



How to keep your Hope

Hopeful to Future

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Chapter 1: Introduction

Don't believe anything you read in this book. Even though these 100 easy pieces were written from real-life coaching and consulting experience, you won't gain anything by trying to decide whether you believe any of them. Belief is not the way to succeed here. Practice is the way. Grab a handful of these 100 tried and proven ways to motivate others and use them. Try them out. See what you get. Examine your results. That's what will get you what you really want: motivated people. Most people we run into do what *doesn't* work, because people try motivate others by download their own anxiety onto them. Parents do this constantly; so do managers and leaders in the workplace. They get anxious about their people's poor performance and then they download that anxiety on their people. Now everybody's tense and anxious! Downloading your anxiety onto someone only motivates that person to get away from you as quickly as possible. It doesn't motivate them to do what you really want them to do. It doesn't help them get the best out of themselves. Managers blame their own people for poor numbers when it's really the

manager's responsibility. CEOs blame their managers, when it's really the CEO. They call consultants in a panic, talk about the numbers, and then ask, "Should we do FISH? Do you recommend FISH?"

"FISH" is a current training fad that has a great deal of value in inspiring employees and focusing on the customer. But we don't deliver fish in this book. We deliver an observation about fish. "A fish rots from the head down," we remind the manager whose people are not performing. And that's our version of fish.

So, the first step in motivating others is for you, if you're the leader wanting the motivation, to realize that "if there's a problem, I'm the problem." Once you truly get that, then you can use these 100 ways. The mastery of a few key paradoxes is vital. They are the paradoxes that have allowed our coaching and consulting to break through the mediocrity and inspire success where there was no success before. Paradoxes such as:

1. To get more done, slow down.
2. To get your point across, stop talking.
3. To hit your numbers faster, take them less seriously and

make a game of it.

4. To really lead people, go ahead of them.

These are a few of the paradoxes that open leadership up into a spiral of success you have never imagined.

Enjoy this book as much as we enjoyed writing it for you. We hope you'll find, as we have, that leadership can be fun if you break it into 100 easy pieces.

1. What is Hope?

Leadership is the art of getting someone else to do something you want done because he wants to do it.

—Dwight Eisenhower

There was a manager named Tom who came early to a seminar we were presenting on leadership. He was attired in an olive green polo shirt and white pleated slacks ready for a day of golf. The golfer Tom walked to the front of the room and said, "Look, your session is not mandatory, so I'm not planning on attending." That's fine, but I wonder why you came early to this session to tell us that. There must be something that you'd like to know." Well, yes there is," the manager confessed. "All I want to know is how to get my people on the sales team to improve. How do I manage

them?” Is that all you want to know?” Yes, that’s it,” declared the manager. “Well, we can save you a lot of time and make sure that you get to your golf game on time.” The manager Tom leaned forward, waiting for the words of wisdom that he could extract about how to manage his people.

And we told him: “You can’t.” What?” You can’t manage anyone. So there, you can go and have a great game.” What are you saying?” asked the manager. “I thought you give whole seminars on motivating others. What do you mean, I can’t?”

“We do give whole seminars on this topic. But one of the first things we teach managers is that they can’t really directly control their people. Motivation always comes from within your employee, not from you.” So what is it you do teach?”

“We teach you how to get people to motivate *themselves*. That is the key. And you do that by managing agreements, not people. And that is what we are going to discuss this morning.” The manager put his car keys in his pocket and sat down in the first seat closest to the front of the room for the rest of the seminar.

2. Strong Discipline

Discipline is remembering what you want.

—David Campbell, founder, Saks Fifth Avenue

The myth, which almost everyone believes, is that we “have” self-discipline. It’s something in us, like a genetic gift, that we either have or we don’t. The truth is that we don’t “have” self-discipline we *use* self-discipline.

Here’s another way to realize it: Self-discipline, is like a language. Any child can learn a language. (All children do learn a language, actually.) Any 90-year-old can also learn a language. If you are 9 or 90 and let’s say you’re lost in the rain in Juarez, it works when you use some Spanish to find your way to warmth and safety. It works.

In this case, Spanish is like self-discipline, in that you are using it for something. You were not born with it. But you can use it. In fact, you can use as much or as little as you wish.

And the more you use, the more you can make happen.

If you were an American transferred to Juarez to live for a year and needed to make your living there, the more Spanish you used the better it would be for you. If you had never used Spanish before, you could still use it. You can open your little English/Spanish phrases dictionary and start using it. You can

ask for directions or help right out of that little dictionary! You didn't need to have been born with anything special. The same is true with self-discipline, in the same exact way. Yet most people don't believe that. Most people think they either have it or they don't. Most people think it's a character trait or a permanent aspect of their personality. That's a profound mistake. That's a mistake that can ruin a life. But the good news is that it is never too late to correct that mistake in yourself and your people. It's never too late to learn the real truth. And listen to how people get this so wrong:

“He would be my top salesperson if he had any self-discipline at all,” a company leader recently said. “But he has none.”

Not true. He has as much self-discipline as anyone else does, he just hasn't chosen to use it yet. Just as we all have as many Spanish words to draw upon as anyone else. It is true that the more often I choose to go to my little dictionary and use the words, the easier it gets to use Spanish. If I go enough times to the book, and practice enough words and phrases, it gets so easy to speak Spanish that it seems like it's part of my nature, like it's something I “have” inside me. Just like golf looks like

it comes naturally to Tiger Woods. Self-discipline is the same.

If the person you lead truly understood that self-discipline is something one *uses*, not something one has, then that person could use it to accomplish virtually any goal he or she ever set. They could use it whenever they wanted, or leave it behind whenever they wanted.

Instead, they worry. They worry about whether they've got what it takes. Whether it's "in" them. Whether their parents and guardians put it there. (Some think it's put there experientially; some think it's put there genetically. It's neither. It's never put "in" there at all. It's a *tool* that anyone can use. Like a hammer. Like a dictionary.)

Enlightened leaders get more out of their people because they know that each of their people already has everything it takes to be successful. They don't buy the excuses, the apologies, the sad fatalism that most non-performers skillfully sell to their managers. They just don't buy it.

3. Tune in Before You Turn on

Don't tell people how to do things, tell them what to do and let them surprise you with their results.

—George S. Patton

You can't motivate someone who can't hear you.

If what you're saying is bouncing off their psychological armor, it makes little difference how good you are at saying it. You are not being heard. Your people have to hear you to be moved by you.

In order for someone to hear you, *she must first be heard*. It doesn't work the other way around. It doesn't work when you always go first. Because your employee must first appreciate that you are on her wavelength and understand her thinking completely. As leadership guru Warren Bennis has said, "The first rule in any kind of coaching is that the coach has to engage in deep listening.

Which means that the coach must relate to the context in which the 'other' is reasoning they must 'tune in' to where the other is coming from. In short, perhaps the basis of leadership is the capacity of the leader to change the mind-set, the framework of the other. That's not easy, as I needn't tell you for most of us, thinking that we have tuned into the other person, usually are listening most intently to ourselves." We were working with a financial services CEO named Lance who had difficulties with his four-woman major account

team. They didn't care for him and didn't trust him and dreaded every meeting with him as he would go over their shortcomings. Lance was at his wit's end and asked for coaching. "Meet with each of them one at a time," we advised. "What do I say?" Say nothing. Just listen." Listen to what?" "The person across from you." What's my agenda?" No agenda." What do I ask them?" *How is life? How is life for you in this company? What would you change?* Then what?" "Then just listen." I don't know if I could do that." The source of his major account team's low morale had just been identified. The rest was up to Lance.

4. Be the Cause, Not the Effect

Shallow people believe in luck. Wise and strong people believe in cause and effect.

—Ralph Waldo Emerson

A masterful motivator of others asks, "What do we want to *cause* to happen today? What do we want to produce?"

Those are the best management questions of all. People who have a hard time managing people simply have a hard time asking themselves those two questions, because they're always thinking about what's happening *to them* instead of

what they're going to cause to happen. When your people see you as a *cause* instead of an effect, it won't be hard to teach them to think the same way. Soon, you will be causing them to play far beyond their own self-concepts. You can cause that to happen.

5. Stop Criticizing Upper Management

Two things are bad for the heart—running uphill and running down people.

—Bernard Gimbel

This is a huge temptation. To distance yourself from your own superiors. Maybe you do this to win favor and create bonding at the victim level with the team, but it won't work. In fact, what you have done will damage confidence of the team. It will send three messages that are very damaging to morale and motivation:

1. This organization can't be trusted.
2. Our own management is against us.
3. Yours truly, your own team leader, is weak and powerless in the organization. This leads to an unpleasant but definite kind of bonding, but it also leads to deep trust problems and further disrespect for the integrity of the organization.

Running down upper management can be done covertly (a rolling of the eyes at the mention of the CFO's name) or overtly ("I don't know why we're doing this, no one ever consults with me on company policy, probably because they know I'd disagree.") This mistake is deepened by the repeated use of the word "they." ("They want us to start...." "I don't know why they are having us do it this way...." "They don't understand what you guys are going through here...." "They, they, they...."). The word "they" used in excess soon becomes a near-obscurity and solidifies the impression that we are isolated, misunderstood victims.

A true leader has the courage to *represent* upper management, not run it down. A true leader never uses the word "they" to refer to senior officials in the company. A true leader says "we." 6. Do the One Thing

Management is doing things right; leadership is doing the right things.

—Peter Drucker

I can't motivate others if I am not doing the right thing. And to keep myself in a relaxed and centered state, it's important for me to not be scattered, distracted, or spread thin. It's

important that I don't race around thinking that I've got too much to do. Because I don't have too much to do. The truth is, *there is only one thing to do*, and that is the one thing I have chosen to do right now. If I do that one thing as if it's all I have to think about, it will be extremely well done and my relationship with any other person involved will be better and more relaxed and full of trust than before.

A careful study of my past week shows me that I did a lot of things last week and they all got done one thing at a time. In fact, even in my busiest time ever, I was only able to do one thing at a time, even though I stressed myself and other people out by always thinking of seven things at once...so when I talked to you all I could think about was the seven other people I needed to talk to...so eventually all seven people felt that stress and that lack of attentiveness...that absolute lack of warmth.

Doing more than one thing at a time produces fear, adrenaline, and anxiety in the human system and people pick up on that. People are not drawn to that. They keep away from that. The mind entertains one thought at a time, and only one.

The greatest cause of feeling "swamped" and "overwhelmed"

in life is caused by not knowing this. The greatest source of stress in the workplace is the mind's attempt to carry many thoughts, many tasks, many future scenarios, many cares, many worries, many concerns at once.

The mind can't do that. No mind can, not even Einstein's mind could. One thing. I need to choose from the list of things that need to be done, and then do the one thing as if that were the only thing. If it's a phone call, then I need to slow down and relax and let myself be in a good mood so phone call will be a good experience, and the recipient and I can be complete afterward.

We talked to Jason last week, a national sales manager who had just finished a brutal, long phone conference with his team. He spent the conference call nervously urging his team on to higher numbers and warning them that the team goals were not going to be met at the rate they were going. He had called the meeting because his own superiors had just called *him* to question him about his team's poor performance.

Although Jason had been working 12-hour days, he felt he was falling behind in everything. On top of that, his superiors' anxiety was then passed down to him. Because it was passed

down into a hectic, disorganized mind, he freaked out and took it out on his team. This is not motivation. Motivation requires a calm, centered leader, focused on one thing, and only one thing.

Chapter 2: Keep Giving Feedback

The failure to give appropriate and timely feedback is the most extreme cruelty that we can inflict on any human being.

—Charles Coonradt, Management Consultant

Human beings crave feedback. Try ignoring any 3-year-old.

At first, he will ask for positive attention, but if he is continually ignored, soon you will hear a loud crash or cry, because *any feedback, even negative feedback, is better than no feedback.*

Some people think that principle only applies to children. But it applies even more to adults. The cruelest form punishment in prison is solitary confinement. Most prisoners will do *anything* even temporarily improve their behavior to avoid being in a situation with little or no feedback. You may have briefly experienced the relaxing effect a sensory deprivation

chamber. You are placed for a few minutes in a dark, cocoon-like chamber, floating in body-temperature salt water, with all light and sound cut off. It's great for a few minutes. But not for long. One day the sole worker at one of these sensory-deprivation tanks walked off the job in a huff over some injustice at work, leaving a customer trapped in the chamber. Several hours later, the customer was rescued but still had to be hospitalized.

Not from any physical abuse, but from the psychosis caused by deprivation of sensory feedback. What occurs when all outside feedback is cut off is that the mind manufactures its own sensory feedback in the form of hallucinations that often personify the person's worst fears. The resulting nightmares and terrors can drive even normal people to the point of insanity.

Your own people are no different. If you cut off the feedback, their minds will manufacture their own feedback, quite often based on their worst fears. It's no accident that "trust and communication" are the two organizational problems most often cited by employee surveys. One of the most notorious military and secret intelligence torture devices over the years

has been to place a recalcitrant prisoner into “the black room.” The time spent in total sensory deprivation breaks prisoners faster than physical beatings. Let’s take the scene home. The husband is encouraging his wife to get ready for an evening event on time. She asks, “How does this jacket look on me?” Fine, just fine, let’s go!” Well, I *knew* I didn’t look good in it. I just can’t find anything else to wear!” she says. Human beings crave *real* feedback, not just some patronizing pacifying words.

The managers who have the biggest trouble motivating their people are the ones who give least feedback. And when their people say, “How are we doing?” they say, “Well I don’t know, I haven’t looked at printout or anything, but I have a *sense* that we’re doing pretty well this month, but I don’t know.” Those managers have a much harder time inspiring achievement in their teams.

Achievement requires continuous feedback. And if you’re going to get the most out of your people, it’s imperative that you be the one who is the most up on what the numbers are and what they mean. Because motivators do their homework. They know the score. And they keep feeding the score back to

their people.

6. Get Input From Your People

I not only use all the brains I have, but all I can borrow.

—Woodrow Wilson

Good leaders continue to seek creative input from their direct reports. This practice is not only good for the business, it's also highly motivational for both parties to the conversation.

A good leader will ask people on her team, “How can we send a signal over the phone, when the customer calls with a question, that we are different than the other companies, and they are going to feel more welcome and at home with us? How do we create a relationship right there at the point of that call? What are your thoughts on this?”

The quality of our motivational skill is directly related to the quality of our questions. A frustrated manager whose numbers are mediocre asks these kinds of questions instead questions just asked by our true leader above:

How was your weekend? How is your department today? Up to your neck in it? Swamped as usual? Are you maintaining? Hang in there, bro. Customers giving' you a hard time about that new ad? Jerks. I'm dropping by to check some stuff out.

Don't worry too much, you guys are cool. I won't be too hard on you. You know the drill. Hang in." That's a leader who can't figure out why his team's numbers are low. The quality of that leader's life is directly affected by the low quality of his questions. Directly. A great leader will ask questions that lead to sales ideas. A great leader will build a big success on the implementation of those ideas. Questions like these:

"How could we make the buying experience at our company fundamentally different, on a personal level, than at the competition?"

How could we get our people to be like friends to the customer and get them to hang out with us more and buy more? How might we reward our people for remembering a customer's name? What are some of the ways we can inspire our team to get excited about increasing the size of each sale? Do our people discuss the concept of creating a customer for life? Have you gone to a white board and shown them the financial windfall involved?

How do we get everybody brainstorming this all day long? How do we get the team more involved in the success of the store? What are your thoughts?" *Every organization must be*

prepared to abandon everything it does to survive in the future.

—Peter Drucker

My role as a leader is always always to keep my people cheered up, optimistic, and ready to play full-out in the face of change. That's my job. Most managers do not do this. They see their role as babysitters, problem-solvers, and fire-fighters. And so they produce babies, problems, and fires all around them. It's important to know the psychological reaction to change in your employees and how it follows a predictable cycle. Your employees pass through these four stages in the cycle, and you can learn how to manage this passage:

The Change Cycle

1. Objection: "This can't be good."
2. Reduced Consciousness: "I really don't want to deal with this."
3. Exploration: "How can I make this change work for me?"
4. Buy-in: "I have figured out how I can make this work for me and for others." Sometimes the first three stages in the cycle take a long, long time for your people to pass through.

Productivity and morale can take a dizzying dip as employees resist change. It is human nature to resist change. We all do it. We hate to get into the shower and then we hate to get out. But if I am a very good leader, I'll want to thoroughly understand the change cycle so that I can get my people up the stages to "Buy-in" as soon as humanly possible. I want their total and deep buy-in to make this change work for them, for me, and for the company.

So how do I help move them through stages one, two, and three? First of all, I prepare myself to communicate about this change in the most enthusiastic and positive way possible. And I mean prepare. As many great coaches have said, "It isn't the will to win that wins the game, it's *the will to prepare to win.*"

So I want to arm myself. I want to educate and inform myself about the change so I can be an enthused spokesperson in favor of the change. Most managers don't do this. They realize that their people are resisting the change, so they identify with the loyal resistance. They sympathize with the outcry. They give voice to what a hassle the change is. They even apologize for it. They say it shouldn't have happened.

“This never should have happened. I’m sorry. With all you people go through. What a shame there’s this now, too.”

Every internal change is made to improve the viability or effectiveness of the company. Those arguments are the ones I want to sell. I want my people to see what’s in this for *them*. I want them to really see for themselves that a more viable company is a more secure place to work.

What about change from the outside? Regulators, market shifts, vendor problems? In those cases I want to stress to my team that the competition faces the same changes. When it rains on the field, it rains on both teams. Then I want to stress the superiority of our team’s rain strategy. So that this rain becomes our advantage.

I also want to keep change alive on my team as a positive habit. Yes, we change all the time. We change before .

7. Know Your Owners and Victims

Those who follow the part of themselves that is great will become great.

Those that follow the part that is small will become small.

—Mencius

The people you motivate will tend to divide themselves into

two categories: owners and victims. This distinction comes from Steve's *Reinventing Yourself*, which revealed in detail how *owners* are people who take full responsibility for their happiness, and *victims* are always lost in their unfortunate stories. Victims blame others and victims blame circumstance and victims are hard to deal with. Owners own their own morale. They own their response to any situation. (Victims blame the situation.).

At a recent seminar, a company CEO named Marcus approached Steve at the break: "I have a lot of victims working for me," Marcus said. "It's a part of our culture," Steve answered. "Yeah, I know, but how can I get them to recognize their victim tendencies?" Try something instead," Steve said. "Try getting excited when they are *not* victims. Try pointing ownership actions; try acknowledging them when they are proactive and self-responsible."

"Okay. What are the best techniques to use with each type of person?" Marcus asked. "I mean, I have both. I have owners, too. Do you treat them differently?" With the owners in your life, you don't need techniques. Just appreciate them," Steve said. "And you will. With the victims, be patient. Hear their

feelings out empathetically. You can empathize with their feelings without buying in to their victim's viewpoint. Show them the other view. Live it for them. They will see with their own eyes that it gets better results." Can't I just have you come in to give them a seminar in ownership?" Marcus said.

"In the end, even if we were to train your staff in ownership thinking, you would still have to lead them there every day, or it would be easy to lose. Figure your own ways to lead them there. Design ways that incorporate your own personality and style into it. There is no magic prescription.

There is only commitment. People who are committed to having a team of self-responsible, creative, upbeat people will get exactly that. Leaders whose commitment isn't there won't get it. The three basic things you can do are: 1) Reward ownership wherever you see it. 2) Be an owner yourself. 3) Take full responsibility for your staff's morale and performance." Marcus looked concerned. We could tell he still wasn't buying everything. "What's troubling you?" Steve asked. "Don't be offended." Of course not." How do I turn around a victim without appearing to be that annoying 'positive thinker'? "You don't have to come off as an

annoying positive thinker to be a true leader. Just be realistic, honest, and upbeat. Focus on opportunities and possibilities. Focus on the true and realistic upside. Don't gossip or run down other people. There is no reliable trick that always works, but in our experience, when you are a really strong example of ownership, and you clearly acknowledge it and reward it and notice it in other people (especially in meetings, where victims can hear you doing it), it gets harder and harder for people to play victim in that setting. Remember that being a victim is essentially a racket. It is a manipulation. You don't have to pretend that it's a valid point of view intellectually, because it is not."

"Okay, I see. That sounds doable," Marcus said. "But there's one new employee I'm thinking about. He started out great for a few months, but now he seems so lost and feels betrayed. That's his demeanor, anyway.

How do I instill a sense of ownership in him?" You really can't 'instill' it," said Steve. "Not directly. Ownership, by its nature, is grown by the owner of the ownership. But you can encourage it, and nourish it when you see it. You can nurture it and reward it. You can even celebrate it. If you do all those

things, it will appear. Like a flower in your garden. You don't make it grow, but if you do certain things, it will appear.”.

You can't change people.

You must be the change you wish to see in people.

—Gandhi

There is nothing more motivational than leading from front. It motivates others when you are out there and you do yourself. It's inspiring to them when you do what you want them to do. Be inspiring. Your people would rather be inspired than fixed or corrected. They would rather be inspired than anything else. As a motivational practice, leading from the front hits harder and lasts longer than any other practice. It changes people more deeply and more completely than anything else you can do. So *be* what you want to see. If you want your people to be more positive, be more positive. If you want them to take more pride in their work, take more pride in yours. Show them how it's done. Want them to look good and dress professionally? Look better yourself.

Want them to be on time? Always be early (and tell them why...tell them what punctuality means to *you* not to them.)

And as General George Patton (a soul mate of Gandhi's) used

to say, “There are three principles of leadership: 1) Example 2) Example and 3) Example.”

8. Preach the Role of Thought

Great men are they who see that thought is stronger than any material force, that thoughts rule the world.

—Ralph Waldo Emerson

Business and life coach JacQuaeline told us this story last week about a mechanic in a school district complaining of having punched the clock and doing the same thing on his job over and over for the last 20 years. “I’m burned out and need a change!” the mechanic declared. “Possibly,” JacQuaeline replied. “But you might want to try learning to love what you are resisting, because if you don’t, you will likely run into it in your next job too, in another guise.”

The mechanic responded, “I’m not sure that I believe that, but even if I did, how is that possible?” Well,” his coach said, “what is a higher purpose to your job than just turning nuts and bolts every day?” That’s easy,” replied the mechanic.

“The higher purpose of my job is saving children’s lives every day.” Yes, that’s great!” whispered the coach. “Now, every morning when you get into your higher purpose, saving

children's lives every day, you will be clear that your job and responsibility is so important that the time clock almost won't matter anymore." She had given him a new way to think. She had put him in touch with the power of thought to transform experience. Make certain all the people you want to motivate understand the role of *thought* in life. There is nothing more important:

A: I'm depressed.

B: You just think you're depressed.

A: Same thing...it feels like the same thing.

B: It feels like the same thing, because it is the same thing.

A: What if I thought I was really happy?

B: I think that would make you feel really happy.

A: I know it would.

Why is it that the rain depresses one person and makes another person happy? If things "make you" feel something, why does this thing called rain make one person feel one thing and the other person feel the other thing? Why, if things make you feel something, doesn't the rain make both people feel the same thing? One person you lead might say, "Oh no, bad weather, how depressing." Another person might say,

“Oh boy, we have some wonderful refreshing rain!”

Because the rain doesn't make either person feel anything.

(No person, place, or thing can make you feel anything.)

It is *the thought about the rain* that causes the feelings. And throughout all your leadership adventures, you can teach your people this most important concept: The concept of thought.

One person thinks (just thinks!) the rain is great. The other person thinks (but just thinks) the rain is depressing. Nothing in the world has any meaning until we give it meaning. Nothing in the workplace does either. Your people often look to *you* for meaning. What does this new directive really mean?

Do you sense the opportunity you have?

We can make things mean anything we want them to, within reason. Why not use that power?

People don't make your employees angry, their own thoughts make them angry. They can't be angry unless they think the thoughts that make them angry.

If your employer wins the lottery in the morning, who's going to make her angry that day? No one. No matter what anyone says to her, she isn't going to care. She's not going to give it

another thought. Your employees can only get angry with someone if they *think* about that person and what they are saying and doing and what a threat it is to their happiness. If they don't think about that, how can they be angry?

Your people are free to think about anything they want. They have absolute freedom of thought.

The highest IQ ever measured in any human being was achieved by Marilyn Vos Savant, many years in a row. Once someone asked Marilyn what the relationship was between feeling and thinking. She said, "Feeling is what you get for thinking the way you do." Marcus Aurelius wrote, in 150 A.D., "The soul becomes dyed with the color of its thoughts." People feel motivated only when they think motivated thoughts. Thought rules. Circumstance does not rule. The closer your relationship to that truth, the better the leader you are.

9. Tell the Truth Quickly

Question: How many legs does a dog have if you call the tail a leg?

Answer: Four; calling a tail a leg doesn't make it a leg.

—Abraham Lincoln

Great leaders always share a common habit: they tell the truth faster than other managers do. Steve recalls his work with helping managers motivate salespeople. But it doesn't just apply to salespeople. It applies to all people: I always found that people would tell me about their limitations, and I would patiently listen and try to talk them out of their limitations, and they would try to talk me back into what their limitations really were. That seemed to be their obsession. One day, I was working with a salesperson in a difficult one-on-one coaching session, and finally I just blurted it out (I guess I was tired, or upset, or was having a stressful day) and I said, "You know, you're just lying to me." What?" he said.

"You're lying. Don't tell me there's nothing you can do. There's *a lot* you can do. So let's you and I work with the truth, because if we work with the truth and we don't lie to each other, we are going to get to your success so much faster than if we do it this way, focusing on your self-deceptions."

Well, my client was just absolutely shocked.

He stared at me for a long time. It's not always a great relationship-builder to call someone a liar. I don't recommend it. If I hadn't been as tired as I was, I don't think I would have

done it, but the remarkable thing was, my client all of a sudden began to smile! He sat back in his chair and he said, “You know what? You are right.” I said, “What?” He said, “I said, you know what, you are right, that’s not the truth at all, is it?” No, it’s not.” You are right,” he said, “There’s a lot I can do.” Yes, there is.” This is the main lie you hear in the world business and especially in sales: “There’s nothing I can do.” This is the “I am helpless and powerless” lie. The truth is, there is always a lot you can do. You just have to choose the most creative and efficient way to do it.

As Shakespeare wrote, “Action is eloquence.” One way a salesperson I know starts her day off with action is to ask herself, “If I were coaching me, what would I advise myself to do right now? What creative, service-oriented beneficial action could I take that my client would be grateful for in the end? What action would bring the highest return to me?”

Another quick cure for the feeling that “there’s nothing I can do” is to ask myself, “If I were my customer or my prospect, what would I want me to do?” Great salespeople, and any people who lead their teams in performance and who prosper the most from profession, are great givers. They stay in

constant touch with their power to *do so much* by constantly giving their internal and external clients beneficial things helpful information, offers of service, respect for their time, support for their success, cheerful friendly encounters, sincere acknowledgments, the inside scoop giving, giving, giving all day long, always putting the client's wants and needs first. They always ask the best questions and always listen better than anyone else listens.

As that commitment grows and expands, and those gifts are lavished on each client in creative and ongoing communicate, that salesperson becomes a world-level expert in client psychology and buying behavior. And that salesperson also realizes that such a dizzying level of expertise can only be acquired through massive benefit-based interaction! A new week begins, and this thought occurs: "There's *so much* good I can do, I just can't wait."

10. Don't Confuse Stressing

Out With Caring *Stress, in addition to being itself and the result of itself, is also the cause of itself.*

—Hans Selye, Psychologist

Most managers try double negatives as a way to motivate

others. First they intentionally upset themselves over the prospect of *not* reaching their goals, and then they use the upset as negative energy to fire up the team. It doesn't work.

Stressing out over our team's goals is not the same as caring about them. Stressing out is not a useful form of motivation.

No performer, when tense, or stressed, performs well. No leader does. No salesperson. No athlete. No fund-raiser. No field goal kicker. No free throw shooter. No parent.

A stressed-out, tense performer only has access to a small percent of his or her skill and intelligence. If your favorite team is playing, do you want a tense, stressed out person shooting a free throw, or kicking a long field goal in the last moments of the game? Or would you rather see a confident, calm player step up to the challenge?

Most people stress themselves out as a form (or a show) of "really caring" about hitting some goal. But it's not caring, it's stressing out. Stressing out makes one do worse. True caring makes one do better. That's why it's vital for a leader to know the difference. The two couldn't be more different. Caring is relaxing, focusing, and calling on *all* of your resources, all of that relaxed magic, that lazy dynamite that

you bring to bear when you pay full attention with peace of mind. No one performs better than when he or she is relaxed and focused. “Stress is basically a disconnection from the Earth,” says the great creativity teacher Natalie Goldberg. “It’s a forgetting of the breath. Stress is an ignorant state. It believes that everything is an emergency. Nothing is that important. Just lie down.”

It is not necessary to stress, only to focus and remain focused. Anything you pay attention to will expand. Just don’t spend your attention any old place. Spend it where you want the greatest results: in clients, customers, money, whatever. In a relaxed and happy way, be relentless and undivided and peaceful and powerful. You will succeed. Gently relentless. Gently indulge your own magnificent obsession.

11. Manage Your Own Superiors

There is no such thing as constructive criticism.

—Dale Carnegie

Jean was an administrator in a large hospital system we were working with. She welcomed the coaching work we were doing but had a pressing question about her own leadership.

“We have had a lot of different bosses to report to,” Jean said.

“It seems that just when we’re used to working for a certain CEO, the hospital brings in someone new.” What exactly is the problem with that?” we asked. “Well, with so many changes in leadership over the years,” Jean asked, “how do we develop trust in the process?” By trusting the process. Trust is not the same as verification. Trust risks something. And it is not necessarily bad or good that leadership changes. The question is, can you teach yourself to live and work with the change? It’s not whether it has changed so much but rather this: What are you going to do to capitalize on the change?” What if we don’t like the leadership now?” she pressed on. “What don’t you like?” We get mixed messages from them!” Jean said. “And how can you keep asking us to take ownership when we get mixed messages from senior management?” Every large organization we have ever worked with has had to confront, in varying degrees, this issue of ‘mixed messages.’ Mixed messages happen because people are only human and it’s hard to coordinate a lot of energetic creative people to present themselves as one.”

“It’s a challenge that must be dealt with. But it is not necessary to use it as a source of defeat or depression. It’s a

challenge. We have often seen the ‘message from the top’ become more coherent and unified when the request for unity ‘from below’ becomes more benevolent and creative.” “You’re saying I should manage *them* a little better,” Jean said. “Exactly.” “With the key words being ‘benevolent’ and ‘creative’?” Those would be the key words.”

12. Put Your Hose Away

Wise leaders and high achievers come to understand that they can't hope to eliminate problems...and wouldn't want to.

—Dale Dauten

Why are so many managers ineffective leaders? Because they are firefighters. When you become a firefighter, you don't lead anymore. You don't decide where your team is going.

The fire decides for you. (The *fire*: whatever current problem has flared up and captured your time and imagination.)

The fire controls your life. You think you are controlling the fire, but the fire is controlling you. You become unconscious of opportunity. You become blind to possibilities, because you are immersed in, and defined by the fire.

If you're an un motivational manager, even when you put the fire out, you hop back on the truck and take off across the

company looking for another fire. Soon, *all you know is fires*, and all you know how to do is fight them. Even when there is no real fire, you'll find something you'll *redefine* as a fire because you are a firefighter and always want to be working.

A great motivator doesn't fight fires 24/7. A true motivator leads people from the present into the future. The only time a fire becomes relevant is when it's in the way of that future goal. Sometimes a leader doesn't even have to put the fire out. She sometimes just takes a path around (or above) the fire to get to the desired future.

A firefighter, on the other hand, will stop everything and fight every fire. That's the basic difference between an unconscious manager (letting the fires dictate activity) and a conscious leader (letting desired goals dictate activity).

13. Get the Picture

People cannot be managed... Inventories can be managed, but people must be led.

—H. Ross Perot

Here's a question often asked: Isn't leadership something people are born with? Aren't some people referred to as *born leaders*?

Yes, but it's a myth. Leadership is a skill, like gardening or chess or playing a computer game. It can be taught and it can be learned at any age if the commitment to learn is present. Companies *can* turn their managers into leaders. But if companies could transform all their managers into leaders, why wouldn't every company just do that?

They don't know what a leader is, most of them. They don't read books on leadership, they don't have leadership training seminars, and they don't hold meetings in which leadership is discussed and brainstormed. Therefore, they can't define it. It's hard to encourage it or cultivate it if you can't define it.

The remedy for this is to always have a picture of what a good leader is. People are not motivated by people who can't picture great leadership. Can't even picture it!

In his powerful, innovative book on business management, *The Laughing Warriors* . Dale Dauten offers a picture of a leader with a code to live .

Continuously picturing that code in and of itself would create quite a leader.

14. Manage Agreements, Not People

Those that are most slow in making a promise are the most

faithful in the performance of it.

—Jean Jacques Rousseau

“Does anybody here work with people seem unmanageable?”

Steve Chandler asked as he opened one of his leadership seminars. The managers who filled the room nodded and smiled in agreement. Some rolled their eyes skyward in agreement. They obviously had a lot of experience trying to manage people like that. “How do you do it?” one manager called out. “How do you manage unmanageable people?” “I don’t know,” Steve said. “What do you mean you don’t know?”

We’re here to find out how to do it,” someone else called out.

“I’ve never seen it done,” Steve said. “Because I believe, in the end, all people are pretty unmanageable. I’ve never known anyone who was good at managing people.”

“Then why have a seminar on managing people if it can’t be done?” Well, you tell me, can it be done? Do you actually manage your people? Do you manage your spouse? Can you do it? I don’t think so.” Well, then, is class dismissed?”

“No, certainly not. Because we can all stay and learn how great leaders get great results from their people. But they do it

without managing people, because basically you can't manage people." If they don't manage people, what do they do?"

"They manage agreements." Managers make a mistake when they try to manage their people. They end up trying to shovel mercury with a pitchfork, managing people's emotions and personalities.

Then they try to "take care" of their most upset people, not in the name of better communication and understanding, but in the name of containing dissent and being liked. This leads to poor time management and a lot of ineffective amateur psychotherapy. It also encourages employees to take a more immature position in their communication with management, almost an attempt to be re-parented by a supervisor rather than having an adult-to-adult relationship.

A leader's first responsibility is to make sure the relationship is a mature one. A true leader does not run around playing amateur psychotherapist, trying to manage people's emotions and personalities all day. A leader is compassionate, and always seeks to understand the feelings of others. But a leader does not try to *manage* those feelings. A leader, instead, manages agreements. A leader creates agreements with team

members and enters into those agreements on an adult-to-adult basis. All communication is done with respect. There is no giving in to the temptation to be intimidating, bossy, or all-knowing. Once agreements are made on an adult-to-adult basis, people don't have to be managed anymore. What gets managed is the agreement. It is more mature and respectful to do it that way, and both sides enjoy more open and trusting communication.

There is also more accountability running both ways. It is now easier to discuss uncomfortable subjects.

Harry was an employee who always showed up late for team meetings. Many managers would deal with this problem by talking behind Harry's back, or trying to intimidate Harry with sarcasm, or freezing Harry out and not return his calls, or meeting with Harry to play therapist. But our client Jill would do none of that. Jill co-generated an agreement with Harry that Harry (and Jill) would be on time for meetings.

They agreed to agree, and they agreed to keep their commitments to the agreements. It is an adult process that leads to open communication and relaxed accountability. Jill has come to realize that when adults agree to keep their

agreements with each other, it leads to a more openly accountable company culture. It leads to higher levels of self-responsibility and self-respect.

The biggest beneficial impact of managing agreements is on communication. It frees communication up to be more honest, open, and complete. A commitment to managing agreements is basically a commitment to being two professional adults working together, as opposed to “I’m your dad, I’m your father, I’m your mother, I’m your parent, and I will re-parent you.

You’re a child, and you’re bad and you’ve done wrong, and I’m upset with you, and I’m disappointed in you, and I know that you’ve got your reasons and you’ve got your alibis and your stories, but still, I’m still disappointed in you.” That kind of approach is not management, it’s not leadership. It’s not even professional. That kind of approach, which we would say eight out of 10 managers do, is just a knee jerk, intuitively parent-child approach to managing human beings. The problem with parent-child management is that the person being managed does not feel respected in that exchange. And the most important, the most powerful precondition to good

performance is trust and respect. Let's say my team has agreed to do on something. They've all agreed to watch a video and then take a certain test given on the Internet. But then they don't do it! What does it mean that they won't do things like that? What does it mean about them? What does it mean about me?

All it means is that the person in charge of getting that project done is someone with whom I need to strengthen my agreement. It's not someone who's done something "wrong." I don't need to call them on the carpet. It's someone with whom I don't have a very strong agreement.

And so I need to sit down with each of them or get into a good phone conversation with each of them, and say, "You and I need an agreement on this because this is something that must be done, and I want to have it done in the way that you can do it the most effectively, that won't get in the way of your day-to-day work. So let's talk about this. Let me help you with this so that it does get done. It's not an option, so you and I must come up with a way together, that we can both co-author, together, an agreement on how this is going to get done." Then I should ask these questions of that person, "Are

you willing to do this? Is this something you can make people follow up on? Can you make sure people do this? Do you have a way of doing it? Do you need my support?”

And finally, at the end of the conversation, I’ve got that person agreeing with me about the project. Now, notice that this agreement is two-sided. So I also, as the co-professional in this agreement, am agreeing to certain things, too.

That person might have said, “You know, one of the hard thing about this is we don’t have anything to watch this video on, we don’t have a TV monitor in the store.”

And so I would say, “If I can get you a TV for your store, will that be all you need?” “Yes, it will.” Well, here’s what you can count on. By Friday, I’ll have a TV monitor in the store.

What else can I do for you?” Because a leader is always serving, too. Not just laying down the law, but serving. And always asking, “How can I assist you? How can I serve you and help you with this?” Because the true leader wants an absolute promise, and absolute performance. And now that the two people have agreed, I ask very sincerely, “Can I count on you now to have this done, with 100-percent compliance? Can I count on that from you?” Yes, of course you can.”

Great. We shake. Two professionals are leaving this meeting with an agreement they both made out of mutual respect, out of professional grown-up conversation. Nobody was “managed.”

Chapter 3: Focus on the Result, Not the Excuse

A leader has to be able to change an organization that is dreamless, soulless and visionless... someone's got to make a wake up call.

—Warren Bennis

If you are a sales manager, you probably run into the same frustrations that Frank did when he talked to us last week from San Francisco. “I believe I need advice on how to deliver the ‘Just Do It’ message to my people,” Frank said. “I’ve said it every way I can, and I think I’m starting to sound like a broken record. I don’t know why I called you.

I thought maybe you were advising your clients to pick up some new book to read, or that you might have some general words of wisdom.” What, specifically, is your problem?” Half of the people on the team I manage are total non-producers!”

he said. “And I keep telling them...it’s not magical...it’s getting the leads...and getting it done.“I’ve said, ‘Just get off your butt, and go get referrals, make 60 to 75 phone calls, visit with eight to 10 potential buyers each week and watch how successful you’ll be.’” What’s really missing here?” we asked him. “What’s wrong with your picture?

Why aren’t they out there doing what would lead to sales?” That’s why I called you. If I *knew what was missing*, I wouldn’t have called you.” Because it isn’t ‘just doing it’ that is missing from the non-producers’ equation. Although we always think it is. What’s really missing runs deeper than that. What’s really missing is the ‘just *wanting* it.’” Oh, I know they all say they want it. They want the commissions and they want the success.” They don’t want it, or they would have it.”

“Oh, so you think people get everything they want?”

“Actually, yes they do.” “Really? I don’t see that.”

“That’s what we humans are all about. We know how to get what we want. We are biological systems designed to do that.” We talked longer. There was something we wanted Frank to see: Frank’s non-producers are under producing because they do not *want* to produce. If you are a manager

you must understand that. If you are a non-producer, you must understand that. Non-producers are not in sales to focus all their attention on succeeding at selling. If they were, they would be producers. Even if they say they are focused on results, they're not. They are in sales because of other reasons...they believe they need the money, maybe, and therefore think they "should be" there.

But they can't get any intellectual or motivational leverage from "should." "Should" sets them up for failure. Because it implies that they are still a child, and that they are trying to live up to other people's expectations. There's no power in that. No focus. No leverage.

Salespeople who do what they think they "should do" all day convert their managers into their parents. Then they age-regress into childhood and whine and complain. Even when you try to micromanage their activities, even when you are eloquent in showing them that Activity A leads to Result B (always) and Result B leads to Result C (always) they still do it halfheartedly and search in vain for a new "how to" from other mentors and producers. Frank begins to see this form of dysfunction quite clearly, but he still doesn't know what to do

about it. What Frank needs to manage is the *want to* not the *how to*. Frank needs a quick course in outcome-management because, like most people, he is stuck in the world of process-management. The real joy of leadership can only come when you're getting results. "Tell me what I as a manager ought to do," he said, after he realized that he already understood this whole idea. "Once you get the non-producer's sales goal (plan, quota, numbers) in front of you for mutual discussion," we said, "you need to draw out and cultivate the '*why*.' Why do you want this?

What will it do for you? What else will it do for you? What's one thing more it will do for you? If we were to tell you that there were activities that would absolutely get you to this number, would you do these activities? If not, why not? Would you promise me and yourself that you would do these activities until you hit the number? Why not?" If you're a manager like Frank, please keep in mind that you have people who don't really want what they are telling you they want, and even they don't realize that. You know that if they truly wanted to be producers, nothing in the world could stop them. "Intention Deficit Disorder" is what we have named the

dysfunction that is always at the core of non-production. It is not a deficit in technique or know-how. Technique and know-how are *hungrily* acquired by the person who has an absolute and focused intention to succeed. The real long-term trick to good management is to hire people who want success. Once you have mastered that tricky art form, you will always succeed. But we get lazy in the hiring process and look for and listen for all the wrong things.

Why do we do this? Why do we miss this crucial lack of desire in the hiring process? This is why: the person we hire really has a big “want to” when it comes to getting the job. They really want the job. However, this is distinctly different than wanting to succeed at the job. These are two completely different goals. So we are hazy in the interviewing process, only half-listening to them, and we mistake their burning desire to *get the job* with a burning desire to succeed. It is a completely different and separate thing.

The best managers we have ever trained always took more time and trouble in the hiring process than any of their competitors did. Then, once they had hired ambitious people, they based their management on the management of those

people's *personal* goals. When sales managers learned to link the activity of cold-calling to the salesperson's most specific personal goals, cold-calling became something much more meaningful. These managers were spending their days managing results, not activities. Their positive reinforcement was always for results, not for activities.

15. Coach the Outcome

Unless commitment is made, there are only promises and hopes...but no plans.

—Peter Drucker

Every non-producer you are managing is in some form of conflict. They say they want to succeed and hit their number, but their activity says otherwise. They themselves can't even see it, but you, the manager, can, and it drives you nuts.

Finally you have that talk that you always have wherein you say to them, "I have a feeling that I want this for you more than you want it for yourself."

And they get misty-eyed and their tears well up while they insist you are wrong. And you, being such a compassionate person, believe them! So you give them yet another chance to prove it to you. You do all kinds of heroics for them and

waste all your time on them when your time could be better spent with your producers. Always remember that the time you spend helping a producer helps your team's production *more* than the time you spend with your non-producer.

Some research we have seen shows that managers spend more than 70 percent of their time trying to get non-producers to produce. And most producers, when they quit for another job, quit because they didn't get enough attention. They didn't feel that they were appreciated enough by the company nor could they grow fast enough in their position.

If you help a producer who is selling 10 muffins a week learn how to sell 15, you have moved them up to 150 percent of their former level, and, even better, you have added five muffins to your team's total. If you were to spend that time, instead, with a non-producer, and get them up to 150 percent, you might have just moved them up from two muffins to three. You've only added one muffin (instead of five) to the team total. Most managers spend most of their days with the non-producer...adding *one muffin* to the team's total.

Managers need to simplify, simplify, simplify. They do not need to do what they normally do: complicate, multitask, and

complicate. Keep it as simple as you can for your non-producers, focusing on outcomes and results only. Spend more and more time with producers who are looking for that extra edge you can give them.

Non-producers have a huge lesson to learn from you. They could be learning every day that their production is a direct result of their own desire (or lack of it) to hit that precise number. People figure out ways to get what they want. Most non-producers want to keep their jobs (because of their spousal disapproval if they lose it, because of their fear of personal shame if they lose it, and so on) so all their activity is directed at *keeping the job* from one month to the next. If they can do the minimum in sales and still keep their job, they are getting what they want. People get what they want.

The manager's challenge is to redirect all daily effort toward hitting a precise number. If your people believed that they *had to* hit that number, they would hit that number, and technique would never be an issue. Skills would never be an issue. They would find them. They would try out every technique in the book until that number appeared.

Somehow non-producers have convinced themselves that

there is no direct cause-and-effect between increasing certain activities and hitting their number.

Do you remember those little toy robots or cars you had when you were a kid that would bump into a wall and then turn 30 degrees and go again? And every time they bumped into something they would turn 30 degrees and go again. If you put one of those toys in a room with an open door, it will always find the way out the door. Always. It is programmed to do so. It is mechanically programmed to keep trying things until it is *out of there*.

That's what top producers also program themselves to do. It's the same thing. They keep trying stuff until they find a way. If they bump into a wall, they immediately turn 30 degrees and set out again.

The non-producer bumps into the wall and gets depressed and then shuts himself down. Sometimes for 20 minutes, sometimes for a whole day or week. Alternately, he bumps into a wall and doesn't turn in any other direction so he keeps bumping into the same wall until his batteries run down. Death of a salesman. Managers also make the mistake of buying in to their non-producers' perceived problems. They

buy in to the non-producers' never-ending crusade to convince everyone that there is no cause and effect in their work. It's all a matter of luck! In fact, non-producers almost delight in bringing back evidence that there is no cause and effect. They tell you long case histories of all the activities they did that led to *nothing*. All the heartbreak. All the times they were *misled* by prospective buyers.

A manager's real opportunity is to teach his people absolute respect for personal responsibility for results. Everyone selling in the free market is 100-percent accountable for his and her financial situation. Every salesperson is *outcome-accountable* as well as activity-accountable.

Your non-producers will always want to sell you on what they have done, all the actions they have taken. What they don't want is to take responsibility for outcomes. Good sales management is outcome management, not activities management. Yet most sales managers go crazy all day managing activities. Why? Because they *know* that if you really do these activities without ceasing you *will* get results. So they manage the activities. They need to change that and manage results. They need to hold people accountable for the

results they are getting, and *not* how hard they are trying. The minute a manager falls for how hard people are trying, he has broken the cause and effect link.

If you as manager ask them, “How much X do you do?” they will ask, “How do I learn a better technique for X?” And while better techniques are always good, it’s not the point here. You are now discussing results. They will subconsciously try to steer you away from results into technique. Just like a child does with a parent! “Dad I tried but I can’t! I can’t do it!” Discuss technique later after the commitment to results is clarified.

Non-producers, at the deepest level, do not yet *want* to get the result. You have to understand this so you won’t go crazy trying to figure them out. They don’t want the result. They want the job. They want your approval. They want to be seen as “really trying.” But deep down, they don’t want the result. It’s that simple. The truly great managers spend most of their time helping good producers go from 10 muffins to 15. They have fun. They are creative. They feed off of their producers’ skills and enthusiasm. Their teams constantly out-perform other teams. Why? Because other teams’ managers have been

hypnotized by their non-producers. Their non-producers actually become good salespeople selling the wrong thing. Selling you the *worst* thing: “there is *no* cause and effect...there is *no* guarantee.”

Simplify. Focus on results. You will always get what you focus on. If you merely focus on activities, that’s what you’ll get...a whole lot of activities. But if you focus on results, that’s what you’ll get. A whole lot of results.

16. Create a Game

Although some people think that life is a battle, it is actually a game of giving and receiving.

—Florence Scovill Shinn, Philosopher/Author

Complete this sentence with the first word that pops into your head: “Life is” What came to mind first? (Let’s hope the popular bumper sticker, “Life is a Bitch and Then You Die” did not come to mind.) .Whatever comes to mind first, here’s something that you (and we) can be sure of: that is exactly how life now seems to you. What was your answer? In a poll of mid-level managers, the most common answer was: “Life is a battle.” But in a poll of senior executives, the most common answer was: “Life is a game.”Which version of life

would you choose, if you had a choice?

To be as motivational a leader as you can possibly be, you might want to show your people that life with you is a game.

What makes any activity a game? There needs to be some way to keep score, to tell whether people are winning or losing, and the result must not matter at all. Then it becomes pure fun. So be clear that although all kinds of prizes may be attached to the game, the game itself is being played for the sheer fun of it. How can you incorporate this into your life?

Chuck Coonradt, a long-time friend and mentor, is a management consultant and the best-selling author of *The Game of Work*. He has created an entire system for making a game out of work.

Chuck recalled that when he started in the grocery business, in the icy frozen food section of the warehouse, he noticed that the owners would bend over backwards to take care of their workers. They would give them breaks every hour to warm up and they would give them preferential pay. But no matter what they did, the workers would bitterly complain about the chilling cold. “However, you could take these exact same workers and put a deer rifle into their hands,” Chuck

said, “and you could send them out into weather that was much worse than anything in the warehouse, and they would call it fun! And you wouldn’t have to pay them a dime! In fact, they will pay for it themselves!”

The key to making work fun, as Tom Sawyer taught us many years ago, is to turn what most people would consider the drudgery of painting a fence, into a game.

Randy was a leader-client of ours who had a problem with absenteeism. For many months he tried to attack and eliminate the problem. Finally, he realized that it is always possible to lighten things up by introducing the game element. So Randy created a game. (Leaders create; managers react.) He issued a playing card to every employee with perfect attendance for the month.

A card was drawn at random from a bucket of cards. The employee then hung the card up in his or her cubicle. At the end of six months, the person with the best poker hand won a major prize, the second and third best hands also won good cash prizes. “My absenteeism problem virtually disappeared,” Randy later recalled. “In fact, we had some problems with actual sick people trying to work when they shouldn’t have.

They would wake up with a fever, and their spouse would say, 'You're staying home today,' and they would say, 'Are you crazy? I'm holding two aces and two queens, and you want me to stay home?'

After being in business for four years selling a pre-packaged management development program, Chuck Coonradt made what became the most important sales call of his career.

He called on a plant manager in a pre-constructed housing company. As part of their discussion, the manager began to give Chuck the "Kids Today" lecture kids don't care, kids won't work, kids don't have the same values you and I had when we were growing up.

"As he was speaking, we were looking over the factory floor from the management office 30 feet above the factory floor," Chuck recalled. "He pointed down to the eight young men siding a house and said, 'What are you and your program going to do about that?' Chuck said that he looked at their work pace and said that it "would best be compared to arthritic snails in wet cement. These guys appeared to be two degrees out of reverse and leaning backwards! He had given me objections for which I didn't have an answer. I really

didn't know what to say.”

Then an amazing event occurred—lunch. As soon as the lunch bell rang, these eight workers dropped their hammers as if they were electrified, took off on a dead run as if being stuck with cattle prods, four of them taking off their shirts, running 50 yards down the factory floor to a basketball court.

The motivational transformation was amazing! Chuck watched the game, mesmerized, for exactly 42 minutes. Everybody knew their job on the court, did their job on the court, and supported the team with energy, engagement, and enthusiasm—all without management.

They knew how to contribute to the teams they were on, and they enjoyed it. At 12:42 the game stopped, they picked up their sack lunches and their sodas and began to walk back to their work stations, where at 1 p.m., they were back on the clock—arthritic snails back in the wet cement. Chuck turned to the plant manager and said, “I don't believe there is a raw human material problem. I don't think there is anything wrong with these kids' motivation.” And on that day Chuck began a quest to see if it would be possible to transfer the energy, enthusiasm, and engagement that he saw on the

basketball court to the factory work floor. His success at doing so has become legendary throughout the business world.

“Now we identify the *motivation of recreation* and bring it to the workplace,” Chuck says. “The motivation of recreation includes feedback, scorekeeping, goal-setting, consistent coaching, and personal choice.”

22. Know Your Purpose

There is nothing so useless as doing efficiently that which should not be done at all.

—Peter Drucker

It is hard to motivate others if you don't have time to talk to them. There are fewer discouraging sights than a leader who has become a true chicken running around with his head cut off—and not enough time to find it. Managers whose teams are not performing up to expectations are simply doing ineffective things all day. Rather than stopping and deciding what would be the right thing to do, they do the wrong things faster and faster, stressing out more and more over the “work load.” (There is no “workload” to worry about if you are doing the right thing. There is only that thing.)

And as corporate time-management specialist David Allen says of today's busy leaders: "You have more to do than you can possibly do. You just need to feel good about your choices." Multitasking is the greatest myth in modern-day business. The thinking part of the brain itself does not multitask, and so people do not really multitask. The human system is not set up that way.

The system has one thought at a time. Managers often *think* they are multitasking, but they are really just doing one thing badly and then quickly moving to another thing, doing *it* badly and quickly. Soon they're preoccupied with all the tasks they've touched but left incomplete.

And, as business efficiency expert Kerry Gleeson has noted, "The constant, unproductive preoccupation with all the things we have to do is the single largest consumer of time and energy." Not the things we do, the things we leave undone.

People who find the joy in leadership find ways to relax into an extremely purposeful day, goal-oriented and focused on the highest- priority activity. They can think at any given moment: Sure they get distracted, and sure, some people call them and problems come up. But they know what to return to.

Because they know their purpose. Because they chose it.
That's the kind of leader that is admired and followed.

17. See What's Possible

Outstanding leaders go out of the way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish.

—Sam Walton

One of the best ways to motivate others is to learn from those who have motivated *you*. Learn from the great leaders you have had. Channel them, clone them, and incorporate them into who you are all day.

Scott Richardson recalls: “The most effective, inspirational motivator that I ever had was a violin prodigy who was my violin teacher.” He was an associate professor of music at the University of Arizona named Rodney Mercado. I met him when I was 16 and ready to quit the violin. My mother, who desperately wanted me to be a violin player said, “Hang on, I’ll find you the best teacher out there.” I was skeptical. But one day, she came in and said to me, “I found him; he’s the teacher of your teacher.” The first time I met him, I had to audition for him. I’d never had to audition for a teacher

before. Usually you'd just pay the money, and they took you. But Mercado chose his students carefully, just as a great leader chooses his team.

And I did the absolutely worst audition I'd ever done in my life! I thought, "Well, that sealed it. I don't have to worry about having him for my teacher." Soon after, he called me on the phone and said, "I've accepted you." And I thought, "There must be some mistake, this can't be true. I mean, my playing was so horrible, I couldn't imagine anyone accepting me based on that." But he had the ability to see what was possible in other people.

If anyone else had heard my audition, he would have said that it was hopeless. But he heard more than the playing. He heard the possibility behind the playing. And in that, he was a profoundly great coach and leader, because one of the most vital aspects of motivating others is the ability to see what's possible instead of just seeing what's happening now. Ever since that time, I've learned not to give up on people too quickly. I've learned to look deeply and listen deeply. Soon, skills and strengths I never saw before in people would show up. I learned that people perform in response to who they

think they are for us at the moment.

In other words, how we see others is how they perform for us. Once we create a new possibility for those around us, and communicate that to them, their performance as that person instantly takes off. Professor Mercado showed me another example of the power of communicating possibility when he was teaching a boy named Michael, who later became a good friend of mine.

Michael was unusual. When he was in junior high, as far as I could guess, he had never ever cut his long black hair because it was longer than his sister's, which was down below her belt. And Michael always kept his hair in front of his face, so you actually couldn't see what he looked like. And he never spoke a word in public.

His parents asked Mr. Mercado if he would be willing to teach Michael the violin. Mr. Mercado agreed and they had lessons, but as far as any outsider could tell, it was strictly a one-way communication. Michael never responded outwardly. He never even picked up the violin! Yet Mr. Mercado continued to teach him, week after week.

And then one day, when he was in 8th grade, Michael picked

up the violin and started playing. And in less than a month, he was asked to solo in front of the Tucson Symphony!

I could see for myself that this happened because Mr. Mercado communicated to Michael (without any outward acknowledgment that communication was being received) that who Michael was for Mr. Mercado was a virtuoso violinist.

So I have always remembered from this experience that people's performance is a response to who they perceive themselves to be for us at the moment. Once we create a new possibility for those around us, and communicate to them that this new possibility is who they are for us, then their performance instantly takes off.

There's no better way to motivate another human being.

18. Enjoy the A.R.T. of Confrontation

To command is to serve, nothing more, and nothing less.

—Andre Malraux, French Philosopher

One of the tricks we teach to inspire increased motivation in others is what we call “The A.R.T. of Confrontation.” It shows leaders how to enjoy holding people accountable.

Most managers think it's impossible to *enjoy* holding people

accountable. They think it's the hard part of being a manager. They think it's one of the downsides a necessary evil associated with the burden of command.

You can see why they don't do a very good job of holding people accountable. Fortunately, there is an enjoyable way to do it. When you need to speak to an employee about a behavior or a performance level that is not working for you, experiment with using A.R.T:

A: First, appreciate and acknowledge the employee for who she is, what she brings to the organization, noting specific strengths and talents. Then give a very, very specific recent example of something that employee did that particularly impressed and benefited you. R: Next, restate your own commitment to that person. "I believe in you. I hired you because of what I saw in you. I see even more in you than when I hired you. I am committed to your success here. I am devoted to your career, to you being happy and fulfilled." Then, tell that employee exactly and specifically what she can count on, always, from you. List what you do, how you fight for fair pay, how you are available at all times, how you work to always get the employee the tools she needs for success,

and so on. This recommitment places the conversation in the proper context. Ninety percent of managerial “reprimands” are destructive to the manager-employee relationship because they are felt to be out of context. The big picture must be established first, always.

T: Last, track the agreement. You want to track the existing agreement you have with your employee (if there is one) about the matter in question. If there is no existing agreement, you should create one on the spot. Mutually authored with mutual respect. Agreements are co-creations.

They are not mandates or rules. When an agreement is not being kept, both sides need to put all their cards on the table in a mutually supportive way to either rebuild the agreement or create a new agreement. People will break other people’s rules. But people will keep their own agreements.

Chapter 4: Feed Your Healthy Ego

Learning to be a leader is the same process as learning to be an integrated and healthy person.

—Warren Bennis

High self-esteem is our birthright. It is the core spirit inside of us. We do not need to pass a battery of humiliating tests to attain it. We need only to drop the thinking that contaminates it. We need to get out of its way and let it shine, in ourselves and in others.

Masterful, artful, spirited leadership has ways of bringing out the best and the highest expression of self-esteem in others.

But it starts at home. If I'm a leader, it starts with my own self-confidence. We human beings find it easier to follow self-confident people. We are quicker to become enrolled in a project when the person enrolling us is self-confident.

Most managers today don't take time to raise their own self-esteem and get centered in their personal pride of achievement. They spend too much time worrying about how they are being perceived, which results in insecurity and low self-esteem. Nathaniel Branden, in his powerful book, *Self Esteem at Work*, says it this way:

“A person who feels undeserving of achievement and success is unlikely to ignite high aspirations in others. Nor can leaders draw forth the best in others if their primary need, arising from their insecurities, is to prove themselves right and others

wrong, in which case their relationship to others is not inspirational but adversarial. *It is a fallacy to say that a great leader should be egoless.* A leader needs an ego sufficiently healthy that it does not perceive itself as on trial in every encounter—is not operating out of anxiety and defensiveness—so that the leader is free to be task and results-oriented, not oriented toward self-aggrandizement or self-protection. A healthy ego asks: What needs to be done? An insecure ego asks: How do I avoid looking bad?”

Build your inner strength by doing what needs to be done and then moving to the next thing that needs to be done. The less you focus on how you’re coming across, the better you’ll come across.

19. Hire the Motivated

The best executive is the one who has sense enough to pick good people to do what he wants done, and self-restraint to keep from meddling with them while they do it.

—Theodore Roosevelt

It sounds too simple. But the best way to have people on your team be motivated is to hire self-motivated people. There is much you can do to create this kind of team. Let’s start with

the hiring interview. As you conduct your hiring interview, know in advance the kinds of questions that are likely to have been anticipated by the interviewee, and therefore will only get you a role-played answer. Minimize those questions.

Instead, ask questions that are original and designed to uncover the real person behind the role-player.

Ask the unexpected. Keep your interviewee pleasantly off-balance. The good, motivated people will love it, and the under-motivated will become more and more uncomfortable.

Know that every interviewee is attempting to role-play. They are playing the part of the person they think would get this job. We all do it in an interview. But your job is to not let it happen. One way to find the true person across from you is called *layering*. Layering is following up a question with an open-ended, layered addition to the question. For example:

Question: Why did you leave Company X?

Answer: Not enough challenges.

Layered Question: Interesting, tell me more about Company X. What was it like for you there?

Answer: It was pretty difficult. I wasn't comfortable.

Layered Question: Why do you think it affected you that

way?

Answer: My manager was a micro-manager.

Layered Question: This is very interesting; talk more about that if you can. Basically “layering” is a request you are making that your interviewee go further and further and to not stop there but “go on” and then “keep going” and then “tell me more” and then “go on.”

Layering gets you the real person after a while. So do questions that have not been anticipated and rehearsed for a role-play. Here’s an example of a very open-ended and curious exchange: “Did you grow up here?” No, I grew up in Chicago.” Chicago! Did you go to high school there?”

“Yes I did, Maine East High.” What was that like, going to that school?” *Another example:* “How was your weekend?”

“Great.” “What is a typical weekend like for you?” *Or*

another: “I see from your resume that you majored in engineering.” “Yes.” “If you had one thing to change about how they teach engineering, what would you change?”

Or another: “If you were asked to go back to run the company you just came from, what’s the first thing you would do?”

Think of questions that you yourself like and are intrigued by,

and keep your interviewee in uncharted waters throughout the interview.

That way you get the real person to talk to you so you'll get a much better gut feeling about the person and what he or she would be like to work with. The best way to create a highly motivated team is to hire people who are already motivated.

27. Stop Talking

One measure of leadership is the caliber people who choose to follow you.

—Dennis A. Peer, Management Consultant

Most job interviewers talk way too much...and they go way too soon to the question, “Well, is there anything you would like to know about us?” Learn to stop doing that. That’s your ego being expressed, not a good interview technique. People who have not done their homework and who are not masterful interviewers will always end up interviewing themselves and talking about their company. They get uncomfortable asking lots of questions so they quickly start talking about the history of the company, their own history there, and many personal convictions and opinions. In this, they are wasting their time. In five months, they will be wringing their hands and tearing

their hair out because somehow they let a problem employee and chronic complainer fly in under the radar.

Remember: no talking. Your job is to intuit the motivational level of the person across from you. You can only do that by letting her answer question after question.

It takes more courage, imagination, and preparation to ask a relentless number of questions than it does to chat. But great leaders are great recruiters. In sports and in life. As a leader, you're only as good as your people. Hire the best.

Dale Dauten, often called the Obi-Wan Kenobi of business consultants, said, "When I did the research that led to my book *The Gifted Boss* (William Morrow, First Edition, 1999), I found that great bosses spend little time trying to mold employees into greatness, but instead devote extraordinary efforts to spotting and courting exceptionally capable employees. Turns out that the best management is finding employees that don't need managing."

20. Refuse to Buy Their Limitation

Leaders don't create followers, they create more leaders.

—Tom Peters

Your people limit themselves all the time. They put up false

barriers and struggle with imaginary problems. One of your skills as a leader is to show your people that they accomplish more than they think they can. In fact, they may someday be leaders like you are. And one of the reasons your people wind up admiring you is that you always see their potential. You always see the best side of them, and you tell them about it. It could be that you are the first person in that employee's life to *ever* believe in him. And because of you, he becomes more capable than he thought he was, and he loves you for that, even though your belief in him sometimes makes him uncomfortable. That discomfort may return every time you ask him to stretch. But you don't care. You press on with your belief in him, stretching him, growing him. One of the greatest leadership gurus of American business was Robert Greenleaf. He developed the concept of "servant leadership." A leader is one who serves those following, serving them every step of the way, especially by bringing out the best in them, and *refusing to* buy their limitations as achievers.

Your people may be flawed as people, but as achievers, they are certainly not. Greenleaf said, "Anybody could lead perfect

people—if there were any. But there aren't any perfect people. And parents who try to raise perfect children are certain to raise neurotics. "It is part of the enigma of human nature that the 'typical' person—immature, stumbling, inept, lazy—is capable of great dedication and heroism if wisely led. The secret of team-building is to be able to weld a team of such people by lifting them up to grow taller than they would otherwise be."

21. Play Both Good Cop and Bad Cop

If your actions inspire others to dream more, learn more, do more, and become more, you are a leader.

—John Quincy Adams

If you are an effective motivator of others, then you know how to play "good cop, bad cop." And you know that you don't need two people to play it. A true motivator plays both roles. Good Cop: nurturing, mentoring, coaching, serving, and supporting your people all the way. Keeping your word every time. Removing obstacles to success. Praising and acknowledging all the way. Leading through positive reinforcement of desired behavior, because you're a true leader who knows that you get what you reward.

Bad Cop: bad to the bone. No compromise about people keeping their promises to you, even promises about performance. No room for complaints and excuses as substitutions for conversations about promises not being kept. No respect for whiners and people who do not make their numbers. No “wobble room” for the lazy.

Clarity, conviction, determination. All cards on the table. No covert messages. In your face: “I believe in you. I know what you can do. The whole reason you exist here, in my life, is to get this job done.”

Obviously you don't call on Bad Cop very often. Only after every Good Cop approach is exhausted. Bad Cop can be a great wake-up call to someone who has never been challenged in life to be the best she can be. And once the Bad Cop session is over, and the person is back in the game, giving it a good effort, bring Good Cop back right away to complete the process.

22. Don't Go Crazy

The older I get the more wisdom I find in the ancient rule of taking first things first. A process which often reduces the most complex human problem to a manageable proportion.

—Dwight D. Eisenhower

When I'm thinking about seven things rather than one, I'm trying to keep them in my head and I'm trying to listen to you, but I really can't because I just thought of three more things that I need to attend to when you leave.

which I hope will be soon. So I look at my watch a couple of times while you're talking to me, because mentally I'm on the run, and I'm a type-A go-guy, doing a million things, but what I'm not seeing is that my very fragile relationship with you is being destroyed by this approach. It's being destroyed a little bit at a time., because the main message I'm sending to you and everyone else on my team is that I'm really stressed, *and it's crazy here* .I even tell my family, "It's crazy here. I want to spend more time with you, but it's crazy right now. Just crazy at the office." Well, it's not crazy. *You're* crazy. You need to be honest about it. *It's* not crazy, it's just work. It's just a business. "It's-crazy-around-here" managers keep throwing up their hands, saying, "What? She's leaving us? Why? She's quitting? Oh no, you can't trust anybody these days. Get her in here, we need to save this. Cancel my meetings, cancel my calls, I want to find out why she's

leaving.” Well, she’s leaving for this reason: You only spoke to her for a maximum of three minutes in any single conversation over the past year. You may have spoken to her 365 times, but it was only for three minutes. This is not a professional relationship. It’s a drive-by shooting.

And whether the manager likes it or not, creating great relationships is how careers are built, how businesses are built, and how great teams are built. Usually people who admire or in a certain, frightened, way “respect” their multi-tasking managers, admit that they feel less secure because of all that is “crazy.” When they meet with the manager, the manager says to them, “Okay, come on in, I know you need to see me. Get in here, I have to take this call. It’s crazy. I’ve got to be in a meeting in two minutes, and there’s an e-mail I’m waiting for, so you’ll forgive me if I jump on that when it comes in, but just step in here for a second. I know you had something on your mind. So please, ah, talk to me...oh excuse me.” When we can get a manager to experiment with slowing down and becoming focused on each conversation as a way to approach his or her day, they’re really amazed. If they do it for a week, they call back and say, “Unbelievably, I got more

understanding of my people this week than in all my previous weeks on this job.”

It’s unbelievable to them. Because often, when they slow down and look at the next urgent task in front of them, it occurs to them that *someone else would love to do this task*. Not only that, but someone else would be *flattered* to do this. “They would enjoy hearing of the trust I have in them by asking them to take this over and get it done, and done well, because I like the way they do things.”

There are so many things that can be delegated and passed on to others, but only if you regain my sanity and slow down. One of the best ways to motivate others is to give them more interesting things to do. Especially things that free your own time up. That’s time you can use to build a motivated team.

23. Stop Cuddling Up

I never gave them hell. I just tell the truth and they think it’s hell.

—Harry Truman

Unconsciously, managers without leadership habits will often seek, above all else, to be liked. Rather than holding people accountable, they let them off the hook. They give non-

performers the uneasy feeling that everything's fine. They are managers who seek approval rather than respect.

But this habit has a severe consequence. It leads to a lack of trust in the workplace, the most common "issue" on employee surveys. A true leader does not focus first on trying to be liked. A true leader focuses practices and communications that lead to being *respected*.

It's a completely different goal that leads to completely different results. (I am not motivated by you because I like you; I am motivated by you because I respect you.)

The core internal question that the leader returns to is, "If I were being managed by me, what would I most need from my leader right now?" The answer to that question varies, but most often comes up as:

1. The truth, as soon as you know the truth.
2. Full and complete communication about what's going on with me and with us.
3. Keeping all promises, especially the small ones ("I'll get back to you by tomorrow with that") consistently, even fanatically. Not some promises, not a high percentage of promises, not a good college try, but all promises. When a

promise cannot be kept (especially a small one), an immediate apology, update, and new promise is issued.

A true leader does not try to become everybody's big buddy, although she values upbeat and cheerful communication.

A true leader is not overly concerned with always being liked, and is even willing to engage in very uncomfortable conversations in the name of being straight and thorough.

A true leader sees this aspect of leadership in very serious, adult terms and does not try to downplay responsibility for leadership. True leaders do not try to form inappropriate private friendships with members of the team they are paid to lead. A true leader enjoys all the elements of accountability and responsibility and transforms performance measurement and management into an above-board business adventure.

24. Do the Worst First

The best way out is always through.

—Robert Frost

The number-one topic that leaders ask us to speak about these days is: How do you motivate others when you have poor time-management? This was true of Carlos who headed up a team of brokers. “With everything that’s flying at me,

everything that's coming in, all the calls that I get, all the obligations that I have, everything that there is to do in a given day, I could really use another 10 hours in my day," Carlos said. We laughed: "This is true of everyone, Carlos. Stop thinking you are unique. Re-program and bring yourself into focus. Reboot your mind. Start over."

All functional people in this global market have more to do than they have time to do. That's not really a problem. It's an exciting fact of life. "But it's very, very tempting to cave in to a sense of being overwhelmed," Carlos said. "It's tempting to get into that victim mindset of being 'swamped.'" True enough. So regroup and get the view from 10,000 feet. Rise up. Lift yourself up!" But the truth is, I *am* swamped," Carlos almost yelled out. "There's nothing I can do. I'm overwhelmed. How can anyone manage this team when you've got all this stuff going on? And right when you think you're getting ahead of it, you get a call, you get an e-mail, you get another request, there's another program that has to be implemented, there's another form that has to be filled out, and I'm about to throw up my hands and say, 'How do I do this?'" Carlos, listen. Get a grip for now.

The simplest system that you can come up with for time-management will serve you as a leader. Keep it simple.” Why does it have to be simple?” Carlos asked. “It seems like I need a more complex solution to a complex set of challenges.”

Because no matter what you do, you can’t stop this one truth about leadership: You are going to be hounded, you’re going to be barraged, and you’re going to be interrupted. And there are two reactions you can choose between to address this leadership fact of life.” Carlos said nothing.

“You could just become a victim and say, ‘I can’t handle it, there’s just too much to do.’ That takes no imagination, it takes no courage, and it’s simply the easiest way to go—to complain about your situation. Maybe even complain to other people, other leaders, other managers, other family members; they will all shake their heads, and finally they will say, ‘You’ve got to get out of that business.’” Carlos started nodding in agreement. “That happens,” Carlos said. “But that doesn’t help me enjoy my job: to have friends and family feeding back to me that I ought to get out of the business. That makes it twice as hard.”

“Right! So there’s another way to go, and this is by keeping

the simplest time-management system possible in your life. This is the one that we recommend, and it's the one that most leaders have had the most luck with. It's so simple, you can boil it down to two words, if you have to. The words are these: *Worst first!*"

We worked with Carlos for a long time to get him to see that the best way to manage his time is not to think of it as managing time, but to think of it as managing *priorities*. Because you can't really "manage time." You can't add any more time to your day. But you *can* manage the priorities and the things that you choose to do. "Worst first," Carlos said. "What does that mean?" Put on a piece of paper all the things you'd like to do in the upcoming day. Maybe you've been jotting them down the last couple of days, but these are things that you know that you would like to do. The list doesn't have to be perfect. It can be all kinds of shorthand, and little pictures and drawings, all over a scratched up piece of paper. Then you *choose*, among all these things, the one thing that's the most challenging and important."

"How do I know for sure what that is? And how will this, in the long run, improve the motivation of my people? Isn't that

your area of specialty?” Yes it is, but until you get this down, you can’t motivate anyone. You have to have a solid place to come from. An organized place inside yourself.”

SOCIAL ENTREPRENEURSHIP AND THE MACRO PERSPECTIVE

With its focus on industry- or economy-wide changes, a macro perspective leads to a view of social entrepreneurship as a process aimed at making large-scale system changes. This would be accomplished through entrepreneurial innovations that have the potential to address significant and widespread social problems. This definition of social entrepreneurship is held and promoted by funding and support organizations, for example,

- Skoll Foundation : Social entrepreneurs are society’s change agents, pioneers of innovations that benefit humanity. Motivated by altruism and a profound desire to promote the growth of equitable civil societies, social entrepreneurs pioneer innovative, effective, sustainable approaches to meet the needs of the marginalized, the disadvantaged, and the disenfranchised. Social entrepreneurs are the wellspring of a

better future.

- Ashoka : Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems. They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. What sets social entrepreneurs in this tradition apart from conventional social service providers is that social entrepreneurs will use creativity, innovation, and resourcefulness in nontraditional, pioneering, and disruptive ways that aim at large-scale, systemic change. In order to have the significant, large-scale, systemic impacts sought, however, innovations must be developed and implemented on an appropriate scale. In the social entrepreneurship literature, this process is referred to as scaling for impact (or scaling up). A number of alternatives have been proposed for scaling up, or increasing, the impact of a social venture once it has been developed. According to the Center for the Advancement of Social Entrepreneurship , in the most general sense, "Scaling social impact is the process of closing the gap between the real and the ideal condition as it pertains to particular social needs or problems. Scaling social impact can occur by

increasing the positive social impact created, decreasing the negative social impact of others, or decreasing the social need or demand.

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social impact is the technique most often discussed. Scaling up has been viewed as a process that can be used for programs or services, organizational models, or principles. In this process, a social entrepreneur will first develop a concept (the beneficial program, model, or principle) and demonstrate its utility and effectiveness on a small scale and at a local level. Modest expansion can then be used to develop experience and techniques that will enhance efficiency.

Finally, full-blown scaling up through wide- scale expansion will provide the large-scale impacts sought. This can be accomplished through providing significantly more services (with the goal of increasing the quantity or quality of impact), diversifying the communities served or services offered, or expanding geographically. Geographic expansion, or branching, involves establishing new service sites in other geographical locations operating under a common name and using a common approach. Branching can prove beneficial in

a number of ways. It may result in much wider social impact through providing access to whole new communities.

Also, it may enhance the chances of organizational or program survival by providing access to new resource providers or partners. Finally, it may improve efficiency through economies of scale and enhance effectiveness through innovations resulting from local experimentation. In addition, scaling up can be accomplished in more indirect ways, including information dissemination or affiliation with others in networks. For example, a program model might be promoted through licensing agreements or partnerships.

Even more indirect channels are available, including influencing public policy, influencing social movements, or changing or creating markets through research, public influence, or advocacy or lobbying. Networks have been widely viewed as a particularly useful tool for social entrepreneurs and especially those seeking to extend impact and scale up. Networks could allow social entrepreneurs to collectively do things they couldn't do individually, such as expand total capabilities and reach, provide economies of scale, and enhance access to resources. They may be a way to

link organizations in the nonprofit, for-profit, and public sectors and in this way significantly advance the solutions to social problems, since the dimensions of significant problems typically span sector boundaries. It is useful, therefore, to consider some of the basics of network structures. A variety of inter organizational relationships are available for network formation.

They vary in terms of a variety of factors, including the level of engagement, importance to the mission, magnitude of resources involved, scope of activities, interaction level, managerial complexity, and strategic value. One useful way of conceptualizing inter organizational relations is in terms of the amount or level of control network partners have over each other. For example, networks of information exchange are not likely to involve any control by partners over each other. The coordination of activities, on the other hand, is likely to involve some mutual accountability for action. More intense cooperation could involve mutual agreements regarding the sharing of resources, and complete collaboration could involve mutual agreements about the sharing of resources, power, and authority. In addition, the establishment

and maintenance of any inter organizational relationship is difficult due to a number of well-documented factors including internal differences between organizations and the process of relationship establishment and maintenance (making connections, ensuring strategic fit, managing relationship, etc.).

For social entrepreneurship, particular issues might be the social objectives and expectations of the partners, the value of the exchange for each partner, and the extent and measurement of the social value produced. Divergent social objectives were discussed previously and the assessment of social value will be considered next.

In any case, these issues are especially likely to the extent that network partners have different missions, cultures, management styles, service philosophies, and so on. This may be especially problematic if partnerships are cross-sector, where internal differences may be especially pronounced. Regardless of the techniques available to them, managers must assess the wisdom of attempting to scale up. According to Taylor, Dees, and Emerson , there are costs and risks.

These include pulling the organizations from its mission (to

be discussed next), financial and human resource strains, and the risk of overestimating needs or demands. In addition, growth may hurt effectiveness and poor performance at a site may hurt the organization's reputation. Finally, control may require more bureaucracy, which may lead to less innovation, when, of course, more innovation should be the goal. Consequently, organizations should take care to balance the costs and risks with the potential for increasing impact. This may be more difficult when there is pressure to scale up from funders who want to demonstrate the efficacy of their funding of your program.

ENTREPRENEURSHIP AND THE MICRO PERSPECTIVE

In commercial or conventional entrepreneurship, the individual or organizational (micro) approach focuses on the entrepreneur's exploitation of market opportunities for arbitrage. The entrepreneur is motivated by profit and seeks to generate efficiencies that will generate more arbitrage opportunities.

For social entrepreneurship, the micro approach can, likewise, involve market orientation as a key element . This will lead to

a definition of social entrepreneurship as involving (or consisting entirely of) social enterprise, an approach that combines social impact with commercial income.

This is exemplified by what has been called a double bottom line or blended- value orientation, in which both financial and social returns are sought. In this approach, managerial considerations involve incorporating both social objectives and organizational operations within commercial markets. In general, the notion of social enterprise can be applied to nonprofit, for-profit, and government activity.

Chapter 5: Social Entrepreneurship

be generally defined to be an organization that has net positive externalities in its operations, products, and services, and indeed consciously attempts to increase its positive externalities and lower its negative ones . In terms of nonprofits and for-profits, social enterprise is conceptualized as occurring along a continuum in what are being termed hybrid organizations. Kim Alter has provided one of the most extensive discussions of various models adopted by these organizations.

Her typology considers corporate structure, mission,

programs, and finances. At one end of the spectrum of organization types are organizations relying on philanthropic capital and concerned exclusively with social returns. Purely philanthropy organizations appeal to goodwill, are mission driven, and seek to create social value, and income and profit are directed toward mission accomplishment. Organizations with these characteristics have been labeled traditional nonprofits. At the other end of the spectrum are organizations relying on commercial capital and concerned with financial returns. Purely commercial organizations are market driven, appeal to self-interest, seek to create economic value, and distribute profit to shareholders and owners. Organizations with these characteristics have been labeled traditional for-profits. Between these poles is a range of organizational forms concerned with both social and economic returns. These are referred to as hybrid organizations. Hybrid organizations have some mix of elements from the poles of the spectrum. Hybrid organizations themselves fall along a continuum and include

- nonprofits with some earned income;
- nonprofits or for-profits with a roughly equal concern for social and financial ends (often conceptualized as “true”

social enterprises);

- for-profits with some emphasis on social responsibility.

In this framework, social enterprise is defined as any revenue-generating venture created to contribute to a social cause while operating with the discipline, innovation, and determination of a for profit business. Social enterprises can be classified based on the degree to which they are mission oriented, ranging from completely central to the mission to unrelated to it.

Consistent with this, the activities of an enterprise can vary in terms of their social program content and the support they provide to social goals. On the one hand, enterprise activities could be synonymous with social programs, thereby completely supporting social goals. On the other hand, enterprise activities could only be partially overlapping with social programs, thereby supporting some social goals as well as some nonsocial goals. Finally, enterprise activities could be completely separate from social programs, thereby merely providing financing for social programs.

The role of profits in an organization could be a factor that distinguishes nonprofit and for-profit social enterprises. There

may not be any difference between the two organizational types in the degree to which a social venture is explicitly designed to serve social purposes.

In for-profits, however, while the venture's primary goal may be social impact, the for-profit structure of the organization necessitates strict attention to the financial bottom line. In addition, the for-profit setting may require more explicit and extensive use of financial objectives to guide managerial decision making and determine success. In the nonprofit context, social enterprise has been defined by the Social Enterprise Alliance as an earned-income business or strategy undertaken by a nonprofit to generate revenue in support of its charitable mission. Earned income can consist of payments received in direct exchange for a product, service, or privilege. The focus is squarely on the mission, which is consistent with the outlook expected of nonprofit organizations. The role of commercial activity in nonprofits is controversial, however. As mentioned earlier, nonprofits earning income is not a new phenomenon.

The contemporary impetus and pressures for nonprofit earned income strategies can be traced to funding difficulties for

nonprofits in the late 1970s. These were the result of inflation and recession, escalating costs, and tighter budgets for nonprofits. They were exacerbated by declining public support for programs of interest to nonprofits by the Reagan administration in the early 1980s. In addition, the 1990s saw more competition for grants and contributions due to the increased number of nonprofits.

Also in the 1990s, a series of scandals in the nonprofit sector led to an erosion of public confidence in the sector. Finally, the 1990s and onward saw the rise of a conservative ideological emphasis on market-based solutions in both the public and nonprofit sectors. Currently, a host of drivers and benefits are cited for nonprofit social enterprise including the following:

- Freedom from the constraints imposed by government or philanthropic dollars
- Diversify funding sources
- Fund overhead, innovation, or unpopular causes
- Sustainability for the long term
- Take advantage of new opportunities
- New expectations from funders: asking nonprofits to be-

come self-sustaining

- Desire to meet double bottom lines (social value and income) or triple bottom lines (social value, income, and environmental neutrality)
- Create entrepreneurial spirit in the organization
- Enhanced understanding of clients (needed for commercial success)
- Tests social value (since value can be measured by the willingness to pay)
- Add skills and competencies to organization
- Enhances profile of the organization among funders and community

On the for-profit side, several factors have been held as drivers for social enterprise, primarily an increasing concern about corporate social responsibility and the spread of for-profits into areas .

Management Strategy

been the exclusive or dominate service providers. There are numerous conceptualizations and definitions of corporate social responsibility. The basic idea, however, is that business has some obligation or responsibility to society. The

fulfillment of this responsibility can be seen in a firm's efforts to do more to address a social problem than the firm would have done in the course of its normal pursuit of profits .

While the idea has a history going back to the beginnings of the corporate form, the establishment of the legality of corporate philanthropy in 1945 gave the topic new relevance in the United States. Moreover, since the 1990s, there has been increasing pressure for corporations to conceive of their social responsibility on a global scale. This is primarily because in many cases national governments alone seem unable to deal successfully with global social problems. In addition, for-profits have expanded their activities into new social service areas. In some cases, these service areas have been opened to for-profits by government privatizations or change in provider policy. For example, the government may decide to let for-profits bid for contracts that previously had been reserved for nonprofits.

In addition, for-profits have moved into some social service areas to exploit opportunities to earn profits while providing social benefits. A high-profile example is the current interest among some for-profits in the "base of the pyramid." The

base of the economic pyramid is defined as the four- plus billion people in the world who earn less than four dollars a day and live in poverty. Conventional business has not considered the base of the pyramid a viable market because these individuals received services provided by governments and/or nonprofit organizations. Some corporations, however, are seeking new, creative strategies to profitably improve the social conditions in such target markets.

ISSUES IN SOCIAL ENTERPRISE

In this section, we will consider in more detail some of the issues currently being discussed regarding social enterprise. While the discussion of these issues has mostly been in terms of social enterprise in nonprofit organizations, the issues are also relevant to for-profit social enterprise. There is a vigorous debate about the near-term future of earned income activities by nonprofits. One camp is of the opinion that we are on the verge of a big increase in nonprofit commercial activity based on its promotion by key actors and practice by increasing numbers of organizations.

For example, Massarsky argues that social enterprise in the nonprofit sector has reached a tipping point, as indicated by a

number of markers including collective action, specific language and a common terminology, presence of debate or differences of opinion, increases in publishing and media attention, increases in resources available to support the issue or idea, a set of projected or actual changes in behavior, new policies or legislation, increases in activity among university faculty and administrators, and tools and metrics.

Most research on social enterprise to date, however, has been anecdotal in nature. Until more systematic research accumulates, the claims just made must be seen as speculative. Moreover, data does not show that there has been a large increase in commercial income in the nonprofit sector . An additional question that needs to be addressed is the degree to which nonprofits that rely heavily on earned income are successful in their ventures, and there are doubts about the extent of nonprofit success to date .

In addition, it has been speculated that problems in the capital market may prevent expansion. Nonprofit sources of capital (donations and grants) are insufficient and the link to performance is weak. For-profit sources of capital (debt and equity), on the other hand, do not recognize social value

creation, and high-risk capital is only available in certain sectors. In addition, basic questions remain concerning the positive and negative impacts of nonprofit commercialization on different types of nonprofits, on the nonprofit sector and its various subsectors, and on community or society.

As this indicates, multiple levels need to be considered. For example, social enterprise may benefit particular organizations, but might harm the community, the sector, or society. It may diversify nonprofit income, but may reduce the presence or impact of nonmarket activity or values. Of course, debates about the characteristics, extent, and consequences of market and nonmarket aspects on society have been held for a long time. Social enterprise should be brought more explicitly into these discussions. One way to proceed as these discussions develop is to adopt a contingency view of social enterprise.

The question then becomes not if, but when, how, and with what effect social enterprise takes place. In addition, more research is needed on the limits as well as the advantages and disadvantages of providing goods and services via social enterprise techniques as opposed to traditional philanthropic

or public provision techniques. Of concern are impacts on

- the nature of the goods and services produced;
- the distribution of these goods and services;
- the recipients of these goods and services;
- the producers of these (the impacts on nonprofits);
- other stakeholders, including the community ,neighborhood;
- the sector and the consequences of more blurring and blending of organizational forms;
- society, including the availability of social benefits.

There are also a host of organizational and managerial questions. What are the organizational impacts of social enterprise on various types of nonprofit organizations? To what degree are ventures viable and what are the consequences of venture failure?

How should opportunity costs be conceptualized and taken into account? What are the impacts in terms of mission drift, organizational culture, and accountability to constituencies or the community? Finally, increased commercial activity may threaten the legitimacy as well as the tax exemption .

Social Entrepreneurship and Social Enterprise

sector is based We will examine two of these issues here. A

major question for both social entrepreneurship and social enterprise is how to define and measure the social bottom line variously termed the social value, social returns, or social impact of social enterprise. While a long-standing question for nonprofits, this question is also of great relevance to for-profit organizations. Because for-profit organizations have explicit concern about profits and experience difficulties in measuring social impact and assigning value to it, they have problems making decisions about investments or resource allocation.

In the broadest sense, things are valued because they are judged to be good or worthwhile. More specifically, several types of value have been distinguished. Outcome value results when something improves people's welfare and quality of life. Activity value, on the other hand, lies in the process by which an outcome is produced. Finally, excellence value is created when an outcome or activity inspires others to strive to learn and excel.

Assessing social value, therefore, may involve determining the value of things that can't be easily, directly, or at all monetized, such as social capital, cohesion, or quality of life.

Without such an assessment, however, how does an organization know to what degree it has provided social value and in what ways the financial bottom line relates to this? Several recent discussions of this issue are illustrative.

The Aspen Institute has proposed the term social impact management to mean , the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between these realities. For this type of management, three aspects of a business activity need to be considered:

- Purpose in both societal and business terms
- Social context the legitimate rights and responsibilities of multiple stakeholders need to be considered by management, and proposed strategy needs to be evaluated for both financial returns as well as broader social impacts .
- Metrics there needs to be measurement of both social performance and profitability for both short- and long-term time frames .A recent study sheds light on the current state of affairs in social-impact assessment and points to numerous issues. In Rockefeller Foundation and the Goldman Sachs Foundation hosted over 50 funders to discuss the issues

surrounding assessing social impact and social return on investment.

The discussion concluded: “The field has yet to establish a common understanding of ‘social impact’ what it is or how to measure it. Currently, measures of impact vary from funder to funder and organization to organization. Sixteen social impact assessment methods currently in use in the nonprofit and for-profit sectors were presented to the group. Four prominent social-impact assessment tools used by nonprofits were discussed and evaluated in detail.

- Roberts Enterprise Development Fund: OASIS;
- New Profit, Inc.: Balanced Scorecard;
- Edna McConnell Clark Foundation: 70 indicators; and
- Coastal Enterprises, Inc.: SROI and longitudinal data.

This discussion of the use of social-impact assessment methods identified a number of challenges. Conceptual challenges exist because the best practices are not standardized and theories of change are not aligned among grantors, investors, and nonprofits.

Operational challenges exist because values cannot always be measured, quality implementation of assessment is essential

but difficult, third parties may be needed to help achieve more technically sound assessment, and time horizons for output and outcome measurement are long. Structural challenges exist because significant diversity exists within each nonprofit field and reporting requirements are not usually aligned among funders, creating difficulties for recipients.

Finally, practical challenges are entailed because funders often lack clear goals, funding priorities may be inconsistent and shift, and trust and mutuality between funders and recipients are limited. Given this evaluation of the state of the field as described in the report, it appears that while social impact assessment is important and a number of approaches are being developed, much remains to be done. We conclude with the consideration of another issue often raised in connection with social enterprise in nonprofit organizations mission drift. It should be noted, however, that this issue is also relevant to for-profit social enterprises.

In general, mission drift can vary in severity and can be characterized by both internal and external factors. Internally, when mission drift occurs, mission will not provide a good guide for daily activity and opportunities will be pursued even

if they do not further the mission. Externally, it will be difficult to identify or understand the organization's mission by observing its actions. Richard Male and Associates list a number of indicators of mission drift, including the following:

- Focus on income first and build programs around the dollars
- Income acquisition is seen as a problem or crisis
- Key organization members are not clear what the mission is
- A core of board members/volunteers pushes the organization in certain directions
- Large turnover of staff or board members
- Media coverage and publicity are very important
- Frequent questions about adherence to ethical standards
- Organization is coasting not on cutting edge of creativity or effectiveness .Numerous commentators have noted possible tensions between nonprofit missions and market orientation in organizations pursuing double bottom lines. It is held that balance and trade-offs are necessary for social enterprise activities. The goal and process of generating both social and economic value can result in decisions and actions that can be in opposition to each other.

ENTREPRENEURSHIP MARKETS

Earned income by instituting or increasing client fees or charges may result in decreasing social impact. Conversely, extending services to new clients may necessitate increased costs. In these cases, managers must calculate the financial and social trade-offs involved and both market discipline and organizational ethics and integrity must be taken into account. Mission drift under these circumstances would occur where activities to meet financial goals begin to dominate or change social missions or mandates. Mission drift entails a number of possible negative consequences. A nonprofit's reputation among stakeholders and the public may be damaged. In addition, funding may be jeopardized if funders feel that donations are no longer necessary because commercial income is sufficient. Finally, a nonprofit's organizational culture could be threatened by the introduction of market-based outlooks or the hiring of business and industry experts or professionals.

The assessment of mission drift is made more problematic in that organizational change is a very complex process. Change could take place in any part of the organization, including highly visible and formal factors, such as mission statements,

strategy, or objectives, or in much less visible day-to-day staff directives, service delivery details, or service recipient outcomes.

Management may have relatively little difficulty assessing changes in the visible and formal factors but much more difficulty observing changes in the less visible activities. The problem is that missions and strategies are often general enough to be met in a variety of ways. Detecting mission drift, therefore, may require management to look at changes in day-to-day work activities. Making things more complex is the possibility that these activities may, in fact, drift without there being any changes in official mission or strategy statements. In addition, even if there are changes, there is the question of whether they are due to an emphasis on financial goals or are the result of other factors (such as a change in the environment).

Finally, if the social mission of provision of social benefits has, in fact, changed, to what degree are these changes positive or negative? It could result, for example, in a renewed sense of purpose in the organization. On the other hand, it could damage the organization's reputation, split the

organization's culture, and decrease services to the community.

CONCLUSION

The goal of this chapter has been to shed light on current discussions and debates about social entrepreneurship and social enterprise. These are areas of considerable interest to both practitioners and academics and a wide range of actors have become involved. Developments are being made on both conceptual and practical fronts and significant dollars are being spent by major funders.

Both social entrepreneurship and social enterprise, however, raise a number of issues. Social entrepreneurship is just starting to explore and find its definition and place in both the nonprofit and for-profit sectors. Given that it is a manifestation of the powerful process of entrepreneurship, however, it has the potential to make major and positive contributions. If researchers and practitioners together can discover how organizations can promote and harness innovation and creativity and bring these more effectively to bear on social problems, the constituencies of these organizations and society as a whole will benefit greatly.

Social enterprise, on the other hand, has been discussed for some time and is being vigorously promoted. Basic questions remain, however, regarding the proper conceptualization and role of market and nonmarket orientations in both the nonprofit and for-profit sectors.

These questions and issues have, however, been relatively well identified in the literature and addressing them furthers our understanding of current practices and points to future applications. This will both advance our understanding and improve the management of socially oriented nonprofit and for-profit organizations.

ENTREPRENEURSHIP AND ITS IMPORTANCE

First, what is entrepreneurship, why is it important, and what is different about *high technology* entrepreneurship? While there are many definitions, we define entrepreneurship as a process of innovation that creates a new organization (new venture or start-up).¹ An entrepreneurial venture is a relatively recently founded firm that is both young and small, but not by design and not for long.

High technology entrepreneurs seek high growth and expect their ventures to develop into complex enterprises.

Entrepreneurship thrives in countries whose national institutions and social norms support new venture creation and when collaboration is facilitated between industry, government, and educational institutions.

Entrepreneurship is important because it fosters economic growth. The rate of entrepreneurship surged throughout the world in the last quarter of the century, thriving in countries as diverse as China, India, the Czech Republic, Turkey, Korea, Ireland, Peru, and the United States, according to the Global Entrepreneurship Monitor ,a 4 -country, 5-continent study of the dynamic entrepreneurial propensities of countries. GEM investigators reported that a country's rate of entrepreneurial activity is positively correlated with national economic growth .Entrepreneurs expand existing markets by identifying niches, thereby increasing competition and economic efficiency. They also create entirely new markets by developing innovative products as well as innovative applications and variants of existing product lines. New markets present profit opportunities to others, spurring further economic activity. Worldwide, the rate of early stage (nascent) entrepreneurship varies across countries from a low

of .7% (Belgium) to a high of 40% (Peru), with the United States and Australia at 10% and 1 %, respectively. However, this rate also depends on the demographic cultural and institutional characteristics of each country.

Of the 4.7 million business firms in the United States in 2004, 99.7% employed between 10 and 100 people, accounting for 45% of the total private payroll, and just over half of 11.4 million workers in the nonfarm private sector. Small firms created 60% to 80% of *the net new jobs annually* for the last decade, and are *more innovative* than their larger counterparts, producing 13 to 14 times as many patents per employee.

They also account for up to 80% of sales of new innovative products in the first years after launch. Patents filed by small businesses are twice as likely as those filed by large firms to be among the *top 1% of patents* in subsequent citations. These are the “high technology” small firms that offer wealth creation, jobs, and economic growth because they are so innovative.

High technology describes the “technology intensiveness” of a business or industry, which is often measured by money spent on research and development (R&D) as a percent of

revenues to develop innovative products and technologies. The all-industry U.S. average research and development R&D/Sales ratio is 3.4%, varying from less than 1% to a high of 0%. High technology industries' rates range from 8.3% for the U.S. semiconductor industry to 0% for the software industry. Other measures include the fraction of all employees involved in R&D or with advanced degrees or technical education. Biotechnology, nanotechnology, electronic device manufacturers, photonics, and medical instruments are considered technology-intensive industries.

What is "high technology" is relative to whatever else is available: It depends upon *when* you ask the question. In 1890, "high" or cutting-edge technologies included petroleum refining, street railways, machine tools, and telephones.

In 1990, it was electronics and computers. By 2007, consumer devices like the iPhone and nanoengineered materials are high technology, as are genetically engineered medications that target specific diseases. What was "high technology" in one era quickly becomes the accepted norm in the next. *High technology entrepreneurship* is the process of starting a new venture based on scientific advances or a technology not

generally in use or not in use in the industry in question. Recognizing opportunity, gathering needed resources and people, structuring an organization and bringing the product to market are all aspects of new venture creation and each can be challenging.

High technology entrepreneurship differs from entrepreneurship in nonscience-based industries, because it creates a higher proportion of innovative products than nonscience-based entrepreneurship, accounting for the Small Business Administration's patent citation counts and other measures of innovativeness previously mentioned. High technology entrepreneurship is also high in risk, because the market .

Technology Entrepreneurship

success of a new technology cannot be forecast and because new ventures face "liabilities of newness," or a greater likelihood of failing than older, established firms .

High technology entrepreneurship is also potentially high in rewards, because new technology can transform whole

industries and create new markets. Entrepreneurship is the most likely entry to market for new, “disruptive” technologies those that change the way business is done, rendering older methods obsolete .

Established firms tend to improve existing technologies and products, rather than introducing wholly new ones. Innovation does take place in large corporations. Consider, for example, IBM’s development of the System 360 , Texas Instruments’ introduction of commercial silicon transistors , or Monsanto’s shift into biotechnology .Because significant innovations are rare in established firms, we focus on entrepreneurship, new ventures, and start-ups. Would-be entrepreneurs must find new technologies, generate viable commercial applications, mitigate risks, create profitable paths to market, accumulate the necessary resources to proceed, and organize all this into a new, independent entity. New businesses fail at a higher rate than older, more established firms, especially businesses based on new science and technology.

Yet it is difficult to predict which new ideas, innovations, and technologies will succeed to yield the new jobs, wealth, new

industries, and new technology applications that make high technology entrepreneurship so attractive. Dell Computer Corporation, a well-known exemplar, began as a part-time business in a college dormitory room, but became the world's largest personal computer firm with worldwide sales and market capitalization of more than \$50 billion by 2007, about 15 years after its founding.

Dell's highly information-intensive business model uses computers and the Internet to serve both consumer and corporate customers and set new standards for service, delivery, and convenience. But how do innovations and new technologies come into commercial use? Where do the ideas come from in the first place, and how do they come to be accepted? We turn first to a brief survey of selected frameworks about entrepreneurship and then to innovation and technical entrepreneurship in the United States.

THEORIES OF ENTREPRENEURSHIP

Joseph Schumpeter an early century economist, argued that innovation by entrepreneurs led to “gales of creative destruction” as innovations caused old products, ideas,

technologies, skills, and equipment to become obsolete. More contemporary researchers concur that new technology drives economic growth by displacing older expenditures of capital, labor, and time as well as providing goods and services formerly unavailable, or available only to the very wealthy, as well as longer life, and better health.

Yet despite centuries of scholarly attention, no general theory about entrepreneurship has emerged, nor have substantive disciplinary theories of entrepreneurship, so we cannot systematically compare alternative theories . Instead, we consider five frameworks that have evolved to account for the phenomenon: two are “macro” frameworks that examine the firm in its external environment, industry, and institutional context; two others are “micro” frameworks addressing entrepreneurs and entrepreneurial teams. The social network approach to entrepreneurship, which we will discuss last, lies in between.

Liability of newness

At the macro level, both theory and research show new organizations failing more often than older firms, the so-called “liability of newness.” All organizations are dependent

upon and constrained by their social system, but new organizations must create new roles, a process that is time consuming, may involve trial-and-error learning, has the potential for interpersonal conflict, and is imbued with inefficiencies in execution of the new roles and the venture's work .New ventures rely primarily on social relations among strangers, and interpersonal trust is initially low among strangers, so relationships are precarious.

Loyalty and thus the commitment to the venture's goals are also uncertain complicating efforts to efficiently execute a business plan. Lastly, new ventures typically lack external legitimacy, so establishing relationships with potential customers and suppliers is difficult: new organizations must start from scratch. Where existing rival organizations have strong ties to customers, it is more difficult for the new organization to displace rivals. Despite the difficulty of first gaining customers, the greater those customers' reliance on the new product or service, the greater their stake in the venture's survival. It is not unusual for customers to invest in new ventures that supply critical products or services.

Less obvious "social conditions" affecting new firms'

survival include a nation's institutional framework. For some 40 years after World War II, private property was outlawed in China under its communist government. Entrepreneurs were not allowed to join the Communist Party (the sole political party) until the late 1990s, and the political institutions of China did not support the founding of new ventures.

In Japan, which has a history of economic domination by a small number of very large industry groups, entrepreneurship is still not common (although it is becoming more so among the young). "Lifetime employment" by a large company was the prevailing social ideal, and it remains socially shameful to be laid off, fired, or out of work in Japan, for a man.

Chapter 6: Entrepreneurship Sectors

A high technology entrepreneurship; most Japanese technology firms began as subsidiaries of much larger firms, rather than as independent start-ups. Japan and China have different institutional arrangements than the United States, and thus different social conditions.

New firms in science-based industries face an additional

liability in their search for innovation . The time required to create new product knowledge is uncertain, making it difficult to predict when the first working prototype will be complete, or when income from first sales will be realized.

The new firm must spend cash without revenues to support itself for months longer than expected, and those attempting highly innovative products take longer to reach first revenues , raising the likelihood of failure. Why are newness liabilities important for a potential entrepreneur? The simple fact that new firms fail at a higher rate than established firms describes the relatively high risk as well the substantial challenge of high technology entrepreneurship. For a discussion of practical actions entrepreneurs might take to mitigate these liabilities of newness .Good textbooks on entrepreneurship also review multiple sources of risk for a new venture, along with risk mitigation strategies .

Death rates: Industry size

One prominent framework argues that as the number of new firms in an industry (called a population) increases, the death rate of new firms decreases. However, after a certain point, death rates increase again. Referred to as “density- dependent

death rates, this same relationship has been found in a wide range of industries such as credit unions, telecommunications, semiconductors, newspapers, and hospitals .The practical implication is that death rates of new firms differ as industry size increases over time; first movers face a particular challenge.

Researchers argue that population density the number of firms in an industry—determines both the level of *legitimation* of the industry and the *degree of competition* within it . As density increases after a certain point, further density creates greater competition for resources, driving up mortality rates. There are several practical implications of these ideas. An entirely new type of organization the first of its kind will struggle to establish its legitimacy with other suppliers and customers and thus face greater likelihood of death.

As other new firms enter, the industry's increasing density increases legitimation for all, improving the likelihood of survival for any given firm. As more firms compete, death rates increase again because there are too many firms competing for similar resources, creating an industry “shake out” when the less fit firms fail.

Entrepreneurial Characteristics

Micro level research investigates entrepreneurs such as indigents who start street stalls in underdeveloped countries, to the technical specialists who start high technology businesses. Conventional wisdom holds that entrepreneurs are more comfortable with risk, more achievement oriented, and more self-directed. Ethnic minorities, women, and immigrants are often entrepreneurs perhaps because of barriers to entry or advancement in mainstream businesses, or a desire for more personal control over outcomes. ethnic and minority enterprise, on family-friendly organizations. However, classic personality trait research has not been able to predict who will become an entrepreneur or who will succeed. Yet important psychological and cognitive variables such as differences in opportunity recognition, expectancies for performance, and attributions do distinguish entrepreneurs.

Key characteristics of entrepreneurs center on their ability to recognize opportunities: This ability is a function of their personal networks; their ability to think “outside the box” of conventional thought; their personal experience; or their ability to see that *their* problem is also the problem of many

others. Entrepreneurs are often highly networked: Their wide social contacts link to key resources.

A review of entrepreneurship dynamics highlights these distinctive capabilities but we focus on high technology entrepreneur- ship dynamics rather than on entrepreneurs' personal characteristics.

Teams of entrepreneurs

Because small businesses tend to be relatively simple undertakings, they are often started by a single individual. By contrast, new high technology firms tend to be founded by teams of entrepreneurs .One reason is that entrepreneurship is a social network process . Most of the resources required to start a new venture must be obtained through others, including introductions to potential investors and help recruiting key talent.

Ventures founded by a *team of entrepreneurs* will enjoy larger and more diverse networks individual members' networks multiplied by the number of founders on the team (minus any redundant elements of their networks).

Then, too, the tasks required to found a new high technology venture are complex, and can easily overwhelm the

knowledge, experience, and available time of any single individual. Contemporary science-based technologies are typically multidisciplinary, requiring the input and collaboration of multiple specialists to bring a new product or service to fruition. Among new science-based ventures, firms founded by fully staffed teams (that is, those having top management members who cover all critical business

High Technology Entrepreneurship

functions) bring first products to market faster than less adequately staffed teams . Ventures developing a new technology product must rapidly build key capabilities within the first year, attracting quality personnel in essential functional areas and building functional integration across the new organization, which speeds first products to market. Ventures lacking key staff will lag in building such integration. New ventures benefit from a “strong” founding top management team of three or more members with a range of industry and functional experience in addition to more recently trained technical experts. Ventures with strong founding top management teams have the highest revenue growth rate in their first four years , a higher probability of

reaching \$ 0 million in revenues, and a higher probability of going public. A strong team's variety can also be reflected in its diverse social network.

Entrepreneurship as a social network process

A growing body of research sees entrepreneurship as a social network process in which entrepreneurs draw on their personal networks for information, advice, and specialist expertise capabilities not yet developed in the start-up. In short, networks can provide a firm with access to a wider range of resources, information, markets, and more resources entrepreneurial start-ups need to recognize opportunities or compete effectively .Networking with established firms can provide an array of benefits including social capital , trust and access to the broader network's resources through informal as well as formal relationships (for both U.S. and non-U.S. entrepreneurial firms . Other benefits include credibility or legitimacy like vouching for the quality of technology or new products. Such links are most valuable when they are complementary to the skills, capabilities, and resources of the entrepreneurial firm , when they stimulate new learning or capability , or when they provide resources the

entrepreneurial firm lacks altogether .

Further benefits from networking, alliances, and similar ties accrue for independent as well as “corporate entrepreneurship” efforts.⁶ In short, network ties are critical to successful entrepreneurship. We turn next to the U.S. innovation system.

Innovation system

Because the United States has been the most prolifically entrepreneurial society, there is great worldwide interest in the U.S. innovation system, how it works in comparison .

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