute inaccurate data. Data collection technology and system is the key problem in many companies, not the information system as such.

#### **8. Start Organize Outdoor Trainings and Hire Psychologists to Improve Corporate Communication**

No outdoor training and no external psychologist can resolve communication problems of a company. You can spend a relaxing time outdoors, provide your director with your feedback sipping wine in the evening you would not dare if you were sober, or you can relieve tension by firing bullets from a paintball gun to a colleague you hate. This is it, but it has not much to do with communication in a company. Good communication is based on trust, not on communication techniques. More trust means



higher speed and lower costs, says S. Covey's Jr. formula. "Technology is important, but the challenge of this decade is not only to maintain them, but to complement them with trust", says Tom Peters.

#### **9. Always Put Top Managers from Other Companies to Key Managerial Positions**

Exerting strong pressure on worker's performance, maintaining uncertainty and competition is not a good motivator. Fear and uncertainty must be replaced by trust and stability. Hiring a top manager from a different company has some advantages – the manager is a ready-made "player", who often contributes with their new know how. But disadvantages outnumber advantages. It is more difficult to educate a person from among your staff, but you can count on more certainty and loyalty. Managers who come from external environments are often rejected by people within the company, because they view this as a lack of recognition of company's own people. Installation of external managers can be therefore an entry of solo players, supermen, individualists, who play on their own. Conclusion – the correct way is to have your own incubator and school to raise managers for you. People coming from outside can do well in crisis management, to disturb local connections that harm the company or to overcome business blindness.

#### **10. Do not Trust People, Try to Keep Everything Under Your Personal Control**

Lack of trust is very expensive – it requires control, time and energy. He, who wants to control people, shall eventually become their slave with no time for his own work. Also motives of people who feel they are not trusted and are permanently under control are very low. Punishing people for errors is the best way to achieve that problems and errors will be concealed and mistrust will get even deeper. There are only few people in the world who do harm or bad things intentionally. Human errors often stem out from insufficient motivation, lack of concentration, but mostly from wrong people in wrong positions. It is necessary to develop such culture where people will not be afraid to point out to errors or concerns around them. This is the only way how to identify root causes and solve them. If an error is a result of a human failure, let's ask how we can help, how we can set a process to be error-free, how to eliminate the cause. If somebody repeats the same mistakes, it is worth asking whether such person was assigned to the right place. Putting somebody to a position that corresponds to their abilities is not a punishment. It is the best thing you can do for this person and the firm

#### **11. Buy the Most Advanced and Most Complex Production Technologies**

Many successful companies invest into complex and costly equipment. There is nothing bad about it, provided that capacities of the existing technologies are over. In every firm there is one more "hidden firm" – unused potential and capacity of machines and staff. Another problem is that people often buy inadequate equipment with capacities and technical features that cannot be fully utilized at the company. This increases unnecessary fixed costs, but expensive and complex equipment can be risky for flexibility of the business, too. Several global companies (such as Siemens, Continental, Bosch, Boeing, Nissan, Toyota) are dealing with issues of simple modular equipment and low-cost automation. Another issue is that investments should be aimed at sufficiently verified and reliable technologies.

#### **12. Strive for Maximum Utilization of Key Technologies and People**

Efforts for maximum utilization of a machine often results in one thing. When company owner asks the production manager: "To what rate do we use our key machine?", the typical answer is: "And what would you like to see, sir?". This results in the effort to use the equipment at any cost, to produce pieces and pieces and pieces... This is the worst thing production managers may ever commit. Not to stop the production process in case of abnormalities, errors, deviations from standard means not to solve a problem, to sweep issues under the carpet, to learn how to tolerate disorder and imperfection. Overloading of key people has even worse consequences– these workers have no time to pass on their skills, to put down their best practices and to teach their colleagues. Paradoxically, this is how the best people can become bottlenecks in the company and when they leave, a serious problem may arise. It is

an essential task of a manager to identify and educate a successor who will once replace them. Top bankers realized this long time ago, so now they can spend several weeks on holidays in the Caribbean.

### **13. Make Your Managers Focus Their Attention on Results Only**

Result-orientation is not enough. Results are just an outcome of using or not using the potential of a given firm or process. Managers therefore need to deal with developing the potential – human potential in particular. “Improve people around you and they will improve processes; our people do not go to the firm to work, they go there to think; the principal task of our managers is to teach their colleagues” – these are the principles of one of the most successful manufacturing companies in the world – Toyota. Managers therefore need to identify and develop talents around them; the word “teacher” means that they need to learn and improve themselves, too; that they need to be a role model for their colleagues both in professional and human terms. This is the only way of replicating genes in the corporate DNA, but this is also the way of respect and regard to each other that is missing in many companies.

### **14. Keep Changing Things and People Around You**

You do not have to change things around you all the time. Every change starts from within, stemming out from you. Manager's task is not to change things around; people really need some degree of stability, peace and silence for their work. In the words of St. Francis of Assisi: „Lord, give me the strength to change what I can and should, give me the peace to resist what I cannot change and give me the wisdom to understand the difference between the two“. Stephen Covey is the author of wise books about 7 habits of efficient people and his brother John paraphrased him once by drafting 7 habits of inefficient people:

1. Be reactive. Always doubt yourself and blame others.
2. Work without any clear end in mind.
3. Do only what is urgent.
4. Think in win/lose terms.
5. Seek first to be understood.
6. If you can't win, compromise.
7. Fear change and put off improvement.

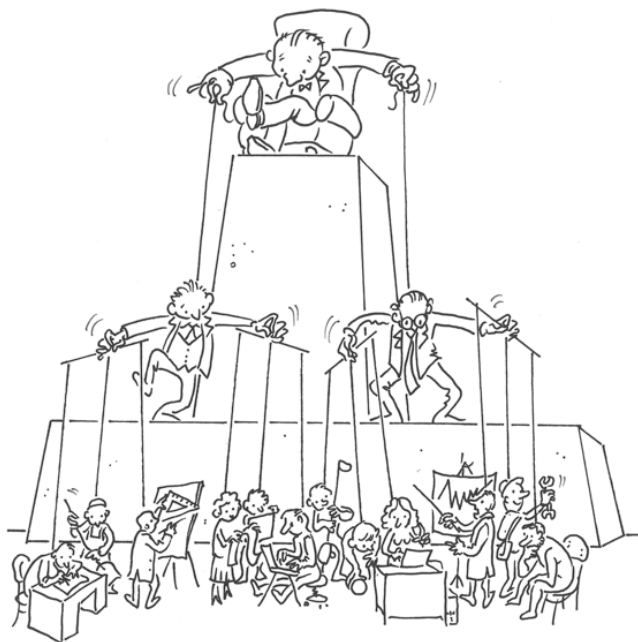
There are many ways to ruin a company. There is nothing worse than do bad things perfectly and thoroughly with good intentions. History of unsuccessful companies is full of such examples. But managers still have mostly success stories on their bookshelves. What a pity.

## **6. A New Age of Management and Leadership**

### **Management theory is full of “truths” which are mostly invalid**

Have you ever noticed that books about management are often written by people who have never been managers? How many real managers and entrepreneurs are teaching management on university courses? Even if they were teaching it, it would not help at all because the old methods and procedures do not work in the new conditions. Several experts analysed the bankruptcy of many enterprises and had to admit that their bosses had proceeded exactly according to what they had been taught on the management courses. If you cook a meal exactly according to a recipe and the result is bad, the mistake must be in the recipe. It means, that a lot of management recipes are incorrect. The failure can lie in the fact that the managers and consultants read some recipes too cursorily and after application the result does not arrive.

However, the basic problem is that companies cannot be managed according to recipes written by somebody else because such a recipe does not encompass all the conditions and the context of the given company situation. The results are often catastrophic – the managers diligently use the “best practices” and the results are not forthcoming. Two possible solutions can emerge – other “best practices” are applied (usually with the same result) or the results achieved are presented as excellent although they are very far removed from any excellence. However, the worst thing brought by these procedures is the systematic crowding out of using the common sense from economics and companies. The modern economists teach us that it is necessary to increase consumption by all means, it is not necessary to create any saving, it is necessary to live on debt, the state interventions into economics and financial speculations are promoted as principles of the functioning of the free market. They claim that when prices are reduced it is bad and when the currency is depreciated, it is OK. The fools who deny the common sense of our grandfathers are systematically destroying the economy. The less efficiently the fiscal and monetary tools work, the more stubbornly the economically blind people use them. The government supporting programmes, stimuli, economic injections – that is the destruction of economy and of the free market, throwing money away (instead of saving), disrupting the natural market development but also causing a never ending corrupting of the whole society. However, in many companies this is how it works.



Several owners of private firms have returned to the executive management system. They say that within a few years the hired “professional” managers and consultants had ousted common sense from their firms. Do you know this? We have a problem, so we will create a new form, workshop or project. Instead of deciding about the problem and resolving it in one second according to our common sense we feed the problem into a system. What is it? A sophisticated tool for recording problems. Sometimes it is so sophisticated that there is no time left to solve it. Instead of applying common sense we organise workshops and projects, where we ask “5-times why”, draw fishbones, prepare Power Point presentations and formulate catalogues of measurements. I have nothing against projects and workshops; however, I have a problem with the fact when we may be solving simple things in an unnecessarily complicated way. I sometimes look at standards, regulations, audit forms and I get the feeling they were created by people who have mislaid their common sense - or perhaps

they have never seen the given process. I have visited a lot of companies which possess a “sophisticated” system for problem solving. They have a project and for several months have been solving the problem of how to reduce the costs for the company trainings. One of the solutions is to reduce the costs for catering. They simply make weaker coffee, and they arrived at this solution after six months of using the methodological procedure DMAIC. Good bye, common sense.



To be chasing and working much is the highest level of laziness – it is an inability to distinguish the important and unimportant things in life and work.

### **There are a few management “truths” which are not truths**

1. Good company performance efficiency is achieved by the process management. The process management can work in automated processes where we receive exactly expected process outputs through managing the inputs into the process. However, a company is not a machine but a live organism. The live systems adapt and the given inputs always cause different outputs. Completely different principles than those for managing inanimate machines are to be used for controlling live systems. It is amusing to follow how stubbornly the process engineers and analysts re-draw their process charts and maps and hope they will be able to “optimise” a live organism in this way. Then a group of auditors, certifiers and other “buck passers” arrives and they check if the “company works according to the process descriptions” and then they complete the whole senseless system by other unnecessary activities which step by step disable the company from working in a normal way. Let’s remind ourselves that the original aim of this activity was to improve the company’s performance efficiency. Ask a process engineer how to assign properties like adaptability, self-renewal, learning or self-preservation into the process regulations. It is necessary to describe the processes for us to understand them better and to be able to simplify and improve them. However, the process management means managing a machine, managing a live organism is to be realised in a different way.
2. The company managers and their consultants like searching for an “optimal organisational structure”. The organisation is the internal functioning of the system elements, the links and interactions between them and the structure is the external expression of the organisation. We often confuse the consequence with a cause. If we draw an “optimal”

structure, it does not mean that we will be a functioning organisation. In other words – we can draw organisational charts of any kind, but the most important thing is what people will be in this structure, how they will communicate and collaborate with each other, to learn, what common language they will use.

3. It is important to have an appropriate vision and strategy. The managers spend the whole day at workshops where they define the visions, strategic plans and objectives. They usually say that apart from the problems with realisation, everything works. It is amusing. The strategy is not what the managers say, plan and present but what they really do, what they are able to realise. In a rare moment of candour every manager will admit that his/her main problem is the difference between the plans and reality. The problem can be stubbornly insisting on fulfilling the strategy, because the company surroundings, market conditions, competitors' activities and a lot of other factors change so quickly that strategic flexibility becomes an important capability of the company – the capability to respond to the changes, to correct the strategy, to rectify the failures and to learn. New visions and plans instead of taking lessons from the past and improving the realisation ability are the responses to failing to fulfil the strategic plans in many companies.
4. All management decisions are to be freed from any risk. Many entrepreneurs smile when they remember the beginning of their firms, when the company was growing with an unreal speed and they did not know what they did not know. However, they had courage, enthusiasm and energy. Certainly it is not acceptable for a company to launch untested products onto the market and expose the customers to risk, as well as the company's reputation. But if a company selects the innovative ideas through a sifter of risk analysis and ROI, then it can happen that the best ideas will be killed already at the beginning. Our firms are full of fearful buck passers who send hundreds of e-mails and analyses and who prefer to do nothing rather than take a risk and start a large and courageous project.
5. We have to listen more to our customers. This view is correct, however, the question is are we really listening to the customers or are we letting someone else speak for them – market research, a self-confident and “infallible” manager, a “from the desk” analyst, development specialists who have never seen the customers and their processes. We have to listen to the customers and adapt the products, services and processes to their concepts. On the other hand, there are times when we shouldn't listen to the customers. If Pablo Picasso had listened to his customers we would not have cubism today, and if Steve Jobs had asked people years ago what was their imagination of the iPhone or iPad, today we would probably be using the classical keyboard. By the way – before launching the iPhone onto the market according to the market analyses the prospects for this device compared with other phones were very bad. The problem was the investigators used the traditional criteria which were valid for the market of traditional phones. The iPhone changed these criteria.
6. The ongoing change and innovations are important. Apart from the questions “what to change?” and “what to reach by the change?” and “how to realise the change?” there are probably even more important questions such as “what not to change?”; what to preserve?”; “what is the unchangeable core of our business, basic values and our identity?”. Every key alteration towards a new state has to be fixed, stabilised and introduced into the company DNA. A lot of hired managers start their top positions in companies by submitting plans for major changes to the owners. Few of them ask their predecessor what is working, what is principle, what the “genes of the founder” are, what is the foundation he/she wants to build on. The consultants proceed in similar fashion – they reduce the staff by 10 – 15 %, they realise personnel “castling”, centralise and decentralise, change the indicators and system of rewarding, re-draw the process maps and

organisational schemes – and leave. After some time other advisors arrive and change everything to quite the opposite way. In the same way as the firms have to know how to combine ongoing improvements with innovations, they have to know how to combine the evolutionary changes with radical ones. However, these changes should not simply run as attempt – failure, there are systematic procedures for them.

7. The investments into employees and their satisfaction are important. The most important thing is to have top quality employees in our firm – the entrepreneurs and innovators. To have egotists, parasites and people who are unable or unwilling to work in the firm and then to invest in them and try to satisfy them is the best path to destruction for our firm. There are companies where the employees are so well satisfied they are not willing to work. There are companies which have irrecoverably invested millions of EUR into their employees. But the new world of companies and entrepreneurship will be different. It will not be possible to describe the strategic goals and exact procedures to them. Those employees who will need exact instructions will not be required any more because the strategies will be formulated as follows: “Find Garcia!” Those who find him and fulfil their mission will become the leaders. We are lacking people like Rowan. Both in the companies and society. Almost everybody wants exact instructions, analyses and alibis in case of a failure. Few people possess creativity, courage and the ability to accept the responsibility for their actions. We have to look for brave Rowans who can solve the problems which have never been solved before, and who need neither glory nor a lot of unnecessary words to do it.
8. Communication is our key problem, we have to communicate better – many companies define their problem like this. Some understand under communication the information exchange, others the integration of computer means, an open dialogue, feedbacks, visualisation of information, empathy, etc. It is difficult to communicate better, if there is no common language. Forms, meetings, workshops, information boards are implemented for improving our communications, we invite psychologists, moderators or mediators. Communication is not only the exchange of information and conversation or identifying with the problems of another person. According to professor Zelený it is a certain type of interaction whose consequence is the mutual coordination of an action, activities and operations. It is the basic condition of any change or innovation. In companies and in society as well we can recognise trends towards specialisation. The specialists create their communities; they have their conferences, magazines, books, educational programmes, a specialised language. This fact results in a situation where we use different languages in the company, with specialised teams resolving specific problems the most important thing is lost – the functioning of the enterprise as a whole. When we use many specialised languages any effective coordination of an action is difficult. The companies need language and system integrators. However, it is important to clarify the basic terms at first. If you look for terms like system, knowledge, knowledge management, innovations, communication, company performance management, planning and control, process management and many others on the internet the search engine leads you to the web sites of computer companies which have borrowed a lot of words during the past decades and use them in their own way. The specialisation is dangerous; however, we need to link specialisations and create a common language. We can expect the biggest innovations at the boundaries of the branches and lines of business.
9. It is important to use a good system of rewarding and financial bonuses. We will never replace external stimulation by internal motivation which is not usually based on achieving the financial goals. If the shareholders of the company define the financial objectives and indicators, people will do their best to achieve them. Though absurd or

unreal objectives may be defined, people will do everything to reach them. Even at the price of destroying the company, virtual restructuring and frauds. The results of the majority of mergers were very bad; however, their architects received great financial bonuses. If the result of a merger is the purchase of an ineffective firm, then the investor has to expend a large amount of energy on its recovery and there is also the threat of an “infection”. The activation of a sound and high-performance company often leads to a reduction in the performance efficiency and frequently to its destruction. Money does not motivate but often leads people to make illogical and absurd ruses and projects. We can see this situation all around us today. People should be motivated by the sense of what they are doing. Although doing business is defined as an activity to achieve profit, it is not enough in itself to make people’s hearts glow. In point of fact – what is the purpose of doing business? Business has to bring benefits and give a sense of wellbeing – to satisfy people’s hunger and to quench their thirst, to offer shelter to the pilgrim, to clothe the naked, to visit the sick,...

10. Order is important in companies, maintaining standards and discipline. Albert Einstein said - if disorder on the desk is a reflection of the disorder in the head what does an empty desk reflect? Except for the current companies where we have transformed people into machines working according to exactly defined procedures, filling up excel tables and forms, we will need more and more of those enterprises that have creative people who view the world as a whole, utilise more of the right brain hemisphere, are able to look for untraditional solutions, design beautiful products, arouse joy in other people and find the sense of our activities. We also need such people who, thanks to their lack of discipline, courage and freedom, can overcome the old paradigms. As G. B. Shaw said – clever people adapt to the world. Unwise people try to change the world according to themselves. It means the whole progress depends on the unwise people. Gary Hamel a famous management and innovation guru analyses the harmful influences of the industrial era management which persists in many companies until today. The industrial era management taught people to define the processes, process standards and objectives. This management taught people to keep these standards and to attempt to fulfil the defined goals. The free and thinking people learned to maintain discipline, however, sometimes at the price of not utilising their own creativity, imagination and initiative. The discipline and standardisation sometimes gets into a contradiction with the ability to respond flexibly to the changes in the surroundings. The industrial management has achieved a high level of effectiveness in many company processes, but frequently at the price of enslaving people in the hierarchical structures.

There are “management truths” which are not truths at all. And many are the victims of these “truths”. Can we prevent it? Of course we can, yes. Let’s simply utilise something for which there is almost no room in the current companies – common sense.

### **The Time of Leaders Is Over**

There are lots of books and courses dealing with leadership and there are also plenty of definitions for the term leader. The “leaders” are sometimes labelled as people who were assigned a position in politics or a company, the “leaders” are made by the mass media, authors of various books and courses describe the leaders and their properties, leaders are sometimes called persons who lead nobody and nowhere, but they have charisma and the gift of speech, a “leader” develops in a certain crisis or breakthrough situation which needs to be resolved and then his/her “leadership” ceases to exist.



Can a leader be reared or are people born as leaders? Does it make any sense to study the properties of the leaders and to try to develop them if people do not possess them? Is a leader no to be per se – sincere, authentic, truthful? Do we need any leaders in the current world at all or are we able to organise our lives and work by ourselves? Doesn't "leadership" sometimes become a façade and a tool for manipulating people?

A lot of leaders have been at certain moments admired and later cursed; they led their communities to a boom but also to collapses, their characters possessed a mixture of genius like qualities and mentally disturbed ones. We could speak about a great number of psychopaths, conniving people without emotions or conscience, in positions designated as leadership ones. Many "leaders" coped with one role but failed in others.

There is only one result. People become leaders and mobilise their leadership capabilities only in a certain situation, role and circumstances. However, it is important to be able to choose exceptional people, extraordinary talents who are approximately 1 % of the whole population. I am sure that such a person cannot be recognised according to a CV, test and interview. The real capabilities of people can be shown only in an extreme situation. I know a person who had a construction team. Once he gave a task to the team – to build a bridge. The team prepared a schedule lasting 17 months. When the boss refused to accept the deadline, they shortened it to 16 months. 'OK. It will be 16, not months, but weeks', the boss said. They prepared a list of reasons why it was not possible. This was the first part of the path to overcome the obstacles. Finally the bridge was built within 16 weeks. Yes, the project in extreme conditions could have failed but this did not happen because there was always somebody who was able to solve a borderline situation. And this qualified him for the position of leader.

Searching for leaders and their characteristics is very popular in the world of business. In my opinion it is more essential to reveal general principles, laws and values and to act in compliance with them. There are lots of people who, in spite of the fact that they graduated from university and are excellent in their specialisation, are uneducated. They do not understand the world, they are influenced by the mass media, do not think and like to be led and manipulated.



If we return to the company, where we want people to find the motivation and utilise the best that is inside of them, so we are looking for a leader in every person. A leader who learns how to understand himself/herself and is able to lead first of all him/her. Who is free, authentic, educated and does not need somebody who would lead him/her.

The real leaders are not characterised by their positions, titles and “what they are” but by “what they know, what their knowledge is”. Let’s remind ourselves of the difference between information and knowledge. Information is a description, plan, presentation and knowledge is an action, realisation, not the ability to represent things, define, plan but the capability to do things successfully. This leader has to possess the ability to prepare and realise the necessary changes which are more and more frequent in this turbulent world and can hardly be foreseen. He/she needs the feeling to be able to identify and understand the changes in the surroundings, to be ready for them and also to prepare the company environment, find and attract the right people and achieve results with them in such a way they will work as independent individuals – co-entrepreneurs.

The time of admired leaders who defined the directions and managed the activities of non-thinking and manipulated human beings is over. The leaders today help develop the leadership, talent and entrepreneurship of every employee; they are the water carriers, people who create conditions for the others, servants and teachers.

Many people admire the products of the company Apple as well as the firm itself. Its products are typified by the fact that they are worked out in every detail – from the box they are packed in (the firm has a department dealing with the design of packaging) up to the product itself – design, simple and fast operation, functionality and perfect integration of hardware and software. All of this is the result of the fact that they carefully select the projects, they do not do everything but only a few things at the same time but it is an in-depth process, a process of thinking over and working out each detail.

One clever person once said – when I am sitting, so I am sitting; when I am standing, so I am standing; when I am walking, so I am walking. But you don’t do this. When you are sitting, so you are already standing up, when you are standing, you are already walking, when you are walking, you are sitting again. If we are doing something, let’s do it properly, let’s devote maximum concentration and time to our activity. Don’t let’s jump from one thing to another one, let’s search for our own way and let’s walk along it patiently. Let’s look for the sense of life and liberation in our work. Our companies are not machines but live organisms, our fellow-employees are not resources but unique human beings. A lot of companies are managed by an entrepreneur, visionary, person whose ideas and plans are personified by his/her company. He/she often knows the goal as well as the path, however, there are few of those who will go with them voluntarily and stand the requirements. This results in a small group of people who are visionaries, architects and planners and often builders as well as workers. They are also often sentenced to jump from one activity to another, to “extinguish” problems, to intervene where it is needed at the moment. And the passive majority only stares at them. Don’t let’s condemn them – a lot of them do not know the goals and plans of the construction, many of them would like to help but they do not know how.

### **Do some of the following problems also occur in your company?**

1. The managers do not do what they say

2. Most people are unable to state the problems openly
3. People speak differently when a concerned person is present and when not
4. Conflicts are frequent – between the company employees and the departments as well
5. There are no open conflicts any more – there is trench warfare
6. The problems are discussed, corrective measures and projects are created but nothing is completed
7. People breach the defined rules and standards
8. A small group performs exceptionally well and tries to solve problems, the others observe them passively
9. Self-contentment and unwillingness to implement changes and learning dominates the firm
10. The majority of problems are solved superficially and formally
11. Everybody in the company plays it safe, nobody takes risks because every error is punished
12. Each initiative is also usually punished
13. People start to be withdrawn and uninterested
14. Only a close group of people decides about everything, the others do not know the objectives and planned changes
15. Competing prevails over cooperation
16. Everybody sees mistakes in others
17. We always start something and do not know if previous initiatives have brought any results
18. People do not give and do not require any feedback as well
19. We do not act openly and fairly in the firm, confidence is missing
20. People approach the solutions to a majority of problems as follows: “it’s impossible to do” or “and what for that?”
21. People are missing proactivity and the ability to take over responsibility
22. The management has no time to train, they send their subordinates to trainings and educational activities
23. The managers do not deal with the development of their co-workers, they do not teach, train and/or coach them
24. The employees do not feel any need to learn new things
25. The employees take part in various educational activities but in practice they do not use the methods they have learned there
26. People are not used to solving problems in teams
27. The employees do not hand over their experience, they do not teach each other
28. The required knowledge and methods for its verification are not exactly defined for the working positions

29. A lot of employees carry out jobs for which they do not have sufficient capabilities, or a type of work they are not interested in
30. The firm is lacking real leaders, professionals and natural moral authorities
31. People are lacking motivation; they are stimulated to their performance by money and other benefits.

Have you found any common denominator of these problems? Which word has occurred to you? People? Excellent. They are not the things we devote the majority of our working hours to – money, buildings, machines, processes, organisation, strategic goals. They are the people around us. The people who we meet every day, the fellow-workers you and your managers have an immediate influence on. However, that's first of all **YOU!** The way you work, how you affect your co-workers, what you teach them and what not, what habits and bad habits you have, how you communicate and solve everyday problems with them, what objectives you define and really fulfil, what values you declare and according to which ones you really live.

It is well known that the utilisation of the human potential in companies belongs to the worst forms of wastage. The productive utilisation of many employees in both the production and non-production areas is often below 10 %. It is the consequence of the bad organisation of work, a lot of unproductive meetings and bureaucracy, unclear goals, insufficient confidence and frequent conflicts, unclear vision, strategy and company values.

The measurement and development of the human potential possesses several dimensions:

1. The intellectual potential – the education, information, experience, knowledge, expert knowledge, wisdom – the ability to learn and teach the others
2. The physical potential – the working performance efficiency, skilfulness, physical and psychical resistance, coping with stress, the capability of more-than-average performance, time management
3. The emotional potential – the self-recognition, self-control, open communication, empathy, the ability to enthuse others, the ability to work in a team, co-entrepreneurship, collaboration, synergy
4. The moral potential – the honesty, ethics, politeness, fulfilling promises, fairness, adhering to principles and defined rules, loyalty, mutual aid and support.

This measurement should be linked with systematic knowledge development of the employees. The classical education is not adequate any more, we need new forms of trainings aimed besides the “soft skills” also at the “hard skills”, coaching for projects and workshops, mentoring where the older and more skilled employees are able to hand over their knowledge to their younger colleagues.

Every company requires a certain performance efficiency from their employees which is affected by the fact of how the people are prepared for the given type of work, psychically and physically (fitness, skilfulness, endurance, ability to perform in stress situations, discipline) and also how the employees are able to collaborate in the team, in the company-wide community and what are their capabilities for leading people.

Besides this potential it is important for people to be educated, receive information about new trends and methods but there is one even more important thing – they have to know how to use this information in a concrete situation, i.e. to convert it into knowledge, experience and wisdom.

The emotional potential is closely linked with the ability to cooperate in the team and to lead people - the self-recognition, knowing our strengths and weaknesses, self-control, balance, motivation and empathy.

The moral potential is the final potential which is the basis for building confidence, relationships, fulfilling the promises, looking for just and ethical solutions, openness and ethics.

It is impossible to determine exact boundaries between these potentials – the atmosphere of confidence and openness leads e.g. to motivation, collaboration but also to a higher productivity. The development of knowledge and experience leads to a situation where a better result is achieved through expending a lower effort; the self-control and balance lead to fairer solutions, e.g. win-win.

The intellectual potential was always emphasised in the area of management in the past (education, working with information, the ability to utilise the acquired knowledge and the ability to learn and teach others) and the physical potential (the working performance efficiency, the ability to lead others, coping with stress, the capability to give more-than-average performance, time management).

In recent years two key management areas have been coming to the foreground:

- Emotional intelligence – the self-recognition, self-control, open communication, mutual aid and support, empathy, the ability to enthuse and motivate others, the ability to work in a team, motivation.
- Moral intelligence – the justice, honesty, politeness, fulfilling promises, sense of duty, fairness, adhering to principles and defined rules.

The principles of moral intelligence were worked out by Aaron Hass who claims that people are born with inherent moral principles. This has been confirmed by investigations of very small children who show great compassion, a sense of justice and moral principles. Society, as well as the company managements, needs moral principles and authority today more than in the past.

Area	How it is recognised	Questions	Measurement method
<b>IQ</b>	Persons learn and teach other people, they have knowledge and can alter it into value added (knowledge account). They can understand the situation quickly and solve unexpected problems. They	Do they learn new things? Do they use them? Does their knowledge bring measurable results? Can they teach other people? Can they work logically and systematically? Are they professionals in their	Knowledge account, everyday assessment at work, 360° assessment

	have mastered the methods necessary for their work.	branch?	
<b>PQ</b>	They have physical and psychical performance efficiency and endurance. They take care of themselves in order to be healthy and efficient. Work in the 2 <sup>nd</sup> quadrant of time management – important and not urgent jobs. They have good results at work and are not tired and stressed. They have a balanced working and family life.	Are they healthy? Are they physically efficient? Are they physically balanced and resistant? Are they able to perform on a long-term basis and to work under stress? Do they do exercises? Do they take a rest? Do they develop useful habits? Do they remove bad habits successfully? Are they strong-willed and have they endurance? Do they do their work precisely? Are they disciplined? Do they fully complete their activities? Do they have enough energy? Are they able to hand on their energy to other people?	Tests, projects, everyday assessment at work, 360° assessment, results of work, fulfilling objectives
<b>EQ</b>	They are able to cooperate with others, understand themselves and can understand other people, they can find the potential and develop it and build confidence. They communicate well and cooperate with other people. They are able to seek a consensus.	Are they trustworthy? Can they listen to other people? Can they identify with their situation? Can they resolve conflicts? Do they understand themselves and have they integrity? Can they keep control of themselves? Can they arrive at “win-win” solutions? Have they compassion and understanding for other people? Are they able to accept feedback? Do they build strong ties with other people?	Assessing work in team, projects, everyday assessment at work, 360° assessment
<b>MQ</b>	They keep their promises; they tell the truth and are fair and loyal. They have no inclination towards corruption and do not misuse their position.	Do they fulfil promises? Are they punctual? Do they refrain from gossip? Are they able to make unpopular decisions? Are they brave and can they admit to a mistake? Are they honest and fair?	Everyday assessment at work, 360° assessment

The following criteria can offer an important view for people in the company:

1. **To know** – they are able to do things, to complete them, they know how to transform the information into knowledge, they can identify and utilise new opportunities, they can work with people, organise and coordinate the activities. To know means to do, not to speak or write about it.
2. **To want** – the question of motivation, i.e. the “wanting” which comes from within people because people can recognise the meaning of the given activity, it makes them happy and they find satisfaction.
3. **To be able to** – the conditions for the people to implement points 1 and 2. The organisation, competences and powers, the co-workers and corporate culture – the tasks of the management and company owners.

We can also view the employees through the following five categories: the parasites, loafers, performers, innovators and entrepreneurs. If the parasites and loafers become overabundant (and if you do nothing to stem them they become overabundant like weeds which kill the beneficial plants) at the expense of the entrepreneurs and innovators (they are as rare as hen’s teeth and every firm searches for them), the company goes to the dogs even if it possesses the best machinery and information technologies, gives the highest rewards and has beautiful premises.

A lot of managers complain about the low quality of the educational system or inappropriate work of the HR department. Already the name human resources is repulsive – people are not resources and neither is the work force, and those employers who perceive them as such will never receive from them what they can offer. They are human beings gifted by talent which the really good leaders are able to reveal and develop. If somebody regards his/her employees as resources, he/she is a maintenance man or warden, but is no leader.

Companies need leaders and entrepreneurs. Such people who do not go to work and wait for instructions and commands, who work with “heart”, who are able to dream as well as work hard. We need people who have the courage to take risks, who prefer action to its description, who prefer working to talking about it, who understand interdependences and can link them, those who prefer being surrounded by personalities rather than by compliant blockheads.

### Measuring the value added and knowledge in the company – knowledge account

Selection			Investment			Balance
Process	Date	Price	Process	Date	Benefit	
Project management	12th-13 <sup>th</sup> September	2,000				-2,000
			Project - quality	10 <sup>th</sup> Sept.- 10 <sup>th</sup> Dec.	3,400	+1,400
Time management	2 <sup>nd</sup> February	1,000				+400

VSM	3 <sup>rd</sup> -5 <sup>th</sup> April	3,000				-2,600
			Workshop at line 1	10 <sup>th</sup> April - 14 <sup>th</sup> May	4,300	+1,700
Training of lean processes	12 <sup>th</sup> -13 <sup>th</sup> July	2,000				-300
			Workshop – cost reduction	30 <sup>th</sup> July	1,200	+900
Master Study	10 <sup>th</sup> Sept.- 12 <sup>th</sup> June	20000				-19,100
...						
<b>Name:</b>			<b>Working position:</b>			
<b>Assessment date:</b>			<b>Evaluator:</b>			
<b>Planned results:</b>			<b>Assessment results:</b>			
<b>Recommendations and action plan:</b>			<b>Notes:</b>			

Leadership has to return back to the essence of human collaboration. We have to return to the time when a promise was valid even without agreements containing countless pages and an “army” of lawyers. To the time when the “customer was always right”. To the time when we respected the customer and did our best for him/her to be satisfied. But the customers must not misuse their position and should not push the supplier into accept demeaning conditions. We have to return to respect and confidence. This world is not based on competition but on cooperation, the task of the strong is not the robbing and exploiting of the weak but in helping people who are dependent on our aid. Wealth and success are not more important than poverty and humility.

I was looking for answers about leaders and management in the courses and books about management. I was disappointed – I found plenty of meaningless principles but also a lot of techniques on how to manipulate people and how to create the external manifestation of a “leader”. After some time I realised that leadership is not only about charisma and the behaviour to the surrounding, but about the internal character of people, their integrity and deeds.

	<b>Who wants</b>	<b>Who doesn't want</b>
<b>Who knows</b>	Every firm would like to have this type of person, but they are usually rare. A free, participative style is enough to lead them, no checks are necessary.	These people are lacking in motivation because they do not see any sense in their work, they find no support in their surroundings and they are often misused. Sometimes these people are from the neighbouring quadrant (wants/knows) who have often solved complicated problems and were not appreciated, or

		started projects and other people tried to trip them up, etc. Of course, sometimes pride, egocentrism and narcissism can be behind this attitude.
<b>Who doesn't know</b>	They are e.g. the new school graduates who need a mentor, teacher, trainer to promote them.	An interesting group – it is necessary to ascertain if this attitude is due to the fact that they "don't know what they don't know" or they are fools who should be dismissed. Don't be afraid of them, maybe they will find their niche in politics.

Leadership means implementing influence. Let's have a look around us. How do certain people, described as leaders by the mass media, implement their influence? Some of them misuse their functions and usurp more than rightfully belongs to them, others betray and defraud – not only in politics but also in business and sports (which is, as a matter of fact, also business). Many leaders "of today" are characterised by their desire for power, their pride and sense of infallibility – the worst human traits which are the basis for fall and destruction.

Joe Egerton in his article called "Aristotle Writes to Gordon Brown" says that it is a mistake to claim that the current crisis has been caused by greed. Greed is a certain type of desire, a specific motivation to get rich and a craving to own more and more. People have to do something for a crisis to develop... What was the action that caused the crisis? I say it must have been the activity of seeking more.

Already Evagrius Pontius – an Egyptian Desert Father of the 4<sup>th</sup> century A.D. describes excess as an *"illness of the spirit"*, i.e. it is a disease that torments the spirit and does not allow it to find peace, because greed, eagerness and excess will never allow us to say: *"it is enough"*. We achieve a state of **internal exhaustion** in the fastest way when we **do not know moderation** and expect and require too much and when we demand the best results **as fast as possible**.

A lot of management seminars are based on the assumption that methods and external behaviour are the most important factors for the leadership of people. However, when we look at the leadership model of Saint Benedictus we will find a different system. Also in the Benedictine monasteries there is a manager who leads the whole organisation including the finance. When they assess the properties of the "monastery economic director" to lead a monastery they do not investigate what he knows, what leadership methods of people he uses, but what he is within, what attributes he possesses, **character, human maturity, humility, modesty, justice and a paternal approach**.

	<b>Characteristic</b>	<b>Stimulation / motivation</b>
<b>Parasites</b>	They draw the benefits to themselves and the disadvantages and problems to other people. They are often psychopaths, manipulators and intriguers who have to be identified and removed	Personal benefit at the expense of other employees. The best way is to give them a chance to leave by themselves because they take away the energy and motivation from the others and ruin the company.



	as soon as possible.	
<b>Loafers</b>	They perform only under supervision and pressure. When there is no pressure they slacken off as to their output and quality. They do not try to improve their performance and affect the other employees negatively – an “anti-hero”.	Pressure, supervision, repression. An employee like this does not belong in a company – he/she takes away the energy and time of the managers, they negatively affect their fellow workers, debilitate the performance efficiency of the team.
<b>Performers</b>	They perform but only as much as is necessary. They maintain the standards and deadlines of the project; the performance is improved only by money and other stimuli.	Stimulation through money and other external benefits. A never ending game “what for what?” These people belong to the “farm”.
<b>Innovators</b>	It is natural for them to improve themselves, their surroundings and processes in the company.	These people are motivated, they want to improve the world around them and they look for the sense, freedom and skilfulness. They invest “heart” into their job and do not simply look for money. These people are to be revealed in the firm, it is necessary to pay attention to them and keep them in the company.
<b>Entrepreneurs</b>	They search for business opportunities, they can see the potentials in interdependences, they have the courage to start new and unexplored areas and innovations	These are the most precious people in the company, co-entrepreneurs who deserve to become after some time the co-owners or to have shares in the company benefits. They are to be searched for attentively within the company but also outside of it. They are to be acquired and what drives them forward be understood and then let them do it. If we approach them as loafers or performers, they will usually leave by themselves.

**The external and internal orders** relate to each other. The 31<sup>st</sup> chapter of the order describes the tasks of the cellerarius who administers the monastery property as follows – for a cellerarius of the monastery should be chosen a brother who is **mature** and **sober**. He is to be **moderate in eating; he is not to be conceited, boisterous, over-sensitive, bad-mannered and a squanderer**. Let him **carry the care of everything**. Don’t allow him to aggrieve the brethren. When a brother asks for something unwisely, the cellerarius must not offend him with contempt, but he is to reject his inappropriate demand **adroitly** and **with humiliation**.

Do we need any better rules for managing our organisations?

Area	Current “leadership”	“New“ leadership”
<b>Power and influence</b>	Given by the formal	Service to other people

	position and external “management techniques”	and internal character
<b>Sense of effort</b>	Success	Higher sense, goodness
<b>Motivation</b>	Often replaced by external stimuli and goals	From within – the sense of our actions and life
<b>Leaders’ capabilities</b>	Words and plans, sweet talking	Deeds and reality, positive deeds
<b>Methods for achieving objectives</b>	Competition, struggle	Cooperation, synergy
<b>Working with people</b>	Human resources and inspection	Every person is a unique human being, confidence and love
<b>Leaders’ presentation</b>	A celebrity, a charismatic and flawless leader	A humble servant who makes mistakes and tries to take lessons from them

**The Jesuits proffer** the following four management pillars:

1. **Self-recognition** – we recognise our strengths and weaknesses, values, we create a realistic image of the world and the arrangement of our life
2. **Innovativeness** – we accept the alterations of the changing world with confidence and innovate it, we have the freedom of making decisions and acting, we are proactive
3. **Love** – we approach things and people positively and with love, we create teams, confidence, a loving approach and solidarity
4. **Heroism, courage** – we urge ourselves but also other people to perform brave and useful deeds, we inspire and create the future

The “new” leadership is actually several hundred years old. It is a leadership which returns to the roots when the promise of a “man” was more than simply a lot of pages of agreements prepared by expensive lawyers. It was a time when organisations did not need various SOX standards and audits but cooperation was based on confidence and respect. This leadership is based on the fact of what the leader is within himself/herself, what he/she really knows and does, and not on what he/she says and/or presents to the outside.

**Why did nobody teach us the most important things for life and business?**

I know entrepreneurs who understand their products and technologies perfectly, many of them know their customers and the whole business they operate in.

Do you have children? Do you have time for them and do you know how to work with children? Have you ever happened to read a book about child development or emotional intelligence and been surprised at what great damage you have caused your offspring? I do not know as you, but I did not choose my children through assessment centres and I have had

no psychologists, advisors and coaches who might have worked with them on their development programme. Together with my wife we are struggling with them and they with us.

It is a strange sensation to realise that we have made mistakes during the upbringing of our children, errors that can never be corrected. It is also a strange feeling when successful entrepreneurs in their firms look helplessly at the problems around them:

- Their colleagues do not have as much enthusiasm for the firm as they have and do not expend as much energy on it either. And why should they? If it were so, then the firm would probably belong to them. Enthusiasm and motivation do not arise from the bonuses and company cars our colleagues use but from freedom and joy, the sense of where our activity is heading and probably from the opportunity to develop something exceptional in the company, to develop the proficiency and professionalism to be of a world class level. A lot of firms today resemble prisons more than companies, people there fulfil the tasks and commands and do not realise opportunities. People are employed for simply working instead of searching for their mission (in other words what is it that mobilises, beckons, fascinates, entertains them and gives them a sense of purpose). We are often so busy that we cannot hear what is calling us – our mission; we have so many duties that we do not perceive the opportunities “floating” around us. We struggle so much that we are missing any time for joy. We are so busy that there is no time left for making money.
- Conflicts arise among people in the factory, there is frustration and errors occur. Let’s remind ourselves how much time we devote to solving operative and technical problems and how we do not wish to speak about disrupted relationships and their causes; how little we understand (and maybe we do not want to) other people; what little time and energy we invest into building relationships, confidence and cooperation. How we avoid these (for us technicians) problems that we cannot grasp. And when we are at our wit’s end, we invite psychologists and “motivators” to our firm and sometimes they confuse everything even further. They bestow self-confidence on people who are lacking in humility and they convince people who know little that they know more than others. I am purposefully exaggerating however, and can state frankly that there are many psychologists, coaches and intermediaries who, on the other hand, are able to help in shedding light on complicated and obscure problems and solve them.
- All company employees work hard on their tasks in their departments and on achieving their goals. However, the results of this Herculean effort are frequently time lags, nervousness, overtime work and additional costs, eliminating failures – and looking for culprits. Sometimes the result is that all have done their work, only the customer has not received what he ordered and the company has lost money. Who is to blame? That one who did not take part in the meeting – most frequently the irresponsible customer who is too choosy all the time. Remember how much time you have devoted during recent years to creating isolated departments and how much time on the continuous flow which can settle the customer requirement without unnecessary complications and delays?
- After graduating from a lot of management courses our firm is full of the best practices, manuals and standards. Instead of work we fill in forms, catalogues of measures, fulfil deadlines and prepare Power Point presentations. Don’t you think that instead of real work we sometimes present only its description and instead of results the plans of how to achieve them? Don’t you think that common sense has been replaced by a lot of nonsense which can be presented at MBA courses but in real life it hinders rather than helps? The complicatedness kills productivity and drives common sense away from the company and the customer as well. And finally also from the rest of normal people.

- The company operation depends on a few individuals. The owners themselves are sometimes the biggest constraint on their company. They pull strings, however, they have not had time to delegate and they have no successors who could pick up the baton. They, who have created the firm become its weakest segment, the creator becomes a stumbling block. Imagine a hockey team where only the first line would play. What kind of performance would they have, what would their fatigue cause after the first, second and third period? What would the team look like at the end of the season? And how would a team play without a good coach who understands his players and trainers who develop the team? Imagine that the whole management of the sports team would only take care of things like repairing the arena, purchasing modern equipment for body building and outfits for the players. How much time and investment does your firm invest in people? Not educational activities, but people's actual development!
- We define the visions of the company, we are looking for the mission, we define the goals and action plans. Everything is fine; "only" the realisation is missing. Our employees do not find our strategies inspiring, nothing that would engage them. The less successful in fulfilling the goals we are, the more objectives appear in our tables. We do not even remember them without our information system. Let's admit that we deal more with the project agenda than with the work on our projects. The Power Point presentations are in. The kick-off meetings serve for kicking away the revealed problem as far as possible into the long grass. In the meantime other problems appear and cover the old one. It becomes the norm to start new things without completing the old ones. We are able to plan things, sometimes to improve them, but we are not able to keep to them and develop them. We are satisfied with the average, with solutions which are not completed; we hop from one problem to another without a thorough understanding and without resolving it for good.
- Our business runs, we serve more and more customers, we sit at meetings, present how satisfied our customers are and present images of a bright future. We repeat our truths (which are not truths any more) so often that in the end we believe them. An unsatisfied customer (about whom we imagined we would serve him/her forever) wakes us up from our slumber, or perhaps it's a competitor who we considered a totally insignificant player. Or a technology of which we are sure cannot replace that of ours, or a product of a competitor that we have previously made fun of and is now being purchased by our customers. The pride, self-confidence, resting on laurels, lack of empathy to the changing environment? Let's call it in any way whatsoever. However, this happens more and more often. Why? Because coping with success is not simple and nobody likes to admit a mistake. G. B. Chesterton says we can call our failure experience – and its load will be halved.

It is interesting that we often successfully solve complicated technical problems, we attempt to understand our customers and comprehensive systems; however, we understand least of all ourselves and the people around us. Why is it so? Look for the answer in the following questions:

- How much time during the recent year have you devoted to communing with yourself? In a tranquil place, disconnected from external influences, without hurrying or pressure for you to distinguish the important from the unimportant things?
- How much time during recent months have you devoted to the operative and strategic things, your development and the development of your colleagues? Also have you been trying to convince yourself during the past few years that things will improve?

- How much time during the day do you devote to speaking, presenting, instructions and advice to others and how long do you listen to other people?
- What is the ratio of errors and good qualities that you find in your colleagues and yourself? Do you deal more with improving yourself or others? Do you develop the potential or fear? Do you carry out a carrot and stick policy? Or half and half? So calculate: Result = potential minus fear.
- When was the last time that you honestly discussed with people about what connects you and what makes you happy? How you can help each other?
- Do you have anybody who will listen to you patiently, not because you are the boss but because there is confidence and a sincere effort to help you find your way? Does he/she not agree with everything you say, doesn't he/she use phrases and/or ask you questions which sometimes disconcert you and for which you have no answer, does he/she orientate you and back you up when you lose your footing? Do you also provide this type of service to somebody in the firm?
- Is your occupation also your mission? What is the situation of your colleagues?
- How much time do people devote to describing, presenting and planning and how much time to the action itself?
- How much have you invested in your people (time and money for their development) and how much have they brought back (benefits from projects, workshops, results of innovations, value added)? What is the reason that sometimes the investments are returned quickly and sometimes not? Does the cause lie with the employee, his/her boss, organisation and competences (to want, to know, to be able to) or with incorrectly selected trainers and educational programmes?
- Do you consider the fact that a lot of things in your company function only when people are under pressure – either external advisors or crisis managers? Do you look for a methodology in order to solve this state? Don't search. A mirror is enough.

These questions and answers are far away from the things which a lot of managers and entrepreneurs deal with every day – optimising the company processes, “motivating people” under which they imagine financial stimuli, solving everyday problems and the technical or technological projects as well as the projects of new products. Our problem is that we often do not ask these questions or avoid straight answers. Similarly as in our personal lives.

**Result = Potential – Fear**

## **Freedom and Leadership**

*Happiness is the fruit of freedom and freedom is the fruit of courage. Publius Cornelius Tacitus*

There are firms which have stopped making decisions on behalf of their employees. Besides using all their strength to fulfil their tasks the employees are working with enthusiasm, we can observe on-going growth and a high degree of loyalty.

**These are the important points in searching for freedom at work:**

- **Self-recognition:** What kind of person am I? What am I successful at, what do I like and what do I see a sense in? What is wrong and what is not? What is my own path that I wish to walk along and where is it heading? Recognising ourselves and looking for answers about our mission is a task for our whole lives. Therefore we need to pause sometimes, to be surrounded by silence, just being us in order to understand ourselves better.
- **Leadership and our development:** Each of us is tempted to look for mistakes in others and to correct them. If we want to improve the world around us, a mirror is the best aid. We can work patiently on ourselves the whole day instead of throwing stones at others.
- **The own way:** It is not amiss to read success stories and the biographies of famous people and, to listen to our parents and teachers. But it is bad to live in the shoes of someone else, to copy what is called the “best practices”, to control ourselves by the books about “ten verified steps to success”. Let us look for our own way.
- **Let’s innovate:** A lot of people move everywhere around us and complaining about the world. They consider themselves to be the victims of others and try to persuade themselves as well as other people that it is impossible to do anything. Fear, anger and exaggerated self-confidence have never created anything notable. Let us prefer courage, the talent we possess, joy and admiration for all the amazing things that surround us.



- **Let’s create:** People are usually sorry for the things they have never done. There are many people who have had ideas and plans but only few of those have been able to finalise them. A more important deed than to change others is to create the conditions to help them develop the best that is within them, to bring them water. To work patiently, to learn and to correct what was wrong. And not to stop even though the others are giving up. What many people call happiness is usually endurance.
- **Let’s look for benefit:** Generating money is not the basis of doing business but rather it is the search for usefulness and the creation of benefit. Let’s create exceptional products and services, the whole entrepreneurial models, let’s refine each detail and in this way achieve the best solution in the world. The money is important, however, it is a by-product of doing business.

## Common Language

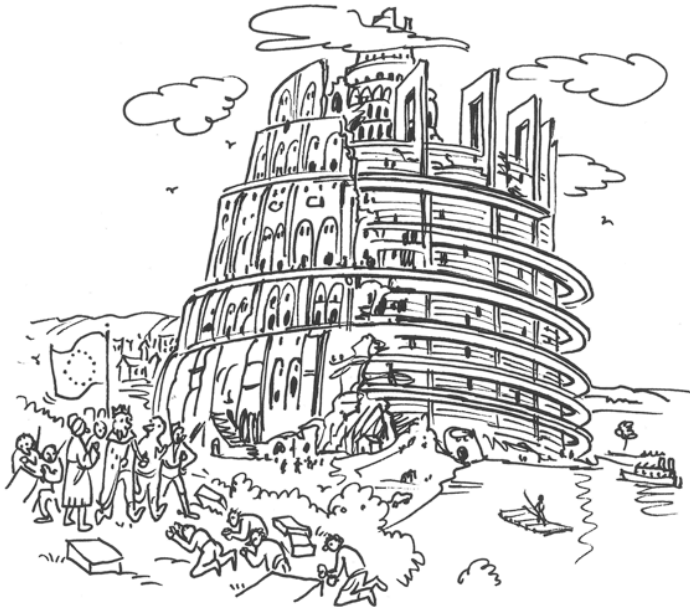
“Go to, let us go down, and there confound their language, that they may not understand one another's speech”, Genesis, Chapter 11 says. The result was that the builders of “a city and a tower, whose top may reach unto heaven” failed.

And what is the situation today? A university professor speaks about innovations and thinks about research, a banker understands it as a weird derivative or a voluminous contract replete with very small print. A company technician understands the development of a new super-product which the “incapable” traders cannot sell. A programmer speaks about a new version of his/her programme, a company owner thinks about strategic business and new opportunities. For many people the expression “innovation” is a mysterious word which opens the gates to money from the government funds...

I believe that only the customer can be the judge of what an innovation is. He/she can say that a solution improves his/her work or life. The basic principle of an innovation is thus to add and improve utility and reduce the negative and harmful functions. An innovation cannot exist without customers.

Long ago people chiselled letters and words in stone, later they wrote them on sheets of paper. A monk who was transcribing a book had no chance to copy the text from the internet or to re-edit it by pressing a button as we do it today. They also had no copying machines. The word had its importance and weight. Transcribing or printing books was a demanding operation. They did not re-write or print anything of a trivial nature.

Today we use lots of words and fill the internet, shelves with books, newspapers, magazines, Power Point presentations and Facebook with them. But do we understand them? Organise sometimes a game in your company. It is worth doing. Choose words that you frequently use at your meetings, in presentations and at various workshops. Then ask people to define them. You can start with the word “innovation” and then continue with others. E.g.: communication, value added, value for customer, knowledge, quality or marketing. Maybe you will learn that communication means an exchange of information or the art of listening or they will tell you that the value added is a value which is added and the value for customer is a value the customer receives. People like using tautologies. You will discover that people define quality by non-quality; they consider knowledge to be another form of information and confuse marketing with advertising.



A designer speaks about bends, strains and tolerances, a process engineer solves the cutting conditions, clamps and tools, the production employees speak about standards, abnormalities in the process or the total effectiveness of a device. However, all these activities have customers at their end and they buy our product and utilise it for their own business. They are not interested in our bends, tolerances and standards – they have their own language and world.

We have an excellent product, we have developed a new generation material, we have prepared an amazing solution for our clients – the developers often tell me. However, the customers do not want it. Why? Sometimes we speak about bad traders, another time about “backward” customers. But frankly. How many companies utilise marketing? Don’t think about a department responsible for organising exhibitions and printing advertising brochures. I think about marketing that investigates the customers, their world, their processes and problems, their real needs. People who speak the customers’ language. And how many traders are there in our companies? I am not thinking here about people who prepare offers and deal with orders. I am speaking about active traders who reveal new opportunities, search for new customers and build relations with them and learn their language.

I was talking with an innovator from a firm developing new materials. He was looking for the barrier which caused the customers not to purchase their new solutions. At last he discovered one of the main causes: the communication between their company and customers runs between two groups of people – the sellers and purchasers. Their vocabulary is particularly – the price, discount, quantity, item. The sellers, although they know what they are selling, are usually speaking about the properties of the material and not about processes of the customers which could be improved by using the new material. Their language is far removed from the language of the end user.

Why am I speaking about this? Because I sometimes have the feeling that we are building Babel towers and are failing to agree on a common language.

**Leave it Alone and Think no Further**



I remember what a friend of mine, a famous innovator, once told me. At school the teacher often told him: "Leave it alone and think no further." Has anybody ever uttered a sentence like this to you? In your childhood? At work? Have you ever used such a sentence? Caution! It is dangerous and can kill the precious things people have within – creativity and talent.

We have changed the schools into production lines where we format children and students for the lines they will later work on for their whole lives. They are not only lines where complicated cables, cars or machines are assembled. I had a workshop in a large company and I felt sorry for the people who had to pass through various turnstiles, to register by cards everywhere, to be followed by cameras and to be attired as if in an army. We have created a world of hierarchies where the managers, supervisors and coordinators require the subordinates to "leave it alone and think no further". They prepare budgets and objectives and fulfil them faithfully. Every deviation causes a problem. The rhetoric, the language, a smile, words the bosses want to hear and being able to work with Power Point is the best qualification. Don't laugh! Almost the same as in politics. The companies are full of oppression and people inside are gear wheels which are lubricated by financial or other bonuses from time to time. People are formatted by the company template and checked according to standards instead of seeking for that which is within them and letting it develop.

### **How to Achieve Exceptional Performance in the Company?**

But the world has changed. There are more and more people who have grown up in a different environment from the previous generation, they communicate on the social networks, look for opportunities in networking and expect from their job something more than simply a source of bread and butter.

The whole world of business has changed and it seems that the current world of productivity will be replaced by a world of creativity. The world of perfect planners and optimisers will be rolled over by new specialisations – innovation engineers, business innovators, innovators of thinking, innovation managers. It is the ability to innovate and implement rapid changes that will win.

The famous professor and promoter of liberated companies Isaac Getz remembers the survey of the Gallup Institute which stated that only 27 % of the company employees approach their jobs actively and the jobs make them happy. 59 % of employees go to work only to earn money and apart from their payslip they find nothing in their firm that would make them happy and bring any motivation. The remaining 14 % go to work to sabotage and damage the activities of their colleagues. Is it valid only for socialist France? Don't believe it. Look at your office and the situation around you. It is astonishing when we realise what a hidden potential exists in every company, and it is appalling when you remember that you spend one third of your life at work.

A lot of entrepreneurs remember the time period when they founded their companies. Liberty, creativity and a strong motivation to achieve results dominated there. The firm began growing and there were more and more guidelines, meetings and forms. And when the businessman was at his/her wits' end, he/she invited international consultants or professional managers from large firms. They completed the work of destruction – they drove out the last residues of common sense and creativity. The freedom was replaced by process standards, the motivation was killed by money and above-average talents were made average.

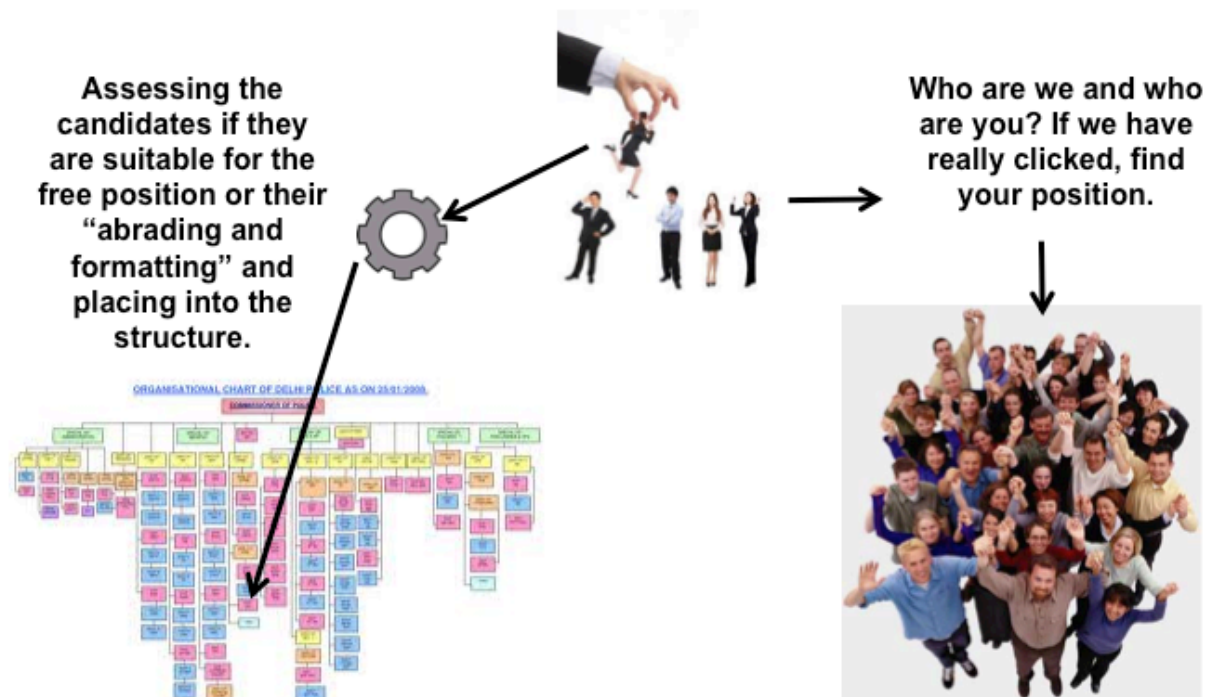
Companies in the past fought by quality, productivity, discipline and strategic planning, but today there are new competitive weapons – flexibility, speed, creativity and the ability to innovate. You can hedge your bets but you will never attain these weapons in complicated hierarchies, with hundreds of coordinators and thousands of people who have been turned into gear wheels.

### How Does a Liberated Company Work?

I know companies which grow and their owners have noticed that joy, cooperation, sometimes also confidence and performance efficiency disappear step by step. They try to encourage the employees to find the joy again and give them money and other bonuses. They organise expensive outdoor trainings for them and when the employees try all these attractions – from paintball to adrenaline sports – the owners will discover that neither happiness nor performance efficiency has returned. And vice versa, the employees begin to be spoiled, their dissatisfaction grows and the performance efficiency declines.

A liberated firm does not develop when we give people bonuses, install hammocks and table tennis tables. People who are working in the firm and create their own system, their own culture where they feel good and give good performances define the liberty.

The employees in the liberated companies are motivated particularly by three factors – freedom, sense, skilfulness (the effort to achieve something exceptional). The money expresses the status and value of work which people do and creates only the basic framework of their stability.



A lot of managers are afraid they will not have everything under control. The famous F1 race car driver Stirling Moss once said: “If you have everything under control, you may not be driving fast enough. If you want to have everything under control you will never win a race and maybe you will drop out.” Freedom means the speed and speed the survival. At least in the new world of business which is arising.

Area	Classical company	Liberated company
Company organisation	Hierarchy and inflexible departments which fulfil “their” own objectives	Decentralisation, work in autonomous teams or networks
Employees	Employees who are given tasks and goals and receive rewards when they fulfil them	Co-entrepreneurs who define tasks and goals by themselves and in this way the amount of their reward – the Rowans
Leaders	Strong leaders who define directions and goals, follow their fulfilment	Humble leaders who create for people the conditions for them to develop their talent at work
Motivation for achieving common objectives	Stimulation by money for achieving the goals	Motivation through searching for the sense when achieving a common vision
Work discipline	Standards, working orders, inspection	Responsibility and respect towards colleagues and customers, self-discipline
Problem-solving	Compromise = I or you – I (50 %) + you (50 %) = 50 %	Synergy (the third alternative) = I and you = I (100 %) + you (100 %) = 200 %
Communication	Formal meetings and information system, discussion. Usually the boss is right.	Free sharing of information, ideas, informal communication, dialogue, various angles of view
Learning	Plans of employees’ development, trainings, assessment of employees, learning is often aimed at information, not knowledge	Employees define their own development and look for suitable positions, 360° assessment, feedbacks, learning from the past
Management and inspection	Superiority/subordination, no confidence, top - bottom management, checking people and results	Fairness, respect, mutual respect, aiming at common results, moral and ethical principles
Working environment	From the top defined company identity and working environment according to the standards of the “corporate identity”	Employees create the working environment where they feel good – e.g. premises resembling family houses, reading rooms, a room for meditation, etc.
Work and its content	Job descriptions and positions, working standards, working hours are defined	In a lot of areas the employees themselves define the content of their work and look for a suitable position in the company, there are no working hours, if possible the employees can work at home or at other locations

### Take note

- How often do your people laugh at work

- How often do they come up with ideas to improve the performance and its results
- How often do they come up with an idea for a new business
- Which new things they have learned during the recent period
- Which new things they have taught their fellow workers
- How your colleagues help each other at work and also in life
- How they speak about their work
- How they speak about their colleagues
- How they speak about their firm to other people
- What they say about your firm when they are leaving it
- What values your colleagues naturally confess and live
- How your colleagues entertain themselves when they are not working

Freedom means first of all responsibility – for your life, your decisions, your health. The famous Czech physician Jan Hnízdl gives the following advice to his patients:

1. Don't believe the physicians blindly. Listen to the signals of your body. The diseases present mean you cannot live in this way any more.
2. Take over the responsibility for your health. Don't rely on the miracles of medicine. A "restart" needn't necessarily be successful.
3. No institution will ensure a tranquil old age. Take care of your parents. Bring up children for them to take care of you.
4. Don't rely on money. Maintain good relations with your family and friends. Don't love only yourself.
5. Try to live without electric appliances for at least one day. When a power failure occurs, you will be ready.
6. Don't listen to speeches by politicians, they spread dangerous negative emotions. When they appear on the TV screen switch to a programme about nature.
7. Protect the environment as you would protect yourself.
8. The work which brings you satisfaction and benefits to the largest possible number of people is the healthiest.
9. Healthy meals are not enough. It is also important how you enjoy your meal. An occasional fast is beneficial to you.
10. Go in for sports for the joy of it. Don't over-do it. You will not catch up on the lost opportunities.

Have you revealed any signs of leadership in these 10 items of advice? It is the leadership of a sound life, own responsibility for how and where we live.

**Besides the great art of completing things, there is also the art of letting things take care of themselves. The wisdom of life consists in eliminating the unnecessary things. *Lin Yutang***

The current time period is designated as a time of permanent instability. Nobody knows what will be, it is impossible to forecast and to make long-term plans; a great deal of the management definitions and advice written during the period of stability should be forgotten.

In the old world of entrepreneurship it was possible to wait, to do nothing and to survive. However, in the current world this is akin to standing at the sea shore when a tsunami is roaring towards us. In many companies the managers and owners have been discussing for years about what changes could help their enterprise. They look for a correct solution, discuss, present and analyse. "I am not sure if it will work," says one. "You are right we must check it again," the other says. The third one completes their discussion with - "Maybe there are better solutions." Finally they agree that they will have to agree and the result is that no change is the best solution because every change brings a risk. However, the biggest risk is brought by the incompetence in deciding about taking action.

Let's remember Michelangelo who says that the biggest threat is not that we strive after too high goals and do not achieve them but the fact we strive after too low goals and they are achieved.

#### **Let's summarise the assumptions of a successful innovation and business:**

1. To choose the right **people**
2. To choose the **right problem**
3. To define the **problem correctly**
4. To find the right customer
5. To find the **right value** for the customer
6. To find the **right price** for the customer and company
7. To achieve **appropriate costs**
8. To find the **right capital**
9. To find the **right time** for sale
10. To find the right time for **another innovation**
11. To be able to identify the **unfulfilled dream** of the customer
12. To launch the innovation onto the market **in an appropriate way**.

**However, the main condition for a successful innovation is – stop talking about it and begin its realisation!**

#### **What to Do Next? Start!**

Why are the small and starting-up companies and businessmen often more innovative than large and renowned companies? Because they often do not know what they want, they have courage and there is nothing to lose. The established firms are much more afraid of experiments whose results can be bad; their managers are assessed according to achieving the goals and not according to conducting experiments and rectifying errors. The bigger the company is, the safer they play it, the decision-making process is slowed down and the processes become bureaucratic.

Bankers and company owners often ask me how to analyse and minimise the risk of innovation projects. If we eliminate the risk rate to a minimum, we cannot create anything innovative. I do not want to say the firm should launch on the market unverified and risky products. Launching on the market is preceded by tests on a small scale which are able to reduce the risk. However, those who want to be innovators have to sacrifice part of their money and time for a game which resembles gambling in a casino.

### **From Brainstorming to Trystroming**

A lot of companies organise courses and trainings to support and develop creativity. The problem is often that the operative part of the company kills the innovation ideas as well as the utilisation of opportunities. Many firms have a surplus of creativity and ideas, but they are missing the process of converting them into a successful business. The decision-making processes are often bureaucratic and ponderous, people are drowning in analyses from the desks whose only results are that a new excel table or a Power Point presentation arises and no concrete action is realised.

During a classical brainstorming we generate several ideas out of which we select a few and try to implement them. During trystorming we try to expend brainstorming and attempt to create a suitable model which we then subsequently test. We do not attempt to verify and validate the generated ideas theoretically but practically.

The trystorming method does not try to create a perfect solution but it is built on experiments and corrections. It is necessary to orient on actions, testing, learning and collecting experience. We have to attempt the achieving of simple solutions and to leave the traditional limitations of our way of thinking. We do not need to be afraid of copying but to avoid inventing something that has already been devised and trying ideas which would only make our boss happy.

The methodology Design Thinking works on a similar principle, it is based on a detailed investigation of the customers' environment and their problems, understanding and assessing these observations and a rapid design of physical prototypes, their testing, verifying in the customers' premises and their subsequent improvement. The loop is very quick and starts and ends with the customer. The innovation team does not work with information and analyses but with real objects and prototypes of solutions.

**The world has changed– only those who learn quickly, are flexible and courageous will survive.**

I know an entrepreneur (the owner of the company OMS – see the next chapter) who is in permanent conflict with his managers who warn him that things are not simple or easy. “I don't pay you to spend my energy. I want to be the best so don't try to look for arguments on how it is impossible, but help me search for a solution in how to achieve it,” he regularly yells at his colleagues.

Good leaders should be surrounded by people who are better than they are – people who have courage, endurance, bravery, energy and a strong motivation to climb the peaks. Instead of long analyses, visions, strategic plans, today it is better to make rapid and short steps, to test, to ask the customers, to correct the mistakes quickly and to learn.

There are two types of systems – one is sophisticated, with discipline, oriented on eliminating failures and the perfect planning of actions. It is more suitable for a stable environment.

The second one is of a Korean type resembling the process “attempt – failure”, consisting of seemingly chaotic steps which, however, lead reliably to the defined goal. This agile and adaptive system seems to be more suitable for the turbulent world of today. The first approach will prepare a perfect strategic plan. But when we start to realise it, the situation is absolutely different. The second one quickly responds to unforeseeable changes, it adapts. The result of the first one is a Power Point presentation; the other one brings us knowledge.

An action means a quick reaction, a possibility to correct and learn. It is similar with an expedition to the mountains. You can read hundreds of books and get a host of recommendations but only the real experience will give you real knowledge. Life teaches us a lot of things only when we set out on the journey, not when we are planning our trip.

I know a lot of successful entrepreneurs. Their firms have turnovers amounting to tens and hundreds of millions of EUR. A lot of them knew almost nothing about what they could expect at the beginning of their path. They did not know, but they learnt. They did not talk about how to start, but they started. The preferred intuition, experiments and learning to perfect plans and standards. Their competitors have flawless and systematic planning which tells them exactly what the risk rate is and why not to start. The others start, test, correct and finally have customers, knowledge and money as well. It is better to start than not to start. Those who have started have experience, those who did not have an unfulfilled dream. Do you want to start? Start!

## **Conclusion**

If you have attentively read this booklet and have gained a new impulse or information, that is fine. However, it makes no sense if you do not use it in action.

If this booklet has helped you search for answers to your own way and has planned its individual steps, it is excellent – you have a plan which can help you better prepare for your way. But the plan is nothing, if you do not start the way.

Have you started the way? Congratulations. You are not as successful as you imagined, things are developing differently? There are no direct and simple paths leading to great goals. Don't give up, take lessons from the errors and repair those things which are to be repaired.

Are you fatigued? Evagrius Ponticus, a Desert Father in the 4<sup>th</sup> century wrote that a state of internal exhaustion is achieved most quickly when we are impatient, when we have no self-restraint, and expect and require the best possible results as fast as possible. Choose which things are of key importance for your life and business and concentrate on them. Don't let yourself be distracted by other things.

Do you have any questions that you did not find any answer to in this booklet? Be happy. After all, you do not want to live your life according to a booklet. The most important questions and answers are within you.

You have just planned important steps for the future of your company. It is possible you did not have some items of information or you are not sure if they are right. Return back, adapt and complete the plans for your actions. Visit your customers, ask them, listen to them, observe them when they are in action and try to understand them better. Not all actions will come off as you expect. Assess the cause, take lessons and prepare further steps.

Now the most difficult part of your business awaits you – the action, realisation and learning. Define great goals which will bring you to where your dreams reside. Good luck.



# January

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:

Waiting and playing it safe is the biggest risk today.



## February

### Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

### Notes:



It is necessary to reduce costs, at any price!

## March

### Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

### Notes:



To be chasing and working much is the highest level of laziness – it is an inability to distinguish the important and unimportant things in life and work.

# April

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:

A narrow specialisation and an inability to listen to other people turns a lot of organisations into Towers of Babel



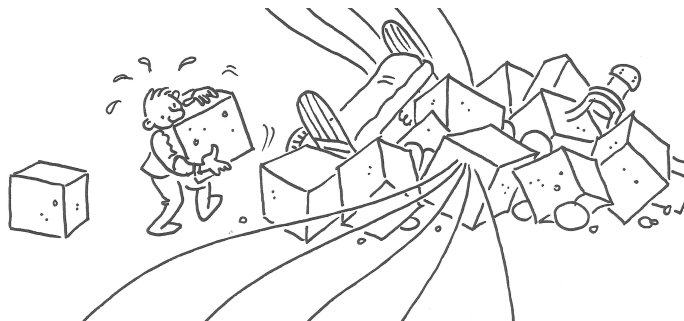
# May

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:



If those people say it is impossible and difficult, then definitely try it!

## June

### Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

### Notes:



The right leaders do not look for success, but they enjoy the success of the people in their surroundings.

# July

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:



It is not important how quickly you run but whether you have chosen the right way.

# August

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:



We have a surplus of information, ideas, visions and plans – however, we are mostly lacking an action.



# September

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:

Listen to the customers and then ignore them! When the customers know what they want, they have already innovated instead of you. A better solution is to surprise them, to bring them a solution they desire for but are not yet able to define it.



## October

### Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

### Notes:



Benchmarking and the best practices often reach a deadlock of imitation and copying – looking for our own way is a better alternative.

# November

## Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

## Notes:



How to start? Start!

## December

### Priorities of the Month:

- 1.
- 2.
- 3.

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

### Notes:



To enjoy one's work, inventing new things and making money is certainly better than suffering at work and having no money.

## Evaluation of the Year

Field	Planned Goal	Achieved Goal	Cause of the Difference	Lesson
Customers				
Finance				
Innovations				
Processes				
Me				
My Team				
My Partners				

**What do you feel about the last 12 months of your life and business?**

**What were you successful**

**What you failed?**

**What you need to review and change?**

**What you want to achieve in the next year?**

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