

# Organizational Consultation: An Appreciative Approach

## X. Appreciation and The Release Of Human Capital

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Hernando De Soto is a remarkable economist and consultant to the leaders of nations throughout the world. He offers an insightful analysis of the reasons why some countries in the world have capitalist economies that thrive, while other countries have been unsuccessful in their enactment of capitalism—insights that inform our own appreciative model of organizational consulting. As a Peruvian who has consulted with the leaders of many third world and former communist countries, De Soto is fully aware of the problems encountered by these leaders in seeking to embrace Western capitalism. He believes, however, that the problem resides not in the absence of capital in these countries, but rather in the formal and legal processes whereby the vast capital that already exists in these countries is recognized.

In making his case for new strategies to bring these countries to economic prosperity, De Soto (2000, p. 42) offers the analogy of a lake that holds unrealized potential:

Consider a mountain lake. We can think about this lake in its immediate physical context and see some primary uses for it, such as canoeing and fishing. But when we think about this same lake as an engineer would by focusing on its capacity to generate energy as an additional value beyond the lake's natural state as a body of water, we suddenly see the potential created by the lake's elevated position.

De Soto suggests that many third world countries are like the lake. They possess many assets that have never been fully recognized. These assets can't be fully used as leverage for new investments, can't be traded on the open market, and can't be fully protected when disputes regarding ownership arise.

We propose that similar conditions exist in contemporary organizations. They also possess massive resources that are rarely realized in terms of their full potential. These resources are the talents, energy, commitments, skills, ideas and knowledgeable insights that emanate from those who work in the organization. This vast human capital stands as a lake that holds deep, unrealized potential. *An appreciative organization is one that fully realizes this human resource potential, and thereby releases its human capital, in full alignment with the fundamental mission, vision, values and purposes of this organization.*

De Soto suggests that two challenges confront a third world country. First, leaders of the country must formally recognize the capital that currently exists in the country. Second, these leaders must discover or invent a mechanism for converting this capital into a sustainable form that is useful to the country and promotes the welfare of the country. Returning to the analogy of the lake, De Soto (2000, p. 45) suggests that:

The challenge for the engineer is finding out how he can create a process that allows him to convert and fix this potential into a form that can be used to do additional work. In the case of the elevated lake, that process is contained in a hydroelectric plant that allows the lake water to move rapidly downward with the force of gravity, thereby transforming the placid lake's energy potential into the kinetic energy of tumbling water. . . As electricity, the potential energy of the placid lake is now fixed in the form necessary to produce controllable current that can be further transmitted through wire conductors to faraway places to deploy new production.

Similarly, for those who wish to consult with the leaders of an organization to make it more appreciative (engaging Model Two or Three Consultation), the first step is one of helping one's client to recognize the exceptional competencies that already exist in their organization. The second step is to help the client convert these competencies into fixed and sustainable forms that can further the intentions of the organization. According to De Soto (2000, p. 45):

What was required [in realizing the potential of the mountain lake] was an external man-made process that allowed us, first, to identify the potential of the weight of the water to do additional work and, second, to convert this potential energy into electricity, which can then be used to create surplus value. The additional value we obtain from the lake is not a value of the lake itself (like a precious ore intrinsic to the earth) but rather a value of the man-made process *extrinsic* to the lake. It is this process that allows us to transform the lake from a fishing and canoeing kind of place into an energy-producing kind of place.

The same holds true in an appreciative organization. It is not the structures, processes or culture of the organization that make it successful. Like the lake, these elements of the organization only hold its potential; they are not, in and of themselves, the realization of this organization's potential. An appreciative organization is successful in our contemporary world, because the value of these structures, processes and culture is acknowledged. *Appreciative consultative strategies enable an*

*organizational client to fully engage these structures, processes and culture in alignment with the organization's intention.*

De Soto (2000, p.45) has something more to say about capital. His wisdom is directly applicable to our understanding of appreciative organizations. Like the potential energy of the mountain lake, capital is dormant until such time as it is put to use: "Bringing [capital] to life requires us to go beyond *looking* at our assets as they are to actively *thinking* about them as they could be. It requires a process for fixing an asset's economic potential into a form that can be used to initiate additional production." Similarly, it is not enough to identify and enumerate the sources of strength in an organization. It is not enough to appreciate the contributions already made, or to be made in the future, by members of an organization. An appreciative organization has embraced a way of "actively *thinking* about" these strengths as they might be fully engaged by the organization.

## **The Nature of Human Capital**

Human capital may seem to be a dehumanizing term. This is because the word *capital* is usually associated with money and economic values, not with people or humanistic values. Then why use the term, human capital? This seems particularly inappropriate if we are going to take an appreciative approach in addressing the challenges of contemporary organizations. People are not just numbers on a balance sheet. We can't place a price on the head of any employee.

There are several reasons for embracing the concept of human capital. First, we can return to older meanings of the word capital. During Medieval times, the word capital referred not to money but rather to livestock. The primary medieval concern about capital centered on animal husbandry. Having acquired the land, how does one create an environment—in this case, a pasture—that is conducive to health, growth and vitality? Capital in medieval times was dependent on how much land one owned. It further depended on what the landowner did with his land and with those populating this land, whether they are cattle or people. Much like the engineer facing the lake, the medieval landowner had to release the potential of his land through the raising of cattle. Otherwise the land was worthless.

The land may be beautiful to view, or it might even be a site of historical importance. But it is of no practical value to the landowner. Pastures are living systems and contemporary organizations are living systems. *We propose that capital in an appreciative organization is primarily concerned with people and*

*humanistic values, rather than with money or economic values.* The potential of the contemporary organization is still only realized when a nurturing environment is created where human beings can thrive, express and grow their talents and find sustenance. Thus, we use the term *human capital* in this book to remind us of the living nature of most forms of capital extant for the past five to six hundred years.

We use the term human capital for yet another reason. Modern accounting principles identify human resources as either a financial expense or a financial liability. While land, buildings and machines are assigned a financial value and categorized as organizational assets, the salaries being paid employees are categorized as expenses. Long-term employment contracts may even be categorized as liabilities. Consequently, a financially savvy manager will recommend that machines replace employees, so that the organization's expenses can be reduced and its assets can be increased. We must counter this shortsighted assignment of employees to the deficit side of the financial ledger by repeatedly noting that the knowledge, skills and aptitudes of employees are viable and tangible assets of enormous potential.

Machines and buildings are not the only assets of an organization. The talents of employees also belong on the ledger, increasingly so in a knowledge economy. While it will require creativity to change the standard accounting principles, it is possible for us to restore the concept of human capital and to identify the means by which this capital can be assessed and assigned a value. When we take this stance, the appreciative perspective acquires some muscles. It moves beyond the softer dimensions of appreciative inquiry. The appreciative perspective becomes something more than a vague statement regarding the important role people play in organizations. *Appreciative consultants assist their organizational clients embrace strategies and frameworks that put human talents and machines on an equal financial footing and that place people at the heart of the enterprise rather than in a peripheral position.*

We use the term human capital for a third reason. We use this term to honor the insights offered by Hernando De Soto. He doesn't use the term appreciation, nor is he likely to be aware of appreciative inquiry. However, his commitment to finding and securing the wealth that is to be found among the poorest people in the world is among the most disciplined and humane form of appreciative analysis to be offered during the past two decades. We hope that our own analysis of hidden human capital in contemporary organizations does justice to De Soto's illuminating analysis of capital in underdeveloped countries.

## The Release of Human Capital

The word *release* has several interesting meanings, each of which helps inform the strategies being described in this book. One meaning of the word concerns the removal of barriers so that a dynamic system might move forward in a specific direction. De Soto's mountain lake illustrates this use of the term. When engineers design a system to make full use of the potential energy contained in the lake's water, they construct some device that first holds back or channels the water, then releases it through a system of turbines. In a similar manner, the role of leadership in an appreciative organization is to identify strengths in the organization. They then structure and channel these strengths, so that they might be released with maximum impact. Appreciation is not just a process of recognition; it is also a process of design. *Appreciation provides direction for the dynamic forces that operate in an organization.*

The word 'release' also conveys the idea of being set free, of being unbound. Release enables a transformation from captivity to freedom. Restriction, repression and confinement are removed, as in a convict's release from prison. From our own experiences as organizational consultants and coaches, we both know that the appreciative strategies offered in this book are often experienced as a release from a psychic captivity for the employees who benefit from their use. We propose throughout this section of the book that the traditional deficit approach to human resource management is outmoded in a Twenty First Century world that is filled with knowledge workers and independent contractors.

The deficit approach is destructive. It discourages innovation and depresses employee morale. It imprisons people, who yearn for liberty. De Soto proposes that poverty doesn't eliminate the accumulation of capital. It only eliminates the capacity of poor people to make use of the capital they have accumulated. Similarly, a deficit approach to human resource management doesn't eliminate the knowledge, skills and aptitude of an organization's employees; it only eliminates the capacity and willingness of these employees to reveal and make use of these competencies on behalf of the organization. An employee who is released from the prison of negativity and deficits will be released on her own recognizance. She will be free to make choices and be appreciated for distinctive contributions she makes to her organization.

A third meaning of the word release suggests yet another dimension of the appreciative organization. Release describes expansion and the act of giving out to the world. We feel a sense of release after a session of yoga or after listening to a Bach fugue. We are released from our sense of ego and self when we meditate or when we participate in an ancient ritual. We are released from our personal concerns and our preoccupation when we attend to another person, when we understand how members of another department in our organization perceive a particular event or when we can empathize with the complex challenges facing a leader in the Twenty First Century. This act of recognition and compassion resides at the heart of any act of appreciation. *We see. We understand. We honor.* This is the implicit credo of any appreciative organization.

There is a fourth meaning that comes from breaking the word into two parts: *re* and *lease*. When we examine the word from this perspective, it reveals a fundamental principle of appreciation. To *re-lease* is to reclaim or re-establish a trusting relationship. We take a new *lease* on life or renew our lease on a home or office. In appreciative organizations, we are mindful of the value inherent in rituals of re-commitment and re-newal. We honor the work already done and acknowledge the contributions made by all members of the organization to its distinctive character and achievements.

## Conclusions

*Appreciative perspectives always involve re-cycling through phases of reflection and action of an organization.* Appreciative leaders are always learning from past successes and challenges, while also leaning into the future. There is always rich learning to be derived from any organizational experience, be it a success or a failure. *For everything there is a season.*

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### Reference

Hernando De Soto (2000) *The Mystery of Capital: Why Capital Triumphs in the West and Fails Everywhere Else*. New York: Basic Books.