

Theory E²: Working with Entrepreneurs in Closely-Held Enterprises

XI. The Acts of Appreciation

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Previous in this series of essays, I pointed to the metaphor offered by Hernando DeSoto regarding the nature of human capital. He suggested that human capital is often not fully actualized in many societies. Like the water that is accumulated behind a dam and that only generates energy after being sent through a generator, so human capital sits dormant unless there are structures, policies and cultural factors within an organization that helps to actualize this capital. Water in a dam must be channeled and transformed to useable (rather than potential) energy via turbines. Similarly, human capital must be channeled and transformed. IN this essay I identify several ways in which this transformation can take place in a closely-held enterprise through specific acts of appreciation.

Three Domains

There are three domains through which acts of appreciation can channel and transform potential human capital into organizational energy. These three domains are information, intentions and ideas. The *domain of information* is entered whenever we attempt to find out more about the current condition in which we find ourselves. In soliciting information, leaders act as researchers, asking questions that can be answered by a systematic collection of information. For example, if a college wants to know which of four academic programs are potentially most attractive to a particular group of prospective students, then a sample of these students might be asked to indicate under what conditions they would be likely to enroll in each of these four programs. The information obtained is valid if the students have been honest, if the right questions were asked and if the sample used was representative of the entire pool of potential students. If the information is valid, then the college should be able to state with some confidence which of the academic programs is most attractive to this population of potential students.

In understanding the current situation, however, leaders must not only seek information that is valid. They must also seek information that is useful. It must relate to the target that the leader and her team wish to reach. Thus, if the target concerns increased financial viability for a college, then a market survey will be of little use, even if the information obtained were valid. It is only useful if the costs associated with each of the four programs also can be determined, along with the acceptable tuition levels for this population of students regarding each of the four programs. It is surprising to see how often information is collected that relates only marginally to the problem faced by an organization!

Many realistic plans can be established and problems can be solved through the systematic collection of valid and useful information. This lies at the heart of rational, linear planning and modern management processes.ⁱ In other instances, unfortunately, effective leadership cannot exclusively be based on information about the current situation. Many organizational decisions, particularly those involving people rather than machines, center, at least in part, on conflicting goals, objectives or desired outcomes. Attention must shift from the domain of information to that of intentions. This domain is likely to be particularly important in today's society, where conflict in values and purposes is so common.

The *domain of intentions* is entered whenever we attempt to understand and clarify an organization's mission, vision, values or purposes. While research prevails in the area of information, clarification prevails in the area of intentions. Unlike traditional approaches to the clarification of intentions, which tend to emphasize enforcement or modeling, intention clarification focuses on the way in which mission, vision, values and purposes come into being. As we become clearer about our intentions, we will begin to produce solutions that are more and more consistent with these intentions. The process of clarifying intentions becomes richer and more profound as each of us moves toward greater maturity.ⁱⁱ A mature intention is freely chosen; it is not imposed (an imposed requirement is part of the situation). A mature statement of mission, vision, value and purpose is prized and affirmed; this statement serves

as a guiding charter for one's department or organization and is repeatedly acted on in a consistent and persistent manner.ⁱⁱⁱ

The *domain of ideas* is entered whenever an attempt is made to generate a proposal intended to move from the current to the desired state. Ideas are sometimes fragile, often misunderstood, and easily lost. While information exists everywhere, we often ignore or misinterpret it. But we can usually go back and retrieve it. Similarly, even though intentions may be ignored or distorted, they resist extinction. Their resistance to change is often a source of frustration: old values linger as do old visions and purposes. Good ideas, on the other hand, are easy to lose and hard to recover.

Settings must be created in which ideas can readily be generated and retained. Two processes are essential. Divergence produces creative ideas. Divergence requires a minimum censorship of ideas, minimal restriction on people offering their own suggestions and taking risks, and minimal adherence to prescribed rules or procedures for the generation of new ideas. The second process is convergence. People must be given the opportunity to build on each other's ideas, to identify similarities in their ideas, and to agree upon a desired course of action. Convergence requires leaders to observe specific rules and procedures, to listen to ideas and to be constructively critical of other ideas. The domain of ideas often requires leaders to display a subtle and skillful interplay between convergence and divergence.

Reflection and Action

An appreciative perspective not only blends information, intentions and ideas. It also balances phases of reflection and action. Frequently, members of organizations will spend too much time in reflection and never move beyond untested ideas, or they will move precipitously toward action with insufficient attention to either information or intentions. Appreciation requires a balancing of the two.

The *activist* is to be found in many contemporary organizations. The activist dwells in a world of ideas and action. Things are to be done immediately. The motto for the activist is: "Why put off till tomorrow what we can do today!" For the extreme activist, cautious deliberations are frustrating and demoralizing. She declares: "Let's get on with it!" The extreme activist tends to define the world in terms of courage and risk-taking. A second motto may be offered: "Nothing ventured, nothing gained." The extreme activist often suspects that the real problem of those who urge more deliberation is an unwillingness to take risks. This activist believes that action must be taken, even though not all the information is in and even though the proposed solution is not perfect. She would defend her precipitous actions: "Something is better than nothing."

By contrast, those who tend to dwell more on reflection than action are oriented either toward realism or idealism. Whereas the activist tends to dwell in the domain of ideas, the *realist* prefers the domain of information and the *idealist* the domain of intentions. The extreme activist views the idealist as hopelessly romantic. She is likely to describe the idealist as someone "who would rather build castles in the air than construct a durable bungalow on earth." Similarly, the extreme activist often perceives the realist as being an immobile, often obsessive person. He might declare that the realist "never lifts up his head high enough or long enough to see what is actually happening in the world."

Members of organizations are often pulled, not only between reflection and action, but also between realism and idealism. The extreme realist is careful and cautious, because of concern that new ideas may be enacted through wishful thinking (the failure of idealism) or without anticipating the consequences (the failure of activism). "Too many people," according to the extreme realist, "go off half-cocked, with very little sense of the resources needed to solve a problem and without a clear understanding of the current situation to anticipate all of the consequences associated with a particular solution."

The extreme idealist is someone who can pick out the flaw in any situation. Within minutes of arriving on a new job, entering a new relationship, purchasing a new home, or formulating a new program, the extreme idealist is imagining how things could be improved. She challenges the mundane reasoning of the realist and notes that new perspectives are needed on old problems if the activist is to be successful in generating proposals to solve these problems. Like the realist, the idealist is cautious and reflective, but not for a lack of adequate information. The idealist is concerned about confusion between means and ends, about losing the war while seeming to win individual battles through expedience. The idealist confronts the realist with his lack of courage. The idealist might ask: "If bold vision is lacking, then when will risks be taken and progress made? Without courage and vision, where is the capacity to endure against adversity?"

Effective participation in an organization, whether individually or in a group, requires an integration of these different perspectives. This is the key to appreciation: understand and appreciate the context within which one is working and assume an appropriate role in meeting the distinctive needs of the current setting. Appreciative members of an organization shift between the domains of information, intentions and ideas. When confronted with a new, unpredictable situation, an appreciative person will tend to become realistic by attempting to assimilate this new reality. When confronted with an old, unchanging environment, she will tend to become a daydreamer, creating images of how this environment might be transformed. When confronted with the press of time and events, the appreciative member of an organization will tend to mobilize his activism, creating proposals to meet these challenges.

The appreciative member is someone who will adapt to changing conditions by moving into all three domains. By contrast, the extreme realist will attempt to collect information even when the environment is unchanging and in this way will contribute to the resistance of this environment to change. Similarly, the extreme idealist will daydream not only under conditions of relative stability but also under conditions of rapid change and instability, and in this way will add to the instability of the environment and to its unpredictability. The idealist

under stress retreats to another world that is much safer. She should instead be confronting the current situation. The extreme activist will respond with hasty actions even when there is no press of time or events. She will even create crises where there are none in order to justify precipitous action. The failure in the activist's haste may, in turn, produce a new crisis that makes activism seem to be appropriate, thereby initiating a self-reinforcing crisis-management mentality.

When taken to an extreme, each of the three preferences tends to be ineffective in some settings and to create more problems than it solves. Reflection must be balanced against action. Furthermore, the period of reflection must provide opportunities for both the collection of new information and the clarification of existing intentions. An appreciative balancing and integration of reflection and action requires that action produces information and is based on information, that actions inform and clarify intentions, and that reflection leads to decision and action.

Concluding Comments

De Soto mentions that he is emulating his namesake, another adventurer named De Soto, in his venture into new lands and new perspectives regarding the mystery of capital. He suggests that the old solutions do not apply in a world that provides cable television to men and women living in huts with dirt floors. I would similarly suggest that we must be adventurers in our reform of contemporary organizations, for our world of the Twenty First Century is much too complex and unpredictable for deficit-based Twentieth Century strategies.

Where then does one begin this venture into a new land of appreciation and Twenty First Century organizational dynamics? More specifically, how does an organization fully release its human capital? How are members of an organization given a setting in which they can engage their inherent appreciative talents? In the Preface, I noted that Goodwin Watson distinguishes between organizational change strategies that focus on structure, and those that focus on process or on attitude. The culture of appreciation is created primarily through attitude-based strategies, while appreciative management is a product of successful appreciative processes.

Yet, Watson cautions us regarding reliance on either changes that are made in process or changes in attitude that are not complimented by changes in organizational structure. I have identified six structural strategies of appreciation that I believe help an organization create and sustain a culture of appreciation, as well as create and nourish appreciative leadership. The next series of essays on closely-held enterprises are devoted to a description of these appreciative strategies.

ⁱThis approach is best represented by the work of Charles H. Kepner and Benjamin B. Tregoe, *The New Rational Manager*. Princeton, N.J.: Kepner-Tregoe, Inc., 1981; and Lorne Plunkett and Guy Hale, *The Proactive Manager*. New York: Wiley and Sons, 1982.

ⁱⁱ Carl R. Rogers, "Toward a Modern Approach to Values: The Valuing Process in the Mature Person," *Journal of Abnormal and Social Psychology*, 1964, 668, 160-170.

ⁱⁱⁱ Louis E. Raths, Merrill Harmin and Sidney B. Simon, *Values and Teaching*. Columbus, Ohio: Merrill, 1966, pp. 28-29; see also: Sidney Simon, Leland Howe and Howard Kirschenbaum. *Values Clarification*. New York: Hart Publishing, 1972 and Howard Kirschenbaum. *Advanced Value Clarification*. La Jolla, CA: University Associates (now affiliated with Jossey-Bass, San Francisco, Ca), 1977.