ADI

~~February 8, 1994~~ - Leadership Conference

February 8, 1994

Context

In preparing for this conference, we tried to anticipate the problems and obstacles in making the new organization we described yesterday work. Of course much remains to be done in completing the design of the next layers of the organization and in defining roles and processes by which the new system will work.

But, as I said yesterday, Jerry and I share the strong belief that improving the quality of relationships and the quality of conversations will help people deal more effectively over long distances and to build a new sense of community among those who will now have common objectives but who don't know each other very well. Also, more generally, the quality of relationships and conversations is at the core of learning to work more effectively in teams, which we believe will become an essential competency to compete in the future.

We cannot underestimate the value which people attach to having been part of communities like PMI, ADS or ADBV, especially for those groups located remotely. We have to discover how to retain the social and personal relationships that are an important part of the site environment, while building a sense of identity and a commitment to common goals within new geographically dispersed communities. This challenge takes us into relatively unchartered water in managing work and organizations, so we have to be particularly attentive to this aspect of our new design.

In one day we cannot hope to address the broad array of issues that confront us. But if we take only a small step to better understand how to build high quality relationships, this will set the mood for tackling the challenges ahead.

Link to TQM

To begin, I want to emphasize that the subject we'll discuss is not a new fad that is different from or in lieu of TQM. Rather, so far in TQM we have focused on the hard stuff to facilitate improvement work - that is, the tools and methods, like 7 step problem-solving, VOC and Hoshin Planning, and we shall continue to do so. But as Tom Malone of Milliken says, the soft stuff is actually more important than the hard stuff and much more difficult to master.

A lot of companies with mature TQM programs are coming to this same conclusion. For example, in asking HP where they see the next frontier in the evolution of TQM, they answered, "Improving the quality of relationships." They don't know yet how to do it, but they recognize, as we do, that it is very important.

We believe it will be possible to operationalize the soft stuff if you begin to think about conversations as a process which can be continuously improved by the PDCA cycle. That is, important conversations should be consciously planned to achieve their intended purpose and then checked after execution to determine how well the process worked and how to improve it the next time. With a little coaching and feedback, you will be surprised just how much your conversations can be improved and just how much what you say and how you say it affects the quality of your relationships and the effectiveness of your management style.

We can also think about organizations and business processes as networks of conversations which are mostly about making requests and promises on the one hand or offers and acceptances on the other. The performance of a company is determined in large measure by its competence in making and fulfilling commitments both to internal and external customers.

What do managers do anyway? The traditional model depicts managers as a decision-makers. One view of empowerment, to which I don't subscribe, is that you only need to go to your boss when you need a decision you are not authorized to make. Of course making decisions is part of the job. But in the real world managers mostly engage in conversations, both written and spoken, to understand and resolve concerns and conflicts, to reach agreement on goals for action, to deal with breakdowns - a lot of this through skillful listening and speaking.

So then we can conclude that the most important and universal tool and process which managers use is conversation and the most important skill is the ability to make intended actions occur through articulating, eliciting and coordinating commitments.

In learning the "how to" skills of conversations, we need to distinguish among several categories of conversations. For example, there is one type of conversation that has to do with changing the world by what you think and say. This is the vision thing. In looking back on my career, I believe I've had an ability to create visions or new ideas about what I think the world should become, but in retrospect, I have to admit that I wish I had been more skilled at enrolling people in my views. When we were a much smaller company, this was not a problem because I had direct responsibility for work, and I could influence others by what I did versus what I said. But as we became larger, my approach to managing change was to write memos, expecting something to happen as a result. But, in fact, nothing would happen or if it did happen, then only with inordinate delays.

It took me a long time to understand that if I wanted something to happen that was very different and complex, then I have to enroll people in my views. Authority doesn't work. In the enrollment process, I have to present my views in such a way that I remain open to accommodate other points of view.

This is very difficult for someone like me with strong views, but it is necessary, not only to avoid mistakes, but also to motivate others to join me with enthusiasm in changing the world or for me to join with them.

I've had to shift my conversations for future possibilities from a mode of advocating to a mode of inquiring. That is, I have to ask, "What do you think?" versus declaring, "It shall be." and then really listen to legitimate concerns and thoughtful alternatives. The power of teamwork is that each of us sees the world from a different perspective. Combining the wisdom of these perspectives is much more powerful than the narrow view of a single individual. It sounds simple enough, but it isn't because it goes against our natural instincts to care more about what we want than about what others want. If we are part of a community of inquirers instead of a community of advocates, then we can help each other keep our minds open. You might say this is a market-in versus product-out mentality taken down to the personal level.

But even achieving enrollment and alignment is not enough. Visions have to be translated into actions. To bring about the desired changes, you have to elicit commitments not only to ends, but also commitments to the means to achieve them, with explicit, mutually agreed conditions of satisfaction. Too often I have left conversations open ended with the belief that people would know what to do to meet my expectations.

But they didn't know because they are not mind readers. The job of leaders is to make sure that the interpretations of their expectations are accurate; that is, who will do what by when, where and how? The response to a request for action can be yes, no, let's negotiate or let me think, and I'll get back to you by X. But you need to have closure and precision in both the request and the response. We can think of this dialog as conversations for action as opposed to the conversations for possibilities that I first discussed.

Even with explicit commitments for action with precise conditions of satisfaction, very often these commitments are not met. Very special conversational skills are needed to cope with these breakdowns. When something goes wrong or doesn't meet my expectations, my knee-jerk reaction is, "Who's to blame?" "Who screwed up this time?" Human beings are automatically programmed to think in terms of punishment and retribution when their expectations are disappointed and particularly when their interpretation is that they have been wronged.

The proper response to a breakdown is "What was to blame?" "Why did this breakdown occur?" "What can we learn from this experience about how to fix the system, so this type of breakdown won't happen the next time?" If we profess to have respect for people, we cannot automatically assume when something goes wrong, that somewhere, somehow a jerk is involved.

Breakdowns occur for many reasons, but most often because of misunderstandings. That is, the conditions of satisfaction are not clear or not mutually understood.

As I said before, when you make a request, you have the responsibility to make sure that your request is properly interpreted. There are lots of ways to get closure on interpretation, essentially through inquiry, but you have to work at it.

Sometimes breakdowns occur simply because we forget, so we need to install a fail-safe tickler system.

Sometimes breakdowns occur because we make commitments in all good faith, but without visibility on other commitments which overload our capability to fulfill them all. So we need a tracking system that gives visibility to our commitments so we can be more thoughtful about our ability to deliver on our promises.

Sometimes breakdowns occur because shit happens, that is, our assumptions about the world are proven wrong by random events, misreadings of trends or whatever. In this case or whenever we learn we can't deliver on our promises, we need to inform those promised as soon as we know we have a breakdown so they can evoke contingency plans.

I learned about a McKinsey study on delivery performance of computer companies. HP was rated very high compared to McKinsey's client, whereas the facts showed clearly that HP performed no better on late deliveries. On closer inquiry McKinsey found that the big difference between their client and HP was that HP did a terrific job in keeping their customers informed when they knew they couldn't meet their commitments and exactly what they were doing to minimize the delays. In the end, customers care a lot more about knowing that you take your commitments seriously and that you are responsive when problems arise than they do about your missing commitments for unforeseen reasons.

When breakdowns occur, it doesn't accomplish anything to complain. Convert those complaints into requests or suggestions for correcting the situation or making it better the next time. Complaining is conversations with no possibilities. They are a waste of everyone's time.

What do we say when someone successfully meets their commitments with no glitches? The answer is we usually say nothing. But in fact, it's a time to celebrate, since it happens so rarely. Or, at minimum, we should say "thank you, I appreciate it." It's simple, easy and important and yet I know I don't do it very often, and I suspect many of you don't either.

It is motivating and empowering to recognize success and to give public credit to the source. We can think of this as conversations for completion to explicitly close out successful conversations.

The distinctions I've just described are the mechanical, transactional side of conversations. There are rules that if learned and properly applied, will get you much better results than just saying what comes naturally. Through practice, we can develop better conversational habits, particularly if as a team we practice together.

There is another side of conversations which is transformational. This is much harder because it requires a change in our way of being. These are the conversations on which high quality relationships are built.

In this regard, it is useful to distinguish between accountability and responsibility in our understanding of conversations. We can define accountability by what you have promised or committed to do. Your response to a request for action can be yes, no or let's negotiate. But once you say yes, you are accountable for your commitment.

We can define responsibility as your way of being toward the success of others. You can, if you wish, take responsibility for the success of an outcome that goes beyond your accountability. For example, you can take on responsibility for the success of the team or the success of your partner which is, as they say, beyond the call of duty. What made Michael Jordan so great was at show down time he had the attitude and the ability to take on himself the responsibility for the success of the team. Nobody can make you take responsibility in the way we are defining it. An individual imposes this responsibility on himself because he is committed to the success of the outcome or the success of others with whom he has a relationship.

This distinction is especially important in building high quality relationships and is most clear when you think about family life. I have learned that 50/50 relationships just don't work. You must be willing to take on more than your fair share of the responsibility and to stay out of conversations about who is to blame. If your way of being is to take 100% of the responsibility for the success of a relationship, then you are in more control of the outcome. You do this in family life because you are committed to the success of your relationships. Of course, over time if there is not a reciprocal commitment, the intensity of your commitment will undoubtedly wane.

To build high quality relationships in the work environment, we must be committed to each other's success. In this kind of relationship, when something is really important, we go beyond the contractual conditions of satisfaction of our promises and do whatever is necessary to achieve a successful outcome. High quality relationships are a way of coping with breakdowns, with the unplanned and unexpected events that occur; they are a way of catching those things that otherwise fall between the cracks; they are a way to engender cooperation and to avoid unnecessary conflict. Often the commitment to each other's success doesn't require that you do anything extra or different. It is merely the attitude with which you approach the conversation.

Another aspect of building high quality relationships is what I'll call concerned listening and speaking. As I mentioned before, when we are speaking, we must be responsible for the interpretation of what we say. We cannot assume that the meaning and intention of what we say is understood. This takes active feedback and probing and also clarity in our own mind of intended actions and commitments which we want our utterances to trigger. The reason why we complain so much is that it's easier to say what we don't want than to say what we do want.

(Jerry's model)

Concerned listening means listening for the concerns that people have, not necessarily listening to the words that they say. Concept engineering or Voice of the Customer methodology is concerned listening, trying to understand the latent, implicit meaning of what customers are saying. It takes probing and digging to discover the underlying concerns that motivate a customer's actions.

We are committed to achieving customer satisfaction, but how can we tell if the customer is satisfied? From our contact with the market, we have modeled our customer behavior and, from a TQM perspective, concluded that if we meet our commitments for Quality, Cost and Delivery, for example, the customer will be satisfied. But what if we meet the contractual conditions of satisfaction but the customer is not satisfied, then what? The conventional wisdom is, "Tough, a deal's a deal; we did our part." But if we are committed to successful, long term relationships, we have to be committed to the customer's success, and therefore willing to go back to square one to better understand the concerns which may be unique to that particular customer.

We are extending our model for customer satisfaction to include metrics for responsiveness and innovation. But whatever metrics we pick will be at best a proxy for the real customer concerns.

The point is we cannot confuse conditions of satisfaction, which is an assumed model, for the real thing; that is, your partner's true concerns, both inside and outside the company.

Concerned listening, then, is not only a skill to improve personal relationships and management effectiveness, but also a skill to execute the true spirit of the market-in concept.

There is a much more complex set of conversation skills and/or impediments which can have a tremendous impact on our effectiveness as managers and on the quality of relationships which I wouldn't go into now since they will be the topic of our seminar today. Let me just say that TQM teaches us to manage by facts. Understanding and processing the hard stuff, that is, the numerical data, is straight forward. But understanding and processing the soft stuff, that is language data, is extremely difficult. What is or is not a fact in language data can be and often is elusive, not because we are dishonest, but sometimes because we believe it is imprudent to reveal our true thinking or intentions. Or in other instances because we react automatically in what we say, because of subconscious defense barriers which we are not even aware of, or because the intention of what is said and the interpretation of what we hear go through unconscious filters. Our job as managers is to learn how to clean up the language data so that conversations achieve their intended purpose.

The reason why Jerry and I see these issues as so important is that we have been working very hard to improve the quality of our relationship as partners in leading the company. We have found that our conversation skills, coupled with our commitment to each other's success, largely determines the quality of our relationship.

We have learned from personal experience is that even after you make a commitment to each others success building a high quality relationship is a real challenge. Not only is it hard work but it requires new knowledge and skills, especially learning to effectively speak and listen to each other.

Once we really understand what each other is saying, there are few issues of substance where we disagree and no issues where we haven't been able to reach a comfortable accommodation. When things flare as they sometimes do, it is because we lapse back into bad conversation habits. That is, we find ourselves advocating and defending points of view without taking responsibility for the interpretation of what we are saying and without being committed to understanding the impact of what we are saying on the other person's position. Once we take the time to engage in competent conversation, the conflict quickly dissolves.

There are many relationships all around the company that can be dramatically improved and when they are improved, the capabilities of the company will be enormously expanded. It starts with making a commitment to mutual success and then it becomes a reality by developing the understanding and the skills to make it happen.

Bear in mind, that in my view, Jerry and I are still amateurs at this game. But even with our newly acquired primitive skills, we have made a lot of progress. We want to share with you some of the things we have learned about the soft stuff and together with you learn a lot more ourselves.

There aren't many people who know how to facilitate learning in this domain, and we are fortunate to have found Fred Kofman to help us. Fred is a Professor at MIT's Sloan School of Management and along with Peter Senge is a prime mover in MIT's Organization Learning Center. Serving on the Advisory Board of this Ctr provides me an opportunity to understand the best thinking on Organization Learning from people like Fred.

So we'll make a start today but the only way to get this stuff to work is to create a common understanding of the fundamentals and then to begin to practice with each other.With a commitment to mutual success and some candid feedback, we can help each other develop new skills that I believe can become a core competency in building a much more competitive company.

ADI Leadership Conference
March 28-29, 1995
~~(Edited Version)~~

Good morning. The purpose of the Leadership Conference is to create a shared understanding of a vision for the future - and to build alignment of interest and goals to achieve this vision.

Last year we completed the organization redesign started in 1990. We still have considerable development and fine-tuning ahead, but the basic structure is now in place that allows us to align worldwide resources with more focused product and market strategies. The nature of the business today requires ever increasing cooperation and collaboration between product divisions. Breaking down the stove-pipes and implementing performance measures and incentives to think and behave holistically and systemically remains a top priority.

And the Senior Management Team has to lead the way. To better manage organization interactions, we have clarified the role of the SMT and we are taking steps to create and foster an environment where the parts work more effectively together.

One of our jobs as the SMT is to generate a corporate plan that integrates all the pieces and creates a shared vision for the future.

I will spare you the details now, but in essence, the SMT is developing a 10-step business plan for the entire corporation similar to that deployed last year by each division and department.

Second, we will review and approve plans for the corporation as a whole and for each SMT component with special attention on how these components interact.

Third, at mid year CAPDo's we'll check results versus plans and review corrective actions.

Fourth, employees want and need to understand our goals, achievements and challenges -- where we are going and how we are going to get there. It's our job, with your help, to make sure these messages are delivered.

Fifth, it's our job to demonstrate - by example - the values that guide our actions and the new skills we need to learn.

In my view, the biggest challenge in achieving $2 billion by 2000 will not be our strategy nor our structure. Rather, it will be designing and continuously improving enterprise-wide business processes and developing the leadership skills that will be adequate to manage a company of this size and complexity.

The problems we see around us - many of them very serious - are not because people are incompetent and not motivated. Rather, our systems are inadequate to support a high performance organization. It's not who's to blame, it's what's to blame and how to fix it fast.

We have made commendable progress these past few years in identifying and focusing on the critical enterprise-wide business processes that need to be fixed. One of these processes is our system for learning and improvement, which we put under the banner of TQM.

We have been working hard to make TQM a way of life. TQM has helped us understand the importance of process improvement and has provided the tools and methodologies to go about systematic problem-solving and process redesign. Now our challenge is to master Hoshin management and integrate TQM with business planning.

So far, TQM has focused on the hard stuff -- the analytical tools and methods. But now the soft stuff - the interactions between people - stands in the way of progress.

At last year's Leadership Conference, we explored the possibility of operationalizing the soft stuff under the TQM banner by thinking about conversations as a process and what we can do to improve our language processing skills.

Today we'll continue this theme and also explore how to work better in teams.

Fernando Flores, whose books and articles have had a big influence on my thinking, makes the point that the cutting edge of process improvement has shifted over time. First the focus was on improving material processing - moving, shaping, transforming and creating materials - with the goal of improving product quality in manufacturing. Materials processing is a core competency at Analog Devices so improvements in this domain are still key to our success.

With the emergence of computer technology, information processing took center stage with the goals to reduce transaction cost and to improve the quality of service. The major investments we're making to transform our information systems and infrastructure indicates the continuing importance of information processes and service quality to Analog Devices.

Today, the focus has shifted to business process improvement - or reengineering as it's often called- as being the highest leverage point in creating high performance organizations. Consulting firms are coming ~~our~~ out of the woodwork as fortunes are spent to get help in this arena. The goal of business process improvement is to improve the quality of management and management systems.

Flores makes the distinction that material and information processes are inorganic, whereas business processes are inherently organic. The aim of material and information process improvement is to make the processes less dependent on people. We are learning, though, that business process improvement must take into account the human element - that is, people's motivations, concerns, fears, ambitions and most important, people's commitment - as the primary determinant of quality.

Business processes are people-to-people intensive transactions which depend on the ingenuity, credibility and integrity of human beings to cope with the breakdowns that invariably occur in business transactions.

Flores invented the notion of an atom of work as the fundamental building block of all business processes. That is, most transactions between people in business boil down to requests and promises on the one hand or offers and acceptances on the other. What is often missing from these transactions is a clear understanding of the conditions of satisfaction for the agreements and promises we make. Also, often there is no explicit declaration of the completion of a promise and/or a check to see if the performance was satisfactory to the customer.

A business process is a network of requests and promises linked across the organization as performers become customers in requesting commitments and actions from other performers in the organization. For example, here is the network of transactions required to make a bank loan, where various performers in the bank are requested to provide services to complete a loan request.

For recurring transactions, like bank loans or for order entry at Analog Devices, formal systems are set up to standardize the requests and conditions of satisfaction.

For system level or custom products, order entry is less standardized and reaching agreement on the condition of satisfaction is often the most significant part of a successful transaction.

But what do you do when the conditions of satisfaction are met, on time, but the customer is still not satisfied? To address this, Flores talks about the importance of building trustful relationships with customers.

At the center of any transaction between people are the underlying concerns of the customer and performer which intersect in a domain of common interest. In a free society, a successful transaction occurs only when the concerns of both the customer and the performer are addressed.

An agreement between customer and performer is based on a mutual exchange of value. That value is determined partly by the factual conditions of satisfaction, but also by an assessment by the customer of the performer. Can I trust this person? What are the risks and consequences of failure?

Customer satisfaction depends not only on the performer meeting the agreed on conditions of satisfaction, but also on whether or not the outcome addresses his or her concerns. For example, does the outcome enable her as a performer to satisfy her customer's concerns.

Flores urges that we look beyond just satisfying the conditions of a particular transaction to building trustful relationships with customers. Trust is built over time through performance. Also, trust is based on the customer's assessment of your sincerity, competence and involvement; that is, your commitment to a successful relationship. Customer relationships where trust is established are a very valuable, but hidden, asset of a company.

Fundamental to business process improvement is developing our skills to understand customer concerns and the capability and processes to consistently meet our commitments. The more we understand our customer's concerns, the more value we can provide.

This sounds simple. However, the capability to reliably and consistently meet commitments depends on networks of requests and promises that are linked to produce successful outcomes. In most companies, these networks were never explicitly designed; it just evolved out of necessity.

Therefore, the importance of negotiating clear and precise conditions of satisfaction based on a comprehensive understanding of the next step in the process and then meeting commitments at every step is not appreciated. That's part of what we need to change at Analog.

To develop robust business processes, we need to take competent, experienced people off the firing line and assign them full time to design and own processes.

For example, Goodloe is the process designer and owner of the planning process, but he is not responsible for planning. He defines the conditions of satisfaction and the responsibilities of the performers, but they do the planning.

Likewise, Gerry Dundon is the process designer and owner of the GOLD system. Similarly, Dennis drove the new product generation process. When someone owns the process, things happen; otherwise, they don't.

But there are times when even a well designed process doesn't work. One reason is the failure to blow the whistle when a breakdown occurs. This is less of a problem with external customers. Good customers usually try to work out problems with the performer. If that doesn't work, they quickly seek the process owner or a higher authority to insist that the promises be met. Often this can result in a better long term relationship between the partners. The performer recognizes the "right" of external customers do make this appeal.

Internal customer-performer relationships, though, are different.

When someone fails to meet a promise or even respond to a request, an internal customer often is reluctant to squeal on a peer. You just do your best and then live with the consequences. Over time, this not only erodes the relationship, but also degrades the entire company's performance. The challenge is to escalate breakdowns in a way to produce constructive results for all parties.

Obviously, it would be counterproductive to escalate every disagreement. Most transactions should be worked out between the customer and performer. But honest differences on critical issues need to be dissolved.

The process itself may need to be changed or the competence of one or more of the performers in the network may need to be upgraded. There could be a real or perceived conflict between the interests of customer and performer. The worse thing is to let these differences fester, when discussion with the process owner or higher authority level might reveal a possible resolution.

In fact, a primary responsibility of a manager is to create clearings or ways to resolve breakdowns which people may not see or understand from their vantage point. This is one area in particular where we need to change the culture of Analog Devices.

We need to establish a shared mental model of business processes where breakdowns are interpreted and dealt with as system defects not as personal conflicts.

That's why we need to upgrade our listening and speaking skills -- our conversation skills, if you will - as well as develop our ability to design and operate complex business processes. I look forward to hearing about how to do that more effectively from our speakers today.

We'll also be learning today about the Wisdom of Teams. We usually think about requests and promises as being made between individuals.

Commitments are even more powerful when they are made by teams. The network of requests and promises for individual commitments are an inherently serial process. Team commitments allow for more robust networks which collapse complex interactions into parallel processes.

Since learning to work effectively in teams is a prerequisite to achieving worldclass organization performance, I'm anxious to hear what our speakers have to say about teams.

For years, Deming preached that 80 percent of a company's problems should be laid at management's feet, not on workers' backs. A few years before he died, Deming admitted he was wrong. The number, he said, should be 95, not 80 percent.

What he was saying is that quality management is about improving the quality of management. When you think about the potential of self-directed work teams even on the factory floor, you can say everyone is or should be part of the management team - continuously learning and searching for better ways to do his or her job, individually and collectively.

I strongly believe that the high performance companies that will lead in the 21st Century will approach the job of management in very different ways from the past.

If we are to transform Analog Devices into a high performance company, all of us, at every level in the organization, must learn new skills and behaviors that will enhance our ability to interact with each other individually and as part of teams and groups.

We are building a Model for the New Leader/Manager for the New Analog and searching for change agents and training programs to help us develop new skills and to transform our behavior.

I have shared my Role Model for the New Leader before before, but I think it bears repeating.

a) Leadership is about creating a vision of future possibilities and enrolling others to see their fulfillment in these possibilities. A leader does not command, but inspires.

b) One of the greatest values of a leader is to help others develop their full potential. That requires us to continuously learn as well as to commit the time and effort to teach others, often on-the-job, by example.

c) It is not enough to manage the structure and processes we inherit. Management's job is to redesign and continuously improve the structure and processes by which work gets done.

d) Successfully performing our work is not enough either. We must understand how our work interacts with others in the value added chain. We must commit ourselves to their success and the optimization of the whole.

e) The most difficult skill to learn is listening to others' concerns and speaking skillfully in eliciting and making commitments to address mutual concerns.

f) Mutual trust is key to forging high quality relationships on which high performance organizations depend. Trust grows from honoring your word and meeting your commitments.

Deming observed that nothing significant occurs in organizational transformation until it first happens at the individual level. The behavioral changes required are so deep that we cannot make them on our own.

When my wife gets frustrated with me, she says, and I quote, "You read all this stuff about listening for concerns and conversation skills, but you haven't changed one damned bit. You don't care about my concerns or what I'm trying to say. You still have all the warts I've been living with for 30 years."

She's right. It's not natural to listen carefully, even to those you care deeply about. It is more natural to jump to conclusions and tell others what to do.

It takes practice in an environment where people are committed to each other's success. Where people are skillful in reminding each other when they get off track. It also helps to have a coach who can help you diagnose your actions and behavior and learn from mistakes.

As you can tell, I'm really enthusiastic about this stuff even though Maria says I don't practice it very well. But I keep trying to listen, learn and practice, and I hope you will, too. Our success - and Analog's - depends on it.

Corrected Copy

ADI Leadership Conference - D

May 29, 1997

1) We have used these conferences to not only report on the opportunities and challenges we face, but also to introduce you to new ideas about how to lead. In previous meetings we have emphasized the soft side of TQM as the best way to improve the quality of management.

2) We have advocated the Mastery of Conversation skills as the best opportunity to operationalize the improvement of the soft stuff.

3) The goal at previous Leadership Conferences was to create awareness and interest in Conversations. Over this past year, Analog Devices has worked with the Center for the Quality of Management to develop a 2-day conversation workshop to give those who are interested a deeper understanding of this subject and an opportunity to develop their conversation skills. A pilot of this workshop was rolled out at Analog Devices on May 20/21.

The feedback from the workshop was very positive and further improvements and adjustments are being made based on the feedback and suggestions we received from the pilot. Additional workshops have been scheduled. Larry Raskin will tell you more about this later today.

Our objective in offering these workshops is to create a critical mass of people who are grounded in the basics so they can practice with each other on improving conversation skills in daily work.

Our interest in conversations stems from the belief that the performance of an organization ultimately depends on the effective coordination of action to meet customer commitments, both inside and outside the company and on the quality of relationships which underlie these commitments. Conversational competence plays a key role in the reliability of our commitments and the quality of our relationships.

One of the goals of the first day of this conference was to focus attention on customers and competitors. If we interpret our work in conversational terms, we can say that customer satisfaction is about making offers, fulfilling promises, and, as a result, creating trustful relationships. An offer is a conditional promise or commitment; that is, I'll provide you this solution if you agree to pay for it.

Proactively making an offer is more powerful than respectively responding to a request since you have greater influence over the process.

One of the challenges that all large corporations face is the difficulty of reaching across organizational boundaries in order to combine resources and competencies to make more powerful offers to customers and having done so, to coordinate actions in order to deliver against our promises. Partly this problem stems from our method of measuring performance and the resulting tyranny of the P&L, but mostly it's about the quality of relationships. If we are truly committed to each other's success, then the range of possibilities for making powerful offers to customers is greatly increased.

Our ability to make powerful offers to customers is also limited by the extent to which customers are willing to openly share with us their concerns for the future. If we understand our customers concerns and their offers to their customers, then we are able to add more value to our customers' capabilities. But the willingness of customers to openly share their concerns depends on our having established trustful relationships. This in turn depends on the degree to which we have already demonstrated an ability to make powerful offers and then to reliably deliver against our promises. So there is a circularity here which requires step-by-step progress in developing a reinforcing cycle of mutual benefit.

By the same token, this cycle is quickly broken if we fail to meet our commitments.

The goal then of customer satisfaction is not only to complete each transaction successfully, but more important over time to build trustful relationships.

What is true for companies is also true for individuals. Our success as leaders is measured by the degree to which we build trustful relationships inside and outside the company, which in turn depends on our ability to make powerful offers and commitments and then to reliably deliver through effective coordination of actions.

We assert that trustful relationships and effective coordination of action are achieved through competent conversations.

4) CQM is continuing to explore new domains of conversation competence and new approaches to developing leadership skills. CQM's relationship with Dr. Rapaille, our speaker this morning, is an indication of the continuing work of CQM to research the best ideas and best practices in this field.

So far we have emphasized language and dialog as the primary determinant of effective conversations, but as we dig deeper into the subject, we find that emotions and mood also play a vital role.

Over the last 20 years, a great deal has been learned about how the brain operates.

This research has been popularized in a best selling book, Emotional Intelligence, which is listed in your recommended reading list, and magazines like Time, Newsweek and Business Week have featured articles on the importance of EQ vs. IQ. More recently, public attention and dialog was focused on the impact of emotion environment on learning and development in the controversy over the adequacy or inadequacy of day care centers in this respect on early childhood development.

As engineers and scientists, we are trained to negate the role of emotions in our daily work and to just stick to the facts. In reality, we are continuously immersed in the emotional mood of our environment and of our relationships. That is why we are concerned about the morale of an organization. The mood of a place is revealed by the way we listen and speak to each other. The space for possible action is expanded or constrained by our mood - for example, by excitement and ambition on the one hand or by resentment and resignation on the other.

Our deeper understanding of conversations indicates that a dominant skill of great leaders is the ability to influence the mood of an organization or group by what is spoken and listened to and the ability of the leader to inspire commitment and effective action. We are finding that the concerns which motivate our actions are centered more in the emotional than in the rational part of the brain. Our learning about conversations seeks to inform your awareness of the emotional side of leadership and the challenge to manage not only the content of conversations, but also to create the mood for effective coordination of actions and commitments.

Emotions are different from mood. Emotions are triggered by events. Moods are not related to particular events; they live as emotional states in the background from which we act. Like moods, emotions can have either a positive or negative impact on people and their behavior. For example, some events like a promotion cause happiness and excitement; other events like losing a order causes dejection and anger, maybe even fear.

And like moods, we can learn to manage the negative impact of our emotions. For example, in conversations, statements sometimes trigger negative emotions. In this case our instincts are to strike back which can lead to attack and counterattack and to a rapid escalation of negative emotions, sometimes leading to rage and even violence.

In the book Emotional Intelligence, this phenomenon is referred to as emotional hijacking. The wisdom of the ages tells us to count to ten before responding to a negative emotion, but why? I found a fascinating explanation for this phenomenon in the book, Emotional Intelligence. Explain the amygdala...

Well, I wanted to give you some idea of the work that is going on at CQM to further our understanding of conversations and to discover ways to help member companies create and implement new models for leadership in knowledge-intensive, fast paced organizations like Analog Devices.

My primary role this morning is to introduce our speaker, Dr. Rapaille. CQM discovered Dr. Rapaille through his groundbreaking research on the meaning and interpretation of quality in different cultures and societies. This research was sponsored by AT&T and is described in the reading materials for this conference.

CQM was invited by Dr. Rapaille to participate in research on discovering the meaning or as Dr. Rapaille will describe, the emotional logic of leadership in American culture. The co-sponsors of this research were Canadian Imperial Bank of Commerce, General Motors, Delphi Packard, Kellogg and The Ritz.

The motivation to sponsor this research was the notion that if we better understand what leadership means and what we expect from our leaders, then we'll have a better chance of helping our managers develop leadership skills.

Introduction of Dr. Rapaille

Dr. Rapaille is an internationally known expert in Archetype Studies and Creativity and has written more than ten books on these topics. His technique for market research, which I'm sure you will find very interesting, has grown out of this work in the areas of psychiatry, psychology and cultural anthropology. And his unique approach to marketing combines a psychiatrist's depth of analysis with a businessman's attention to practical concerns.

Dr. Rapaille received a Masters of Political Science, a Masters of Psychology and a Doctorate of Medical Anthropology from the Université De Paris-Sorbonne.