the Final Wave

the *HCap international* philosophy

HUMAN CAPITAL

For enlightened leaders, there is **one** big question:

"How do I improve my company's performance?"

When you've taken the time from putting out the fires of the day, you may be able to think strategically about matters such as performance improvement. And when you do have time to ponder this important question, what solutions do you consider?

There is no shortage of theories on the subject of "doing better." Gurus and consultants usually have concentrated on complex formulas, technology, quick fixes and flavors of the day.

We know there is a more lasting solution. In these next pages, we at HCap International are going to talk about what helps and hinders success. We believe that the various overly complex methods or "waves" should be permanently replaced with a model that focuses on the only true and enduring competitive edge: the ingenuity, creativity and drive resulting from committed people, Human Capital. We call that model the HCap Success Model, a model that is the antithesis of much that is going on today. It's not complex and it's not, gasp, high tech. It does, however, help you answer key leadership questions.

So, consider those leadership questions:

- How can I get my senior executives and managers to lead rather than to manage?

- How do I get a team commitment from shared goals coming from a single vision?

- How do I create in my people a feeling of value?

- How do I make my people better so that the organization can reap the necessary benefits?

- And the final question is the biggest one: why do companies have such a hard time getting positive answers and results for all these questions?

The single biggest factor inhibiting success is fear!

Fear manifests itself in myriad ways. Most of us fear change, no matter what we say. Costly rework plagues most organizations as fear causes employees to hide their mistakes rather than learn from them. We fear vulnerability, looking soft before our peers, subordinates or superiors. We avoid risk, and consequently fail to seize an opportunity, (so we analyze or create a task force) because we fear making a wrong decision. We fear conflict so we let the hard issues slide. Fear has other cousins: jealousy, selfishness, pettiness, timidity.

There is only one way to drive out the destructive and paralyzing forces of fear — build trust. High trust relationships increase productivity, creativity, openness, cooperation, morale, and commitment. And, if your people don't trust you and each other, you are doomed to being less than you can be.

Trust is the glue of all relationships: marriage, family, team, customer, employer-employee, and friendship. Trust is the sum of behaviors and actions — it is built over time. One action doesn't build trust, but one event or behavior can destroy it. One of the greatest compliments is to label someone as trustworthy.

Trustworthy individuals and organizations are:

- **Self-aware and empathetic** — they have a realistic view of themselves and are sensitive to others

- **Honest and consisten**t — they always follow through on their commitments

- **Genuine and open** — their words and actions are true and congruent and they avoid being enigmatic or mysterious

- **Loyal** — they keep confidences and they support others when not in their presence

- **Handle conflict directly** — they are honest in confronting issues and they see the futility of assigning blame

The trust that drives out fear is the foundation of our Success Model, which is depicted in Figure1. We are so concerned with devastating effects of fear and the importance of high trust relationships, we've placed these opposing behaviors as the base of our model. We've constructed a model that examines the essential elements of success. From a foundation of trust, HCap International holds that it is critical to build a culture that focuses on communication, values, and performance.

Capping the Success Model is the element that creates the guidance system for any great team — Goals. The single most significant factor in improving performance is goal setting. Whoever said that we hit what we aim at was right on. Motivated people respond to expectations and scorekeeping. Again, this is simple, but in practice, too often ignored. Whoever said that we hit what we aim at, was right on. Motivated people respond to expectations and scorekeeping.

Let's take a look at the Success Model and discover how the models work together to create a seamless formula for high performance.

Current Reality

It turns out that the stuff that really matters is human capital. Study after study has shown (i.e., stock price, return on equity, profitability — real dollars) investing in people really pays off. We believe if leadership nurtures the right values and relationships, companies can crush their competition by all the classic business measurements — revenue, profits, ROI. They'll also win on another scoreboard rarely tracked: loyalty, retention (employees, shareholders and customers), commitment, and yes, even fun.

Human capital is an asset, not an expense. Why, then, the tragic waste of ingenuity and spirit? We think that the answers lay in the people themselves and how they communicate. It's a baffling that leaders (members of the "people" category, incidentally) after rising to level of leadership, sabotage their own success by forgetting the value of their people. Instead, their people become headcount or part of a strategy.
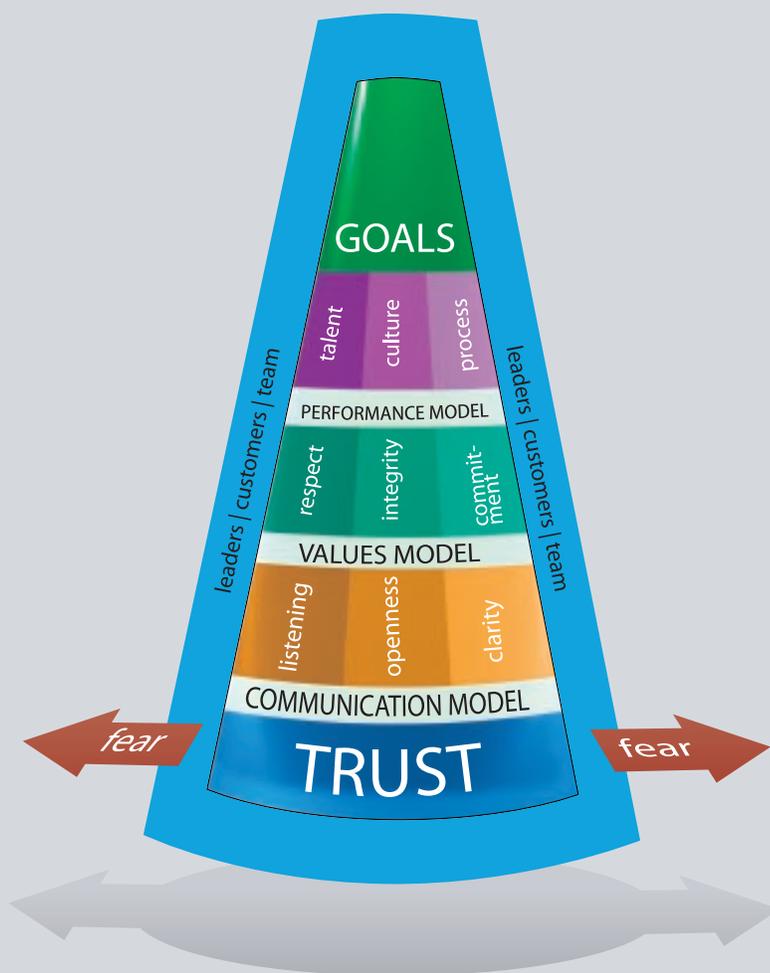
Why models?

We believe that models are the most powerful learning devices available to adult learners. They build a lens through which to view a complex system. They allow us to see an entire picture as a simplified and coherent construct.

Most of the billions of dollars and millions of hours spent every year by international business wind up making matters more complicated. Complicated slows us down, distracting us from what is important. Great models are memorable and versatile. Most importantly, they should be easy to apply and create clarity when it's missing.

Complex formulas and methods are hard to remember, hard to apply, and hard to teach others. We forget something if it has too many elements. When we can't remember something, we can't use it. If we don't use it, we lose it. We want our tools to make organizations more effective by being simple and effective. Fast and simple makes a team more nimble -- an essential quality given today's pace of change.

fg1. the hcap success model

GOALS

talent | culture | process

PERFORMANCE MODEL

respect | integrity | commitment

VALUES MODEL

listening | openness | clarity

COMMUNICATION MODEL

leaders | customers | team

fear ← TRUST → fear

COMMUNICATION MODEL

In the Communication Model, the skills we teach are the bedrock of creating the desired culture. Without these skills, the right values can't be transferred. Get it right -- highly motivated associates working effectively to create great customer relationships. But do it wrong – employees with poor morale doing sloppy work who keep fewer of your customers.

Let's examine some of those communication skills. The scope of this document allows for just some of the detail. These skills require training and practice — the payoff is enormous for the organization that makes it a priority.

We see three communication skills as foundational:

listening, openness and **clarity.**

Let's make the connections so that you see why we feel so strongly about these.

listening

The communication skill we use most is listening. However, it's the communication skill in which we have the least training or education. Many people apparently believe that since they can speak and hear, they must know how to listen. Sadly, that isn't true. Listening requires intent and focus. It's really as active as speaking when done properly.

We know that:

- Listening actively is motivating
- Listening to our customers' needs translates into more sales
- Good listeners are highly respected and sought out as leaders

Active listening is a competitive advantage. Listening as a competitive advantage starts with the realization that a respectful culture is essential. It also recognizes that when respect is present, then, and only then, can we develop the high trust relationships that creates a quantum difference in the marketplace.

openness

The second major component of effective communications is openness. Great communicators can't be guarded, enigmatic, or shifty. It's a contradiction. Instead, they must be open, candid, offering more, not less. When some one communicates openly, without fear or guardedness, we attribute a higher level of trust to that person.

Those who communicate openly create trust for they:

- Say what they believe based on their beliefs
- Are trusted with confidential information
- Seek to understand and avoid being judgmental
- Look for the good news and avoid cynicism.

Entire organizations can be "open." Open companies are always testing assumptions, seeking the truth about themselves and their products.

They communicate fully and openly with their employees and other stakeholders. They teach their employees the "numbers" so that there's high awareness of company performance. And they truly practice such things as an "open door" policy.

Not surprisingly, employees and customers can make hard and fast commitments to companies that practice effective listening, openness, and thus they begin to create high trust relationships. Let's look at this vital third element, clarity, and its relationship to the commitment that is so important.

clarity

How likely are you to commit your time, your energy and your hopes to a fuzzy ideal or mission? Far too often, employees are asked to "come early, stay late" when they don't have a clear vision of the "why." It's no wonder that employees are compliant, rather than committed.

In a world where spoken and printed words are beyond abundant, too little emphasis is paid to the clarity of the message. We extol a message that is persuasive. We give high marks for cleverness. There is no shortage of "noise" that bombards us through meetings, e-mail, voice mail, the Internet, TV, radio, and our daily conversations -- but are the meanings conveyed true and clear?

Clarity helps generate:

- Greater team effort by coordination focused on a common goal
- A sense of purpose that enhances performance
- Decreased panic and anxiety
- High respect, high trust and eventually high commitment

We've found that the most important messages about performance or behavior are often cloaked so that their effectiveness is diminished or eliminated. Is it fair to deprive employees of vital information because we are ill-equipped to deliver the message? And why is it hard to deliver the message clearly? It's usually our old nemesis, fear, that we must drive out before we can optimize our performance.

Effective leaders set goals and accountability to create purpose.

A clear message helps to create extraordinary results and commitment. Great teams are galvanized by clear purpose. The effective leader creates that purpose through the setting of goals and creating accountability. One of the leader's most important jobs is what we call creating "roles and goals." When the leader has created a high respect, high trust relationship with his employees, a strong psychological contract is formed. Then, the fuel for the engine of success is the clarity of the message. It creates a common vision, that powerful driver of team and individual success. Fuzzy message — fuzzy results.

When an organization has imbedded strong communication skills, it will find that its values mirror those communication habits. Listening skills build respect, openness develops integrity, and clarity inspires commitment. These values become tremendously important to the health and success of the organization. Let's examine their importance.

VALUES MODEL

To settle on just three values or behaviors as the essence of a healthy culture may seem somewhat bold, but extensive research and experience conclude that respect, integrity, and commitment are the right choices, and they work across the entire field (customers, team, leaders).

Here's how we see it:

Successful relationships begin with respect. If the relationship is nurtured by proper communication and behaviors, then integrity is perceived. Once integrity is established, we see actions that are reflective of commitment.

The sum of respect, integrity and commitment is a culture of trust, the enemy of fear. When these values are present within an organization, it fundamentally changes the performance of the company.

respect

Respectful relationships are founded on fairness, giving the other party his or her due, civility and genuine interest. When those aspects are present, relationships have a chance to deepen.

Look at the alternatives. The relationships among customers, teams and leaders fall into three categories: respectful, disrespectful (disdainful, possibly hostile and frequently exploitive), or apathetic. Of course, respectful is the only acceptable behavior for creating successful relationships. Unfortunately, many examples exist of relationships that pretend to be something they can't be. Because the foundation is not respect, these relationships usually turn out to be "user" relationships. Respectful relationships allow for true win-win relationships.

Obviously, win-win relationships make the workplace more productive and create an edge. There's considerable competitive power to be derived when leadership respects its employees, who in turn respect both their leadership and their customers. It's a fact that respectful relationships create more satisfied employees, higher employee retention, and greater customer loyalty. We also know that cultures that value respect create environments where integrity flourishes.

integrity

To build an incredibly strong team, integrity must become a part of your culture. Most of us say we already demonstrate that integrity — at least we say that as leaders or managers. The truth is, our employees don't believe in that integrity far too much of the time. Consistently respectful behavior can yield to mutual belief in one another. Dependability is a big factor in this equation — once we know we can rely on another individual, we are no longer fearful.

We believe strongly that the two major elements of integrity-based relationships are the consistency of behavior (keeping promises) and the openness of the communication, and consequently, the relationship. We establish a conviction in the other person's reliability, in his/her good will, in the desire to maintain a mutually beneficial and worthwhile relationship. We've found that cultures that promote openness, diminish politics and favoritism and maintain the dignity of their employees create a culture of integrity.

The organization that imbeds integrity as a part of its values has ultra strong employee and customer loyalty. With the extremely high cost of turnover, integrity and loyalty really impact profits. Turnover is the silent killer of profits and integrity your best defense against turnover.

commitment

This relationship relies on keeping both implied and stated promises. It is analogous to being committed. Commitment, like trust, is reciprocal. Give acceptance and integrity – get the same in return. Give commitment — get commitment in return. Let's look at commitment more closely.

Commitment is that higher state of energy, internalization, intent, level of caring, and devotion to keeping the promise. In the work place, the commitment continuum looks like this:

— sabatoge ··· apathy ··· compliance ··· commitment +

Much of our work is dedicated to working with companies to convert their neutral employee segment (apathetic or compliant) to committed. We are certain that the greatest potential gain of any organization is to tap into the creativity and energy of its existing team. To do otherwise is tragic and wasteful.

The source of this waste is frequently found in the "compliant" employee. For so many reasons (some which you can't ever change), that compliant individual is content to function just within (or barely outside) the requirements of the job. His behavior may range from insubordinate to passive aggressive to uninspired to always playing it safe or just to being pleasantly unambitious. The output varies, but at the end of the day, that individual's performance is disappointing and all parties pay the price: customers disappointed, managers frustrated, and employees unfulfilled, marking time.

But heightened levels of commitment have marvelous by-products: improved results, higher morale, better employee relations, lower turnover, fewer customer complaints, higher customer loyalty and improved profits. Whew! The commitments that employees make directly impact the commitments customers make.

This all comes from focusing on the right values, creating high trust relationships. Serving employees and customers both stem from the same roots: creating a fair, just, safe culture where promises are kept.

PERFORMANCE MODEL

The top layer of the Success Model is high performance. The Performance Model is both "diagnostic" (helps reveal the challenges) and "remedial" (helps fix the challenges).

For an organization to achieve optimum results and win its market segment, it must do three things: recruit and retain top talent, create a culture that enables the talent and process to thrive, and perfect its processes with special attention to aligning its strategy, employees, and customer requirements.

The model does not imply that companies aren't successful by focusing on one or two segments. We are saying that to be all that you can be, the organization must focus and combine all three. We've all seen companies that excel in one aspect and do well. Or, companies that hold on by being mediocre at all three. Any one of the three can cause failure. The model works well for sub-units, like a particular department or remote office. Let's take a close look at how talent, culture, and process all conspire.

talent

We're convinced that talent is the single most important aspect of a high performance team. In fact, we estimate that it's 75% of the game. Without "the right stuff," no amount of strategy, training, and good intentions can overcome the critical shortfall of missing talent. The talent requirement puts a premium on attracting, recruiting and retaining talent. There are essential tools that top companies use intelligently to create the environment that keeps its right people.

We know that attracting and selecting great talent cannot be left to chance. Understanding the ingredients for success and creating a tight recruiting protocol can pay big dividends.

Not only must the organization attract talent, but it needs to keep those human assets. That's where process and culture combine to create high retention. When talent is abundant, the other two aspects of the High Performance Model are enhanced. The right talent, by definition, is the talent that also helps you create the culture you desire.

culture

The second element is the organization's culture. Some business leaders attack culture initiatives as too fuzzy or immeasurable. Sure, it's the so-called soft stuff -- hard to measure -- yet we all recognize the effects of a winning culture versus a failing one. Winning cultures exhibit higher morale, a stronger sense of urgency and commitment, lower turnover, higher trust relationships, lower absenteeism, higher revenue per employee, and higher levels of job satisfaction. And yes, we can actually measure these.

We're convinced that successful organizations do more than just talk about values — they live them. This visible evidence of an organization's core values is the critical difference. All cultures have values, and all cultures communicate -- sometimes communicating the wrong values or unintended meanings. Our perspective is that winners create a culture that values respect, trust, and commitment.

Consider the prevailing climates of many organizations: high urgency, intense competition, shrinking margins, volatile capital markets, and continuous change. In other words — very high stress.

This climate helps create dysfunctional cultures that exhibit noticeable symptoms that we've seen before:

- Increased employee demands and higher turnover
- Changes in morale, fractured teamwork, passive aggressive or non-committed behavior
- Communication breakdowns
- Diminished sense of accomplishment in spite of stronger growth
- Customer service problems
- Increasing costs

How do you counteract this climate?
With the right culture.

process

That culture both affects and is affected by its processes. The processes of a company, its structure and methodology, can practically always be designed and executed better. Talent is required to recruit additional talent for high performers are rarely drawn to mediocrity. Strong talent doesn't necessarily create a championship culture, but it sure is hard to build it the other way.

We've already stated without reservation that talent is the major requirement of a high performance team. But we've all seen great talent wasted by poor strategy, poor leadership, and poor execution. There is no way to underestimate the importance of execution. We see it all the time in professional sports, as well as in the business context — good people frustrated by poor process and exasperated by the waste of time, talent and money.

While vision dictates strategy and strategy process, we can improve process in three ways: improve efficiency, effectiveness, or adaptability. We use a process called Six Sigma, a statistical measurement which helps draw comparisons and shows us where we need to go. Six Sigma is also a business strategy which helps us gain a competitive edge. It also encompasses a philosophy of working smarter, not harder. Like you, HCap is very fond of

smart… and simple… and practical.

Why HCap International?

We're certain that the foundational model we've outlined, the HCap Success Model, addresses the critical outcomes of any change process which is designed to improve the corporation. We are well aware there is no one, two, or three step model that fits every (or nearly every) company. But we do know that our models, focusing on key areas, can achieve remarkable results because they center on the three key areas essential to change:

- Effective communication which attracts and retains your most important asset -- your people

- The creation of a culture that values commitment over compliance

- Strategic, not reactionary, thinking that focuses on productivity and efficiency

What does that mean to you?

- You'll reduce your turnover and your employees will act like owners because your environment will be more fulfilling and enjoyable

- Your culture will reflect your vision

- You'll react to the market place faster and sell more effectively

- Your customers will be more than satisfied, they'll be delighted… so —

- Your results will improve!

Let's go back to the fundamental question that we posed earlier: As a leader, how can you improve your organization's performance?

We believe that there are incredibly powerful concepts, which we display as unified models, that can and should be the heart of your leadership philosophy:

- Establish a high trust environment

- Create the right culture through a foundation of values-based communicatio.

- Build an organization around the synergy of people, process, and culture

You've probably figured out by now that while the models are simple and understandable, people are not. Your human capital is truly your basis, your resource, your core. And what we'd really like to tell you now is that this is all so simple, we can create an environment and the success you seek in a day. But we can't – and we're not interested in trying.

We know that in order to get the results you want and need, you have to be willing to embark upon a journey with us. It's not an event or a fly-in feel good exercise whose results last all of a day, if that.

The process to achieve these goals is not simple. No smart men say that change is easy– but it is possible and practical, especially with the right tools, the right intelligence, the right guidance.

That's all we offer. That and a guarantee – if you do it the right way with us, your business will improve, substantially. That part is simple.

22712 NW Ashford Ct.
Blue Springs, MO 64105
816.229.1745

hcapintl@yahoogroups.com